THE ROLE OF GOVERNANCE STRUCTURES, OWNERSHIP MODELS AND ORGANISING MODELS IN MITIGATING CORPORATE GOVERNANCE PROBLEMS OF STATE-OWNED ENTERPRISES

by

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Submitted in accordance with the requirements
for the degree of

DOCTOR OF PHILOSOPHY IN ACCOUNTING SCIENCES

at the

UNIVERSITY OF SOUTH AFRICA

SUPERVISOR: PROFESSOR BARRY ACKERS

JANUARY 2020

DECLARATION

I declare that "*The role of governance structures, ownership models and organising models in mitigating corporate governance problems of state-owned enterprises*" is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

I further declare that I submitted the dissertation to originality checking software and that it falls within the accepted requirements for originality.

I further declare that I have not previously submitted this work, or part of it, for examination at Unisa or at any other higher education institution.

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Adeyemi O. Adebayo

ABSTRACT

Many of the countries all over the world, with different experiences, own state-owned enterprises (SOEs). Even though these enterprises are useful socioeconomic policy instruments, evidence from most of these countries shows that these enterprises do not fulfil their mandates, especially when wholly owned, and in developing and corrupt countries. As a result, owning SOEs has become a trend rather than a means to an end. Several models, from privatisation, then back to renationalisation, have been attempted in mitigating the numerous problems of these enterprises. These models did not mitigate the problems of SOEs as they were, in summary, mere models backed by powerful advocates and favoured by the turn of socio-political and economic cycles at that time. However, irrespective of the numerous problems of SOEs, these enterprises can still be useful socioeconomic policy instruments now, as in the past.

Using multiphase exploratory mixed methods, this thesis explores ways of mitigating the problems of SOEs by developing a best practice structural corporate governance model that takes into account various aspects of corporate governance of SOEs. In this context, the empirical part of this study was conducted in three phases. The first phase analyses the contents of relevant enterprises' documents. The second phase analyses survey responses from purposively selected expert respondents from sample SOEs. The third phase analyses interviews from purposively selected expert participants from sample SOEs. Thus, this thesis determined the problems of SOEs, detailed the problem implications, identified contingent areas of the models considered vis a vis problems explored, extended the role of government, developed a conceptual framework, established useful models for organising and owning SOEs as a way of mitigating the identified problems, analysed the thesis statement and thesis propositions and developed a structural corporate governance model for SOEs.

The study found that the holding company model, both wholly and partly owned, appears to be better in mitigating corporate governance problems of SOEs, compared with the traditional wholly and partly owned models, with the partly owned model of the holding company model a better model compared with the other models. Thus, this thesis harnesses the stages detailed above into contributing to the field of scholarly knowledge by harnessing the stages described into developing a structural corporate governance model that takes into account relevant aspects of corporate governance of SOEs and related enterprises. Following this, this thesis proposes that, in addition to emulating the developed model, establishing a supervisory board that constitutes representatives from public and private role players, as well as other external assurance providers and regulatory inspectors is key in mitigating problems of SOEs, especially in developing countries.

This thesis contributes to the field of scholarly knowledge by synthesising disjointed literature on public entrepreneurship, developing and demonstrating a theoretical comparative sampling method, extending the role of government, theoretically developing a conceptual framework, dimensional theory, as well as developing a structural corporate governance model.

KEY WORDS

corporate governance; corporate governance model; government-linked companies; government role; organising models; ownership models; private-owned enterprises; Singapore; South Africa; state-owned enterprises; transaction cost economics

ACKNOWLEDGEMENTS

I deeply appreciate the Father of lights, the almighty God, for creating all the lights in the heavens, on earth and for allowing every good and perfect gift to flow down to us on earth from the heavens – no one compares to Him. I thank Him for His grace and mercy. I am sure of and trust He is in control; He is with me and He is still God.

I sincerely appreciate Professor Barry Ackers, my doctoral promoter for his patience, support, comments, guidance, advice and encouragement throughout the period of this research. I am indeed grateful to him. I acknowledge the efforts of and the advice, guidance and support from Professors Carolyn Cordery, Rodney Dormer, Racheal Baskerville, Jake Rose, Judy Brown, Tony Van Zijl and Ian Eggleton all of the School of Accounting and Commercial Law, Victoria University of Wellington, New Zealand and Michael Bradbury of the School of Accountancy of Massey University, New Zealand. A big thank you to each of them. I also appreciate the efforts of Professors Elmarie Sadler, Philna Coetzee, Elza Odendaal, Bienkie Shuttleworth, Lourens Erasmus and Leoni Julyan of the College of Accounting Sciences, Unisa. Thank you to each one. May God bless Ms Elaine Venter abundantly for arranging my meetings with the boss; I sincerely appreciate it. Special regards to my teachers Heinriech Cotzee, Professors Luc Bernier, Oliver Williamson, Yair Aharoni, Ian Eggleton, Jake Rose and Judy Brown. I aspire to become as knowledgeable in Public Entrepreneurship and Governance as they are in their various fields.

Importantly, I am especially grateful to my family for their understanding, patience, support and most importantly their invaluable prayers. This is a collective conquest! I appreciate and cherish everyone in the family individually. Family members include family friends and friends, particularly father and mother figures that have been supportive in various ways, especially those that constantly intercede for me in prayer. I am forever grateful. Each has a special place in my heart. I also deeply appreciate the invaluable time and efforts of the interview participants and the respondents to the survey questionnaire. This study would not have been possible without their crucial contribution. The Lord God Almighty in His infinite mercy will reward all accordingly.

Finally, I appreciate the assistance of the Unisa Library team in making this study possible. Also, for the part funding provided by the Unisa M and D Bursary scheme for this study. In this regard, many thanks to the Unisa M and D Bursary team for facilitating the process. I am grateful.

DEDICATION

To the Father of lights for life; life for all the invaluable insights, lessons and experiences throughout the research journey.

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ABBREVIATIONS AND ACRONYMS

ACSA— Airports Company of South Africa
AEMFC— African Exploration Mining and Finance Corporation
ANC— African National Congress
AU— African Union
APP— Annual performance plan
APRM— African Peer Review Mechanism
CPF— Central Provident Fund
CSR— Corporate social responsibility
DBS— Development Bank of Singapore
DBSA— Development Bank of South Africa
DESA— Department of Economic and Social Affairs
DPE— Department of Public Enterprises
ECIC— Export Credit Insurance Corporation
EDB— Economic Development Board
GBEs— Government Business Enterprises
GEPF— Government Employee Pension Fund
GIC— Government Investment Corporation
GOCs— Government-owned corporations
IDC— Industrial Development Corporation
IFRS— International Financial Reporting Standards
IMF— International Monetary Fund
JSE— Johannesburg Stock Exchange
JV— Joint venture
GLCs— Government linked companies
HR— Human resources
M&A— Merger and acquisitions
MAS— Monetary Authority of Singapore
MPE— Major public enterprises

NGBE— National government business enterprises

NPM— New Public Management

OECD— Organisation for Economic Cooperation and Development

PFMA— Public Finance Management Act

PES— Public enterprises

PSOEs— Partially state-owned enterprises

PIC— Public Investment Corporation

PRASA— Passenger Rail Agency of South Africa

POEs— Private-owned enterprises

PPPs— Public–private partnerships

PRT— Property rights theory

PSEs— Public enterprises

PSO— Public service obligations

PUs— Public utilities

RDA— Resource development approach

R&D— Research and development

SABC— South African Broadcasting Corporation

SBs— Statutory boards

SBC— Soft budget constraint

SAFCOL — South African Forestry Companies Limited

SEs— Social Enterprises

SIEs— State-invested enterprises

SOCs— State-owned companies

SoCP— Statement of Corporate Plan

SOEs— State-owned enterprises

SoSI— Statement of strategic intent

SU— Soviet Union

SWFs— Sovereign wealth funds

TC— Transaction cost

TCE— Transaction cost economics

UN— United Nations

GLOSSARY OF TERMS

Governance— Processes undertaken whether by government, private sector, network or market towards directing, managing and monitoring organisational actors towards the attainment of organisational goals (Chikwiri & Rosa, 2015, p. 28; Grossi, Papenfuß, & Tremblay, 2015, p. 277).

Government— The aggregate of persons that form the system by which a nation or territory is ruled or governed (Collins, n.d.; Merriam-Webster, 2017).

States— an institution of national administration. It comprises the government, the public service, the judiciary, the police as well as the armed forces (Stilwell, 2012:1). For the purposes of this study, and as used in similar studies, state means the same thing as country.

Transaction Cost Economics (TCE)— is an interdisciplinary approach to the study of organisations that encompasses economics, organisation theory, as well as aspects of contract law (Williamson, 1981, p. 573). The idea is that if the costs associated with organising transactions within the market are exorbitant, then these transactions can be organised within the firm in order to gain behavioural, social and economic benefits (Jones & Hill, 1988, p. 160). Thus, TCs entail costs that are associated with running an economic system (Arrow, 1969, p. 48). TCE views the organisational problem as that of contracting (Williamson, 1985, p. 20). Along these lines, the problem is posed as the accomplishment of a particular task that can be carried out using different modes of organising. The issue that then arises is estimating the likely costs of each organising form. Hence, a point of departure for TCE from traditional economic analysis is that the unit of analysis in TCE is the organisation itself, and not the commodity traded by the organisation. Thus, TCE regards the firm not as a production function but as governance structure necessary in governing a series of contracts (Williamson, 1998, p. 37). In this way, the focus is usually on assessing the ability of different governance structures, firms, markets, hybrids and others to minimise TCs.

CHAPTER 1

INTRODUCTION

State-owned enterprises (SOEs) have become important instruments of social and economic policy in industrialised mixed economies and in developing countries. The use of SOEs as public policy instruments and the resulting clashes between these enterprises and private firms on the one hand and government and other controllers on the other, are a cause for concern. Accordingly, public committees in various countries as well as international organisations have been searching for positive theory for guidance on handling the multitude of problems related to these enterprises (Aharoni, 1981, p. 1340).

"Then God said 'Let there be light' and there was light; and God saw that the light was good" Genesis 1: 3 (New Living Translation).

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1.1 Background

Despite the widely held belief that state-owned enterprises (SOEs), their related state-invested enterprises (SIEs) and sovereign wealth funds (SWFs) (sections 3.6 and 3.7) are wasteful, not useful, not needed and should be privately owned, there is growing evidence that they are useful socioeconomic policy tools, can perform well if properly organised and their objectives are clear and clearly communicated, and the role of the state in relation to these enterprises is clearly defined (Bernier, 2011, p. 399; Bhatt, 2016, p. 150; Jiang, Huang & Kim, 2013, p.49). In fact, prior to the First World War, SOEs existed around the world. In this regard, Datta (2014, p. 6) notes that European and North American economies, which were initially based on agriculture, changed their focus from land and labour to financial and physical capital; thus transforming their economies into entrepreneurial and manufacturing economies. In view of this, Seidman (1954, p. 183) submits that these enterprises multiplied during and after the First World War. These enterprises were strong and had better credit ratings than the states themselves, which improved their ability to borrow funds from overseas lenders at reasonable rates not usually available to states (Seidman, 1954, p. 184). However, in the early 1980s, advocates of New Public Management (NPM), which emphasises competition and the measurement of results and outputs, began to demand a smaller and more efficient government (Avsar, Karayalcin, & Ulubasoglu, 2013, p. 387; Grönblom & Willner, 2014, p. 268; Turner, Donnell & Kwon, 2017, p. 181). This was in response to the economic crisis of the 1980s, which some claimed to have been caused by public indebtedness, inefficient SOEs and inflation (among other things), as a result of public subsidies (Lora, n.d., p. 1169). Prominent among the proponents of a smaller and more efficient government were former leaders of the United States (US) and the United Kingdom (UK), especially Reagan (1981 to 1989) in the US and Thatcher (1979 to 1990) in the UK (Avsar et al., 2013; Grönblom & Willner, 2014, p. 268), as well as many of their advisers (Pollit & Bouckaert, 2011, p. 9). Reagan and Thatcher advocated the importance of privatisation, maintaining that privatisation would ease government responsibilities and increase efficiency (Asquith, Brunton & Robinson, 2014, p. 180; Talbot, 2016, p. 244). While this debate on the superiority of the private sector compared with the public sector in managing enterprises was going on, there was also

pressure for the adoption of the doctrines of the Washington Consensus (Gumede, 2016, p. 78; Turner, Donnell & Kwon, 2017, p. 181), with powerful advocates suggesting that the recommendations of the Washington Consensus were the only way forward for countries to effectively deliver on their mandates and for the market to thrive (Chang, 2007, p. 17). The Washington Consensus suggests ten economic policies, which were prescribed for crisis-ridden developing countries by John Williamson in the 1980s; these are meant in summary to stabilise, privatise and liberalise (Caldentey, 2008, p. 45). Because the policies entail expanding markets, privatisation (especially of SOEs) and macroeconomic stabilisation, among other things, this Washington Consensus has been synonymous with neoliberalism and/or market fundamentalism (Williamson, 2004, pp. 3–11).

The NPM reforms were wide-ranging and were imposed by Western governments on other countries, especially the developing ones, on a no reform, no aid basis (Chang, 2007, p. 17; Farazmand, 2012, p. 492). These privatisation arguments and conditions for aid (no reform no aid basis) led to the introduction of market mechanisms into the public sector. Although some countries such as China (Donald, Helmich & Gilroy, 2012, p. 569; Turner, et al., 2017, p. 181) did not adopt these market mechanisms in their entirety, most western countries did; notably the UK and the US. During this period, many countries privatised the majority of their SOEs, especially the UK (Turner, et al., 2017, p. 181). This privatisation continued until the global economic crises that occurred during 2007 and 2010. Thereafter, SOEs continue to be in existence.

Despite the wide-ranging privatisation, SOEs continued to be in existence (section 2.4.2.2). Consequently, there is a general understanding by states that SOEs and related enterprises are some of the socioeconomic policy tools available to states in delivering their mandates (Bernier, 2014, p. 253; Florio, 2013, p. 144). This use of SOEs and related enterprises as socioeconomic tools have been exemplified by some states (Pereira, 2008: 14), especially some Asian states (Hayashi, 2010: 47). As a result of this continuous existence and several other reasons, Bernier (2011, p. 399) advises that SOEs could continue to be useful socioeconomic policy mechanisms now as in the past. Furthermore, SOEs seek socioeconomic returns to make their countries more competitive and deliver more public goods, in addition to developing managerial and administrative capabilities

in the public sector. This development of managerial and administrative capabilities in the public sector is usually not a tenet of the doctrines of NPM. Hence, considering their socioeconomic importance, the number of SOEs continues to increase (Grossi et al., 2015, P.276). Therefore, Grossi et al. (2015, p. 276) and Rentsch and Finger (2015, p. 618) report that a majority of the workforce in the public sector works in SOEs and related organisations, and not in the core central administration. SOEs oversee about three-quarters of the public sector investments in terms of value, with ratio of debt often higher compared to the central administration (Del Bo, Ferraris & Florio, 2017, p. 89; Grossi et al., 2015, p. 276). Because of SOEs usefulness as socioeconomic policy instruments, the success of SOEs cannot be neglected by either government or society. This is because SOEs in many countries utilise a major part of their owning countries' national resources, and thus may either deplete or increase these national resources. Hence, their efficiency and effectiveness to a large extent determine the economic performance and competitiveness of their owning states (Grossi et al., 2015, p. 274; Kloviene & Gimzauskiene, 2016, p. 188). Following the above discussion, it is obvious that necessary attention should be accorded to these enterprises.

Consequently, it becomes necessary to evaluate the state's role as owner of SOEs in determining socioeconomic policy, determining the mandates of SOEs and the manner in which they are structured. Such structuring may include state intervention, controlling boards and/or regulatory authorities (Abramov, Radygin, & Chernova, 2017, p. 2). In relation to the role of government, the seminal author Adam Smith (1776, pp. 182–298) argued that the state has only three duties (he referred to them as being of great importance) to perform. The first relates to protecting the society, the second is concerned with establishing the administration of justice and the third involves establishing public works and public institutions (section 3.2). Keynes (1926) and Beveridge (1944) also argued that states have an additional role related to collecting and disseminating information about private enterprises, distributing and investing savings and reserves, and engaging in public and private business activities, as described in section 3.2.1 (section 3.2).

1.1.1 State-owned enterprises

For the purposes of this study, the term 'SOEs' means those enterprises that are created to attain states' social and economic goals. SOEs are sometimes referred to as state-owned companies (SOCs); government business enterprises (GBEs), as is the case in South Africa (South Africa, 1999, s1; Vergotine & Thomas, 2016, p. 67); public enterprises (PEs), as is the case in India (Bhardwaj, 2016, p. 86); and government-linked companies (GLCs), as is the case in Singapore and Malaysia (Chen, 2016, p. 303; Cheng-han, Puchniak, & Varonil, 2015, p. 62). However, for the purposes of this study, the term 'SOEs' is preferred. This is because the term is widely used by scholars, international organisations and academics (Grossi et al*.,* 2015, p. 275). Also, the term is essential since this study does not cover enterprises at regional or municipal levels. This study, following Florio (2014, p. 205), thus posits that a SOE that does not pursue a social objective is not captured in its definition of SOEs. However, there is a distinction between SOEs and statutory boards (SBs) and/or public/state entities (SEs). SBs (public/SEs) are those state entities, usually established within a state ministry, charged with the responsibility of providing public services (Huat, 2016, p. 506; Matui, 2010, p. 3). This study is concerned with SOEs and not SBs and/or public/SEs, even though these entities are also increasingly engaging in commercial activities as a way of ensuring that their revenue covers increasing expenses. Initially, in some countries like Singapore, most SOEs were SBs and/or public/state-owned entities, thereby providing public services such as transport, telecommunication, insurance, energy and financial services. However, in most countries, many of these enterprises have been granted some form of autonomy to pursue commercial objectives in order to contribute to national reserves and supplement the budget, while still delivering their initial public-policy objectives (Millward, 2011, pp. 377–378; Rentsch & Finger, 2015, p. 620). Sections 3.6 and 3.7 describes SOEs, state-invested enterprises (SIEs), which are enterprises in which states have stakes, and sovereign wealth funds (SWFs), which are enterprises that invest state reserves.

1.2 Research rationale

Contemporary academic discourse argues (Bhasa, 2015, p. 7; Grönblom & Willner, 2014, p. 268; Kloviene & Gimzauskiene, 2016, p. 188) that the majority of government business enterprises worldwide have not efficiently, effectively and adequately utilised their financial and other resources (in some context, these are referred to as fruitless and wasteful expenditure). This has resulted in these enterprises depleting national resources (Kankaanpää, Oulasvirta, & Wacker, 2014, p. 409). There are a number of reasons for this fruitless and wasteful expenditure. The first relates to the lack of strong corporate governance facilitated by the free-rider, agency and 'soft budget constraint' (SBC – fruitless and wasteful expenditure) problems (Amoako & Goh, 2015, p. 46; He, Eden & Hitt, 2016, p. 121; Moyo, 2016, p. 4; Simpson, 2014, p. 239). Free-rider problems entail lax behaviour by managers of SOEs as a result of inadequate monitoring mechanisms, while SBCs connote lax behaviour by managers since SOEs are usually regarded as too important to states to fail (Chang, 2007, pp. 14–15). The second reason relates to the coherence of the social and commercial objectives the enterprises pursue (Kankaanpää et al., 2014, p. 412; Pache & Santos, 2013, p. 975). When such objectives are in conflict with each other, enterprises usually do not know which of the conflicting objectives to pursue. Thus, it is often impossible to find a balance between the social and commercial objectives these enterprises pursue (Balbuena, 2014, p. 42).

Another important issue is that of corruption, in which its effects are more pronounced in developing countries (Belloc, 2014, p. 823; Li, Xia, Long, & Tan, 2012, p. 288). In addition to these issues, politicians tend to interfere in the affairs of the SOEs, which often results in cronyism and sometimes nepotism (Kankaanpää et al., 2014, p. 411). Subsequently, it becomes difficult to monitor and account for effectiveness and efficiency of these enterprises. Taken as a whole, since states invest a major part of their national resources in SOEs, stakeholders demand efficiency, effectiveness, transparency, public accountability and sustainability from these enterprises. For this reason, Grossi et al. (2015, p. 274) contend that the provision of public services and the consolidation of the public budget would be difficult to realise without powerfully, efficiently and effectively

governing and managing SOEs. Accordingly, it is necessary that actions be taken that will result in the sustainability, efficiency, effectiveness and accountability of SOEs. Thus, sound, effective corporate governance is paramount to SOEs achieving their mandates and fulfilling organisational effectiveness and efficiency.

In this context, although the literature on corporate governance has contributed to solving corporate governance challenges as well as other problems associated with SOEs, it has concentrated largely on ownership (Dumitrascu, Feleaga, & Feleaga, 2015, p. 92) and has erroneously treated enterprises as either public or private (Bhasa, 2015, p. 7; Bruton, Peng & Xu, 2015, p. 97; Ding, 2014, p. 170; Florio, 2014, p. 201; Grönblom & Willner, 2014, p. 270; Plūmiņš & Ščeulovs, 2016, p. 67; Wang, 2012, p. 487), with the exception of a few studies arguing that SOEs are hybrid organisations (Alexius & Cisneros Örnberg, 2015, p. 288; Christensen, 2015, p. 308; He, Eden & Hitt, 2015, p. 121; Pache & Santos, 2013, p. 972). These studies also base their hybridity argument on ownership. Another strand further complicating this organisational field argues that SOEs are a third sector between traditional government administration and private enterprises (Putninš, 2015, p. 815). Along these lines, literature has presumed that the solution to the corporate governance problem of SOEs is full privatisation, at least until recently when another strand of literature began arguing that the solution lies in full nationalisation. Hence, regarding the context of the problem statement, prior research has primarily focused on other aspects of SOEs that differ from the one this study pursues. These aspects relate to the organisational analysis of SOEs in terms of public and private enterprises, conceptual analysis pointing to future research directions, as well as studies on whether the public sector should be involved in commercial activities or not. A number of studies have focused on corporate governance in relation to SOEs, mostly in China, as China has the highest number of SOEs in the world (Cho & Huang, 2012, p. 50; Leung & Cheng, 2013, p. 92). These qualitative studies have also treated enterprises as either private or public. This in effect means that there has been excessive focus on comparisons between private and public enterprises, and on full nationalisation and full privatisation. Moreover, this excessive focus on private–public discourse has led to the conclusion by commentators that SOEs are hybrid organisations in terms of ownership. In this way, the complexity

regarding the hybridity of SOEs prompted Peng, Bruton, Stan, and Huang (2016, p. 311) to declare that there is a lack of understanding of 'hybrids' as regards SOEs, which influences the way in which they are owned, organised and governed. Further, although Daiser, Ysa, and Schmitt (2017, pp. 1, 18), following their review of EBSCOhost and Web of Science databases, reported otherwise, a more comprehensive literature analysis in this study shows that most of the research that has been carried out in this organisational field has been explored using qualitative methods (Blyschak, 2016; Cahen, 2015; Hai & Donnell, 2017; Peng et al., 2016; Songvilay, Insisienmay, & Turner, 2017).

This disproportionate use of qualitative methods implies that generalisability may not be possible. Therefore, as with the other problems identified above, there is a need to theoretically and empirically explore issues identified in the selected countries (South Africa and Singapore) in order to document country-specific corporate governance issues related to SOEs, as discussed in the section below. Owing to the fact that many SOEs in South Africa are in distress and often requiring bail outs, the focus is on SOEs in South Africa. Thus, the primary country of analysis is South Africa, with SOEs in South Africa being compared with SOEs in Singapore. Consequently, Singapore would appear to be the best practice for the purposes of this study. However, this is not the main reason for selecting Singapore for comparative analysis. The primary reason for choosing Singapore is theoretical: Singapore uses a different kind of organising and ownership model to South Africa – a holding company for SOEs. The models used in the two countries are backed by different theoretical arguments, which are discussed in sections 3.10 and 4.5.7.1.1. The model used in Singapore has seen this country's SOEs become both efficient and effective. Since Singapore has practically no natural resources, it is submitted that efficient and effective governance of SOEs has contributed to Singapore's success story. Singapore's SOE model has shown that private enterprises are not necessarily more efficient than state enterprises in allocating resources for productive use, and that there are different paths to socioeconomic development and corporate governance success. Additionally, it has shown that SOEs can successfully deliver citizen-consumers' needs for essential services, which include transportation and utilities at affordable state-regulated prices, provided the enterprises are free from political interference, socio-political calls for subsidy

redistribution and corruption, and are disciplined by market practices (Huat, 2016, p. 513).

Following from the above, the intention of this study, basically from the angle of the audit profession, is to compare and benchmark the experiences of SOEs in the two countries and explore the differences and similarities in practice. In doing this, this study will also attend to other objectives of the study with the intention of developing a structural corporate governance model that can be applied to improve SOEs, especially in the primary country of analysis. And that can be also useful in other developing and developed countries with similar experiences to those of the primary country of analysis, South Africa. Thus, the intention is not to copy or transfer Singapore's model to another country, as this is unlikely to work, because, as observed by Caldentey (2008, p. 30), the extent and type of government intervention varies in content, scope and over time. In addition, the success of any model depends on several internal and external factors. The intent of this study is to learn from Singapore's experience and see how it tackles similar problems on its way to achieving success.

From the above, it is wrong to conclude, as is often the case in the literature that the solution to the problems of SOEs lies between outright full privatisation and full state ownership. There are different ownership and organising models, as well as constitutional (legal and regulatory) arrangements that are likely to deliver better results than outright privatisation and full state ownership, depending on specific national circumstances and the role that SOEs undertake on behalf of government. Further, SOEs are hybrid organisations better theorised by objectives compared with ownership as currently obtainable in the contemporary academic discourse. Thus, SOEs combine social and economic objectives but, in most cases, do not combine the governance characteristics of private and public organisations. However, since SOEs combine social and commercial objectives, their governance should be modelled around hybridity. Because SOEs adopt the objectives of both the private and public sector, they may be truly categorised as hybrid organisations. Hence, they are different from the core public and core private enterprises. Thus, it is not surprising that Bruton et al. (2015, p. 93) referred to these enterprises as crucial organisational forms. Taken as a whole, an understanding of these

ideas may help in structuring SOEs in such a way that leads to their effectiveness and efficiency.

In this regard, the current study, while noting the above points, also observes that the issues identified in relation to SOEs under the problem statement above have been present for some time and they are permitted by the kind of structure that is in place, the level of development of the country involved and the level of corruption prevailing in the country. Accordingly, at present, the basis of the problems identified above is poor structural organisation, constitutions and ownership models that do not fit the purpose for which SOEs were established in most countries, as well as several interpretations of the role of SOEs. Should SOEs be owned, organised and constituted tightly according to a model that is capable of reducing or eradicating these concerns, and should their objectives and mandates be realistic and clearly articulated, they would be more likely to be better equipped to deliver on their respective mandates. It then becomes obvious that investigating public entrepreneurship in general, including structure, that is, organising and ownership, governance models and the constitution (internal and external legal and regulatory frameworks), as well as the role of SOEs in a single comparative study, is likely to enable the development of an appropriate structural corporate governance model that will facilitate the organisational effectiveness and efficiency of SOEs. The reason for this theorising is that this entails a holistic approach to corporate governance, and also because structuring determines the mode of operation and corporate governance mechanisms in organisations (Morgan, 2006, p. 172) and equally in SOEs. Therefore, for SOEs to thrive, in most countries they need a holistic approach to corporate governance along the lines of different models of ownership, organising, governance and, arguably in some cases and countries, constitutional arrangements distinct from core public and private corporate governance arrangements. This study explores this phenomenon.

1.3 Thesis Statement

Organising SOEs through a holding company and through part ownership by public and private role players is more likely to result in the separation of objectives; limit political interference; reduce SBCs; eliminate the free-rider problem; increase efficiency and

effectiveness; make the work of managers and the board less difficult; and ultimately, lead to the attainment of desired goals. This organising through a holding company and part ownership will be unlike dual SOE ownership by two or more public sector ministries or departments controlling SOEs. Further, in addition to organising and owning SOEs thus, they will be tightly constituted (internal and external legal and regulatory frameworks) around these models. Nonetheless, the potential of part ownership and organising models that tend towards part ownership to eradicate the corporate governance problems in SOEs is highly contingent on certain factors, as expressed in the thesis propositions below and pictured in Figure 1.1.

1.3.1 Thesis propositions

The following propositions (*P*) flow directly from the above thesis statement.

- ***P*1** organising SOEs under a holding company and in part ownership leads to the separation of objectives.
- ***P*2** organising SOEs under a holding company and in part ownership reduces political interference.
- ***P*3** monitoring is likely to be effective in SOEs that are organised under a holding company and in part ownership.
- ***P*4**a SOEs that pursue only either social or commercial objectives are more likely to achieve their mandate.
- ***P*4b** SOEs that pursue only commercial objectives are more likely to be organised under a holding company or under part ownership.
- ***P*5** SOEs that are organised under a holding company and in part ownership are more likely to eradicate SBCs by undertaking only commercial objectives and paying dividends to the state, which the state can use to pursue social and political objectives.
- ***P*6a** corporate governance in SOEs that are organised under a holding company and in part ownership is likely to be strong.

- ***P*6b** irrespective of ownership and organising models, the likelihood of strong corporate governance increases when the country is developed, has little or no corruption and the organisational constitution is strong.
- ***P*7** there is the likelihood of reduced corruption in SOEs that are organised under a holding company and in part ownership.

Figure 1.1 depicts these propositions as well as their relationship with the thesis and the problem statements.

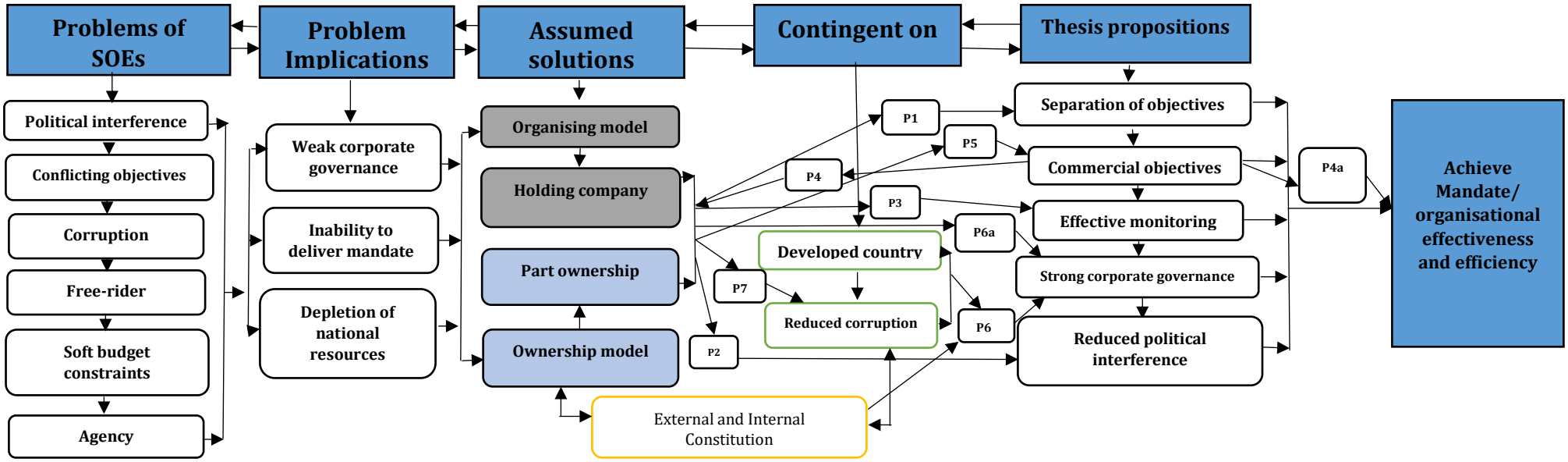

Figure 1.1: Summary of relationship (problem statement, thesis statement and thesis propositions)

Source: Author's own compilation.

1.4 Theoretical conceptualisation of thesis

The theory that embraces the effects of the arguments against SOEs above and the arguments represented in the model in Figure 2.1, on governance of SOEs, as well as the solution advanced by this study, is signalling theory. In this study, this theory has been applied differently. In this instance, this theory sustains that unclear enterprise objectives formulated by owners, weak ownership and organising models and weak internal and external legal and regulatory frameworks send conflicting signals to enterprise boards which then act based on these signals. In addition, relevant governance and organisational theories such as stakeholder, shareholder and agency theories are discussed. Although these relevant governance and organisational theories are stand-alone theories, in this study only the aspects of the theories that are relevant to this study are advanced in order to come up with a dimensional theory, presented in Figure 3.2, for the purposes of this study.

1.5 Research objectives

Following from the above discussion, the purpose or aim of this research is to develop, based on the comparative analysis of ownership, organising, constitutional/legislative (internal and external legal and regulatory frameworks) and governance models, a best practice structural corporate governance model that will have an influence on enterprise corporate governance with the purpose of assisting SOEs, especially in the primary country of analysis but also in other developing countries, to better achieve their mandates.

To achieve this aim, this thesis proceeds in three parts, flowing directly from the objectives presented in this first chapter. Accordingly, the first part (part one) seeks to

- understand the role of government from the existing literature, and
- establish and argue for the appropriate role of government based on the above understanding.

The second part (part two) seeks to

- identify the problems associated with SOEs
- identify the types of arrangements by which SOEs are owned and organised
- examine internal and external legal and regulatory frameworks guiding SOEs in these countries
- formulate thesis and thesis propositions, based on information obtained from the three steps in this second part above, with the purpose of underpinning the formulated thesis and thesis propositions
- develop a framework that permits analysing inter- and intra-country ownership models of SOEs, and
- develop a framework that permits the analysis of inter- and intra-country organising models for SOEs.

The third empirical part (part three) seeks to

- identify the reasons for the establishment of SOEs, SIEs and SWFs in connection with the role of government in the countries
- examine ownership and organising models using the frameworks developed in the second part
- establish which of the identified arrangements are suitable for delivering SOE objectives
- determine how best the enterprises might be structured to achieve their raison d'être, and
- underpin the thesis statement and thesis propositions using information obtained/gathered from the content analysis, survey and semi-structured interviews.

These three parts, taken together, as well as providing evidence, or otherwise, to underpin the thesis statement and thesis propositions, will also deliver the aim of this study, which is the development of a structural corporate governance model that can assist SOEs to better deliver on their mandates.

From the objectives above, Chapters 5 and 6 constitute the main empirical chapters of this thesis, thereby fulfilling part three objectives. As such, most of the objectives,

especially those of an empirical nature, are fulfilled in Chapters 5 and 6. Notwithstanding, information from the empirical part is used in supporting and strengthening the non-empirical parts where necessary. Accordingly, part one objectives are fully addressed in Chapter 3 and part two objectives cut across all the chapters in this thesis. Since Chapter 2 reviews existing literature in a systematic form, it is only an introductory chapter to the third chapter, which is the main literature chapter of this thesis.

1.6 Research design

Research design encompasses the blue print or plan for the collection, measurement, and analysis of data for the purposes of answering research questions or fulfilling research objectives (Sekaran & Bougie, 2016, p. 95).

1.6.1 Research approach

Methodology encompasses the strategy, plan of action, process and/or design informing the choice and use of specific methods (Crotty, 1998, p. 3). Methodology further entails linking the choice and methods together.

1.6.1.1 Mixed methods approach

A mixed methods approach uses both qualitative and quantitative approaches, methodologies and methods, thereby combining the deductive element of quantitative and the inductive element of qualitative approaches, which results in abduction (Morgan, 2007, p. 58-61) as the basis of its analysis (Ackers, 2014, p. 133; Saunders & Lewis, 2012, p. 107). Thus, depending on the research objectives and/or questions (Saunders & Lewis, 2012, p. 107), a mixed methods approach makes use of a combination of quantitative and qualitative methodology and methods. It is important to note that in a mixed method approach different design types are used. This study uses a multiphase (Creswell & Plano Clark, 2011: 100) exploratory (Creswell & Plano Clark, 2018, p. 67) mixed methods approach design, which is discussed in section 4.5.3.3. An important aspect of this mixed methods approach is that it is used by researchers because researchers believe that answering research questions and fulfilling research objectives by triangulating evidence is an effective way to improve research rigour, among other things (Landesman, 1997, pp.

155–158). Further, Figure 1.2 pictures the elements of research that constitute the methodology used in this study and which are discussed in sections 4.5.2 and 4.5.3. Although this study makes use of a multiphase exploratory mixed methods approach, the priority is to develop a qualitative understanding and explanation in order to develop a structural corporate governance model. Thus, this multiphase exploratory mixed methods study commenced by gathering the evidence necessary to understand the context of the study. Thereafter, the study proceeds to formulating the research objectives, which are then grouped into three parts. The third part encompasses the empirical portion of the study, which was conducted in three distinct phases.

In the first empirical phase, content analysis, this study scrutinised the internal and external legal and regulatory frameworks of the enterprises considered in this study, the company websites, annual reports, corporate governance documents, corporate governance codes, practice guides, board charters. This study also scrutinised companies Acts and other relevant governance reports and Acts in South Africa and Singapore for necessary information. Journal articles, company publications, annual reviews and web pages were also scrutinised for necessary information. The purpose of conducting a comprehensive document analyses was to gather requisite data to underpin the thesis and the thesis propositions, as well as to fulfil other research objectives.

In the second phase, the information gathered from the content analysis phase and the review of the literature informed the development of a questionnaire. This self-developed questionnaire targeted purposively selected officials at the enterprises that constituted the study population. The questionnaire was administered through email links as well as being personally hand delivered to some of the enterprises. In the third phase, interviews were conducted, firstly with purposively selected top officials from the population of enterprises as well as corporate governance experts, and secondly, with purposively selected directors providing oversight for these enterprises.

In summary, these phases provided the data required to address the research objectives and provide evidence in support of or against the thesis propositions. The data is analysed and interpreted in Chapter 5. Figure 1.3 provides a figural representation of the alignment

of research objectives (detailed in sections 1.5 and 4.3) with the thesis statement and thesis propositions (detailed in sections 1.3 and 1.3.1 and 4.4 and 4.4.1 respectively) as well as with the three empirical phases (discussed in this section and in section 4.5.7), and the relevant subsections of the chapters in which the results are presented and discussed.

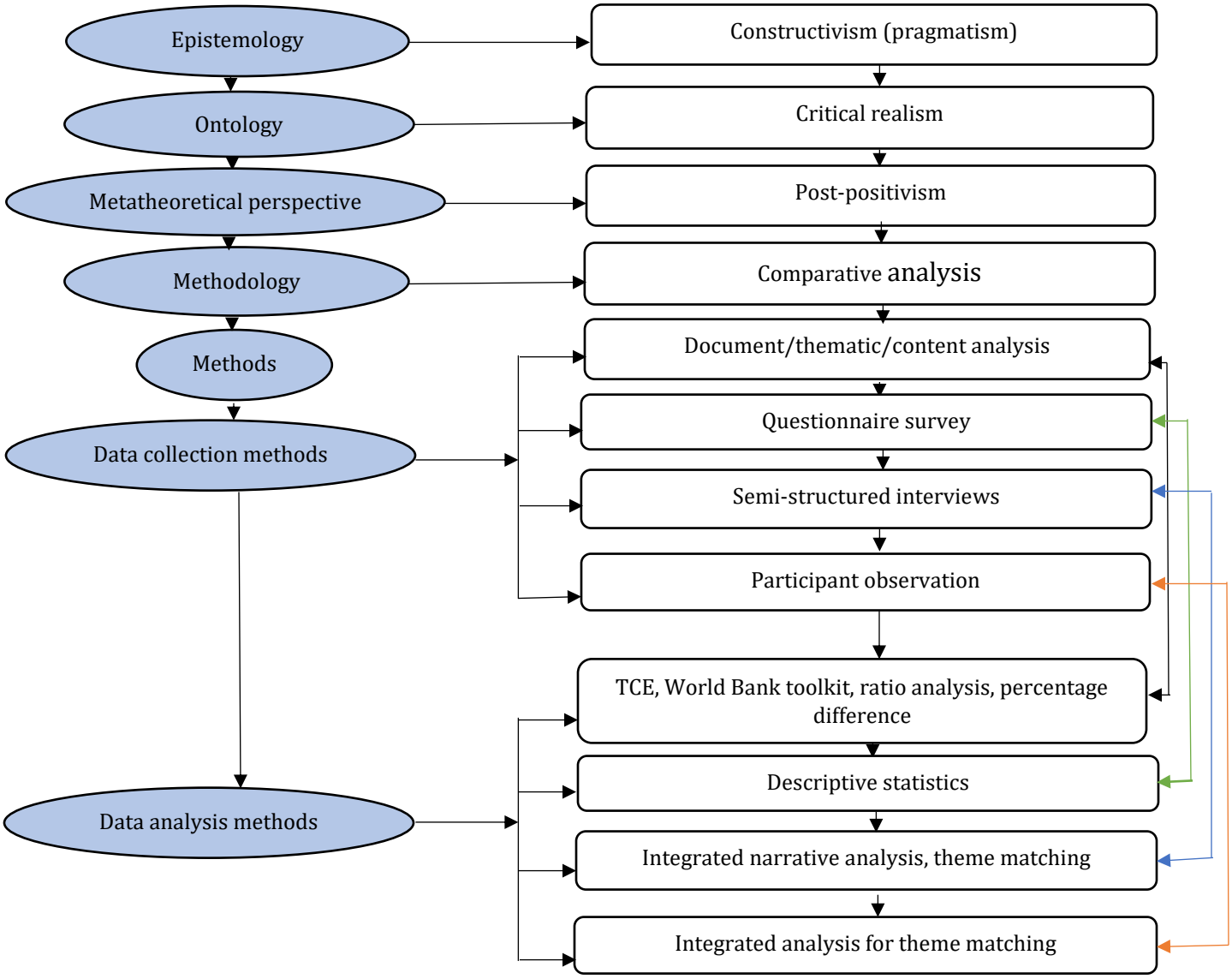

Figure 1.2: Summary of research elements used in this study.

Source: Author's own compilation with insights from Crotty (1998, pp. 4–17) and Trochim (2006a, b, c)

1.6.2 Study population

The research population of this study consists of national SOEs, SIEs and SWFs in South Africa and Singapore. However, since this is a comparative study, the organisations selected for analysis must be comparable. Thus, since it is impossible to compare all 125 SOEs, SWFs and SIEs in these countries, similar enterprises will be matched and compared with each other within a particular country (intra) and with the other country (inter). Section 4.5.5 details the enterprises that were considered of the 125 SOEs, SIEs and SWFs in these countries.

1.6.3 Research sample/study participant

Subsequently, theoretical sampling was employed in selecting countries for analysis. In this context, in order to ensure that the enterprises in these theoretically selected countries were comparable, purposive sampling was employed to restrict the sample organisations to comparable organisations. Likewise, purposive sampling was employed to determine the interview participants. This helped to demonstrate transferability as part of the trustworthiness of this thesis and also ensured that participants were limited to those who could answer the research questions.

1.7 Significance and justification of the Study

This thesis explores the rationale, ownership, organisation and governance of SOEs and their related enterprises, SIEs and SWFs, in South Africa and Singapore. Since organisations do not constitute ends in themselves but are instruments for pursuing ends (Morgan, 2006, p. 15), these enterprises are an integral tool available to governments to pursue a desired end. However, there is little evidence that SOEs in South Africa and some other developing economies are instruments for pursuing desired end since they often do not effectively and efficiently achieve their goals. There are several conflicts in the field, one of which relates to how they are structured, which indirectly informs their corporate governance and, hence, their effectiveness and efficiency, the objectives they pursue and how they are managed.

These issues have been plaguing SOEs for a very long time. Although major research was conducted on SOEs before the 1980s, it was Aharoni's (1981) study that opened up modern research on SOEs. In his study, Aharoni (1981), while acknowledging the importance of SOEs, notes that SOEs are problematic in that these SOEs pose series of governance problems. In this regard, Aharoni (1981) posed two questions. The first question relates to establishing the variables explaining the differences in behaviour of SOEs, albeit compared with privately owned enterprises (POEs). The second question is concerned with establishing institutional arrangements, decision rules, organisational design and other parameters that may improve the performance of SOEs. This second question is largely concerned with the corporate governance of SOEs. Subsequently, much research has explored Aharoni's (1981) questions, especially the first in different dimensions. However, as pointed in section 1.2, significant gaps remain in terms of working solutions to corporate governance problems face by SOEs. Moreover, the second question also remains valid, especially since the non-optimal performance of SOEs relate to issues of structure and vary among different countries. While one of the problems faced by SOEs in South Africa might be corruption, this may not be applicable to SOEs in Singapore. In this respect, since organisations vary in line with a country's stage of development, so do the problems of organisations. Past studies on the corporate governance of SOEs have generalised their problems and have focused on single elements of corporate governance in SOEs, while in fact these elements ought to be combined and taken and studied as a whole. The focus on a single element of corporate governance means scratching the surface without unpacking the real issues. In this way, institutional arrangements that can make SOEs deliver on their mandates, especially in developing countries ridden with corruption, cronyism, nepotism, weak corporate governance and political interference, appear not to be available at the moment. This thesis bridges this gap. To do this, this thesis takes a holistic approach to the study of corporate governance, thus proceeding in three parts. The first two parts seek to build theoretical arguments about the role of government and the use of SOEs, among other things, and the final part seeks to underpin these theoretical arguments with empirical evidence from the analyses of this study. A further reason for adopting this holistic approach is that in order to design a logical model, firstly the goals of organisations have to be known and then the

constitution/legislation in place has to be examined before the modelling of other relationships will follow (Tosi, 2009, p. 11).

Along these lines, the first part seeks to

- understand the appropriate role of government from existing literature
- establish and argue for the appropriate role of government based on this understanding.

The second part seeks to

- identify the problems of SOEs
- identify the types of arrangements by which SOEs are owned and organised
- examine the internal and external legal and regulatory frameworks guiding SOEs in these countries, and
- formulate the thesis and thesis propositions based on information obtained from the three steps in the second part above, with the purpose of underpinning these formulated thesis and thesis propositions.

The third empirical part seeks to

- identify the reasons for the establishment of SOEs, SIEs and SWFs in connection with the role of government in the countries
- establish which of the identified arrangements are suitable for delivering SOE objectives
- determine how best the enterprises might be structured to achieve their raison d'être, and
- underpin the thesis statement and thesis propositions using information from the content analysis, questionnaire survey and semi-structured interviews.

These three parts, taken together, in addition to providing evidence or otherwise to underpin the thesis and thesis propositions, also deliver the aim of this study, which is the development of a structural corporate governance model that will assist SOEs to better deliver on their mandates.

Further, considering that the main aim of academic research is to add to existing knowledge in a particular field of study, this study has the prospects of delivering the following advantages.

- Revisiting a long-term but unresolved academic debate, which is the role of government. In this regard, this study combined three separate but important theoretical views in developing arguments for the appropriate role of government generally and especially in terms of expenditure and revenue.
- Following Bernier's (2014, p. 253) call, synthesising disjointed literature on public entrepreneurship by covering all aspects of public entrepreneurship in some parts of the literature review (Chapter 2) sections, and then linking this disjointed works together for a better understanding of the field. In addition, this study expands the current literature and debate on the corporate governance of SOEs.
- Demonstrating how theoretical sampling is done, as well as how a study can be conducted using two different analyses units, that is, meso and macro (section 1.9.2). In this context, while most of the comparative analyses in the contemporary academic discourse have been some form of comparative case studies informed by different parameters such as size of country, level of development, continent and so on, this study demonstrates how theories can inform comparative studies. Consequently, as well as driving the thesis statement and thesis statement assumptions, theoretical arguments drive country (especially the secondary country of analysis, Singapore) selection as well. The comparable case study described by Peters (1994, pp. 83–84) is close to what was done in this thesis. However, as in Peters (1994) a comparative case study is not driven by theoretical formulations. The theoretical sampling discussed by Teddle and Yu (2007, p. 206) in the context of mixed methods is close to what was done; thus, a comparative theoretical study in which theory drives sampling was conducted.
- Revealing key challenges that SOE boards face in effectively running these enterprises. Hence, as well as encouraging a holistic approach to corporate governance research and practice, this study also encourages states to reform their

SOEs in line with the structural corporate governance model developed in this study.

- Providing proper terminologies that differentiate different kinds of SOEs and SIEs, especially SIEs, in order to reduce confusion in the organisational field in which this study is being conducted.
- Developing a structural corporate governance model that may assist policymakers to improve the structure of SOEs in the primary country of analysis, as well as in developing and countries that experience high level of corruption, where political interference, cronyism, nepotism and corrupt practices generally and especially in terms of SOEs are rife. The development of this structural corporate governance model is also expected to assist managers to run these enterprises effectively and efficiently, and in turn increase the likelihood of the enterprises delivering on their mandates.

1.8 Academic contribution

Proceeding from the above, since this study is one of the few studies to employ a holistic approach to the study of corporate governance in SOEs, this study addresses a knowledge gap in the analysis of SOEs and related organisations such as funding agencies and owners, SIEs, SWFs, political and/or government role players, as well as private players in the field of SOEs, and corporate governance in general. Further, this study is also essential as it gives insight into the evolution of the changes that have occurred in the field over the years. In addition, it increases understanding in terms of academic research and practice, as well as professional practice, as to why structure; ownership and organising, and constitution collectively are important elements that matter in the successful development and implementation of corporate governance in SOEs both for the purposes of this study and for corporate governance generally. Further, this study also adds to current knowledge in terms of the reasons why the field is structured the way it is and highlights the differences and similarities in the processes between the countries considered.

Furthermore, in terms of research methods, this study also demonstrates how theoretical sampling for comparison is conducted, thus having implications for research methods. In addition, this study contributes to bridging a salient gap in the existing literature. Although there is substantial literature on ownership, organising and corporate governance in the private sector, there is limited literature on SOEs. Further, the literature on SOEs has omitted an important characteristic of SOEs, which is, the hybridity by objectives. This study adds this to the existing discourse in this field of study.

Hence, that the researcher will come up with scholarly articles from this study which means that the findings of this study are expected to contribute both to academic research and practice, and support future policy decision-making. Accordingly, among other things, the findings of this study are also expected to assist policymakers in making decisions that take into consideration risks, public sector accountability, achieving socioeconomic and political goals, political issues, and articulating the objectives of SOEs clearly.

1.9 Delineation

Delineation deals with setting the boundaries of a study (Hofstee, 2013, pp. 89–90). Sections 1.9.1 and 1.9.2 describes the delineation of this study in terms of level and unit of analysis respectively.

1.9.1 Level of analysis

The analysis level in this study is the organisational field. In this regard, Scott (2014, p. 106) points out that although organisational field is the least familiar level, it is nevertheless a level of great significance. The organisational field identifies a collection of diverse, interdependent organisations that take part in the creation of conventional, meaningful systems. Hence, the organisational field comprises those organisations that make up a recognised area of institutional life. This institutional life comprises key suppliers (in this case SOEs), consumers of goods and services (citizens and the public at large), regulatory agencies (governments, regulatory inspectors and corporations), as well as similar organisations (SIEs, SWFs and POEs) that produce comparable services and products. An example of an organisational field is a set of SOEs and related organisations

such as SIEs, SWFs, funding agencies and owners, stakeholders, and political and/or government role players, as well as POEs (Scott, 2008, p. 86). It is therefore clear that the pressure exerted on SOEs by these forces is likely to be significant.

1.9.2 Unit of analysis

Comparative analysis occurs at three units: individual, organisational and national. These units are the micro, meso and macro units respectively (Jreisat, 2005, p. 237; Wilson, 2011, p. 296). In this regard, the primary unit of analysis is SOEs that are charged with undertaking both social and commercial activities. Since SOEs are organisations and the study considers more than one SOE, this is a meso analysis unit. However, since this study makes comparisons between countries and explores this organisational field as a whole, this study, in addition to the meso unit, also analyses at the macro-unit level. Thus, the units of analysis relevant to this study are the meso and macro units. These enterprises, which are charged with pursuing social and commercial objectives, often invest in other enterprises, SIEs; some of which that contribute to achieving the objectives of the study were included. In addition, similar enterprises that invest states' reserves (SWFs) are also included in the analysis framework. The primary enterprises in this study do not include those entities that are charged with pursuing core government activities (SBs or public/SEs). Also, the units of analysis do not cover enterprises owned at the municipal or regional levels. Importantly, the primary country of analysis is South Africa.

1.10 Research scope and limitations

Although this thesis explores corporate governance, it explores corporate governance in the context of its interrelated concepts of corporate governance of SOEs: ownership, organising, governance, business studies, management and structures, as well as internal and external legal and regulatory frameworks. In this context, corporate governance in SOEs has been explored in the contemporary academic discourse in a manner different from corporate governance of POEs. Accordingly, despite including additional elements different from those contained in the contemporary academic discourse on SOEs, no attempt is made to study corporate governance as has been explored in the context of

POEs, just in SOEs. Therefore, this study does not cover some aspects of corporate governance contained in the contemporary academic discourse on the corporate governance of POEs.

In addition, while this study focused on corporate governance, it was basically from the angle of the audit profession and, thus, by covering corporate governance concepts such as ownership, organising, governance, the internal and external legal and regulatory frameworks and structure, has shown that even though not currently obtainable, the audit profession, in terms, of financial statements analysis, should include an assessment of the suitability of enterprises' governance structure in delivering organisational objectives. In this regard, organisational structure in terms of ownership and organising, among other elements as argued in this thesis, to a large extent determines organisational survival. In this context, even though this study touches on other aspects such as development and organisational economics, business studies and sociology, as well as governance structure, they have been employed in fulfilling the research aim and objectives, as well as in indicating the relationship between auditing and governance and the role of auditing in governance and vice versa.

Thus, the development of a structural corporate governance model for SOEs in this thesis is based solely on the information obtained from the content analysis, survey responses and interviews with experts. The meso country analysis part is to establish the differences in the operational efficiency and asset turnover of these enterprises in order to support conclusions of the study. No attempt was made to question the results of the computations beyond the scope of the annual reports which contained the data used in computing the ratios in relation to the Risk Management Association's observations and, where operational efficiency is abnormal, to consider the return on equity as a means of establishing the abnormality of operational efficiency, where necessary and possible. The Risk Management Association is a not-for-profit international organisation whose main purpose is to advance the use of sound risk management principles.

Further, information contained in the annual reports and other reports, documents and Acts used in gathering data for the first empirical phase, the content analysis, is publicly

available information (Appendix 6). This study excluded information that is not publicly available. In addition, this thesis excluded survey responses related to attention check questions not directly needed for this study.

The aim of the study was to develop a structural corporate governance model. In so doing, the study only considered comparable SOEs in South African and Singapore. Thus, even though the structural corporate governance model can be applied in other settings, some opinions and conclusions from this thesis may not be easily transferred to other settings without modification, depending on country-specific circumstances. Hence, it is impossible to infer that these opinions and conclusions apply generally.

Although the framing effect was taken into consideration in framing both survey and interview questions, responses obtained from these phases may have included possible response bias. Thus, responses may only convey the attitudes and/or respondents' and participants' opinions on 'what the researcher wants' and not genuine opinions or views of respondents and participants. Nevertheless, it is believed that the three integrated empirical phases and the exploratory nature of this study compensate for these supposed limitations.

1.11 Thesis outline

This section outlines the structure of the thesis. The section presents the chapters in the thesis and describes what each chapter covers.

1.11.1 Chapter 2 – Systematic Review of the Literature

This chapter addresses relevant past research in this field of study. Thus, this chapter identifies among other things what has been done in this research area, how it has been done and the status of research in this field, as well as key issues, matters, and relevant studies. Accordingly, this chapter acquaints readers with the concepts embedded within the study, which is in turn expected to increase their understanding of the rationale behind the study, and equally of the study. Since this chapter reviews literature in a systematic way, it serves as an introductory chapter to the main literature chapter, Chapter 3, of this study.

1.11.2 Chapter 3 – Governing State-owned Enterprises

This chapter discusses pertinent issues on the corporate governance of SOEs. Thus, it provides a discussion on existing theories and ideas that have been employed in other studies and in this current study. This chapter also revisits the role of government and argues for an extended government role in general. Additionally, this chapter presents the conceptual framework of this study.

1.11.3 Chapter 4 – Research Design and Methods

This chapter provides a description of the design of the study; that is, the methods and the methodology employed for data gathering, analysis and reporting. Thus, as a starting point, the chapter discusses and fully presents the research problem and details the objectives and the path taken to tackle to the research problems in order to fulfil the study objectives, which have been briefly discussed in this first chapter. In this way, this is an essential chapter, as it provides grounding, clarification and justification for this research, thereby informing the frameworks within which the empirical observations are assessed.

1.11.4 Chapter 5 – Presentation and Analysis of Data (Findings, Interpretation and Discussion)

This chapter presents a discussion of the findings on key issues that emanated from the two previous chapters. In this way, South African SOEs and related enterprises are compared with Singaporean SOEs and related enterprises. Furthermore, the chapter presents a comparison of the findings with elements identified in the literature review from which the thesis statement and thesis propositions emerged. Differences and similarities between the mechanisms and the results of cases analysed are discussed in this study, making use of a comparative analysis method in the first analysis phase to make sense of the data obtained from the content analysis, survey questionnaire and interview phases. In addition, the results of the three empirical phases are presented in an integrated manner.

1.11.5 Chapter 6 – Contribution, Conclusion and Recommendations

Conclusions drawn from the study are presented in this chapter. Thus, the chapter presents the essential issues drawn from this study and its findings. It also indicates the application of the research findings and their contribution as well as making certain recommendations. Furthermore, it presents the structural corporate governance model for SOEs developed in this study and identifies areas for further research based on the study findings and its limitations.

1.12 Structural alignment of the study

Figure 1.3 presents an illustration of the structural alignment of the research objectives (detailed in sections 1.5 and 4.3) with the thesis statement and thesis propositions (detailed in sections 1.3 and 1.3.1, and 4.4 and 4.4.1 respectively), as well as with the three empirical phases (discussed in section 4.5.7) and the relevant subsections of the chapters in which the results are presented and discussed. This shows that even though the three empirical phases were conducted at different stages, they informed each other and, as a result, it is possible to group the results together.

Research objectives	Research phase (data collection methods)	Data Analysis methods	Thesis subsections	Thesis Propositions
Part one **1.1 Understand the role of government**	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Section 3.2**	**TP 1**
1.2 Establish and argue for the appropriate role of government based on the above understanding	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 3.2.1.1 to 3.2.1.2**	**TP 2**
Part two **2.1 Identify the problems of SOEs**	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 2.8.1; 2.9.1 to 2.9.2.7; 3.3 to 3.3.6**	**TP 3**
2.2 Identify the types of arrangements by which SOEs are owned and organised	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 3.10 to 3.10.2.4**	**TP 4a**
2.3 Examine internal and external legal and regulatory frameworks guiding SOEs	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 3.8.2 to 3.8.3; 3.9.2 to 3.9.3**	**TP 4b**
2.4 Formulate thesis and thesis statement propositions based on the three steps above	**Literature** **P1 – content analysis**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.**	**Sections 1.3 to 1.3.1; 4.4 to 4.4.1**	
2.5 Develop a framework that permits the analysis of inter- and intra-country ownership models of SOEs	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Section 4.5.8.1.1**	**TP 5**
2.6 Develop a framework that permits the analysis of inter- and intra-country organising models of SOEs	**Literature** **P1 – content analysis**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.**	**Section 4.5.8.1.1**	
Part three **3.1 Identify the reasons for the establishment of SOEs, SIEs and SWFs in relation to the role of government**	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Section 5.2**	**TP 6a**
3.2 Examine ownership and organising models of SOEs using the framework developed in part two	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Sections 5.3 to 5.6.8.3**	
3.3 Establish which of the identified arrangements are suitable for delivering SOE objectives	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Sections 5.4 to 5.6.8.3**	**TP 6b**
3.4 Determine how best the enterprises might be structured to achieve their raison d'etre	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Sections 5.5 to 5.6.8.3**	
3.5 Underpin the thesis statement and thesis propositions using information obtained/gathered from content analysis, survey questionnaire and semi-structured interviews	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Section 6.3**	**TP 7**

Figure 1.3: Thesis summary (structure of research objectives, thesis propositions research phases and results subsections)
Source: Author's own compilation.

1.13 Conclusion

This introductory chapter has, among other things, introduced this study by providing a comprehensive background to this study. In this context, in contemporary times SOEs in many countries, especially countries that experience high levels of corruption and developing countries, waste rather than maximise national resources. A case in point are South Africa's SOEs, some of which are currently in distress. While reviewing the 2017 budget, the former Finance Minister, now Minister of Public Enterprises, Pravin Gordhan, declared that operational inefficiencies, weak corporate governance, failure to abide by fiduciary obligations and poor procurement practices have plagued many of South Africa's SOEs. In the same spirit, Bhorat, Hirsch, Kanbur, Ncube, and Levy (2015, p. 4) contend that the formidable problems facing South Africa's SOEs are less about management issues and more about principal–agent difficulties. This agency issue arises as a result of opportunism that may arise because of power delegation (Jones & Hill, 1988, p. 163) since agents may want to use the firm's resources for personal consumption (Ahmed Haji & Anifowose, 2016, p. 921; Jensen & Meckling, 1976, p. 12), given that people are risk averse, self-interested and rationally bounded (Pouryousefi & Frooman, 2017, p. 169). Thus, the issue of how SOEs are to be structured and governed in order to achieve their mandates is crucial. In this respect, Florio (2014, p. 201) rightly observes that economists, policymakers, managers and other stakeholders are confused about why SOEs exist, how to measure their performance and the role that the state as owner can and should play (Florio & Fecher, 2011, p. 362). Along the same lines, Florio (2014, p. 202) and Alexius and Cisneros Örnberg (2015, p. 288) advise that new ideas are needed on the appropriate role, active governance and scope of these enterprises. Belloc (2014, p. 822) similarly contends that corporate governance is crucial to the survival and sustained development of these enterprises.

In response to these calls and other pressing tensions, this study therefore explores the role of government and the appropriate role of these enterprises (section 3.2) as an entrée to understanding how they can be structured; owned; organised; governed; constituted and modelled, to make them achieve these appropriate objectives, which in turn leads to

the development of a structural corporate governance model for SOEs. To achieve the primary aim of this study, this study focuses on SOEs in South Africa and Singapore. Specifically, following the identified problems of SOEs (sections 1.2 and 4.2.1), this study focuses on ownership, organising, constitutional (internal and external legal and regulatory frameworks) and governance models of the SOEs in these countries (sections 3.8–3.10). Ownership and organising models indirectly inform governance arrangements, objectives, and the efficiency and effectiveness of SOEs. Thus, this study seeks to find a balance, through institutional and organisational frameworks, by which these enterprises may deliver their mandates. Despite the fact that these enterprises face numerous challenges, their importance means that a solution to these problems is paramount.

The next chapter systematically reviews the literature on public entrepreneurship in order to cover various aspects of past research as a way of situating SOEs in the general public entrepreneurship literature, thereby providing context for the third chapter.

CHAPTER 2

SYSTEMATIC REVIEW OF THE LITERATURE

The public entrepreneurship discussed here is not the New Public Management version. Neither is it the benevolent state of yesterday. But states have to accept some risk, some failures can be expected, what looks like opportunities might not be as great as expected. Institutional frameworks have to be developed to make sure public enterprises behave in the public interest. In order to act in the public interest, public enterprises have to become institutions, not temporary measures. Policymakers have to elaborate the proper incentives for public enterprises (Bernier, 2014, pp. 261–262).

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2.1 Introduction

There are basically two major categories of literature review methods; traditional narrative and systematic review methods (David and Han, 2004, p. 42). In this context, as against a traditional review, David and Han (2004, p. 42) have argued that a review that is systematic and explicit in the selection of materials for review is systematic in nature. Munn, Stern, Aromataris, Lockwood and Jordan (2018: p. 2) have added that robustness, reproducibility and structured critical synthesis are characteristics of the systematic review. Along this line, Munn et al. (2018, p. 2) in differentiating systematic review from the traditional review have identified 10 types of systematic review. The review process in this study cuts across many of these types of review that subscribe to the characteristics of systematic review above. While many more review procedures exist (Lee, Forey, Coombs, 2012, p. 2; Noyes, Cargo, Fleming, Harden, Harris, Garside, Hannes Pantoja and Thomas, 2019, p. 1), this study tend to keep the review process simple and straightforward in the light of mixed methods approach nature of this study. Thus, the term systematic literature review process is espoused.

2.1.1 Systematic literature review process

In a systematic review, the process of article selection is more explicit and therefore differs from the traditional narrative literature review process in that a systematic review of literature follows a clear path, thus can be replicated. An advantage of the systematic review process is that it mitigates bias as the process is clear and can be replicated. In addition, a systematic review assists in covering current and non-current relevant literature (Watts, 2017, p. 17). Thus, gathering evidence in this way results in a robust examination of past research, as well as an exploration of new research (David & Han, 2004, p. 42). The methods adopted in the works of David and Han (2004, p. 42), Newbert (2007, p. 124) and Yi and Wang (2013, p. 53), with a little modification, informed the literature search adopted in this work. The inquiry procedure of systematic literature review comprises five steps.

Step 1: Identifying databases

In order to obtain high-quality information, this study utilised databases with peer-reviewed (refereed or scholarly) scholarly high impact factor journals in accounting,

business studies, economics, management, political science, public policy, public administration, public management, and sociology.

Step 2: Database searches

The literature search was conducted in two phases. In the first phase, the search was conducted using an institutional search engine by entering the keywords for this study (see below) into the 'advanced' search panel. This was done to ensure that the search covered all databases and journals subscribed to the databases. The second phase targeted ProQuest, EBSCOhost, ScienceDirect, Emerald and Sabinet databases. Journals in these databases that were not relevant to the subject areas were filtered out by unticking certain boxes.

The search keywords entered into the databases search panels included 'state-owned enterprises' *OR* 'public enterprises', 'government business enterprises' *OR* 'government owned companies', *AND* 'government-linked companies', 'social enterprises' *OR* 'public sector enterprises', 'organisational governance' *OR* 'corporate governance', 'South Africa', *AND* 'Singapore'. The search returned huge results. The researcher managed the initial returns by applying necessary filters, which made the returned articles manageable. Mendeley (Desktop and Online) reference management software was used in managing selected articles both manually and electronically throughout the course of reviewing the literature.

Step 3: Removal of non-relevant articles

Following from the database searches step above, in this third step, irrelevant articles were deleted. The abstracts were read to determine relevant articles.

Step 4: Reading of abstracts, introductions and conclusions

Abstracts, introductions and conclusions of the papers that made it to this stage were read. That is, they were subjected to content analysis to determine those relevant for the current study.

Step 5: Read and analyse full article

The remaining articles were read thoroughly. A literature template was made for this process using an Excel spreadsheet. The columns of the template included 'title of

article', 'name of journal', `year of publication', 'author(s)', 'theory', 'unit of analysis', 'objective(s)/research question(s)', 'sample (country/where)', 'method/data', 'findings and/or conclusions' and 'avenues for future research'. The use of the Excel template made data management easy to control for the purposes of analysis. Additionally, although the literature is arranged thematically in this chapter, and partly theoretically in the next chapter, the use of the Excel template made it possible to organise the data chronologically, theoretically, thematically, methodologically, by unit of analysis, by case study, and by the objectives of this study. However, after a rigorous process, all categories were consolidated to develop a thematic presentation in this chapter, as well as a theoretical presentation, among other things, in the next chapter. The thematic (topical or debate oriented) presentation, supported by a movement from the general to the specific (a funnel approach), is favoured in this chapter as thematic presentation appears to be the best way of presenting literature elsewhere (Jankowicz, 1991, pp. 123–125; Mouton, 2001, p. 93; Watts, 2017, p. 34); hence, in this study as well. Further, the funnel approach ensured that general issues were discussed first and were narrowed down to the core focus of this thesis.

The review of the literature in this chapter complements the initial literature review. The objective of the initial literature review differed from the objectives of the systematic literature review presented in this chapter, as it was intended to identify the research gap and justify the current study. The overall aim of the systematic literature review, which Sekaran and Bougie (2013, p. 50) refer to as a critical literature review, presented in this chapter is to set the basis for the arguments advanced in the next chapter and to introduce some of the concepts elaborated therein, as well as setting the basis for the objectives of the overall study. To do these, the objectives of this systematic review of literature were to

- navigate the literature on public entrepreneurship
- synthesise disjointed literature on public entrepreneurship
- introduce some of the concepts advanced in the next chapter
- set a basis for the theoretical and conceptual arguments in the next chapter, and

- determine the topics that have been researched on SOEs, how they have been researched, the status of the research, how they can be further researched in terms of areas that are yet to be explored.

Accordingly, this chapter introduces the next chapter, the continuation of the literature review further addresses part one and two of the overall study objectives. It should, however, be understood that these objectives are not mutually exclusive and tend to overlap; hence, an objective covered in this chapter might have been initiated in the first chapter, and/or still be covered in another chapter. Additionally, although the objectives listed above informed this literature review, the aspects covered by the literature to a large extent surpass the objectives that triggered this systematic review. This is why the systematic literature review is arguably a more useful analysis tool than the traditional literature review process.

Further, although most of the work presented below is taken from scholarly articles, this chapter also contains references from textbooks, conference proceedings, reports, periodicals, newspaper publications and notes from webpages. Snowball referencing, which entails tracing citations in articles and other reference sources, pointed to other useful sources of reference. This snowball reference helps mitigate two of the major criticisms of the systematic review process (Watts, 2017, p. 17), namely, that it limits material to be reviewed and covers only relevant/current literature. In addition, snowball reference ensured that filters used at the database search stage do not have any adverse effect on the overall coverage of the review. Where a page number has not been included in a citation, the citation either points to a work or author generally and not an idea or that the idea in which the citation is used is the central idea of the work.

This chapter proceeds thus: the first section introduces the systematic literature process, before introducing SOEs as hybrid organisations. The next section discusses literature on public enterprises as a way of situating this literature within the larger context of public ownership while demarcating it from other literature sources on public sector provision and production. This is followed by a discussion of movements in the restructuring of SOEs caused by various issues. Thereafter, a discussion of state ownership follows, preceding a discussion on theories of SOEs. The following part highlights political connections in SOEs, before discussing the performance of SOEs.

Thereafter, corporate governance in SOEs is discussed and the last part discusses arguments for the existence of SOEs before the chapter concludes.

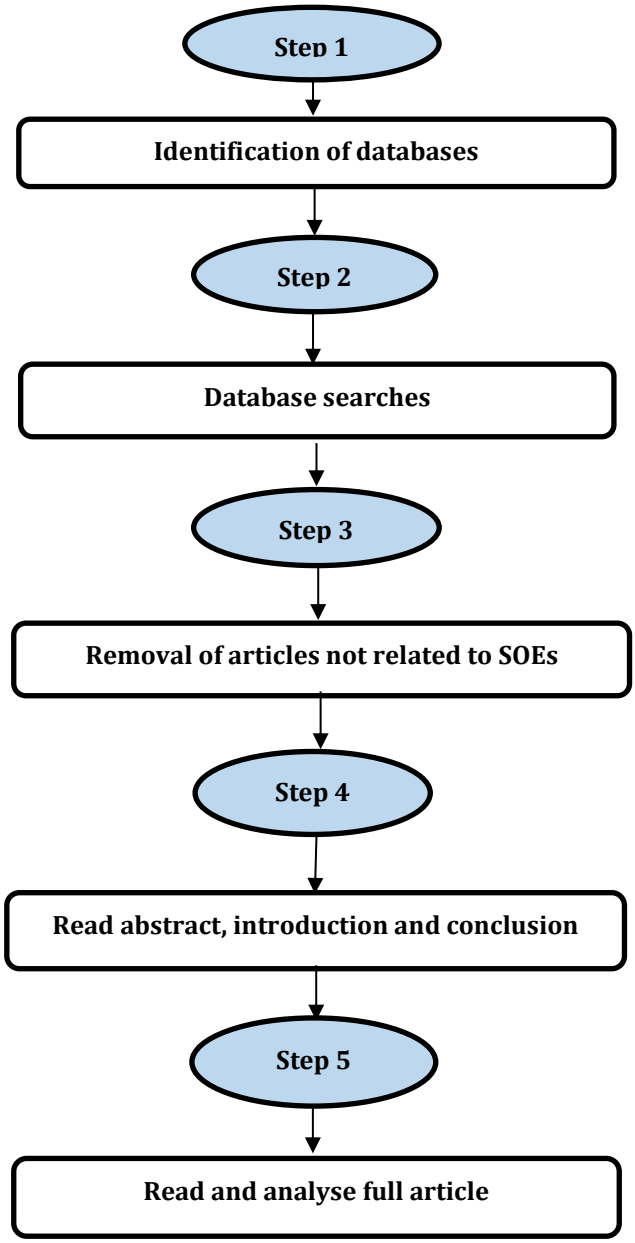

Figure 2.1: The systematic literature review process

Source: Author's own compilation with insight from David and Han (2004), Newbert (2007) and Yi and Wang (2013)

2.1.2 Background

Following Aharoni's (1981, p. 1340) reintroduction of state ownership as an important instrument of socioeconomic policy, much research has been conducted on the state ownership of enterprises. Prior to Aharoni's (1981) reintroduction, a few research studies were conducted on state enterprises, notable among which was Seidman (1954) on the organisation and control of government corporations, Phatak (1969) on management problems associated with government enterprises resulting from governmental interference, Turvey (1971) on economic analysis of public enterprises, Jones and Sakong (1976) on accounting socially for public enterprises, Bergson (1978) on the risks faced by public enterprise managers and the rewards they get, Keyser and Windle (1978) on public enterprises in the European Economic Community, Sherperd (1978) on the economic analysis of public enterprises and Mazzolini (1979) on enterprises controlled by the government. These authors made early meaningful contributions to research in the organisational field of public enterprises. However, the early work by Aharoni (1981) is the basis for modern research on public enterprises today. This explains why Aharoni's (1981) work is the most cited earlier work in much of the modern research on state ownership rather than other earlier authors who conducted research on the performance and corporate governance of state enterprises. Notwithstanding, the early authors made meaningful early contributions in this organisational field as they touched on several aspects of public ownership, thus providing useful references for subsequent studies.

Accordingly, today, even though major work has been done on SOEs, research in the field of SOEs, especially in regard to corporate governance, is still growing (Daiser et al., 2017, p. 18). It appears that after years of research, corporate governance approaches applied to SOEs are still those of POEs on one hand and public/social enterprises (SEs) on the other, when they should arguably be a mix of both. This is coupled with the fact that theories applied to corporate governance issues in SOEs, though relevant to an extent, do not cover all management issues posed by SOEs. This has resulted in an inability to come up with a working corporate governance structure for SOEs. In this context, it thus follows that, as Daiser et al. (2017, p. 22) note, observers will continue to monitor the situation

until SOE-oriented working corporate governance structures and theories are provided. This in effect means that all the characteristics of these enterprises have to be brought together in working out suitable exploratory and explanatory theories and structures, capable of mitigating problems that the enterprises encounter.

Further, Bruton et al. (2015) noted that it was surprising that, in view of the contributions of SOEs (Mühlenkamp, 2015, p. 553; Rentsch & Finger, 2015, p. 618; Stan, Peng & Bruton, 2014, p. 474) to states, research on SOEs has been given little attention or space by researchers in top-tier academic journals. This constitutes another tension in the field. Consequently, Bernier (2014), Bruton et al. (2015), Daiser et al. (2017, p. 18), Mühlenkamp (2015) call for scholars to give more attention to SOEs. In the same spirit, Bruton et al. (2015, p. 107) call for more research on theorising hybridity in SOEs. This call for more research on SOE hybridity came after Bruton et al. (2015) reviewed the top 45 list of *Financial Times* journals (FT 45) from 2000 to 2014, and found that no article published in the journals they reviewed had explored SOEs as hybrid organisations (Bruton et al., 2015, p. 94). Along this line, Bruton et al. (2015) helpfully introduced the concept of hybridity in state ownership, following the documentation of hybridity in the public arena by Thynne (2013) and hybridity in SEs by Ebrahim, Battilana, and Mair (2014). At about the same time as Bruton et al.'s (2015) introduction of hybridity in SOEs, many authors commented on hybridity in public organisations (Denis, Ferlie, & Van Gestel, 2015; Skelcher & Smith, 2015). However, following Bruton et al.'s (2015) introduction of hybridity in SOEs, and although Bruton et al. (2015) did not document what their hybridity constitutes, most of the research that has been conducted on the hybridity of SOEs has, arguably wrongly, treated hybridity in SOEs in terms of ownership arrangements between public and private enterprises.

These strands of research have concluded that since SOEs possess the characteristics of both public and private ownership, they are hybrid organisations. However, in the context of hybridity in SOEs, it appears that it is better explained in terms of objectives, both social and commercial, and/or in terms of the work public sector managers perform as a result of SOEs rather than in terms of private and public ownership. This confusion is partly because a major part of the arguments in the literature has, among other things, focused

excessively on privatisation and nationalisation on one hand and capitalism and socialism on the other (Peng et al., 2016, p. 297; Sadiki, 2015, pp. 23–24; Zhao & Zhang, 2015, p. 148). At first, the arguments were in favour of nationalised enterprises because of the strong Keynesian state-interventionist approach at that time (Farazmand, 2012, p. 492). At this time, SOEs were thriving; this was before privatisation set in following the economic crisis of the 1980s, which was argued to have been caused by public indebtedness, inefficient SOEs and inflation (among other things), partly as a result of public subsidies (Ashworth, Ferlie, Hammerschmid, Moon, & Reay, 2013, p. 2; Pollit & Bouckaert, 2011, p. 6; Williamson, 1989). Hence, the literature appears to have wrongly concluded that the complex field of state ownership is better explained, and that SOEs problems are better solved, in terms of wholly private ownership (privatisation) and/or wholly public ownership (nationalisation).

2.2 Theorising state-owned enterprises as hybrid enterprises

There is no doubt that SOEs are hybrid organisational forms (Bruton et al., 2015, p. 92). This is because they combine both core private and core public enterprise objectives as a basis for their existence. An understanding of hybridity is thus necessary in order to grasp the challenges facing these organisations. Understanding such hybridity is an entrée to erecting sound governance mechanisms with which hybrid organisations, in this case SOEs, are likely to perform better and achieve their objectives.

Generally speaking, hybridity itself is a clumsy phenomenon because hybridity connotes different things in different settings (Anheier & Krlev, 2016, p. 194). In this context, Pache and Santos (2013, p. 972) note that hybridity can take varying forms. Further, Anheier and Krlev (2016, p. 193) concur that what hybridity entails is clumsy by asserting that the notion of hybridity emanated towards the late 1960s in a bid to use hybrids to tackle or adapt to new environmental situations. In this way, hybridity is synonymous with organisations that combine two different organisational forms or sectors. This form of hybridity is better theorised as structural/substance hybrids. In addition to these structural/substance hybrids, hybridity has also been used to describe

various stakeholders, differing organisational goals and differing organisational activities (Mair, Mayer, & Lutz, 2015, p. 714; Schmitz & Glänzel, 2016, p. 19). However, structural hybridity accounts for the most researched hybridity. Therefore, for example, when organisations that are for-profit and non-profit converge, they are said to constitute hybrid organisations (Gottesman, 2007, p. 345). This prompted Borys and Jemison (1989, p. 235) to contend that hybridity involves organisations formed as a result of merger, joint ventures (JV), licence agreements, acquisitions and supplier arrangements. In the same context, but in a different dimension, Evers (2005, p. 737) submits that hybridity occurs when there is a separation between service systems and units. In the same spirit as Borys and Jemison (1989), Gottesman (2007), Mair et al. (2015, p. 713) and Skelcher and Smith (2015) note the presence of hybrids in the public, private and social sectors. In agreement with Mair et al. (2015, p. 713), Skelcher and Smith (2015, pp. 433–434), while theorising hybridity in the non-profit and public sectors, concur that hybridity in one sector differs from that in another sector. The types of hybridity described by these authors, with the exception of Evers (2005), are structural/substance hybridity.

Further, in a comprehensive analysis of what hybridity entails, Schmitz and Glänzel (2016, p. 19) submit that commentators have discussed hybridity in the light of markets and hierarchies, partnerships, partly public and partly private organisations and a combination of social and economic features. The effect of this is that, as with excessive focus on structural/substance hybrids, there are diverse debates on hybridity and these debates extend to different topics and sectors. Following these several insights into what hybridity entails, it becomes important that hybridity should be seen as a combination of elements formally and formerly treated as separate, single and distinct (Anheier & Krlev, 2016, p. 193). To this end, it makes more sense to broadly categorise hybridity as substance/structural and functional hybridity, as theorised above, while noting that there are several types of hybrids under these broad categories (Anheier & Krlev, 2016, p. 195).

It appears that the major convergence on hybridity is on organisational or sectoral, structural hybridity. That is, hybridity brought about by the combination of organisations and sectors formally and formerly treated as separate, single and distinct, as well as differing ownership models in general (Schmitz & Glänzel, 2016, p. 19). As a result of this

focus on organisational and sectoral hybridity, Skelcher and Smith (2015, p. 434) contend that literature has under-theorised hybridity. One of the reasons for this focus on organisational/sectoral hybridity may be linked to the fact that because of its strong explanatory power in organisational theorising, there is much convergence on Williamson's (1981) TCE, where he identified three governance structures: market, hierarchy and hybrids, which is a combination of the other two structures (Skelcher & Smith, 2015, p. 435). A second reason for this may be because as with products, markets (Kickert, 2001, p. 135), financing, organisational structure (Kickert, 2001, p. 135; Schmitz & Glänzel, 2016, p. 22) and regulatory restrictions (Stieg & Rutherford, 2017), ownership is one of the ways, and arguably the main way, in which organisations differ. A final reason may be connected to the notion that other types of hybridity are not substantial forms as organisations and organisational sectors and may, accordingly, be difficult to elaborate (for an overview of some of the other forms of hybridity, see Anheier and Krlev, 2016, p. 194). These other types of hybrids come under the functional hybridity form. These three reasons, taken individually and together, partly account for why there is focus on structural hybridity. This focus on hybridity in terms of organisational structure and ownership explains why the main research focus on hybrids has been on interorganisational hybridity, which entails more of substance hybrids and there has been some form of neglect on intra-organisational hybridity, which is more about functional hybrids. As a result, many meaningful insights on hybridity are yet to be discussed. In this context, SOEs are a functional/intra-organisational hybrid organisational form, and not a structural/inter-organisational hybrid organisational form as theorised by early authors who have commented on hybridity in SOEs (Bruton et al., 2015; Eldar, 2017; Gooneratne & Hoque, 2016; Pache & Santos, 2013).

Generally, one of the characteristics of hybrid organisations is that they challenge organisational legitimacy because their logics are usually incompatible with the logics of normal organisations (Pache & Santos, 2013, p. 973). Thus, these organisations try out different logics in order to gain legitimacy. This partly explains why in practice hybrid organisations take different forms. Using the case of French work integration social enterprises, Pache and Santos (2013, p. 986) reported that hybrid organisations in search

of legitimacy in a particular organisational field take different elements of the logics present in the field in order to gain acceptance. This gives some insight into why SOEs pose complex challenges in terms of establishing their hybrid forms.

Since hybrid organisations take different elements in the field to gain legitimacy, one might argue that hybrid organisations need a different kind of organisational arrangement. In this context, Grossi and Thomasson (2015, p. 610), using the case of Malmo Port to study the accountability gap that arises in hybrid organisations, observe that a hybrid organisation is not fit for purpose in the existing corporate governance systems (Grossi & Thomasson 2015, p. 616) as role-players concentrated more on one form of hybridity than the other form(s) of hybridity. Hence, Grossi and Thomasson (2015, p. 616) posit that governance is not just about the systems in place, but that the process in place is as important as the systems. In supporting this, Bruton et al. (2015, p. 93) note that since profit maximisation cannot be said to be the major objective of SOEs, just as it will also be difficult to assert that increasing employment levels or market share is their major objective, it is then not surprising that SOEs do not behave as private enterprises and should not be managed as such. In the same spirit, Alexius and Cisneros Örnberg (2015, p. 287) opine that active management and corporate governance is needed to sustain hybridity. They advocate that this is the only means by which hybrid organisations can sustain their value in the public sector (Alexius & Cisneros Örnberg, 2015, p. 286). Alexius and Cisneros Örnberg (2015) report that though SOEs should deliver social and financial value, SOEs in the case analysed were basically concerned with maximising financial value. This, in effect, means that in hybridity by objectives, it is common that role players are usually willing to pursue an objective at the expense of other objective(s), depending on the circumstances under which they fulfil their mandates. This confirms that hybrid objectives result in confusion when not properly detailed and managed.

2.3 Literature on public enterprises

There are different strands of literature on state ownership. However, there is a great overlap in this literature. There is a strand of research that is basically concerned with government provision and production. The literature on this research ranges from the

provision of public goods and services (a policy decision on public works) to government production (the actual delivery of public works). The academic research convergence on this has produced literature on public–private partnerships (PPPs) (for an overview and a better understanding, see Acerete, Shaoul, Stafford, & Stapleton, 2010; Edelenbos & Klijn, 2009; Demirag & Khadaroo, 2008; Demirag, Khadaroo, Stapleton, & Stevenson, 2012; Hayllar & Wettenhall, 2013; Hodge & Greve, 2007, 2010; Hodges & Mellett, 2012; Shaoul, Stafford, & Stapleton, 2010, 2012; Skelcher, Klijn, Kubler, Sorensen, & Sullivan, 2011). Aside from this literature, Bernier (2014, p. 253) affirms the presence of entrepreneurship literature in the public sector. This entrepreneurship literature, Bernier (2014, p. 253) argues, has left out public enterprises (SOEs for the purposes of this study). Following from the above, even though this overlap has blurred the distinction between public works delivered by SEs or SBs and public enterprises (SOEs), the distinction and demarcation is still obvious. It is this literature on public entrepreneurship (SOEs) – whether the enterprises are charged with the provision and production of public works or with outright public investment or investing public savings and reserves – that is the basic concern of this study.

From the above, the fact that literature on public ownership is wide and overlapping means that literature on SOEs (which is an aspect of public ownership) has covered a great deal of ground in a disjointed manner (Bhorat et al., 2015, p. 10; Clo, Fiorio, & Florio, 2017, p. 61; Denis et al., 2015, p. 274; Fossestøl, Breit, Andreassen, & Klemsdal, 2015, p. 303; MacCarthaigh, 2011, p. 217; Xiongyuan & Shan, 2013, p. 53). In this instance, firstly, tension arises in state ownership as a result of differences in terminology (Chen, 2016, p. 319; MacCarthaigh, 2011, p. 220; Presidential Review Commission, 2012). In some countries, such as India and Libya, these enterprises are known as PEs, and research on them focusing on these countries in academic journals has always come under the title of public sector enterprises or public enterprises (PSEs/PEs) (Bhardwaj, 2016; Duppati & Locke, 2013; Sakour, 2015). Likewise, in Malaysia and Singapore, SOEs are referred to as GLCs (Koe, 2013, p. 21). In South Africa, these enterprises are known as government-owned corporations (GOCs) and SOCs (Tsheola, Ledwaba, & Nembambula, 2013). Sometimes, they are generally referred to as SEs (Low, 2006). Hence, it becomes obvious

that literature on public ownership should be linked together for a better understanding of the phenomenon. The importance of linking the disjointed literature on SOEs has been highlighted by several observers (Bernier, 2014, p. 253; Grossi et al., 2015, p. 275). In linking the literature on public enterprises, key issues other than the one pursued by this research are touched on in this and the next chapter. This is expected to give a better understanding of this organisational field.

In this way, this study contributes to linking research on public enterprises together by covering research on these enterprises that appears under different titles – SOEs, SOCs, PEs, government business enterprises (GBEs), GOCs, GLCs and SEs – in the literature review presented in this chapter and in the next chapter, while consolidating them and arguing, following Grossi et al. (2015, p. 275), that SOEs should be used as an umbrella term in identifying these enterprises. This is because the term is widely used by scholars, international organisations, practitioners and academics (Grossi et al., 2015, p. 275).

Secondly, in the context of disjointed literature, Bernier (2014, p. 253) calls for a synthesis of this literature and advises that researchers should focus on public entrepreneurship as a whole and not only on governance, as well as on whether the public sector should own these enterprises. A reason for this disjointed literature appears to be the convergence of different arguments on the role of government. However, while Bernier (2014, p. 253) contends that research on public enterprises should focus on entrepreneurship and on how to link entrepreneurship literature with public enterprises literature, Daiser et al. (2017, p. 1) maintain that more qualitative research is needed on the corporate governance of SOEs. In agreement with Daiser et al. (2017), it is recognised that the most salient problems faced by SOEs are closely linked to governance issues. Notwithstanding, it appears it is the focus on general entrepreneurship literature (development, ownership, organising, managing, governance and objectives) that will proffer the best solution to solving governance problems in SOEs, as these concepts are aspects related to corporate governance. In this context, it appears that any attempt contrary to this will mean scratching the surface without unpacking the real issues. It thus follows that governance issues in SOEs cannot be tackled without an understanding of the

role, the available models for structuring these SOEs, the characteristics of the models and the objectives of these enterprises.

Thus, an understanding of ownership and organising models, internal and external legal and regulatory frameworks, and mandates/objectives of SOEs is a precondition for the establishment of a sound structural corporate governance model for SOEs. The role, models, internal and external legal and regulatory frameworks and mandates/objectives of SOEs are expected to and, indeed, differ from state to state. Notwithstanding, an understanding of these with the prevailing national circumstances will likely ensure that future reforms of SOEs are directed along the right paths. In this respect, the argument for understanding the available models and objectives as a precondition for erecting a strong corporate governance framework is because ownership and organising models, internal and external legal and regulatory frameworks, as well as the objectives, role, and origin of SOEs, help to unpack the issues and tensions generated at the level of structuring that are more likely to have an impact on governance. This research follows this approach in further linking disjointed literature on public enterprises and in proceeding with the entire study. Hence, the key point to note in this instance is that because SOEs are a laboratory of governance issues, all aspects of the SOE literature are, arguably, a subfield of corporate governance. In his work on performance evaluation of public enterprises, Aharoni (1981, p. 1340), while asserting that SOEs are an important instrument for socioeconomic policy, was quick to observe that there are a multitude of problems associated with these SOEs. As a result of these, states are continuously organising and reorganising their SOEs in a bid to make them deliver on their mandates. The subject of this organising and reorganising is the theme of the section below.

2.4 Restructuring of state-owned enterprises

Restructuring, as used in this context, entails reforms in SOEs. These reforms take the form of SOE privatisation, nationalisation, formation and transformation, and changes in the management and to the boards of SOEs. These are discussed in this section.

2.4.1 Background

Reforms are necessary because, as Bird (2015, p. 47) and Turner et al. (2017, p. 181) rightly observe, most governments today have accepted that the privatisation of SOEs does not guarantee socioeconomic development, nor, depending on SOE mandates, does it necessarily guarantee better service provision or superior returns (Singh & Seth, 2015, p. 10). Yet Abramov et al. (2017, p. 10) submit that privatisation, despite government's acceptance that privatisation is not a guarantee for socioeconomic growth, is again becoming a worldwide global trend. Nevertheless, since most governments have accepted that privatisation is not the solution to the problems of SOEs, these governments have embraced the fact that these organisations can, as Tõnurist (2015, p. 11) helpfully points out and coupled with Bernier's (2011, p. 399) and Thynne's (2011, p. 183) observations, be used as instruments for innovative policy management in terms of policy coordination, policy utilisation, fiscal responsibility and surplus maximisation. Further, Bass and Chakrabarty (2014, p. 962) contend that SOE investments tend to safeguard SOEs and their countries' future because such investments serve as a source of resource security. As such, to increase the socioeconomic growth of their states, these governments try out various means to restructure their social and commercial enterprises effectively and efficiently.

Paz (2015, p. 792) helpfully posits that institutional reforms determine the extent to which both organisations and countries either fail or succeed. In the same context, Duppati and Locke (2013, pp. 11–13) contest that enterprises are most likely to improve following reforms. Hai and Donnell (2017, pp. 216, 222), in their analysis of SOE reforms in Vietnam following their sample of two SOEs reforms, a failed one and a successful one, confirmed that enterprises are likely to improve in terms of corporate governance and effectiveness/performance following reforms. They reported that the SOEs that have been reformed are effective and efficient. This is consistent with Jurkonis, Merkliopas, and Kyga's (2016, p. 172) observation that corporate governance reform in SOEs improves operational effectiveness, thereby improving performance. Likewise, in their study of financial performance following corporate governance reforms, Locke and Duppati (2014)

found evidence that enterprise performance improves after reforms to their corporate governance, although they also found that SOEs underperform compared to listed companies (Locke & Duppati, 2014, p. 75). However, when compared in terms of size and industry, they found no significant difference in performance between listed companies and SOEs (Locke & Duppati, 2014, p. 76). As a result of these arguments, states are constantly organising and reorganising their SOEs in a bid to make them deliver on their mandates (Bernier, 2011, p. 399).

2.4.2 Privatisation and nationalisation of SOEs as means of restructuring

The second strand of early literature, following that on state ownership (Aharoni, 1981; Mazzolini, 1979, 1981; Phatak, 1969; Seidman, 1954, Turvey, 1971) of SOEs, was on SOE privatisation (Tõnurist, 2015, p. 1). Thereafter, literature of nationalisation of SOEs followed (Bakre & Lauwo, 2016, p. 53) following the observation that privatisation didn't deliver most of the anticipated results.

2.4.2.1 Privatisation

The works in this strand privatisation are wide-ranging because advocates of privatisation were powerful and imposed their analyses as to why the privatisation of SOEs would ease the burden of SOEs on states on others. Before this time, there was a strong movement in favour of capitalism as a result of the incompetence and corruption of eighteenth-century government, which survived into the nineteenth century (Keynes, 1926, p. 12). Further, the arguments against capitalism were not strong, and at that time the tools with which opponents of capitalism fought capitalism appeared to be too weak to conquer capitalism. This, Keynes summarises thus:

> But the principles of *laissez-faire* have had other allies besides economic text-books. It must be admitted that they have been confirmed in the minds of sound thinkers and the reasonable public by the poor quality of opponent proposals – Protectionism on one hand, and Marxian Socialism on the other. Yet these doctrines are both characterised, not only or chiefly by their infringing general presumption in favour of *laissez-faire*, but by mere logical fallacy … At any rate, the obvious scientific deficiencies of these two schools greatly

> contributed to the prestige and authority of nineteenth-century *laissez-faire* (Keynes, 1926, p. 34).

This shows that despite the fact that it could be argued that SOEs are usually inefficient, capitalist arguments have always been strong, have never disappeared and have largely influenced the widely held belief that SOEs are not useful, even though arguments against capitalism are now sound. Following these, it appears observers were made to wrongly believe that public enterprises are inefficient and are being considered political tools as against useful socioeconomic policy instruments, which they arguably are (Badulescu & Pacala, 2012, p. 13; Mirjana & Micic, 2015, p. 93). In addition, as a result of the timing of this seeming misinformation, at a time when SOEs in most countries were struggling (Gumede, 2016, p. 71) and most governments were financially handicapped (Gumede, 2016, p. 70), stakeholders were incapacitated and could not make a case against privatisation, as states needed to act in order to safeguard theirs and their countries' interests (Farazmand, 2012, p. 497). In this context, SOEs struggle as a result of corrupt practices (Belloc, 2104, pp. 821 – 830), conflicting objectives (Cuervo-Cazzura et al., 2014, p. 1930, principal-agent problem (Humayun and Adelopo, 2012, p. 7138), SBC (Gumede, 2016, p. 71), free rider (Peng et al., 2016, p. 410) and political interference (Ennser-Jedenastik , 2014b, p. 399). Thus, observers were made to believe that for the enterprises to thrive and achieve their mandates, SOEs would have to be transferred to the private sector (Farazmand, 2012, p. 497) because advocates of private ownership assert ownership contributes to enterprise performance (Okeke, 2016, p. 7; Songvilay et al., 2017, p. 241) and that private ownership works better. These sets of arguments, coupled with the condition of no reform, no aid by Western governments, led to the then massive privatisation of SOEs.

This privatisation was widespread. Although it was reported that privatisation did not take place in Asia compared to European countries, especially the UK, privatisation did occur in Asia at long last (He et al., 2016, p. 181) as a result of corporatisation of SOEs. In this regard, He et al. (2016, p. 181) reported that after the Berlin wall collapsed in 1989, privatisation was pronounced in Europe, Asia, Latin America and the former Soviet Union (SU). Thus, Wu, Liang, and Mai (2016, p. 456) assert that privatisation started in Britain in

the 1980s and gradually moved to the former SU and surrounding countries in the 1990s. They note that Britain and the former SU were drastic and comprehensive in their privatisation activities. China on the other hand was late on the privatisation scene, and only partially privatised its public enterprises. In this connection, Sappideen (2017, p. 96) notes that about half of Chinese privatisation was through management buyouts. Accordingly, Wu et al. (2016, p. 456) submit that at long last, it appears that China's partial privatisation method paid off more as the SOEs were still used for the delivery of socioeconomic goals compared with the outright privatisation in the UK and the former SU. This form of Chinese privatisation is what Putniņš (2015, p. 815) refers to as the corporatisation of SOEs.

2.4.2.2 Nationalisation

Following the discovery by observers (Bakre & Lauwo, 2016, p. 53) that privatisation did not solve the problems of SOEs and states in general, and also because the public sector needed to improve its spending capability in order to provide more public goods and services for its citizens by using SOEs as instruments of socioeconomic policy, delivering public works and generating additional funds, nationalisation occurred in many countries. As a result of this nationalisation, there are many SOEs across the world today. These enterprises continue to grow in number, size and capacity (He et al., 2016, p. 118; Peng et al., 2016, p. 297; Swiatczak, Morner, & Finkbeiner, 2015, p. 374). The fact that the enterprises continue to grow in number, size and capacity led Rentsch and Finger (2015, p. 619) to conclude that these enterprises have come to stay and are not likely to disappear. An account of the wide spread of SOEs is provided below. The rationale behind the pervasive spread of SOEs today is that most governments are highly indebted and, with these debt levels increasing, citizens continue to demand more public goods and services, without wanting an increase in taxation. It thus becomes important for these governments to look for means by which they can generate additional revenue to deliver on their mandates or deliver these mandates sustainably; that is, at no extra cost to the government and citizens, while increasing reserves in the expectation that debts are reduced and are not pushed to future generations (Bale & Dale, 1998, p. 112; Clifton & Duffield, 2006, p.

575; Mansi, Pandey & Ghauri, 2017, p. 359). This partly accounts for why SOEs exist (Bird, 2015, p. 136).

If SOEs are adequately managed, with a trade-off between social objectives and revenue maximisation, they can help in the delivery of some public goods and services at no cost to the government. On the other hand, they may deliver public goods and services, while still contributing financially to the National Treasury, where there is no trade-off for social objectives and the enterprises are meant to be commercially viable. Irrespective of this nationalisation, countries all over the world are still involved in privatisation (Khajar, 2014, p. 27). The reasons for ongoing privatisation appear to be for the strategic positioning (Florio, 2014, p. 202) of states, that is, achieving greater efficiency and competitiveness, rather than in line with the doctrines of NPM, which emphasises competition and the measurement of results and outputs (Hai & Donnell, 2017, p. 216). Therefore, it becomes clear that the privatisation and nationalisation of SOEs in today's context should be seen as institutional reforms that can be triggered by any issue, as against the previous widely held belief that SOEs are bound to perform better when privatised, or fully nationalised, or as a result of capitalism or socialism doctrines, or of the superiority of capitalism over socialism and vice versa. Palcic and Reeves (2013, p. 118) stress that in the aftermath of the financial crisis of 2008, countries all over the world proceeded with socioeconomic reforms in different ways. While some countries pursued a strategy of nationalisation, others pursued privatisation, and some a mix of both privatisation and nationalisation. Thus, in the aftermath of privatisation and nationalisation, since SOEs never vanish, commentators continued to research other aspects of SOEs, distinct from privatisation, nationalisation and ownership (Del Bo & Florio, 2012, p. 263; He et al., 2016, p. 118).

The distinction between the public sector reforms of the early 1980s to 1990s, which occurred again after the financial crises between 2007 and 2010, and the current reforms is that in the former, states were compelled to act as a result of crises and, in the latter, states were beginning to understand that privatisation may not be as key as proponents of privatisation claim (Bird, 2015, p. 4; Sing & Seth, 2015, p. 10; Turner et al., 2017, p. 182).

States had to act urgently in order to ensure that they put their states back on track. At long last, in some if not in most cases, rushed decision-making, as a result of the urgency with which states acted, meant that some states made mistakes in those reforms (Farazmand, 2012, p. 493). Along these lines, Huat (2016, p. 500) concludes that the negativities associated with some SOEs are as a result of their origin. Some of these SOEs were products of nationalisation by a new government, created in order to ensure that party loyalist and ranked bureaucrats were compensated for their political efforts by appointing them as managers and members of SOE boards. In some cases, the situation of political interference with SOEs is so bad that there will be no hope of survival (Kankaanpää et al., 2017, p. 411) for SOEs. The issue of political interference has always been present in SOEs (Hanson, 1958, p. 379; Phatak, 1969, p. 348). Prompting Hanson (1958, p. 379) to conclude that the then SOEs in Nigeria were run like a political party. This largely accounts for why the number of SOEs in that country has been constantly decreasing. In most cases, the managers and board members involved are not equipped with the knowledge, skills and expertise needed to guide SOEs. At long last, these SOEs collapse.

Although states acted differently regarding earlier reforms brought about by the crises, most countries have not recovered from the mistakes made during those public sector reforms. Some of these mistakes appear to be the ones that are being corrected in these rounds of reforms (Zhao & Zhang, 2015, p. 143). Additionally, today's SOEs are completely different from the SOEs of yesterday (Putninš, 2015, p. 815); they are bigger, seem more efficient in some countries and now compete with other local and foreign SOEs as well as with POEs in a bid to be global organisations (Clo et al., 2017, p. 61; Farazmand, 2012, p. 490). This partly explains why privatisation still takes place even though SOEs have come to stay. Also, the activities of beneficiaries of the current SOEs set up in some countries, as well as the activities of developed countries (Western governments) and economic institutions, such as the World Bank and the International Monetary Fund (IMF), often frustrate SOE reforms, which in turn often leads to privatisation. This is as a result of thr fact that these organisations often advise that SOEs are privately owned (Gumede, 2016, p. 71). Along these lines, Hai and Donnell (2017, pp. 216, 222), in their analysis of SOEs

reforms in Vietnam, reported that SOE restructuring is political and argued that managers and employees of SOEs, who benefitted economically from the SOE framework at the time, opposed the SOE reform. Further, Gumede (2106, p. 74) notes that in South Africa, the African National Congress (ANC) initially planned nationalisation in the 1990s, but ended up with privatisation as a result of activities of self-acclaimed left-wing governments, which include those governments whose political and governance ideas are based on socialism (Avsar et al., 2013, p. 405) and economic institutions such as the World Bank and the IMF.

From the above, it is evident that reforming SOEs often poses some difficulties. These difficulties stem from the fact that SOE mandates often cut across social, political and economic issues (Hai & Donnell, 2017, p. 216). Thus, much tension should be expected. In line with this, Turner et al. (2017, p. 182) posit that the transformation of SOEs is usually a battleground for stakeholders striving to advance their personal interests. In this respect, Turner et al. (2017, pp. 182–183) demonstrated, using three cases, that SOE reforms usually come through when the promoters of reform are politically powerful and have a good strategy to push their proposition. In the same context, Jing and McDermott (2013, p. 81) reported that transformation is possible in SOEs, but added that transformation is highly dependent on the aspirations and political skills of change agents. Using a case study of three Chinese SOEs, Jing and McDermott (2013, p. 79) demonstrated how proponents of reforms negotiate with the owners and the headquarters of SOEs at the design and implementation stages in a bid to garner the support necessary for the manipulation and transformation of SOEs. As such, because change agents have the necessary support, they are equipped to deal coercively with the resistance and confrontation that may arise from stakeholders within their organisation.

2.5 State ownership

There are different forms of state ownership of SOEs. This section discusses the different forms by which states own SOEs. In doing so, the section discusses state ownership in home country and in foreign countries.

2.5.1 State ownership in the home country

Governments own enterprises for different reasons. Along this line, Mazzolini (1981, p. 7; 8) notes that state ownership constitutes strategic decisions. Also, Abramov et al. (2017, p. 2) submit that evaluating the state and the state's role as an owner is a starting point in choosing a socioeconomic policy. As a result of this, there are different types of state according to the role that a particular state plays. Milicz (2016, p. 200) helpfully categorises states into night-watch states, welfare states and service provider states. A night-watch state is that state that does nothing other than be a guarantor of rules and regulations and provide public goods. This is the kind of state pictured by Smith (1776, pp. 182–298). The welfare state, on the other hand, is a state that is interested in the comfort of citizens. As a result of this interest in citizens' comfort, the welfare state provides full employment and targets the achievement of equality. The welfare state achieves these through the imposition of high taxes (Milicz, 2016, p. 200). The service provider state is a state that uses all sorts of mediums to provide services in a manner in which both benefits and costs are shared by the population, the central budget and the economy. Although a good example of the state pictured by Milicz's (2016, p. 201) service provider state is a state that involves third parties in the provision of public goods and services, using series of arrangements that come under PPPs, states that own SOEs seem to fall into this category (World Bank, 1997, p. 27). However, the characteristics of states that own SOEs extend beyond public goods, welfare and service provision, as demonstrated by Milicz (2016). Usually, the intention of these states includes investing public savings, especially when the goal of SOEs is not just to be sustainable but also to engage in commercial activities in order to maximise surplus (Huat, 2016, p. 508–509). In this context, Plūmiņš and Ščeulovs (2016, p. 65) contend that state ownership entails ownership of productive assets, industries or enterprises for the purpose of production and the sales of goods and services.

There are several explanations regarding why the state often involves itself in utilising SOEs partly as commercial enterprises. Some commentators are of the opinion that it is a capitalist move by the state; others argue that state ownership is common in states that do not hold capitalist interests (Fitriningrum, n.d. :41; Hu & Lin, 2011, p. 566; Milhaupt &

Zheng, 2015, p. 7; Tsheola et al., 2013, p. 22; Vagliasindi, 2008, p. 13; Zhao & Zhang, 2015, p. 147). This confusion prompted Avsar et al. (2013) to investigate the connections between SOEs and the state's doctrine (Avsar et al., 2013, p. 391). They found that left-wing governments are more connected to larger SOE sectors, and that countries in which there is greater inequality are also connected with larger SOEs compared to right-wing governments, which entails those governments whose political and governance ideas are based on conservatism or capitalism (Avsar et al., 2013, p. 405). However, Christensen (2015, p. 308) claims that SOEs combine institutional arrangements and that a state's doctrine does not necessarily matter in state ownership because in SOEs, market mechanisms are layered in hierarchal mechanisms, thus making SOEs a combined institutional arrangement. This latter argument, though not capturing it all, seems to make more sense compared to the former. It is therefore not surprising that the modes of operation of SOEs differ from state to state. This is so because each state has to choose organisational solutions that fit its socioeconomic and political systems, constitution, local needs and government and governance structure (Aharoni, 1981, p. 1341; Seidman, 1954, pp. 183, 192). Thus, state doctrine is arguably not likely to determine how states proceed in terms of owning SOEs, even though it may determine the SOE mandates. In this context, Tsheola et al. (2013, p. 21) note that South African SOEs were formed to be purely commercial enterprises operating on behalf of the government. However, this appears to be far from the case because the Department of Public Enterprises (DPE) states that the enterprises it monitors are intended to unlock growth, drive industrialisation, create jobs and develop skills (DPE, 2017). Job creation and skills development are part of wider social objectives. Tsheola et al. (2013, p. 21) might have been right that SOEs in South Africa were created to operate purely as commercial enterprises because it appears they seldom fulfil these wider social objectives detailed by the DPE and other owning departments, nor do they operate effectively and efficiently, maximise surplus or even break even.

From the above, following Johnson's (1999) observation, in discussing the developmental state, it is evident that, usually, it is how SOEs are utilised that determines a state's doctrine. In some states, SOEs are organised in such a way that they are used as

instruments of state intervention. In some, they are used as a control board and in others they are used as a regulator (Hayashi, 2010, p. 47). In some states, SOEs are used as instruments of state intervention, control board and regulator combined. This implies that the perceived role of the state is an important determinant of how a state proceeds. In developing economies, irrespective of the stage of economic development, the focus should not be on the perceived superiority of market over state and vice versa in attaining socioeconomic and political goals, but on how these developing economies can tap into the benefits of the market mechanism. Thus, the idea is that the agenda in developing economies ought to be on taking an active role in establishing and guiding market mechanisms to work efficiently and effectively. In this context, Johnson (1999, p. 48) contends that industrial policy does not replace the market nor is it an alternative to the market, rather, it is an instrument with which the state influences the behaviour and activities of private producers, consumers and investors. In essence, a better model for developing economies is a combination of both capitalism and statist models, in which the state structures market mechanisms to achieve developmental goals (Johnson, 1999, pp. 40, 48). For state intervention to deliver efficient and effective results, certain things will have to be in place. In this spirit Onis (1991, p. 114) argues that state intervention will have to rely on organisational and institutional links between politically protected state agencies and major private-sector firms. Thus, the effectiveness of state intervention can be sustained by fostering state and private-sector conglomerates, banks and general trading companies in strategic sectors of the economy.

2.5.2 State ownership in foreign countries (internationalisation of state-owned enterprises)

SOEs in some countries, especially China and Singapore, have grown so large that they are now involved in international operations (Blyschak 2016, p. 5). Following the global financial crises in 2008, states such as China began to explore international markets through their state enterprises (Liao & Zhang 2014, p. 128). Although SOEs continue to internationalise, Karolyi and Liao (2017, p. 368) contend that it is difficult to observe the objectives, behaviour, governance and activities of SOEs in internationalisation. In this context, Estrin, Meyer, Nielsen, and Nielsen (2016, p. 302) claim that SOEs continue to

internationalise and even internationalise more than POEs. SOE internationalisation takes many forms. Blyschak (2016, p. 5) notes that SOEs internationalise as pure SOEs, SWFs and sovereign commercial vehicles in which they partner with other enterprises. In this regard, Alon, Wang, Shen, and Zhang (2014, p. 11) add that the routes to SOE internationalisation comprise of mergers and acquisition (M&A), JVs, equity investments and greenfield investments. Accordingly, coupled with issues that arise when SOEs are used as commercial enterprises, additional issues are bound to arise when SOEs internationalise, which contribute both negatively and positively to SOEs. When SOEs internationalise, the agency relationship increases and there is concern over their legitimacy in the foreign countries they move to (Blyschak, 2016, p. 6; Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014, p. 931). The issue of legitimacy in foreign countries appears to be the most worrying issue in the internationalisation of SOEs.

Regarding issues related to SOEs in internationalisation, Cuervo-Cazurra et al. (2014, p. 935-936) note that when SOEs leave the shores of their countries, there is a tendency for these SOEs to become illegal organisations in foreign countries, thereby displaying the characteristics of unjustifiable owners in the foreign countries, as citizens and government of the foreign countries might see them as intruders. Likewise, instead of pursuing commercial objectives, governments may concentrate on political goals (Blyschak, 2016, p. 5). When this is the case, there may be threats to national security (Shi, Hoskisson, & Zhang, 2016, p. 23). Additionally, there is the belief that SOEs in foreign countries may not be competitive in their operations; hence, they become a political tool instead of a commercial tool (Blyschak, 2016, p. 6). Additionally, SOEs involved in internationalisation may be seen as spies in the foreign countries (He et al*.,* 2016, p. 118; Huat 2016, p. 500). This is coupled with the fact that international law may have an effect on the operations of the SOEs (Blyschak, 2016:6). To confirm Blyschak's (2016) observation on the effect of international law on SOE internationalisation, Woo (2014) reports that when the Canadian government began suspecting espionage activities of Chinese oil and gas SOEs in Canada, the Canadian government amended the Investment Canada Act. This amendment, Woo (2014) reports, made SOE investment difficult in Canada, and also made Canada unattractive for public enterprises (Woo, 2014, pp. 21, 31; Globerman, 2016, p.

538). These negative observations associated with SOE internationalisation mean that predicting the end results of SOEs in internationalisation is very difficult. This prompted Cahen (2015, p. 657) to affirm that SOEs in internationalisation is experimentation. Although the issues associated with these SOEs in international investment are numerous, these problems can be managed if they are seen as a test of the competencies of the regulators, policymakers and government administrators in different but important ways (Blyschak, 2016, p. 11), which they are. Moreover, ownership and organising models can contribute immensely to solving problems associated with the internationalisation of SOEs.

Following from the above, the decision to internationalise is largely driven by the state, as owner, and SOE managers in different circumstances and capacities. In this regard, the state as owner has a significant impact on the decision to internationalise SOEs, just as the political connections of managers also influence internationalisation decisions (Liang, Ren & Sun, 2015, p. 224). Politically connected managers may decide, as a way of reforming the governance of their local SOEs, to internationalise. However, any internationalisation decision following corporate governance reform is likely to be initiated by the owning state (Liang et al., 2015, p. 232). The reason for this argument is that this internationalisation decision must have been made before initiating the corporate governance reform. Similarly, Estrin et al. (2016, p. 302) argue that the decision to internationalise can be likened to a resource allocation strategy. Following this, they opine that formal, informal and governance institutions influence internationalisation decisions. In the same context, but in a different perspective, Cahen (2015, p. 657) contends that SOE internationalisation is driven by social welfare and political considerations that can be seen in the light of experimentation, defence and strategy. However, following arguments by Clo et al. (2017, p. 68) and Del Bo et al. (2017, p. 105), it can be seen that home and foreign government relationships sometimes influence internationalisation decisions. In this regard, Benito, Rygh, and Lunnan (2016) see this relationship with foreign governments as an advantage. However, Shi et al. (2016) opine that geopolitical ties often result in SOEs facing opposition in foreign countries, especially if these foreign countries are close to or neighbours of the SOE's home country, are competitive and have more

comparative advantage than the home country, have different religious beliefs, and above all, have a different political doctrine (Shi et al., 2016, p. 19–23). This observation by Shi et al., (2016) is in line with Cuervo-Cazurra et al.'s (2014) observation that SOEs are more likely to be subject to hostility in internationalisation than POEs (Cuervo-Cazurra et al., 2014, p. 935).

2.5.2.1 Reasons for internationalisation of SOEs state-owned enterprises

SOE internationalisation takes different forms and SOEs continue to internationalise. It thus becomes important, as with the SOE internationalisation decision, to question why SOEs internationalise. Cuervo-Cazurra et al. (2014, p. 920) and Cahen (2015, p. 646) rightly note that the explanation proposed by public management theory for why SOEs exist does not cover SOE internationalisation. This prompted them to suggest that there must be other reasons why SOEs internationalise.

As suggested by Bass and Chakrabarty (2014, p. 962), a possible reason when the internationalisation decision is driven by the state is that SOEs internationalise for purposes connected with safeguarding their countries' future. Choudhury and Khanna (2014) see the reason for SOE internationalisation differently from Bass and Chakrabarty (2014). It appears Choudhury and Khanna (2014, p. 944) conclude that the reason why SOEs internationalise is driven by SOE executives because. Li et al. (2012, p. 303; 306) argue, SOEs will not be effective and efficient if states as owners do not withdraw their control rights over these enterprises. It thus becomes clear that the argument as to why SOEs internationalise advanced by Bass and Chakrabarty (2014, p. 956) and Li et al. (2012, pp. 303, 306) is connected with SOE internationalisation in a bid to obtaining resources that will enable SOEs, and SOEs managers to be independent of state role players. To confirm their stand, Choudhury and Khanna (2014, p. 956) applied standard resource dependency theory to state-owned research and development (R&D) laboratories and argued that SOEs often internationalise in order to be resource independent; in other words, in order to seek complementary resources and be free from state role players. The picture Choudhury and Khanna (2014) paint in this respect is that internationalisation is key to the freedom of SOEs from political interference by state role players. Consequently

Cuervo-Cazurra et al. (2014, p. 920) support this power escape idea. Cuervo-Cazurra et al. (2014, p. 935) assert that a way by which SOEs can escape the power exerted on SOEs by the state, their principal, is to externalise. They suggest that when SOEs externalise, they depend less on government for funding as they concentrate solely on commercial objectives, as the internationalisation decision is not driven by state role players in a bid to promote social and political objectives. Thus, if the local branch is being controlled by state role players, the foreign branch may more likely be free from this interference by state role players. Cuervo-Cazurra et al. (2014) and Choudhury and Khanna (2014) do not stand alone in this; Rentsch and Finger (2015, p. 623), in support of Choudhury and Khana (2014) and Cuervo-Cazurra et al. (2014), claim that irrespective of SOEs' preference for connection with the state in order to garner support and protection, SOEs would want to be free from the state. The reason for this is that this freedom is the only way by which they can pursue their entrepreneurial plans without having to worry about state interference. In line with this, Rentsch and Finger (2015, pp. 623, 635) contend that a possible way of getting this freedom from the state is through internationalisation and diversification.

Rudy, Miller, and Wang (2016), in agreement with the earlier argument by Bass and Chakrabarty (2014, p. 956) and Li et al. (2012, pp. 303, 306), opine that the reasons why SOEs internationalise is to gather resources and capabilities that can be returned to and be of benefit to their home country. This argument is in contrast with the above argument advanced by Choudhury and Khana (2014) and Cuervo-Cazurra et al. (2014). Further, Rudy et al. (2016) assert that the resources targeted by SOEs in internationalisation include knowledge, natural resources, labour, location and non-location bound resources, and financial resources (Rudy et al., 2016, pp. 71, 73–74). Moreover, on internationalisation for reasons of knowledge acquisition, Soniewicki and Wawrowski (2015) examined the importance of external knowledge for SOEs and POEs in internationalisation. They reported that in internationalising, both POEs and SOEs acquire a great deal of knowledge compared to local SOEs and POEs. However, while international SOEs are likely to acquire more knowledge, local SOEs and POEs use their own knowledge specificity in delivering their objectives (Soniewicki & Wawrowski, 2015, p. 91).

In order to establish the reasons why SOEs internationalise, Warmerdam and Van Dijk (2013) questioned the motivation behind the presence of Chinese SOEs in Uganda. In confirmation of Rudy et al. (2016, pp. 71, 73–74), Bass and Chakrabarty (2014, p. 956) and Li et al.'s (2012, pp. 303, 306) assertions as to why SOEs internationalise, Warmerdam and Van Dijk (2013, pp. 290, 299) reported that the Chinese SOE presence in Uganda is associated with the prospects of Uganda's market, and that SOEs in Uganda are dominant in capital-intensive sectors such as construction and oil and gas exploration. Along the same line, in their analysis of why SOEs internationalise, Alon et al. (2014, p. 10), among other reasons, confirmed that SOEs internationalise in order to gather resources in the form of extraction, trading and technical services.

2.5.2.2 Distinction between private-owned enterprises and state-owned enterprises in internationalisation

Taken together, despite the observed obstacles associated with SOE internationalisation highlighted above, SOEs in foreign countries are likely to benefit from internationalisation. Although Cuervo-Cazurra et al. (2014, p. 934), as much as noting the advantages, itemise the disadvantages of SOEs compared to POEs in internationalisation, Benito et al. (2016, pp. 238–284) argued that SOEs have what it takes to benefit more than POEs in international markets. The reasons why POEs internationalise are quite different from those of SOEs. For example, POEs internationalise in order to take advantage of short-term benefits (Huang, Xie, Li, & Reddy, 2017, pp. 1149, 1151). Accordingly, POEs do not internationalise when there is a ready local market for them to achieve this short-term benefit aim. The point to note in this instance is that while SOEs may internationalise for social and political reasons, government policy and government assistance, it is business as usual for POEs, even in internationalisation. POEs mainly internationalise in order to take advantage of market opportunities.

Comparing the way in which SOEs fare in international markets with POEs, Benito et al. (2016, p. 269) noted that the advantages SOEs have over POEs in internationalisation include their focus on domestic issues and their relationship with other foreign governments. They believe when SOEs internationalise, these advantages are enough to

overcome the losses that may arise from the social objectives of SOEs and the inherent weaknesses in the corporate governance of SOEs (Benito et al., 2016, p. 284). In the same vein, Peng et al. (2016, p. 309) argue that the main difference between the resources of SOEs and POEs is that aside from the market-based resources, which are the focus of POEs, non-market-based resources in form of political resources and capabilities may be a source of advantage for SOEs over POEs in internationalisation. It appears that Bass and Chakrabaty (2014, p. 964) have confirmed this in their analysis of SOEs in internationalisation. Cuervo-Cazurra (2016), while observing the advantages and disadvantages of the resource base in the internationalisation of SOEs, in line with Peng et al. (2016, p. 309), note that the key advantage is that SOEs can be provided with large funds for investment, which may not be available to private enterprises. On the other hand, a disadvantage is that SOEs may be subjected to hostile treatment when they internationalise compared to POEs (Cuervo-Cazurra et al., 2014, p. 935). However, in the same context, Guo and Clougherty (2015, p. 144) reported that POEs are more effective in gaining synergies and competitive advantage than SOEs, although SOEs enjoy more favourable policies than POEs.

Following from the above, Tavares-Lehmann and Lehmann (2017, p. 146) have argued that the favourable policies enjoyed by SOEs tend to assist them in engaging in larger deals, purchasing more companies and willingly purchasing companies with huge debts compared to their private counterparts. This is consistent with the findings of Clo et al. (2017, p. 63). Likewise, Guo and Clougherty (2015, p. 147) reported that SOEs pay more on investments than POEs. One might argue SOEs pay more on investment because they usually have strong financial backing, in line with the SBC (section 2.9.2.5) argument. Thus, they tend not to worry about the financial performance of target firms in internationalisation. Although this may be argued, Clo et al. (2017) have other ideas regarding the issue of excess payment by SOEs in internationalisation. Clo et al. (2017, p. 68), writing on M&A, sees these excess payments as the internationalisation of political objectives rather than for investment purposes. The reason for this is because private enterprises would not buy those firms. To confirm this, Del Bo et al. (2017, p. 105) reported that M&A deals that involve SOEs are different from traditional private–private

deals. In these deals, Del Bo et al. (2017, p. 105) argue, greater assets are involved, the solvency ratio is usually higher and SOEs are usually close to the target companies. Hence, SOEs have specialisation regarding the deals and this specialisation makes them go into M&A under any form of arrangement that include public–private, public–public, and private–public deals compared to private–private deals, even when the enterprises are in distress (Del Bo & Florio, 2012, pp. 89, 106).

2.6 State-owned enterprise theories

There is a general consensus, although in different dimensions, among commentators in the organisational field that the traditional theories, property rights theory, transaction cost theory, agency theory, and resource-based theory (Peng et al., 2016, p. 293) of the firm do not explain the characteristics displayed by SOEs in their theoretical formulation. Thus, some observers have argued that the agency theory of corporate governance in economic literature cannot be readily applied to SOEs (Aharoni, 1981, p. 1342; OECD, 2005, p. 14; Sappideen, 2017, p. 101). In this regard, Aharoni (1981, p. 1342) observed that agency theory takes the principal as given and that firms' goals are properly stated. However, since principals are not easily identifiable in SOEs (Calabro, 2011, p. 27; Duppati & Locke, 2013, p. 14), and the specification of contract is more problematic compared to in POEs (Peng et al., 2016, p. 305), agency theory may not be easily applicable to SOEs in terms of performance measurement (Aharoni, 1981, p. 1342) and in fixing incentive packages for SOE managers (Sappideen, 2017, pp. 93, 109). Along these lines, Aharoni (1981, p. 1340) declared that SOEs and SOE researchers need management and not traditional economic tools to tackle difficult SOE issues. Hung (1998, p.106-107) appears to have pointed that these management theories are shareholder primacy and stakeholder theory, which are discussed in section 3.4.3. Aharoni (1981) does not stand alone in this. Cuervo-Cazurra et al. (2014, p. 926), in supporting Aharoni (1981) on the shortcomings of traditional theories of the firm in explaining the characteristics displayed by SOEs, posit that economic and even management theories have not been helpful in explaining issues with SOEs. In this way, Cuervo-Cazurra et al. (2014, p. 925), in support of the assertion by Aharoni (1981), declare that SOEs are a work in progress regarding the issue of applicable

theories. Even in POEs where the agency theory is readily applicable, there is still the presence of agency problems because agents are agents and are not principals (Peng et al., 2016, p. 305). As such, inherent conflicts of interest are bound to prevail both in POEs and SOEs. The expectation in this context is that these conflicts are expected to be more rife in SOEs than in POEs. To this end, Wang (2012, p. 493) propounds that the agency issue in SOEs is a story of agents watching agents.

Peng et al. (2016, p. 296) submitted that the traditional theories of the firm are resource-based theory or approach (RDA), transaction cost economics (TCE), agency theory and property rights theory (PRT). Cuervo-Cazurra et al. (2014, p. 920) note that one of the important things for SOEs that traditional theories of the firm have left out is the objectives of the state as owner (the role of the state). Cuervo-Cazurra et al. (2014) do not stand alone in this. In their work on theories of the state-owned firm, which extends the work by Cuervo-Cazurra et al. (2014), Peng et al. (2016, p. 294) opine that economic and management theories of the firm do not take into account SOEs in the formulation of those theories. This prompted them to extend the traditional theories of the firm to take into account SOEs as the main firm. Accordingly, Peng et al. (2016, p. 294) posed three questions connected to these theories of the firm. The first question relates to why SOEs exist, the second relates to how they behave and the third relates to issues that SOEs might solve better than POEs. These questions are addressed in this study. Unlike Aharoni (1981), Peng et al. (2016, p. 295) did not completely rule out agency theory as inappropriate for making sense of SOEs; instead, Peng et al. (2016) contend agency theory is useful with a little modification. In line with the mainstream literature on theory of the firm, Peng et al. (2016) accept that a firm might arise in order to be a property rights owner, to limit transaction and agency costs and to own resources and capabilities. In addition to discussing other theories including signalling theory, these theories of the firm are discussed in sections 3.4.1 and 3.4.2.

From the above, it makes sense to argue that SOEs display a different kind of agency dimension compared to POEs. Cuervo-Cazurra et al. (2014, p. 920) note that SOEs display a triple agency dimension. In a triple agency dimension, citizens come in as one of the

principals. Citizens own SOEs and expect the government as one of the agents to deliver the social and economic goals of SOEs. Although citizens as principals are perceived to be powerless in some countries (Cuervo-Cazurra et al., 2014, p. 931), and in most cases are unable to make any impact in the agency relationship, citizens act as a check on the owning government (MacCarthaigh, 2011, p. 215), who is an agent in this case. While citizens expect their agent, the government, to deliver on their mandates in terms of SOEs, in most cases the government is basically concerned with how to remain in power and in control (Cuervo-Cazurra et al., 2014, p. 931). Another relationship exists between the government as principals and managers as agents. This relationship is the traditional agency relationship as seen in POEs. Cuervo-Cazurra et al. (2014, p. 933) note that when SOEs internationalise, a third agency relationship arises, which is that between the managers of the foreign branch as agents and managers of the local branch as principal. This, Cuervo-Cazurra et al. (2014, p. 933) note as the third agency relationship. This third agency relationship brought about by the internationalisation of SOEs makes the typology of three-way agency in Cuervo-Cazurra et al. (2014) different from that of Kankaanpää et al. (2014). Kankaanpää et al. (2014, p. 410) posit that in the three-stage agency exhibited by SOEs, the first stage relates to the relationship between management and individual SOEs. The second stage relates to the central government and the decision-making body constituted by the central government and the third is between citizens and the decision-making body. This in effect shows how problematic agency can be in SOEs.

2.7 Political connection in state-owned enterprises

The issues surrounding the connection of politicians to SOEs have generated considerable attention from researchers. Government interference in the affairs of SOEs definitely has consequences, whether good or bad. Phatak (1969, p. 342) introduced the effects of government interference in the affairs of SOEs, showing how government interferes in the management of SOEs through the board of directors. Literature reviewed indicates that political interference in SOEs can be traced back to the 1950s, as demonstrated by Seidman (1954, p. 184) and detailed by Phatak (1969, p. 337-349).

There is no doubt that political connection is important to organisations, whether social, public or private. While POEs seek political connection with governments, SOEs are created with political connection (Chen, Li, Luo, & Zhang, 2017, p. 72). To confirm the assertion that SOEs are born with political connection, Ennser-Jedenastik (2014a,b) showed how political parties allocate managerial positions in SOEs. Ennser-Jedenastik (2014b, p. 403) collected data from appointments made by 92 SOEs in Austria from 1995 to 2010, noting, at long last, that managerial appointments in SOEs are usually politically influenced. In this regard, it is clear that political connection constitutes different things to SOEs and POEs.

2.7.1 Distinction between political connection in private-owned enterprises and state-owned enterprises

The difference between the political connection of SOEs and POEs is that the political ties of POEs are highly likely to be favourable for POEs and, as such, increase their performance. The reason for this is that POEs may be given certain incentives, for example business permits and licences that favour their business operations. In fact, POEs even lobby for this political connection. In SOEs, political connection is likely to harm performance rather than contribute positively to their performance (Du, Tang, & Young, 2012, p. 1574; Xiongyuan & Shan, 2013, p. 67). However, political connection will more likely be beneficial to members of SOE management, especially when the board is constituted based on political contribution and patronage. The reason why political connection may be beneficial to the board is explained below. With regard to performance, when politicians use SOEs to advance their interests, they usually provide them with the necessary support to ensure effective but not necessarily efficient running of operations (Du et al., 2012, p. 1574; Xiongyuan & Shan, 2013, p. 67). Xiongyuan and Shan (2013, p. 67) gave an insight into how this is done, examining the effects of chairmen connections in overstaffing in Chinese SOEs. They submit that overstaffing in these SOEs does not have anything to do with the political connection of the firm itself. Rather, Xiongyuan and Shan (2013) found that when the chairmen of the SOEs were politically connected to the government, then overstaffing resulted from that political connection, and that this has a

negative impact on the performance of the enterprises (Xiongyuan & Shan 2013, p. 67). The rationale behind this overstaffing is that these chairmen are in position to hire employees and they do so to please the politicians who put them in place. To cap this negative performance, and in exchange for overstaffing, Xiongyuan and Shan (2013 :64) reported that these SOEs received compensation in the form of bank loans and improved government subsidies. Further, political connection in SOEs also influences the performance assessment of SOEs. Thus, it is difficult to determine struggling SOEs until they finally collapse or are close to collapsing. In this regard, Du et al. (2012, pp. 1568, 1574) declared that SOEs are likely to be scored high by their monitoring body when the SOE main office is close to the headquarters of the monitoring body (Du et al., 2012, p. 1574), the chief financial officer of SOEs is politically connected (Du et al., 2012, p. 1568) and the firm ranks high in terms of political assessment (Du et al., 2012, p. 1574).

The effect of political connection on SOEs prompted Chen et al. (2017) to analyse political connections in SOEs and POEs. Following this, Chen et al. (2017, p. 88) reported a negative relationship between political connection and firm value of SOEs and a positive relationship for POEs. Similarly, in their analysis of sugar market deals in Russia, Tkachenko, Yakovlev, and Kuznetsova (2017, p. 63) demonstrated how SOEs overpriced contracts compared to POEs. This occurred in repeated sugar contracts between 2011 and 2013. These "sweet deals", as Tkachenko et al. (2017, p. 52) called them, were aided by the close links between managers and politicians. In a similar effort to demonstrate the effects of political connection on SOEs, Menozzi, Urtiaga, and Vannoni (2012, p. 695) gathered information on 1630 directors in 114 SOEs between 1994 and 2004. Following their investigation, it was reported that directors of SOEs in Italy are politically connected; they dominate the board of directors, thereby positively influencing employment and negatively affecting performance. Accordingly, it can be strongly argued that these directors are coerced into carrying out the wishes of those who put them in such positions.

2.7.2 Political benefits to managers of state-owned enterprises

From the above, in connection with political benefits to managers, managers of SOEs, especially in developing and corrupt countries, tend to enjoy political connection career

wise. This is because political connection determines the survival of SOE managers. In this respect, even though political connection does not determine the tenure of SOE managers, as the tenure of managers is in most cases regulated by law or contract (Ennser-Jedenastik, 2014b, p. 406), managers with connections to opposition parties or with no connection with the ruling party are twice as likely to be removed from office before the expiration of their tenure or contract (Ennser-Jedenastik, 2014a, p. 145). This is because the ruling party will not be able to use these managers and their SOEs to advance their socio-political and personal interests. In addition, the ruling party may be of the opinion that managers who are connected with opposition parties will use their position to garner support for their political parties and sabotage the efforts of SOEs to thrive, especially in corrupt and developing countries.

It is clear from the above that although political connection is useful for organisations, it exerts both positive and negative effects on firms. In this context, Chen et al. (2017, p. 72) observe that political connection usually has two effects on firms, a positive and a negative one. A positive effect comes in the form of a helping hand where firms have easy access to the capital market, low-interest bank loans, and pay low taxes. A negative effect comes in form of a grabbing hand where politicians use firms to advance their private interests. This means that a major issue with political connection is that it breeds corruption, both in POEs and SOEs, but to a greater extent in SOEs. This helping hand summarises the gains available to POEs in political ties with governments, while the grabbing hand summarises what likely ensues as a result of SOEs' connection with their owning states.

2.8 Comparative performance of state-owned enterprises

Following privatisation and nationalisation arguments, it is necessary to compare SOEs performance with that of POEs. Hence, it is necessary to establish whether SOEs perform or do not perform better compared to POEs as this is usually the basis for the privatisation arguments of SOEs. Moreover, measuring SOEs' performance results in terms of the improvement in public services and the public budget, as a performance measurement influences decision-making and ensures stakeholders are informed and up to date on

enterprise matters (Kloviene & Gimzauskiene, 2016, pp. 188, 191). In addition, because there are many SOEs all over the world today, utilising huge public funds both in social and commercial activities both locally and internationally (Cuervo-Cazurra et al., 2014, p. 922), commentators are faced with engaging in activities that will ensure SOEs are effective, efficient and transparent (Grossi et al., 2015, p. 276). This section presents a comparative discussion on the performance of SOEs and POEs.

SOE performance cuts across other aspects of SOE discussions; these aspects include investment in and investments of SOEs, the efficiency and effectiveness of SOEs, M&A and R&D, the financing of SOEs and comparison between SOEs and POEs. Further, it is essential to show that SOEs do not necessarily perform worse than POEs and, in situations where they perform below expectations, it is usually as a result of factors that, if taken care of, will reposition SOEs towards achieving their goals. In this instance, O'Toole, Morgenroth, and Ha (2016, p. 102) assert, the returns of SOEs do not have anything to do with investment spending by the government but these returns do in POEs. The opposite is the case in privatised and partly privatised SOEs (O'Toole et al., 2016, p. 105). Li, Lin, and Selover (2014, p. 110) also confirmed that investment proportion does not influence returns in SOEs. It appears this is partly as a result of measurement problems in SOEs, and also that SOEs in some countries are often not after maximising profit. It is thus not clear what to measure in SOEs, whether social or commercial performance, and by what methods the measurement is to be carried out. Moreover, while SOEs in some countries are merely charged with being sustainable, SOEs in other countries are required to be commercially viable. This also contributes to issues associated with performance measurement in SOEs.

In this connection, even though performance measurement may not be straightforward in SOEs compared to POEs, several authors have documented the superiority of POEs compared with SOEs. Most of these authors have concluded that SOEs underperform compared with POEs (Bhasa, 2015, p. 7). Although Mühlenkamp (2015, p. 553) rebuffed such claims on the basis of alternative performance indicators such as productivity, welfare and costs, Mühlenkamp (2015, p. 553) agrees that in terms of profitability

measures, POEs might indeed outperform SOEs, since SOEs are often not meant to maximise profit. Mühlenkamp (2015) does not stand alone in this. In the same vein, Belloc (2014, p. 823) submits that SOEs tend to underperform compared to POEs because certain issues such as their objectives affect comparison, and these factors are not isolated or separated in the analysis and comparison of SOEs with POEs. Thus, Belloc (2014 822, p. 823); and Hester and Meyers (2012, p. 184) argue, SOEs and POEs are not readily comparable. However, irrespective of the widely held belief that SOEs underperform compared with POEs, in some cases, based on measures of profitability such as returns on assets and sales (Mühlenkamp, 2015, p. 553), SOEs have been reported to have outperformed POEs (Bhasa, 2015, p. 22). Therefore, Clo, Massimo, Daniela, and Carlo (2015, p. 576), based on their results following their study of SOEs in the market for investments, also rejected the widely held view that SOEs underperform compared to POEs in terms of financial performance. Similarly, Bhatt (2016, p. 154), using data from Malaysia based on measures of profitability, tested performance differences between POEs and SOEs. Bhatt (2016, p. 156) found no difference in performance between POEs and SOEs. Further on this perspective, Bhasa (2015, p. 17, 20) compared the performance of Indian listed SOEs with listed POEs, reporting that SOEs performed better than POEs. Bhasa (2015) postulates that the difference in performance could be associated with the oligopolistic nature or the business age of SOEs (Bhasa, 2015, p. 7). This is because in some instances, SOEs are given certain privileges that are not available to POEs.

2.8.1 Factors influencing performance in state-owned enterprises

Following Bhasa's (2015) results, it becomes clear that certain factors influence SOE performance. Alongside the oligopolistic and business age observed by Bhasa (2017, p. 17, 20), Roy (2015, p. 28) contends that the competency of SOE managers and the sustainability of SOEs are equally important factors that aid performance, and they serve as measures for outputs and outcomes evaluation. Further, Srivastava (2014, p. 159) argues that different innovative strategies, corporate social responsibility (CSR), human resource management (HR) and non-HR, should be applied in order to improve SOE performance. O'Toole et al. (2016, p. 106) tested investment efficiency between POEs and

SOEs, consequently declaring that ownership structure (POEs or SOEs) does not have anything to do with investment efficiency. Yi, Zhong, and Zheng (2012, p. 25) investigated the reasons why the performance of POEs and SOEs varies. In contrast with O'Toole et al. (2016, p. 106), Yi et al (2012, p. 31) reported that state ownership has an impact on performance and also that specialisation and labour input have a positive impact on performance, and that capital and technology inputs have no effect on performance (Yi et al., 2012, p. 31). They added that SOEs perform better as a result of specialisation. These findings are in line with those of Bhasa (2015, p. 7), where it was reported that business age of SOEs contributes to their performance. Likewise, Mbo and Adjasi (2017, p. 416) argued that stakeholder management, agency issues, resource base and public policy are the key factors that influence SOE performance. This is in complete contrast with the factors that influence performance submitted by O'Toole et al. (2016) and Bhatt (2016). Moreover, board composition is likely to have an effect on the performance of SOEs (Menozzi et al., 2012, p. 671).

2.8.2 The impact of state ownership and board composition on state-owned enterprise performance

The argument in the contemporary literature is that the state's exercise of ownership and control rights exerts negative effects on SOEs (Choudhury & Khanna, 2014, p. 944). In this context, Munyo and Regent (2016) considered the effects of ownership rights on the outcome of SOEs. They compared two different owner regimes that displayed different ownership rights in Uruguay, subsequently declaring that ownership rights greatly influence SOEs results (Munyo & Regent, 2016, p. 161). Their results are in contrast with those of Li et al. (2014). Using a sample of Chinese SOEs, Li et al. (2014, p. 110) reported negative effects of state ownership on performance. Li et al. (2014) added that their result remained the same even after controlling for several variables. However, Munyo & Regent's results relating to control modes are in agreement with those of Li et al. (2012). Conversely, public ownership in itself does not necessarily spell poor performance (Clo et al., 2015, p. 576) if other aspects of an enterprise, especially governance, are well coordinated.

In their study of control modes in relation to performance, Li et al. (2012, p. 203) contend that SOEs that are controlled by private role players and SOEs that have fewer state role players on their boards are more likely to perform better than those that are controlled by public sector bureaucrats. Consequently, Li et al. (2012, pp. 288, 290) opine that the reduction in agency costs, when SOEs are controlled by private sector role players, is enough to make a difference

Even though Menozzi et al.'s (2012, p. 671) observe that board composition often affects SOE performance, it does not necessarily mean that the representation of all stakeholders on the board of an enterprise guarantees better performance. Along these lines, it has been reported that the greater the extent to which the government is represented on SOE boards, the poorer the results of SOEs will be (Mbo & Adjasi, 2017, p. 413). The belief is that when a SOE board is comprised of outsiders and non-bureaucratic leaders, performance will be better than when bureaucrats govern state enterprises (Jiang et al., 2013, p. 30).

Although the above argument on board composition makes sense, it is contingent on the reasoning that the members of the board will have to be competent in order to be able to make meaningful contributions (Roy, 2015, p. 28).

2.9 Corporate governance in state-owned enterprises

It has been argued that the focus of SOE researchers should, in addition to public entrepreneurship (development, ownership, organising, managing, governance and objectives) (Bernier, 2014, p. 253), be on the relationship between management, directors, government officials and the legislative body (corporate governance) (Aharoni, 1981, p. 1342; Daiser et al., 2017, p. 1). Following this argument, Aharoni (1981, pp. 1343–1344) contends that for SOEs to thrive, there will be a need to address two important questions: the first relates to explaining the behaviour of SOEs and the second question is concerned with good corporate governance and effective management towards achieving mandates and improving their performance. These questions, especially the second, and the focus of public entrepreneurship are largely based on corporate governance and the management

of SOEs. This is an important as well as a difficult issue because these enterprises display characteristics that are different from those of core public or core private organisations. SOEs, as a result of the characteristics they display, constitute issues (section 2.9.2) for their managers, observers and their owning states. Thus, despite the fact that much has been done in terms of research on SOEs in different dimensions, using different methodologies and settings, Aharoni's (1981) questions, especially the second, remain valid today. Although researchers are starting to explore other aspects of SOEs, the major call then, and should still be now, is how these enterprises will be managed in order to deliver on their mandates. This in effect suggests that corporate governance in state enterprises will continue to be an important aspect of SOE research. Additionally, because these enterprises continue to grow in size and number, their efficiency and effectiveness is critically important. Likewise, these enterprises will continue to pose different challenges since there are different models by which they are owned, controlled and/or managed, as well as different internal and external legal and regulatory frameworks that vary from state to state.

2.9.1 The role of corporate governance for organisational survival

Corporate governance is essential for the survival of organisations (Yasser, Mamun, & Rodrigs, 2017, p. 37). There is a general belief among government officials, practitioners and academics that corporate governance influences long-term firm value and firm performance of organisations (Khongmalai, Tang & Siengthai, 2010, p. 618). Corporate governance of SOEs spells one of the strategic organisational tool in public sector management (Domokos, Várpalotai, Jakovác, Németh, Makkai & Horváth, 2016, p. 178). Accordingly, Locke and Duppati (2014, p. 83) have argued that corporate governance is essential for organisational performance in terms of finance and risk aversion. Corporate governance plays a significant role in the success or failure of firms. Corporate governance also plays a significant role in scandals and corruption in firms and in their transparency and accountability (Rajablu, 2016, p. 332). Similarly, Yeo (2013, p. 461) observes that good corporate governance delivers greater efficiencies and better business results and creates wealth. Along these lines, Belloc (2014, p. 822) submits that a firm's corporate governance

is critical to the capacity of the firm to be innovative, and Grossi et al. (2015, p. 274) affirm that the provision of public services and the consolidation of the public budget will be difficult to realise without powerful governance and management in SOEs. Going by the importance of corporate governance to organisations, it is worrying that the most problematic issue facing SOEs is their corporate governance system. In effect, the most problematic issue regarding state ownership is governance. In this instance, Subramanian (2015, p. 117) contends that in most countries, corporate governance guidelines for these enterprises were formulated as if all enterprises were private organisations and were governed by private role players.

It is important to note that even though corporate governance is the most problematic issue with SOEs, corporate governance in SOEs is influenced by models of organising and ownership, internal constitution (internal and external legal and regulatory frameworks) as well as objectives and mode of operation of SOEs. That corporate governance is the most problematic issue facing SOEs led Chen (2016, p. 305) to conclude that corporate governance in SOEs advances a confusing irony. One would expect that corporate governance in SOEs should be perfect, for reasons that governments make the rules on corporate governance for enterprises whether by principles, voluntary codes and mandatory regulation or legislation (Chen, 2016, p. 305). However, this is not the case. In this context, Thomas (2012, p. 449) compared corporate governance in five SOEs in South Africa to the Guidelines on Corporate Governance of SOEs formulated by the Organisation for Economic Cooperation and Development (OECD) in 2015 (OECD, 2015a). Following Thomas' (2012) study, it was reported that corporate governance in the SOEs analysed fell short of the OECD corporate governance guidelines (Thomas, 2012, p. 456). Although this is not supposed to be the case with SOEs, this is nevertheless not surprising, as Aharoni (1981, p. 1341) forewarned of the challenges posed to SOEs through their corporate governance. Similarly, Daiser et al. (2017, p. 2) contend that the corporate governance of SOEs indirectly poses a major challenge for governments.

2.9.2 Issues impacting corporate governance in state-owned enterprises

As illustrated in Figure 1.1, problems of SOEs constitute the issues impacting corporate governance problems of SOEs. This section introduces these problems, which are then revisited as arguments against SOEs in section 3.3.

2.9.2.1 Specifying social costs

The governance problems facing SOEs are concerned with problems posed directly and indirectly by the state as owner in terms of structure, which is usually not a problem in POEs. The first issue to contend with in SOEs is attempting to specify the costs of social activities that SOEs are meant to deliver. Specifying the social costs of SOEs, where SOEs are to be compensated for undertaking social activities, is like embarking on a journey of no return. In this perspective, Aharoni (1981, p. 1343) declares that drawing a line between social and economic/commercial goals is a tall order because social costs are usually difficult to establish. More recently, Jurkonis et al. (2016, p. 164), O'Neill (2015, p. 163) and Plūmiņš and Ščeulovs (2016, p. 66) have concurred that the pursuit of non-commercial goals is a drag on the effectiveness, efficiency and good corporate governance of SOEs. If social and commercial objectives were separated, issues of SOEs might be minimal compared to the reality in contemporary times. This is because SOEs hide behind social mandates in order to cover up mismanagement (Amoako & Goh, 2015, p. 48). In some countries, such as New Zealand, the State-Owned Enterprises Act 1986 provides that SOEs should engage in social activities and in terms of which they would be compensated for any loss they would have incurred for engaging in social services. However, this provision, compensation for the social mandate, is not generally in use as a result of the focus of SOEs on commercial operations (Laking, 2012). One reason for this is that when SOEs are to seek commercial viability it is obvious that social objectives disrupt the commercial objectives of SOEs. In this regard, SOEs are exempted from the social mandate in those countries. Since it is difficult, if not impossible, to draw a line between social and commercial goals, other major problems arise. The reasoning in this instance is that since SOEs are publicly owned, they should have appropriate social mandates. Their main target should be on improving the lives of the citizens of their owning states. However, it appears

that SOEs will likely be more able to deliver on these social objectives by prioritising which of the objectives to pursue thereby promoting the extended government mandate (section 3.2.1). This is because pursuing both objectives simultaneously without prioritising one appears to be at conflict with the rationale behind the establishment of such enterprises. Put differently social objectives do not have to be spelt out for SOEs, as they would be fulfilling social objectives by achieving their mandates and staying sustainable, or maximising surplus/profit in the case of a SOE that pursues commercial objectives. When SOEs are able to operate sustainably or are able to maximise surplus, resources generated from SOEs both locally and internationally will be employed in areas that will improve citizens' lives in terms of provision of public goods and services. Since this is the case, it is difficult to understand why these SOEs in most countries cannot or do not proceed thus.

2.9.2.2 Specifying desired end/conflicting objectives

There are bound to be multiple interests arising from agents and numerous principals such as government and citizens (Cuervo-Cazurra et al., 2014, p. 193). The presence of numerous principals means that there are numerous goals for SOEs (Ebrahim et al*.,* 2014, p. 82; Kloviene & Gimzauskiene, 2016, p. 194) as these numerous principals attempt to specify the numerous goals (Aharoni, 1981, p. 1342). These numerous goals lead to conflicting institutional demands (Dai, Tan, Tang, & Xiao, 2016, p. 4), which send conflicting signals to the board (Frederick, 2011, p. 24), who if not properly monitored may engage in opportunistic behaviour as they would have received the signal that owners are not able to specify their desired end. Focusing on different goals means that there will be different outcomes and different levels of corporate governance, depending on the level of competence of managers and the reward system in place (Liu & Zhang, 2015, p. 2). The goals that the management wants to pursue will more likely be different from that of the owning state. This may add political goals to the existing conflicting non-commercial and commercial objectives (Jurkonis et al*.,* 2016, p. 163). What results is a different end that is in conflict with that planned by owners (Liu & Zhang, 2015, p. 2). When ends are not in congruence, SOEs are more likely to end up not achieving any of their conflicting objectives.

2.9.2.3 The principal- agent problem

One of the main problems, if not the main problem, confronting SOEs is the principal-agent problem. SOEs are not managed by their rightful owners, citizens, which means that just as in POEs, managers in managing SOEs will not behave like an owner-manager will behave. Further, in SOEs there is a blurred distinction between agent and principal in ownership and management relationships. While citizens ought to be the real owners, governments are taken to be the owners in most cases, because citizens are not directly involved in the management of these enterprises. Accordingly, the agency relationship in SOEs is usually a complicated one and the establishment of monitoring mechanisms is commonly a problem. The reason why this constitutes a problem is discussed further in section 3.3.2.

2.9.2.4 The free-rider problem

The fact that there are numerous parties that may claim ownership of SOEs makes the monitoring of SOEs challenging (Kankaanpää et al., 2014, p.305 ; Peng et al., 2016, p. 410). Most of the parties that can claim ownership of SOEs shy away from the responsibility of developing and implementing monitoring mechanisms because the costs will be borne by the party that takes up the responsibility of implementing monitoring mechanisms, while the benefits will be enjoyed by all the parties that can claim ownership (Chang, 2007, p. 14; Vesci, Botti, & Velotti, 2012, p. 359). Further, while citizens – one of the parties that can claim ownership – may have the will to erect this monitoring mechanism, they do not usually have the means and the exposure to do so. This is because citizens are outside these organisations and the government. As such, the coming together of citizens to implement this monitoring mechanism may not be feasible. This in effect means that the information necessary for the monitoring of SOEs is not readily available. Further arguments in section 3.3.3 complement this.

2.9.2.5 Soft budget constraints

Furthermore, a number of authors (Grosman, Okhmatovskiy, & Wright, 2016, p. 210; Gumede, 2016, p. 71; Li et al., 2012, p. 287; Sokol, 2009, p. 1713; Yu, 2014, p. 163) have argued that SBCs also lead to anti-competitive behaviour by SOEs. The term SBC was coined by Hungarian economist, Janos Kornai (for an overview, see Kornai, 1979, 1992, 1995, 1998; and Kornai, Maskin, & Roland, 2003), to describe the behaviour of the then socialist enterprises under central planning. However, following this, the term has been used to explain lax management of SOEs in capitalist economies, generated and sustained by political SBCs (Chang, 2007, p. 15). The fact that most SOEs are important and usually in strategic state sectors (PwC, 2015, p. 17; Stan et al., 2014, p. 487), means that owning states are usually readily available to bail out SOEs whenever they are in distress. Section 3.3.4 buttresses this argument.

2.9.2.6 Political interference

Since SOEs are owned by states and are managed by government officials, there is bound to be political interference in their affairs (Collins, Sitalaksmi & Lansbury, 2013, p. 144; Ennser-Jedenastik, 2014b, p. 399). Such political interference sets SOEs back because it adds a possible third objective to the existing social and commercial objectives, and thus further complicates the already complicated terrain. Political interference in SOEs manifests in different ways: politicians using SOEs to advance their interests, constituting SOE boards with party loyalists as well as in form of business decisions. This political interference is discussed further in section 3.3.5.

2.9.2.7 Corruption

Closely related to the problem of political interference is the problem of corruption. Among other ways corruption occurs in SOEs, political interference breeds corruption and corruption breeds political interference (Belloc, 2014, pp. 821, 830). While the problem of political interference is arguably a generic problem, depending on the model

of organising and ownership in place, developing countries usually face high levels of corruption compared to developed countries. Section 3.3.6 sheds more light on this.

Along these lines, these issues, taken as a whole, show that the formulation of ideas for managing SOEs in a social manner poses difficult problems. This is because the public environment is usually characterised by uncertainty and is one in which the application of strict regulative measures is not feasible because those that make the laws are likely not to abide by the laws. The reason for not abiding by the laws is connected with the point that those that make the laws may not be sanctioned for not abiding by the laws (Aharoni, 1981, p. 1342; Florio, 2014, pp. 202, 207; Jurkonis et al., 2016, p. 171).

2.9.3 Solving corporate governance issues of state-owned enterprises

A number of authors (Abuazza, Mihret, James, & Best, 2015, p. 576; Li, 2013, p. 38; Maloa & Bussin, 2016, p. 10; Radasi & Barac, 2015, p. 103; Vergotine & Thomas, 2016, p. 689) have argued that certain practices may, to an extent, positively contribute to solving corporate governance issues in SOEs. These practices include auditing, risk management and employee management in terms of remuneration and incentives.

2.9.3.1 The role of auditing and risk management

Auditing and risk management play an important role in mitigating corporate governance problems of SOEs. The discussion below focuses on the origin, development and types of audit. The discussion then describes the role of auditors in mitigating corporate governance problems.

2.9.3.1.1 The origin of audit

Prior to 1750, particularly in the UK, landlords or big farmers did not involve themselves in farming but instead gave their farms or estates to farmers to cultivate their land (Adeniyi, 2004, p. 1). As a result, these landlords had to commission other persons to monitor the operations of the farmers regularly in order to oversee estate and farm accounts. Thus, the reliance of these landlords on the opinions of the persons commissioned to oversee accounts resulted in auditing (Adeniyi, 2004, p. 1). Kaptein

(2012, p. 48) notes that the word audit is derived from the Latin word *audire* which means 'to hear or to listen'. Following this theorising, Kaptein (2012, p. 48) gives another account of the development of auditing relating to how retired Roman army officers, as a result of their practical experience, were used as auditors in listening to the issues and complaints of soldiers.

Further, the growth of commerce and industries in the post-industrial revolution era resulted in various forms of businesses (Adeniyi, 2004: 1). Particularly, the rise of joint stock companies that were managed by agents rather than owners (shareholders) needed some form of evidence by the owners that the firm's resources were being used for the purposes for which they were intended and not for different purposes (Lenghel, 2015, 140). This resulted in directors having to prepare accounts for organisations on behalf of management at regular intervals in order to be accountable to business owners.

In some instances, as a way of concealing inefficiencies or other lapses on their part, directors adopted fraudulent accounting practices. Subsequently, government, other regulatory bodies and professional accounting and auditing bodies made legal provisions requiring accounts of firms to be checked and reported on by persons independent of the accounts preparers (directors). These persons are loosely known as auditors.

2.9.3.1.2 Later developments

Auditing continued to evolve following a number of case laws. These case laws were useful in determining the contractual relationship between third parties and auditors. For example, in *Donaghue v Stevenson* (1932) (Ferrari, 1994), a Scottish case, the court established that where the defendant fails to take reasonable care, physical injury claims by a third party may succeed. Further, in *Candler v Crane Christmas & Co* in the 1950s (Honore, 1955), for reasons that financial loss only was caused by negligent misstatements, the court did not extend their liability for negligence. However, in the 1960s, in *Hedley Byrne v Heller & Partners* (Stevens, 1964), the decision in *Candler v Crane Christmas & Co* was overruled and the court held that such liability may be sustained especially when negligent misstatements and inaccuracy in accounts results in financial

loss. However, in the ruling in *Hedley Byrne*, in *Caparo Industries v Dickman* (1990) (Satyan, 2015), the court did not grant a claim where the claimant relied on a set of accounts for purposes of acquiring a company, other than that for which the accounts were prepared.

For a better understanding, it makes sense to discuss these later developments in five parts:

- Period up to 1844
- 1844–1920s
- 1920s–1960s
- 1960s–1990s
- 1990s–present.

In the period up to 1844, public accounting was the main focus of auditing (Porter, Simon, & Hatherly, 2008, pp. 24–26). In this context, over 2000 years ago, Egyptians, Greeks and Romans employed the use of codes in order to confirm the records of officers in custody of public funds. Thus, during this period, because industries were small in terms of size, the use of audit was limited to public accounts with little commercial applications. However, as a result of international trading during the eighteenth century, commercial applications of auditing improved as fund providers wanted accountability. As a way of delivering this accountability, accounts were checked for fraud and arithmetic accuracy (Porter, Simon, & Hatherly, 2008, pp. 24–26). Further, the rise in large businesses in the post-industrial revolution period between 1844 and the 1920s resulted in the demand for substantial capital. This capital was provided by middle-class businessmen, who required accountability on making such commitment. The result of this was the promulgation of the Joint Stock Act in the UK in 1844, which permitted official business registration. During this period, fraud detection remained in place and auditors' duties were developed as a result of two cases: *Re London and General Bank* (1895) (*Columbia Law Review*, 1939) and *Re Kingston Cotton Mill Co Ltd* (1896) (Baxt, 1970).

In the period between the 1920s and the 1960s, the 1929 Wall Street Crash resulted in a shift in audit and economic development to the USA (Porter et al., 2008, p. 216). In addition, as a result of the increased number of investors that required accountability for providing funds, there was a shift in business management to qualified directors and executives which resulted in further separation of owners from businesses. Furthermore, following events such as the 1929 Wall Street Crash, the Royal Mail case (Dodd, 1932) in the UK, the McKesson and Robbins case (1938) (Shinde, Willems, Sallehu, & Merkle, 2015) in the US, among others (Porter et al., 2008, pp. 31–36, 196–204), societal demands on auditors resulted in the audit expectations gap. This audit expectations gap is an issue of considerable concern to all stakeholders interested in the accountability process and in the credibility of auditing and accounting profession. There is an evidence of a gap when users' understanding of the subject of audit and what it can provide is compared with that of the auditors. External auditors' credibility is increasingly being questioned all over the world as shown by the widespread criticism and litigation directed against auditors (Köse & Erdogan, 2015; Gold, Gronewold, & Pott, 2012; Porter, 1993). Following these cases, the auditing profession responded in four ways: changes in the objectives of audit, conducting audits on the income statements, providing external audit evidence and developing sampling techniques and reviewing internal control.

In the period between the 1960s and the 1990s, the number of companies increased both in number and size, thus resulting in takeovers and M&A (Porter et al., 2008, p. 216). As with increases in accountability on the part of business agents, statutory regulations also increased. In addition, the need for audit evidence became apparent to auditors and users of audited statements (Ibrahim, 2017, p. 1827) the availability of computers made it possible to adopt the statistical sampling techniques required to develop risk-based auditing and to make difficult audit judgements possible. Advancement, both in the business world and in the audit profession, further resulted in auditors providing management advisory services (MAS). The increase in the number and size of businesses further resulted in fierce competition between audit firms and businesses. Thus, as third parties sought more from both auditors and the preparers of accounts, the audit profession was able to shift the fraud detection role to business agents (managers,

directors and executives). However, in the late 1990s, in the aftermath of pressure from the media, commentators and powerful politicians, auditors began to take more responsibility for fraud detection. This resulted in the issuance of Statement on Auditing Standards No. 53 and 82, detailing the auditor's responsibility in relation to detecting and reporting errors and irregularities (Porter et al., 2008, p. 216), as well as International Standard on Auditing 240 which generally details the audit responsibilities relating to fraud in auditing financial statements (International Federation of Accountants, 2009).

Business acceleration continued from 1990s up to the present day. The fact that there are more than 103, 786 multinationals with 892, 114 foreign affiliates in the world as at 2010 (Jaworek, 2015, p. 57) has ensured that corporate governance continues to evolve. The results of business failures such as Bank of Credit and Commerce International (BCCI), Enron, Barings Bank, Parmalat, HIH, WorldCom and Tyco, among others, resulted in more regulations (Engelbrecht & Deegan, 2010, p. 1) by agencies such as Department of Trade and Industry (DTI) and the Financial Reporting Council in the UK, as well as Securities and Exchange Commissions (SEC) in the US. Uncertainties surrounding the business environment have ensured that regulatory bodies keep developing the corporate governance regulations and codes necessary for protecting shareholders and stakeholders, as seen in the discussion of the South African case below.

2.9.3.1.3 Types of audit

There are several types of audit. This section discusses the different types of audits, which include the following:

Statutory audit

This audit resides within the confines of regulatory Acts (Lenghel, 2015, p. 135). The statute details the scope of the audit work to be performed and cannot be restricted by companies or directors of companies. The Companies Acts of various countries, among other Acts and reports, provide that these statutory audits be carried out by auditors on organisations as a way of confirming independence (Millichamp & Taylor, 2018). It is this type of audit that external auditors are required to conduct on the financial statements of

organisations and is both independent and external to the entity being audited (Lenghel, 2015, p. 135).

Internal audit

Internal audit is concerned with independently reviewing the internal operations of an organisation as a way of servicing organisational management. It is a review of the activities of management, thus forming the basis for reviewing and adjusting organisational policies towards assisting organisations to achieve their objectives through the provision of both consulting and assurance services (O'Donnell, 2015, p. 12–13). Recent developments in corporate governance have further sustained the importance of this internal audit (Millichamp & Taylor, 2018, p. 10). An important difference between internal and statutory audits is that external statutory audits are usually mandatory, imposed by statute and highly regulated, while internal audit tends to be a voluntary intervention except for the South African public sector where it is mandatory (for example, South African SOEs must comply with the PFMA which prescribes "an effective internal audit function"). Another difference when compared to a statutory audit is that even though the internal audit activity is risk-based and approved by the Audit committee and/or board, the context of work is often set by the management; thus, they can easily influence outcome. It is as a result of this likely influence that combined assurance was introduced in Chapter 3 – Audit committees, Principle 3.5 of the South African King III Report on Corporate Governance (2009), a document that details principles of sound corporate governance for South African companies. This combined assurance is a model that consolidates and enhances all assurance services and functions as a way of enabling an effective control environment towards improving the integrity of information used for internal decision-making by management, the governing body and its committees and supports the integrity of organisations' external reports (Institute of Directors Southern Africa, 2016, p. 10; Martins, 2015, p. 57). In this way, the assurance function is to be holistically reviewed and shared between internal and external auditors (Engelbrecht & Deegan, 2010). Thus, internal audit should not just be compliance-based but also fully risk-based. This is the view of combined assurance as presented by King III.

Management audit

Management audit involves independently examining the quality of the operating activities of management, which include accounting, management and operating policies, and the resulting levels of execution in terms of effectiveness and efficiency against the background of relevant environmental factors and conditions (Ibrahim, 2017, p. 1827). It is a review of the activities of management and forms a basis for the review and adjustment of organisational policies (Dickson, 1988, p. 279; Mascharenhas & Turley, 1990).

Continuous audit

In this type of audit, as a result of its continuous nature, the audit mechanism is usually present within the business. Thus, the auditor by devising a working mechanism, audits the accounts continuously all year round within the accounting period. Accordingly, the auditor, at regular or irregular intervals during the accounting period, depending on the system in place, checks the books of accounts of the company. This continuous auditing is useful when the volume of work is so large that it cannot be left till the end of the financial year (Lee, 1986, p. 59). As a result of big data and with the advent of technology systems, this audit has developed over the years and now encompasses an internal system appraisal of accounting practices, risk controls, data analytics and compliance on an ongoing basis with the use of real-time auto-update technology-driven systems (Eulerich & Kalinichenko, 2018, p. 31).

Complete/final audit

The complete/final audit is a type of audit conducted at the financial year end (Lee, 1986, p. 59). Thus, the services of the auditor are only required after the firm's accounts have been prepared by the firm's management and are ready to be audited. This is the most common type of audit in practice.

From the above, it is clear that auditing plays an important role in improving corporate governance in organisations generally and in SOEs, irrespective of the mix of governance ownership and organising models in use, whether private, mixed or public. If internal audit is well established and maintained in SOEs, it will assist management in successfully running the enterprises. In this respect, Radasi and Barac (2015, p. 103) reported that internal audit is a useful tool in the corporate governance of SOEs as it acts as a business partner to the board in a bid to improve governance quality and to mitigate risk. Abuazza et al. (2015, p. 576), following their study of internal audit of SOEs in Libya, maintain that the role of auditing in effective corporate governance cannot be said to be value adding unless internal audit covers other functions that are internal to SOEs. Although Abuazza et al. (2015) did not state what these other internal functions entail, Vergotine and Thomas (2016) give an insight into this, emphasising that risk management is an essential part of corporate governance in SOEs. Subsequently, Vergotine and Thomas (2016, p. 689) claimed that reviewing effectiveness reports, complying with strategies, detecting failures, assessing the effectiveness of risk management, reviewing compliance with strategies, reporting to the board, ensuring compliance and reviewing the internal audit plan are key to risk management in SOEs (Vergotine & Thomas, 2016, p. 689). Vergotine and Thomas's (2016) position is in accordance with that of Vijayakumar and Nagaraja (2012, p. 7), who maintain that a strong internal audit system is important for organisational risk management, as in addition to providing both consulting and assurance services, it also helps in detecting and preventing fraud in a timely manner, even though fraud detection is not the role of internal auditors.

2.9.3.1.4 Respective roles of internal auditors, external auditors and audit committees

While the role of auditors has been briefly described under the types of audit, it is necessary to provide a comprehensive description of the respective role of internal and external auditors as well as audit committees.

Role of internal auditors

Internal auditing entails an independent objective assurance and consulting activity geared towards adding value and improving an organisation's operations (O'Donnell, 2015, pp. 12–13). Though the duties of internal auditors are providing assurance and consultancy services, the breakdown of these assurance and consultancy services shows that the internal audit function entails much more than providing assurance and consultancy services. Chapter 7, Principle 7.1 of the King III Report on Corporate Governance for South Africa (2009) submits that the main responsibility of internal audit is to the board of an organisation and/or the board committees. This Report further submits that the internal auditor is to perform the following functions:

- evaluate the company's governance processes including ethics;
- assess the effectiveness of risk management and the internal control framework;
- analyse and evaluate business processes and associated controls;
- provide a source of information regarding fraud, corruption, unethical behaviour and irregularities;
- address emerging business, organisational, operational and assurance needs; and
- report matters on internal control and risk management to the audit committee through the chief audit executive.

Role of external auditors

That there are different types of audit also means that internal and external auditors have different roles in organisations, even though they are at some point required to work together in establishing assurance on organisations activities and resulting financial statement from the activities (South Africa, 2008, s94). The responsibility of external auditors as contained in the Companies Acts of most countries requires a company's external auditors, in reviewing a company's financial statement to carry out investigations which will enable them to (Colbert, 2002, p. 147) form an opinion as to whether:

- proper records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them;
- the company's individual accounts agree with the accounting records and returns;
- the auditable part of the company's directors' remuneration report agrees with the accounting records and returns (in the case of a quoted company);
- the accounts show a true and fair view which management claim they show; and
- all the information and explanations necessary for the audit work has been received from the client's management.

Role of audit committee

Section 94 (7) Chapter 3 Part D of the South African Companies Act 2008 states that the duties of an audit committee include:

- "nominating, for appointment as auditor of the company under section 90, a registered auditor who, in the opinion of the audit committee, is independent of the company;
- determining the fees to be paid to the auditor and the auditor's terms of engagement;
- ensuring that the appointment of the auditor complies with the provisions of this Act and any other legislation relating to the appointment of auditors;
- determining the nature and extent of any non-audit services that the auditor may provide to the company, or that the auditor must not provide to the company, or a related company;
- pre-approving any proposed agreement with the auditor for the provision of non-audit services to the company;

- preparing a report, to be included in the annual financial statements for that financial year—
    - describing how the audit committee carried out its functions;
    - stating whether the audit committee is satisfied that the auditor was independent of the company; and
    - commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company;
- receiving and dealing appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to—
    - the accounting practices and internal audit of the company;
    - the content or auditing of the company's financial statements;
    - the internal financial controls of the company; or
    - any related matter;
- making submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting; and
- performing other functions determined by the board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes within the company" (South Africa, 2008, p. 174-176).

In respect of this audit committee role, Principle 3.3 of the South African King III Report on Corporate Governance (2009) notes that even though the Companies Act has transformed the audit committee of listed companies and SOEs from being a committee of the board to a separate statutory committee that is appointed by the shareholders; Section 94(10) of the Act notes that the audit committee still forms part of a unitary board even

though it has specific statutory responsibilities over and above responsibilities assigned to it by the board. In this way, the audit committee takes primary responsibility for and has the ultimate decision-making ability regarding its statutory duties. If differences of opinion should arise between the board and the audit committee where the audit committee's statutory functions are concerned, the audit committee's decision will prevail. This has ensured that even though the board retains the ultimate decision-making ability on such matters, it is possible for the audit committee to serve as a committee of the board for duties assigned to it by the board over and above its statutory duties (King III, p. 58). Further, Principle 8, Part 6.6 on the role of Auditor-General and audit committee on the appointment of external auditors (Institute of Directors Southern Africa, 2016, p. 115); in which the Auditor-General either audits the accounts of SOEs or the Auditor-General delegates this role by allowing SOEs to nominate a third party to fulfil this role.

From the above, it is seen that internal auditors, external auditors and audit committee have various roles to perform in organisations. Harnessing the roles of these three distinct assurance providers promises to improve corporate governance in organisations. It is as a result of this that Principle 3.5 of the South African King III Report on Corporate Governance submits that the audit committee is to ensure that a combined assurance model is to be applied as a way of providing a coordinated approach to all assurance activities. This principle, in the diagrammatic model in Figure 2.2, pictures management, internal assurance providers and external assurance providers as parties to this combined assurance hence it looks like these three are the parties to combined assurance. However, because organisational environment is a dynamic and changing one (PwC, 2014, p. 2), the provision of assurance is becoming more and more important. In Part 5.4, Principle 15 of the King IV Report on Corporate Governance for South Africa (2016), parties to combined assurance increased to include the governing body, other external assurance providers, audit committee (Distribution & Warehousing Network, 2018, p. 35), and regulatory inspectors (Institute of Directors Southern Africa, 2016, p. 68); even though the Report does not prescribe the form the combined assurance model is to take and leaves this to the discretion of the governing body.

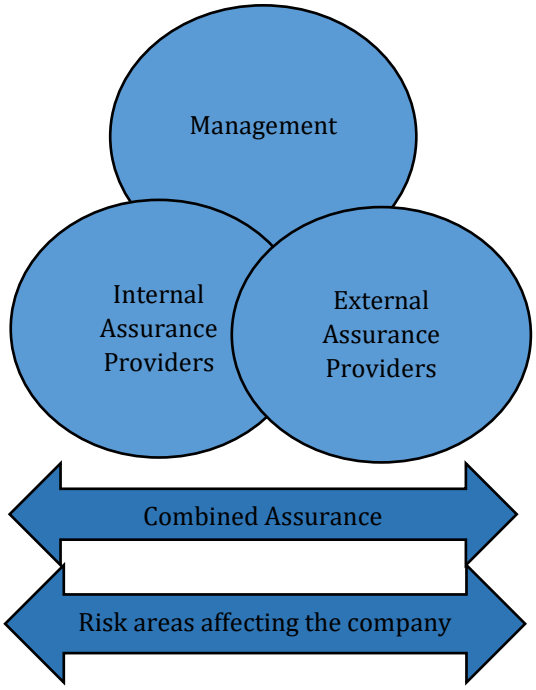

Figure 2.2: Combined assurance model

Source: King III Report on Corporate Governance: 62

The above figure is based on the King III Report. It was pointed above that the King IV Report has added to the requirements of combined assurance as a result, the new model, even though not provided looks like Figure 2.3.

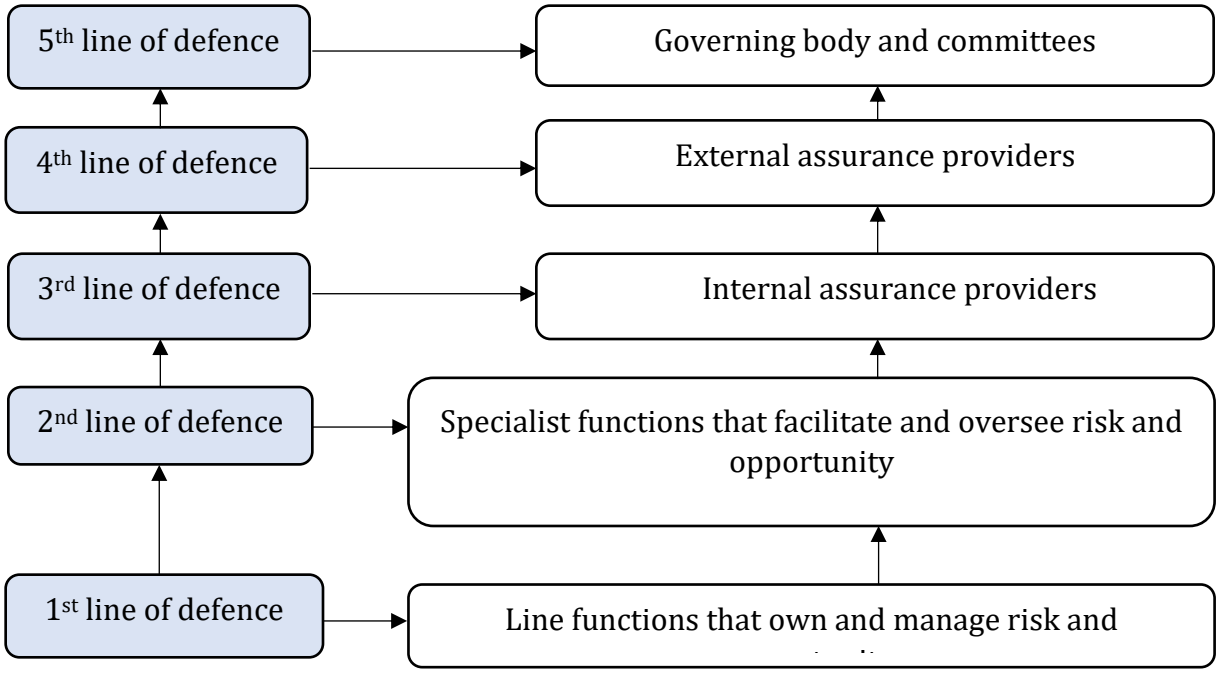

Figure 2.3: Combined assurance model based on King IV

Source: Author's own compilation with insight from Distribution & Warehousing Network Ltd. (2018, p. 34)

In King IV, the essence of combined assurance, as in King III, remains to harness the work of different types of assurance providers and the different types of audit discussed above, while also bringing in relevant external regulators in organisations' environment that can provide assurance on different aspects of organisations' activities. These external providers include, inter alia, standards bureau as well as Health and Safety Commission for manufacturing companies and Independent Communications Authority for telecommunications companies and independent third-party assurance providers.

2.9.3.2 The role of incentives

In addition to auditing, employee management in terms of remuneration and incentives, also contribute to organisational development and performances, hence, in solving corporate governance issues. Remuneration and incentives vary with modes of governance and change as organisations move from one governance mode to another. Liu and Zhang (2015, p. 2) posit that there is a need for reasonable incentive contracts designed by owning governments to motivate SOEs executives to focus their efforts on the different goals of SOEs. Moreover, it appears compensation, incentives and remuneration play an important role in the corporate governance of SOEs irrespective of the governance system in place. In their study of factors determining executive compensation in SOEs, Maloa and Bussin (2016, p. 10) note that SOEs managers in South Africa were comparing themselves to listed companies regarding executive compensation. In addition to this is that SOEs managers are selected from cadre appointment of connected persons, the tension that arises in this case is that SOEs managers are usually not selected from the labour market, but are, normally, bureaucrats in government ministries or departments (Li, 2013, p. 37). Even though it is clear that a reasonable incentive contract be designed for SOEs executives, the availability of differing arguments and results (Florio, 2014, p. 205; Grönblom & Willner, 2014, p. 280; Kankaanpää et al., 2014, p. 412; Liu & Zhang, 2015, p. 2; Tso, Liu & Li, 2015, p. 572) on what drives performance, and on the effect of remuneration on the performance of SOEs makes it difficult to conclude how to proceed. As such, it is not clear whether developing an incentive package that is in line with POEs for SOEs executives, and compensating executives for better performance guarantee that SOEs will perform better than usual. Also, it will be difficult to arrive at a method of developing a compensation package, as it is not clear what performance to measure, whether social and/or commercial; and the criteria for the measurement of social performance (Aharoni, 1981, p. 1344; Mühlenkamp, 2015, p. 537). Likewise, Maloa and Bussin (2016, p. 18) helpfully observe that factors such as the type of job, industry and the size of the organisation determine the compensation of SOEs executives. In agreement with Liu and Zhang (2015, p. 2), Li (2013, p. 38) contends that SOEs have to structure their agency measures in terms of compensation and incentives in line with that of commercial

enterprises, if they are to be efficient. Kankaanpää et al. (2014, p. 412) concur with Li (2013, p. 38) on this.

This observation prompted Grönblom and Willner (2014) to question whether there would be improvement if public sector managers' salaries were based on the performance of their SOEs. To do this, Grönblom and Willner (2014, p. 268) Introduced motivation into traditional agency theory, and applied this to public ownership and privatisation. Grönblom and Willner (2014, p. 280) reported that when there is employee motivation, all forms of ownership are the same, as employees strive to achieve the best results which in turn boost their pay. This finding is consistent with that of Leung and Cheng (2013). Leung and Cheng (2013, p. 108) propose that remuneration of top managers presents different effects on the value of SOEs; and that total ownership of large shareholders also have effects on SOEs values, because shareholders are likely to support an implementation of private sector based remuneration model. Florio (2014) appears to support the argument by Grönblom and Willner (2014). Florio (2014, p. 205) notes that SOEs managers should be motivated. Florio (2014) maintains that if SOEs managers are not motivated accordingly, then observers should understand why firms whose managers are remunerated less are likely to perform worse than those whose managers are better remunerated.

2.9.3.3 The role of ownership, organising and governance models

While auditing, risk management and incentives may be useful tools in improving corporate governance in SOEs, they only eradicate corporate governance issues to a limited extent because they focus excessively on internal issues. In solving corporate governance issues of SOEs, a more holistic approach that covers organisational, internal and external issues is needed. A combination of elements that include ownership, organising, internal and external legal and regulatory frameworks and governance models appears to offer this holistic approach. Having established that corporate governance is crucial to the success of SOEs and that most, if not all the challenges faced by SOEs are related to weak corporate structure and/or governance; it becomes necessary that stakeholders act in order to correct these issues. However, it is not yet clear how best to

confront the challenges faced by SOEs through their corporate management. In this context, it is not clear whether corporate governance practices in the private sector would be the best fit for these enterprises, or whether the bureaucratic means offer the best solution; just as it is not clear whether a mix of the two corporate governance models will guarantee the best results (Grossi et al., 2015, p. 275). Differing arguments and results contribute to this confusion (He et al., 2016, p. 125; Jiang et al., 2013, p. 56). The available models have their advantages and disadvantages and when weighed against each other, one of the models is likely to offer a better result than the other, albeit in relation to national circumstances. It is important to also note that a model that delivers a suitable result in one country does not necessarily guarantee the same or a better result in another country (Chen, 2016, p. 370). Certain factors are usually in place that enhance or hinder transplanting a successful model in one country to another country. Even though Grossi and Thomasson (2015, p. 617) claim that it is not the system in place that matters, but how the system in place is utilised; and further submit that any system in place can and should be made to work, certain systems in some countries are definitely bound to fail, because national circumstances may not fit the system in place. For example, organising SOEs under centralised, decentralised and dual ownership (section 3.10) in a country that face high levels of corruption and developing country, with average managerial capacity in the public sector, is more likely to result in failure, irrespective of whether the core objective is sustainability or commercial viability.

In support of the mixed model, He et al. (2016, p. 125) posit that owning a part of SOEs by institutional investors guarantees improvement in SOEs. He et al. (2016) maintain that institutional investors can serve as a source of counterweight to the state thereby sharing in the governance of SOEs. They tested their assertion on 253 large listed SOEs from 42 countries. He et al. (2016, p. 127) submitted that shared governance moderates conflict of goals between the state and the board, and provides additional resources for expansion. This argument is in line with that of Jiang et al. (2013). Jiang et al. (2013) assert appointing outsiders as CEOs is enough to eradicate the problems associated with corporate governance in SOEs. Jiang et al. (2013, p. 56) reported that SOEs that appoint outsiders as CEOs do better after such move. SOEs that appoint outsiders as CEOs may truly do better,

provided there is no political interference in which the CEOs are captured by politicians. Where there is political interference, as it appears to be the case in South Africa, this may not yield any positive result. In this context, while He et al. (2016) support part ownership, which results in shared governance, Jiang et al. (2013) supports private role players governing public sector wholly owned SOEs as is the case in South Africa.

2.10 Arguments for state ownership of enterprises

Despite the issues impacting corporate governance of SOEs discussed in section 2.9.2, there are several arguments in favour of SOEs and why SOEs should continue to exist. These arguments for SOEs are discussed in this section.

2.10.1 Capital market failure

Several arguments have been put forward for and against the involvement of states in commercial activities. The first of the arguments for, and perhaps the most important, for SOEs is as a result of correcting capital market failure (Sokol, 2009, p. 1728). Although some authors have argued that the creation of SOEs after World War II was as a result of other reasons aside from correcting market failure (Millward, 2011, p. 382; Ngqumeya, 2012, p. 5); however, following this, a number of authors have equally argued that SOEs should only be used in correcting market failures (Calabro, 2011, p. 11; Clarke, 2015, p. 8; Putninš, 2015, p. 815; Thynne, 2011, p. 185).

In the context of capital market failure, governments are mandated to intervene in an array of ways, of which SOEs, is one of them (Allini, Manes Rossi, & Hussainey, 2016, p. 113). In this way, SOEs are seen as one of the tools by which market failure can be corrected (Greiling & Grüb, 2014, p. 209; Plūmiņš & Ščeulovs, 2016, p. 66; Zhao & Zhang, 2015, p. 144). In this connection, Pargendler, Musacchio, and Lazzarini (2013, p. 572) opine that SOEs, while correcting market failures in the interest of the public, are sometimes often able to attain private sector efficiency; since correcting market failures and promoting socioeconomic development often usually involve public investments (Estrin et al., 2016, p. 296).

In the context of capital market, Smith (1776, pp. 455–456) had earlier portrayed a world in which resources will be efficiently allocated, via an 'invisible hand'. This invisible hand is seen as a guidance of individual choices (Badulescu & Pacala, 2012, p. 13). The intention of this process is that resource allocation will result in unintended benefits. In this connection, Smith's (1776) argument was based on the reasoning that while individuals go about pursuing their self-interest, the society is indirectly rewarded. However, where and when the pursuit of self-interest does not lead to efficient use, and efficient allocation and distribution of societal goods; which is often the case, market failure occurs. The issue with Smith's (1776) invisible hand doctrine is that Smith's advocacy of natural liberty is connected with his personal view of a world that is in order, and not from any reasoning associated with political economics *per se* (Keynes, 1926:20). However, the world is far from orderly, and this accounts for why this doctrine of invisible hand has been a failure. Along these lines, Stiglitz (2002, pp. 477–479) asserts that lack of adequate government intervention often leads to the market regulating itself. This self-regulation can be likened to individualism, under the capitalist system (Keynes, 1926, p. 20). Furthermore, it has been argued that there are several common factors that drive market failures (Putninš, 2015, pp. 815, 818–823; Stiglitz, 2002, p. 477). These factors, as Stiglitz (1985 pp. 71–80) and Putniņš (2015, pp. 818–823) assert, include inadequate supply of public goods; failure of competition; failure of information; unemployment, inflation and disequilibrium; negative externalities; and incomplete markets.

Some of the following further reasons for the establishment of SOEs directly flow from other factors that lead to market failure (Stiglitz, 1985, pp. 71–80). It becomes clear that the chief argument for SOEs is the correction of market failure which may result from any of the several factors that drive market failure.

2.10.2 Providing public goods and services

There is difference among public goods (public works), public investment, and private investment, in which the state engages. Beveridge (1944) outlined three areas in which government outlay could and should cover. Beveridge (1944) argues that there is general

outlay on non-marketable goods and services, public business investment in industries and private business investment.

In a normal situation, public goods are supposed to be delivered by SEs (SBs), while SOEs and its related enterprises SIEs and SWFs will be involved in public and private investments. However, that there is a blurry line between SOEs and SEs (SBs) in most countries, means that SOEs are made to deliver public goods and services in some countries. Thus, in addition to coordinating public and private investments in some countries, SOEs in most countries are involved in delivering public works. Further, SOEs, when working at full capacity, are able to deliver these goods and services in a better way compared to how these goods and services would have been delivered by SEs. SOEs while delivering these public goods and services eradicate the problem of asset specificity. If the goods and services were to be delivered by public entities, the issue of asset specificity sets in because assets used in the production of public goods might be underutilised, since in most cases, these assets are most likely not to be used extensively by the state because the assets may not be useful for other purposes, aside from that purpose for which it was purchased. However, in the case of SOEs, these assets, used in the production of public goods, can be used in fulfilling, public and private, investments on behalf of the government.

2.10.3 Supports government finance/ economic contribution

Following from the above, SOEs are often able to contribute to the national budget of their owning states (Huat, 2016, p. 514). A case in point is Singapore. Temasek's, Singapore's SOE holding company, total shareholder (Singaporean government) return since inception in 1974 is 15% annually (Temasek, 2017b). This suggests that it is possible for SOEs to deliver public goods and services and private goods and services efficiently and effectively, and still contribute financially to the owning states (Zhao & Zhang, 2015, p. 144). Aside from contributing to national budget, SOEs in some countries are able to deliver public works sustainably. This in effect means that public money that would have been used in delivering these public works can be channelled to other areas where states' involvement or intervention is needed. Normally, it can be argued that states do not need

extra finance, in form of surplus from SOEs, to be able to fulfil their mandates because states can rely on taxation and further borrowing (Beveridge, 1944, p. 99). However, one of the problems of modern states is fiscal incapacity. Citizens want more but are not willing to pay more in taxation. Further, most states already owe large sums of money and providing the required goods and services to society forces the state to supplement their revenues with borrowings. This means that it is highly important that these states embrace means by which they obtain additional finance necessary to deliver their mandates. SOEs, if properly coordinated and managed, can assist in delivering this additional finance.

2.10.4 Externalities/ neighbourhood effects

SOEs are a vehicle for government intervention on costly or basically impossible voluntary exchanges. These voluntary exchanges are usually made manifest in two areas: monopoly for technical efficiency and on neighbourhood effects (externalities) (Friedman, 1962, p. 27).

Externalities account for a consequence of activities of organisations that affect other parties without these other parties paying for or willing to pay for these activities. Put differently, neighbourhood effects occur when actions of individuals have effect on other individuals for which it is not feasible to charge them (Demsetz, 1967, p. 348). There are positive and negative externalities. Positive externality occurs in a situation where the production or consumption of goods and services benefits other members of the society that are not the immediate target of the production and consumption, while negative if production or consumption results in the imposition of unplanned costs on members of the society that do not benefit directly from such production and consumption (Bauby & Similie, 2015, p. 685; Putninš, 2015, pp. 819–823). To this end, going by its effects on citizens especially if negative, Jaiswall (2016, p. 16) observes that governments should focus on reducing externalities whichever way it can be done. The issue of neighbourhood effects is a difficult one in terms of deciding governments' intervention. The interpretation depends on the interpreter's general attitude on the appropriate government intervention. Friedman (1962, p. 31) argues that the provision of city parks by government

may be justified on the grounds that it may be difficult to determine those that benefit from its use for the purpose of income generation. In essence, these activities are not reflected in the market prices of the final goods or services. Therefore, since private enterprises are always interested in maximising shareholders' wealth, even though this is gradually changing in the wake of CSR, private role players are usually not interested in investing in these activities that will benefit other parties, without contributing financial gains to private role players. It thus follows that private role players do not produce and supply these public goods as it does not add to their profit maximisation objective (Sadiki, 2015, p. 19).

2.10.5 Creating moderate market competition

Additionally, a technical monopoly is often present in some industries, although the issues involved in a technical monopoly are not rampant and are subject to constant change. However, Stiglitz (1985, pp. 71–80) submits that the effects of a technical monopoly can be deleterious and often lead to market failure. Technical monopolies are concerned with essential goods and services that possess substantial monopoly power (Friedman, 1962, p. 27-29). Such goods and services include postal services, water, electricity, telephone and telecommunications. The technicality of these goods and services, in effect, means that only a single supplier usually exists. In such situations, this single supplier is highly likely to charge exorbitant amounts for the supply of the services it renders (Chang, 2007, p. 12). Also, a single supplier may also imply a single buyer of raw materials. When this is the case, this supplier of technical goods and services is able to compel suppliers of resources to sell at a low rate, since the latter does not have the option of selling to other buyers. This means that the supplier in a monopolistic market is able to buy raw materials at a low rate and also charges end users exorbitant rates (Chang, 2007, p. 12). In a situation like this, there is a strong case for the presence of SOEs in order to correct this technical or natural monopoly. It has thus been established that SOEs are able to keep prices affordable or lower for the masses, albeit subsidised by government and also because they are not usually after maximising revenue (Fitriningrum, n.d., p. 19; Lehuedé & OECD, 2014, p. 82). Without such competition made possible by SOEs, such goods and services are usually

expensive. Moreover, when such activities are under government monopoly, it is argued that they are not effective or efficient. In some countries such as Nigeria, these activities are now operated by the market system. In the absence of adequate competition or collaboration from the government, these goods and services are expensive. It thus appears that one way of ensuring that such goods and services are delivered effectively and efficiently and at relatively low prices is by having SOEs compete with or partner with private role players in delivering these technical goods and services.

2.10.6 Redistribution of income/equity

In developing countries in particular, SOEs often have the purpose to redistribute income and wealth, which would not otherwise have been possible under POEs (Fitriningrum, n.d., p. 19; Putniņš, 2015, p. 822). Accordingly, SOEs continue to be a major instrument in the distribution of income (Avsar et al*.,* 2013, p. 388). SOEs are particularly important in this role because private role players that engage in the provision of basic goods and service are more likely to exclude those who cannot contribute to their profit maximisation objective, such as the less privileged or those who live in remote areas (Christiansen & Kim, 2014, p. 11). The presence of SOEs create the environment for these classes of people to at least be able to meet their essential needs such as healthcare, education, food and shelter (Putniņš, 2015, p. 822; Zheng & Chen, 2017, p. 37).

2.10.7 Increasing the power of the state

In some countries, private enterprises have grown so large that they are now able to and do compete with governments (Zingales, 2017, p.2). This is because they have access to certain information that bureaucrats do not have access to. In addition to access to information, the revenues of some large corporations rival the revenue of some states. Zingales (2017, p. 2) reports that in 2015, the revenues of ten companies, Walmart, State Grid Corporation of China, China National Petroleum, Sinopec Group, Royal Dutch Shell, Exxon Mobil, Volkswagen, Toyota, Apple and BP, were higher than those of some national governments such as Norway, Russia and Switzerland. This led Zingales (2017, p. 2) to conclude that some corporations are more powerful than some states in terms of

economic power and they also exert influential political power. Along these lines, Nienhüser (2008, p. 10) infers that those that control critical resources have power, and this power influences behaviour. In this context, Berle and Means (1932) argue thus:

> The rise of the modern corporation has brought a concentration of economic power which can compete on equal terms with the modern state - economic power versus political power, each strong in its own field. The state seeks in some respects to regulate the corporation, while the corporation, steadily becoming more powerful, makes every effort to avoid such regulation … The future may see the economic organism, now represented by the corporation not only on an equal plane with the state, but possibly even superseding it as the dominant form of social organisation (Berle & Means, 1932:82).

As such, it is sometimes difficult for these governments to stabilise demand and control prices and monopolies. This also means that governments have weakened control over their economic policies (Pollit & Bouckaert, 2011, p. 35). It follows then that a way by which states can increase their power is to transfer some industries from private ownership to public ownership, or to have public enterprises compete with private enterprises in these industries (Plūmiņš & Ščeulovs, 2016, p. 67). Vitaliano (2014, p. 170) notes that in natural monopoly cases, market power is normally abused under private ownership. Hence, Thynne (2011, p. 183) contends that public ownership possesses significant policy and analytical forces in exercising public power. Without this transfer or ownership of enterprises to the state, it will be difficult for the state to have access to information necessary for supervising and inspecting the activities of these private enterprises in order to curtail and safeguard the masses from the risk of exploitation. The argument is that for governments to be able to collect this information, they will have to be active participants in these industries, either singularly or in conjunction with private role players (Aiken and Hage, 1968, p. 916). Further, without these enterprises, the managerial capacity in the public sector will be found wanting. For the public sector to be able to retain intellectual managers, it will have to put in place public enterprises that can compete or work with private enterprises (Plūmiņš & Ščeulovs, 2016, p. 67).

2.10.8 Limiting transaction costs

Some of the above arguments for SOEs can be addressed by private enterprises. That some of these arguments for SOEs can be addressed by private role players can, to an extent, sustain the argument that there may be no need for SOEs (Putniņš, 2015, p. 826). However, there are certain conditions that are necessary for this to happen. The conditions that are necessary to make private role players address the arguments for SOEs, such that it will seem there is no need for SOEs, may be difficult to achieve compared to having SOEs. The transfer of activities performed by SOEs, especially when their activities cut across the delivery of public goods, means that a kind of monitoring mechanism will have to be put in place in order to ensure that private role players are fulfilling their terms of the agreement reached at the initiation stage. This establishment of a monitoring mechanism in effect means that there will be the need for a contract to enforce the decisions and agreements reached at the planning and/or initiation stage. In most cases, these contracts are difficult to manage, and hence require huge costs in setting up and enforcing them. Moreover, because it will be difficult to establish the costs of social issues which may be part of those contracts, there may be a need for renegotiation of the contracts at some point. In extreme cases, there may be disputes that will require legal proceedings. These renegotiation and legal issues often attract costs, which are known as transaction costs (TCs).

TCs are important to the success or failure of organisations. In 1969, Kenneth Arrow (1969) traced the problems of capital markets to TCs. Arrow contends that:

> Market failure is not particularly absolute; it is better to consider a broader category, that of transaction costs, which in general impede and in particular cases completely block the formation of markets (Arrow, 1969, p. 1).

Just as TCs are present when these activities are transferred to private role players, there are also organisational costs when the activities are coordinated through SOEs (Chang, 2007, p. 13). These costs are to be compared in establishing the best way to proceed in certain circumstances. In support of SOEs, Chang. (2007, p. 13) submit that it is usually less expensive to set up SOEs than to set up contracts. In this respect, Pargendler et al.

(2013, p. 575) contend that SOEs economise on these TCs. However, if there are to be any savings on organisational costs in relation to TCs, they will be highly contingent on the ownership and organising models in place, as well as the internal constitution (internal and external legal and regulatory frameworks), level of development and corruption of the owning state. Grosman et al. (2016, p. 201) notes that although SOEs tend to limit the cost of fraudulent behaviour, SOEs might increase TCs because they may not achieve their mandates as a result of political interference (Sokol, 2009, p. 1722).

2.11 Conclusion

This chapter gave an overview of the literature on public entrepreneurship. This was done in order to touch on SOEs and other related literature in the field of public entrepreneurship, with the intention of synthesising the literature and setting a basis for the main review in this study in the next chapter. In doing so, this chapter contextualised this study and introduced concepts that are developed in the next chapter. From the systematic review of literature presented in this chapter, it is evident that the debate in this organisational field has been on privatisation and nationalisation, on the one hand, and between private versus public enterprises, on the other. A large part of this literature is on wholly state and wholly private ownership, which is evidenced in the arguments presented above; arguments which are in favour of either POEs or SOEs, or on how the wholly owned SOEs can be made to work better.

The arguments for SOEs discussed in this chapter were reasoned, formulated and argued in line with public sector full-ownership arguments, arguably for two reasons. The first of these was to establish a form of competition for private enterprises as seen in the arguments for SOEs. The second is in line with the Marxists' arguments that the means of production should be owned by states. In this instance, Marx (1887) 1967 notes that government's mandate is to plan social and industrial democracy, and the nationalization of large industrial business and commercial enterprises that make a difference between the size of the state, and the size of the market because the economic base (means of production and relations) determines the superstructure (institutions, politics and culture) (Cuervo-Cazura et al., 2014, p. 921; Lei, Liebman and Milhaupt, 2015, p. 7; George

& Wilding, 1985; Laski, 1934; Milliband, 1977; Strachey, 1938). Thus, theorising that governments should own the significant means of production.

Marxist's argument on nationalization is concerned with societal equality. A point of view that has been consistently reinforced in neo-Maxism by incorporating Marxist's principle, especially that of Karl Marx and Friedrich Engels (Engels, 1983; Marx, 1967; Marx & Engels, (1848) 1893; 1983) into political and economic system, while drawing on other intellectual traditions including sociology, critical theory and criminology. In this context, the Marxist theory argues that although profits are generated by people in the society, profits are enjoyed by only a minority group in the society which represents the owners of capital. The Marxist theory further contend that private ownership of the means of production affects freedom and it is no longer compatible with the demands of democratic institutions. Marxists are of the opinion that concentration of power in fewer hands does not sustain the attainment of democratic dividends. Thus, Marxist theory sustains that public ownership of the means of production is considered the basis of the national economy and peoples' livelihoods necessary in safeguarding the socialist system against changes in political and social relations that may be engendered in an economy organised around private capital (Lei, Liebman and Milhaupt, 2015, p. 7)

In this way, public sector full ownership has created notable problems. These problems, in addition to issues impacting on corporate governance in SOEs discussed above, constitute the arguments against, which are among other things presented in the next chapter, while arguing for means by which these problems can be mitigated. The arguments against are the basis for the part of this thesis that propels the literature in the next chapter. As such, the conceptual relationship presented in the literature in the next chapter involves the role of government, the role of SOEs, issues with SOEs, theories that explain the relationships modelled and arguments for solving these issues. In this way, this chapter and the next chapter, though two separate chapters, inform each other.

CHAPTER 3

GOVERNING STATE-OWNED ENTERPRISES

> It is true that many big undertakings, particularly Public Utility enterprises and other businesses requiring a large fixed capital still need to be semi-socialised. But we must keep our minds flexible regarding the forms of semi-socialism. We must take full advantage of the natural tendencies of the day, and we must probably prefer semi-autonomous corporations to organs of the Central Government for which Ministers of State are directly responsible (Keynes, 1926, pp. 41–45).

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3.1 Introduction

The purpose of the systematic review provided in the previous chapter was to navigate the literature on public entrepreneurship, synthesise disjointed literature on public entrepreneurship, introduce some of the concepts advanced in this chapter, and set a basis for the theoretical conceptual arguments in this chapter. Accordingly, this chapter as the main literature chapter of this study, while developing new arguments based on gaps in the literature, builds on and advances some of the concepts introduced in the previous chapter. Specifically, for the purposes of this study this chapter details the role of government, theoretical arguments relevant in answering key organisational questions as well as in governing organisations, SOEs and their related enterprises, SIEs and SWFs. This chapter further provides a discussion on applicable SOE governance models.

In exploring these issues, this chapter proceeds by discussing Smith's (1776) view on the role of government before submitting that arguments by Keynes (1926) and Beveridge (1944) mitigate the deficiencies in Smith's (1776) government role. In this way, following arguments by Keynes and Beveridge, further government roles are elaborated. Thereafter, this chapter discusses arguments against SOEs, leading to a discussion on relevant organisational and governance theories that are key to explaining the stance taken in this study. Following these, history and reforms of SOEs, the institutional (ownership and organising) framework of SOEs, and internal and external legal and regulatory frameworks of SOEs in South Africa and Singapore are discussed, before a discussion on the models for organising and owning SOEs. The chapter concludes by arguing, among other things, that like corporate governance, organisational governance is also applicable to SOEs as they are hybrid organisations falling somewhere between stewardship and democratic governance models.

3.2 The role of government

Since SOEs are owned by states, their existence is in line with fulfilling certain public sector policy objectives. The policy objectives for which SOEs are to be used depend on the

interpretation of government's role by their owning states, on whether there are other entities and SWFs owned by the state, as well as the structure of these establishments within the state. Accordingly, evaluating the state's role as an owner is a starting point in choosing socioeconomic policy (Abramov et al., 2017, p. 2). In this regard, Johnson (1982, p. 305) observes that:

> (A) state's first priority will define its essence … for more than 50 years the Japanese state has given its first priority to economic development. Some of the Japanese state's priorities for economic development, such as the imperialism of the Pacific War, were disastrous, but that does not alter the fact that its priorities have been consistent (Johnson, 1982, p. 305).

The subject regarding deciding what government should do and not do remains a difficult terrain. The generally accepted role of government in any country is complex (Stiglitz & Rosengard, 2015, p. 6). This complexity stems from three determining factors: ecological, political and ideological. Moreover, government's role depends on existing socioeconomic factors as well as long-term influences on current behaviour. In addition to these, government's role is influenced by the demands of groups present within a state, and the political tussle between these groups and the state. Furthermore, this role depends on people's ideas as to what is right, proper, necessary and legitimate; as well as the willingness of the government to pay for public goods and services (Milicz, 2016, p. 220). These explain why the role of government has changed tremendously over time in most countries, and has varied among countries at any given point in time (Friedman & Friedman, 1980, p. 28). Consequently, since the perceived role of government in a country affects the socioeconomic policy in place, as well as the objectives of public enterprises, it is important to review the national government's role from time to time in order to identify the combination of socioeconomic policies for which government establishments are to be used (Abramov et al., 2017, p. 2).

As regards the role of government, it appears Smith (1776) was the first documented scholar to have commented on the role of government. This accounts for why Smith's (1776) arguments on the role of government, till today, seems to be the most widely accepted role of government, at least among practitioners, masses, some academics and, most especially, laymen. The debate on the appropriate role of government arguably cuts

across two important topics, socialism and capitalism, which have been the core of academic debate for some time now (Beveridge, 1944, p. 37; Keynes, 1926, p. 46; Peng et al., 2016, p. 300). Thus, the debate about government's role is far from conclusive.

In this context, at a time when many people did not see the importance of examining how the state should proceed, Smith (1776), presented the following argument relating to the role of government: the state should be a night watch state; that the state should be small and the state should be quiet (Keynes, 1926, p. 11). Smith (1776) argued that individuals could look after themselves once government had provided them with basic conduct guidelines, rules and regulations; basic survival needs; and protection. Consequently, Keynes (1926, p. 11) submits that Smith (1776) in his role of government was probably ready to allow individuals to use their natural efforts in providing public goods in order to better their own condition. In addition, in doing so the state should systematically withdraw from providing social welfare and public goods. Accordingly, the state should concentrate on and limit itself to protecting citizens from violence, and regulating market transactions (Huat, 2016, p. 499), and be small and quiet.

Along these lines, Smith (1776, pp. 182–298) observes that the state has only three duties to perform, three duties he referred as being of great importance:

- the first duty relates to protecting the society from the violence and invasion of other independent societies;
- the second duty relates to the duty of protecting every member of the society from the injustice or oppression of every other member of it, or put differently, the duty of establishing an exact administration of justice; and
- thirdly, the duty of establishing and maintaining certain public works and certain public institutions, which can never be for the interest of any individual, or small number of individuals to erect and maintain; because the profit derived from providing these public goods and services will not be sufficient to cover the costs/expenditure incurred (Smith, 1776, p. 182-298).

From the above discussion we can deduce what the first two duties entail – protecting individuals and society from internal and external coercion. Smith's third role, though arguably the most important, poses the most worrying issues because it is not clear whether it entails establishing public entities or public enterprises (Friedman & Friedman, 1980, p. 29). Smith (1776, p. 211) himself acknowledged that the third duty is a complicated one. It appears this third role entails the establishment of SEs/SBs, which virtually all countries throughout the world have. While Smith (1776) did not aver that the state should own means of production for commercial purposes, he did not avow that the state should not own means of production in the first place. Smith's (1776) stance, though not expressly stated, appears to be that, in addition to erecting and maintaining public works for facilitating commerce, states should own public entities through which they can produce those public goods and services that private enterprises may not be interested in. However, as a result of this ambiguity in the third role, coupled with the Marxist's socialist idea (Fitriningrum, n.d., p. 41; Lei et al., 2015, p. 7; Sappideen, 2017, p. 111) of state ownership of means of production (Marx, 1887 (1967), and most importantly because the states of the 1770s to 1780s (eighteenth century) were different from the states of the nineteenth century, and the states of nineteenth century are not the states of the twentieth century, just as the states of the twentieth century are not the states of today (21st century), many states have used these arguments to justify different ranges of government activities connected with means of provision and production of not just public goods but of commercial goods as well. In this context, Bresser-Pereira (2016, p. 8), in discussing models of the developmental state, has described the essence of moment/period in state reforms.

The ambiguity in government's role partly explains the difficulty associated with stating the purpose of establishing a government institution, what such institution should pursue, and justifying what the institution pursues atlong last. Thus, because the intentions of those that established government institutions and those managing them are often different, not properly articulated and/or communicated, outcomes too often differ from those intended. This uncertainty on what constitutes and should constitute the third role of government, pointed out by Smith (1776), partly explains why many states own means

of provision and/or production in the capacity of SOEs and related SIEs and SWFs. However, the mode of operation of these enterprises and their mandates differ from state to state, depending on the interpretation of the role of government, in addition to the points made above.

From the above, although it is not entirely clear whether Smith's (1776) third government role stresses owning public enterprises as part of the role of government, several authors after Smith (1776) have communicated the importance of owning public enterprises as part of government's role, albeit for delivering different ends. Notable among the commentators of this importance are Keynes (1926), Beveridge (1944), Seidman (1954) and Hanson (1958). Seidman (1954) and Hanson (1958) did not debate what role the state should play regarding ownership, they merely pointed out that the state should own enterprises. However, Beveridge (1944) and Keynes (1926) debated the role that the state should play. The arguments by Beveridge (1944) and Keynes (1926) are particularly useful for the purposes of this study.

While Smith's role of government appears to entail protecting citizens and providing public goods, Beveridge (1944) helpfully notes that several other issues are connected with government's role. Thus, Beveridge (1944, p. 37) contends that government's role should cover the provision of full employment for its citizens and the control of industry. The argument in this instance is that, in contrast to Smith's (1776) role of government which appears to have argued that the state should be a night watch state, Beveridge (1944, p. 36) contends that the state needs to extend beyond a night watch state in order to fulfil its mandates. Beveridge, while writing on full employment, summarises this argument thus:

> To ask for full employment while objecting to these extensions of state activity is to will the end and refuse the means. It is like shouting for victory in total war while rejecting compulsory service and rationing (Beveridge, 1944, p. 36).

Consequently, it becomes clear that even though the state possesses powers to protect its citizens, and to make rules and regulations, and to enforce these through penalties and sanctions, the numerous ends the state is expected to meet cannot be attained through the exercise of those powers alone. In order for the state to fulfil all its mandates, it will have

to extend its role beyond that of a night watch state (Beveridge, 1944, p. 36). The fact that the state will need to proceed beyond this further prompted Beveridge to argue that:

> The underlying principle of this Report is to propose for the state only those things which the state alone can do or which it can do better than any local authority or than private citizens either singularly or in association, and leave to these other agencies that which, if they will, they can do as well as or better than the state … The state must do new things and exercise some controls which are not now exercised by anyone (Beveridge, 1944, p. 36).

Accordingly, as regards extending the role of the state, Keynes (1926) simply agrees with Beveridge (1944), albeit with little differences. Keynes (1926, p. 46) submits that:

> I come next to a criterion of *Agenda* which is particularly relevant to what it is urgent and desirable to do in the near future. We must aim at separating those services which are technically social from those which are technically individual. The most important *Agenda* of the state relate not to those activities which private individuals are already fulfilling, but to those functions which fall outside the sphere of the individual, to those decisions which are made by no one if the state does not make them. The important thing for government is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all (Keynes, 1926, p. 47).

In this way, the main difference between Keynes (1926) and Beveridge (1944) arguments is that while Beveridge (1944) supports a collective role, Keynes (1926) was silent about a collective role. However, in discussing how a state should proceed, Keynes (1926, pp. 47–49) appears to have argued that collective action is a possibility. The reason for this support for a collective role can be linked to the assertion by Beveridge (1944) on the distinction between what POEs will be willing to do and those decisions and actions POEs will not be willing to take. Private role players do not engage in providing public goods and services mainly because they cannot afford it, or because there will be no inflow of economic benefits to private role players from such decisions and actions. The reasoning is that these actions can be jointly taken by public and private role players. Further, Keynes (1926, p. 47) submits that there should be separation between the social role and the commercial role. This is because it will more likely be difficult to achieve both social and commercial roles at the same time using a single medium; in this case SOEs. However, it is possible to power some sort of social objectives into commercial objectives and vice versa, while structuring organisations in a way to accommodate these.

A further distinction between Beveridge's (1944) and Keynes's (1926) arguments presented above is that while Beveridge (1944) asserts that the role of the state includes doing that which it can do better than other sectors, whether other sectors are doing it already or not, Keynes (1926) does not support state action where other role players are present already. Furthermore, though Beveridge (1944, p. 36) argues that the state must do new things, he did not give an account of the new activities and new controls the state should engage in, merely identifying three areas the state could focus on. However, Keynes (1926) did. The statements below, flowing directly from Keynes' (1926, p. 47) argument above, summarise Keynes (1926) arguments on the agenda of the state:

> it is not within the scope of my purpose on this occasion to develop practical policies … Many of the greatest economic evils of our time are the fruits of risk, uncertainty, and ignorance. It is because particular individuals, fortunate in situation or in abilities, are able to take advantage of uncertainty and ignorance … and that big business is often a lottery. The same reasons cause unemployment of labour, or the disappointment of reasonable business expectations, and of the impairment of efficiency and production … I believe that the cure of these things is … partly to be sought in the collection and dissemination of on a great scale of data relating to the business situation of all business facts which is useful to know. These measures would involve society in exercising directive intelligence through some appropriate organ of action over many of the inner intricacies of private business … My second relates to savings and investment. I believe that some coordinated act of intelligent judgement is required as to a scale on which it is desirable that the community as a whole should save, the scale on which these savings should go abroad in the form of foreign investments, and whether the present organisation of the investment market distributes along the most nationally productive channels. I do not think these matters should be left entirely to the chances of private judgement and private profits, as they are at present (Keynes, 1926, pp. 47–49).

Though Beveridge did not give a direct account of the new thing(s) the government should do, as pointed out above, in this context, Beveridge (1944) outlined three areas which government outlay could cover:

> There is communal outlay on non-marketable goods and services, including defence, order, free education, a national health service, roads, drains, and other public works. There is public business investment in industries now under public control or which can be brought under it hereafter, increasing the sector of enterprise in which investment can be expanded steadily. There is private business investment; here through a new organ – described as a National Investment Board – the state, while preserving private enterprises, can, by

appropriate measures, coordinate and steady the activities of business men (Beveridge, 1944, p. 30).

3.2.1 Extended role of the state

From the above arguments, this study is now able to extend the role of the state beyond the night watch state presented by Smith (1776). The role of the state should, therefore, at a minimum, include the following:

- protecting citizens (Smith, 1776, p. 689)
- providing public goods (Smith, 1776, p. 689; Beveridge 1944, p. 30)
- collecting and disseminating information about private enterprises (Keynes, 1926, p. 48)
- distributing and investing savings and reserves along productive channels nationally and internationally (Keynes, 1926, pp. 48–49)
- engaging in public business activities (Beveridge, 1944, p. 30), and
- engaging in private business activities (Beveridge, 1944, p. 30).

3.2.1.1 Extended role of the state and private enterprises: a synopsis

Having extended the role of government, and since the focus of this study is on SOEs, it becomes necessary to assume that SOEs are to be used in achieving some of the roles. The issue regarding the first role of government identified by Keynes (1926) is that it may be difficult to collect reasonable information about private enterprises without the state partnering with these private enterprises. Partnering with private enterprises will ensure the collection of information about the activities of private enterprises is possible and cost effective. In this regard, Aiken and Hage (1968, p. 916) concur that such collective organising methods lead to higher rates of internal communication, while reducing formalisation and centralisation. Further, Ackers (2014, p. 12) submits that such an organising method promotes individual and societal interests, while incorporating social welfare into economic transactions. The argument in this instance is that the state needs

to partner with private enterprises in order to collect reasonable information necessary to keep the profit motives of private enterprises in check. This upholds the notion that the state will have to engage in private and public business activities in order to collect this information – a point argued by Beveridge (1944, p. 30).

Citizens are not equipped to carry out this information collection about private enterprises. Governments, on the other hand, might be equipped to collect information on private enterprises but at a cost that depends on the mode of collection. Thus, aside from the high cost of collecting such information, information collected at arm's length will not be as detailed as when the state itself is involved in the activities of these private enterprises. As Jacobs (1974, p. 56) rightly admits, you only control an enterprise to the extent that you have sufficient intelligence about the enterprise's activities. This is, in fact, one of the reasons why Beveridge (1944, p. 30) suggested that the state should own public and private business enterprises in order to use the private-oriented enterprises owned by the state to coordinate and steady the activities of private businesses. Consequently, Aiken and Hage (1968, p. 915) contend that some objectives can only be achieved through some form of collaboration because, in addition to the reasoning that objectives may sometimes be complicated, there is usually also the presence of tremendous risk. Thus, an organisation may be forced to enter into some form of collaboration in order to achieve those complicated objectives and reduce risk along the way.

In the fourth, fifth and sixth role, Beveridge and Keynes were concerned with three different things entirely. While Keynes (1926) was concerned about investing national savings and reserves, Beveridge was concerned about public and private investment aimed at coordinating and controlling private sector investment activities; and about public investment targeted at contributing to the national budget. Thus, from the above, it is clear that there is a difference between investing savings and engaging in commercial activities, and that there are different state establishments to deliver these (SOEs, SIEs and SWFs). In this regard, while the capital of enterprises engaged in investing savings will be from all sorts of national reserves, the capital of enterprises engaged in commercial activities will be from commercial operations and other forms of funds, for example loans.

Further, the role of investing savings is an important one. Huat (2016), writing on the Singaporean case, relays this importance, noting how the decision to save and invest savings protects a country's domestic economy against financial crises, and keeps interventionist organisations, such as the IMF and the World Bank, at bay (Huat, 2016, p. 501). While the decision on savings and investment of public funds should be made by the state, as Keynes (1926, pp. 47–49) rightly submits, it may be wise to involve private enterprises in making and implementing these investment decisions. The reason for this is that, as Beveridge (1944, p. 206) and Grossman (2012, p. 184) rightly observe, private enterprises can sabotage the activities of the state in maximising returns on savings. The argument in this context is that the state needs to partner with private enterprises in investing savings and reserves efficiently and effectively (Keynes, pp 50-51). This idea does not suggest that the state on its own cannot make sound investments. The argument is that the involvement of private role players will, among other things, mean that the activities of the state will not be sabotaged by private role players which, even though they are, to an extent, controlled and regulated by the state, are already present in the markets where the state may want to invest, and which, arguably, have more information on these markets than the state does; and hence, may decide to frustrate the activities of the state (Zingales, 2017, p. 3).

3.2.1.2 Extended role of the state and state establishments

Bearing the above discussion in mind, Keynes (1926, p. 40) rightly notes that while the most important task of economists is to distinguish the agenda (role) of government from the non-agenda, the complementary task of politicians, and politics generally, is to design forms of government capable of achieving the agenda within a democracy. Equally, the role of organisational sociology and organisational economics is to design organisational forms capable of delivering organisational objectives. While the role of the state regarding the agenda has been discussed above, it is important to discuss the associated role of the state in devising means by which the state can achieve its role, which is an entrée into the subject of this study. In this connection, for the purposes of this study, this entails a discussion about the decision on the structure (ownership, organisational forms as well as internal and external legal and regulatory frameworks) of public enterprises, who

should be fulfilling the last four of the six extended government roles above, and in the course of doing so, providing a means for achieving the second role. In this context, SBs are to fulfil the first and second role, while all public enterprises in conjunction with SBs should be fulfilling the third role in various capacities; SWFs are better placed to fulfil the fourth role and SOEs should be fulfilling the fifth and sixth role. Thus, the importance of the state's investment in SIEs becomes obvious. Accordingly, even though SOEs may at present be doing other things, they are part of the mechanisms (public enterprises) through which government can undertake some of the items on the agenda highlighted above. Additionally, SBs and SWFs are the other establishments through which the state can achieve its role. Since devising the structural means by which SOEs can achieve their role is the basis of this study, this discussion on the role of the state is an entrée to this study in order to provide a better understanding of this study and a basis for arguments. Attempting to specify the role of the state is a basis for arguing which role particular public establishments should undertake, and how these public establishments can be made to work with each other in achieving the role of government. In this context, and on the companion task of politics in designing forms capable of accomplishing the agenda of the state, Keynes (1926) summarises his suggestive argument in this regard below:

> I believe that in many cases, the ideal size of control and organisation lies somewhere between the individual and the modern state (POEs and SOEs in our case). I suggest, therefore, that progress lies in the growth and the recognition of semi-autonomous bodies within the state …… It is true that many big undertakings, particularly Public Utility enterprises and other businesses requiring a large fixed capital still need to be semi-socialised. But we must keep our minds flexible regarding the forms of semi-socialism. We must take full advantage of the natural tendencies of the day, and we must probably prefer semi-autonomous corporations to organs of the Central Government for which Ministers of State are directly responsible (Keynes, 1926, pp. 41–45).

The above statement established that ownership and organising models are important for the success of public enterprises. In addition, it is clear from the above that the success of public enterprises appears to lie between full nationalisation and full privatisation, as against the widely held belief and debate in the literature facilitated by socialism and capitalism, that full privatisation or full nationalisation is a guarantee of the success of SOEs. Furthermore, as observed by Keynes (1926, pp. 41–45), modern public governance

should be a matter between the public and private sectors in order to harness the strengths of both sectors. In this context, Johnson (1999, p. 57), writing on the Japanese case, notes three patterns in the development of Japan: self/private control in which the state delegated control to private role players; state control, in which the state displaced private ownership, private management and private role players by imposing state institutions; and public–private cooperation in which neither the state nor the private role players were in control. It was in this last period of public–private cooperation that the Japanese breakthrough occurred. In this respect, this study, in connection with ownership and organising, will proceed along the lines laid down by Keynes (1926, pp. 41–45) and Beveridge (1944, p. 30) in arguing that part ownership and organising models that support part ownership will more likely or seem more likely to guarantee success in SOEs compared to full ownership and organising models that support full ownership. Likewise, since this study has extended the role of the state, it has also extended the role of SOEs to include information collection and steadying private businesses, while noting that SOEs can be exempted from coordinating commercial activities geared to investing national reserves, which is more likely to be better coordinated by national SWFs and in which, where applicable, SOEs that are financed from public reserves and employee reserve funds are organised under SWFs. Thus, it is clear that the state, in achieving some of the roles presented above, needs to collaborate with private role players. Aside from the arguments presented above, there are some other theoretical bases presented below that support this stance or idea.

3.3 Arguments against state ownership of enterprises

This section complements section 2.9.2, issues impacting corporate governance of SOEs. Along this line, this section strengthens the discussion in section 2.9.2 by adding further insights.

3.3.1 Specifying desired end/conflicting objectives

Flowing from the role of government is the problem of conflicting objectives of SOEs. As initiated in section 2.9.2.2, in most countries SOEs are to deliver social (public works) and

commercial objectives (engage in public and private investments). The pursuit of these twin objectives often results in the attainment of neither of the objectives, especially in developing and corrupt countries. Keynes (1926, p. 47) envisaged this and thus argues for the separation of social and commercial objectives. These enterprises are usually not modelled in a way that facilitates the attainment of these conflicting objectives. As such, this issue contributes, to a large extent, to the failure of SOEs. Because SOEs are owned by states, and since the main role of governments is, arguably, social and not commercial, it is clear that delivering social objectives should be the main focus of SOEs. However, because there are SBs to deliver most of these social objectives means that SOEs often combine social and commercial objectives as a way of distinguishing SEs from those state enterprises with a commercial orientation. In this way, SOEs' main social objective, if they are wholly owned, is to make sure that they utilise the public resources entrusted to them in an efficient and effective manner by operating on a user-pays principle at little or no cost to the state and accordingly to the taxpayer. This will mean that SOEs deliver their mandates efficiently and effectively, or at least sustainably, without their owning states having to bail them out of financial crises, as is often the case. That said, even though SOEs focus on social and commercial objectives, they should be organised under a separate arm of national SWFs distinct from that which invests national and employee reserves, except for those SOEs that utilise such funds. This will ensure that states do not interfere with the mandate of such SWFs. Alternatively, SOEs can also be organised under any other form of holding company. If they are organised thus, SOEs are more likely able to deliver their objectives effectively and efficiently. This is because SWFs, which are usually more of a private-sector enterprise, will be able to handle the commercial arm of SOEs. The same applies to holding companies that are usually subjected to commercial practices. In this way, the organisational governance of SOEs will be between public role players coordinating the social objectives of SOEs on the one hand, and private role players coordinating commercial activities on the other. This will help to mitigate most of the problems faced by SOEs and will also assist in delivering funds for improving the fiscal capacity of their owning states. In this way, social and commercial objectives would be separated through collaboration as a result of this semi-autonomous means of

management. It is also important to note that the form SOEs are to take is highly contingent on whether the state intends SOEs to operate as investors or as managers.

3.3.2 The principal-agent problem

As argued in section 2.9.2.3, since the agency relationship in SOEs is usually a complicated one, the monitoring mechanism in place is usually weak or non-existent because of the close link between owners (politicians) and managers (civil servants and or bureaucrats) (Li et al., 2012, p. 827). Thus, since SOEs in most countries, especially in developing countries, are often in some difficulty or another, it is usually difficult to establish the actual cause of failure that can be linked to managerial problems of SOEs (Humayun & Adelopo, 2012, p. 7138; Odainkey & Simpson, 2013, p. 2; O'Toole et al., 2016, pp. 95–96; Yu, 2014, p. 163).

3.3.3 The free-rider problem

Flowing directly from the principal-agent problem is the free-rider problem. As described in section 2.9.2.4, since the information necessary for the monitoring of SOEs is not readily available, when available (Kankaanpää et al., 2014, p. 409) the cost of obtaining such information is normally high. There is usually a great deal of uncertainty and public executives are often torn between the various assignments to which they allocate their time (Aharoni, 1981, p. 1342; Subramanian, 2015, p. 119). The state is not an individual, and it is not a single entity. Because the state constitutes several individuals and units it means that there will be several personal and public interests that differ among individuals and units (Aharoni, 1981, p. 1342; Daiser et al., 2017, p. 2–3). Likewise, since there are several differing interests, it becomes difficult to set agency, governance and accountability priorities for SOEs (Hu & Lin, 2011, p. 566; Lei et al. 2015, p. 8; OECD, 2015b, p. 41; Vagliasindi, 2008, p. 13; Yang, 2015, p. 65). The difficulty in setting these priorities thus leads to a range of corporate governance challenges. One of the challenges that ensue is the free-rider problem. Since the agency relationship in SOEs is complicated, it is not clear who monitors whom. Citizens as agents do not have the monitoring capacity, and bureaucrats, as argued above, are engrossed in other activities and also lack the capacity

or will to monitor SOEs and their managers. At long last, no one monitors anyone, and managers are able to free-ride, without question, in running these enterprises.

3.3.4 The soft budget constraint

As stated in section 2.9.2.5, because owning states are usually readily available to bail out SOEs whenever they are in distress means that the existence of SBCs breeds little focus on using resources efficiently (O'Toole et al., 2016, p. 96). This results in a low emphasis on socioeconomic performance and surplus maximisation (Stan et al., 2014, p. 482). Thus, SBCs reduce the pressure to deliver viable investments (Guo & Clougherty, 2015, p. 148), as the enterprises are often too important and too big to fail (Pargendler et al., 2013, p. 597). This in effect spells the impossibility of bankruptcy (Duppati & Locke, 2013, p. 7; Menozzi et al., 2012, p. 673) and proper restructuring (Bruton et al., 2015, p. 102), thereby reducing the pressure to contain costs. Further, in the context of SBCs, SOEs tend to ignore market signals in terms of technology and funds (Bruton et al., 2015, p. 102; MacCarthaigh, 2011, p. 218). Aside from the fact that government is usually ready to bail out ailing SOEs, SBCs could also arise because the state is usually highly diversified. Hence, the state is a patient investor, having, in principle, a long time horizon, which reduces pressure on SOEs to deliver immediate socioeconomic results (Benito et al., 2016, p. 273). Cuervo-Cazurra et al. (2014, p. 933) rightly assert that government as owner is able to bear more risks than the private owner because it has a larger budget and more resources and, thus, the state can be more tolerant than private owners. Likewise, the state can enforce laws and contracts that will put the state in a competitive position, thereby reducing risk. Thus, SOEs are not pressured to deliver on their mandates effectively and efficiently, or at least sustainably (Guo & Clougherty, 2015, p. 148), as the enterprises are often too important and too big to fail (Pargendler et al., 2013, p. 597). In addition to this, an SBC arising from the belief of SOEs managers that their owning states will always assist in times of distress and that states are typically patient investors, means that SOEs will be able to bear more risks than private owners because they (states) have a larger budget and more resources (Cuervo-Cazurra et al., 2014, p. 933). Accordingly, these states have in principle a long-time horizon for surplus maximisation expectations. Along these lines, this SBC also

happens to reduce pressure on SOEs to deliver immediate results (Benito et al., 2016, p. 273).

3.3.5 Political interference

As section 2.9.2.6 notes, political interference in SOEs manifests in different ways. Firstly, it may be related to the constitution of SOEs boards with party loyalists and members, who may not be able to guide these SOEs effectively and efficiently (Collins, Sitalaksmi & Lansbury, 2013, p. 144; Ennser-Jedenastik, 2014b, p. 399). Secondly, political interference may be as a result of politicians using SOEs to advance their interests by mandating these organisations to carry out activities that may not necessarily contribute to their efficiency and effectiveness, for example employing workers when there is no vacancy or space which those employed are to fill (Menozzi et al., 2012, p. 687; Xiongyuan & Shan, 2013, p. 55). Thirdly, political interference can manifest in the form of business decisions (Bird, 2015, p. 140; Estrin et al., 2016, pp. 297, 304; Fan, Wong & Zhang, 2013, pp. 1218–1219; He et al., 2016; 122; Moyo, 2016, p. 4; Kankaanpää et al., 2014, p. 412). Lastly, this political interference is often as a result of cronyism and sometimes nepotism (Kankaanpää et al., 2017, p. 411). SOEs should be independent of their owning states in terms of the day-to-day running of their affairs just as it is in the private sector. However, when there is political interference, this is not likely to be the case. Where this separation does not happen, SOE boards often find it difficult to carry out their mandates effectively. The interference of politicians in the decision-making of SOEs is likely to lead to any of the other problems associated with SOEs, especially corrupt practices.

3.3.6 Corruption

Section 2.9.2.7 notes that the problem of corruption is generally associated with developing countries. In corrupt countries, SOEs tend to be political vehicles that are used by ruling governments to actualise both their political and their personal interests. When this is the case, the arguments elaborated for SOEs in section 2.10 are likely not to be realised. For example, it was argued earlier that SOEs are an important tool for redistributing income; this is only feasible where there is no state capture of SOEs. Where

the owning state captures SOEs, they will be used for redistributing political interests to certain individuals and strategic areas that may be of benefit to politicians in terms of re-election or for other party-related activities, as against redistributing income (Amoako & Goh, 2015, p. 50; Benito et al., 2016, p. 271; Mühlenkamp, 2015, p. 543). Further, it is often difficult for SOEs to break loose from these corrupt practices and this may sometimes lead to their privatisation. A case in point are SOEs in Nigeria. Most of the SOEs in Nigeria have been privatised and the remaining ones are in a period of transition to privatisation. The major reason cited for the privatisation of these SOEs is corruption (Bakre & Lauwo, 2016, p. 45). This shows that corruption has negative effects on SOEs and their activities.

There are many aspects to corruption within SOEs. There is political corruption, managerial corruption and activity corruption. Political corruption manifests when politicians use SOEs to advance their interests. Managerial corruption manifests in various forms in SOEs, for example it may take the form of lobbying and bribing SOE managers (Belloc, 2014, p. 830; Li et al., 2012, pp. 287–288) to influence investment and internationalisation decisions (Putniņš, 2015, p. 828). Activity corruption manifests in the form of sales and/or procurements (Tkachenko et al., 2017, p. 54), privatisation, investment and internationalisation decisions (Bakre & Lauwo, 2016, p. 46; Tkachenko et al., 2017, p. 53). In terms of corrupt practices in privatisation, Bakre and Lauwo (2016, p. 45) submit that Nigerian SOEs are being privatised because corrupt practices have rendered them unable to fulfil their mandates. Bakre and Lauwo (2016, p. 45) also note that privatising these SOEs is not freeing them from corrupt practices, as the SOEs are being sold to internal investors (Bakre & Lauwo, 2016, pp. 51–54).

These arguments against SOEs account for the problem statement of this study. Hence, this study argues that in curtailing these issues, SOEs will have to be organised and owned in such a way that these problems will be mitigated. In organising SOEs along these lines, it is important to consider governance theories and other relevant theoretical arguments that are useful in developing a working structure for SOEs and their related enterprises, SIEs and SWFs.

3.4 Theoretical conceptual models of organisational governance

The theory that sums up the effects of the arguments against SOEs above, the relationship represented in the model in Figure 4.1 on the governance of SOEs and the solution advanced by this study is signalling theory. This signalling theory is discussed below.

3.4.1 Signalling theory

Conventional signalling theory is concerned with the reduction of information asymmetry between two parties (Bird & Smith, 2005, p. 222; Connelly, Certo, Ireland, & Reutzel, 2011, p. 40; Suazo, Martinez, & Sandoval, 2011, p. 190). Signalling theory has been useful in describing behaviour when two parties (in our case, owners and managers of organisations) have access to different information (Zhang, 2014, p. 113). However, for the purposes of this study, there is a departure from the conventional signalling cum information asymmetry. While information asymmetry is concerned with management's tendency to act in self-interest because they have access to information which owners do not have access to, signalling, as used for the purposes of this study, describes how unclear enterprise objectives formulated by owners, weak ownership and organising models and weak internal and external legal and regulatory frameworks send conflicting signals to enterprise boards. Since boards act and make decisions based on the signal received from owners (information available), this conflicting signal usually has three negative effects on enterprises. The first relates to the idea that it results in weak corporate governance, thereby informing most of the arguments against SOEs and vice versa. The second is that objectives are usually not attainable, resulting in the depletion of national resources. The third is that conflicting signals may trigger opportunistic behaviour by boards who may see that owners are unable to specify their desired ends. Irrespective of the fact that this theory better presents the relationship represented in Figure 4.1, other relevant theories that are useful in explaining individual issues in the relationship and the arguments advanced in this study are presented below.

3.4.2 Relevant organisational theories

Many questions are posed in organisational analysis. The most relevant question, as it is the starting point, is why organisations exist when transactions can be carried out through the market mechanism (Peng et al., 2016, p. 294). This question is important considering that, in addition to the fact that there is a market in which transactions are conducted without necessarily erecting an organisation to govern transactions, there are many types of organisations which are as a result of internalising transactions (Williamson, 2009). Likewise, when transactions are organised by organisations, another question arises which is concerned with how parties to these transactions proceed in order to ensure that organisational goals are achieved with relatively low organisational costs. Some of the relevant theories that have been used in making sense of these issues and that are relevant to this study are presented below.

3.4.2.1 Transaction cost economics

Transaction cost economics (TCE) came into existence in 1937 in the work of Coase on 'The nature of the firm' (Coase, 1937, pp. 390–391). Coase (1937, pp. 390–391) argues that firms arise as a result of the quest for a reduction in TCs (Ketokivi & Mahoney, 2017, p. 1). TCE is an interdisciplinary approach to the study of organisations that encompasses economics, organisation theory, as well as aspects of contract law (Williamson, 1981, p. 573). The idea is that if the costs associated with organising transactions within the market are exorbitant, then these transactions can be organised within the firm in order to gain behavioural, social and economic benefits (Jones & Hill, 1988, p. 160). Thus, TCs entail costs that are associated with running an economic system (Arrow, 1969, p. 48). Put differently, TCs are costs associated with negotiating, monitoring and enforcing exchanges between two or more parties (Jones & Hill, 1988, p. 160). Since TCs are associated with running an economic system, it therefore follows that the main focus of TCE is on firm's efficiency (De Schepper, Haezendonck, & Dooms, 2015, p. 933). This is because TCE views the organisational problem as that of contracting (Williamson, 1985, p. 20). Along these lines, the problem is posed as the accomplishment of a particular task that can be carried out using different modes of organising. The issue that then arises is estimating the likely costs of each organising form. Hence, a point of departure for TCE from traditional

economic analysis is that the unit of analysis in TCE is the organisation itself, and not the commodity traded by the organisation. Hence, TCE regards the firm not as a production function but as governance structure necessary in governing a series of contracts (Williamson, 1998, p. 37). In this way, the focus is usually on assessing the ability of different governance structures, firms, markets, hybrids and others to minimise TCs (in our case, the cost of gathering information about private role players, the cost of political interference, the cost of corruption, the cost of socioeconomic development, the cost of private goods to citizens, government taxation, the cost of SBC, the cost of free-riding and the cost of conflicting objectives) (Williamson, 1981, p. 549). This is done in order to determine efficient boundaries in a continuum of governance structures that starts with market and ends with firms (Williamson, 1981, p. 548). This implies that although the transaction is the basic unit of analysis, organisational forms matter (Williamson, 1985, p. 18), following Commons's (1932, p. 4) observation that governance is the means through which order is infused as a way of mitigating conflicts to realise mutual gains. As such, governance structures should be aligned to the specific needs of each type of transaction (Williamson, 1981, p. 568).

There are variants of TCs. Williamson (1981, p. 554) recognised two types of TCs, ex-ante and ex-post. Ex-ante TCs emanate from efforts in the pre-contract and contract phases to prevent the failure of a transaction as regards asset specificity, and when opportunism (individuals' propensity to cheat and lie) meets with the absence of alternative exchange partners. Ex-post costs, on the other hand, are the post contract phase costs related to making adjustments to contracts. Consequently, it becomes clear that TCE combines issues of incomplete contracting, hold-up problems, bounded rationality and opportunistic behaviour in explaining the existence of firms (Hart, 1995a, p. 1; Kállay, 2012, pp. 45, 48). In this way, these ex ante costs are the costs of setting up contracts (drafting, negotiating, protecting agreements) and governance structures. Costs of altering contracts and of monitoring and evaluating contracts, especially as a result of errors, omissions, and unforeseen disturbances, are ex post costs that add up to the normal production costs, thereby resulting in market failure owing to the additional costs of goods or services, that is, the cost of running an economic system (Boston, Martin, Pallot, &

Walsh, 1996, p. 85). Market failures also occur when rationally bounded individuals are confronted by ex-ante heightened complexity and uncertainty. Jones and Hill (1988, p. 160) classified these issues into six categories: bounded rationality, opportunism, uncertainty and complexity, a few trading relationships, information asymmetry, and asset specificity. These factors, taken as a whole, cause specific transaction issues (Jones & Hill, 1988, p. 160).

The close examination of ex-ante and ex-post costs described above indicates that these costs are difficult to quantify. One way of curtailing these is by a comparative institutional analysis. Williamson (1981, p. 548) referred to this as dimensionalising transactions. In a comparative institutional analysis, a form of organising or contracting is compared with another form of contracting or organising (Williamson, 1985, pp. 21–22). This immediately points to another fact that has been sustained in PRT – that ownership matters (Williamson, 1985, p. 29). As with ownership, technology also matters. However, Williamson (1985, p. 393) contends that although TCE understands the importance of ownership and technology, ownership and technology alone do not determine economic organisation. Hence, the study of economic organisation has to encompass an investigation of incentives and governance, as discussed in section 2.9.3.2. This is because when a transaction is removed from market mechanisms and organised by a firm, three events occur: ownership changes, incentive changes and governance structure change.

TCE is important for organisational studies because of asset specificity, information asymmetry, formal and informal governance apparatus, uncertainty and incentives. TCE is very important for public sector analysis because the public sector is characterised by a great deal of uncertainty (Aharoni, 1981, p. 1342; Subramanian, 2015, p. 119). Along these lines, Williamson (1981, p. 549) observes that the TCE approach to organisational studies can be applied at three analysis levels: the overall enterprise structure, the operating parts and the manner in which human assets are organised. Furthermore, in this context, Arrow (1969, p. 2) contends that:

> The identification of transaction costs in different contexts and under different systems of resource allocation should be a major item on the research agenda of the theory of public goods and indeed of the theory of resource allocation in general. The 'exclusion principle' is

> a limiting case of one kind of transaction cost, but another type, the costliness of the information needed to enter and participate in any market, has been little remarked. Information is closely related on the one hand to communication and on the other to uncertainty (Arrow, 1969, p. 2).

The focus of the overall enterprise structure is on how to relate operating parts to one another. As such, when these issues are analysed, multidivisional, unitary and holding company forms are scrutinised. The main issue addressed by the operating parts is on the determination of efficient boundaries. Hence, this entails an analysis of the activities that should be performed within and outside the firm. The focus of the manner in which human assets are organised is to align internal governance structures with the personal aspirations of work groups within a firm.

In a particular analysis, it may be difficult to separate the first two levels, the overall enterprise structure and the operating part. This is because they inform each other. The determination of an efficient boundary informs the organising structure and vice versa. Further, when thinking of the role of incentives in aligning internal governance structures with the goals of work groups, it can also be argued that the three levels are inseparable. This is because superior performance entails the establishment of an ideal fit between strategy and structure (Jones & Hill, 1988, p. 159).

The main early application of TCE was to demonstrate that not everything can be organised within the market (Chang, 2007, p. 13). However, just as there are benefits associated with internalising transactions, there are also associated costs. It was as a result of these bureaucratic costs that the agency theory approach emerged (Jones & Hill, 1988, p. 163). Agency theory advocates that internalising transactions rather than letting the market control these transactions does not simply eradicate TCs. This is because there are certain conditions such as managers propensity to cheat and lie, just as in market transactions, that cannot be guaranteed maximally.

In linking these arguments to SOEs, it can be argued that SOEs exist to economise on TCs (Peng et al., 2016, p. 304), in addition to correcting market failure, as well as the other arguments for SOEs elaborated above. In this context, Farazmand (2012, p. 492) observes that TCs provide an economic stance on the idea of "big is beautiful" if big government is

efficient and able to limit TCs. The idea here is that states can do other things apart from providing public goods if TCs will be low. However, in economising on TCs, SOEs will need to consider that TCs can only be economised to the extent that a particular SOE is not too big, as transactions thereby become too large, and it becomes difficult to contain costs. As in POEs, there is a boundary at which the transactions carried out will be similar to if they were carried out in the market. In this case, bureaucratic costs will rise compared to when there are a smaller number of transactions. Although the initial idea of transaction cost economics was on a comparison between the market and the firm as a single entity, TCE has been extended to a comparison of different organising models under the firm approach.

3.4.2.2 Agency theory

While TCE is mainly concerned with transactions, agency theory is an economic and finance theory concerned with internal agency contracts. In other words, the unit of analysis in TCE is the transaction/contract required in running a governance system. In agency theory, the unit of analysis is the contract overseeing the relationship between the principal and the agent (Eisenhardt, 1989, p. 58), as a result of internalising transactions within organisations brought about by TCE arguments. Agency theory is a dominant theory in studies of economic interaction and organisation (Pouryousefi & Frooman, 2017, p. 163). Although the existence of firms makes it look like there are no contracts existing within firms, contracts do exist because there will be need for principals to delegate firm's management to agents (Fama & Jensen, 1983, p. 302; Taga, 2017, p. 40). In this way, a firm may be viewed as a form of nexus of contracts among individuals (Fama & Jensen, 1983, p. 302; Jensen & Meckling, 1976, p. 9). Consequently, there will be a need to draw up contracts that will take care of any opportunism that may arise as a result of this power delegation (Jones & Hill, 1988, p. 163) because agents may want to use the firm's resources for personal consumption (Ahmed Haji & Anifowose, 2016, p. 921; Jensen & Meckling, 1976, p. 12), given that people are risk averse, self-interested and rationally bounded (Pouryousefi & Frooman, 2017, p. 169). Moreover, there is usually a conflict of goals within organisations as information is usually not freely available (Eisenhardt, 1989, p. 58).

Coupled with this is the fact that in searching for profitable opportunities, agents may perform below expectation, especially if this means that it will involve investing more time and management effort and demand new skills from agents. These personal costs add up to monitoring costs (Jensen & Meckling, 1976, p. 12) and are what Eisenhardt (1989, p. 58) describes as a difference in attitude to risk. As pointed out by Jones and Hill (1988, p. 163), these costs account for bureaucratic/hierarchical costs when transactions are organised by a firm.

While the principal would want the agent to put in his/her best into maximising opportunities, the agent may not do so considering the personal costs involved. It thus follows that there may be different attitudes towards risk. Hence, the idea of agency theory is connected with information systems and incentives brought about by uncertainty (Eisenhardt, 1989, p. 58; Ross, 1973, p. 134). Accordingly, an agency relationship entails a contract or series of contracts, depending on the nature and structure of an enterprise, in which one or more persons (known as the principal(s)) commission another person (known as the agent) to carry out some service on their behalf, which usually entails the delegation of some decision- making power and rights to the agent (Jensen & Meckling, 1976, p. 5; L'Huillier, 2014, p. 301; Ross, 1973, p. 134). In this relationship, there are bound to be conflicts since parties to the relationship are usually not utility maximisers. It is obvious that parties to a cooperation often have conflicting job division and goals (Eisenhardt, 1989, p. 58). As such, it follows that the principal, as a way of protecting his interest, will want to erect some form of monitoring mechanism (Jones & Hill, 1988, p. 163). The erection of this control mechanism means that there will be a need for the information necessary for monitoring agents. Collecting such information will mean that monitoring cannot be obtained at zero cost (Jensen & Meckling, 1976, p. 5; Jones & Hill, 1988, p. 163). The costs imposed on the firm from collecting such information are known as bureaucratic or agency costs (Jones & Hill, 1988, p. 163; Taga, 2017, p. 40).

Hence, the concern of agency theory is to determine the most efficient structure between a behaviour-oriented contract and an outcome-oriented contract. In this context, while the markets agree with outcome-based contracts, bureaucracy/hierarchies agree

with behaviour-based contracts. This concern is hinged on the fact that there are costs associated with writing contracts. These costs are associated with the costs of initiating, monitoring and bonding between conflicting principal and agents (Fama & Jensen, 1983, p. 303). Accordingly, agency theory has some similarities with TCE. Although they are concerned with different economic issues that arise from different economic traditions (Jones & Hill, 1988, p. 163), agency theory is concerned with the contract between parties, irrespective of boundary, and TCE is concerned with organisational boundaries (Eisenhardt, 1989, p. 64). Moreover, agency and TCE also share assumptions of self-interest and bounded rationality.

Like POEs, agency problems also arise in SOEs. However, agency in SOEs is more problematic than in POEs because contract specification in SOEs is less clear, incentives are more problematic since in most cases bureaucrats are often managers and not private role players, and there is usually no pressure to deliver socioeconomic efficiency, at least not in the short run. Hence, a behaviour that can be easily observed in managers of SOEs is that they may not be pressured to search for cost-minimising opportunities, especially if this means that it will involve investing more time and management effort and demand new skills from them, because public executives are often torn between the different assignments to which they allocate their time (Aharoni, 1981, p. 1342; Subramanian, 2015, p. 119) and also as a result of SBC and free-rider problems. These issues partly account for agency problems in SOEs.

3.4.2.3 Property rights theory

PRT is an economic and finance theory that attempts to build on the weaknesses associated with TCE and agency theories. Swedberg (2005, p. 8) notes that PRT is not a theory of the firm per se, but complements the TCE and agency approaches. This is because property rights account for different things depending on what exactly they are being used for. Subsequently property rights can be used as a lens through which the separation of ownership and management, as well as superiors and subordinates, may be explained (Swedberg, 2005, p. 8). Because neoclassical and TCE approaches do not take care of the incentive problems faced by the firm, agency theory developed in an effort to rectify this.

In establishing the importance of incentives in organisations, the agency perspective does not include the criteria for determining firm boundaries (Hart, 1995a, p. 4) because one huge firm exists consisting of several divisions (Hart, 1995a, p. 6). Further, while the TCE gives a good account of why it is costly to transact in the marketplace, it does not give a detailed account of how costs reduce when transactions are organised by a firm and in a situation where firms merge. In this way, it may be wrong to assume that parties to internal transactions become less opportunistic (Grossman & Hart, 1986, p. 693; Hart, 1995a, p. 12), as there will be agent and principal relationships in such transactions.

It then becomes important to know the reason why transactions may become less costly when organised within a firm compared to market transactions. The PRT, to an extent, sheds some light on these deficiencies of TCE and agency approaches. This is because property rights theory sheds light on the contracting emphasised by the agency approach, which is sometimes referred to as the incomplete contracting approach (Hart, 1995b, p. 1).

Thus, while the focus of TCE is on transactions, and the focus of the agency approach is on contracts, the focus of the PRT is on individuals and the extent to which these individuals can influence what accrues to them through the ownership of property rights (Furubotn & Pejovich, 1972, p. 1137). In other words, the focus is on the contractual arrangements that delegate ownership rights to another party (Cheung, 1983, p. 5). Seen this way, property rights entail the sanctioned behavioural relations among people that arise as a result of the existence of things and their use. Hence, property rights influence behaviour and incentives (Coleman, 1966, p. 35; Young, Tsai, Wang, Liu & Ahlstrom, 2014, p. 340). In effect, property rights influence the allocation of resources in transactions (North, 1990, p. 28). In this connection, Hart (1995b) argues thus:

> The neoclassical, principal-agent and transaction costs theories cannot by themselves explain firm boundaries. A theory – the incomplete contracting or property rights approach – based on the idea that power and control matter when contracts are incomplete (Hart, 1995b, p. 1).

In a situation where it is impossible to write a comprehensive contract that takes account of all risks and future changes in terms of technology, government laws and objectives,

ownership rights matter. In this instance, ownership becomes a source of power when a complete contract is not feasible (Hart, 1995b, p. 2; Papenfuß, 2014, p. 116). In the context of government laws, it follows that property rights are to a large extent affected by changes in the ex-ante and ex-post costs of transactions (Furubotn & Pejovich, 1972, p. 1140; Mühlenkamp, 2015, p. 537). Therefore, the rights of control retained by a party in a transaction reduce the control rights of the other party in such a transaction (Grossman & Hart, 1986, p. 694) and, as such, lower the value of the assets owned by the latter party (North, 1990, p. 31).

Property rights, in form of human property rights, thus entail the rights individuals claim for their labour, as well as for the goods and services that they own (North, 1990, p. 33). This in effect means that there are different types of property rights, with human and firm property rights clearly obvious. While there may be many outcomes, such as social equity, employment and sustainability expected from SOEs, from the property rights point of view the most important thing is to ensure that the locus of control and power is properly designed in terms of the form of ownership and organising of SOEs, as this to a large extent influences the socioeconomic performance of SOEs (Peng et al., 2016, p. 302). Accordingly, there is no difference in the application of property rights in the private and the public sector (Florio & Fecher, 2011, p. 362; Furubotn & Pejovich, 1972, p. 1154). In extending the traditional theories of the firm to cover characteristics displayed by SOEs, Peng et al. (2016, p. 303) contend that socioeconomic performance in SOEs is highly contingent on whether SOEs are to proceed like commercial enterprises, that is, they are to proceed like private firms and maximise surplus, or they are to proceed more like public utilities in which they are to be sustainable. Along these lines, the socioeconomic performance of SOEs in relation to POEs will depend on the socioeconomic orientation of SOEs, the motivation to innovate, the determination to contain cost and the maturity period of investment vis-à-vis POEs (Belloc, 2014, p. 826).

3.4.2.4 Organisational constitution

It may be argued that the economic theories presented above rest on postulates about organisations, and where some of these theories address behavioural issues, they address

them from the standpoint of individuals present within an organisation. However, although there is a need to address the issue of the motives of individuals present in an organisation, individual motives in conjunction with organisations do not tell a complete story of a firm. Subsequently, Stinchcombe (1960, p. 75) contends that the focus on motives should not be on the individuals present within an organisation per se but on the constitutions, both internal and external, of organisations, which may constrain or permit individual motives within an organisation.

Thus, organisational constitution is a sociological approach that entails the distribution of the powers and responsibilities of people and of subunits in the determination of organisational policy. This constitution is similar to that of the constitution of a state and it determines the political life of an organisation. While this appears to be internal to an organisation, there are constitutions that are also external to organisations. Legal and regulatory frameworks are a good example of this organisational constitution and may be both internal and external. Hence, the most important part of an organisational constitution is the decision rule it institutionalises. This organisational constitution points to the importance of legal and regulatory frameworks as well as legislation by which organisations coordinate their affairs. In effect, while a sound organisational constitution can mitigate opportunistic behaviour, a weak one will surely sustain opportunistic behaviour. This indicates that legal and regulatory frameworks are equally as important as ownership and organising models in establishing an effective and efficient organisational structure.

While the above theories have great explanatory power, they focus largely on internal aspects of organisations, and thereby have largely ignored factors external to organisations; that is, the organisation's environment. From the discussion on the role of government, it is clear that a great deal of pressure is usually exerted by parties that are external to an organisation (Jacobs, 1974, pp. 45–46) but which are part of organisations that constitute a particular organisational field. Thus, the extent to which these parties that are external to an organisation in an organisational field is useful or not useful to a

particular organisation, and the extent to which they exert pressure on the activities of other organisations needs to be taken into consideration.

3.4.2.5 Social conflict

While TCE has a good explanatory power, it probably does not tell the whole story regarding the existence of different forms of organisations. Resultantly, Hart (1995a, p. 1) observes that TCE does not explain what happens when firms merge. Further, TCE does not cover the reasons why organisations such as unions exist within and outside organisations. Hence, an additional explanation rather than a replacement theory has been found in a sociologically driven argument by Tinker and Neimark (1988, p. 58). Tinker and Neimark (1988) contend that firms arise as a result of social conflict. Social conflict results from the race for the means of existence, which entails the competition by firms and other groups within the community for the resources needed for production, and the distribution of the products that ensue. Also, social conflict entails the competition for employment, pay, benefits and social welfare. Additionally, this conflict entails social environmental struggle between employers and employees, as well as between countries, for access to raw materials and markets for their products and jobs for their citizens (Tinker & Neimark, 1988, p. 58).

3.4.2.6 Resource dependency theory

The resource dependency approach (RDA) is a sociological approach developed by Pfeffer and Salancik at the Stanford University in 1978 (Delke, 2015, p. 2), following insights from Emerson's (1962) classic 'power-dependence relations' (Malatesta & Smith, 2014, p. 14), Blau's (1964) *Exchange and power in social life* and Jacobs' (1974) *'Dependency and vulnerability'* (Delke, 2015, p. 2). The main idea of the approach is to explain how external resources of organisations affect organisational behaviour (Mathews, 2014, p. 1). In this spirit, Thompson and Mcewen (1958, p. 23) assert that organisational objectives and actions to attain those objectives are constrained by their environment (Cuervo-Cazurra

et al., 2014, p. 735). In this context, Pfeffer (1972, p. 358) observes that there are two types of environments – political and economic environments – and Scott (2009, p. 220) sounds technical and cultural environments. Hence, organisations are reasonably expected to use the power or strength they have in one environment to compensate for their weaknesses in other environments. Thus, there is a need for organisations to interlink with their environments in order to limit the threats posed by other organisations that may be more powerful in terms of resources or in controlling uncertainty (Pfeffer & Nowak, 1976, p. 398), as well as increase organisational effectiveness and reduce constraints (Delke, 2015, p. 4). Consequently, Aiken and Hage (1968, p. 915) argue that organisations are pushed into partnership because of their need for resources.

Following this, the RDA has been applied to a wide range of research with a view to explaining how organisations reduce environmental uncertainty and interdependence (Coupet, & McWilliams, 2017, p. 2; Hillman, Withers & Collins, 2009, p. 1404). Following insights from the chapters contained in Pfeffer and Salancik's (1978) book, *The external control of organisations: A resource dependence perspective*, Hillman et al. (2009, p. 1405) note that RDA argues for a number of useful ways of minimising this environmental uncertainty and interdependence. These include JVs, mergers, boards of directors, political action and executive succession. Thus, RDA explains the reasons as to why different organisational forms (Nienhüser, 2008, p. 10), especially collaborative organisational forms, exist (Coupet, & McWilliams, 2017, p. 2). By using one of the approaches highlighted by Hillman et al. (2009), organisations will be more likely to secure those resources that are critical to their survival (Malatesta & Smith, 2014, p. 15), thus reducing uncertainty (Nienhüser, 2008, p. 15) and fulfilling the purpose of their existence.

It thus follows that organisations that possess resources needed by other organisations are able to influence the behaviour of those that are in need of the resources. In this respect, the former organisations are likely to be more powerful than the latter. This shows that power is a key tenet of the RDA approach (Nienhüser, 2008, p. 10; 15), as is control (Jacobs, 1974, p. 45). In this regard Pfeffer and Leong (1977, p. 778) posit that the

issue of power comes up when there is dependence among role players or subunits in organisations. Thus, in order to understand organisational behaviour, there will have to be an understanding of that behavioural context (Pfeffer & Salancik, 1978, p. 1). Accordingly, RDA has good explanatory power in elucidating organisational behaviour, structure, stability and change (Nienhüser, 2008, p. 30).

3.4.2.6.1 Level of country development

On the issue of resources, it is further argued that the level of development of a country affects the performance of organisations in that country (Tuong, Binh, and Hoa, 2019, p. 51). There are two aspects to this level of country development; the level of managerial expertise and the level of infrastructural development in the country in question. The impact of these on the performance of organisations has been briefly discussed separately in the literature. In this study, the idea is to combine these two aspects. As a result of this, they are discussed under an emerging theme – level of country development. Regarding the level of managerial expertise in a country, Yaşar, Ünal, and Zaim (2013, p. 67) have reported positive relationships between individual competencies and organisational performance. In the same spirit, Alnachef and Alhajjar (2017, p. 1156), following their review of the literature on the effect of human capital on organisational performance, have also established that human capital influences organisational performance. Furthermore, the level of infrastructural development in a country has also been established to influence organisational performance. Tuong et al. (2019, p. 51) reported a positive relationship between infrastructure and firm performance. Further, Orji, Worika, and Umofia (2017, p. 28) have shown how lack of infrastructure has a negative impact on industrial sector performance. In the same spirit, Calderón and Servén (2004, p. 1) have shown that infrastructure affects growth and that income inequality declines in relation to higher infrastructure quality and quantity. Following this evidence, it is theorised that the level of infrastructural development available to SOEs to deliver on their mandates influences their performance. This in essence may mean that the level of development of a country also affects governance and performance at country level.

Thus, a reason why developing countries face high levels of corruption compared to developed countries may be linked to the level of governance in developing countries compared with developed countries. In reducing the level of corruption as a way of improving governance in Africa, the African Peer Review Mechanism (APRM), a specialised agency of the African Union (AU) was established by the AU in 2003 (UN, 2020). This APRM is a useful mechanism for minimising corruption and promoting good governance practices. In this regard, the APRM is a tool for sharing experiences, reinforcing best practices, identifying deficiencies and assessing capacity-building. Thus, it fosters policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration (AU, 2020).

3.4.3 Relevant governance theories

Theoretical models applicable to governance vary according to the type of sector being studied. The theoretical lens applicable to the governance of the social, private and public sectors appears to be different, even though inter-applicability is sometimes possible. For the purposes of this study, although some authors do add agency theory (Boateng, 2016, p. 21; Rajablu, 2016, p. 322; Simpson, 2014, p. 40), the major organisational governance models are the stewardship and democratic theoretical models, a view shared by Amoako and Goh (2015, p. 46), Anheier and Krlev (2016, p. 198), Low (2006, pp. 378–380), and Mason, Kirkbride, and Bryde (2006, pp. 284–291). The dominant theoretical perspectives within these governance models are shareholder primacy theory (Ackers, 2014, pp. 43–44; Ebrahim et al., 2014, p. 91; Eldar, 2017, p. 193) and stakeholder theory (Boateng, 2016, p. 21; Low, 2006, p. 379) respectively. These perspectives extend organisational governance analysis beyond the agent–principal relationship (Boateng, 2016, p. 21). In this context, Munch (2012, pp. 176–177) notes that during the Great Depression, two scholars, Adolf Augustus Berle (1932) and Edwin Merrick Dodd (1932), argued on how boards of corporations should proceed on accountability. While Berle (1932) submits that boards of directors are to be only accountable to the shareholders by maximising profits (1367–1368), Dodd (1932, p. 1149) opines that boards of directors should in accounting

for shareholders also consider the interests of customers, creditors, employees and other stakeholders at large (1147–1148). Thus, in addition to discussing these broad theoretical models below, relevant theoretical perspectives within these models are discussed as well.

3.4.3.1 Stewardship model (shareholder primacy)

When the governance focus is on private sector corporate governance, the applicable theory is the stewardship model (Baldino, Drum, & Wyatt, 2010, p. 427; Low, 2006, p. 378). The interdisciplinary approach to the discourse on the stewardship model is connected with organisational theory (Clarke, 1998, p. 64), theories of human relations in the school of management (Hung, 1998, pp. 106–107; Muth & Donaldson, 1998) and the disciplines of sociology and psychology (L'Huillier, 2014, p. 306), although it may be better to recognise this theory as an organisational theory. This stewardship model is primarily concerned with the ability and focus of managers, in professionally pursuing organisational strategy, to balance conflicting organisational interests (Clarke, 2005, p. 604; Greiling & Grüb, 2014, pp. 211–212; Zhou, Fan, An, & Zhong, 2017, p. 61). As such, this stewardship entails developing trust alongside transparency in organisational communication and reporting (Papenfuß, 2014, p. 116). Thus, the focus is primarily on maximising shareholders' wealth in whatever capacity this may be achieved, be it share value, sales or dividends (Low, 2006, p. 378). In this instance, managers are usually agents engaged by the owners (shareholders) of corporations to act on their behalf in the capacity of increasing their share capital. Thus, these managers are usually members of the board constituted by shareholders, usually on the basis of the expertise with which they can deliver organisational goals. In this respect, Donaldson and Davis (1994, p. 159), submit that

> … managers as stewards of the corporation diligently work to attain high levels of corporate profit and shareholder returns. Thus, organisational financial performance and shareholder wealth will be maximised by empowering managers to exercise unencumbered authority and responsibility (Donaldson & Davis, 1994, p. 159).

Thus, because the stewardship model is more of a human relations/managerial approach, it assumes that agents will act in the interests of their principals, which is in contrast with

the assumption in economic and finance theories (L'Huillier, 2014, p. 307; Pollit & Bouckaert, 2011, p. 10). Hence, while it is recognised that the premise of the stewardship approach is that managers act in the interest of shareholders, and should be given the freedom to manage, this is often not the case (L'Huillier, 2014, p. 307; Low, 2006, p. 378; Simpson, 2014, p. 240). In this way, the assumption is that since managers are not self-motivated, the idea is to structure an organisation in such a way that it delivers efficiency and effectiveness, thereby maximising shareholder returns. Hence, the view of organisational governance under the stewardship approach focuses on facilitative and empowering structures rather than those connected with monitoring and control (L'Huillier, 2014, p. 307).

Accordingly, the part of the stewardship approach highlighted is to take account of the fact that in the private sector, the focus of the board is usually on maximising shareholder wealth. Thus, in achieving this, principals engage agents to act on their behalf in the hope of getting these agents to act in their interest by maximising wealth on behalf of shareholders. This stewardship model is more pronounced in the unitary one-tier board (section 5.3.9) corporate governance system.

3.4.3.2 Democratic model (stakeholder theory)

In contrast to the above, when the governance focus is on the non-profit and public sectors, the stewardship model is less applicable. What is usually applicable is the democratic model in which the board is constituted based on stakeholder representativeness and not necessarily based on expertise. These stakeholders are usually top officials who hold top positions in other jobs, which do not necessarily correspond with the position for which they are being nominated in the non-profit/public and private organisations. Freeman (1984, p. 25) and Freeman, Harrison, Wicks, Parmar, and Colle (2010, p. 54) contend that stakeholders are "individuals or groups who can affect or are affected by the achievement of an organisation's purpose". In this way, while the focus under the stewardship approach is shareholders, the focus under the democratic approach is stakeholders. The idea behind the composition of the board of non-profit/public sector organisations with stakeholders

is that since non-profit/public organisations are usually owned by social/public organisations, organisational legitimacy and accountability are more important than organisational efficiency or effectiveness (Suchman, 1995), a view sustained in some of the variants of institutional theory (Scott, 2009, pp. 215–232). Organisations, especially social organisations, must be accepted by social role players outside the organisation (Mansi et al., 2017, p. 359). Accordingly, stakeholder theory argues that a successful organisation is one that creates value for stakeholders.

The discourse on stakeholder theory appears to have commenced with Clark (1916, p. 218) and Dodd (1932, p. 1149). These authors note that the focus of managers should not only encompass maximising shareholder value, but should also consider the interests of the many relevant organisational stakeholders, such as servicing the community, especially in the non-profit sector (Ashe, 2012, p. 37). In this regard, Freeman (1994, p. 417) concurs that managers should consider the interests of all stakeholders who are indirectly affected by the activities of these managers. Stakeholder theory – a management theory – stresses that all relevant stakeholders have the right to organisational information and board participation (Papenfuß, 2014, p. 116). The theory contends that one cannot look at stakeholders in isolation; their interests have to go together (Alam, 2006; Freeman, 1984, p. 84). Hence, because of the numerous stakeholders, which include citizens and general society, there is usually much pressure in relation to information disclosure. This excessive pressure on additional information is to take account of issues of accountability and visibility, which are deemed much more important in non-profit than in for-profit organisations (Greiling & Grüb, 2014, p. 211). Accordingly, the rationale behind stakeholder theory is that managers should endeavour to optimise the interests of all stakeholders of the firm; which include the public at large, employees and customers (Eldar, 2017, p. 175). Kamal (2010, p. 210) helpfully notes that these stakeholders can be grouped into two: primarily representing minority shareholders, lenders, customers and suppliers and, secondarily, representing the public at large, the media, the local community, the court, the government and other interest groups (Tan-Mullins & Mohan, 2013, p. 267). Along these lines, the stakeholder approach reemphasises the importance of the organisational environment to organisational survival. This organisational

environment is both political and economic (Pfeffer, 1972, p. 358) on the one hand and technical and cultural (Scott, 2009, p. 220) on the other. In this context, the stakeholder approach brings together elements of these technical, political, economic and cultural environments. In this way, boards of directors constituted by stakeholders minimise environmental uncertainty and interdependence (Hillman et al., 2009, p. 1405). This democratic model is more pronounced in the dual two-tier board (section 5.3.7) corporate governance system.

Following these theoretical arguments, a relevant question relates to how SOEs proceed with regard to the governance theories discussed above. In this regard, having established that SOEs are hybrid organisational forms, they are more likely to work better by incorporating elements of all the governance theories discussed above. In this way, it becomes important that their corporate governance should be modelled on hybridity as well. Consequently, it makes sense to argue that the governance of SOEs should exhibit non-profit and for-profit governance mechanisms. That said, it is clear that SOE governance should be a mix of non-profit democratic and for-profit stewardship models (Low, 2006, p. 379). In other words, the focus should be on a mix of stewardship and democratic theoretical paradigms. In this way, theoretical perspectives, that is, shareholder and stakeholder theories, under these two broad theoretical paradigms, are useful in explaining the concerns of this study. This in effect means that a different kind of board corporate governance may be necessary for SOEs distinct from core unitary and dual board systems.

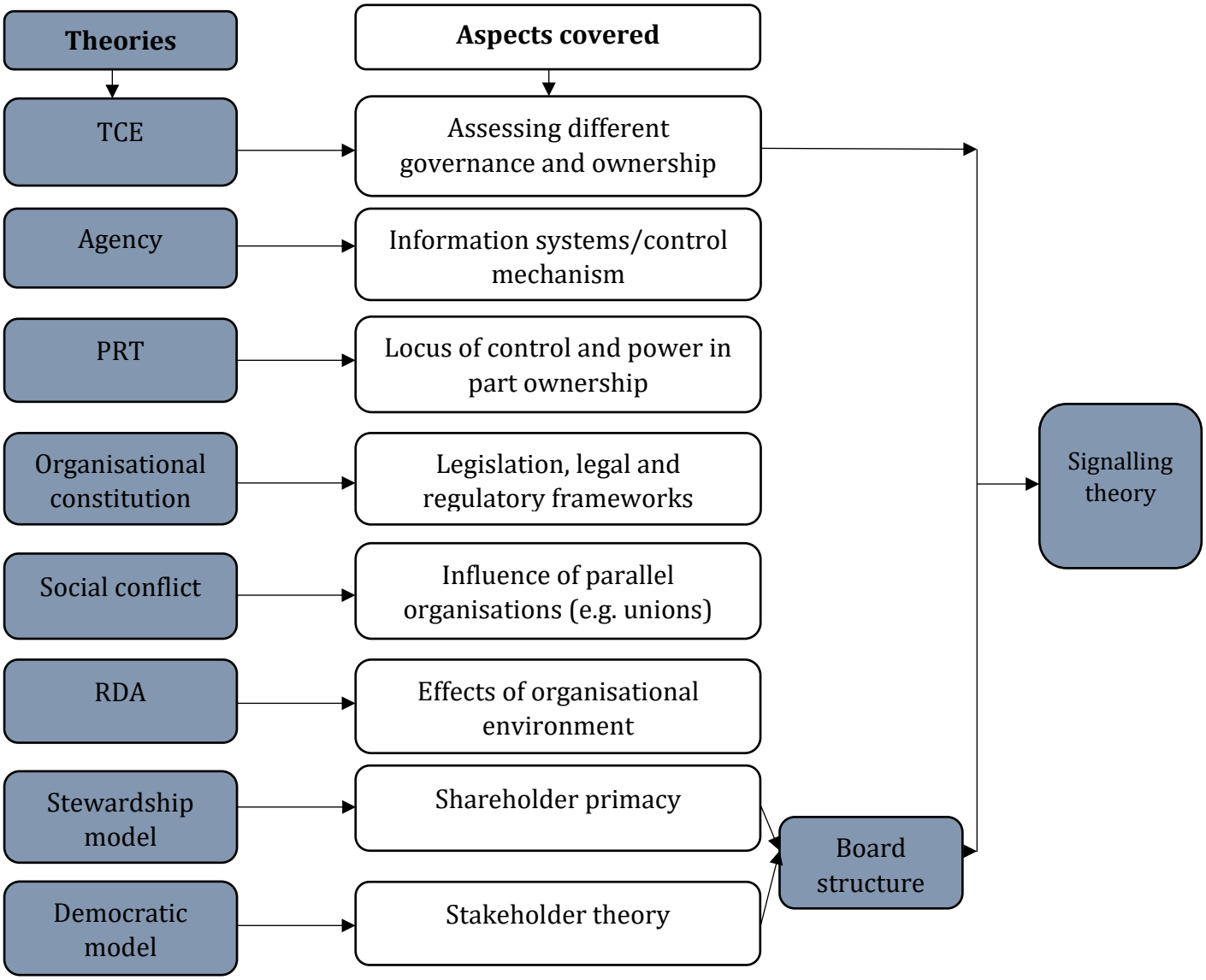

Figure 3.1: Theoretical conceptualisation

Source: Author's own compilation.

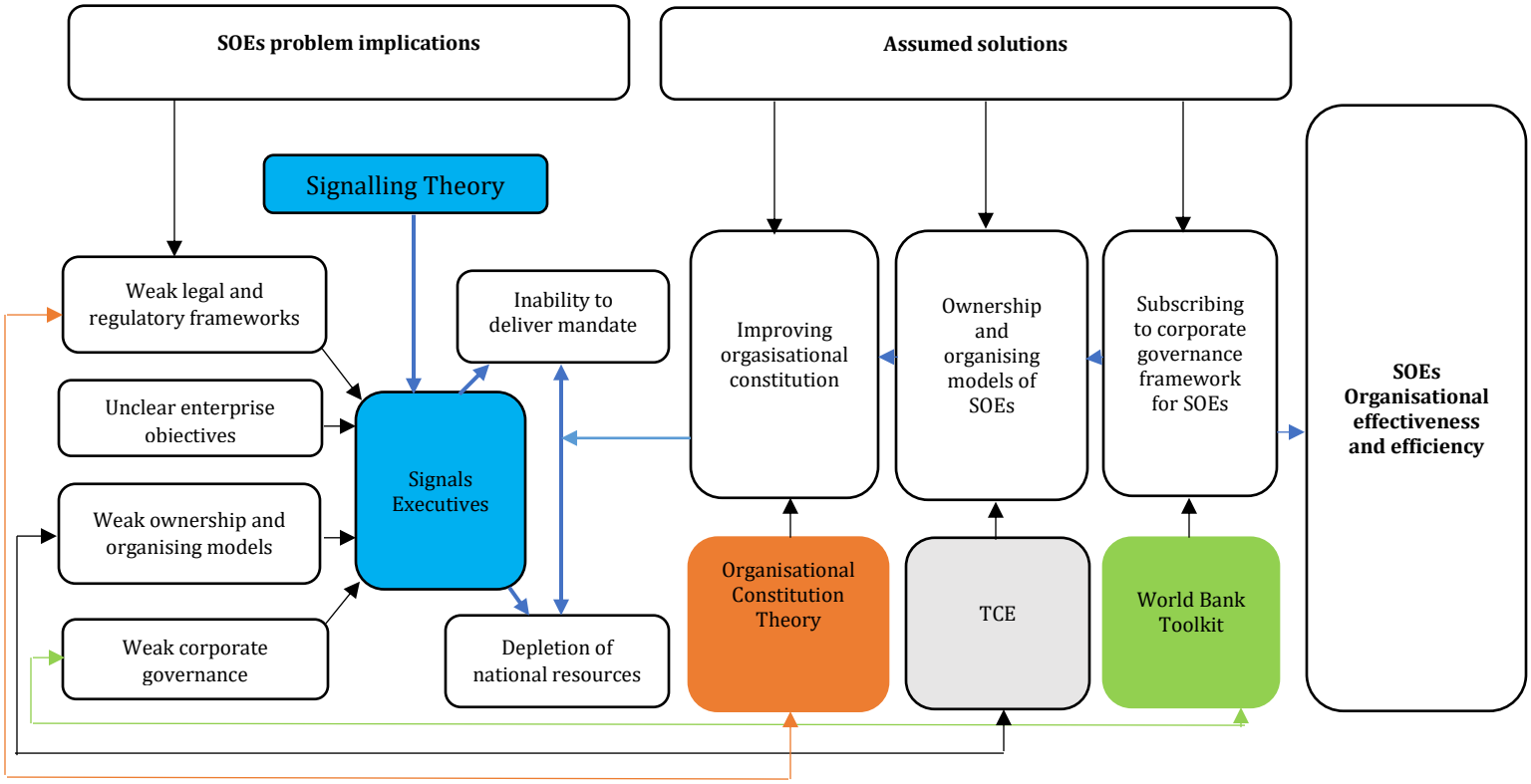

Figure 3.2: Conceptual framework (dimensional theory)

Source: Author's own compilation

3.5 State-owned enterprises and related enterprises

While the term SOEs has been discussed in section 1.1.1, its related enterprises are not described in detail in Chapter 1. These SOE-related enterprises are described in sections 3.6 and 3.7. Thereafter, in sections 3.8 and 3.9, SOEs in South Africa and Singapore are described in detail. The main difference between SOEs and their related SIEs and SWFs is concerned with their mandates. While SOEs in most cases assist the state by delivering social and economic goals through coordinating public and private goods and services, depending on their mandates, SWFs invest national reserves and SIEs are in most cases

privatised or partly privatised SOEs, or enterprises in which states invest for the purposes of generating revenue or for fulfilling certain policy objectives.

3.6 State-invested enterprises

Following from the above discussion, this study ought to exclude enterprises that do not pursue social objectives, if any. However, corporatised enterprises in which the state exercises control by means of minority stakes or pyramidal organisational structure are included, as Singapore and South Africa both have a number of these enterprises, although Singapore has more. The fact that South Africa and Singapore have a number of these enterprises compels this study to consider some of the enterprises where it is possible that similar enterprises can be matched against one another in Singapore and/or in South Africa. Clo et al. (2017, p. 62) refer to these state enterprises as state-invested enterprises (SIEs); see also Christiansen and Kim (2014, p. 27).

3.7 Sovereign wealth fund

A SWF comprises a pool of money from a country's reserves. This pool of money is set aside for investment in order to improve a country's socio-economy and its citizens' wellbeing (Investopedia, 2017). Sovereign wealth is usually held by the central bank of a country but differs from other funds held by the central bank for other purposes as it is held for the purposes of earning returns. Consequently, government funds held by SOEs, government employees' pension funds, as well as private wealth funds, are not SWFs (Amadeo, 2017). However, there is considerable overlap, as SWF investors in some countries such as Singapore now invest part of government employees' funds, that is, the Central Provident Fund (CPF) as it is known in Singapore (Huat, 2016, pp. 507–510). In South Africa, there is the Public Investment Corporation (PIC) and in Singapore the Government Investment Corporation Private Limited (GIC). This means that, for the purposes of this study, any enterprise that invests any form of reserves on behalf of the government is an SWF. In theory, SWFs denote organisations that invest sovereign wealth.

3.8 State-owned enterprises in South Africa

This section discusses SOEs in South Africa. In doing this, the section discusses history and reforms of SOEs in South Africa, institutional framework of SOEs in South Africa as well as regulatory framework of SOEs in South Africa.

3.8.1 History and reforms of state-owned enterprises in South Africa

The establishment of SOEs in South Africa started in the twentieth century, following the need to enable the state to use SOEs as instruments of industrial development (OECD, 2015b, p. 5). In 1910, the Department of Posts and Telegraphs was established (Department of Telecommunications and Postal Services), this was followed by the establishment of the South African Rail and Harbours Company (Transnet) in 1916. In 1922, the Electricity Supply Commission was established (ESKOM). This was later incorporated in the 1980s. The Iron and Steel Corporation (Iscor) (now Arcelor-Mittal) was established in 1928 (OECD, 2015b, p. 5). These enterprises and many more were a significant part of South Africa's economy before 1987 when commercialisation set in (Gumede, 2016, pp. 69–70). This commercialisation was to be short-lived as a result of violent opposition to commercialisation by organisations such as the Congress of South African Trade Unions (Cosatu) and the South African Municipal Workers Union (Samwu). However, following the coming into power of the African National Congress (ANC) in 1994, privatisation of SOEs resumed, although the initial policy intention was focused on nationalisation and not on privatisation (Gumede, 2016, p. 69). The nationalisation policy was later dropped owing to pressure from organisations such as the World Bank and the IMF, as well as pressure from governments such as China and Vietnam (Gumede, 2016, p. 74). Hence, in January 1996, a new strategy was adopted for SOEs. This strategy involved a series of arrangements that included JVs between private companies and SOEs, whole privatisation and long-term contracts. Following this strategy, privatisation commenced officially in South Africa in 1997; although privatisation, outsourcing and restructuring of public services was introduced by the mid-1990s (Gumede, 2016, pp. 79, 84). This privatisation saw Telkom SA partly sold to investors from the US and Malaysia, in 1997, and was subsequently listed on the Johannesburg Stock Exchange (JSE) in 2003. The

reasons given for this privatisation, that is, to enhance competitiveness, boost economic growth, secure funding to finance long-term infrastructure development, increase competition, increase employment and reduce public debt, were in line with the smaller efficient-government arguments and the post-Washington Consensus arguments, as well as the conditions for obtaining aid that led to global privatisation. Both full and partial privatisation might have delivered some of the projected benefits in South Africa, but privatisation does not necessarily increase employment anywhere. This was also the case in South Africa (Balbuena, 2014, p. 40; Gumede, 2016, p. 40).

Privatisation continued in South Africa until 2004, when it was discovered that it had not delivered the anticipated efficiency and sustainability, and in addition to abolishing the social objectives of the SOEs, did not solve their problems. Following this, the government engaged in the restructuring and partial privatisation of SOEs. The initial targets of restructuring were ESKOM, Transnet and DENEL, in a public–private partnership arrangement (Gumede, 2016, p. 89). This, it appears, also did not work, as these enterprises are today fully owned by the government and fall under a special ministry for SOEs, the DPE.

The key point on the restructuring of South African SOEs is that the restructuring has been largely driven by global movements in nationalisation, privatisation, restructuring and renationalisation (Gumede, 2016). The timing of the occurrence of these events in South Africa confirmed this. South Africa did not consider major restructuring of its SOEs, other than following global movements and trends (Gumede 2016). Although a committee, the Presidential Review Commission, was commissioned to review reform and transformation of the public service in South Africa in 2010. The committee gave its report between 2012 and 2013; however, it appears little has been done following the committee's recommendations.

3.8.2 Institutional (ownership and organising) framework of state-owned enterprises in South Africa

SOEs in South Africa are not explicitly listed or categorised as SOEs in the Public Finance Management Act No. 1 of 1999, as amended (PFMA), which was enacted for the purpose of regulating financial management in the national and provincial governments in order to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively (Bekker, 2009, p. 4; South Africa, 1999, s1; p.1). Some SOEs are included under Schedule 2 (Major Public Entities) of the PFMA, while others are under schedule 3B (National Government Business Enterprises). Hence, in South Africa, differentiating public enterprises from public entities poses a major challenge because both public enterprises and public entities (SBs) fall under public entities (major and other public entities, schedule 2 and 3 A&B). The legislation, mission statements and the mandates of these entities were used to distinguish between the public enterprises and the public entities.

The identified SOEs listed under Schedule 2 (Major Public Entities) of the PFMA and the SOEs listed under Schedule 3B (National Government Business Enterprises) of the PFMA are presented in the Table 3.1 (South Africa, 1999, p. 71, 75):

Table 3.1: South African SOEs and SIEs

South Africa		
SOEs under Schedule 2 (Major Public e\Entities)	**SOEs under Schedule 3B (National Government Business Enterprises)**	**State-Invested Enterprises (SIEs)**
Air Traffic and Navigation Services Company Limited	Passenger Rail of South Africa (PRASA)	SASOL
Armaments Corporation of South Africa Ltd	Public Investment Corporation Ltd	Arcelor-Mittal
Alexkor Limited	Amatola Water Board	Airports Company of South Africa Limited
Broadband Infrastructure Company (Pty) Ltd	Sentec Ltd	
CEF Group of Companies (Pty) Ltd	SA Special Risk Insurance Association Ltd (SASRIA) Ltd	
DENEL (Pty) Ltd	Onderstepoort Biological Products	
Development Bank of Southern Africa	Export Credit Insurance Corporation of South Africa Ltd	
ESKOM	Bloem Water	
Industrial Development Corporation of South Africa Limited	Council for Scientific and Industrial Research	
Independent Development Trust	Khula Enterprises Finance Ltd	
Land and Agricultural Development Bank of South Africa	Lepelle Northern Water	
South African Airways (Pty) Limited	Magalies Water	
South African Broadcasting Corporation Limited	Mhlathuze Water	
South African Express (Pty) Limited	Mintek	
South African Forestry Company Limited	Ncera Farms (Pty) Ltd	
South African Nuclear Energy Corporation Limited	Overberg Water	
South African Post Office Limited	Rand Water	
Telkom SA Limited *	SA Bureau of Standards	
Trans Caledon Tunnel Authority	Sedibeng Water	
Transnet Limited	State Diamond Trader	
	Umgeni Water	
	Inala Farms (Pty) Ltd	

Source: Author's own compilation with insights from South Africa (1999)

***Even though Telkom SA has been granted permission to be exempted from the requirements of the PFMA since 2016, it is still a SOE as stated on its website.**

In addition to these are subsidiaries of the above major public entities and national government public enterprises, which are not listed in the table above (South Africa, 1999, p. 71; 75).

SOEs in South Africa are referred to as SOCs and GBEs; these mean the same thing, but are different terminologies. As at 2019, the DPE oversees seven of the major public enterprises. These enterprises are Transnet Limited, Alexkor Limited, ESKOM, DENEL (Pty) Limited, South African Express (Pty) (SAE) Limited, South African Forestry Company Limited (SAFCOL) and South African Airways (SAA). Some of the others are managed by the Department of National Treasury and the Ministry of Finance, and others by various national departments in decentralised and centralised models (see below).

Some of the SOEs listed under Schedule 2 and Schedule 3B of the PFMA do not meet the criteria of SOEs because they only service other state agencies and departments and their enacting legislation and mandates do not require them to undertake any form of commercial activity. Therefore, these enterprises are public entities rather than public enterprises and are not included in the SOEs listed above. This was confirmed by the mission statements and the mandates of these entities.

Furthermore, the South African Synthetic Oil Liquid (SASOL), formerly SACOC, is not listed as a SOE, having been fully privatised in 1989. However, SASOL possesses the characteristics in the definition of SIEs and is therefore included in this study. The same applies to Arcelor-Mittal, formally ISCOR, which was also fully privatised in 1989. It is not listed as a SOE but the study includes it as a SIE, that is, in part ownership. The South African government, through the PIC and Government Employees Pension Fund (GEPF) and the Industrial Development Corporation (IDC) of South Africa have stakes in Sasol. Furthermore, the PIC and the IDC have stakes in Arcelor-Mittal.

3.8.3 Regulatory framework of state-owned enterprises in South Africa

SOEs in South Africa are not governed by a central Act. Although individual SOEs are governed by their own Acts, there are provisions for SOEs in the Companies Act, 2008. In this Act, it is stated that provisions of the Act that are applicable to a publicly listed company are equally applicable to a SOE. When there is a conflict between an individual SOE Act and the Companies Act, 2008, the relevant part of the Act states that (a) ''the provisions of both Acts apply concurrently, to the extent that it is possible to apply and comply with one of the inconsistent provisions without contravening the second; and (b) to the extent that it is impossible to apply or comply with one of the inconsistent provisions without contravening the second'' (s 5(4) and 5 of the Companies Act, 2008).

Section 1 of the PFMA does not expressly state that SOEs are to pursue social objectives. However, the DPE states that the enterprises it monitors are intended to unlock growth, drive industrialisation, create jobs and develop skills (DPE, 2017). Thus, job creation and skills development are part of wider social objectives. Likewise, Gumede (2016, p. 69; 70) and Bhorat et al. (2015, p. 3) note that the motive behind the planned 1994 nationalisation of SOEs by the ANC that eventually took place in the early 2000s, following the discovery that privatisation had nothing to offer, was to use SOEs to pursue growth and development, create employment and meet redistribution goals.

A distinguishing factor between schedule 2 (major public enterprises [MPE]) and schedule 3B (national government business enterprises [NGBE]) is that of reporting. Owing to the size, the level of state investment and the importance of schedule 2 entities to the state, they are expected to, in addition to an annual budget, submit a three-year Statement of Corporate Plan (SoCP) to the accounting officer. This accounting officer is the head of department in the case of a government department or the chief executive officer in the case of a constitutional institution (South Africa, 1999). Thus, the accounting officer is distinct from the political head who is the executive authority (South Africa, 2000, p. 2). In this regard, the accounting officer implements the policy choices and outcomes formulated by the executive authority by taking responsibility for delivering the policy choices and outcomes (South Africa, 2000, p. 2). The SoCP projects expected revenue,

expenditure and activity plans for the following three years. In addition to the SoCP, SOEs under the DPE and schedule 3B NGBE are expected to prepare a five-year Statement of Strategic Intent (SoSI), which is used by the government in communicating policies with the Shareholder (DPE and relevant departments) and the shareholders with the various SOEs (Balbuena, 2014, p. 41). This SoCP, together with the SoSI, forms part of the accountability and monitoring documents used by the government and the shareholding ministry to track the affairs of the SOEs (Ossafrica.com, 2008). In addition, schedule 3B NGBE are expected to prepare and submit an annual performance plan (APP). This APP is an annual plan that translates the SoSI into yearly achievable objectives.

3.9 State-owned enterprises in Singapore

This section discusses SOEs in Singapore. In doing this, the section discusses history and reforms of SOEs in South Africa, institutional framework of SOEs in South Africa as well as regulatory framework of SOEs in South Africa.

3.9.1 History and reforms of state-owned enterprises in Singapore

Prior to the 1959 election in Singapore, Goh Keng Swee, who happened to become the Minister of Finance following the election, had argued that industrialisation would be the key to Singapore's economic growth as well as providing solutions to challenges (social and financial) confronting the country at that time. Hence, the Singaporean government's conclusion that industrialisation would result in transforming the economy led to the creation of SOEs (Cheng-han et al., 2015, p. 79). This industrialisation drive was supported by the fact that Britain gave Singapore a vast amount of land for free. This was coupled with the perceived market failure in terms of absence of adequate private entrepreneurs that could help industrialisation (Cheng-han et al., 2015, p. 82; Huat, 2016, p. 502). Consequently, SOEs were formed in Singapore to correct the shortage of private expertise and of funds (Huat, 2016, p. 502; PwC, 2015, p. 15). Some of the then Singaporean SOEs were established from the assets of former Singaporean public utilities (Cheng-han et al., 2015, p. 80). Although SOEs were established for the purpose of serving the citizens and the local community, some of these SOEs are now global players (Huat, 2016, p. 500). This

does not mean that these SOEs have dropped their social objectives, rather it appears they are now better positioned to contribute immensely to Singapore's socioeconomic development (Huat, 2016, pp. 499, 502, 515).

The initial exercise of control over Singapore's SOEs was through a policy rather than a managerial (functional) board. Following their creation, the early control of SOEs by the state was exercised by appointing top civil servants to the companies' boards. These civil servants monitored the SOEs without any form of government interference (Cheng-han et al*.,* 2015, pp. 88–89). This mode of governance was succeeded by the establishment of Temasek, one of Singapore's SWFs which oversees Singaporean SOEs. It was clear from the outset that the Singaporean government would not involve itself in the day-to-day running of these enterprises and this situation still prevails. Following the establishment of Temasek, Singaporean SOEs are managed by market-disciplined professional managers, who earn wages and only remain as managers when results are positive (Huat, 2016, p. 500).

3.9.2 Institutional (ownership and organising) framework for state-owned enterprises in Singapore

SOEs in Singapore are known as GLCs (PwC, 2015, p. 15). Singapore owns SOEs in the Financial, Telecommunications, Media and Technology, Transportation and Industrial, Consumer and Real Estate, Life Sciences and Agribusiness, and Energy and Resources sectors through its investment holding company, Temasek Holdings Pty Ltd (Temasek, 2017b). Temasek does not manage Singapore's CPF, government reserves and foreign reserves (Temasek, 2017c). These funds and reserves are managed by GIC Private Ltd, which is an SWF owned by the Singaporean government (Chen, 2016, p. 312). Temasek's sources of funds come mainly from business as an investor and shareholder. The major sources of funds are divestment proceeds from investment sales, dividends from portfolios and distributions from funds. Additional sources of funds include Temasek bonds, Temasek Euro-commercial paper, and new capital from shareholder and bank borrowings (Temasek, 2017c).

The major difference between Temasek and GIC Private Ltd is that while Temasek owns and manages its own investments, GIC Private Ltd, in addition to managing reserves, only manages assets on behalf of the state and does not own the assets it manages. This implies that Temasek and GIC Private Ltd are established with the purpose of delivering two different policy objectives, in line with two different SWF models. GIC Private Ltd is based on the manager model, while Temasek is based on the investment model. In the manager model, the funds owner delegates responsibility for the management of funds to an asset manager. In this context, care is taken in the kinds of investment undertaken; thus, highly risky investments are usually avoided. In the investment model, on the other hand, instead of delegating the responsibility for funds management to an asset manager, the owner (state) establishes an investment company which owns the assets and invests the funds (Chen, 2016, p. 313). Following PRT, it is clear that Temasek will be more powerful than the GIC Private Ltd, as Temasek owns the assets it manages while GIC only manages assets.

In this way, it is expected that an investment enterprise will enjoy greater autonomy, in terms of political interference, compared to an asset management enterprise. Along these lines, an investment enterprise is expected to be run more like a private enterprise since an investment company not only owns enterprises, but also invests in its owned and other businesses. For example, Temasek owns Singapore Power Ltd and Singapore Telecommunications Ltd. Singapore Telecommunications Ltd, through Temasek, has a 49% stake in Singapore Power Ltd. The major advantage of an investment model is that it is often free from political interference. In Singapore, the Prime Minister, along with some of the other ministers, oversees GIC Private Ltd, while Temasek is free from such state interference. Chen (2016, p. 313) notes that the reason for this may be connected to the fact that Temasek is a special purpose commercial vehicle of the state, while GIC Private Ltd, since it manages state reserves, is arguably politically more important to the state than Temasek. What Temasek does is that, in most cases, it provides both the services that are supposed to be provided by both public entities and public enterprises, while operating at surplus and paying dividends to the state. This is achieved by converting business-like SBs to SOEs (Chang, 2007, p. 9; Huat, 2016, p. 503), partnering with foreign

capital investment and through the by-product of defence industries (Huat, 2016, pp. 502–503).

The ideas behind the establishment of Temasek in 1974 are fourfold. The first argument is based on the premise that bureaucrats (both the state and civil servants) should only be concerned with policy development and policy implementation. This argument was advanced by proponents of the free market system (Avsar et al., 2013; Grönblom & Willner, 2014, p. 268). The second argument relates to the idea that governments should not be involved in commercial activities, both in creation and in management. This was also advanced by proponents of the free market system and is thus what the Public Service Act in most states asserts (Avsar et al., 2013; Grönblom & Willner, 2014, p. 268). The third is that the commercial agenda should be separated from the social agenda (Keynes, 1926, p. 47) and that semi-autonomous means of managing state corporations should be preferred to those by which ministers oversee SOEs (Keynes, 1926, pp. 41–45). The first two arguments were advanced by advocates of the free market system, such as Milton Friedman, Margaret Thatcher and Ronald Reagan, while the latter two arguments were advanced by Keynes (1926). Following these arguments, the government of Singapore in establishing Temasek, made a distinction between the roles of investor and regulators. Chen (2016, p. 313) contends that this role separation is key in mitigating foreseeable issues that are likely to arise when government plays contradictory roles as owner and manager of SOEs. While the Singaporean government might have followed the above arguments in establishing Temasek, it knew the importance of SOEs to socioeconomic development, if adequately managed, and the government was also aware of the threats SOEs pose to socioeconomic development if badly managed. In addition to the arguments presented above, the drive for success seems a more important factor in establishing Temasek to manage SOEs.

Like SOEs in other countries, Temasek believes in the well-being of its larger community by recognising that environmental, social and governance factors have an impact on stakeholders and the long-term sustainability of companies and businesses (Temasek, 2017b). The SOEs under Temasek, Temasek itself and GIC Private Ltd are expected to serve some public missions. Chen (2016:313) submits that because GIC Private Ltd

manages assets and reserves on behalf of the state, it is expected to serve a more public mission than Temasek. Consequently, Huat (2016, pp. 499, 502, 515) submits that Temasek (holding company) and GIC (SWF) contribute to government social expenditure without increasing the tax burden on the citizens.

3.9.3 Regulatory framework of state-owned enterprises in Singapore

Singapore's SOEs are governed by Temasek through the Singapore Companies Act (Cap 50, 2006 Rev. Ed.). Temasek is a product of policy, incorporated as a private entity by the Singapore Companies Act. In this way, the provisions of the Singapore Companies Act that affect private enterprises affect Temasek as well. However, since Temasek is owned by the state, it is an exempt private company. An exempt private company is a private company that has permission to exempt itself from certain company law provisions required of private companies. Since Temasek is an exempt private company, it enjoys certain exemptions from Singapore company law. In this regard, Chen (2016, p. 321) notes that these exemptions include the fact that Temasek does not submit audited financial statements to Singapore's company registry. This ensures that no outside party to the company can access Temasek's information related to financial statements aside from those contained in the annual Temasek Review. Hence, the only financial information that can be assessed is that that is available to the public at large through disclosure in the Temasek Annual Review. Additionally, unlike SOEs in South Africa and in many countries, the Prime Minister and other ministers do not possess the constitutional power to influence the management affairs of Temasek. As such, the government does not participate in the day-to-day affairs of Temasek, regarding management, regulation and investment. Likewise, Temasek designs its own voting structure, can pass a resolution through written means, and does not necessarily have to hold an annual general meeting. Although the Prime Minister of the country has the constitutional right to Temasek's information, the Prime Minister will need the permission and support of the entire state cabinet to be able to exercise his discretionary power (Chen, 2016, p. 321). However, the Prime Minister must concur with the appointment and removal of a director or chief executive. This provision does not directly affect SOEs but affects Temasek and GIC.

Singapore has SOEs in every industry. Apart from the SOEs listed below which are wholly and partly owned, Singapore has invested in a number of enterprises and has also partnered with neighbouring Malaysia (through Malaysia's strategic investment fund, Khazanah Nasional Berhad) in owning two development enterprises: Pulau Indah Ventures Sdn Bhd, in a 50–50 partnership, and M+S Pte Ltd in a 40–60 partnership. These enterprises that Singapore invests in are distinct from SOEs. Clo et al. (2017, p. 62) refer to these latter state enterprises as SIEs. Singapore's SOEs and SIEs are listed in the Table 3.2. Singapore's SIE investment is highly facilitated because of Temasek's presence in ten overseas cities: New York, Mexico City, London, Beijing, Mumbai, Shanghai, Hanoi, Sao Paulo, San Francisco and Washington DC (Temasek, 2017a). These were established by the Economic Development Board (Huat, 2016, p. 503).

Table 3.2: Singaporean SOEs and SIEs

Singapore → Temasek	
State-Owned Enterprises	**State-Invested Enterprises**
DBS Group Holdings Ltd.	AIA group Ltd
Pulau Indah ventures Sdn Bhd	China construction bank
STT Ltd	Industrial and Commercial Bank of China
Media Corp Pte Ltd	Ping An Insurance Company of China Ltd
Singapore Telecom Ltd	Prudential Plc
CapitaLand Ltd	PT Bank Donamon Indonesia BK
MTS Pte Ltd	Standard Chartered Plc
Olam International Ltd	Celltrion Inc
Surbana Jurong Private Ltd	Gilead Sciences Ltd
Ascendas Singbridge	ThermoFisher Scientific Inc
Mandai Park Holdings Ltd	HIS Markit Ltd
Mapletree Investment Ltd	Alibaba Group Holding Ltd
Keppel Corporation Ltd	A.S. Watson Holdings Ltd
PSA International Ltd	Dufry AG
Sembcorp Industries Ltd	Repsol, S.A.
ST Technologies Engineering Ltd	Turquoise Hill
Singapore Airlines Ltd	SATS Ltd
SP Group	Univa Inc
SMRT corporation Ltd	China Pacific Insurance Group Ltd
Pavilion Energy Ltd	In Touch Holdings Public Ltd
Singapore Post	

Source: Author's own compilation with insights from Temasek (2017, a,b,c)

Aside from the SOEs in Singapore, the Singaporean government, through Temasek owns investments in other enterprises in conjunction with the private sector. For the purposes of this study, the term 'SOEs' also applies to Singaporean enterprises instead of 'GLCs'.

3.10 Models of structuring SOEs: ownership and organising

From the above discussion and considering the setup of SOEs in South Africa and Singapore, it is evident that there are different models for structuring SOEs in terms of the state ownership and organising of SOEs. These models are discussed below.

3.10.1 Ownership models

Ownership models generally include wholly state-owned (fully) or partly state-owned (shared ownership) models. A relationship exists between ownership and organising models, as depicted in Figures 3.1 and 3.2. With regard to these models, the OECD (2005, p. 42) and Balbuena (2014, p. 13) identify three models for organising state ownership: the centralised, the dual ministry and the decentralised or sector ministry models. These models are basically associated with fully owned SOEs. As recognised above, a relationship exists between ownership and organising models. Figure 3.3 depicts this relationship on a continuum, while Figure 3.4 presents the relationship between organising and ownership models of SOEs in South Africa and Singapore. While the wholly owned ownership model usually takes the form of decentralised, centralised or dual organising models, singularly or in combination, the partly owned ownership model tends towards a holding company, as pictured in the continuum presented in Figure 3.3; hence, one cannot categorically say it is a holding company model. The idea behind the wholly owned ownership model is that of Karl Marx (1887) 1967, in which private ownership is seen not to be ideal, and state ownership is necessary as a way of curtailing the 'evils' of private ownership (Fox, 2011, p. 99; Mcnally, 2014, p. 59; Peng et al., 2016, p. 300; Rajablu, 2016, p. 318). However, the idea behind the partly owned model is that of Keynes (1926, p. 45), who argued for semi-autonomous corporations; and partly of Beveridge (1944, p. 36), who proposed that the state can work singularly or in conjunction with local authorities and private enterprises in achieving its mandates.

3.10.2 Organising models

There are three main models of organising SOEs. These traditional models are decentralised, dual and centralised models. A fourth model, holding company model is a

relatively new model, compared with the other models. These models are discussed below in this section.

3.10.2.1 Decentralised

The decentralised model is the conventional model for organising SOEs. In the decentralised model, the responsibility for the management and monitoring of SOEs rests with the appropriate sector ministry, usually a single line ministry. An example is a power-generating plant monitored by the ministry or department of energy. This model was used by many countries before the 1970 reforms (OECD, 2005, p. 44). Following the reforms, most countries embraced other models. However, some countries (such as Germany, Czech Republic), especially developing countries, still make use of this model.

3.10.2.2 Dual

A widespread practice is to have the appropriate sector (line) ministry partner with a key ministry or department (usually an economic) to manage and monitor SOEs (Balbuena, 2014, p. 13). This is the dual model. Accordingly, this key ministry or department is usually the ministry of finance or the treasury. The reason why this is widespread is because owners (states) are of the opinion that this model, where two ministries are shareholders of a SOE, spells better accountability and monitoring compared with only one line ministry exercising control over a SOE. While the ministry of finance or the treasury is usually the principal ministry, the line ministry is usually the primary ministry. In this way, the line ministry is to be accountable to the principal ministry. Many developed countries, including New Zealand and Switzerland, make use of this model (OECD, 2005, p. 43).

3.10.2.3 Centralised

In the centralised model, SOEs are organised under a central ministry or organisation. This ministry is usually not the line or specialised ministry, just as the ministry is usually not the ministry of finance or the treasury. It is usually a ministry or department created for the special purpose of overseeing SOEs. This distinguishes the centralised model from the decentralised and the dual models. An example of this centralised ministry is the DPE in

South Africa that, as at 2019, oversees seven of the major SOEs in South Africa. Prior to the early 2000s, the centralised model was seldom used by states. However, today, this centralised model appears to be the most used model for organising SOEs, especially in developed countries. In this context, the OECD (2005, p. 42) notes that the centralised model is gaining momentum and is increasingly being used, especially in the Nordic and in some of the OECD states (OECD, 2005, p. 43) and Asian countries (Lei et al., 2015, p. 5).

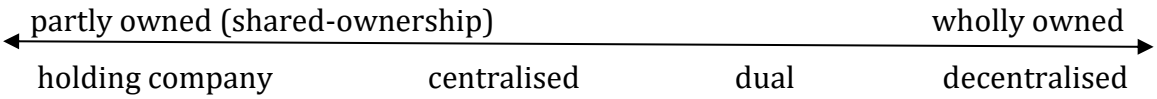

Figure 3.3: Continuum of ownership models

Source: Author's own compilation with insight from Balbuena (2014) and OECD (2005).

From the discussion above, it is clear that while some countries adopt a single model, a few states adopt two models and, in exceptional cases, all three models. In South Africa, two organising models are in use, decentralised and centralised.

3.10.2.4 Holding company

Compared to the models used to organise SOEs in most countries, including South Africa, the Singaporean model is relatively unique in that it poses difficulty in ascertaining where it falls under the recognised organising models discussed above. Although Chen (2016, p. 314) and the World Bank (2014, p. 82) contend that it is a centralised model, it does not fit into any of the three main models for organising SOEs identified by the OECD (2005) and described above. The Singaporean model does not fit into a centralised model because in a centralised model, all SOEs are usually still under a state ministry (Balbuena, 2014, p. 13). However, in Singapore's case, Temasek is an investment holding company owned by the Ministry of Finance (Chen, 2016, p. 314; Feng, 2015, p. 3), which owns the SOEs, and in addition to investing in SOEs, invests in some other enterprises that are not SOEs but SIEs. This is the reason why the Temasek model more likely falls into the "other specific structures – Holding Companies" category of the OECD's (2005, p. 59) classification, rather than under the centralised model category. To confirm that Temasek fits into this category, the OECD (2005:59) claims holding companies are a product of 1970s reforms targeted at

reducing political interference in the coordination of SOEs, and in ensuring tight budget constraints, while being guided by the normal public management rules in addition to their autonomy and management flexibility. In the same spirit, Chen (2016, p. 315) confirms this by declaring that since Temasek came into existence at about the same time (1974) as the 1970s reforms indicated by the OECD (2005), Temasek is a product of policy ideas of the 1970s. However, the seminal idea behind Temasek is seen in the work of Keynes (1926, pp. 41–45, 47), which appears to have been ignored, where it was argued that state corporations should not be organised under state ministries and that social objectives should be separated from commercial objectives. This in effect means that an alternative seminal and perhaps a better argument for the Temasek model is that public corporations should be organised in such a way that they are not directly under the supervision of state ministers.

The model in China, under the State-owned Assets Supervision and Administration Commission (SASAC), as described by Du et al. (2012) and Wu (2017), fits the centralised model described by the OECD. According to the OECD (2005, p. 43), the decentralised model is fast becoming unpopular, as reforms in many countries push these countries towards the dual and centralised models and countries still utilising the decentralised models do apply certain changes in order to ensure that SOEs effective and efficient (OECD, 2011, p. 40). This is not surprising because political interference will be at its peak in the decentralised model, and SOEs will look more like public entities rather than public enterprises. While the dual model is still widely in use, it is the centralised model that appears to be the target of many national SOE reforms. However, it will be difficult to conclude that a particular model has emerged as this conclusion cannot be reached and/or made without surveying almost all the states that own SOEs, and also because, depending on the circumstances of each state, states will continue to tweak these organising models to suit their circumstances (Christiansen & Kim, 2014, p. 16). As Balbuena (2014, p. 14) helpfully observes, the organising models have not been adequately tested; hence, concluding that one model works better than another will need some form of supporting evidence.

Further, the models have both disadvantages and advantages, which should be benchmarked in reforming SOEs. The OECD (2005, p. 60) declares that holding companies, of which Temasek is an example, may not be efficient in managing finance and regional development and in restructuring. However, Temasek's case seems to suggest otherwise. This is because in addition to contributing majorly to the national budget for the development of Singapore, Temasek's annualised total shareholder return since inception in 1974 is 15% in Singapore dollar terms (Temasek, 2017a). Thus, there must be something worth knowing about the Singaporean model. As regards the capacity of holding companies to manage regional development, the board of the holding company may be constituted in such a way that bureaucrats are on the board to take care of regional development and other wider social objectives that SOEs are to deliver. While all SOEs in Singapore are under a holding company (Temasek), SOEs in South Africa are under decentralised and centralised organising models, as depicted in Figure 3.4. Figures 3.5 and 3.6 separate Figure 3.4 into South African and Singaporean SOEs, respectively, to include a classification of organising models in these countries. In figure 3.4, the arrow that connects the holding company model and the decentralised model also connects the centralised model as seen in the arrow above the wholly and partly box. These arrows show the relationship argued to exist between wholly and partly owned. Thus, the arrow illustrates that SOEs under the holding company as well as centralised and decentralised models can be either partly or wholly owned.

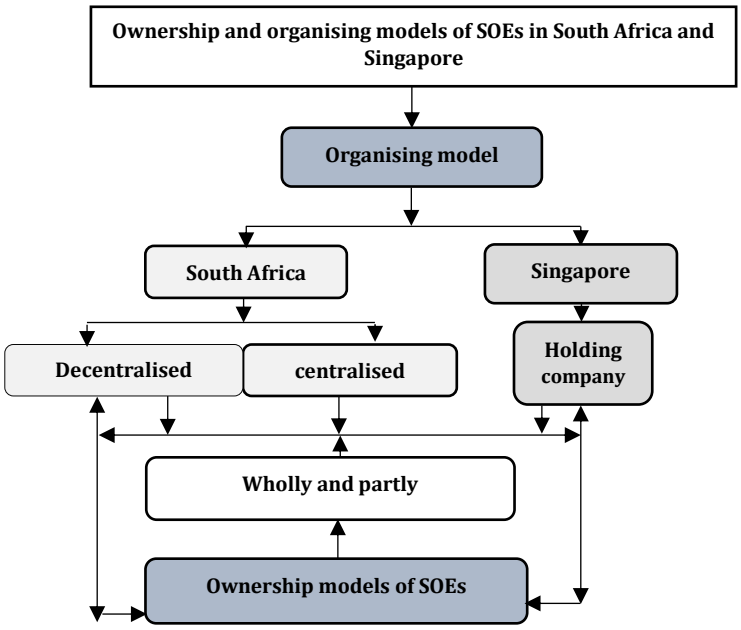

Figure 3.4: Organising and ownership models of SOEs in South Africa and Singapore

Source: Author's own compilation.

Figure 3.5, following Figure 3.4 above, illustrates the classification of South Africa's SOEs according to organising models. In Figure 3.5, the centralised or special ministry (DPE) in South Africa, as at 2019, is the shareholding ministry overseeing ESKOM, Transnet, DENEL, SAE, SAA, Alexkor and SAFCOL. In the decentralised (line ministry) model, the Department of National Treasury (Ministry of Finance) oversees the Development Bank of South Africa, the PIC and Land and Agricultural Development Bank (Landbank), the Department of Telecommunications and Postal Services is the shareholding ministry overseeing Telkom SA, the South African Post Office (SA Post) and the Broadband Infrastructure Corporation (Broadband Infraco), while the Department of Transport oversees the Airports Company of South Africa Ltd (ACSA) and the Passenger Rail Agency of South Africa (PRASA), the Department of Energy oversees the Central Energy Fund Group, the Department of Communication oversees the South African Broadcasting Corporation (SABC) and the Department of Trade and Industry oversees the Export Credit Insurance Company of South Africa (ECIC). It should be noted that of these SOEs, Telkom SA is not fully owned. The Department of Telecommunications and Postal Services, and the National Treasury through the PIC have a 40.5% and the PIC a 12.4% stake in Telkom SA.

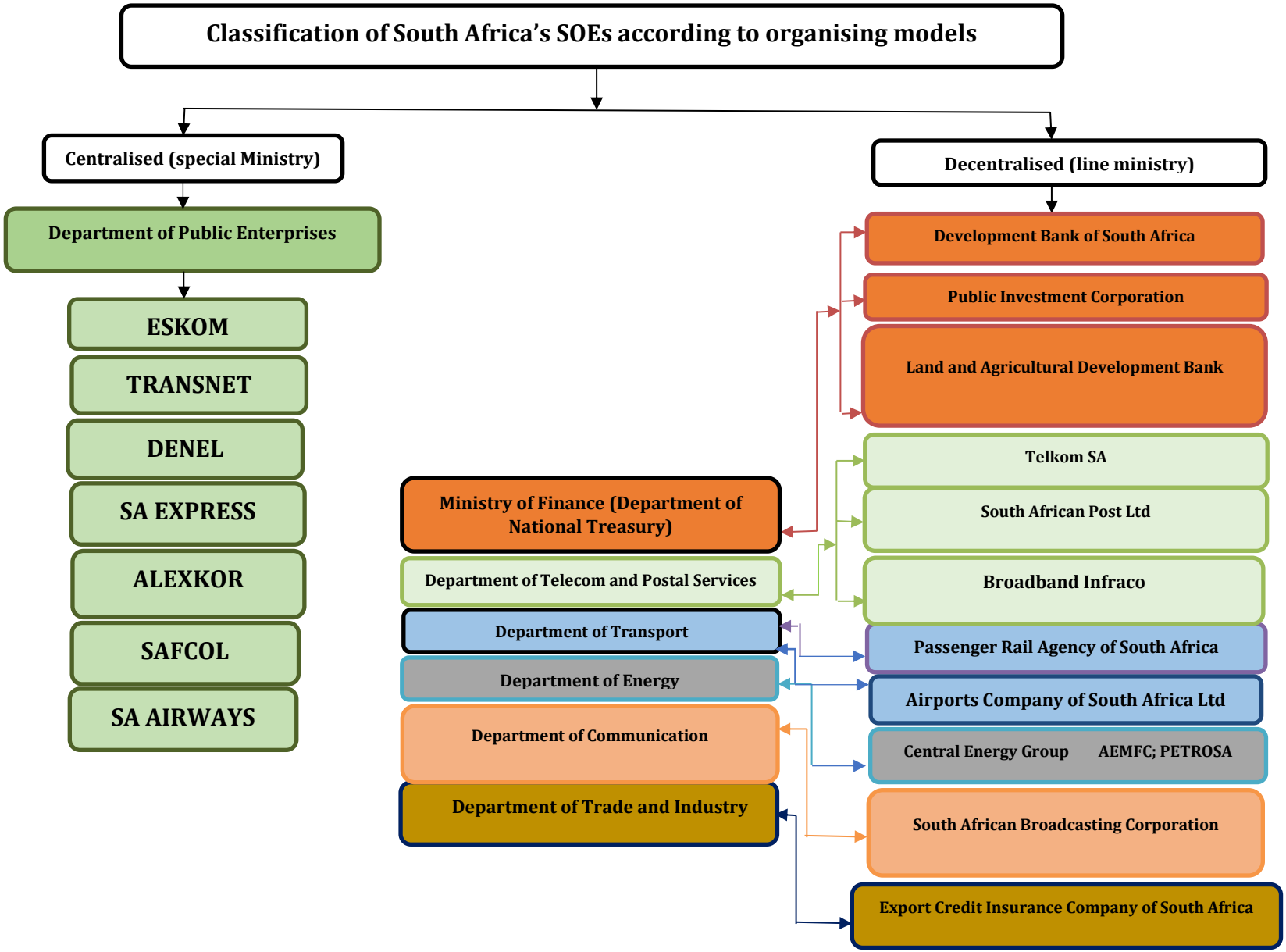

Figure 3.5: Organising models of selected SOEs in South Africa.

Source: Author's own compilation.

Figure 3.6, following Figure 3.4, pictures the classification of Singaporean SOEs according to the organising model in use in Singapore. From Figure 3.4, it is clear that while South African SOEs are organised under two different models, SOEs in Singapore are organised under a single model, the holding company. The fact that all SOEs in Singapore fall under a holding company makes it easy to group them according to sector and/or portfolio, as compared with South African SOEs which are grouped in line with the ministries that oversee them. Of the forty enterprises that fall under Temasek, only nine are fully owned SOEs in which the government owns a 100% stake. These enterprises are the Singapore Technologies Telemedia, Media Corp Pte Ltd., Mandai Park Holdings Pte Ltd, Surbana Jurong Pte Ltd, Mapletree Pte Ltd, PSA Int Pte Ltd, Singapore Power Ltd (SP)., SMRT corporation Ltd and Pavilion Engineering Ltd. As a result of having a 50% or more stake, Singapore has controlling rights in seven SOEs. Most of the remaining enterprises are SIEs, including the Development Bank of Singapore (DBS) Group Holdings Ltd which was a wholly owned SOE but in which Singapore now has just a 29% stake.

Aside from the classification in Tables 3.1 and 3.2 of SOEs in South Africa and in Singapore respectively, a further grouping is presented in Figure 4.5. This grouping made it possible to further group some of these SOEs into those that are wholly owned and those that are partly owned, thus making it possible to note that while a SOE can be grouped as a SOE and not as a SIE in the classification in Tables 3.1 and 3.2, the same SOE grouped as a SOE can also be partly owned (as obtained in Figure 4.5). This applies to Telkom SA and the DBS Group Holdings Ltd in South Africa and Singapore respectively. The reasons for this are threefold: firstly, a SOE or a SIE resident in a country can be categorised as a SOE because it is usually an enterprise in which the state owns a majority stake or in which the state has a significant control right having been the founder of such a SOE or SIE. That said, irrespective of this argument, SIEs better explain enterprises in which the state invests, have never been SOEs and are outside the shores of a country. However, following the definition of SIEs/SOEs and partially state-owned enterprises (PSOEs) by Christiansen and Kim (2014, p. 6), former SOEs in a country can still be grouped as SIEs. This explains why Arcelor-Mittal and SASOL are grouped under SIEs for the purposes of this study. A second reason is as a result of the shareholding structure in the SOEs/SIEs. This second

reason upholds the third in that shareholding and property and control rights determine the location of control power, which also determines whether an enterprise will be classified as a SOE or a SIE.

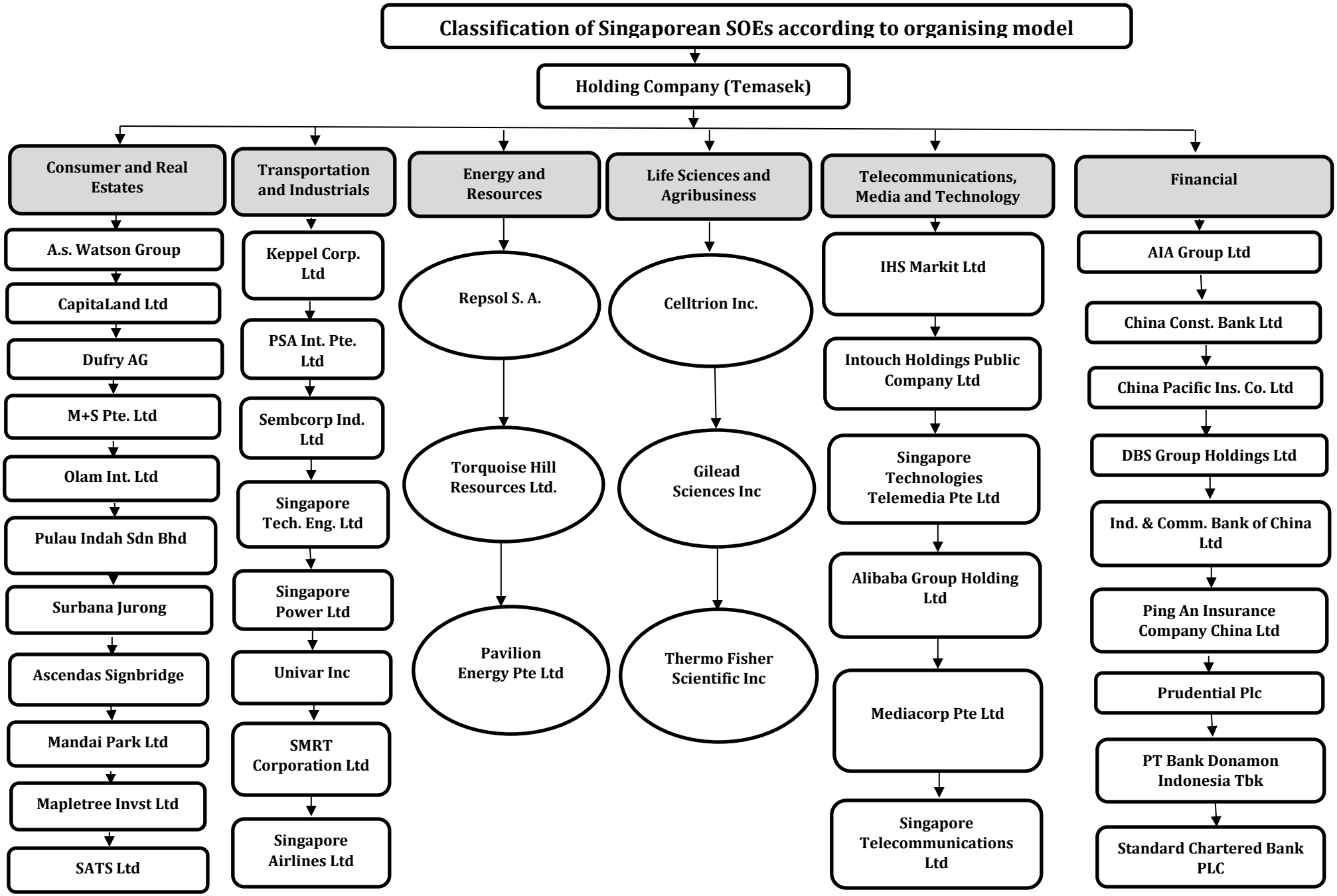

Figure 3.6: Classification of Singaporean SOEs according to organising model

Source: Author's own compilation.

3.11 Assessing corporate governance in state-owned enterprises

Corporate governance cuts across many disciplines and has been researched in a number of ways, covering several topics. These topics include ownership, structure of the board of directors, performance, board committees, board gender, accountability, transparency among others (Aguilera & Crespi-Cladera, 2016, p. 50). In section 2.9.3.3 it was argued that ownership and organising models contribute the most in determining corporate governance issues in SOEs. Accordingly, this should be properly assessed in attempting to develop a best practice structural corporate governance model for SOEs. In this connection, in its 2014 toolkit for the corporate governance of SOEs, the World Bank identified eight items. These items include legal and regulatory framework, ownership and organising models, method of monitoring performance and accountability, financial and fiscal discipline, board of directors and transparency and disclosure, special issues in mixed ownership and implementing reforms. The purpose of the toolkit is to enable practitioners to create, implement and monitor corporate governance in SOEs, as well as build capacity to carry them out. Thus, the corporate governance themes contained in the toolkit serve as a good assessment tool for analysing corporate governance in SOEs. In this regard, while Moyo (2016, p. 129) lists four pillars of corporate governance, namely, transparency, accountability, fairness and responsibility, the OECD's (2005), guidelines on the corporate governance of SOEs, is more comprehensive and consists of six items: a legal and regulatory frameworks for SOEs, the role of the state as owner, equitable treatment of shareholders, relations with stakeholders, transparency and disclosure, and the responsibilities of SOE boards. Along these lines, the corporate governance toolkit by the World Bank (2014), in terms of the assessment themes listed in the toolkit, is more encompassing compared with both Moyo (2016, p. 129) and the OECD (2015) described above.

Additionally, dimensionalisation in TCE, a comparative assessment tool, is also a useful tool for assessing corporate governance in SOEs. In a dimensional analysis, one form of organising or contracting is compared with another form (Williamson, 1985, p. 21-22). In this way, the use of a dimensional approach in assessing SOEs is important to understand

the dimension of transactions and/or contracts to which these enterprises are usually involved. This is also essential in understanding the variations in simple and complex contracts. In this context, Williamson (2005, p. 14) submits that transactions differ according to the attributes of uncertainty, frequency and the degree of asset specificity. Many observers have questioned the relevance of these attributes to public management citing that they were developed in the context of POEs (Dagdeviren & Robertson, 2016, p. 1708; Ruiter, 2005, p. 287). Some of these authors have argued that probity, low-powered incentive and protective employment relations should be analysed instead of the above attributes (Dagdeviren & Robertson, 2016, p. 1708; Ruiter, 2005, p. 292). Others have argued that these attributes can be applied with modification (Brown & Potoski, 2003, p. 443) because these authors have argued against the relevance of TCE in the context of core public service provision, which differs from public enterprises. In this instance, as a way of modification in analysing SOEs, it is better to discuss these attributes from the angle of the transactions and/or contracts to which SOEs are subjected, which is in line with public ordering (Williamson, 2009, p.2), rather than from the angle of seller–buyer relations as in private ordering. In this way, uncertainty is concerned with the limited ability of the enterprise to fully ascertain environmental and behavioural issues in unforeseen circumstances. It is accepted that their occurrence and significance is intermediate compared to frequency and asset specificity, with uncertainty in organisations being either high or intermediate. While the frequency dimension is strictly concerned with buyer activity in POE settings, for the purposes of this study it is concerned with the frequency with which the transactions that are necessary for delivering on their mandate recurs, which in turn has a bearing on the volume of contracts entered into and the level of uncertainty. The investment dimension in terms of asset specificity is a supplier activity within POEs; as such, the degree to which organisations invests in specialised assets is also relevant to SOEs without modification in that SOEs are taken as suppliers of public goods where relevant (Williamson, 1999, p. 322).

Although of these three attributes it appears that uncertainty and frequency are the key attributes in determining matching governance structures, Perrow (1986, p. 22) and Williamson (1999, p. 322) have argued that it is the degree of investment that matters

most. Thus, considerable emphasis when undertaking a study of governance falls on investment differences, which are more often related to the frequency or transaction than to the level of uncertainty. In summary, there is a relationship between asset specificity, uncertainty and transaction frequency (Williamson, 1979, p. 247). In this connection, asset specificity is basically concerned with the degree to which an asset that is used to support a transaction can be redeployed for alternative uses and users without loss of productive value (Flingstein and Feeland, 1995, p. 25; Perrow, 1986, P. 20). This understanding is in line with the notion that highly specific investments give rise to a condition of bilateral dependency, where parties to a transaction/contract make substantial commitments in the form of investment in support of each other. Although it is the degree of investment that matters most, uncertainty and frequency are also relevant.

Accordingly, uncertainty presents the need for adaptation in situations of bilateral dependency and where there is incomplete contracting that leads to the problem of maladaptation (see below) (Williamson, 1979, p. 254). Further, frequency is also a relevant dimension in that recurrent transactions normally support the setup costs of specialised governance, hence, possessing features of better reputation effect. In operationalising uncertainty, high and intermediate variables are used (Williamson, 1979, p. 247). Non-specific, mixed and idiosyncratic investments are used in operationalising the degree of investment and transaction frequency is varied as one-time, occasional and recurrent (Williamson, 1979, p. 246). Non-specific investments involve purchasing the standard equipment or material necessary for delivering the mandate. Mixed investments entail purchasing customised equipment and material and idiosyncratic investments are those that are highly specific in that they cannot be easily used for transactions other than that for which they have been purchased without losing a large amount of the investment made on them (Williamson, 1979, p. 255 – 257). These investments involve constructing a plant and/or site-specific transfer of intermediate product/machinery across successive stages or delivery areas. One-time transactions are usually on-the-spot transactions and are not usually relevant in determining transaction frequency. Hence, occasional and recurrent transactions are relevant in this context. Occasional transactions are those transactions that involve purchasing standard and customised equipment as well as

constructing a plant, while recurrent transactions are those concerned with purchasing standard and customised material for producing a component as well as site-specific transactions (Williamson, 1979, p. 246).

Since it has been established that it is the degree of investment in assets that matters most, it follows that an important aspect of tracking operating efficiency is tracking the way in which enterprises utilise their assets. In this way, property, plant and equipment in conjunction with working capital (inventories, trade receivables and payables) become important elements in tracking operational efficiency. The inclusion of working capital thus takes into account the operating capital employed in relation to revenue. This shows how efficiently and effectively enterprises utilise their property, plant and equipment and working capital. In this way, ascertaining the asset turnover by taking into account property, plant and equipment only, presents a good picture of an enterprise's operations. While most authors use profit before tax, interest and total assets in order to obtain asset turnover, McKenzie (2014, p. 345) submits that revenue in relation to operating capital employed (property, plant and equipment as well as working capital) should be used in obtaining operational efficiency (asset turnover). McKenzie's (2014) assertion makes a lot of sense as the elements used can be further analysed into the operational parts of property, plant and equipment or fixed asset turnover and the working capital ratio. In confirming McKenzie's (2014, p. 345) stance, Esplin, Hewitt, Plumlee, and Yohn (2014) assert that separating financial information into operating and financing activities is useful since operating activities mainly drive firm value. Taken together, property, plant and equipment or fixed asset turnover, as well as asset turnover which takes into account the working capital, are useful elements for comparing the efficiency of an investment in assets necessary to deliver on a mandate. Since most SOEs in the primary country of analysis (South Africa) are not expected to be profit making, these fixed asset and asset turnover are only useful in detailing the operational efficiency and effectiveness of these enterprises and they are equally important for firms under capital-intensive sectors (Bansal, 2014, p. 21). These measures are a subcategory of profitability ratios and are most useful when comparing companies' past performance or companies within the same industry (Bashir, Riaz, Butt, & Abida, 2013, p. 423; Risk Management Association, 2014, p.

1) since they are free from the effects of financing and taxation (Beyer & Hinke, 2018, p. 127). In this regard, since the use of assets differs between industries, operational efficiency and asset turnover differ substantially across various industries (Risk Management Association, 2014, p. 1). In this way, the operational efficiency and asset turnover of manufacturing sector is expected to be considerably lower than that of the service, financial and wholesale sectors since manufacturing sectors are usually asset-heavy (Risk Management Association, 2014, p. 1). The basic rule is that the higher the turnover, the better (Bansal, 2014, p. 29). However, the Risk Management Association (2014, p. 1) has noted that when these are abnormally high, three events are likely to be taking place. The first is that the company may be in need of additional assets in order to deliver its mandate. The second reason is linked to assets depreciating faster compared to the industry average, while the third is because the company uses an inventory accounting method in which inventory is understated in relation to the industry average. When results are abnormally high, it is mandatory to compare them with the industry average in order to uncover the likely reasons for such discrepancies. The basic rule when making a comparison with the industry average is that a low turnover in relation to the industry average indicates inefficient use of assets, while an abnormally high turnover in comparison indicates that something might be wrong, as argued above.

As a reminder, three governance structures may be distinguished according to the TCE, namely, markets, hybrids and hierarchies (firms, bureaus). TCE focuses primarily on governance skills in relation to the role of efficient governance through an analysis of organisational structure. Thus, the idea is that the skills possessed by role players in the different governance structures influence the operational efficiency outcomes of these structures (Garfamy, 2012, p. 141). Consequently, the two relevant governance structures for our purposes in terms of SOEs are unified governance (traditional model/wholly and partly owned) and bilateral governance (new model/wholly and partly owned). Since SOEs are in most cases publicly owned, market governance does not often apply to SOEs, with the exception that it is the more relevant governance structure for SOEs in the financial sector. Hence, an analysis of organisational structures has to match the transaction attributes with the critical dimensions of analysing governance modes, as well

in order to determine the governance modes that are suitable for different kinds of transactions/contracts.

In this context, the market governance mode works with strong incentives, weak administrative control, and a legal rule system that is suitably geared to autonomous adaptations but weakly geared to cooperative adaptations (see below) and strong contract law (Williamson, 1979, p. 248). Unified governance (traditional model/wholly and partly owned), which is at the far end of the continuum in Table 3.3, possesses weak incentives, strong administrative control, weak autonomous adaptation, strong cooperative adaptation and strong contract law. Bilateral governance (new model/wholly and partly owned) lies in the middle between markets and hierarchies; thus, the set of complementary attributes describing hybrids are that they possess semi-strong incentives, semi-strong administrative control, semi-strong autonomous and cooperative adaptations as well as semi-strong contract law (Williamson, 1991, pp. 270-295). Thus, it is clear that the hybrid mode works well since it is a middle path, its efficacy depends on credible commitments and discipline on the part of the parties involved in the level of information disclosure, sanctions and penalties for default, monitoring and verification mechanisms, and the capacity of the dispute settlement mechanism in place.

While the critical dimensions of these different governance modes are self-explanatory, it is important to elaborate on the importance of contract law in relation to the governance modes, not only because it does not lend itself to self-explanations as do the other dimensions, but also because issues related to contacts are also important in public ordering, just as in private ordering (Williamson, 1979, p. 236). The contract law associated with markets is one of legal rules, in which parties go their separate ways after the court has pronounced in favour of one of the parties and in which the losing party is to or has paid the necessary damages. Thus, participants in this case are usually not interested in continuing such transactions because of the arm's length nature of dealings. The bilateral mode uses a framework as a form of contract. This framework encourages cooperation, within limits, as a result of its elasticity in relation to contracts. Transactions are organised under the unified mode when the limits under the hybrid mode are surpassed. Since hierarchy entails more internal organisation, there is usually little or no

contractual dilemmas as compared to markets and hybrids. However, when there are internal disputes, the court may refuse to hear these disputes between parties in the same organisation; thus, the contract law under the unified mode is usually that of forbearance, in which the parties are inclined to settle disputes internally with less recourse to the court of law. Thus, contract law under unified governance is usually weak in terms of external assessment but strong in terms of internal workings and supports cooperative adaptations (Williamson, 1991, pp. 271–276).

Another important dimension is adaptation. This adaptation entails the ability of organisations to adapt or respond successfully and quickly to disturbances of all kinds especially those that are as a result of business and environmental uncertainties. Autonomous adaptation involves spontaneous acts of individuals and/or organisations directed towards reducing the risk posed by resource scarcity as well as changes in prices as a result of fluctuations in demand and supply (Forsyth & Evans, 2013, p. 56). Cooperative adaptation, on the other hand, is a kind of intentional cooperation brought about by conscious, deliberate and purposeful coordination of organisations (Williamson, 1993, p. 83). These attributes and characteristics of transactions/contracts, governance structures and critical dimensions of analysis of governance structures vis-à-vis attributes and characteristics of transactions/contracts are summarised in Table 3.3 below.

3.11.1 Investment characteristics of state-owned enterprise sectors

In order to ensure that similar SOEs and related SOEs enterprises are compared (4.5.8.1.1), it makes sense to group SOEs for analysis purpose. The grouping of SOEs in Singapore informed the grouping used in this study. Thus, SOEs are discussed under Telecom, Media and Technology, Transportation and Industrials, Energy and Resources as well as Financial sectors.

3.11.1.1 Investment characteristics of the Telecom, Media and Technology sector

Considering the discussion on governance structure above, in the context of this study, the Telecom, Media and Technology sector generally requires substantial investments in specific physical assets in order to deliver on their mandates (Williamson, 1979, pp. 234-260). In this context, although media does require substantial investment, it does not

require the substantial investments in physical assets that telecom and technology require; rather, it often requires site-specific investments. In addition, temporal specificity is also present in telecom, media and technology, in that sites often require the timely response of on-site human assets. It is thus clear that human specificity is also key, as some aspects of operations require specific skills which operators acquire by performing such tasks. Much of the investment needed in this sector is highly specific in site-specific transfer of intermediate product/plant/machinery across successive stages (Williamson, 1979, pp. 234-260). Accordingly, enterprises in this sector usually erect the transmitters necessary for broadcast and service provision in terms of communication services. Since this sector requires such recurrent investment, the ideal governance structure is a relational contract in the form of unified governance (traditional model wholly and partly owned). This is because specialised physical and human assets become more specialised to a single use, thus less transferrable to other purposes (Williamson, 1979, p 251). In addition, in terms of disposal, there is no incentive for trading in such investment, unless on the proceeds that may accrue from such investment; sunk investments in this context are investments requiring large capitals and/or costs (Cruz & Marques, 2013, 474), and whose recoup period span over several years (Medda, 2007, p. 213) if at all recoverable. Thus, the choice of governance structure is usually one with superior adaptive cooperative features. Hence, vertical integration, in which an enterprise owns the parties with which it transacts in terms of the components needed to deliver on its mandate, is usually necessary for those enterprises that fall under unified governance. This is essential because the firm does not have to enter into some form of incomplete contract that requires revision and consultation (Williamson, 1999, p. 253). Taken as a whole, since there is little incentive for trading, parties to such a transaction may be satisfied with whatever accrues from their relational dealings. In this context, telecommunications often require substantial investments as well, as a result of erecting transmitting plants in operating several locations.

3.11.1.2 Investment characteristics of the Transportation and Industrials sector

Considering the discussion on governance structures as per TCE, Transportation and Industrials generally usually require substantial investments in physical assets

(Williamson, 1979, pp. 234-260). In this sector, substantial sunk investments are required even more than in telecommunications, media and technology. In addition, temporal specificity is also present in this sector, although more in industrials than in transportation. This is because sites often require the timely response of on-site human assets. Hence, it is clear that human specificity is also key, as some aspects of operations require specific skills, especially in industrials, which operators acquire by performing such tasks. The majority of the investments needed in this sector is highly specific in the site-specific transfer of intermediate product/plant/machinery across successive stages (Williamson, 1979, pp. 234-260). In addition, substantial occasional investments, in the form of plant/track construction, are also required especially in industrials and land transportation. This in effect means that in this sector, transaction frequency is usually both occasional and recurrent, depending on the mandates of the enterprises (Williamson, 1979, pp. 234-260). In this case, enterprises in this sector that fall under land transportation generally erect and maintain the track necessary for providing rail transportation, while those in sea transportation will have to erect and maintain loading and docking ports. The enterprises that fall under industrials will have to construct the plant required to operate and some will also have to maintain different stations; thus site-specificity becomes relevant as well. Further, enterprises involved in air transportation will have to purchase customised equipment in form of aircraft in order to operate. In this way, this sector also requires substantial sunk investments but in different dimensions, as discussed above. Further, as argued above, because specialised physical and human assets become more specialised to a single use, and thus less transferrable to other purposes, there is no incentive for trading in such investments, unless on the proceeds that can accrue from these investments (Williamson, 1979, p 251). Thus, the choice of governance structure is usually that with superior adaptive cooperative features. In addition, the critical dimensions to which governance structures are matched with attributes and transactions/contracts also matter in assessing governance structures. In this sector, TCE favours bilateral governance (new model) for some SOEs and unified governance (traditional model) for others. Enterprises for which unified governance is advanced by TCE requires a great deal of strong administrative controls as well as cooperative adaptation. This will be at the expense of weak incentive intensity, autonomous

adaptation, contract law, and information and decision-making contexts. However, bilateral governance cuts across market and hierarchy, thus incentive intensity, autonomous adaptation, contract law and information and decision-making contexts can be both semi-strong (if hybrid is favoured) or weak (if hierarchy is favoured). Accordingly, cooperative adaptation and administrative control can also be semi-strong (if hybrid is favoured) or strong (if hierarchy is favoured) (Williamson, 1979, pp. 234-260).

3.11.1.3 Investment characteristics of the Energy and Resources sector

As previously discussed regarding Telecommunications, Media and Technology, as well as Transportation and Industrials, Energy and Resources generally require substantial sunk investments in physical assets in order to deliver on their mandates (Williamson, 1979, pp. 234-260). This requirement outstrips the sunk investments of Telecommunications, Media and Technology, but not necessarily that of the Transportation and Industrials sector. In the Telecommunications, Media and Technology sector more occasional transactions than recurrent transactions are made, as well as substantial investments in idiosyncratic specific assets rather than in mixed specific assets (Williamson, 1979, pp. 234-260). In addition, temporal specificity is also present in energy and resources; although more in energy and resources than in Transportation and Industrials and in Telecommunications, Media and Technology (Williamson, 1979, pp. 234-260). This is because sites require the timely response of on-site human assets. Hence, it is clear that human specificity is also key as some aspects of operations require specific skills, especially in energy, which operators acquire by performing such tasks. Much of the investment needed in this sector is highly specific in plant construction, rather than in the site-specific transfer of intermediate product/plant/machinery across successive stages (Williamson, 1979, pp. 234-260). In addition, substantial occasional investments, in the form of plant construction, are also required, with more needed in energy than in resources (Williamson, 1979, pp. 234-260). This in effect means that in this sector, transaction frequency is usually both occasional and recurrent, depending on what the enterprises are mandated to do. Thus, enterprises in the Energy sector usually erect and maintain the power or oil drilling plants necessary for generating electricity and petroleum production respectively.

The enterprises that fall within the Energy sector have to construct the plant needed to operate, and, in addition, some will also have to maintain different stations, thus site-specificity becomes relevant as well. The enterprises that fall within the Resources sector are usually involved in recurrent transactions of mixed and idiosyncratic specificity. In this way, this sector also requires substantial sunk investments but in different dimensions, as discussed above. As argued above, for unified governance, because specialised physical and human assets become more specialised to a single use, thus less transferrable to other purposes, there is no incentive for trading in such sunk investments in terms of transferring such investments, unless in the proceeds that can accrue from such investment (Williamson, 1979, p 251). Thus, the choice of governance structure is usually that with superior adaptive cooperative features. Taken as a whole, since there is little incentive for trading, parties to such transactions may be satisfied with whatever accrues from their relational dealings. The critical dimensions to which governance structures are matched with attributes and transactions/contracts also matters in determining sound models. In this sector, TCE favours bilateral governance for some SOEs and unified governance for others (Williamson, 1979, pp. 234-260). For enterprises for which unified governance is advanced by TCE, there is a need for a great deal of strong administrative controls as well as cooperative adaptation. This will be at the expense of weak incentive intensity, autonomous adaptation, contract law, and information and decision-making contexts. However, bilateral governance cuts across hybrid and hierarchy, thus incentive intensity, autonomous adaptation, contract law and information and decision-making contexts can be either semi-strong (if hybrid is favoured) or weak (if hierarchy is favoured) (Williamson, 1979, pp. 234-260). Accordingly, cooperative adaptation and administrative control may also be either semi-strong (if hybrid is favoured) or strong (if hierarchy is favoured). Further, bilateral governance as described above favours bilateral dependency in which incentive intensity, administrative controls, autonomous and cooperative adaptation, contract law and information and decision-making contexts are semi-strong (Williamson, 1979, pp. 234-260).

3.11.1.4 Investment characteristics of the Financial sector

Generally, as per TCE, this sector differs from the other sectors discussed above in that it provides a different kind of service and/or support. Hence, even though invests in techchnology, such as bandwiwidth and data, it does not usually require substantial investment in idiosyncratic specific assets as do other sectors (Williamson, 1979, p. 246). The only investment that enterprises in this sector feasibly receive in fulfilling their mandate is that of erecting or purchasing offices as well as office equipment, which can be classified as occasional purchases of standard equipment, which is a form of non-specific occasional transaction. The governance structure that is ideal in this sector, following TCE, is market governance (classical contracting) which is ideal for non-specific transactions that are both occasional and recurrent (Williamson, 1979, p. 248). The reason for this is that market governance is usually ideal for transactions where the assets required to deliver on the mandate are on-the-spot, one-time instant transactions. Spot transactions are one-time transactions that are not usually relevant in determining transaction frequency. The critical dimensions to which governance structures are matched with attributes and transactions/contracts also matters. In this sector, since TCE favours market governance, it means that this sector requires strong incentive intensity, autonomous adaptation, contract law, and information and decision-making contexts at the expense of weak administrative controls and cooperative adaptation.

Table 3.3: Transaction cost economics framework

		Investment Characteristics		
		Non-specific	**Mixed**	**Idiosyncratic**
Frequency	**Occasional**	Purchasing standard equipment	Purchasing customised equipment	Constructing a plant
	Recurrent	Purchasing standard material	Purchasing customised material	Site-specific transfer of intermediate product/plant/machinery across successive stages
Governance Structures Alignment	**Occasional and recurrent**	Market governance	Bilateral governance	Unified governance
			Relational Contracting	
Critical dimensions on which governance structures are analysed in relation to the attributes and characteristics of transactions/contracts	**Incentive intensity**	Strong	Semi-strong	Weak
	Administrative controls	Weak	Semi-strong	Strong
	Autonomous adaptation	Strong	Semi-strong	Weak
	Cooperative adaptation	Weak	Semi-strong	Strong
	Contract law	Strong	Semi-strong	Weak
	Information context	Strong	Semi-strong	Weak
	Decision-making context	Strong	Semi-strong	Weak
Governance Structures		Market	Hybrid	Hierarchy

Source: Author's own compilation with insight from Williamson (1979)

3.12 Conclusion

This chapter built on and extended the literature conducted in the previous chapter. In doing so, this chapter extended the role of the state formulated by Smith (1776) by including elements of the arguments of Keynes (1926) and Beveridge (1944). Along these lines, it is argued that the state needs to extend beyond a night watch state in fulfilling its mandate. In this regard, information collection and dissemination about the activities of private enterprises (Keynes, 1926, p. 48); distribution and investing of savings and reserves along productive channels nationally and internationally (Keynes, 1926, pp. 48–49); engaging in public business activities (Beveridge, 1944, p. 30); and engaging in private business activities (Beveridge, 1944, p. 30) are some of the areas identified where the state could extend its role. Since SOEs cannot be used to fulfil all these roles, the importance of other state establishments, SBs (SEs) and SWFs in fulfilling the state's role was detailed.

Further, signalling theory was identified as the theory that explains the relationship presented in Figures 1.1 and 4.1. Although signalling theory best represents the model in Figures 1.1 and 4.1, other relevant organisational and governance theories were elaborated. In so doing, organisational theories relevant for answering organisational questions such as why organisations exist and how parties to organisational transactions proceed in order to ensure that organisational goals are achieved with relatively low organisational costs were discussed. This was based on an argument premised on the fact that since SOEs are hybrid organisations, they should be governed as such. This argument led to the conclusion that the relevant theoretical models in organisational governance are the stewardship and democratic models. As such, shareholder and stakeholder theoretical perspectives are said to be the relevant theoretical perspectives for organisational governance. In this way, because SOEs are not usually for-profit and at the same time not usually non-profit, but lie somewhere in between, the term 'organisational governance' may as well be used in conjunction with the corporate governance of SOEs. Thus, the term 'organisational governance' appears to be a substitute term for corporate governance in studying international governance issues in SOEs (Low, 2006, p. 376).

Subsequently, SOEs in South Africa and Singapore were discussed, with SOEs in these countries being identified in Tables 3.1 and 3.2 respectively and grouped in Figures 3.4 and 3.5 respectively. Figure 4.5 presents a framework that matches these SOEs together in order to enable possible inter and intra comparison analyses of SOEs, SIEs and SWFs. The discussion on the available ownership and organising models made it possible to note that the organising and ownership models for SOEs in South Africa and Singapore differ. Thus, the model in Figure 1.1 argues that organising and ownership models are key in eradicating governance problems in SOEs, even though this is highly contingent on the level of development of a country, the level of corruption, as well as the internal and external legal and regulatory frameworks for SOEs. Thus, because comparative analysis entails boundary analysis, the available models should be compared, and other general governance questions should be posed. In this way, this chapter while presenting the theoretical conceptual framework, has further shown that arguments against SOEs constitute the corporate governance challenges in SOEs, while further showing the relationship presented in Figures 1.1 and 4.5. Moreover, the chapter discussed the importance of TCE in analysing SOE governance structures. Similarly, the themes in the World Bank (2014) toolkit for corporate governance were also argued to be key in presenting and discussing corporate governance studies of SOEs.

CHAPTER 4

RESEARCH METHODS AND DESIGN

Since organisational contexts that we study are dynamic and not static, a theory that illuminates the right things today may illuminate the inappropriate things tomorrow. Not because the theories are wrong but that they have become irrelevant in the circumstances at hand. Thus, no single theory will do for us what we want all the time (Hicks, 1976, p. 208).

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4.1 Introduction

Having established that questions in relation to comparative organisational analysis are boundary, relational (Peters, 1994, p. 81) and transactional (Williamson, 1981, p. 549), and that organisational analysis comprises comparative transactional dimensional analysis involving comparing different organisational forms (Williamson, 1981, p. 548; 1985, pp. 21–22), such questions and analysis are seldom explored quantitatively as they are better explored qualitatively. Accordingly, this study is exploratory in nature. However, irrespective that these questions and analysis cannot be explored meaningfully in a quantitative fashion, it is recognised that a quantitative approach often complements a qualitative approach as a way of making research outcomes believable (Creswell & Plano Clark, 2011, p. 69). Moreover, combining a quantitative approach with a qualitative approach helps to ensure that different aspects of a study are designed and explored using appropriate approaches, methodology and methods. This combination is usually referred to as pragmatic mixed methods (Landesman, 1997, p. 155-159). Thus, the description in the quantitative approach complements the exploration in the qualitative approach (Landesman, 1997, p. 155). Hence, as a way of ensuring that different aspects of this study are designed and explored using appropriate approaches, methodology and methods, this study becomes both exploratory and descriptive, though tending more to exploratory. Drawing on the arguments in the literature and the theoretical conceptualisation in the previous chapters and in Figures 4.3 and 4.4, as well as the model in Figure 4.1, this chapter details the design employed in fulfilling the overall aim of this study and its objectives.

Accordingly, this chapter proceeds by discussing issues that uphold and provide the rationale for this study, as well as where this study steps in to resolve these issues, before discussing how this study attempted to solve the issues. In this regard, the research rationale, which includes the problem that prompted this study and a discussion of past research, opens this chapter. Subsequently, the study objectives are discussed, followed by the thesis statement and thesis propositions and then the design of this study, which is the core of this chapter. As regards design, elements of research, research approaches

and delineation – level and unit of analysis, study population, study sample and participants – are discussed, before explicating the methodology and methods applied. Research validity/trustworthiness and ethical consideration are also discussed, before the chapter concludes.

4.2 Research rationale

The components of the research rationale for any study should consist of the problem statement, past/prior research, current study and research objectives/questions. These components taken together constitute the purpose/justification/rationale of study. Thus, the rationale of this study is discussed below.

4.2.1 Problem statement

Recent evidence (Bhasa, 2015, p. 7; Grönblom & Willner, 2014, p. 268; Kloviene & Gimzauskiene, 2016, p. 188) suggests that most public enterprises all over the world have not efficiently, effectively and adequately utilised their financial and other resources. As a result, instead of boosting the social well-being of citizens and the financial resources of these countries, they deplete the finances of their owning states, while still not improving citizens' welfare (Kankaanpää et al*.,* 2014, p. 409). Several reasons have been put forward by commentators for this mismanagement. The first is the issue of lack of strong corporate governance facilitated by the free-rider, agency and SBC problems (Amoako & Goh 2015, p. 46; He et al*.,* 2016, p. 121; Moyo, 2016, p. 4; ; Simpson, 2014, p. 239). The second significant issue relates to the coherence of the objectives the enterprises pursue (Kankaanpää et al., 2014, p. 412; Pache & Santos, 2013, p. 975), as there are no criteria by which these enterprises know which of these conflicting objectives to pursue at the expense of the other. Often, conflict exists regarding striking a balance between the social and commercial objectives these enterprises pursue (Balbuena, 2014, p. 42). Likewise, there is problem of corruption, which is more likely to be present in developing countries than in developed countries (Belloc, 2014, p. 823; Li et al., 2012, p. 288). Further, political interference in the affairs of these enterprises often result in cronyism and/or nepotism (Kankaanpää et al., 2014, p. 411). As such, monitoring and accountability become difficult.

Thus, since states invest a major part of their national resources in these enterprises, stakeholders demand efficiency, effectiveness, transparency, public accountability and sustainability from the enterprises. In this connection, Grossi et al. (2015, p. 274) contend that the provision of public services and the consolidation of the public budget would be difficult to realise without governing and managing SOEs powerfully, efficiently and effectively. In this way, it is important that actions are taken that will result in the sustainability, efficiency, effectiveness and accountability of SOEs. Thus, the issue of sound, functioning corporate governance is paramount to these enterprises achieving their mandates and fulfilling organisational effectiveness and efficiency.

4.2.2 Past research

Literature on corporate governance has contributed to solving corporate governance challenges. However, the focus of this literature has been on ownership (Dumitrascu et al., 2015, p. 92); thus, enterprises have been said to be either public or private (Bhasa, 2015, p. 7; Bruton et al., 2015, p. 97; Ding, 2014, p. 170; Florio, 2014, p. 201; Grönblom & Willner, 2014, p. 270; Plūmiņš & Ščeulovs, 2016, p. 67; Wang, 2012, p. 487). Notwithstanding, a few studies have argued that SOEs are hybrid organisations (Alexius & Cisneros Örnberg, 2015, p. 288; Christensen, 2015, p. 308; He et al., 2015, p. 121; Pache & Santos, 2013, p. 972). These studies have also treated hybridity in terms of ownership as well. A further explanation has seen SOEs theorised as a third sector between traditional government administration and private enterprises (Putniņš, 2015, p. 815). Thus, as with capitalist and socialist arguments, full privatisation or full nationalisation, at different points in time, have been highlighted as the solution to the problems of SOEs. The upshot of this is that the primary focus of prior research has been on aspects of SOEs related to the organisational analysis of SOEs in terms of public and private enterprises; conceptual analysis pointing to future research directions; as well as studies on whether the public sector should be involved in commercial activities or not. Notwithstanding, a few studies have focused on corporate governance of SOEs, mostly in China, as China has the highest number of SOEs in the world (Cho & Huang, 2012; Leung & Cheng, 2013). These excessively qualitative studies have also treated enterprises as either private or

public. The effect of this is that there has been much focus on comparison between private and public enterprises, and on full nationalisation and full privatisation. This has also resulted in concluding that SOEs are hybrid organisations in terms of ownership. Thus, as a result of the complexity regarding the hybridity of SOEs, Peng et al. (2016, p. 311) have declared that there is lack of understanding of 'hybrids' as regards SOEs, which influences the way they are owned, organised and governed. Further, although Daiser et al. (2017, p. 1, 18) reported otherwise; a more comprehensive literature analysis in this study shows that much of the past research on SOEs has been explored qualitatively (Blyschak, 2016; Cahen, 2015; Hai & Donnell, 2017; Peng et al., 2016; Songvilay et al., 2017). Hence, it may not be possible to generalise results. Therefore, as with the other problems identified above, there is a need to theoretically explore issues identified in the selected countries in order to document country-specific SOE corporate governance issues, as discussed in the section below.

4.2.3 Current study

Concluding that the solution to the problems of SOEs is full privatisation or full nationalisation has not assisted in proposing solutions to the corporate governance of SOEs. In this context, it is expected that exploring the different kinds of ownership and organising models, as well as constitutional (legal and regulatory) arrangements, may likely deliver better results than outright privatisation or full state ownership, depending on specific national circumstances and on what government role SOEs are to undertake. While this assertion rests on the premise that SOEs are hybrids by virtue of the nature of their objectives and not necessarily ownership, it is also important to note this when designing a model for solving corporate governance issues of SOEs. The fact that SOEs are better theorised as hybrid organisations in terms of objectives compared with ownership, is because they combine social and commercial objectives, while at the same time not combining the governance characteristics of private and public organisations. Since these SOEs take both the objectives of private and public sectors, they may be truly categorised as hybrid organisations and thus differ from core public and core private enterprises. As a result of this complexity, Bruton et al. (2015, p. 93) have referred to these enterprises

as crucial organisational forms. An understanding of these ideas is key to structuring SOEs in a way that leads to their effectiveness and efficiency.

Furthermore, the issues of SOEs identified under the problem statement above have been common to SOEs for some time. In this regard, these issues have been allowed to linger as a result of the kind of structure in place, the level of development of the owning countries and the level of corruption that exists in those countries. Hence, today the basis of the problems identified above rests on the weak structural organisation, constitution and ownership models which do not fit the purpose for which these SOEs are established in most countries, as well as several interpretations of the role of SOEs vis-à-vis the role of government. If SOEs are owned, organised and constituted tightly on a model that is capable of reducing or eradicating these concerns, and their objectives and mandates are realistic and clearly articulated, SOEs will more likely be better equipped to deliver on their respective mandates. Thus, it is clear that investigating public entrepreneurship in general, and structure, organising, ownership and governance models, as well as the constitution (internal and external legal and regulatory frameworks) and role of SOEs in a single comparative study is highly likely to enable the development of an appropriate structural corporate governance model, which is expected to facilitate organisational effectiveness and efficiency of SOEs. This would entail a holistic approach to corporate governance in SOEs and in addition such structuring would determine the mode of operation and corporate governance mechanisms in organisations (Morgan, 2006, p. 172) and equally in SOEs. This research proceeds along these lines to explore the phenomenon of corporate governance in SOEs. Thus, this study compared and benchmarked the experiences of SOEs in the two countries, South Africa and Singapore, and explored differences and similarities in practice, while attending to the other objectives of the study with the aim of developing a generic structural corporate governance model that can be applied and contextually adapted to improve SOEs' organisational effectiveness and efficiency. Therefore, for these enterprises to thrive, in most countries they need a holistic approach to corporate governance along the lines of different ownership, organising, governance and, arguably in some cases and countries, constitutional arrangements, distinct from core public and core private corporate governance arrangements.

4.3 Research objectives

To achieve the aim of this study, as described in section 1.5, this thesis proceeds in three parts flowing directly from these objectives.

Part one objectives include:

- to understand the role of government from the existing literature, and
- to establish and argue for the appropriate role of government based on the above understanding.

Part two objectives include:

- to identify the problems associated with SOEs
- to identify the types of arrangements by which SOEs are owned and organised
- to examine internal and external regulatory frameworks guiding SOEs in the two countries studied
- to formulate a thesis and thesis propositions based on information obtained from the three steps in this second part above, with the purpose of underpinning these formulated thesis and thesis propositions
- to develop a framework that permits the analysis of inter-and intra-country ownership models of SOEs, and
- to develop a framework that permits the analysis of inter- and intra-country organising models of SOEs.

Part three objectives include:

- to identify the reasons for the establishment of SOEs, SIEs and SWFs in connection with the role of government in the countries
- to examine ownership and organising models using the frameworks developed in the second part
- to establish which of the identified arrangements are suitable for delivering SOEs objectives

- to determine how best the enterprises might be structured to achieve their raison d'être, and
- underpin the thesis and thesis propositions using information obtained/gathered from content analysis, questionnaire survey and semi-structured interviews.

These three parts, taken together, as well as providing evidence or otherwise to underpin the thesis statement and thesis propositions, deliver the aim of this study, which is the development of a structural corporate governance model that can assist SOEs to better deliver on their mandates.

4.4 Thesis statement

SOEs that are organised through a holding company and through part ownership by public and private role players are more likely to achieve separation of objectives; limit political interference; reduce SBC; eliminate free-rider problem; increase efficiency and effectiveness; and make the work of managers and the board less difficult, which is expected to lead to the attainment of desired goals. This thesis proposition is illustrated in Figure 4.1.

The above thesis is premised on the fact that since SOE ownership and organising models determine their governance structure, and that the constitution in place constrains or permits opportunistic behaviour, SOEs in some countries, and for the purposes of this study in South Africa, will be more likely continue to struggle if they are not structured, owned, organised and constituted in such a way that their mandates are separated from socio-political and economic demands. Such demands see them pursue double objectives (social and commercial) without being clear on which of the objectives to prioritise. Consequently, there should be a clear distinction between public enterprises and public entities (SBs). Organising SOEs in an incorrect manner leaves room for political interference, as SOEs are seen more as public entities (SBs) rather than public enterprises. Political interference adds political objectives to the initial social and commercial objectives that SOEs undertake. This means that, in most cases, depending on the mode of organising, SOEs indirectly pursue triple objectives (social, commercial and political). The

political objective is often silent, but its implications are usually significant. The pursuit of triple objectives, even when clearly articulated, which is not usually the case, sends conflicting signals to SOE boards, suggesting that states as owners are unclear about the desired goals for the SOEs for which they are responsible. This in turn leads to confusion about how SOE boards will achieve goals that are not clearly specified by owners and understood by boards. Additionally, conflicting signals often trigger opportunistic behaviour by boards because monitoring in wholly owned SOEs, especially in corrupt and developing countries, is usually a free ride (weak), and similar to agents monitoring agents or principals working with principals.

4.4.1 Thesis propositions

The following thesis propositions (*P*) flow from the above thesis statement.

- ***P*1** organising SOEs under a holding company and in part ownership leads to separation of objectives.
- ***P*2** organising SOEs under a holding company and in part ownership reduces political interference.
- ***P*3** monitoring is likely to be effective in SOEs that are organised under a holding company and in part ownership.
- ***P*4a** SOEs that pursue only either social or commercial objectives are more likely to achieve their mandate.
- ***P*4b** SOEs that pursue only commercial objectives are more likely to be organised under a holding company or under part ownership.
- ***P*5** SOEs that are organised under a holding company and in part ownership are more likely to eradicate 'soft budget constraint' by undertaking only commercial objectives and pay dividends to the state, which the state can use to pursue social and political objectives.
- ***P*6a** corporate governance in SOEs that are organised under a holding company and in part ownership is likely to be strong.

- ***P*6b** irrespective of ownership and organising models, the likelihood of strong corporate governance increases when the country is developed, with little or no corruption and the organisational constitution is strong.
- **P7** there is likelihood of reduced corruption in SOEs that are organised under a holding company and in part ownership.

Figure 4.1 depicts these propositions as well as their relationship with the thesis and the problem statements.

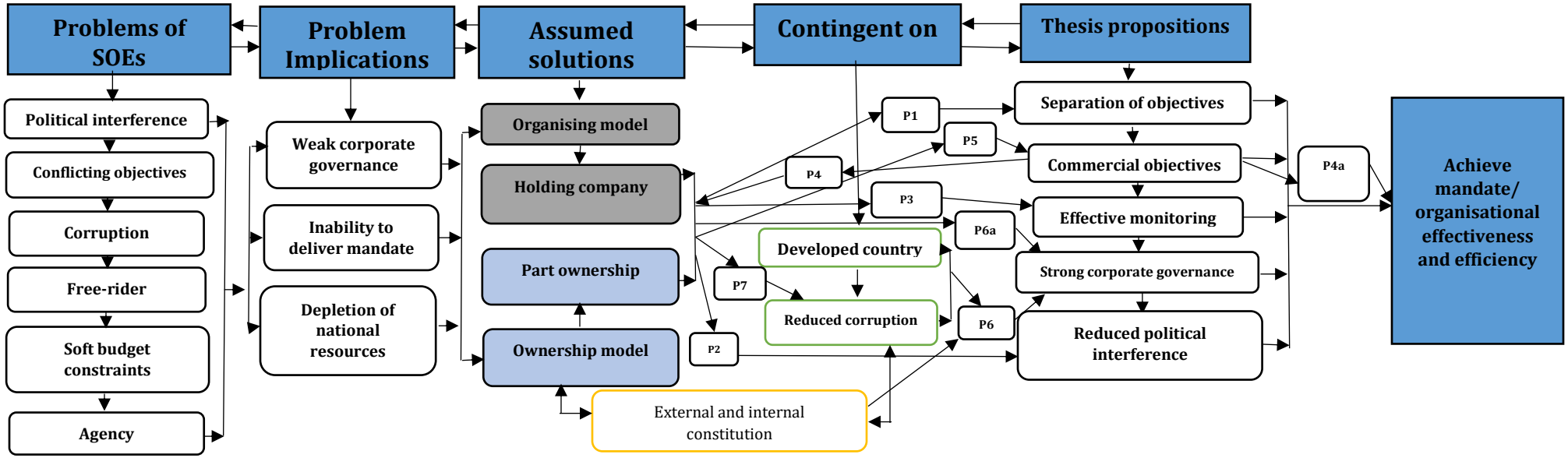


Figure 4.1: Relationship between problem statement, thesis statement and thesis propositions.

Source: Author's own compilation.

4.5 Research design

A research design entails a model, plan or framework for collecting, gathering, measuring and analysing data towards fulfilling research objectives and/or answering research questions (Sekaran & Bougie, 2016, p. 95). This section describes the design of this study.

4.5.1 Background

The design of this research rests on insights from Saunders, Lewis, and Thornhill's (2008) 'research onion', Hofstee's (2013) thesis and objectives arguments and Crotty's (1998) four elements of research. It follows then that this part among other things touches on the four elements, in the order presented in Crotty (1998, p. 4). In this regard, an explanation of the epistemology, the theoretical perspective, the methodology and methods informing this research is presented below. This part also outlines the approaches to research, the analysis techniques utilised, and the objectives pursued by the data gathered/collected. This leads to a discussion on how this study ensured validity/trustworthiness and considered ethics in research, before the chapter concludes.

Aside from the SOEs in Singapore, the Singaporean government, through Temasek owns investments in other enterprises in conjunction with the private sector. For the purposes of this study, the term 'SOE' also applies to Singaporean enterprises instead of GLCs.

4.5.2 Elements of research

Following Crotty (1998, p. 4), as argued above, an explanation of the four elements of research is provided, albeit with a little departure, in line with this study. This departure is a result of the fact that Crotty (1998) did not include ontology in his elements of research; this study includes ontology to arrive at five elements of research, as illustrated in Figure 4.2. Crotty's (1998) approach is useful because it points to the fact that the distinction between quantitative and qualitative research arises at the level of methodology and methods, as demonstrated in the explanation of the approaches below. What happens at the level of

epistemology and theoretical perspectives distinguishes between a positivist/objectivist and a subjectivist/constructionist/constructivist paradigm (Crotty, 1998, pp. 14–15). Because of their usefulness in understanding research approaches, three of these elements – epistemology, ontology and theoretical – are discussed in the context of this study in the section below before discussing research approaches. The other elements of research are discussed in the context of this study in various other sections below, following the discussion on research approaches.

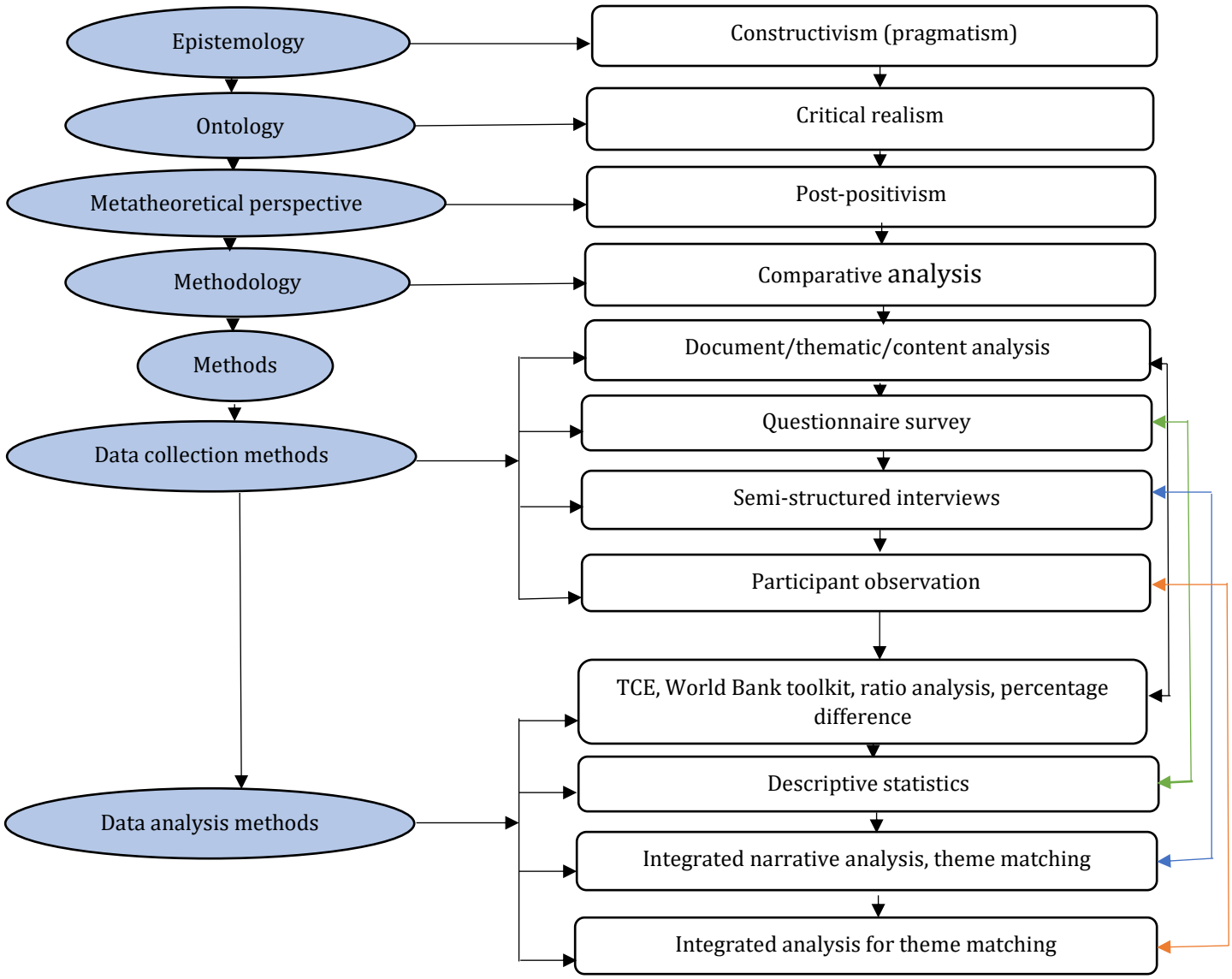


Figure 4.4: Five elements of research as used in this study.

Source: Author's own compilation with insights from Crotty (1998, pp. 4–17) and Trochim (2006a, b, c)

4.5.2.1 Epistemological perspective – constructivism (Pragmatism)

Philosophically, epistemology is the theory of knowledge that is rooted in the theoretical perspective and thereby in the methodology (Crotty, 1998, p. 3). This definition is similar to that of Blaikie (2009, p. 8), who defines epistemology as the possible ways of gaining

knowledge of social reality, in whatever capacity it is understood. Thus, epistemology is basically concerned with the provision of a philosophical foundation for deciding possible types of knowledge, coupled with the task of ensuring that the knowledge is appropriate, valid and arguable. There are basically three epistemological perspectives, objectivism, constructivism and subjectivism (Crotty, 1998, p. 5). A fourth epistemological perspective, which arises as a result of combining research approaches, is pragmatism. This description of pragmatism (Morgan, 2007, pp. 51–54) is closely related to constructivism compared with the other epistemological perspectives; taking constructionism as the epistemological perspective for an interpretivist perspective and as distinct from constructivism (Crotty, 1998). The epistemological stance adopted in this study is constructivism. Constructivism as an epistemology believes that meaning is constructed from the view of the world in connection with the way human beings view the world around them (Landesman, 1997, pp. 61–62; Trochim, 2006a). Thus, constructivism is concerned with exclusive meaning making. In this way, the idea is that it is impossible for human beings to see the world really as it is because human beings construct meaning differently and often out of bias, which affects observations. Accordingly, since it is not possible to objectively see the world, the world has to be meaningfully constructed from objects. This means that a researcher may sometimes be compelled to stand between two views of the world in making meaning of the world, which is where pragmatism comes in. Crotty (1998, p. 5) has given a detailed account of different types of epistemology; hence, while constructivism (as is pragmatism) is more in line with a mixed methods approach, constructionism is in line with a qualitative approach (Crotty, 1998).

Pragmatists believe that research can be both objective and subjective (Sekaran and Bougie, 2016, p. 29). While positivists believe the world is objective, and observable phenomenon be reported as it is, constructionists subjectively focus on interpreting the world as they perceive it to be. In this regard, constructivists do not take on particular position on what results in a good research. Hence, are pragmatists. To pragmatists, research is a process where meanings and concepts are products of our environment and our past actions and experiences (Sekaran and Bougie, 2016, p. 29). Norreklit, Norreklit and Mitchcell

(2010, p. 738) have combined these observations to theorise pragmatic constructivism. In discussing Pragmatic constructivism, Norreklit et al. (2010, 738) note that for a construct to be a convincing basis for taking actions, four dimensions of reality of must be integrated in the actor-world scenario: facts, possibilities, values and communications. They note that fact is the empirical dimension, possibilities the logical dimension, values the motivational dimension and communication the social dimension. Thus, pragmatist constructivism as an epistemology is a fact-observation process which is sustained by possibilities, values and communication (Norreklit et al., 2010, 738-746). Norreklit et al. (2010, p. 756) further submits that in pragmatic constructivism, methods from various philosophical perspectives have to be applied in an integrated dimension. This was achieved by utilising the multiphase mixed methods approach.

4.5.2.2 Ontological perspective – critical realism

Ontology is the philosophical assumption about the nature of reality; it is the study of being. Ontology is a useful complement to epistemology (Crotty, 1998, p. 10; Easterby-Smith, Thorpe, Jackson, 2008, p. 158), as it grounds the theoretical perspective, which contains an understanding of what is known. The ontological perspective adopted in this study is critical realism. Sayer (2000, p. 158) observes that critical realism starts with the Bhasker ontology and then incorporates relative interpretative thread into the Bhasker ontology. Accordingly, critical realists accept that concepts are human constructions and maintain that social conditions have real effect, whether they are mapped by social scientists or not (Easterby-Smith et al., 2008, p. 160). This indicates that there is a possibility of scientific knowledge of social science and society. In this regard, this kind of knowledge takes the form of explanatory critique, which rests on the intuition of human emancipation that emanates from the dominating structures that constrain essential human freedom (Bhasker & Hartwig, 2010, p. 75).

Thus, critical realists may believe in objective truth, but they believe that external reality cannot be objectively measured but interpreted (Sekaran & Bougie, 2016, p. 29). In this

respect, Bhasker (1989, p. 2) points out that critical realists are aware of the reality of events and discourses, and they base their beliefs on that. However, critical realists maintain that it is an understanding of the structures generating events and discourses that leads to a possible needed change of events in the social world. The difference between this critical realism and the 'new realism', as Bhasker (1989, p. 2) reports, is that the new realism does not pay attention to structures and mechanisms generating observable phenomena and events.

4.5.2.3 Metatheoretical perspective – postpositivism

A metatheoretical perspective entails the philosophical stance that informs methodology and thus grounds the process, logic and criteria behind a particular inquiry (Crotty, 1998, p. 7). The metatheoretical perspective underpinning this study is postpositivism. There are variants of postpositivism but for the purposes of this study, following Trochim (2006), postpositivism means a sweeping rejection of the central arguments of positivism (objectivism). In this way, postpositivism recognises that all observations and/or measurements in the natural science are fallible and have error, and that all theory can be revised. Thus, the use of multiple observations and measures (triangulation), which often possess various types and degrees of error, are necessary as a way of triangulating sources in order to reduce errors. A common form of postpositivism is a philosophical stance known as critical realism. This is because a critical realist is critical of the ability of human beings to know reality with certainty (Trochim, 2006).

For the purposes of this study, in terms of epistemological perspective, this study espoused the constructivist (as is pragmatism) which is in line with the mixed methods approach. The study also adopted critical realism as its ontological perspective. Further, the study was informed by the post-positivist metatheoretical perspective.

4.5.3 Research approach

There are three primary approaches to research; quantitative, qualitative and mixed methods. These approaches represent the dominant (objectivism), alternative (constructionism) and emerging (pragmatism and critical realism) paradigms, respectively, in accounting research and arguably in social science research (Saunders & Lewis, 2012, p. 104-107; Sekaran & Bougie, 2016, p. 28-29). This study adopts the emerging mixed methods approach.

4.5.3.1 Quantitative approach

The epistemological philosophy of this approach is objectivism. Accordingly, the ontological assumption of this approach is that truth is objective and is out there waiting to be discovered (Crotty, 1998, p. 5). In this way, researchers following these assumptions in discovering truth engage in the use of the scientific approach to research by deductively developing hypotheses for the purposes of establishing a cause-and-effect relationship (Sekaran & Bougie, 2013, p. 29). Thus, this quantitative research approach primarily makes use of methodology and methods used in the natural sciences such as experiment and survey in terms of methodology and sampling, questionnaire measurement and scaling, as well as statistical analysis in terms of methods (Crotty, 1998, p. 5).

4.5.3.2 Qualitative approach

On the other hand, the epistemological philosophy of the qualitative approach is constructionism and subjectivism. Accordingly, the ontological assumption of this approach is that meaningful realities are a product of human reasoning and minds, and that this meaning can only be constructed and not discovered as positivists claim (Crotty, 1998, p. 5). As such, researchers following these assumptions in constructing meaningful realities make sense of the world around them by engaging other subjects present in their research environment (Sekaran & Bougie, 2013, p. 29). Thus, this qualitative research approach makes use of humanly constructed methodology and methods. Unlike the quantitative

approach, in the qualitative approach researchers make use of methodology and methods that are suitable for constructing meaning rather than taking meaning as a given. Some of the methodology used by qualitative researchers includes comparative analysis, action research, discourse analysis and ethnography. Some methods used in qualitative research include document/content/thematic analysis, semi-structured interviews, focus groups and participant observation (Crotty, 1998, p. 5).

4.5.3.3 Mixed methods approach

The epistemological philosophy of this approach is pragmatism (Saunders & Lewis, 2012, p. 107). Accordingly, the ontological assumption of this approach is critical realism, which states that truth is both objective and can be constructed (Bhasker, 1989, p. 2; Landesman, 1997, pp. 155–158; Saunders & Lewis, 2012, pp. 105–106; Sekaran & Bougie, 2016, p. 29). In this way, researchers following these assumptions in discovering and constructing truth engage in the use of both a scientific approach to research by often, but not necessarily, deductively developing hypotheses for the purposes of establishing a cause-and-effect relationship (Sekaran & Bougie, 2013, p. 29). Coupled with this, researchers following these assumptions also engage in constructing meaningful realities to make sense of the world around them by engaging other subjects present in this environment (Sekaran & Bougie, 2013, p. 30). Hence, a mixed methods approach is basically concerned with finding a balance between the other two approaches, quantitative and qualitative. A mixed methods approach uses both qualitative and quantitative approaches, methodology and methods; thus, it combines the deductive element of quantitative and the inductive element of qualitative approaches to come up with abduction. This abduction moves back and forth between the two major approaches, as the basis of its analysis (Ackers, 2014, p. 133; Saunders & Lewis, 2012, p. 107). In this way, a mixed methods approach utilises a combination of quantitative and qualitative methodology and methods, depending on the research objectives and/or questions (Saunders & Lewis, 2012, p. 107). A key feature of this approach, also known as triangulation, is that researchers often tend to use this mixed methods because researchers see it as triangulating evidence in order to improve research rigour and as a better way of

answering research questions and fulfilling research objectives (Landesman, 1997, pp. 155–158). In this regard, Saunders and Lewis (2012, p. 107) contend that key determining factors of the research approach employed, especially from a pragmatist angle, are research questions and research objectives. In this context, Creswell and Plano Clark (2018, p. 37), in agreement with Saunders and Lewis (2012, p. 107) regarding the importance of research questions in choosing a research approach, have added that a pragmatic approach is pluralistic and works with real-world practice and what works; thus it has considerable advantages over other worldviews (Creswell & Plano Clark, 2018, pp. 34–48).

There are different mixed methods designs (Creswell & Plano Clark, 2011, p. 68). The multiphase exploratory mixed methods approach design used in this study combines sequential and concurrent mixed methods strands over a period of time in order to fulfil a research aim decided at the research design stage. Since it is a fixed mixed methods design, planned and determined at the start of the research, the procedure is implemented as the research progresses (Creswell & Plano Clark, 2018, p. 52). The reason for using this multiphase exploratory mixed methods design is that it was envisaged at the design level that the multi-staged research objectives could only be accomplished using a method that connects different stages of the research objectives together to fulfil the aim of this study (Creswell & Plano Clark, 2011, p. 11). In addition, at the design stage it was also envisaged that the five reasons for mixing methods – triangulation; complementarity; development; initiation; and expansion – identified by Greene, Caracelli, and Graham (1989, pp. 258–271), were also important to this study in that the description of these reasons encompasses what the multiphase exploratory mixed methods design adopted in this study seeks to achieve. This design combines both concurrent and sequential timing. Thus, the multiphase exploratory design uses connected sequentially aligned qualitative and quantitative stages or studies in order that each new phase builds on what was previously learnt towards fulfilling an overall research aim. Following this multiphase exploratory mixed methods approach in this study, the researcher alternates the qualitative and quantitative approaches across three objective stages and three empirical phases (Creswell & Plano Clark, 2011, p. 100). In this regard, in the first phase of this multiphase study, following the initial literature

review, the researcher started by conducting a qualitative assessment to understand the context of the proposed study and to document key issues relating to it; thus, priority is on the qualitative approach (Creswell & Plano Clark, 2011, p. 72). In the second phase, using this information the researcher develops three-stage objectives and then a three-phase data collection plan for the development of an intervention-based model or process, in the third phase, which is presented in Figure 6.2 (Creswell & Plano Clark, 2011, p. 77). In this study, the level of interaction (Creswell & Plano Clark, 2018, p. 57) is interactive in that both qualitative and quantitative data were mixed before the final interpretation stage, the reason being that the study was conducted over three phases in which mixing occurred at the overall design level (Creswell & Plano Clark, 2011, p. 67; 2018, p. 52). In this way, mixing occurred at the levels of data collection, data analysis and interpretation. These mixed data were analysed and interpreted together in an integrated manner.

4.5.4 Delineation

Delineation deals with setting the boundaries of a study (Hofstee, 2013, pp. 89–90). This section discusses this delineation as it applies to this study.

4.5.4.1 Level of analysis

The analysis level is the organisational field level. As described in section 1.9.1, this field is significant in organisational analysis, taking into account various role players that are involved in conventional sense-making. For the purposes of this study, the organisational field covers the key suppliers as SOEs, the consumers of goods and services such as citizens and the public at large, regulatory agencies such as governments, regulatory inspectors and corporations; and similar enterprises that produce comparable service and products, such as SIEs, SWFs and POEs. Accordingly, it is clear that the pressure exerted by role players in this organisational field will be significant and have effects on the organisations as well as the role players present in this field.

4.5.4.2 Unit of analysis

As described in section 1.9.2, comparative analysis occurs at the level of three units: individual, organisation and nation, which are the micro, meso and macro units respectively (Jreisat, 2005, p. 237; Wilson, 2011, p. 296). Thus, since SOEs are organisations, this is a meso-analysis unit. Because this study makes comparisons between countries and explores this organisational field as a whole, the study also analyses at the level of the macro unit. Hence, the relevant units of analyses in this study are the meso and the macro units.

4.5.5 Study population

Broadly speaking, the research population of this study prospectively consisted of national SOEs, SIEs and SWFs in South Africa and Singapore. However, because this is a comparative study, the organisations selected for analysis had to be comparable. However, it was impossible to compare all SOEs, SWFs and SIEs in these countries, as similar enterprises were grouped and compared with each other within a particular country (intra) and with the other country (inter). Hence, the research population was restricted to those enterprises in which inter and intra comparisons were possible. In this way, 36 enterprises were compared. Of these 36 enterprises, 21 are South African enterprises and 15 are Singaporean enterprises (see Figure 4.5 for details). These enterprises were purposively selected based on certain parameters. The first of these was comparability, then the sectoral grouping of Singaporean SOEs was used; thirdly, the level of importance to the countries and the experience of these SOEs, especially in the primary country of analysis, South Africa. For analysis purposes, the arrangement of SOEs presented in Figure 4.5 in the two countries takes sectoral division as seen in Singaporean classification of SOEs (classification of SOEs/SIEs in Singapore in Figure 3.6). However, columns for Consumer and Real Estate and Life Sciences and Agribusiness, as seen in Singapore's SOEs sectoral division, were not included in the sectoral divisional framework of this study, as South Africa does not have SOEs in those sectors. Consequently, the sectoral division was only used in grouping enterprises for easy navigation for the purposes of this study.

In this way, some enterprises under the original sectoral division, as seen in Figure 3.6 were rearranged. For example, Singapore's Mapletree Investments, under Consumer and Real Estate is grouped under the Financial sector of the analysis framework in Figure 4.5 because, as an investment company, it can be compared with some SOEs in the Financial sector in South Africa. Also, the Singaporean GIC is not a SOE, but an SWF. The equivalent of GIC in South Africa is the PIC; these were both included as they are comparable.

4.5.6 Research sample/study participants

Although the study utilised a mixed methods approach, probability sampling, which is more of a quantitative sampling technique, entailing random sample selection from a complete list of population (Saunders & Lewis, 2012, p. 133), was not feasible. This is because, although the complete set of enterprises was known, these organisations had to be matched with similar organisations in order that a comparative analysis would be possible, and the conditions of a proper comparative analysis would be sustained (Peters, 1994, p. 84). Hence, non-probability sampling, which is also more of a qualitative sampling technique used for selecting samples when the complete set is not known (Saunders & Lewis, 2012, p. 134), was more applicable and thus used. Accordingly, in order to ensure that the enterprises were comparable, purposive sampling, which is a variant of the non-probability technique was employed in restricting sample organisations to comparable organisations. Likewise, purposive sampling was employed to determine and select survey respondents and interview participants. This assisted in demonstrating transferability as part of the trustworthiness of this research and also ensured that participants were limited to those who could answer the research questions. It should be noted that purposive sampling differs from convenience sampling in that, as used in this study, it generally assists in ensuring that participants/respondents and organisations can in the researcher's opinion, answer the questions posed, fulfil research objectives and ensure that sound comparisons are used (Brown & Hale, 2014, p. 121). Thus, purposive sampling eliminates any form of convenience in sample selection (Sekaran & Bougie, 2016, pp. 248–249) generally and in this study.

Hence, using purposive sampling, of the identified 24 SOEs, SIEs and SWFs in South Africa, 21, representing 88%, were selected for this study (SOEs 17, 3 SIEs and 1 SWF). With regard to South Africa, despite the fact that Table 3.1 presents 42 SOEs and three SIEs, most of these enterprises are SBs, and thus are not taken to be SOEs. Of the 40 SOEs, SIEs and SWFs in Singapore, 15, representing 38%, were selected for this study making a total of 36 SOEs, SIEs and SWFs and thereby eliminating 28. Thus, this study considered only 56% of public enterprises in the two countries; nevertheless, the three categories of enterprises, SWF, SIEs and SOEs, were adequately represented.

4.5.7 Methodology

Methodology encompasses the strategy, plan of action, process and/or design informing the choice and use of specific methods (Crotty, 1998, p. 3). Methodology further entails connecting the choice and use of methods together (Saunders & Lewis, 2012, p. 211).

4.5.7.1 Comparative cases within mixed methods approach

As its methodology, this study used the comparative analysis method. This enabled the comparison of SOEs, SIEs and SWFs in South Africa and Singapore. The comparative study approach is an interdisciplinary research approach (Harrison & Callan, 2013, p. 17) that focuses on comparing elements that are both similar on one hand and different on the other. Accordingly, it follows that the comparative approach is used in the natural sciences, sociology, accounting, business management, political science, economics, medicine, law and so on (Tuene, 1990, p. 38; Whetten, 2009, p. 64), albeit in different forms and for different issues. The comparative approach is important as it helps in the documentation of issues across time and place (Aldrich, 2009, p. 21; Giddens, Appelbaum, Duneier, & Carr, 2013, p. 30;). Hence, when properly conducted, a comparative approach permits documenting whether features in one case are present in another case, thus providing the necessary tool for assessing competing explanatory frameworks and testing models across space, time, cultures, organisations, contexts and nations (Jreisat, 2012, p. 27). A comparative study thus involves the selection and analysis of numerous cases to enable the analysis of similarities

and differences between cases. In essence, comparative design allows the researcher to compare and contrast varying themes appearing from different forms, and in different contexts. To this end, a comparative study seems to aid the generalisability of results, placing reliance on findings and learning between cases (organisations, individuals, countries, communities, and so on). This is known as cross-sectional or synchronic comparison (Goodrick, 2014, pp. 1–3; Hämäläinen, 2014, p. 9). A comparative study also enables the matching of themes appearing in one context to those appearing in other contexts.

A comparative study is useful in analysing policy and programmes, whether working or not. It is also sgood for answering 'why' and 'what' questions, especially exploratory 'what' questions (Goodrick, 2014, p. 1; Yin, 2014, p. 10)**.** Comparative studies are undertaken from time to time since they permit contextual comparisons whether within or across context. A comparative study design, to an extent, helps in mitigating generalisation and reliability problems associated with the case study approach. Although the strategies used in data collection for single and comparative studies are similar, a comparative study usually involves more rigorous conceptual, analytic and incorporating work. This incorporation across cases takes analysis beyond a mere comparison of similarities and differences (Goodrick, 2014, p. 3). Thus, comparative studies, in addition to supporting correlation, also support the examination of causality. For example, the extent to which intervention/policy decisions cause results, particularly outcomes and effects.

4.5.7.1.1 Generating comparative samples from theories

Although purposive sampling was used for selecting the organisation, respondent and participant samples, theoretical sampling was used in selecting countries. Theoretical sampling is purposive in nature and is a form of sampling for comparative study in which samples are selected based on theoretical arguments. The building of comparative samples from theories takes place in six stages. The first stage entails a decision on the type of comparative analysis to conduct. Having decided on this, the second stage involves deciding on the type of comparative design to use. The third stage involves a rigorous review of the literature. The fourth stage entails generating theoretical arguments from the literature. The

fifth stage involves matching cases, countries or societies with the theoretical arguments derived from the literature for use in conducting the study, and selecting countries based on how they match to theories as well as other parameters such as closeness and how well the countries fare in terms of the theories if many countries match a particular theoretical argument. The last stage is stage two sampling that is, selecting within country or society samples based on the selected countries or societies, or based on theoretical arguments where applicable. In this case, theoretical sampling would be sampling based on some form of theoretical argument; say, for the purposes of this study, that SOEs should be organised in such a way that commercial objectives are separated from social objectives and, thus, these SOEs should not be organised under state ministries (see Keynes (1926, pp. 41–45) for this argument). A opposing argument would be that state-owned enterprises should be organised under the state in order to provide a form of competition necessary to curtail the evils of private ownership (see Marx 1887 (1967) for this argument); thereby selecting samples of countries and organisations in the countries based on these theoretical arguments. This was the sampling used for country selection in this study and, thus, the selection of Singapore as the secondary country of analysis. In this case, even though Singapore and South Africa are at different stages of economic development, they are both developing countries. In this regard, the United Nations (UN) (2019, p. 170), in its World Economic Situation and Prospects 2019 based on the report prepared by the Economic Analysis and Policy Division (EAPD) of the Department of Economic and Social Affairs of the United Nations Secretariat (UN/DESA), following information obtained from the Statistics Division and the Population Division of UN/DESA, as well as from the five UN's regional commissions, the United Nations Conference on Trade and Development (UNCTAD), the IMF, the World Bank, the OECD, the United Nations World Tourism Organisation (UNWTO), and national and private sources, have categorised both countries as developing economies. Other countries identified by the OECD (2005, pp. 59–60) as using the holding company model type are Italy, Austria, Hungary, Czech Republic and Slovakia. These might have been selected in the place of Singapore but are classified as developed countries according to the UN's (2019, p. 170) classification under World Economic Situation and Prospects, 2019. Figure 4.3 details the stages involved in this theoretical sampling.

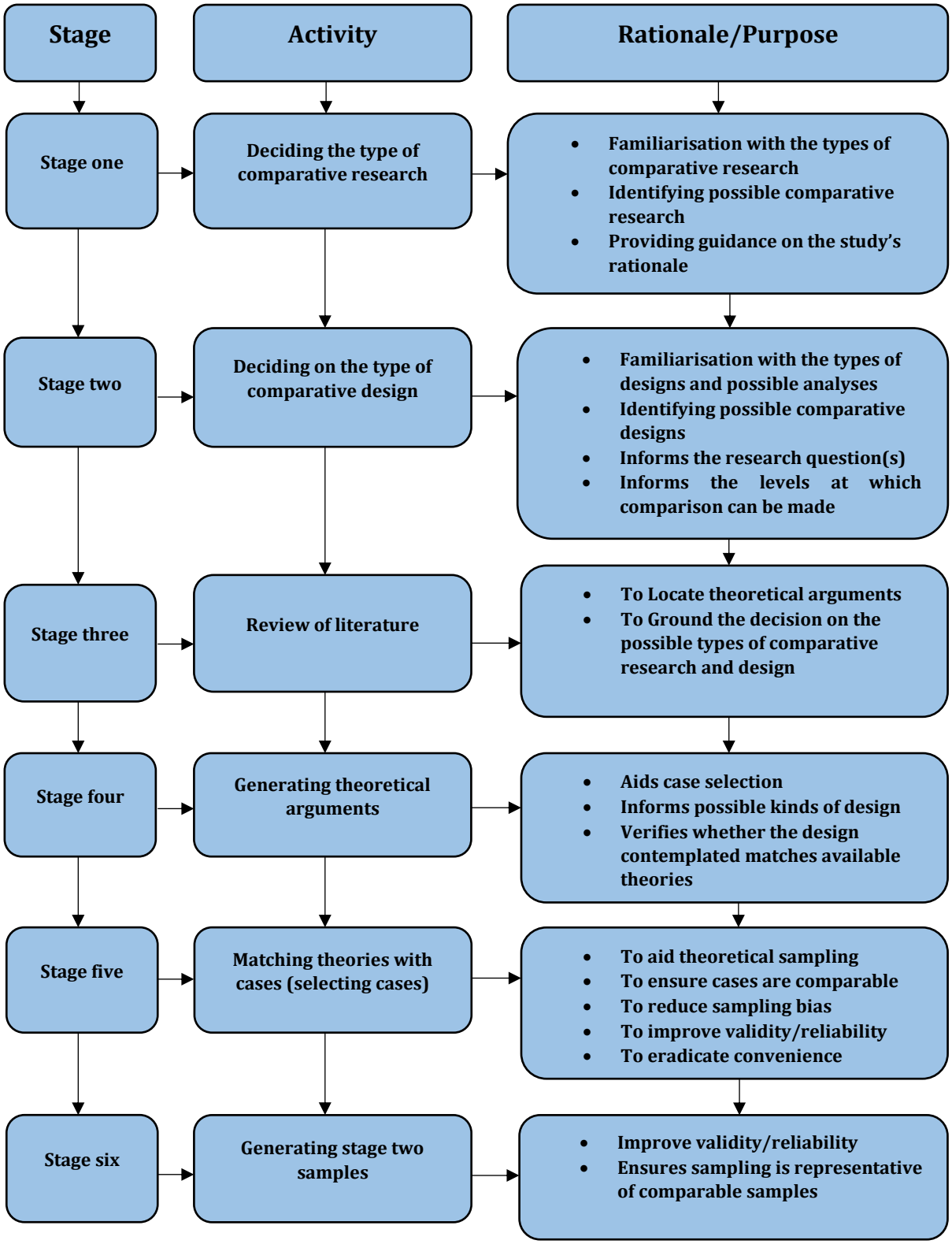


Figure 4.2: Theoretical sampling process

Source: Author's own compilation.

4.5.8 Empirical study

Empirical study entails the part of research that involves the gathering/collection of information for observing or measuring actual experience rather than theory and/or belief (Cahoy, 2017).

4.5.8.1 Methods/strategies

Methods are the techniques or procedures used in the collection/gathering and analysis of data relating to the thesis statement(s), research questions, aims and objectives (Crotty, 1998, p. 3). This study gathered data in three different phases, as discussed earlier. The first phase involved scrutinising enterprise documents as a way of understanding the context of the study. The second phase used a survey questionnaire to seek expert opinion necessary in underpinning the thesis and thesis propositions. The third phase involved the use of semi-structured interviews with corporate governance experts, SOE managers, SOE specialists and departmental entity oversight directors. In summary, the analysis and the resulting interpretation of the data collected in these three empirical phases provided the evidence used in evaluating the thesis statement and thesis propositions and in the development of the structural corporate governance model presented in Figure 6.2.

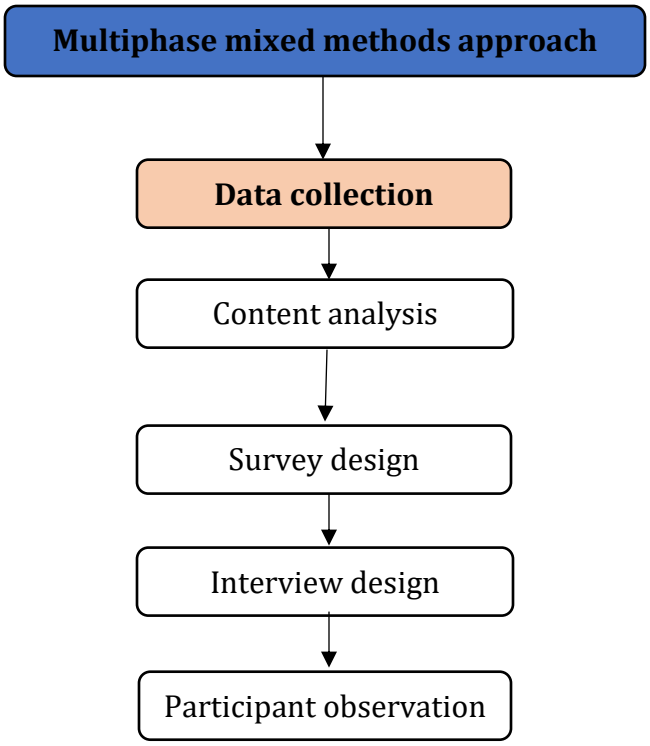


Figure 4.4: multiphase mixed methods approach (data collection)

Source: Author's own compilation.

4.5.8.1.1 Document/content/thematic analysis (archival) — Phase 1

Document/content/thematic analysis entails an analysis technique usually applied to textual data but also to other forms of data (Mathews & Ross, 2010, p. 395). In this context, while document is more applicable in general, content is more applicable to quantitative analysis, thematic analysis is more applicable to qualitative analysis, prompting Sekaran and Bougie (2016, p. 350) to separate this into content and conceptual analyses respectively. However, the term 'content analysis' is favoured in this study to mean the same thing as document/content/thematic analysis. Document/content/thematic analysis involves skimming, reading and interpretation. Thus, content analysis is an iterative process that involves organising information into categories towards answering research questions (Bowen, 2009, p. 32). The content analysis phase was guided by the pragmatist approach described by Rossman and Wilson (1985, p. 61), and exemplified by Sogunro (1997, p. 717).

For the content analysis phase, which was guided by Rossman and Wilson (1985) and Sogunro (1997), this study conducted an analysis of the contents of the internal and external legal and regulatory frameworks of the enterprises; the company websites, annual reports, corporate governance documents, corporate governance codes, practice guides, board charters, companies Acts and other relevant governance reports and Acts in these states, as well as journal articles, companies' publications, annual reviews and web pages for necessary information (Appendix 6). The purpose of this was to gather the requisite data to support and/or underpin the thesis statement and thesis propositions, as well as to fulfil other research objectives. Thus, essentially, different views were documented about wholly owned and partly owned SOEs, as well as the three different organising models (decentralised, centralised, and holding company). Particularly, in line with the themes in the World Bank (2014) toolkit for assessing corporate governance in SOEs, the analysis examined internal and external legal and regulatory frameworks, ownership and organising models, methods for monitoring performance and accountability, financial and fiscal discipline, boards of directors and transparency and disclosure, special issues in mixed ownership and implementing reforms. Other issues scrutinised included SOEs' mode of operation and the manner in which they discharge their mandates. Further, the analysis scrutinised relevant operational efficiency in terms of fixed assets and fixed asset turnover. The analysis also entailed obtaining information that enabled the exploration and explanation of how SOE boards are nominated, their composition, and how they report on their performance in this regard. Figure 4.5 pictures the framework for the way the content analysis was conducted.

Figure 4.5 is a product of Figures 3.4 and 3.5, designed for the purposes of analysing the ownership models of SOEs in the two countries. As seen in Figure 4.5, SOEs in the two countries are arranged into sectors, as seen in the Singaporean classification in Figure 3.6. However, columns for Consumer and Real Estate and Life Sciences and Agribusiness are not included as South Africa does not have SOEs in those sectors. In Figure 4.5, there are four sectors, the Telecommunications, Media and Technology, Transportation and Industrials, Energy and Resources, and Financial sectors. In grouping SOEs in South Africa and Singapore

into these sectors, while the SOEs in the two countries are matched to each other sector-wise, a distinction was made between wholly owned and partly owned SOEs. This in effect means that while comparing SOEs within sector in the two countries singularly and with the other country, a comparison of wholly owned and partly owned SOEs within sector in the two countries singularly and with the other country was also conducted.

In Figure 4.5, wholly and partly owned SOEs in South Africa are listed first, with wholly on the left and partly on the right. The arrows facing downwards denote South African SOEs, while Singaporean SOEs come from the bottom of Figure 4.5, with arrows facing up to feed comparatively into the South African SOEs.

Under the Telecommunications, Media and Technology sector, the SABC was compared with the Media Corporation of Singapore (Media Corp). Further, SA Post was compared with Singapore Post (Sing Post) in the inter-country comparison. In another inter-country comparison, Telkom SA was compared with Singapore Telecom. In the intra-country comparison, Broadband Infraco, SA Post and the SABC were compared with Telkom SA; while ST Telemedia and Media Corp were compared with Singapore Telecom and Sing Post.

Under Transportation and Industrials, in the inter-country comparison, Transnet was compared with PSA Int. Ltd. Another inter-country comparison was between PRASA and SMRT Corporation. Further, DENEL was compared with ST Engineering, and SAE and SAA were compared with Singapore Airlines (Sing Air). In the intra-country comparison, SAE and SAA were compared with ACSA, and Arcelor-Mittal was compared with DENEL. PSA Pte Ltd and SMRT were compared with Sing Air and ST Engineering.

Under Energy and Resources, ESKOM was compared with SP, PetroSA and Pavilion Energy were compared, Alexkor and AEMFC were compared with Turquoise Hill Resources and SASOL, in the inter-country comparison. In the intra-country comparison, PetroSA and AEMFC were compared with SASOL, and SP and Pavilion Energy were compared with Turquoise Hill Resources.

In inter-country comparison under the Financial sector, the Landbank of South Africa and the Development Bank of South Africa (DBSA) were compared with the DBS, the PIC and GIC were compared and the ECIC and Mapletree Investment were compared. In the intra-country comparison, PTbank and Mapletree were compared; and GIC and DBS were also compared.

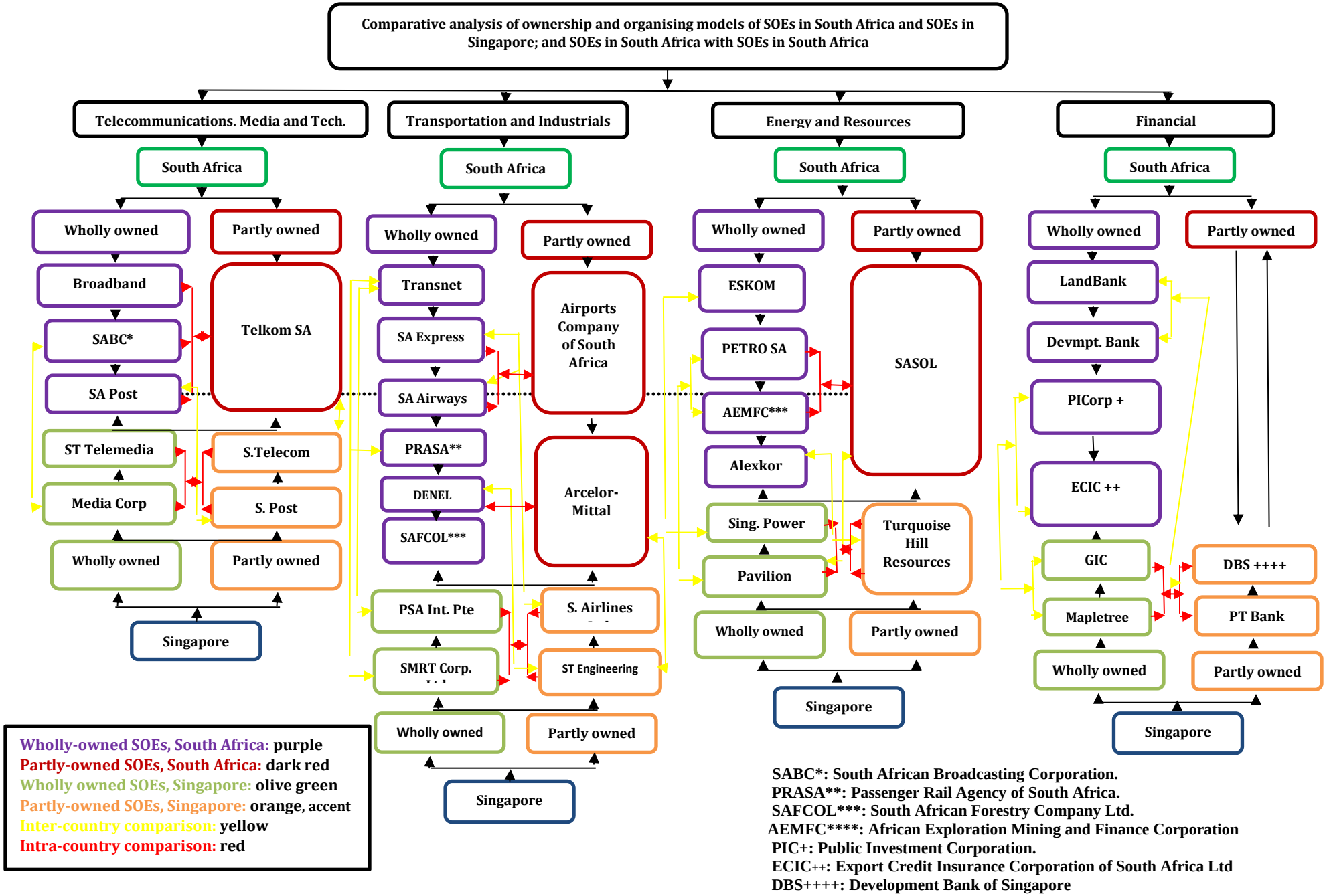


Figure 4.5: Analysis framework of ownership and organising model Source: Author's own compilation.

In Figure 4.5, it is clear that inter- and intra-country comparison of SOEs in Singapore and South Africa is possible and was thus conducted. However, in terms of organising models, since South Africa and Singapore use different organising models, with South Africa using two – the centralised and decentralised models – and Singapore using one – the holding company – it means that an intra-country organising model analysis can only be meaningfully conducted for SOEs in South Africa since South Africa uses two organising models, while Singaporean SOEs uses only one. In conducting inter-country comparison of ownership models in Figure 4.5, the organising models in both countries have also been conducted. Figure 4.6 depicts the organising models used in South Africa and Singapore. Under the centralised model, ESKOM, Transnet, DENEL, SAE, Alexkor, SAFCOL and SAA were compared with ACSA, DBSA, PIC, Telkom SA, the Landbank, SA Post, Broadband Infraco, PRASA, AEMFC, PetroSA, SABC and ECIC, which are SOEs that apply the decentralised model.

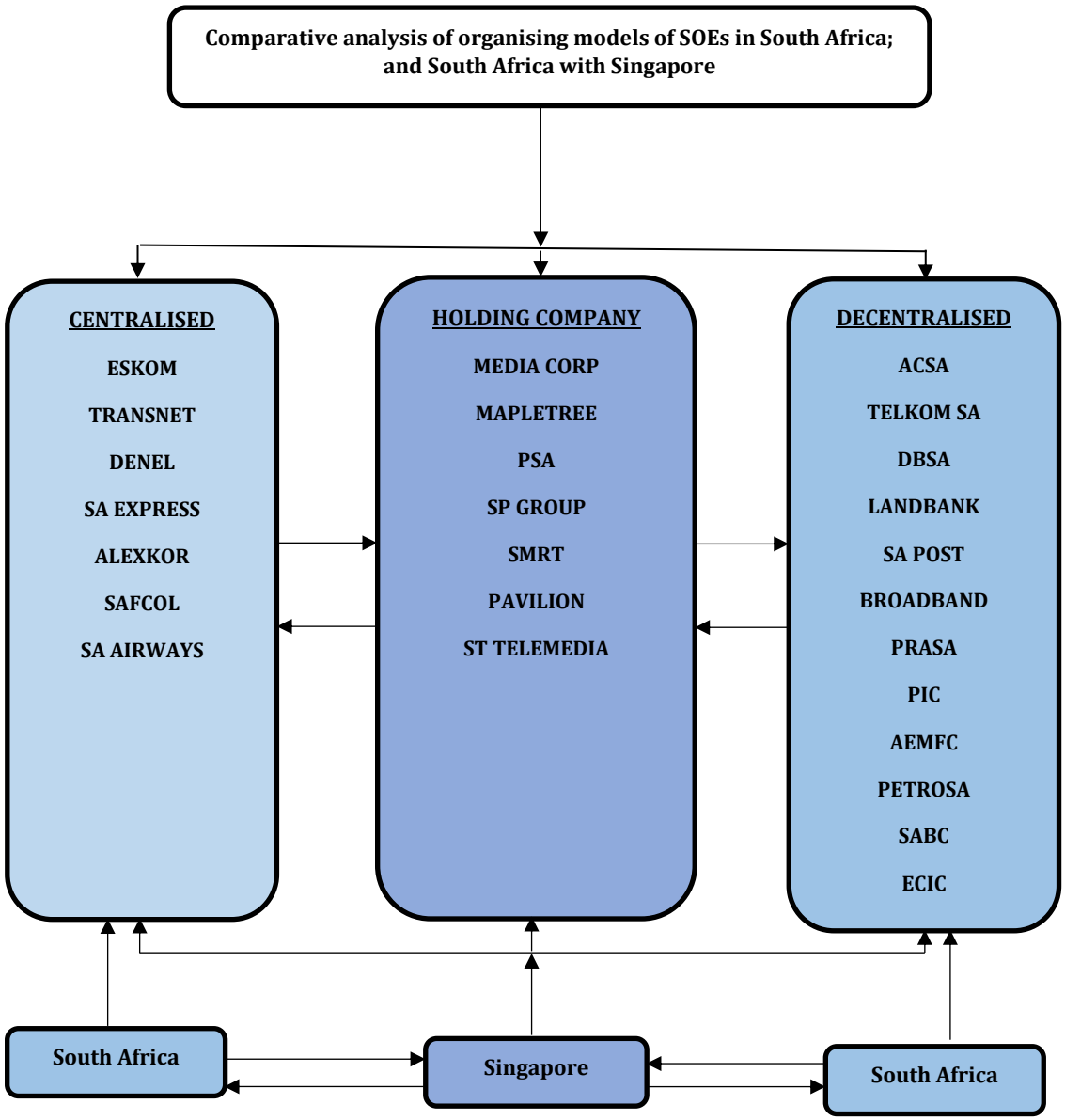


Figure 4.6: Analysis framework for organising model of SOEs

Source: Author's own compilation.

4.5.8.1.2 Questionnaire survey — Phase 2

A survey is a data collection technique that entails collecting information from respondents in such a way that responses from respondents can be tabulated for analysis purposes (Leedy & Ormrod, 2010, p. 187). A survey questionnaire was used for the purposes of eliciting the information necessary to underpin the thesis and thesis propositions in section 4.4.1. This is because surveys, as a way of producing data that can be analysed qualitatively and quantitatively or both, increase the possibilities for randomness, thereby likely improving representativeness (Brown & Hale, 2014, p. 171). In this way, surveys support both exploratory and descriptive research, and are thus useful for collecting/gathering information pertaining to opinions, beliefs, perceptions, attitudes, practices and background (Brown & Hale, 2014, p. 171).

The second empirical phase utilised a survey questionnaire. This questionnaire was a self-developed questionnaire informed by the literature, other relevant studies and most importantly the first empirical phase. The questionnaire targeted purposively selected top officials of the enterprises that constituted the study population. In providing their responses, respondents were asked to assume that they were organisational experts employed to reform SOEs by the minister overseeing SOEs. after being provided with background information, they were asked to read four different scenarios which depicted features of the organisational boundaries of full ownership and part ownership (hybrid) of SOEs in connection with organising models (decentralised, dual and centralised organising models, holding company and other variants of the holding company). In this context, the organising model varied between traditional and new, and the ownership model varied between wholly and partly owned, in line with literature on the organisation and ownership of SOEs (Balbuena, 2014, p. 13; OECD, 2005, p. 42). Further, this is in line with the relationship argued to exist between organising and ownership models discussed in section 3.10.1.1 and pictured in Figure 3.3, as well as the literature on organisational boundaries in general (Arrow, 1969, p. 2; Boston et al., 1996, p. 85; Jones, & Hill, 1988, p. 160; Williamson, 1985, 1981).

Table 4.1: Varied conditions of organising and ownership models

Varied Conditions of Organising and Ownership Models towards Reforming SOEs for Organisational Effectiveness and Efficiency		
	Traditional model	New model
Wholly owned	TM/WO	NM/WO
Partly owned	TM/PO	NM/PO

Source: Author's own compilation.

Table 4.2: Factors and scenarios for varied conditions

Factors and Scenarios for Varied Conditions towards Reforming SOEs for Organisational Effectiveness and Efficiency		
	Factors	
Scenarios as used in varying ownership and organising models	**Organising models** Traditional model (decentralised, dual, centralised models)/New Model (investment/manager models)	**Ownership models** Wholly owned/partly owned
1	TM (DDC)	WO
2	TM (DDC)	PO
3	NM (I/M)	WO
4	NM (I/M)	PO

Source: Author's own compilation.

In this way, as discussed in section section 4.8, questions were framed based on the scenarios presented to the respondents (Appendix 2). The questions were categorised into three parts (Appendix 2). While section 1 provided background information, the survey questions were posed in section 2. Part I, section 2 presented case questions, part II, section 2 presented questions related to issues relating to SOEs and part III, section 2 contained demographic questions. The questionnaire responses provided information necessary for analysing ownership models and the organisational boundaries of organising and ownership models of SOEs as indicated in Tables 4.1 and 4.2. In this way, most of the questions posed in the questionnaire flowed from the thesis statement and thesis propositions and, thus, were mainly for the purposes of eliciting information for analysing organisational boundaries and organising models. Further, the data obtained from this questionnaire survey helped in analysing ownership models for SOEs in line with the relationship that exists between ownership and organising models as indicated in Tables 4.1 and 4.2. Questions were developed in English, using a combination of closed and open-ended questions in order to ensure that, in addition to producing a rich

understanding of humanly constructed meaning (McKerchar, 2008 13), content, criterion-related and construct validity were also taken care of. These are basically concerned with ensuring that concepts and variables are well operationalised, thereby measuring what they are intended to measure. In this context, content validity entails ensuring that items contained in an instrument are representative of the area of study without omissions (Page & Meyer, 2000, p. 86). Construct validity is concerned with the extent to which the outcomes of an instrument are representative of the theories from which the measuring instrument is designed (Sekaran & Bougie, 2016, p. 222). Criterion-related validity demonstrates agreement in the outcomes of a measure with the measures of another instrument (Page & Meyer, 2000, p. 86). In addition, although parametric and inferential statistical analyses were not conducted, some of the questions were posed using a mix of interval/ordinal (Sekaran & Bougie, 2016, pp. 208–212) and interval numerical scales (Sekaran & Bougie, 2016, pp. 214, 234) which may be used in parametric analysis and nominal and ordinal categorical scales which are mainly used for non-parametric analyses, in order to further address issues mentioned above.

It was anticipated that the targeted respondents might not complete the survey. Therefore, in order to improve the response rate, questionnaires were administered both electronically and in person (personally/self-administered). As for the electronic questionnaire administration, a covering letter (Appendix 1) containing a hyperlink was sent directly via email to the company secretary and top executives of population of organisations requesting that potential respondents identified in the covering letter complete the survey. Although the study did not consider all SOEs, SIEs and SWFs, this survey link was sent to all the 125 of them in South Africa and Singapore in the expectation that at least one respondent per enterprise would complete the survey. This link took respondents to the web-based online survey questionnaire manager (Survey Face). Respondents were briefed on the first screen and were presented with the background information and the description of the scenarios from the first screen through to the seventh screen. After reading the case and being assured of anonymity and confidentiality, they were encouraged, asked and not compelled to give their opinions in the form of responses to the organising, ownership and organisational boundary questions posed.

Accordingly, they were asked 26 questions framed using a combination of numerical interval, nominal and ordinal scales. Some SOE-related questions were posed on a numerical interval scale of 0 to 10 based on low (weak governance, no likelihood, no reliance) to high (strong governance, high likelihood, high reliance). SOE-related questions and other attention check questions posed in parts I and II of the survey instrument, even though not analysed, assisted in establishing whether participants comprehended the case and the scenario; that is, whether they paid attention to the case and the scenarios. This is necessary because as Leedy and Ormrod (2010, p. 188) point out, respondents are often interested in completing surveys based on personal beliefs and what, in their opinion, suits the researcher. A way of curtailing this is to include some attention check questions in order to ascertain experts' responses that will be treated as valid. The numerical interval scale, similar to a semantic scale, was also used for the purpose of further eliciting information from respondents, and those responses not used are not deemed necessary to achieve the objectives of the study. Since it has been established that only descriptive analysis will be conducted for the purposes of this thesis, responses collected from numerical interval scale were further summed into three categories (0–4, 5 and 6–10) representing low, medium and high as the case may be. Since the magnitude of the space represented between any two points is the same (Sekaran, 2003, p. 188; Sekaran & Bougie, 2016, p. 212), 5 was taken as the middle point (moderate reliance, moderate likelihood, and average governance), thus 0–4 represents no likelihood, low reliance and weak governance, and 6–10 represents high likelihood, high reliance and strong governance. In this regard, Sekaran (2003, p. 191) and Sekaran and Bougie (2016, p. 212) in exemplifying this have argued that interval scale taps responses on five, seven or any other number of points, which are thereafter summed across the items.

Further, in order to ensure validity, a pretest with a draft questionnaire was conducted with the first five responses, which were subsequently deleted in order to adjust the questionnaire by incorporating necessary changes. This enabled the researcher to note whether or not the questions posed captured what the researcher intended and also provided feedback on the structure, language and wording of the questions. As with the numerical interval scale, other relevant questions were posed using ordinal and nominal scales. Since this is a comparative study, the instrument and interview questions were developed and framed respectively, taking into consideration conceptual, measurement

and linguistic equivalences issues. The content, the language and the measuring instrument are applicable to both countries. English is the dominant/business/official language in both countries and terms used in the questions posed mean the same thing in both countries. The exception to this is the term 'SOEs' which is popularly known as 'GLCs' in Singapore. The instruction for completing the questionnaire/information sheet took care of this difference. Respondents' responses were captured directly into the web-based survey manager (Survey Face). This survey manager automatically downloaded data into an Excel spreadsheet in order to conduct further analysis.

Survey response rate

Following the description in section 4.5, the survey questionnaire attracted a total of 58 responses, which represents a 46% response rate. This response rate did not have any negative impact on this study as representativeness was not sought, with the purpose being to document the opinions of experts in the context of SOEs in the countries and compare relevant SOEs towards developing a structural corporate governance model. Thus, generalisability was not sought. The purpose of the survey is to ensure that expert opinions were captured and taken into account in the development of the structural corporate governance model for SOEs. This was made possible by linking the thesis statement and thesis propositions to the survey questionnaire. As such, even though the response rate was not low, the anonymity of a few respondents may mean that representativeness is uncertain. Whatever the case, the survey, along with the other empirical phases, significantly assisted in developing the structural corporate governance model presented in Figure 6.2. Furthermore, the data from the other empirical phases complemented the data from the survey phase. Since this study developed a structural corporate governance model, it is important that questionnaire respondents were top-level officers of the enterprises and the departments; in this regard, the questionnaire contained a column for 'position occupied' which was used in determining the appropriateness of the respondents (Figure 4.7) and the purposively selected interview respondents to provide meaningful responses to questions posed (Figure 4.8).

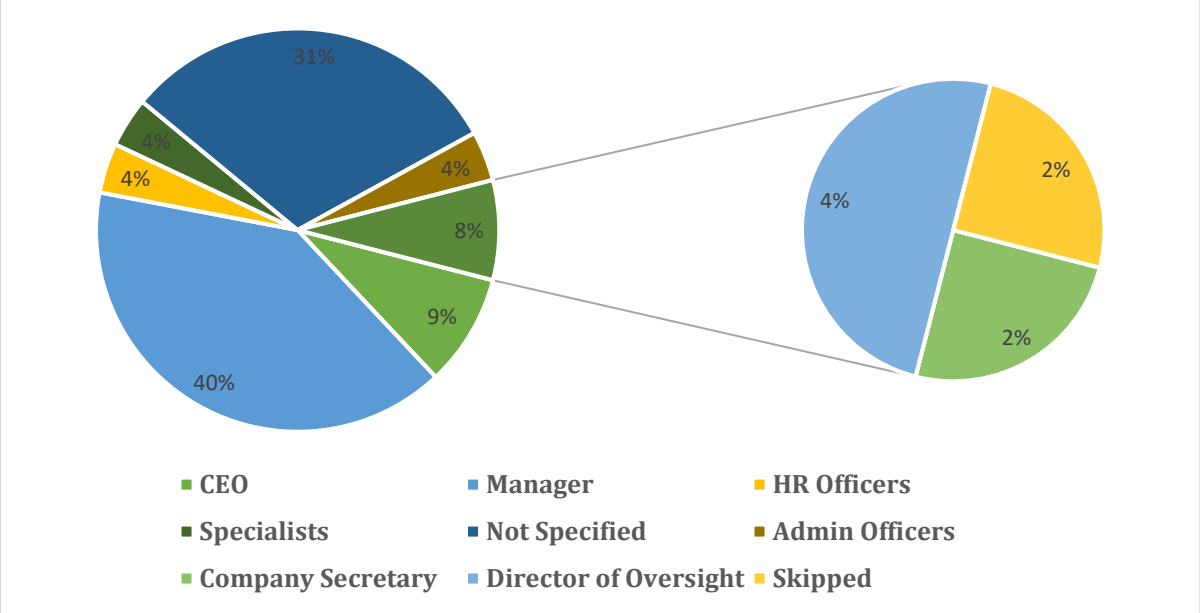


Figure 4.7 Position held by survey respondents

Figure 4.7 summarises the representation of survey questionnaire respondents. CEO (n = 5); manager (n = 23), others (n = 29) and skipped (n = 1). The broad category 'other' included HR officers (n = 2); specialists (n = 2); not specified (n = 18); admin officers (n = 2); accounts officer (n = 1); company secretary (n = 1); and director of oversight (n = 2). Following these responses, and because most of the respondents had been on the job for more than three years, a conclusion may be reached that the respondents were adequately knowledgeable to provide useful responses.

4.5.8.1.3 Semi-structured interviews — Phase 3

To obtain the information necessary for the development of a structural corporate governance model and supplement the data obtained from the literature review, the content analysis and the survey questionnaire phases, semi-structured interviews were conducted in the third phase. A semi-structured interview entails posing open-ended unstructured questions to participants in order to give them the freedom to express themselves, which leads to exploring issues in greater depth. However, irrespective of this freedom (Page & Meyer, 2000, p. 323), some close-ended questions can also be posed in semi-structured interviews (Mitchell & Jolley, 1998, p. 408; Page & Meyer, 2000, p. 323). The interview targeted top executive officers of the organisations purposively selected. As such, in addition to interviewing five directors of departmental entity oversight, two corporate governance experts, two SOE specialists and six managers were

interviewed (Figure 4.8). Data saturation was reached after interviewing the 15th participant. In this context, Ashe (2012, P.60) notes that two to ten participants are adequate for a researcher to reach a saturation point.

The researcher contacted participants prior to the interviews in order to increase the participation rate. Subsequently, the researcher conducted face-to-face interviews with the participants, which has advantages over other methods for conducting semi-structured interviews (Sekaran, 2003, pp. 233–233). A pretest was conducted with a participant using questions contained in a draft interview guide. This enabled the researcher to note whether or not the questions posed captured what the researcher intended, and also provided feedback on the structure, language and wording of the interview questions as well as to observe participants conduct and reaction while answering the questions.

The interview questions covered ownership, organising and organisational boundaries, as well as general questions, some of which are contained in the questionnaire, in order to ensure that information obtained at other stages of the research could be corroborated with the data obtained in this phase. Since this is a comparative study, the instrument was developed taking into consideration conceptual, measurement and linguistic equivalence issues. The content, the language and the measuring instrument were applicable to both countries.

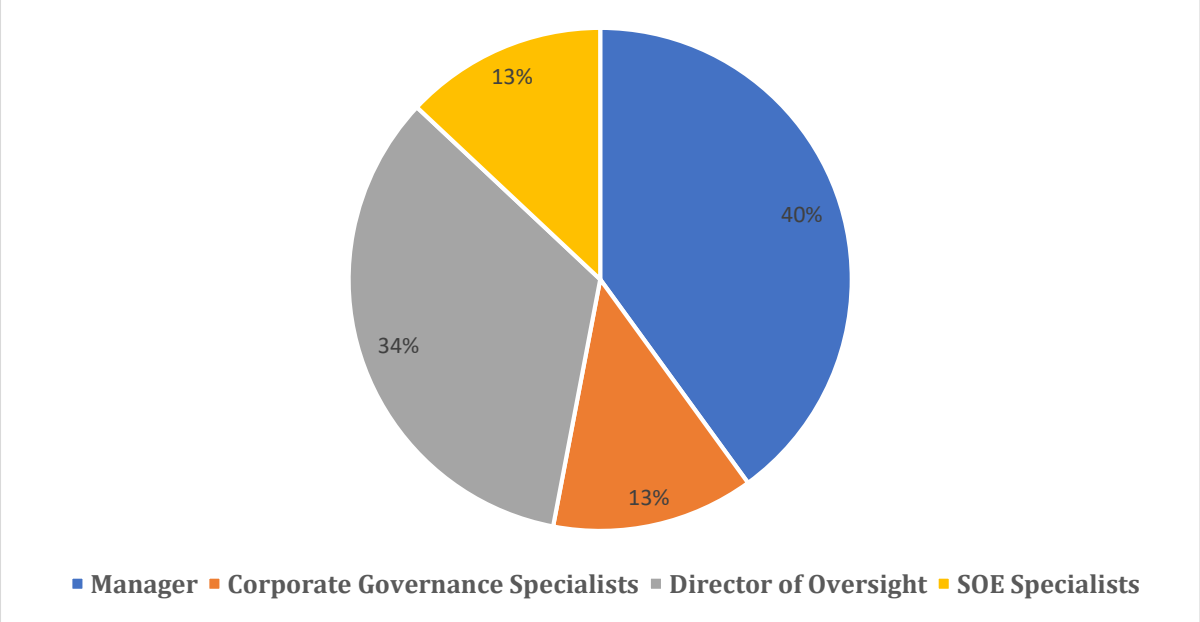


Figure 4.8: Position held by interview participants

The interviews were conducted in the third phase, following the first content analysis and second survey questionnaire phases, to enable the researcher to gain an understanding of the research context, which is necessary when framing interview guiding questions (Appendix 4 containing some of the interview guiding questions) and in conducting and gathering useful interview data. The multiphase exploratory mixed methods design also ensured that the movement from one research phase to another properly grounded the study. As a way ensuring that the structural corporate governance model developed captures the required experiences and opinions, the interviews were conducted in two phases; firstly, with SOE level managers and experts and then with departmental entity oversight directors.

Table 4.3: Characteristics of participants

Participant	Years with organisation	Job Title	Years in current position
A	10	SOE manager	Seven
B	8	SOE manager	Eight
C	1	SOE specialist	One
D	9	SOE specialist	Seven
E	10	SOE manager	Three
F	10	Entity manager	Five
G	7	Entity manager	Five
H	6	Entity manager	Four
I	11	Entity manager	Eight
J	7	SOE manager	Two
K	10	Entity manager	Two
L	6	SOE manager	Four
M	8	SOE manager	Six
N	Not specified	Corporate governance specialist	Not specified
O	Not specified	Corporate governance specialist	Not specified

Source: Author's own compilation

Prior to the commencement of each interview, participants were presented with an information sheet similar to that sent to survey respondents (Appendix 1), containing information on the study and emphasising the participants' rights and how the participants' anonymity would be ensured. The anonymity part was detailed and emphasised by the researcher in order to enable participants give true and fair responses as a way of minimising the effect of possible participant bias. Thereafter, the researcher

obtained permission from each participant to be interviewed and for the interview to be digitally recorded. In addition to taking brief notes, the researcher also observed the reaction and composure of interview participants. For those participants that objected to the interview being recorded, notes were taken to document their opinions.

Since this study developed a structural corporate governance model, it was important that interview participants were top-level officers of the enterprises and the departments; interviews were conducted with only top-level participants in the enterprises and departments, as indicated in Figure 4.8 and Table 4.3.

4.5.9 Data analysis and interpretation

In the multiphase mixed method design adopted in this study, the mixing of methods was planned at the overall study design stage. Thus, mixing occurred at the level of data collection flowing down through to the level of analysis and interpretation, as the multiphase exploratory mixed methods design combined sequential and concurrent mixed methods phases. It follows therefore that data were analysed and interpreted in the context of thesis statements, thesis propositions and research objectives, as well as the themes identified in the World Bank (2014) toolkit for the corporate governance of SOEs and TCE. Although data were collected in three distinct phases, an integrated analysis was conducted. It should however be noted that despite the fact that an integrated analysis was conducted, each phase of data collection contributed in varying degrees under the themes for analysis in Chapter 5; hence, under a particular theme, content analysis may contribute more than, say, survey and interviews, and vice versa.

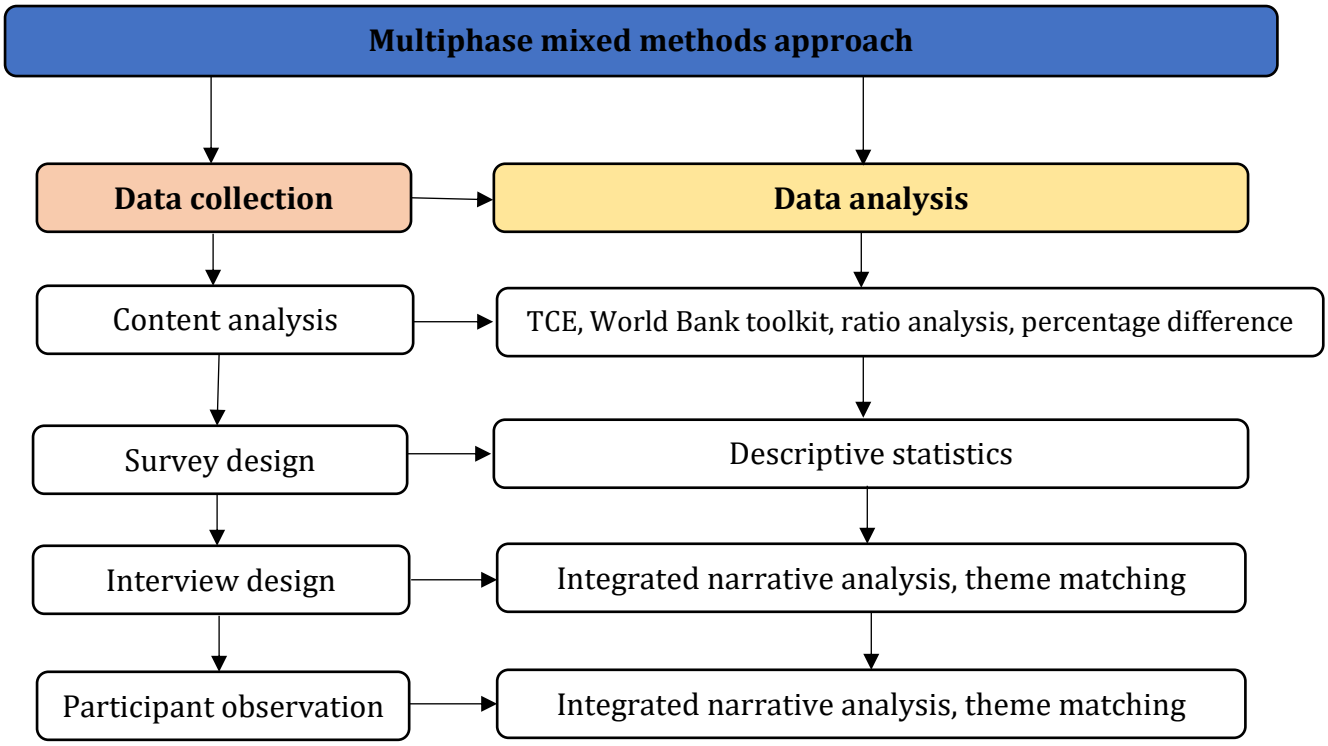


Figure 4.9: Multiphase mixed methods approach (data collection and analysis)

Source: Author's own compilation.

Data collected from the first phase (content phase) were recorded on an Excel spreadsheet for further analysis. Likewise, data collected in the second survey phase using a survey manager (Survey Face) were automatically downloaded into an Excel spreadsheet. Only descriptive statistical analysis (Sekaran & Bougie, 2016, pp. 279–285) necessary for obtaining frequency distributions (Sekaran & Bougie, 2016, pp. 279–280) and other measures of dispersion in the category of measures of central tendencies and dispersion in which percentiles are relevant (Sekaran & Bougie, 2016, pp. 284–285), were conducted. In this connection, even though a numerical interval scale was used in collecting some responses, parametric analysis was not conducted. Further, it should be noted that only a few of the attention check questions included in the survey questionnaire were used in this thesis. Those not used were deemed unnecessary to achieve the objectives of the study. In the third phase, the semi-structured interviews were digitally recorded, transcribed and analysed and matched with themes from other phases. In this context, information gathered in the third phase, the interviews, as well as other qualitative information from the two previous phases, were analysed qualitatively. To do so, this information was transcribed to make it manageable and the information

was then used in generating codes, patterns and themes for interpreting the data. The themes generated from the interview transcript were presented under similar themes used in the previous two phases, content analysis and the survey questionnaire. In this way, the interview was used narratively (Williams, 2007, p. 70) in a constructive manner (Bujold, 2004, p. 474) for confirming, where appropriate, or disproving observations from the first two phases (Dai et al., 2016, p. 7; Demirag & Khadaro, 2008, pp. 465; 473; Demirag, et al., 2012, p. 1328). The first analysis was an inter-country comparison in which content analysis contributed a major part of the data used in the analysis. This flowed directly into the intra-country analysis which was conducted before general analyses were conducted.

In Chapter 5, the presentation was done under three major categories. In the first category, analysis was conducted within the frame of the themes in the World Bank (2014) assessment toolkit for the corporate governance of SOEs. In this way, it was possible to conduct an inter-country comparison of SOEs. In the second category, analysis was done within the frame of TCE. Analysis in the third category encompassed analysing general issues which could not be presented in the first two categories. Accordingly, these three categories, the analysis, presentation and discussion, also accommodated interpretation in order to ensure that the three empirical data collection phases were integrated in the analysis and interpretation. In this way, the quantitative information obtained from content analysis was presented using percentages and ratios, where applicable. The quantitative information obtained from the survey questionnaire was analysed and presented in percentages as well, even though some of these questions were obtained using an interval scale for the purposes of providing data for the descriptive analysis for this thesis. Most of the questions analysed were those obtained using nominal and ordinal scales. This was because the questions posed were organisational boundary and relational questions, hence, parametric statistical analysis is usually not appropriate. In this way, descriptive statistics, used in describing the basic features of data collected in a study using categories and percentages (Trochim, 2006b), of the non-parametric variant were more applicable in this study. Although analysis was conducted in three phases, the information obtained from these phases was not entirely different as some of the issues explored in the first phase informed some of the questions posed in the survey questionnaire as well as some of the questions posed to interview participants. Hence, in

addition to corroborating information obtained in the first phase (content analysis) with the second phase (survey questionnaire) and with the third phase (semi-structured interviews), it was possible to generate similar categories that informed the themes for analysis.

All in all, the analysis and the resulting interpretation of the data from these three empirical phases addressed the thesis statement and thesis propositions that flowed directly from the stage 3 objectives.

4.6 Research validity/trustworthiness

Since this study utilised a multiphase exploratory mixed-methods approach, it was necessary to address the issue of rigour from the perspective of the mixed quantitative and qualitative research approaches. Because these approaches emerge from two philosophically different research traditions, positivism and constructionism, the process of ensuring research rigour in the approaches also differs, as discussed below.

4.6.1 Research validity

Validity is concerned with how a quantitative researcher persuades his/her audience that the findings of an enquiry are worth paying attention to and taking account of. In establishing these, dominant (quantitative) inquirers pose four questions: truth value, applicability, consistency and neutrality (Lincoln & Guba, 1985, p. 290). Truth value entails establishing confidence in relation to the truth of the outcomes of a study from the perspective or the context of the respondents/participants who were part of the study. Applicability on the other hand entails the process of determining the extent to which the findings of a study can be applied in other settings and to other respondents/participants. Further, consistency is concerned with determining whether the outcomes of an inquiry will be repeated if replicated with the same participants/respondents and in a similar context. Neutrality deals with establishing the extent to which respondents/participants determine the outcomes and conditions of an inquiry and are not in any way a product of bias, interests or motivations on the part of the inquirer (Lincoln & Guba, 1985, p. 290). In demonstrating that these four questions have been dealt with, dominant inquirers take account of internal validity, external validity, reliability and objectivity. Another way of

explaining validity is that it is concerned with the extent to which an instrument developed for the purposes of measuring a variable/concept actually measures the intended variable/concept (Sekaran & Bougie, 2016, pp. 172, 220). In this context, internal validity entails the extent to which changes in responses as a result of manipulating the independent variable/concept are reflected in data measures (Page & Meyer, 2000, p. 86). External validity is the extent to which research findings can be applied and/or generalised to parties and settings beyond a particular research setting (Page & Meyer, 2000, p. 86). Reliability entails the extent to which measures provide consistent repeated measurement across different settings and the contents of the measuring instrument (Page & Meyer, 2000, p. 84; Sekaran & Bougie, 2016, p. 223).

In order to ensure validity, the researcher ascertained that extant documents were properly scrutinised at the content analysis stage in order to ensure that all relevant information was taken into consideration. Further, in developing the measuring instruments, the researcher ensured that the contents of the instruments that were developed for the survey and the semi-structured interviews covered all aspects of the problems under study without any omission. Thus, the contents of these instruments were from literature-related issues as well as practice-related issues identified in the course of examining real-life SOE-related issues and of reviewing the literature on these issues. Further, considering that respondents/participants often respond to questions based on personal belief and their opinion on what the researcher is after (Leedy & Ormrod, 2010, p. 188), the framing effect also helps in minimising this risk. This framing effect entails the fact that the way choices and questions are presented to people influences choices, responses and/or decisions (Kahneman, 2013; Kahneman & Tversky, 1982, pp. 166–167; Tversky & Kahneman, 1981, pp. 455–458; 1986, pp. 245–258; 1992, pp. 298–300). The framing effect was also taken into consideration in developing interview and survey questions, thus, helping to minimise participant/respondent bias.

4.6.2 Research trustworthiness

Trustworthiness is concerned with how a qualitative researcher persuades his/her audience that the findings of an enquiry are worth taking account of and paying attention to. In establishing this, dominant (quantitative) inquirers pose four questions: truth value, applicability, consistency and neutrality. In demonstrating that these four

questions have been dealt with, dominant inquirers take account of internal validity, external validity, reliability and objectivity. As these terms may not be ideal in the qualitative (alternative) paradigm, the following criteria have evolved to take care of the above issues:

- credibility (as the substitute for internal validity)
- transferability (as the substitute for external validity)
- dependability (as a substitute for reliability), and
- confirmability (as a substitute for objectivity) (Lincoln & Guba, 1985, pp. 290–331).

In this context, the researcher invested much time in establishing credibility, which entailed establishing that the results of qualitative research were believable from the viewpoint of those who participated in the research (Trochim, 2006c), as described below. This helped in mapping this study in three parts which meant that the study covered the organisational field in a holistic manner. In addition, the study was designed in such a way that these three parts were approached using multiphase exploratory mixed methods, mixed theories and mixed analyses in order to demonstrate credibility. Further, the researcher identified characteristics that were pertinent to the problems researched and focused on these characteristics in detail in designing the study and in reaching conclusions following the analyses. Also, as a way of ensuring credibility, the researcher employed multiple data collection techniques (documents/thematic/content analysis, survey, semi-structured interviews and participant observation) in order to corroborate evidence from one source with that of other sources, and multiple theories offering similar but different explanations. Further, data, analysis and interpretations were checked with some of the participants from whom data were gathered/collected. Negative patterns observed were not neglected but probing questions were asked in order to uncover underlying issues, if any.

Although inferences and assumptions that could apply more broadly may be made, the results of qualitative studies usually apply to the specific sample/population being studied and cannot usually be generalised. In this context, transferability can only be meaningfully attempted in terms of literature. Thus, in order to ensure transferability, which entails the extent to which the results of qualitative research can be transferred to

other aspects or settings and can be generalised (Trochim, 2006c), the researcher employed a systematic review of past research (the way in which this review was conducted has already been discussed), and thus can be replicated. In addition, in demonstrating transferability, a purposive sampling method was used in selecting organisations and participants/respondents as a way of providing valid and/or thick description of the phenomena being studied. In addition, theoretical sampling was used for selecting countries. This process has also been described.

Confirmability entails the extent to which qualitative research results may be confirmed to be unbiased by parties who are not part of the research (Trochim, 2006c). Dependability on the other hand entails the need for the qualitative researcher to give a detailed account of the research process, because of the subjective nature of qualitative research, in order for parties outside the research to confirm the extent to which the research can be replicated (Ackers, 2014, p. 159; Trochim, 2006c). Accordingly, dependability and confirmability can only be confirmed by parties who are external to a study, going by what they entail. In achieving this, the researcher has provided a detailed description of the research process. In addition, the researcher ensured that data from interviews (field notes, interviews, transcripts), as well as the survey data (contained in a survey manager) analysis, findings, interpretations, conclusions and recommendations were properly documented in order to meet the research confirmability and dependability audit trail.

4.7 Ethical considerations

Ethics in research refers to the code of behaviour appropriate for researchers in the conduct of research (Sekaran and Bougie, 2016, p. 13). Thus, researchers are required to pay attention to ethical issues related to their research. Before this study commenced, the thesis proposal was evaluated by the study supervisor as well as the Higher Degree Committee of the Department of Auditing. Thereafter, the proposal and methodology chapter were submitted to the Research Ethics Committee of the College of Accounting Sciences at the University of South Africa (Unisa) for ethical clearance. Thus, the researcher applied for ethical clearance before commencing the empirical component of this research. The researcher only commenced the empirical component of the study after ethical clearance had been granted.

Further, in connection with ethics, this research was conducted taking into consideration the five possible areas of transgression in research (Kelman, 1982, p. 46; Tai, 2012, pp. 218–222;):

- confidentiality/privacy
- harm to participants
- deception
- privacy invasion
- lack of informed consent.

4.7.1 Confidentiality

The researcher informed every participant/respondent that any commercially sensitive, or proprietary information that they provided would not be disclosed. The researcher also guaranteed anonymity to participants/respondents, whether requested or not. The researcher did not name any individual or organisational participant/respondent in this study. Also, the researcher did not identify participants/respondents by mentioning the position they occupy in their various organisations; for example, by referring to the CEO, CFO and other positions occupied (Saunders and Philips, 2012, p. 77; 81).

4.7.2 Harm to participants

The researcher also assured participants/respondents and stakeholders that they would not suffer any harm by participating in this study (Sekaran and Bougie, 2016, p. 48).

4.7.3 Deception

No element of deception was used in carrying out this study (Sekaran and Bougie, 2016, p. 48). The researcher was transparent in the wording of the cover letter and the questions asked. He also ensured that no fact was withheld whether minor or major in order to ensure that valid conclusions could be obtained from the data gathered and/or collected.

4.7.4 Privacy invasion

The researcher did not ask questions that may be seen as private. Likewise, the researcher did not use any facts that were not pertinent to the purposes of this study (Sekaran and Bougie, 2016, p. 129). Furthermore, the researcher did not exert pressure on participants/respondent to participate or to answer any question. To cap it, the researcher intentionally did not include the name of the organisations in which the participants worked in order to give them the assurance that their privacy would not be invaded. In addition, the researcher, with the use of the information sheet and consent form, informed participants that they had the right to withdraw at any stage, before, during or even after the interview.

4.7.5 Informed consent

The researcher notified both survey respondents and interview participants that participation was entirely voluntary, and that they were not compelled to answer every question (Saunders and Lewis, p. 75). Further, before every interview, the researcher, with the use of the consent form, asked participants to tick certain boxes confirming that they

- agreed to take part in the interview
- had read and understood the information sheet and had been given the opportunity to ask questions
- understood that their participation was optional, and they were free to withdraw at any time without giving any reason
- understood that they had the right to refuse to answer any question
- agreed that the interview be audio-recorded, and
- agreed to the use of anonymised quotes in the thesis, or in subsequent publications.

In addition, the researcher avoided plagiarism by acknowledging all sources consulted for this study. Also, the researcher signed the declaration on the title page as evidence of commitment to abide by this.

4.8 Conclusion

This chapter complemented other chapters by describing the approaches, methodology and methods employed in this study. As a way of providing a comprehensive understanding of the research process, the chapter commenced by describing in more detail aspects of this study that were introduced in the introductory first chapter. In this way, this chapter buttresses the research rationale and the problem statement, past research and statements justifying and upholding the way this study is approached. As a way of further ensuring clarity, the chapter used figures to illustrate certain arguments. A key part of this chapter are the arguments on the justification of methods, especially a form of quasi-experimental questionnaire design, which is a design for an interventional study that documents the results of an intervention on a non-random population used in the survey phase. The justification for this and discussions on other issues followed. In addition, the theoretical sampling method used in this study was described.

Comparative organisational analysis cuts across several disciplines, thus different methodologies and methods are usually applicable. However, it is particularly important to note that although organisational questions can be answered both quantitatively and qualitatively, comparative organisational analysis questions are best explored qualitatively, since these questions are usually relational, transactional and boundary specific. This study, as a way of ensuring that quantitative analysis is taken into account in the comparative organisational analysis conducted in this study, used a form of quasi-experimental task design in developing the measurement instrument used in the secong empirical phase, the questionnaire survey. Accordingly, even though Brown and Hale (2014, pp. 108–116) contend that experimental design is not possible in core public and non-profit organisations, it is actually possible in comparative and organisational boundary analysis. Unlike in the core experimental design, no experimental or control group was required in answering the questions, even though treatments/manipulations are added to the scenarios in that they are varied as discussed in section 4.5.7.2.1 and depicted in Tables 4.1 and 4.2. The rationale behind this is that if comparative organisational analysis entails boundary and transactional analysis, then scenarios can be developed based on different organisational boundaries as a way of tapping responses from respondents towards dimensionalising organisational boundaries. In this way, it

was possible that responses obtained from the survey questionnaires were analysed both quantitatively and qualitatively. In this context, while the model in Figure 4.1 permits quantitative analysis of the independent (holding company, part ownership), dependent (achieve mandate/organisational effectiveness), mediating (external and internal constitutions) and moderating (level of country development and level of corruption) variables, scenarios were only developed to permit qualitative analysis of the quantitative data obtained from respondents. This in essence shows that this method alone cannot fulfil the study's research objectives, hence the need for content analysis and semi-structured interviews.

While the survey questionnaire permitted an analysis of organisational boundaries, in this case organising models in the focus countries, content analysis, as well as permitting the analysis of aspects of this organisational boundary, allowed analysis of ownership models, such as TCE, among other things, as discussed above, in particular enterprises purposively selected for this study. Because these methods only permitted the analyses detailed above, it became important that semi-structured interviews be conducted with some of the participants to seek explanations for the questionnaire responses in order to ensure that issues that were not properly comprehended in the content analysis phase, as well as open-ended and other questions that could not be posed under the survey phase, were covered at the interview phase. In this way, the interview questions covered ownership, organisational boundaries and general questions to ensure that, while gathering new information, information obtained at other stages could be corroborated with the data obtained in this phase. These collectively justified the use of a mixed-methods approach in this study.

CHAPTER 5

PRESENTATION AND ANALYSIS OF DATA

(Findings, Interpretation and Discussion)

The transaction cost approach to the study of economic organisation regards the transaction as the basic unit of analysis and holds that an understanding of transaction cost economising is central to the study of organisations. Applications of this approach require that transactions be dimensionalised and that alternative governance structures be described. Economising is accomplished by assigning transactions to governance structures in a discriminating way. The approach applies both to the determination of efficient boundaries, as between firms and markets, and to the organisation of internal transactions, including the design of employment relations……. The approach has been applied at three levels of analysis. The first is the overall structure of the enterprise. This takes the scope of the enterprise as given and asks how the operating parts should be related one to another. Unitary, holding company, and multidivisional forms come under scrutiny when these issues are addressed (Williamson, 1981, pp. 548–549).

Table of Contents

5.1 Introduction

This chapter presents the findings, analysis, interpretation and discussion of the three-phase data collection used in this thesis. As established in section 4.3, the primary purpose or aim of this research is to develop, based on the literature, a comparative analysis of ownership, organising, constitution (internal and external legal and regulatory frameworks), as well as ownership and governance models of SOEs, a best practice structural corporate governance model that will have an impact on enterprise corporate governance with the purpose of assisting SOEs, especially in the primary country of analysis as well as in other developing countries, to better achieve their mandates. In this regard, this chapter presents the results of the content analysis of SOEs, SIEs and SWFs, which is the first phase; the survey of respondents from these enterprises, which is the second phase; and interviews with purposively selected expert participants, which is the third phase. In this context, data gathered from the three-phase approach were analysed separately, with the content analysis phase (phase 1) providing further explanatory context for survey and interview results that are more empirical in nature. Although the data were collected and analysed separately, in order to provide a holistic presentation and interpretation that takes into account the three phases, the analyses were interwoven; hence these phases were integrated. This in turn provided a consolidated robust analysis towards developing the structural corporate governance model presented in Figure 6.2. Document/content/thematic analysis involves skimming, reading and interpretation. Thus, content analysis is an iterative process that involves organising information into categories towards answering research questions (Bowen, 2009, p. 32). The content analysis phase was guided by the pragmatist approach described by Rossman and Wilson (1985, p. 61), and exemplified by Sogunro (1997, p. 717).

Research objectives	Research phase (data collection methods)	Data Analysis methods	Thesis subsections	Thesis Propositions
Part one **1.1 Understand the role of government**	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Section 3.2**	**TP 1**
1.2 Establish and argue for the appropriate role of government based on the above understanding	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 3.2.1.1 to 3.2.1.2**	**TP 2**
Part two **2.1 Identify the problems of SOEs**	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 2.8.1; 2.9.1 to 2.9.2.7; 3.3 to 3.3.6**	**TP 3**
2.2 Identify the types of arrangements by which SOEs are owned and organised	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 3.10 to 3.10.2.4**	**TP 4a**
2.3 Examine internal and external legal and regulatory frameworks guiding SOEs	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 3.8.2 to 3.8.3; 3.9.2 to 3.9.3**	**TP 4b**
2.4 Formulate thesis and thesis statement propositions based on the three steps above	**Literature** **P1 – content analysis**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.**	**Sections 1.3 to 1.3.1; 4.4 to 4.4.1**	
2.5 Develop a framework that permits the analysis of inter- and intra-country ownership models of SOEs	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Section 4.5.8.1.1**	**TP 5**
2.6 Develop a framework that permits the analysis of inter- and intra-country organising models of SOEs	**Literature** **P1 – content analysis**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.**	**Section 4.5.8.1.1**	
Part three **3.1 Identify the reasons for the establishment of SOEs, SIEs and SWFs in relation to the role of government**	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Section 5.2**	**TP 6a**
3.2 Examine ownership and organising models of SOEs using the framework developed in part two	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Sections 5.3 to 5.6.8.3**	
3.3 Establish which of the identified arrangements are suitable for delivering SOE objectives	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Sections 5.4 to 5.6.8.3**	**TP 6b**
3.4 Determine how best the enterprises might be structured to achieve their raison d'etre	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Sections 5.5 to 5.6.8.3**	
3.5 Underpin the thesis statement and thesis propositions using information obtained/gathered from content analysis, survey questionnaire and semi-structured interviews	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Section 6.3**	**TP 7**

Figure 5.1: Thesis navigation

Source: Author's own compilation

The major part of the overall analysis was discussed under themes used in the World Bank (2014) toolkit for corporate governance of SOEs. In addition, other sections were discussed based on themes generated from the research objectives and the literature and incorporated into the thesis statement and propositions. In this regard, the content analysis phase was discussed in two parts, the first presented a macro analysis of SOEs, SIEs and SWFs in South Africa and Singapore. This is discussed with reference to the frame of the themes used in the World Bank (2014) toolkit for corporate governance of SOEs, allowing for the discussion and comparison of country-specific issues relating to SOEs, SIEs and SWFs. This toolkit is essential because it is the starting point for the corporate governance model developed and presented in Figure 6.2. The second stage was a meso analysis in which similar SOEs, SIEs and SWFs, whether wholly or partly owned, were compared by means of an inter-country analysis using the framework developed for this purpose in Figure 4.5. This analysis was conducted in line with insights from the TCE analytical framework for examining governance structures presented in Table 5.9, before the intra-country analysis of wholly owned and partly owned enterprises was conducted, where applicable. As a way of ensuring a meaningful flow, these were discussed under relevant themes in the first stage. In conducting this content analysis, internal and external legal and regulatory frameworks of the enterprises, the company websites, annual reports, corporate governance documents, corporate governance codes, practice guides, board charters, and corporate legislation and other relevant governance reports and legislation in these states, as well as journal articles, company publications, annual reviews and web pages were scrutinised for pertinent information (Appendix 6). Although the overall analysis was conducted qualitatively (without the use of statistical instruments), as a way of getting the required information from the analysis in this phase, both quantitative and qualitative (financial and non-financial) information were extracted from these documents. Figure 4.5 pictures the structural analysis framework for the content analysis phase. Overall, this content analysis phase established how SOEs, SIEs and SWFs should be owned and governed based on two frameworks, the themes in the World Bank (2014) toolkit and the arguments in TCE. Accordingly, while the first stage of this content analysis phase, established the relevant macro issues of ownership and governance of SOEs, SIEs and SWFs based on the themes in the World Bank (2014) toolkit, the second stage, discussed

following the first stage, provided a more detailed analysis of the various attributes, characteristics and dimensions of owning and governing these enterprises based on TCE.

Further, the aim of the survey of experts in the purposively selected enterprises in the second phase sought to gather relevant data necessary for underpinning the thesis statement, the thesis propositions and the emerging arguments from the content analysis phase flowing from TCE and the World Bank (2014) toolkit. Thus, the survey questions were formulated based on information obtained from the previous content analysis phase as well as from literature. Responses to the survey questionnaire provided useful data necessary not just for corroborating the observations in the content analysis phase or otherwise but also for complementing and for fulfilling other objectives of the study as contained in section 4.3. Furthermore, the information from the survey responses facilitated the analysis of organisational boundaries of organising and ownership models (Figure 4.6) of SOEs. In this way, it provided information for analysing organisational boundaries and organising models, and for further analyses of ownership models of SOEs, in line with the relationship that exists between ownership and organising models as indicated in Tables 4.1 and 4.2.

Semi-structured questions used in the interview phase were framed taking into account information obtained from the first two phases. This was to ensure alignment between the three phases. The semi-structured interviews conducted with purposively selected participants from the enterprises in this third phase were primarily aimed at gathering in-depth information to further corroborate and complement the evidence obtained from the two phases above. In addition, further insights were obtained since the researcher had the opportunity to probe further and participants were also allowed the freedom to give details on both issues that were raised and those that were not raised by the researcher. This provided richer data content for the analysis conducted. These interviews were conducted in two stages, the first with SOE management and corporate governance experts, and the second stage with SOE oversight directors. The purpose of the second stage was to document the invaluable experience of oversight directors in terms of overseeing SOEs, as well as to gain deeper insights into aspects not detailed by experts at the SOE management level, which were observed after transcribing and analysing interviews from the first stage.

Accordingly, the results of the first phase were analysed separately, based on TCE and the themes used in the World Bank (2014) toolkit for corporate governance in SOEs, as a way of providing further context for the more empirical phases 2 and 3. In this way, a major part of the data obtained in phases 2 and 3 were analysed together under broad themes generated from the thesis statement, propositions formulated based on the literature, part three of the objectives of this study, as well as the interviews and survey questionnaire responses. In this way, in phases 2 and 3 analysis was conducted in such a way that although the discussion focused more on the survey responses and interviews, relevant elements from the literature and the content analysis phase were incorporated and discussed where appropriate. Hence, where applicable, the results of the content analysis are presented first. Where the content analysis was not applicable, an introductory background is presented first, followed by survey responses and then interviews. Each subsection concludes with a summary where results are analysed, discussed and integrated. As a way of clearly presenting results, graphs are used in presenting data from the content analysis and survey phases. Each graph is marked accordingly to denote which research phase the graph emanated from. Furthermore, paraphrased and *verbatim* quotations are used for presenting information obtained from semi-structured interviews for the purposes of supporting observations or otherwise. Additionally, in order for readers to easily navigate through the thesis, Figure 5.1 illustrates the structural alignment of the research objectives (described in sections 1.5 and 4.3) with thesis statement and thesis propositions (described in sections 1.3, 1.3.1, 4.4 and 4.4.1 respectively), and also with the three empirical research phases (described in section 4.5.8), as well as the relevant subsections of the chapters in which the results are presented and discussed. Therefore, even though the three empirical phases were conducted at different stages, they informed each other, making it possible to integrate and corroborate the results.

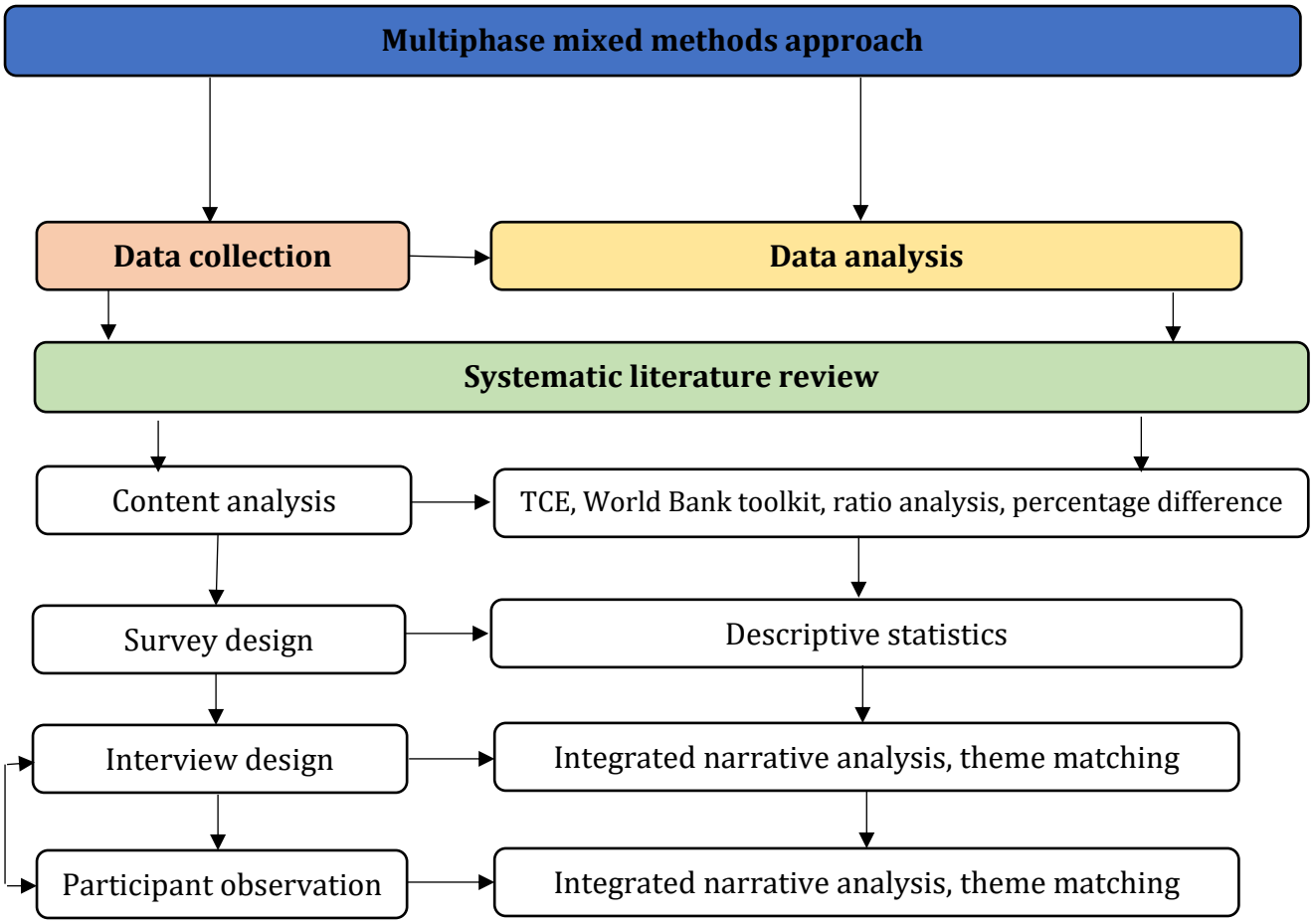


Figure 5.2: Integrated multiphase mixed analysis

Source: Author's own compilation.

5.2 The role of SOEs, SIEs and SWFs in connection with the role of government

Extending the role of government in section 3.2.1 does not change the fact that its core role is to provide public goods and services to its citizens. However, governments have to fulfil other roles in order for citizens to feel the impact of adequate public governance (participant L). In this context, in addition to providing public services, government should take care of and engage in other welfare and economic activities in order for the state to be socioeconomically balanced (participant A). In this context, participant A have argued for additional mandates for governments. As argued in section 3.2, the role of government itself is abstract in the contemporary academic discourse as this depends on many factors, explaining why participant H submitted that "*the role of government in a*

nutshell is to govern". There are various means through which government fulfil its mandates. In this regard, the literature on this ranges from PPPs to public enterprises. This study is concerned with the latter. This governance role takes different dimensions. In this regard, participant M noted that "*the role of government includes fulfilling promises made to people before it is voted in as these promises automatically become responsibilities when voted in"*. This observation by participant M leads to the role of SOEs, SIEs and SWFs vis-à-vis the role of government. In addition to SBs fulfilling core government mandates, some mandates are directly fulfilled by SOEs, since, as noted by participant M and confirmed by participant F, campaign-level manifestos become strategic statements that are detailed in SoSI. As discussed in section 3.2.1.2 there are various enterprises through which government discharges its role, including SBs, SOEs, SIEs, SWFs. While the mandates of SBs are often clearly defined, they are less so for SOEs, SIEs and SWFs in many countries (Huat, 2016, p. 506; Matui, 2010, p. 3). The effect of this is that these enterprises have been mis-utilised and underutilised in many countries (Millward, 2011, p. 377-378; Rentsch & Finger, 2015, p. 620). In this context, bearing in mind that there are SBs to carry out core governmental activities, it becomes clear that the reason why these other enterprises exist, as participant K asserted, is "*basically to fulfil what government cannot fulfil on their own, like running a profit-making company*"; since what these enterprises do is mainly outside the core of the public sector. In this regard, participant F submitted that "*the Public Service Act does not allow the government to operate such companies. The Act covers what public servants are to do. That is why these enterprises have their own establishing Act; thus it is possible for the government to work outside the Public Service Act, which allows them to have an extra mandate that is not restricted by the Public Service Act in order to go beyond the Act and come up with mechanisms to fill the gap that the government cannot fill within its legal space*". In this way, the core mandate of SOEs and SWFs is "*to open up sectors, allowing the private sector to see and add value in such sectors and then walk away over time*" (Participant G).

5.3 Macro assessment of ownership and organising models of SOEs, SIEs and SWFs South Africa and Singapore

Ownership and organising models cannot be meaningfully discussed without sufficient background on ownership and organising models. In addition, in order to examine ownership and organising models of SOEs, it is necessary to also examine other aspects

of SOEs, such as internal and external legal and regulatory framework, that are useful in properly assessing their ownership and organising models

5.3.1 Background

It makes sense to discuss the results of this part of the content analysis phase using themes in the World Bank (2014) corporate governance toolkit. These themes, in addition to providing context for ownership and organising models, also assist in comparing SOEs in these states, allowing for the analysis to encompass the country-specific assessment of SOE corporate governance related themes covered in the toolkit. In its 2014 toolkit, the World Bank identified eight items. For the purposes of this analysis, in addition to history and reforms, the analysis and discussion encompassed six relevant themes in the framework: legal and regulatory framework, ownership and organising models, method of monitoring performance and accountability, financial and fiscal discipline, board of directors and transparency, as well as disclosure and controls. In conducting the analysis, the internal and external legal and regulatory frameworks of the enterprises, the company websites, annual reports, corporate governance documents, corporate governance codes, practice guides, board charters, corporate legislation and other relevant governance reports in these states, as well as journal articles, companies' publications, annual reviews and web pages were scrutinised for relevant information. Although the major part of this analysis entails the content analysis, where appropriate information from surveys and interviews were integrated into the analysis.

5.3. 2 History and reforms of state-owned enterprises in South Africa and Singapore

The history and reforms of SOEs in South Africa and Singapore took different turns. In this context, the content analysis of relevant documents (Appendix 6) revealed that in South Africa, SOEs were established in the twentieth century as instruments of industrial economy for the state (OECD, 2015b, p. 5). In Singapore, SOEs were formed as a way of correcting the then shortage of private expertise and funds (Huat, 2016 p. 502; PwC, 2015, p. 15).

Table 5.1: History and reforms of SOEs in South Africa and Singapore

South Africa	Singapore
No majore reforms, aside from reforms in line with global movements	Creation of Temasek in 1974

Source: Author's own compilation.

In terms of SOE reforms, no major reform of SOEs in South Africa. South Africa SOE reforms have been largely driven by global movements in nationalisation, privatisation, reform and renationalisation. The timing of these reform events in South Africa confirms this. South Africa did not consider major restructuring (reforms) of its SOEs, other than to follow global movements and trends. Although a Committee, the Presidential Review Commission, was commissioned to review reform and transformation of the public service in South Africa in 2010. The committee gave its report between 2012 and 2013. Although the committee's delivered 21 helpful recommendations in its report (as summarised in the document titled: Growing the Economy – Bridging the Gap), it appears little has been done following the committee's recommendations. In Singapore, the creation of Temasek in 1974 was the first major SOE reform since the creation of SOEs in 1959.

5.3.3 Institutional framework of state-owned enterprises in South Africa and Singapore

The content analysis of relevant documents (Appendix 6) revealed that SOEs in South Africa are not explicitly listed or categorised as SOEs in the PFMA, while SOEs in Singapore can be clearly identified as they are managed by a holding company classified under different sectors.

Table 5.2: Institutional framework of SOEs in South Africa and Singapore

South Africa	Singapore
Schedule 2 (MPE) and Schedule 3 (NGBE) of the PFMA	Financial; Telecommunications, Media and Technology; Transportation and Industrials; Consumer and Real Estates; Life Sciences and Agribusiness; and Energy and Resources sectors

Source: Author's own compilation.

Some of the SOEs in South Africa are included under Schedule 2 (MPE) of the PFMA, as amended; while others are under schedule 3B (NGBE). Hence, in South Africa, differentiating public enterprises from public entities (SBs) poses a major challenge as both are classified as public entities (major and other public entities, schedule 2 and 3 A&B). In this context, Participant G submitted that "*I don't agree with this separation that the National Treasury has brought up in terms of schedule 2 and schedule 3 SOEs. They said these are supposed to be profit making and these are performing a social function. No, they are all the same*". The mission statements, legislation and mandates of these entities were used in distinguishing between the public enterprises and the public entities. This implies that the institutional framework of SOEs in South Africa appears to be deficient, although a majority of SOEs have their own legislation. However, in Singapore, SOEs are grouped under Financial; Telecommunications, Media and Technology; Transportation and Industrials; Consumer and Real Estates; Life Sciences and Agribusiness; and Energy and Resources sectors through their investment holding company, Temasek Holdings Pte Ltd (Temasek, 2017a). Thus, the institutional framework of SOEs in more adequate.

5.3.4 Regulatory framework of state-owned enterprises in South Africa and Singapore

The content analysis of relevant documents (Appendix 6) revealed that SOEs in South Africa are not governed by a central Act, although individual SOEs are governed by their own Acts (legislation).

Table 5.3: Regulatory framework of SOEs in South Africa and Singapore

South Africa	Singapore
Companies Act 2008; SOE specific legislation; King III; King IV as well as SOEs specific enabling legislation (Appendix 6)	Companies Act (Cap 50, 2006 Rev.Ed.); stock exchange regulations

Source: Author's own compilation.

The Companies Act, 2008 provides for SOEs. In this context, Part B (9) of the Act states that provisions in the Act that are applicable to a publicly listed company are equally applicable to SOEs (South Africa, 2008). In Singapore, SOEs are governed by Temasek through the Singapore Companies Act (Cap 50, 2006 Rev. Ed.). Hence, as in South Africa, SOEs in Singapore are incorporated by the Singapore Companies Act. Temasek, a product of public policy, is incorporated as a private entity by the Singapore Companies Act (Cap

50, 2006 Rev. Ed.). Thus, the provisions of the Singapore Companies Act (Cap 50, 2006 Rev. Ed.) that affect private enterprises affect Temasek and the SOEs under Temasek as well.

Following observations from the content analysis, the internal and external legal and regulatory frameworks of SOEs in South Africa and Singapore both appear to be adequate in that they fall under company law as well as other laws and regulations as discussed above. In addition, there are corporate governance codes in place guiding SOEs in these countries. However, since one of the best regulatory practices pertaining to SOEs is to list them (World Bank, 2014, p. 43), Singaporean SOEs appear to be better regulated since they are listed and are thus subjected to better capital market discipline, even though some of them do not make their annual reports or financial statements publicly available.

5.3.5 Monitoring performance and accountability of state-owned enterprises in South Africa and Singapore

Performance monitoring is a key ownership function of the owning state. The content analysis of relevant documents (Appendix 6) revealed that in South Africa, in addition to the state setting SOE mandates, the state also requires major SOEs (Schedule 2) and Schedule 3 business enterprises to prepare annual budgets, annual financial statements and annual financial reports.

Table 5.4: Monitoring performance and accountability of SOEs in South Africa and Singapore

South Africa	Singapore
Annual budgets; SoCP; APP; SoSI; shareholder compact; annual financial statements; annual financial reports	Setting of mandates for SOEs by Temasek; constituting a strong functional board for its SOEs

Source: Author's own compilation.

In addition to this, Schedule 3 SOEs are required to prepare an APP while schedule 2 SOEs must prepare SoCP. This SoCP covers the affairs of the SOEs and that of its subsidiaries for the following three financial years, where applicable. Thus, the SoCP projects expected revenue, expenditure and activity plans for the following three years. In addition, the shareholder communicates with the DPE through SoSI. This SoSI is used by the state to express its policy objectives to the DPE. The DPE communicates the information contained in the SoSI to the SOE management and boards. The boards in turn align the

SoCP with the SoSI, which together with the SoCP and the shareholder compact, a performance agreement between the owning state and the SOEs, are part of the accountability and monitoring documents used by the government and the shareholding ministry to track the affairs of the SOEs. In the event, there are many accountability documents used by SOEs that overlap in use and in description, as observed in the content analysis phase as well as in literature. In explaining how this works, participant F, submitted that Schedule 3 SOEs prepare an APP. This APP is linked to their strategic plan, a five-year document that sets out their planned activity for the next five years. The APP is a one-year plan from the five-year strategic plan detailing how projects and targets are to be implemented and achieved. The annual report then links all the quarterly reports, the strategic plan and APP together. While the PFMA requires the schedule 3 entities to prepare a SoSI and have APP, the revenue generating SOEs (schedule 2) enterprises have the SoCP. These documents basically are for the same purpose. The SoCP is more like an APP and the strategic plan in one. Schedule 2 companies also have a document in form of strategic plan, but it is a three-year document that gets tweaked every year with forward looking into those three years. Thus, the SoSI and the APP are for schedule 3; and SoSI and SoCP are for schedule 2.

Participant G further observed that the Shareholder compact is a written contract agreement between the minister and the chairperson of the board. The Minister on behalf of the government and the chairperson of the board on behalf of the enterprise. This signed agreement firstly outlines things the board and the entity are meant to achieve as well those that will be responsible for achieving the outlined mandates generally. The agreement also details the right of the minister and the Director General. Where deemed necessary, the minister can add more accountability documents to the documents of the SOEs aside from those that are outlined in the legislation.

In contrast to South Africa, in Singapore the main method by which Temasek monitors its portfolio SOEs is through the setting of mandates for SOEs and constituting a strong functional board for its SOEs. These carefully constituted functional boards report to Temasek. Mandates are clearly defined for Singaporean SOEs. In South Africa, the fact that there is no clear distinguishing factor(s) between Schedule 2 MPE and Schedule 3 MGBE, as in the PFMA, makes mandates and objectives unclear, unless recourse is made

to enterprise specific enabling legislation. Thus, this often has implications for the strategies used to fulfil mandates.

5.3.6 Financial and fiscal discipline of state-owned enterprises in South Africa and Singapore

When owning states reduce SOEs' direct and indirect access to public financing, they increase their commercial orientation in order for these enterprises to be financially and fiscally responsible for their operations (Li et al., 2012, pp. 303, 306).

Table 5.5: Financial and fiscal discipline of SOEs in South Africa and Singapore

South Africa	Singapore
SOEs are not listed on stock exchange; receive grants for PSO	SOEs are listed on stock exchanges, do not receive grant for PSO and operations

Source: Author's own compilation.

The content analysis of relevant documents (Appendix 6) revealed that SOEs in Singapore are more financially and fiscally disciplined than those in South Africa. SOEs in both South Africa and Singapore have public service obligations (PSOs), but the path taken to fulfilling these is the main difference in their financial and fiscal discipline. Temasek drives SOEs in Singapore to operate purely as commercial enterprises with the aim of contributing towards the national budget to take care of the country's major social services (Huat, 2016, p. 508). Irrespective of this, even though it is not mandatory, SOEs in Singapore still engage in PSOs although they are not compensated by their owner, Temasek (Huat 2016, p. 515). This is as a result of the purely commercial basis upon which they operate. In South Africa, the social mandate is not separated from the commercial mandate for the major SOEs which are not expected to be profit-making. This makes it difficult to ascertain the percentage of overall activities that have been directed towards PSOs, even though SOEs report on these. SOEs in South Africa obtain a major part of their funding from the budgetary allocation to fund government mandates. This is why the King IV, like the PFMA and SOE legislation, recommends that SOEs be accountable to the National Assembly and the Standing Committee on Public Accounts for service delivery performance. SOEs in Singapore, on the other hand, obtain their finance from borrowings, new capital from the shareholder, Temasek, and sales of investments and debt financing.

5.3.7 Board of directors of state-owned enterprises in South Africa and Singapore

Board structure and composition are very important as they play a pivotal role in the performance and stewardship of organisations. In this regard, participant N submitted that board size often affects board independence.

Table 5.6: Board of directors of SOEs in South Africa and Singapore

South Africa	Singapore
Unitary board; average board size is 11; initial three years board tenure renewable thrice; Board Charter for reference	Unitary board; average board size is nine; initial three years renewable twice; Practice Guide for reference

Source: Author's own compilation.

There are basically two types of board structures for SOEs – the unitary and the two-tier board structure. In the unitary board structure, shareholders are at the top of the hierarchy, with the board of directors seen as the governing body and composed predominantly of independent directors who supervise the management which is charged with the day-to-day affairs of SOEs (Wang, 2014, p. 649). In the two-tier board, the control of management and the independent directors lies in the hands of a distinct supervisory board (Jungmann, 2006: 426). The content analysis of relevant documents (Appendix 6) revealed that board structure in South Africa and Singapore is identical with both states using the unitary one-tier board structure. An analysis of 15 SOEs, SIEs and SWF in Singapore and 21 SOEs, SIEs and SWF in South Africa in this study revealed that the average board size in South Africa is 11 while the average board size in Singapore is nine. In this instance, participant O noted that the "*board size of enterprises in Singapore is about 10 and the independent directors are usually about nine then one dependent director who is the CEO*". The Board committees are identical, except where SOEs have extra enterprise specific committees. The SOE chairpersons and CEOs in both states are two distinct people, thereby having different roles in the SOEs. The appointment of board members takes the same form in both states with the nominations committee recommending candidates for appointment or reappointment. Both states require that non-executive directors constitute a majority of the board, thus independent directors

constitute a higher percentage of SOE boards in these states. Although it may be difficult to establish whether SOE boards in Singapore are constituted based on nepotism, these boards are better constituted in terms of skills and experience compared with boards of SOEs in South Africa. Directors' tenure in Singapore is for an initial three years, reviewed annually at the annual general meeting, which can be renewed for a maximum of three times to make nine years in total. In South Africa, the initial tenure is three years, as in Singapore, subject to annual review at the annual general meeting. However, a non-executive director may continue to serve after nine years if it can be established that independence has not and will not be impaired. The Board Charter contains the terms of reference of the board and its various committees in South Africa. In Singapore, the Practice Guidance and SOE-specific terms of reference contain the terms of reference of the board and its committees. Board members' training is better structured in Singapore compared with South Africa. Aside from regular trainings, new board members are trained on assumption of duty. It appears the board structure in South Africa is not adequate for the kind of models in place in the country. In this case, participant F submitted SOEs boards often forget that they are state-owned and instead act like they are POEs. This results in a number of problems in the enterprises. Thus, the minister and the responsible department have to be competent enough to carry out their oversight duties as outlined in the PFMA. Once this oversight is not fulfilled, problems set in. However, in some instances, both the minister and the Department fulfil their oversight duties, but because problem persists as a result of lack of competency on behalf of those appointed to manage the enterprises. Hence, it is important to have a balanced ministerial and departmental/SOEs management and board relationship. In this context participant F submitted that "*Once you overlook this relatioship, it becomes a problem. I have been doing oversight for five years, I know that where we have problems is that people who are supposed to be doing oversight don't do their jobs, and otherwise they could have eliminated most problems while at the infant stage".*

A key part of SOE board governance entails defining the respective roles of the state, as owner, of boards, and of management. While the roles of boards and management are usually defined, the role of the state as owner is not. This is largely due to political interference. The role of the state should be one of monitoring when it comes to SOEs (participants B, C, D). In this case, participant B argued that *"government should be partially or remotely involved for the reason that they said the entity should be profit-*

making". This will ensure that they are able to fulfil their mandate. Where this is the case, SOEs can pursue their entrepreneurial goals so as to remain sustainable. Otherwise, they struggle when the states monitoring role is translated into political interference. In this instance, Participant noted that "*Remember the grant we receive is to sustain the social responsibility of the government towards its citizens, like job provision in addition to core mandates. What you see is that we need more to run the enterprise*". In agreement with participant B, participant E submitted that *"the core of government activity on SOEs should be limited to monitoring and not on management or leadership as most times, decisions are taken based on political influence. Basically, it will be to ensure proper management*". In this context, participant F noted that "*they are the watchdogs and their jobs should be to ensure that the companies run smoothly and able to make profit even if it's not able to make profit, it's able to cover its costs while fulfilling its mandate*".

5.3.7.1 Board remuneration

Remuneration of the board differs between South Africa and Singapore. The content analysis of relevant documents (Appendix 6) revealed that in South Africa, non-executive directors receive a fixed monthly fee and are also reimbursed for out-of-pocket expenses that they incur in discharging their duties.

Table 5.7: Board remuneration of SOEs in South Africa and in Singapore

South Africa	Singapore
Fixed monthly fee plus reimbursement for out-of-pocket expenses; shareholder and National Treasury fix pay rate	Retainer as fee; level of contribution pay; meeting attendance pay; board committee membership pay; remuneration consultant fixes pay rate; share ownership

Source: Author's own compilation.

Although the pay is based on industry and market-related benchmarks, the pay rate is determined by the shareholder in consultation with the National Treasury based on recommendations from the remuneration committee. In addition, especially for SOEs under the DPE, the pay is also aligned with the DPE's Remuneration and Incentive Standards for SOE Executive Directors, Prescribed Officers and Non-executive Directors. In Singapore the practice is to employ a remuneration consultant to determine the pay of non-executive directors based on the regulatory, operating and competitive environment. In this regard, non-executive directors are paid a retainer as directors' fees

and are also paid based on their level of contribution in terms of attendance of board meetings and membership of board committees. In addition, a higher percentage (say 70–85%) of their remuneration is paid in cash and the balance is paid in the form of existing or restricted shares, depending on the shares, in the capital of the company, subject to shareholders' approval. This ensures that non-executive directors retain a minimum holding in the company's shares during their tenure. This is done to align the interests of non-executive directors with those of the shareholders. A non-executive director can sell all his/her shares in the company a year after the end of his/her board tenure. The composition of the remuneration package for executive and non-executive directors in Singapore shows that the executive and non-executive directors of Singaporean SOEs are better remunerated compared with South African SOEs executive and non-executive directors. In 2017, the highest paid non-executive director of Sing Post received $140,731(Sing Post Annual Report, 2017, p. 74), while the highest paid non-executive director of SA Post received $138,323 (SA Post Annual Report, 2017, p. 156) in that same year. Further, the CEO of Sing Post received $495,460 (Sing Post Annual Report, 2017, p. 77), while the CEO of SA Post received $231,092 (SA Post Annual Report, 2017, p. 155). Also, in 2007, the CEO of Singtel received $4,642,924 (Singtel Annual Report, 2017, p. 83), while the CEO of Telkom received $1,411,414 (Telkom Annual Report, 2018, p. 93). In this context, the World Bank (2014, p. 200) notes that non-executive directors of SOEs in Thailand, Singapore and Indonesia receive higher compensation than in other companies, both private and public. Remuneration is very important to organisational survival. In this respect, Liu and Zhang (2015, p. 2) posit that there is a need for reasonable incentive contracts designed by the owning governments to motivate SOE executives to focus their efforts on the different goals of SOEs. Participant K observed that one of the reasons, if not the main one, for reduced public sector presence on the boards of SOEs is as a result of remuneration as the National Treasury does not want public sector officials to earn a double salary – one for working for the government and the other for working for SOEs. Participant F confirmed this by stating that aside from the representative of the department, any other public official that is willing to sit on the board of SOEs will not be compensated for his/her activities on the board.

5.3.8 Transparency and disclosure of state-owned enterprises in South Africa and Singapore

SOEs in both South Africa and Singapore prepare integrated reports. The content analysis of relevant documents (Appendix 6) showed that they both have internal audit units and audit and risk committees.

Table 5.8: Transparency and disclosure of SOEs in South Africa and Singapore

South Africa	Singapore
IFRS; combined assurance; report on mandates and PSO	SFRS; capital market discipline

Source: Author's own compilation.

In addition, Singaporean SOEs often have a Board Risk Committee to which they delegate responsibility for risk governance. While SOEs in South Africa prepare their accounts based on the International Financial Reporting Standards (IFRS), most SOEs in Singapore prepare their accounts based on Singapore Financial Reporting Standards. However, some of these SOEs in Singapore are in transition to adopting IFRS in presenting their financial statements, with permission from the securities regulator (International Financial Reporting Standards, 2016).

SOEs in both countries follow the provisions in their respective national Corporate Governance Codes, King IV in South Africa and Practice Guidance in Singapore, on reporting, thereby reporting on their board structure, governance and operational performance in their annual reports. In addition, SOEs in South Africa report on their mandates and PSOs. Also, in South Africa, as a way of improving the conduct of independent external audit, the Auditor General in auditing the account of SOEs may check whether the accounting authority, as specified in Principle 15 of the King IV, of SOEs has designed, implemented, applied and reported on combined assurance from various providers. As described in the Principle 6 of the King IV, the accounting authority is the governing body of a SOE, and as such, is charged with the fiduciary responsibilities contained in section 50 of the PFMA; when the SOE is a company as well, section 75 of the Companies Act applies. Where the Auditor General appoints external auditors to audit accounts of SOEs, it may or may not require that the auditors check whether the SOEs have designed, implemented, applied and reported on combined assurance from various

assurance providers. This combined assurance is a model that consolidates and enhances all assurance services and functions to enable an effective control environment in order to improve the integrity of information used for internal decision-making by management, the governing body and its committees, and to support the integrity of the organisation's external reports (Institute of Directors Southern Africa, 2016, p. 10; Martins, 2015, p. 57). The parties to this combined assurance are internal and external assurance providers, the audit committee, the governing body and its committees, other external assurance providers and regulatory inspectors (Institute of Directors Southern Africa, 2016, p. 68). These other assurance providers and regulatory inspectors may include, for example, the Bureau of Standards as well as Health and Safety Commission for manufacturing companies, the Civil Aviation Authority for airline companies and the Independent Communications Authority for telecommunication companies. It appears disclosure is better in South African SOEs than in Singaporean SOEs. However, because of lower levels of corruption of Singaporean SOEs, Singapore as a country in general (Transparency International, 2018) and capital market discipline (World Bank, 2014, p. 257), Singaporean SOEs appear to be more transparent than South African SOEs. The disclosure of South African SOEs is more adequate than in Singapore as some SOEs in Singapore do not make their annual reports publicly available, which casts doubt on their transparency in contrast to their perceived transparency as argued above. Although some Singaporean SOEs do not publish their financial statements, they appear to be more transparent than South African SOEs, especially those that publish their accounts, because Singapore is a more transparent country and also because the SOEs are listed and subjected to capital market discipline.

5.4 Structural ownership and organising models of state-owned enterprises in South Africa and Singapore

As discussed in section 3.10, there are three generic models for organising SOEs under two types of ownership, centralised, dual and decentralised. Another model is the holding company type in which an investment or manager model is used. The latter model is relatively new compared with the more traditional centralised, dual and decentralised models. A relationship exists between ownership and organising models of SOEs. This relationship is presented on a continuum in Figure 3.3 and varied as traditional model/wholly owned; traditional model/partly owned; new model/wholly owned and

new-model/partly owned in Tables 4.1 and 4.2 to establish the ownership and organising models of SOEs used in this study. While the traditional model combines the decentralised, dual and centralised organising models, the new model takes the form of a holding company. Priority in this study and in TCE, is equally on both organising and ownership models. Although the models were categorised into four different groups, in summary the two ownership models (wholly and partly) were combined with the two organising models (holding company and decentralised, both dual and centralised). The importance of these models has been documented by TCE and PRT and illustrated in Figure 4.1. As a result, the different conditions in Tables 4.1 and 4.2 take into account the importance of ownership models along the lines of organising models.

In line with the thesis statement and propositions of this study, it is argued that the holding company organising model (new model wholly and partly owned) is better suited to organising and owning SOEs compared with the traditional organising model (wholly and partly owned); with the traditional partly owned model providing a better model than the traditional wholly owned one. While the reasons for this argument have been documented in section 3.10.2.4, the main reason why the holding company model is considered to be better than the dual, centralised and decentralised models is that policy legal and regulatory functions are clearly separated from ownership functions. Accordingly, priority is usually given to commercial objectives with a view to contributing to National Treasury and thus improving the fiscal capacity of states. These taken together safeguard against political interference and corrupt practices, thus enhancing the ability of SOEs to fulfil their mandates. In addition, they ensure the adoption of good SOE practices that are useful in combating numerous SOE corporate governance-related problems. In supporting the holding company model, participant G argued that "*I think there is no need for a Department to have its own SOEs. I think SOEs should be structured under say one government Department or one Temasek, for example*". The analysis and discussion below detail the comparison of ownership and organising models of SOEs in South Africa and Singapore.

5.4.1 Meso assessment of ownership and organising models of state-owned enterprises, state-invested enterprises and sovereign wealth funds in South Africa and Singapore

While the comparison above was macro in nature in order to examine the inter-country practices of SOEs, the comparison in this section is meso in that it deals with the sectoral inter-and intra-country comparison of SOEs, SIEs and SWFs in South Africa and Singapore, based on ownership and organising models of SOEs. In this instance, inter- and intra-country comparison of SOEs were conducted for SOEs, SIEs and SWFs under the different SOE sectors, as presented in Figure 4.5.

5.4.1.1 Background

In the inter-country comparison of SOEs, SIEs and SWFs in these sectors, those in South Africa were firstly compared with similar SOEs, SIEs and SWFs in Singapore in the same sector. Thus, a wholly owned SOE, SIE or SWF in South Africa may have a similar counterpart operating in the same sector in Singapore, as either wholly or partly owned. So, this analysis did not take any particular pattern, as seen below. However, intra-country comparison takes a particular form in that wholly owned SOEs, SIEs and SWFs in both countries were compared with partly owned SOEs, SIEs and SWFs in a particular country. This intra-country comparison compares wholly owned SOEs, SIEs and SWFs in the same sectors, where possible, for each country; thus, this took the form of an internal micro (see section 4.5.4.2) comparison within a particular country.

Following the discussion in section 3.4.2, it is clear that even though all theories discussed in this study are relevant, TCE discussed in section 3.4.2.1 is much more relevant to the analysis part of this study than the other organisational theories discussed in section 3.4.2. This is because TCE possesses the attributes and characteristics that are useful in organising different organisations in line with different organisational attributes and characteristics. Nevertheless, irrespective of the fact that TCE is the most relevant, it should be understood that other organisational theories discussed in section 3.4.2 are firm theories that are in a way related to or inform aspects of TCE. In TCE, the unit of analysis is the organisation itself and not the commodity traded by the organisation. In this context, the firm is seen as a governance structure (Williamson, 1998, p. 37). As such, the focus is usually on assessing the ability of different governance

structures, firms, markets, hybrids and others, to minimise TCs (for the purposes of this study, the cost of gathering information about POEs, cost of political interference, cost of public and private goods to citizens, government taxation, cost of SBC and cost of conflicting objectives vis-à-vis the existing and extended role of government) (Williamson, 1981, p. 549). Most of these costs are ex-post rather than ex-ante costs. Hence, these costs are usually difficult to quantify (section 3.4.2.1). One way of curtailing this is by means of a comparative institutional analysis. Williamson (1981, p. 548) referred to these as dimensionalising transactions. This implies that dimensionalisation encompasses comparison. In a comparative institutional analysis, a form of organising or contracting is compared with another form of contracting or organising (Williamson, 1985, p. 21-22). Thus, as supported by PRT, ownership and technology also matter (Williamson, 1985, p. 29). In addition to these, the study of socioeconomic organisations has to include an investigation of incentives and governance (as discussed in sections 2.9.3.2 and 5.3.9.1) because when a transaction is organised under a firm, three events occur: ownership changes, incentives change and governance structures change. Thus, ownership, governance structure, technology and incentives are key attributes in assessing the corporate and structures of organisations. In addition, some other critical dimensions, such as administrative controls, cooperative adaptation, contract law, information context, and decision-making context, against which governance structures are analysed are also relevant. However, since these other dimensions cannot be observed, the focus is on organising, ownership and incentives, which are directly related to governance structure.

Since it has been established in section 3.11 that it is the degree of investment in assets needed for delivering mandates that matters the most in TCE, it follows that an important aspect of tracking the operating efficiency of enterprises is by tracking how enterprises utilise their assets. In this way, property, plant and equipment become important elements in tracking operational efficiency, as these shows how effectively enterprises utilise their property, plant and equipment. A further reason is that since SOEs in most countries are not necessarily established to make profit but to deliver on mandates while ensuring that revenue covers expenses, profitability, though important, may not be the best way of documenting the efficiency and effectiveness of SOEs. Then, ascertaining the asset turnover presents a good picture of state enterprise operations. These elements

have introduced the importance of technology to organisational analysis as observed by Williamson (1985, p. 393).

As a reminder, there are three forms of TCE governance structures: markets, hybrids and hierarchies (firms, bureaus). TCE is primarily concerned with governance skills in relation to the role of efficient governance through the analysis of organisational structure. Thus, the idea is that skills possessed by role players in different governance structures have an impact on the operational efficiency outcomes of these structures (Garfamy, 2012, p. 141). The two relevant governance structures for our purposes in terms of SOEs, are the unified governance (traditional model/wholly and partly owned) and the bilateral governance (new model/wholly and partly owned). Since SOEs are in most cases publicly owned, the market governance frequently does not apply to SOEs, with the exception that it is the more relevant governance structure for SOEs in the financial sector. Taken together, an analysis of organisational structures has to match transaction attributes with critical dimensions for analysing governance modes as well, in order to determine the governance modes that are suitable for different kinds of transactions/contracts. These attributes and characteristics of transactions/contracts, governance structures and critical dimensions for the analysis of governance structures vis-à-vis attributes and characteristics of transactions/contracts are summarised in Table 5.9 adapted from Table 3.3.

Table 5.9: Content analysis framework based on transaction cost economics

		Investment Characteristics		
		Non-specific	**Mixed**	**Idiosyncratic**
Frequency	**Occasional**	Purchasing standard equipment	Purchasing customised equipment	Constructing a plant
	Recurrent	Purchasing standard material	Purchasing customised material	Site-specific transfer of intermediate product/plant/machinery across successive stages
Governance structures Alignment	**Occasional and recurrent**	Market governance	Bilateral governance	Unified governance
			Relational contracting	
Critical dimensions to which governance structures are analysed in relation to attributes and characteristics of transactions/contracts	**Incentive intensity**	Strong	Semi-strong	Weak
	Administrative controls	Weak	Semi-strong	Strong
	Autonomous adaptation	Strong	Semi-strong	Weak
	Cooperative adaptation	Weak	Semi-strong	Strong
	Contract law	Strong	Semi-strong	Weak
	Information context	Strong	Semi-strong	Weak
	Decision-making context	Strong	Semi-strong	Weak
Governance structures		Market	Hybrid	Hierarchy

Source: Author's own compilation with insight from Williamson (1979)

Having contextualised this analysis framework, it is now possible to analyse SOEs in the context of TCs. This is done by discussing SOEs within their respective sectors, as presented in Figure 4.5.

5.4.1.2 Telecommunications, Media and Technology sector

In this section, SOEs under the Telecommunications, Media and Technology sector were analysed using relevant documents (Appendix 6). The analysis included comparing their governance structure to TCE. The analysis further computed the fixed asset turn and operational efficiency of the SOEs, SIEs, SWFs. The latter (operational efficiency) was then compared with the industry average.

5.4.1.2.1 Background

As described in section 3.11, Telecom, Media and Technology usually require substantial investments in specific physical assets in order to deliver on their mandates (Williamson, 1979, pp. 234-260). In this sector, the content analysis of relevant documents (Appendix 6) revealed that the SABC's mandate is to supply and broadcast information services to the general public in the Republic of South Africa and beyond its borders. As per TCE, in discharging its mandate, it engages in recurrent transactions and the level of uncertainty is intermediate, while the degree of transaction-specific investments is mixed in that they fall between non-specific investments and idiosyncratic investments (Appendix 5). Since it is wholly owned, it is expected that incentive intensity and autonomous adaptation will be weak, administrative controls and cooperative adaptation will be strong, while contract law, information context and decision-making context will be weak (Appendix 5; Williamson, 1991, pp. 270-295). In comparing the SABC with Media Corp, its Singaporean counterpart, it is evident that even though Media Corp is wholly owned, it is not owned directly by the government but falls under a holding company, Temasek. Thus, it operates like a private company. In this way, it is expected to be profit-making. Its mandate, as Singapore's national broadcaster, is to engage, entertain and enrich audiences by harnessing the power of creativity. In discharging its mandate, Media Corp engages in recurrent transactions and the level of uncertainty is intermediate. As per TCE, the incentive intensity is expected to be semi-strong, administrative controls are semi-strong compared with being wholly owned by the government, autonomous adaptation is usually expected to be semi-strong, while cooperative adaptation is usually expected

to be semi-strong. Contract law, information context and decision-making context are usually expected to be semi-strong (Appendix 5; Williamson, 1991, pp. 270-295) in that they fall between market and unified governance. These are important critical dimensions to consider in reforming these SOEs. While most of the critical dimensions cannot be confirmed, the incentive intensity of these enterprises can be confirmed from their remuneration packages reported in their annual reports and, for those enterprises that do not make their financial reports publicly available, on websites. In this way, the incentive intensity (Appendix 5) of the SABC is not as strong as that of Media Corp in that the latter's directors are better remunerated and are allowed share ownership while SABC directors are not allowed share ownership. The operational efficiency and effectiveness of these enterprises cannot be compared as Media Corp's annual reports are not publicly available.

Further inter-country comparison was conducted between SA Post and Sing Post. In this case, according to TCE, SA Post is appropriately structured, and Sing Post is not (Appendix 5). Sing Post is profit-oriented while SA Post seeks to ensure that revenue covers expenditure. While Sing Post has been profitable, SA Post has been loss making. The content analysis indicated that SA Post's mandate is to provide postal services according to the Postal Services Act of 1998. Since SA Post is wholly owned by the government through the Department of Telecommunications and Postal Services, its attributes and characteristics are similar to those described above for the SABC. In that information context and decision-making context, incentive intensity and contract law are expected to be weak, while administrative control is usually strong. In addition, autonomous adaptation is usually weak and cooperative adaptation is usually strong (Appendix 5). SA Post engages in recurrent transactions in discharging its duties, uncertainty is usually high in that it usually enters into many indirect contracts as a carrier and the level of investment is usually high in that it invests in site-specific assets. The Singaporean government through Temasek's subsidiaries owns about 50% shares in Sing Post. As the national postal agency, Sing Post's mandate is to deliver postal services to the country. Sing Post also engages in recurrent transactions, uncertainty is also high, and investments are high in that it invests in site-specific assets. Because it is partly owned, it falls between private and public ownership; all attributes, incentive intensity, administrative controls, adaptation, contract law, information and decision-making context are semi-strong (Appendix 5; Williamson, 1979, pp. 270-295) in that it depends

on the discipline and commitment of the parties involved. While Sing Post incentivises its directors with performance bonuses and restricted shares as a way of ensuring long-term alignment between management's and shareholder's interests, SA Post does not have a directors' share package nor does it have a robust management remuneration package like that of Sing Post. As depicted in Figure 5.3, the operational efficiency of SA Post (6.2), in terms of asset turnover (property, plant and equipment), was lower than that of Sing Post (11.7). Sing Post's fixed asset turnover (property, plant and equipment) (11.8) was also higher than that of SA Post (3.0).

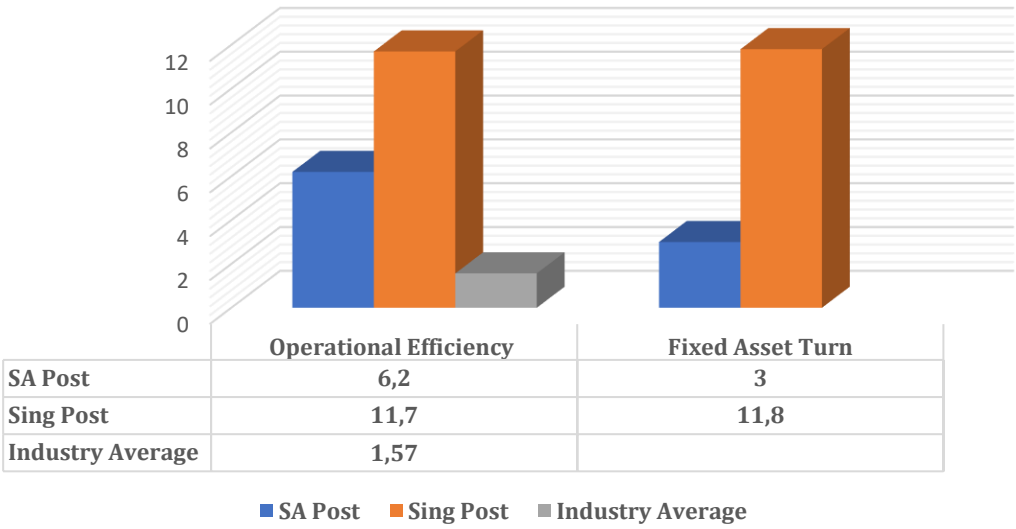
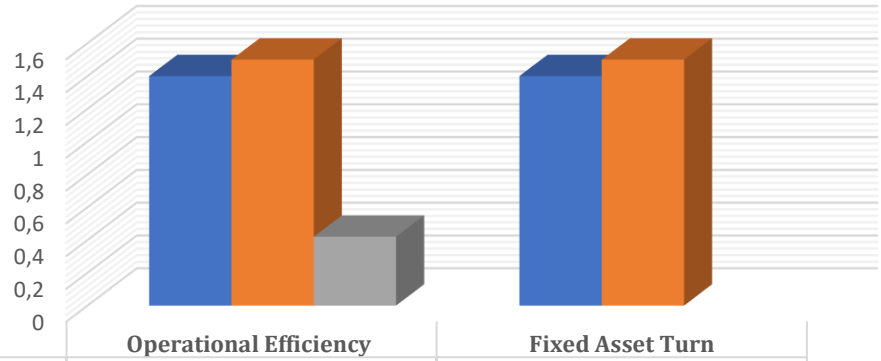


Figure 5.3: Comparison of SA Post and Sing Post (content analysis - annual reports)

In another inter-country analysis, Telkom SA and Singapore Telecom were compared. These enterprises are both partly owned; thus, they are not appropriately structured according to TCE (Appendix 5). They are both profit-oriented and have both been profitable. The content analysis showed that the South African government through the Department of Telecommunications and Postal Services and the PIC owns about 51% of shares in Telkom SA, while the Singaporean government through Temasek and the CPF (managed by the GIC) has a 57.46% share in Singapore Telecom. These enterprises engage in recurrent transactions in discharging their duties. There is an intermediate level of uncertainty and investments in idiosyncratic assets. Incentive intensity, administrative controls, autonomous and cooperative adaptations, contract law, information context and decision-making context are semi-strong (Appendix 5). Singapore Telecom directors are allowed company share ownership as a way of aligning directors' and shareholders' interest. Since Telkom SA is also listed on the JSE, Telkom

SA's middle management and bargaining unit employees are permitted to purchase company shares through the employee share ownership plan on the open market, which is designed to motivate long-term sustainable performance and align the interests of management with those of the shareholders. The difference in incentive is that while the share plan for Singapore Telecom is for management and directors, certain qualifying Telkom SA employees are allowed share ownership. As illustrated in Figure 5.4, the operational efficiency of Telkom SA (1.4) in terms of asset turnover was slightly lower compared with that of Singapore Telecom (1.5). Singapore Telecom's fixed asset turnover (1.5) was also slightly higher than that of Telkom SA (1.4).



	Operational Efficiency	Fixed Asset Turn
Telkom SA	1,4	1,4
Singtel	1,5	1,5
Industry Average	0,42	

Telkom SA Singtel Industry Average

Figure 5.4: Comparison of Telkom SA and Singapore Telecom (content analysis - annual reports)

5.4.1.2.2 Analysis of inter and intra country comparison of enterprises in the Telecom, Media and Technology sector

Following the arguments of TCE, the hybrid model (holding company wholly and partly owned) is deemed better than the other models considering that the critical dimensions against which governance structures are analysed in relation to attributes and characteristics are semi-strong, combining the strengths and weaknesses in the market and hierarchy governance structures. However, since TCE argues that it is the degree of investment that matters, TCE favours different governance structures for different classes of transactions. In this context, the argument in this study is that SOEs that fall somewhere between the market and the hierarchy governance structures, but are more closely related to market governance than hierarchy governance, are expected to perform

better than those SOEs that fall under a hierarchy structure or are closely related to a hierarchy structure. It then becomes important to compare enterprises within these structures in order to establish which of the structures is ideal for governing SOEs. In this case, Munyo and Regent (2016, p. 161) have confirmed that ownership structure has an impact on enterprise performance. Menozzi et al. (2012, p. 671) argues that board composition influences enterprise performance. Further, Mbo and Adjasi (2017, p. 413), in their study of drivers of organisational performance in SOEs, also confirmed that both ownership and board structure influences enterprise performance. In this sector, TCE favours unified governance (traditional wholly and partly owned) for enterprises involved in telecommunications and media, and bilateral governance (new holding company wholly and partly owned) for enterprises involved in technology. Thus, for enterprises involved in technology and media, the most ideal governance structure would be the traditional model (wholly and partly owned) in which the partly owned enterprises would be some sort of subsidiary needed for carrying out the activities of SOEs. In this instance, TCE supports the traditional model, while the thesis statement supports the new model (wholly and partly owned). For enterprises involved in telecommunications, TCE favours the holding company model (wholly and partly owned), which is in line with the argument in this study. In order to determine the difference in performance of these models, the operational efficiency and the fixed asset turnover of these enterprises were computed as these are the relevant calculations considering that it is the degree of investment that matters under TCE. Because the average three-year CSI Market industry average (CSI Market, 2016–2018) was used for comparison purposes, only the operational efficiency was used in the analysis, as this is what is available based on the industry average calculations.

Table 5.10: Operational efficiency of enterprises under telecom, media and technology sector

SOE/SIE/SWF	Operational efficiency	Industry average	Fixed asset turnover
SA POST	6.2	1.57	3
SING POST	11.7	1.57	11.8
TELKOM	1.4	0.42	1.4
SINGAPORE TELECOM	1.5	0.42	1.5
BROADBAND	3.2	0.42	3.1
SABC	4.6	0.41	4.7

Source: Author's own compilation.

The operational efficiency and fixed asset turnover of the SABC and Media Corp cannot be computed as the annual results of Media Corp are not publicly available. For SA Post and Sing Post, for which TCE favours bilateral governance, from the comparison provided, it is probably safer to conclude that Sing Post is better appropriately structured than SA Post (Appendix 5). As pictured in Figure 5.3, there was a significant difference in the operational efficiency of Sing Post (11.8) versus that of SA Post (6.8). Therefore, Sing Post which operates under a new model does so better than SA Post which operates under a decentralised model, thereby confirming the thesis statement of this study. Compared with the industry average (1.57), both enterprises operated efficiently, even though it seems the difference between the operational efficiency of SA Post and Sing Post was abnormal. Comparison with the industry average showed that there was also significant difference between their operating efficiency and that of the industry average. Thus, there was no need to scrutinise the cause of the discrepancy. Also, the fixed asset turnover of both enterprises was normal in relation to their operational efficiency.

There was no observed significant difference between the operational efficiency of Telkom SA (1.4) and Singapore Telecom (1.5) (Figure 5.4). Both TCE and the thesis statement support this form of governance structure (bilateral) which is used by both enterprises (Appendix 5). The slight difference may be linked to the level of expertise on the Singapore Telecom board, as well as to the fact that the holding company is expected

to operate better. Compared with the industry average (0.42), both enterprises operated efficiently. Also, the fixed asset turnover of both enterprises was normal in relation to their operational efficiency. In comparing TCE with the thesis statement in this study, it appears that the holding company (bilateral governance structure) is a better model, as SA Post, which uses the unified model does not operate as well as Sing Post, which uses the bilateral governance favoured with regard to the thesis statement.

While the operational efficiency presents a good picture of performance in the inter-country comparison, the intra-country comparison, in which wholly owned enterprises were compared with partly owned enterprises, indicates that the operational efficiency of these two types of enterprise could not be compared directly because these enterprises fall into different sectors. Hence, it was only possible to compare enterprises with their industry average and not directly with SOEs under different ownership models. In this regard, the percentage difference of enterprises' operational efficiency in comparison with their industry average was computed for this purpose using the formula for percentage difference:

$$\frac{\mathrm{I}\Delta\mathrm{VI}}{\frac{\sum \mathrm{V}}{2}}\mathrm{X}100$$

$$=$$

$$\frac{\mathrm{I}V1 - V2\mathrm{I}}{\frac{V1 + V2}{2}} \times 100$$

Where V1 represents value 1 (operational efficiency) and V2 represents value 2 (industry average).

An online percentage difference calculator, CalculatorSoup, was used for computing the percentage difference of enterprises' operational efficiency. For example, for SA Post, the percentage difference computation involved entering the operational efficiency figure for SA Post (6.2) (Table 5.10) into the V1 box and entering the industry average figure for SA Post (1.57) (Table 5.10) into the V2 box, and then clicking the calculate button. As in the figures used for SA Post contained in Table 5.10 above, the figures used for computing the percentage difference of other enterprises are contained in the relevant tables above and below.

In situations where the industry average is higher than the operational efficiency, a further computation was conducted with an online percentage change calculator, CalculatorSoup. The formula for the computation is below:

$$\frac{(V1 - V2)}{\mathrm{I}V1\mathrm{I}} \times 100$$

Where V1 represents value 1 (industry average) and V2 represents value 2 (operational efficiency).

For example, PSA whose percentage difference is 77%, the percentage change computation indicated that the operational efficiency of PSA is 55% worse than the industry average. This percentage change computation was conducted by entering the industry average figure for PSA (1.57) (Table 5.12) into the V1 box and entering the operational efficiency figure for PSA (0.7) (Table 5.12) into the V2 box, and then clicking the calculate button.

In the intra-country comparison of SOEs in South Africa, Broadband Infraco, the SABC and SA Post were compared with Telkom SA. Broadband Infraco is wholly owned by the government of South Africa through the IDC and the Department of Telecommunications and Postal Services using a 26–74% ownership structure, respectively. Thus, according to TCE, Broadband Infraco is better structured (Appendix 5). Its mandate is to expand the availability and affordability of access to electronic communications through the provision of network and electronic communication services. The attributes described for SA Post apply, with the exception that uncertainty is usually intermediate. The incentive intensity of Broadband Infraco, a Schedule 2 MPE, is like that of other wholly owned SOEs and not as strong as that of Telkom SA. Following the general belief that partly owned SOEs should do well compared with wholly owned SOEs, it is expected that Telkom SA (108%) operates better than SA Post (119%), the SABC (168%) and Broadband Infraco (154%) in that they are wholly owned SOEs. However, compared with their industry average, the percentage difference in operational efficiency of wholly owned SOEs in South Africa (SA Post (119%); SABC (168%) and Broadband (154%)) was significantly higher than the percentage difference of the SOE under the partly owned company. In this case, following the operational efficiency computation of wholly owned and partly owned SOEs in South Africa, wholly owned SOEs in South Africa under the

Telecom, Media and Technology sector appear to operate better than the partly owned ones but this does not necessarily mean they are more profitable.

Table 5.11: Percentage differences of wholly owned and partly owned SOEs under telecom, media and technology

Wholly owned	Percentage difference	Percentage difference	Partly owned
BROADBAND	154%	108%	TELKOM SA
SABC	168%	113%	SING TEL
SA POST	119%	153%	SING POST

Source: Author's own compilation.

In the intra-country comparison of wholly owned and partly owned SOEs in Singapore, ST Telemedia and Media Corp were compared with Singapore Telecom and Sing Post. The attributes and characteristics discussed above for Media Corp apply to ST Telemedia. Accordingly, ST Telemedia is appropriately structured with regard to TCE (Appendix 5). Moreover, ST Telemedia's incentive intensity is as strong as that of Media Corp and Singapore Telecom in that directors are allowed share ownership. As for Singapore Telecom, transactions are recurrent and there is intermediate uncertainty with idiosyncratic investment in specific assets. Since it is partly owned, incentive intensity, administrative controls, autonomous and cooperative adaptations, contract law, decision-making context and information context are semi-strong. In terms of efficiency and effectiveness, the operational performance of these enterprises could not be compared as the annual reports of ST Telemedia and Media Corp are not publicly available.

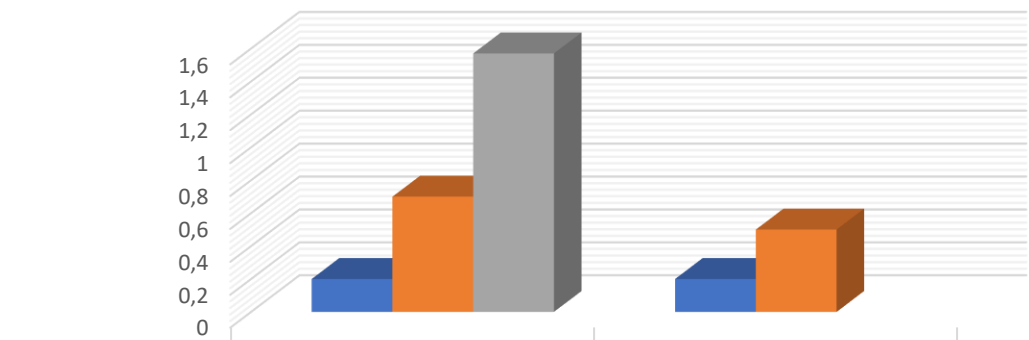
5.4.1.3 Transportation and Industrials sector

In this section, SOEs under the Transportation and Industrials sector were analysed using relevant documents (Appendix 6). The analysis included comparing their governance structure to TCE. The analysis further computed the fixed asset turn and operational efficiency of the SOEs, SIEs, SWFs. The latter was then compared with the industry average.

5.4.1.3.1 Background

Transportation and Industrials generally require substantial investments in physical assets (Williamson, 1979, pp. 234-260). Within this sector, in the inter-country comparison Transnet and PSA were compared. These enterprises are not appropriately structured as TCE favours bilateral governance in this instance (Appendix 5) because even though investments are idiosyncratic, transactions are occasional (Williamson, 1979, pp. 234-260). In this connection, TCE argues that the governance structure ideal for enterprises that are involved in the occasional transaction of idiosyncratic asset specificity (Transnet and PSA Int) is bilateral governance. The content analysis indicated that Transnet is a wholly owned enterprise in South Africa that is not expected to operate profitably but that revenue should cover expenses. In this regard, Transnet has been profitable. It is owned by the government through the DPE and is a schedule 2 MPE mandated to ensure economic growth and lower the cost of doing business in South Africa by providing appropriate rail, port and pipeline infrastructure in a cost-effective and efficient manner. Transactions required to deliver on its mandate are occasional, uncertainty is mid-level and investment level is idiosyncratic. Incentive intensity is expected to be weak and administrative control is expected to be strong, autonomous adaptation is expected to be weak, while cooperative adaptation is expected to be strong. Contract law, information context and decision-making context are usually weak (Appendix 5; Williamson, 1991, pp. 270-295). PSA is the Transnet counterpart in Singapore. Its mandate is similar to that of Transnet in that it is a global port group that engages in rail and inland terminals. It is expected to operate profitably since it is managed by a holding company, Temasek. In this context, PSA has been profitable. Transactions are occasional and uncertainty is mid-level, while investments are often made in idiosyncratic assets. Since it operates under a new/wholly owned model, incentive intensity, contract law, information context, autonomous adaptation, decision-making, administrative control and cooperative adaptation are usually semi-strong (Appendix 5; Williamson, 1991, pp. 270-295). Although directors and management of PSA are better incentivised compared with their Transnet counterparts, they are not allowed share ownership. As illustrated in Figure 5.5, Transnet's operational efficiency

(0.2) in terms of asset turnover was lower compared with that of PSA (0.7). PSA's fixed asset turnover (0.5) was also higher than that of Transnet (0.2).



	Operational Efficiecny	Fixed Asset Turn
Transnet	0,2	0,2
PSA	0,7	0,5
Industry Average	1,57	

Transnet PSA Industry Average

Figure 5.5: Comparison of Transnet and PSA (content analysis – annual reports)

In another inter-country comparison, South Africa's PRASA was compared with Singapore's SMRT. Both enterprises are appropriately structured according to TCE (Appendix 5). TCE argues that the governance structure ideal for enterprises involved in recurrent transactions of idiosyncratic asset specificity (PRASA, DENEL, SAFCOL, ACSA, ArcelorMittal, SMRT and ST Engineering) is a relational contract in the form of unified governance (traditional model). The content analysis indicated that PRASA is a schedule 3B NGBE wholly owned by the South African government through the Department of Transport. Its mandate is to deliver commuter rail services in the metropolitan areas of South Africa, as well as long distance rail and bus services within, to and from the borders of the country. It is non-profit oriented, but it is expected that revenue will cover expenses. In this regard, PRASA has been loss-making and often requires bailouts from the state. Transactions required to deliver on its mandates are recurrent in the form of the site-specific transfer of intermediate products or machinery across successive stages; there is mid-level uncertainty and investments in specific assets are usually substantial and idiosyncratic. Decision-making context, information context, contract law, incentive intensity and autonomous adaptation are usually weak, while administrative control and cooperative adaptation are usually strong (Appendix 5; Williamson, 1979, pp. 270-295). With regard to SMRT, its mandate is similar to that of PRASA in that it is a premier multi-modal land transport provider involved in rail, bus, taxi and automotive service

operations. It is expected to operate profitably and thus operates like a private enterprise. In this context, SMRT has been operating profitably. Attributes are similar to PRASA in that the transactions required to deliver on its mandate are recurrent with an intermediate level uncertainty. Investments in specific assets are usually substantial and idiosyncratic (Williamson, 1979, pp. 234-260). Since SMRT operates under the new/wholly owned model, it is expected that incentive intensity, autonomous adaptation, contract law, information and decision-making context will usually be strong, while autonomous adaptation and administrative control will be semi-strong. Incentive intensity is stronger in SMRT compared with PRASA in that management and directors are better remunerated and are allowed share ownership as a way of aligning management's and shareholders' interests. As summarised in Figure 5.6, the operational efficiency of PRASA (0.09) in terms of asset turnover was lower than that of SMRT (0.64). SMRT's fixed asset turnover (0.75) was also higher than that of PRASA (0.08).

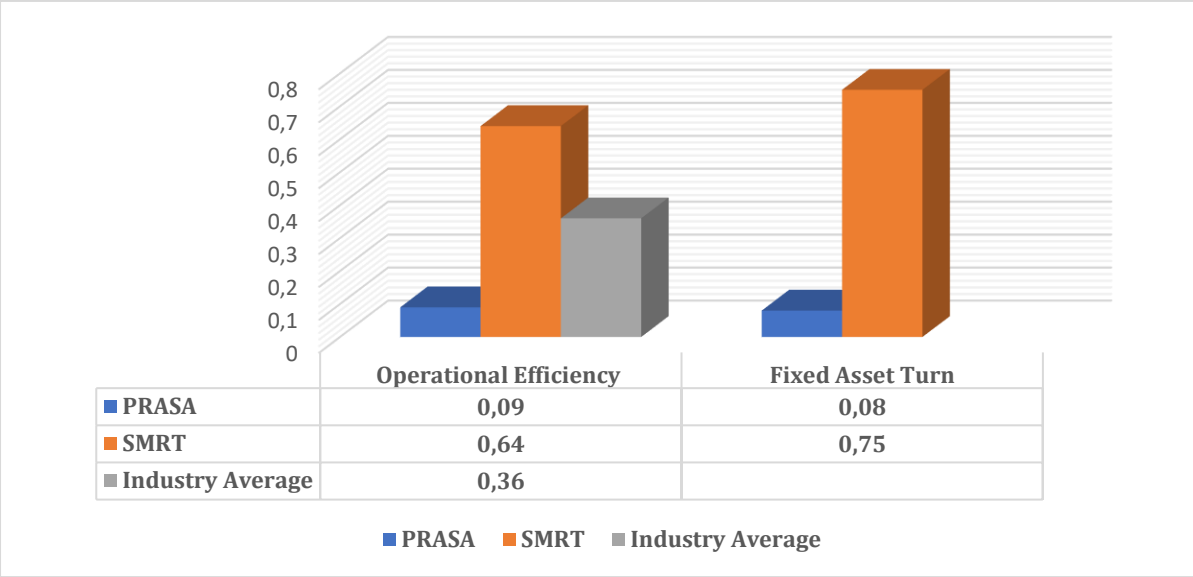
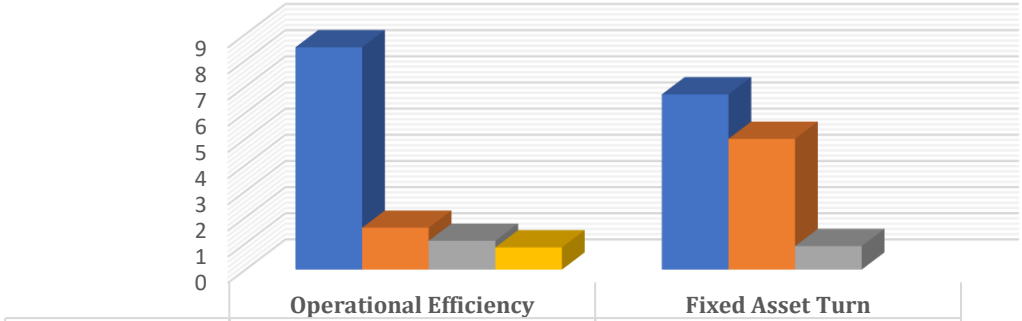


Figure 5.6: Comparison of PRASA and SMRT (content analysis – annual reports)

In another inter-country comparison, SAE and SAA were compared with their Singaporean counterpart, Sing Air. According to TCE, SAA and SAE are not appropriately structured, while Sing Air is (Appendix 5). This is because the transactions required to deliver the mandate include occasional transactions of mixed asset specificity in which bilateral governance is ideal. In this connection, TCE maintains that the governance structure that is ideal for enterprises that are involved in occasional transactions of mixed asset specificity (SAE, SAA and Sing Air) is bilateral governance (Williamson, 1979,

pp. 234-260). The content analysis indicated that SAE's mandate is to provide air transportation of passengers, cargo and mail; and as well promote frequency of services on lower-density routes in order to expand regional air services capability in South Africa. SAA's mandate is to provide airline and cargo services in order to support trading and tourism with the African continent and internationally. Both are expected to operate profitably, but continue to be loss-making and regularly require bailouts and cannot be categorised as SBs. They are both schedule 2 MPEs, wholly owned by the South African government through the DPE. According to TCE, transactions required to deliver on their mandates are usually occasional and uncertainty is usually intermediate. The degree of investment is usually mixed in that they have to purchase customised equipment to discharge their mandates. Incentive intensity is usually weak, administrative control is strong, autonomous adaptation is usually weak and cooperative adaptation is usually strong. Contract law, information context and decision-making context are usually weak (Appendix 5). By contrast, Sing Air is a partly owned SOE whose mandate is similar to that of SAA in that Sing Air is a global company dedicated to providing air transportation services. Sing Air operates as a partly owned private enterprise and is expected to be profitable. Transactions required to deliver on the mandate are occasional, the uncertainty level is midway between high and low and the degree of investment required to deliver the mandate is mixed between non-specific and idiosyncratic. Since it is partly owned, incentive intensity, administrative control, autonomous and cooperative adaptations, contract law, information context and decision-making context tend to fall somewhere between strong and weak (Appendix 5). Sing Air's directors and management are better remunerated and they are allowed share ownership. SAA employees in service are also allowed share ownership in form of an employee share ownership scheme and a flight deck crew member share and share incentive scheme (SAA Annual Report, 2017, pp. 162–163). However, SAE's employees, management and directors are not allowed share ownership. As profiled in Figure 5.7, SAA's operational efficiency (8.5) in terms of asset turnover was abnormally high compared to that of the industry average and Sing Air (1.1). Sing Air's fixed asset turnover (0.9) was also abnormally low compared to that of SAA (6.7). SAE's operational efficiency in terms of asset turnover (1.6) was higher than that of Sing Air but lower than that of SAA and its fixed asset turnover (5.0) was also higher than that of Sing Air but lower than that of SAA. The possible reasons for this are discussed in section 5.4.1.3.2.



	Operational Efficiency	Fixed Asset Turn
SAA	8,5	6,7
SAE	1,6	5
Sing Air	1,1	0,9
Industry Average	0,85	

SAA SAE Sing Air Industry Average

Figure 5.7: Comparison of SAA; SAE and Sing Air (content analysis – annual reports)

In another inter-country comparison, South Africa's DENEL was compared with Singapore's ST Engineering. Both SOEs are expected to be profit making, but while ST Engineering has been profitable, DENEL has had mixed fortunes in terms of profitability. While DENEL is wholly owned by the South Africa government through the DPE, ST Engineering is partly owned by the Singaporean government, through Temasek's 51% stake. Hence, according to TCE, DENEL is appropriately structured and ST Engineering is not (Appendix 5). In this context, TCE maintains that the governance structure ideal for enterprises involved in recurrent transactions of idiosyncratic asset specificity (PRASA, DENEL, SAFCOL, ACSA, ArcelorMittal, SMRT and ST Engineering) is a relational contract in the form of unified governance. The content analysis indicated that DENEL is mandated to provide turnkey solutions of defence equipment by designing, developing, integrating and supporting artillery, munitions, missiles, aerostructures and aircraft maintenance based on high-end technology. Transaction frequency is recurrent in that there is usually the need to transfer site-specific intermediate products across successive stages (Williamson, 1979, pp. 234-260). Uncertainty is usually high and there are usually substantial sunk investments in specific assets. Incentive intensity, autonomous adaptation, contract law, information context and decision-making context are expected to be weak while administrative control and cooperative adaptation are expected to be strong (Appendix 5; Williamson, 1979, pp. 270-295). As with DENEL, ST Engineering specialises in developing defence, aerospace, electronics and marine systems equipment. Transaction frequency for ST Engineering is usually recurrent. Uncertainty is usually high and there are usually substantial sunk investments in idiosyncratic assets. Since it is

partly owned, incentive intensity, administrative control, autonomous and cooperative adaptations, contract law, information context and decision-making context are usually semi-strong lying between strong and weak. Incentive intensity is stronger in St Engineering than in DENEL in that directors are allowed share ownership and they are better remunerated. As depicted in Figure 5.8, the operational efficiency of DENEL (1.3) in terms of asset turnover was lower compared with that of ST Engineering (1.9) but DENEL's fixed asset turnover (6.8) was higher than that of ST Engineering (3.9).

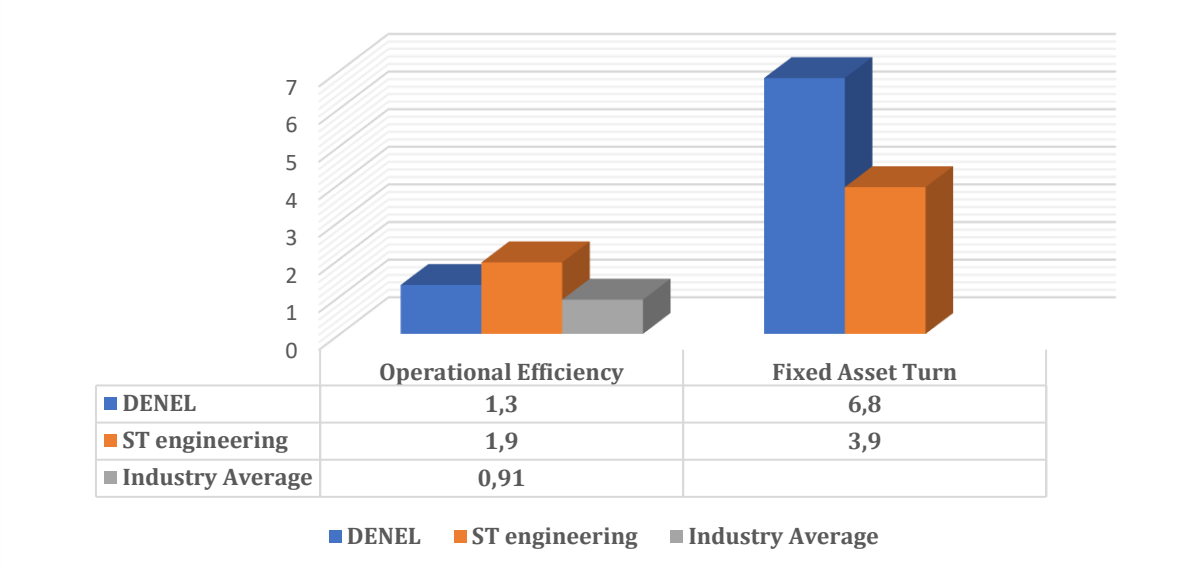


Figure 5.8: Comparison of DENEL and ST Engineering (content analysis – annual reports)

5.4.1.3.2 Analysis of inter- and intra-country comparison of enterprises under the Transportation and Industrials sector

With regard to TCE, the bilateral governance structure is ideal for enterprises involved in occasional transactions of mixed asset specificity (SAE, SAA and Sing Air) (Appendix 5), as well as for enterprises involved in occasional transactions of idiosyncratic asset specificity (Transnet and PSA Int). However, the ideal governance structure for enterprises involved in recurrent transactions of idiosyncratic asset specificity (PRASA, DENEL, SAFCOL, ACSA, ArcelorMittal, SMRT and ST Engineering) is a relational contract in the form of unified governance. Bilateral governance is relevant for occasional transactions of mixed and idiosyncratic specificity, as these transactions require substantial investments in which the parties involved in the contracts necessary to deliver on their mandates are usually committed to such contracts, as transferring such

assets without losing value on them may be problematic. Also, the setup costs of such transactions are usually not easily recoverable. Accordingly, given the limits of the market's classical governance and the prohibitive nature of bilateral and unified governance, an intermediate governance arrangement may be needed for governing some SOEs such as those that fall under bilateral governance.

For the enterprises for which TCE supports unified governance, Transnet and PSA were compared. These enterprises are wholly owned by their respective states, the difference being that PSA falls under the holding company, while Transnet falls under the traditional model.

Table 5.12: Operational efficiency of enterprises under transportation and industrial sector

SOE/SIE/SWF	Operational efficiency	Industry average	Fixed asset turnover
TRANSNET	0.2	1.57	0.2
PSA	0.7	1.57	0.5
PRASA	0.09	0.36	0.08
SMRT	0.64	0.36	0.75
SAA	8.5	0.85	6.7
SAE	1.6	0.85	5
SING AIR	1.1	0.85	0.9
DENEL	1.3	0.91	6.8
ST ENG	1.9	0.91	3.9
ACSA	0.4	0.07	0.38
ARCELORMITTAL	2.5	0.52	3.3

Source: Author's own compilation.

As illustrated in Figure 5.5, there was a significant difference between the operational efficiency of Transnet (0.2) and of the PSA (0.7); also, the fixed asset turnover of both

enterprises was in line with their operational efficiencies with that of the PSA being higher than that of Transnet. These results appear to confirm the thesis statement that the holding company model and part ownership along the lines of a holding company mitigate the problems of SOEs and improve efficiency and effectiveness. Compared with the industry average (1.57) computed from the CSI Market industry average (CSI Market, 2016–2018), both enterprises do not operate efficiently as they operate lower than the industry average.

Another comparison for enterprises where TCE supports unified governance was between PRASA and SMRT. Both enterprises are wholly owned by their various governments, thus appropriately structured according to TCE (Appendix 5). While SMRT falls under a holding company, PRASA falls under the traditional model. Pictured in Figure 5.6, the operational efficiency of PRASA (0.09) was significantly lower than that of SMRT (0.64); also, the fixed asset turnover of both enterprises was in line with their operational efficiencies, with that of SMRT being higher than that of PRASA, thus appearing to confirm the thesis statement. Compared with the industry average (0.36), SMRT performed better, while the operational efficiency of PRASA was significantly lower. Further comparison was made between DENEL and ST Engineering, enterprises for which TCE supports unified governance; thus, they were found to be structured accordingly (Appendix 5). The operational efficiency of DENEL (1.3) was significantly lower than that of ST Engineering (1.9); hence ST Engineering operated better than DENEL, thus appearing to confirm the thesis statement, since ST Engineering falls under a holding company and DENEL falls under a traditional model. Compared with the industry average (0.91), both enterprises appear to operate efficiently. While the operational efficiency of DENEL was lower when compared with that of ST Engineering, the fixed asset turnover of DENEL was higher than that of ST Engineering. Thus, while ST Engineering operated better than DENEL, DENEL converts assets better than ST Engineering.

For enterprises for which TCE supports bilateral governance, which is in line with the thesis statement, SAE, SAA and Sing Air were compared. As summarised in Figure 5.7, in respect of the computed operational efficiency, the operational efficiency of SAA (8.5) was abnormally high compared to the industry average and the operational efficiency of Sing Air (1.1). The operational efficiency of SAE (1.6) was also higher than the operational

efficiency of Sing Air. However, Sing Air has been sustainable, while the state has been constantly bailing out SAA and SAE. In this context, following the computed operational efficiency, it appears that Sing Air does not operate efficiently. However, compared with the industry average (0.85), Sing Air does. Also, the fixed asset turnover of these enterprises was in line with their operational efficiencies with the fixed asset turnover of SAA higher than that of SAE, which was in turn higher than that of Sing Air. As observed by the Risk Management Association (2014, p. 1), when efficiency output is abnormally high compared with similar enterprises and the industry average, three events are likely to be taking place. The first is that the company may be in need of additional assets to deliver on its mandate because the assets are old. The second reason is connected to practically depreciating assets faster (fully or almost fully) compared with the industry average. The third is that the company uses an inventory accounting method, in which inventory is understated in relation to the industry average.

Following these observations, the relevant annual reports of SAA were scrutinised for any possible reason associated with those described above. In this regard, the reason may be connected to the inventory accounting method used. In auditing the 2017 accounts, which was part of the accounts used in computing the operational efficiency of SAA, the auditor noted that inventory might have not been valued correctly (SAA Annual Report, 2017, p. 98) thereby affecting the computed operational efficiency. Similarly, in auditing the 2016 accounts of SAE, the auditor in qualifying the accounts was unable to obtain sufficient evidence necessary for confirming the inventory balance (SAE Annual Report, 2016, p. 69). In addition, SAE wrote down inventory during the accounting period (SAE Annual Report, 2016, p. 92). In summary, these also had an impact on the computed operational efficiency of SAE. Sing Air's accounts are free of these discrepancies. In further confirming that SAA and SAE do not operate better compared with Sing Air, while Sing Air has been operating profitably, SAA and SAE have been loss-making and requiring bailouts. This is also confirmed by their return on equity in which SAA has a percentage negative return (21%) while Sing Air's return is 6.8% and SAE 1.5%. Further, in the context of this study, the operational efficiency of SAA and SAE is abnormally high compared to that of Sing Air, which has been profit-making, while SAA and SAE have been requiring steady bailouts. This means that corruption is possibly at its peak in these enterprises resulting in possible embezzlement and accounting malpractices. TCE, in direct comparison with the thesis statement in this study, maintains that the holding

company (bilateral governance structure) is a better model. Subsequently, ST Engineering, which uses the bilateral model favoured by the thesis statement, was found to operate better compared with DENEL which uses the unified governance favoured by TCE.

In the intra-country comparison of wholly owned and partly owned SOEs in South Africa, SAE and SAA were compared with ACSA. According to TCE, these enterprises are not appropriately structured (Appendix 5). The attributes and characteristics of SAE and SAA have been described above and are thus not repeated here. The content analysis indicated that ACSA is a schedule 2 SIE of the South African government through the Department of Transport and the PIC and other empowerment investors. The government owns a 95% stake in the company, the mandate of which is to run and develop airports and grow the economy by operating profitably. In this regard, ACSA has been profit-making. In discharging its mandates, ACSA engages in recurrent transactions, and uncertainty is usually, mid-level with a generally high degree of sunk investments in specific assets. ACSA is partly owned, thus incentive intensity, administrative control, autonomous and cooperative adaptations, contract law, information context and decision-making context are semi-strong (Appendix 5). As in SAA, incentive intensity is strong in that employees are allowed share ownership. Following the general belief that partly owned SOEs should do well compared with wholly owned SOEs, it is expected that ACSA should operate better than SAE and SAA that are wholly owned SOEs, even though employees are allowed share ownership in the form of an employee share ownership programme, a flight deck crew share scheme and a share incentive scheme. Following the thesis statement, it is expected that ACSA operates better than SAA and SAE. However, compared with their industry averages, the percentage difference in their operational efficiency revealed that SAA (164%) operated better than ACSA (140%) but ACSA operated better then SAE (61%). Thus, the partly owned model performed better than the wholly owned model in this case. In this regard, even though SAA (164%) operated better than ACSA (140%), as explained above, SAA's operational efficiency cannot be considered because the computation of inventory might have been calculated based on methods not supported by appropriate audit evidence and satisfactory audit procedures. This was further confirmed by the fact that while SAA and SAE have been loss-making and have required bailouts, ACSA has been profit-making. Notwithstanding, SAE operated better than the partly owned ACSA.

Table 5.13: Percentage differences of wholly owned and partly owned SOEs under transportation and industrial

Wholly owned	Percentage difference	Percentage difference	Partly owned
TRANSNET	(155%)	140%	ACSA
SAE	61%	131%	ARCELORMITTAL
SAA	164%	26%	SING AIR
PRASA	(120%)	70%	ST ENG
DENEL	35%		
SAFCOL	(145%)		
PSA	(77%)		
SMRT	56%		

Source: Author's own compilation.

In the intra-country comparison of wholly owned and partly owned SOEs in South Africa, DENEL was compared with ArcelorMittal. While DENEL is appropriately structured according to TCE, ArcelorMittal is not (Appendix 5). The attributes and characteristics of DENEL have been discussed above and are hence not repeated here. The content analysis revealed that ArcelorMittal, in carrying out its business, engages in recurrent transactions in the form of the site-specific transfer of intermediate products or machinery across successive stages. Uncertainty is usually high and there are usually substantial sunk investments in idiosyncratic site-specific assets. Since ArcelorMittal is partly owned, incentive intensity, administrative control, autonomous and cooperative adaptations, contract law, information context and decision-making context are expected to be semi-strong (Appendix 5). Incentive intensity is higher in ArcelorMittal since it remunerates its employees better and also has an employee share scheme in place. Following the general belief that partly owned SOEs should operate better than wholly owned SOEs, it is expected that ArcelorMittal will operate better than DENEL in that DENEL is a wholly owned SOE. The percentage difference in their operational efficiency compared with their industry average revealed that ArcelorMittal (131%) operated better than DENEL (35%). Thus, the thesis statement appears to be confirmed here.

In the intra-country comparison of wholly owned and partly owned SOEs in Singapore, PSA Int and SMRT were compared with Sing Air and ST Engineering. The attributes and characteristics of these SOEs have been described above and are hence not repeated here. Incentive intensity is strong in both SOEs as discussed above. Following the general belief that partly owned SOEs should do well compared with wholly owned SOEs, it is expected that Sing Air and ST Engineering operate better than PSA Int and SMRT in that they are wholly owned SOEs. In this context, the percentage difference in their operational efficiency compared with their industry average revealed that ST Engineering (70%) operated better than SMRT (56%) and PSA Int (77% in favour of industry average; that is, 55% worse compared with the industry average), while SMRT operated better than Sing Air (26%). Thus, there is mixed evidence and the thesis statement cannot be confirmed in this instance.

5.4.1.4 Energy and Resources sector

In this section, SOEs under the Energy and Resources sector were analysed using relevant documents (Appendix 6). The analysis included comparing their governance structure to TCE. The analysis further computed the fixed asset turn and operational efficiency of the SOEs, SIEs, SWFs. The latter was then compared with the industry average.

5.4.1.4.1 Background

Energy and Resources generally require substantial sunk investments in physical assets. In this instance, to deliver on their mandates, SOEs in the Energy and Resources sector generally require more investment than those in the Telecommunications, Media and Technology sector but not necessarily more than those in the Transportation and Industrials sector (Williamson, 1979, pp. 234-260).

In this sector, the inter-country comparison compared ESKOM with SP. ESKOM and SP are not appropriately structured with regard to TCE (Appendix 5), which favours bilateral ownership in these instances instead of unified governance. The content analysis indicated that ESKOM is a schedule 2 MPE wholly owned by the South African government through the DPE. ESKOM is mandated to provide a stable electricity supply in an efficient and sustainable manner, as a way of lowering the cost of doing business in South Africa and ensuring economic growth. It is a public utility; hence, it is not mandated

to be profit making but must endeavour to ensure that revenue covers costs as sustained in its mandate. In this regard, ESKOM has been loss-making. In discharging its mandate, ESKOM engages in occasional idiosyncratic transactions in the form of plant construction; uncertainty is generally high and there are usually sunk investments in idiosyncratic specific assets. Since it is wholly owned, incentive intensity, autonomous adaptation, contract law, information context and decision-making context are expected to be weak, while administrative control and cooperative autonomy are expected to be strong (Appendix 5). As the Singapore counterpart of ESKOM, SP's mandate is similar to that of ESKOM; that is, to provide reliable and efficient energy utility services to enhance the economy and the quality of life. It is wholly owned by the Singaporean government through Temasek holdings. It is expected to operate profitably since it is owned by a holding company and has commercial attributes. In this context, SP has been profitable. In discharging its mandate, it often engages in occasional transactions like ESKOM, in which uncertainty is usually high and there are usually substantial sunk investment costs on idiosyncratic specific assets (Williamson, 1979, pp. 234-260). Since it operates under the new wholly owned model, it is expected that administrative control and cooperative adaptation, incentive intensity, autonomous adaptation, contract law, information context and decision-making context are expected to be semi-strong (Williamson, 1991, pp. 270-295). Incentive intensity is high in SP compared with ESKOM in that directors are better remunerated and are allowed share ownership. Figure 5.9 indicates that the operational efficiency of ESKOM (0.3) in terms of asset turnover was lower than that of SP (0.4). SP's fixed asset turnover (0.4) was also higher than that of ESKOM (0.3).

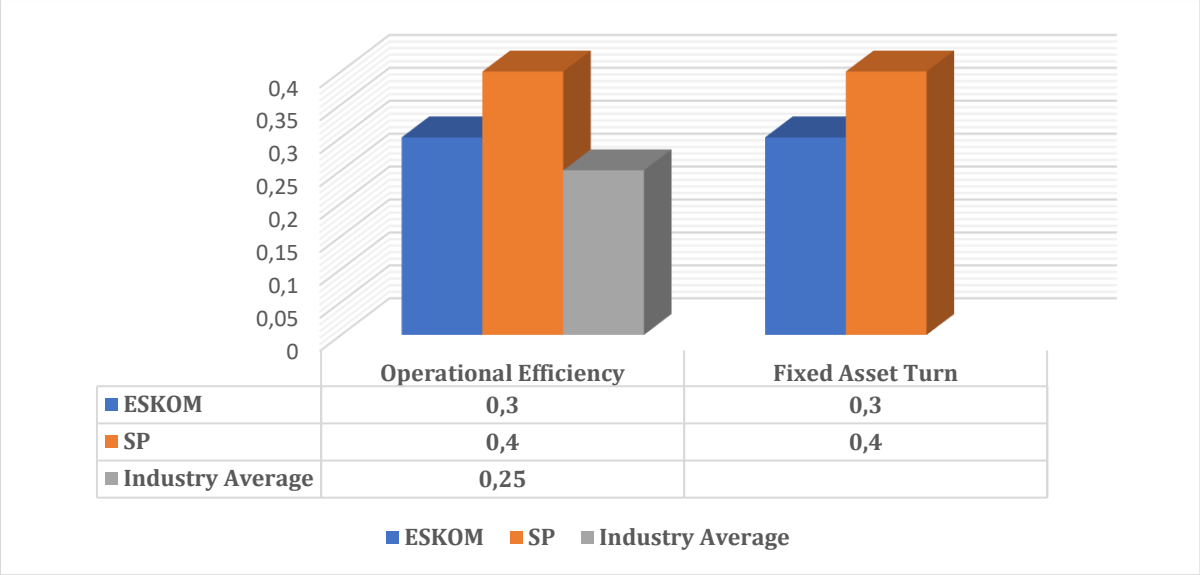


Figure 5.9: Comparison of ESKOM and SP (content analysis – annual reports)

Another inter-country comparison was conducted between PetroSA and Pavilion Energy which are both expected to operate commercially. In this regard, PetroSA has been loss-making. These enterprises are not appropriately structured as per TCE (Appendix 5), which favours bilateral governance in this instance. The content analysis revealed that in discharging its mandate, PetroSA, which is owned by the South African government through the Department of Energy and the Central Energy Fund, is a schedule 2 MPE mandated to operate as an integrated commercial entity and create value for its shareholder and stakeholders, including taxpayers. It does this by providing energy-related petroleum products, engaging in occasional transactions with high uncertainty and investing in highly specific idiosyncratic assets. Since it is wholly owned, the attributes and characteristics include that cooperative adaptation and administrative control are expected to be strong, while information context, decision-making context, autonomous adaptation and contract law are expected to be weak. Pavilion Energy, on the other hand, is mandated to be a leading provider of competitive energy solutions in Singapore and across Asia. In discharging its duties, it also engages in investing in highly specific assets in terms of plant construction. Transactions required to deliver its mandate are usually occasional and uncertainty is usually high. In addition, since it is a wholly owned enterprise that operates commercially under the new wholly owned model, it is expected that administrative control and cooperative adaptation, contract law, autonomous adaptation, decision-making context, incentive intensity and

information context will be semi-strong. Incentive intensity is stronger in Pavilion Energy than PetroSA in that Pavilion Energy encourages share ownership and management and directors are better remunerated. The operational efficiency of these enterprises could not be compared as Pavilion Energy annual reports are not publicly available.

Further inter-country comparison was conducted among Alexkor and AEMFC with Turquoise Hill resources. According to TCE, Alexkor and AEMFC are not appropriately structured as TCE favours bilateral governance in this instance; however, Turquoise is appropriately structured (Appendix 5). Alexkor is owned by the South African government through the DPE while AEMFC is owned through the Department of Energy and Central Energy Fund (Williamson, 1979, pp. 234-260). These SOEs as well as the SIE are expected to operate commercially. The content analysis indicated that while Alexkor is mandated to support the South African government's national developmental agenda by optimising natural resources for economic development, AEMFC is mandated to ensure the security of energy supply for the country and support the minerals beneficiation strategy of the country. These enterprises have been operating profitably. In discharging their duties, Alexkor and AEMFC engage in recurrent transactions in that their operations usually involve site-specific transfer of intermediate products and/or machinery across successive stages. Uncertainty is usually high and there is often high investment in idiosyncratic specific assets. Since they are wholly owned SOEs, it is expected that administrative control and cooperative adaptation will be strong, while incentive intensity, autonomous adaptation, contract law, decision-making and information contexts will be weak. Turquoise Hill is a SIE linked to Temasek through its 3.52% stake and has been operating profitably. It is also expected to make substantial highly specific idiosyncratic investments in discharging its duties. Uncertainty is usually high, and transactions are recurrent in nature in the form of site-specific transfer of intermediate products or machinery across successive stages. Since it operates under the new partly owned model, administrative control, autonomous and cooperative adaptations, information and decision-making contexts, incentive intensity, contract law and autonomous adaptation are expected to be semi-strong. Incentives in both Alexkor and AEMFC are not as strong as in Turquoise Hill as they are wholly owned while Turquoise is a SIE. Figure 5.10 illustrates that the operational efficiency of Alexkor (23.3) in terms of asset turnover was higher than that of AEMFC (2.4), while the latter's fixed asset turnover (2.9) was also lower than that of Alexkor (4.4). Turquoise Hill's

operational efficiency in terms of asset turnover (1.9) was lower than that of both AEMFC and Alexkor and its fixed asset turnover (0.02) was also lower than both AEMFC and Alexkor. The likely reasons for the abnormally high operational efficiency of Alexkor is discussed in section 5.4.1.4.2.

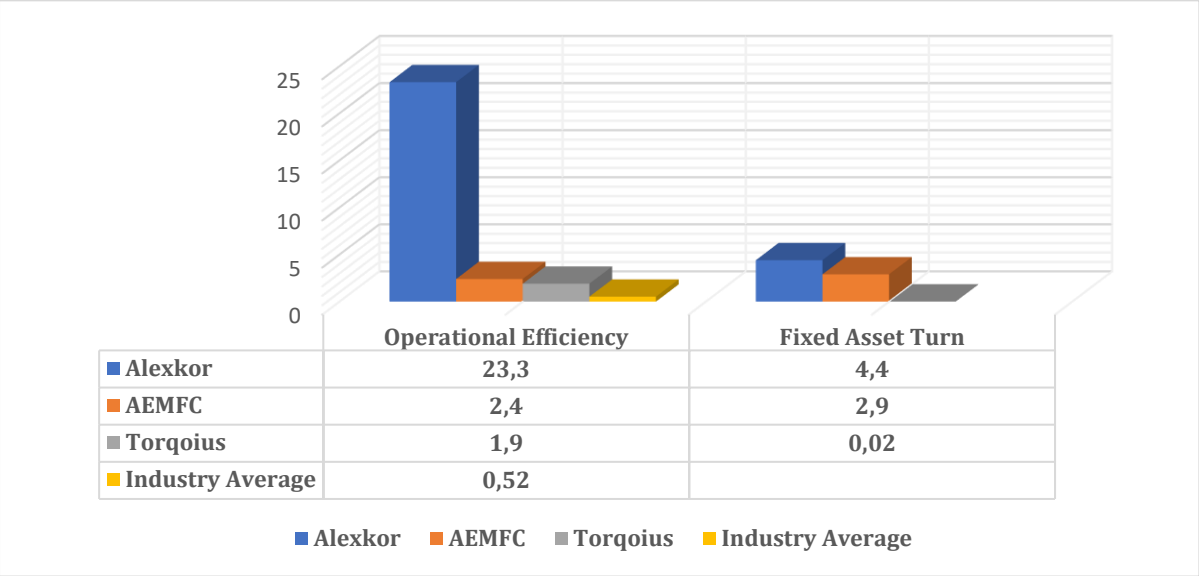


Figure 5.10: Comparison of Alexkor, AEMFC and Turquoise (content analysis – annual reports)

5.4.1.4.2 Analysis of inter- and intra-country comparison of enterprises in the Energy and Resources sector

According to TCE, the ideal governance structure for enterprises that are involved in occasional transactions of idiosyncratic asset specificity (ESKOM, PetroSA, Sasol, Singapore Power, Pavilion) is bilateral governance, the ideal governance structure for enterprises that are involved in recurrent transactions of mixed asset specificity (SAFCOL) is also bilateral governance, and the governance structure of enterprises involved in recurrent transactions of idiosyncratic asset specificity (AEMFC and Alexkor) is unified governance (Williamson, 1979, pp. 234-260). In this connection, the operational efficiency of enterprises in this sector in relation to the governance structure suggested by TCE and that suggested by the thesis statement is compared in order to determine the difference in operational performance of enterprises under the different models. In this regard, ESKOM and SP were compared. These enterprises are not appropriately structured as TCE favours bilateral governance in this instance (Appendix 5). However, since the holding company is more of an investment/manager model, it falls

under the bilateral model, thus in this comparison it is expected that SP will perform better than ESKOM.

Table 5.14: Operational efficiency of enterprises in the Energy sector

SOE/SIE/SWF	Operational efficiency	Industry average	Fixed asset turnover
ESKOM	0.3	0.25	0.3
SP	0.4	0.25	0.4
ALEXKOR	23.3	0.52	4.4
AEMFC	2.4	0.52	2.9
TURQUOISE	1.9	0.5	0.02
PETRO SA	1.4	0.52	1.8
SASOL	1.0	0.52	1.1

Source: Author's own compilation.

Summarised in Figure 5.8, no significant difference was found between the operational efficiency of SP (0.4) and the operational efficiency of ESKOM (0.3), even though SP operated better than ESKOM. In addition, the fixed asset turnover of both enterprises is in line with their operational efficiency, with that of SP being higher than that of ESKOM. Notwithstanding, SP operated better than ESKOM; hence, the thesis statement is sustained in this comparison. Compared with the industry average (0.25), both enterprises operated efficiently.

To confirm the difference in performance between the enterprises under the models, further comparison was carried out among Alexkor, AEMFC and Turquoise Hill. In this comparison, both TCE and the thesis statement support bilateral governance for all enterprises. In this regard, Figure 5.10 indicates that the operational efficiency of Alexkor is 23.3 was abnormally high compared to that of AEMFC (2.4) and Turquoise Hill (1.9). Moreover, the operational efficiency of Turquoise Hill was lower than that of AEMFC. In addition, the fixed asset turnover of these enterprises was in line with their operational efficiencies with that of Alexkor being higher than that of AEMFC, which was in turn higher than that of Turquoise Hill. This does not support the thesis statement, which may

be linked to the fact that Turquoise Hill is more of a SIE and Temasek's investment in the enterprise is not sufficiently significant to allow for a controlling interest in the activities of the enterprise. Furthermore, following the observations by the Risk Management Association (2014, p. 1) that when operational efficiency is abnormally high, three events are likely to be taking place, it makes sense to confirm which of the events is at work. In this context, it was revealed that Alexkor wrote down inventory in order to allow for slow-moving, damaged and obsolete stock, which did not occur in previous years (Alexkor Annual Report, 2018, p. 93). SOEs in this sector are accordingly owned in line with TCE and the thesis statement; thus, there is no direct comparison of TCE and thesis statement in this sector.

In the intra-country comparison of wholly owned and partly owned SOEs in South Africa, PetroSA and AEMFC were compared with SASOL. SASOL is appropriately structured as TCE supports bilateral governance in this case (Appendix 5). The attributes and characteristics of PetroSA and AEMFC have been discussed above and hence are not repeated here. The content analysis indicated that SASOL is a SIE in which the South African government, through the Government Employees' Pension Fund and the IDC, owns a 22% stake. In carrying out its business, SASOL engages in occasional transactions. Uncertainty is usually high and there are often substantial sunk investments in idiosyncratic specific assets. Since SASOL operates under the new partly owned model, it is expected that incentive intensity, administrative control, autonomous and cooperative adaptations, contract law, information context and decision-making context will be semi-strong. Incentive intensity in PetroSA and AEMFC is expected to be on the same weak level as they are both wholly owned compared to SASOL, which operates more like a private company. SASOL provides better remuneration and its management are allowed share ownership. Following the thesis statement, partly owned SOEs should do well compared to wholly owned SOEs, it is expected that SASOL will operates better than PetroSA and AEMFC because they are wholly owned. However, in this context, the observations emerging from the percentage difference in their operational efficiency compared with their industry average revealed that SASOL (108%) operated better than PetroSA (92%) but not better than AEMFC (129%). Hence, the thesis statement appears to be only partly supported in this case.

Table 5.15: Percentage differences of wholly owned and partly owned SOEs under energy and resources

Wholly owned	Percentage difference	Percentage difference	Partly owned
ESKOM	18%	108%	SASOL
PETRO SA	92%	114%	TORQUOISE
AEMFC	129%		
ALEXKOR	191%		

Source: Author's own compilation.

In another intra-country comparison of wholly owned and partly owned SOEs in Singapore, SP and Pavilion Energy were compared with Turquoise Hill. With regard to TCE, Pavilion Energy is not appropriately structured as TCE favours unified governance in this instance. The attributes and characteristics of these SOEs and SIE have been discussed above and thus are not repeated in this case. Incentive intensity is high in both SOEs in that management are well remunerated and there is share ownership in place. However, their operational performance could not be compared as Pavilion Energy's annual results are not available.

5.4.1.5 Financial sector

In this section, SOEs under the Financial sector were analysed using relevant documents (Appendix 6). The analysis included comparing their governance structure to TCE. The analysis further computed the fixed asset turn and operational efficiency of the SOEs, SIEs, SWFs. The latter was then compared with the industry average.

5.4.1.5.1 Background

According to TCE, this sector differs from the other sectors discussed above in that it provides a different kind of service and/or support. Accordingly, it does not usually require substantial investment in idiosyncratic specific assets as do other sectors (Williamson, 1979, pp. 234-260). However, this sector makes considerable investment in technology in form of bandwidth and data. In this context, the only investment that enterprises in this sector feasibly require to fulfil their mandate is that of erecting or

purchasing offices, as well as purchasing office equipment, which may be classified as the occasional purchase of standard equipment, which is a form of non-specific occasional transaction (Williamson, 1979, pp. 234-260). The governance structure that is ideal in this sector, following TCE, is market governance (classical contracting). This is ideal for non-specific transactions that are both occasional and recurrent, the reason being that market governance is usually best for transactions where the assets required to deliver on the mandate are on-the-spot, once-off, instant transactions. Spot transactions are once-off transactions that are not usually relevant in determining transaction frequency (Field & Peck, 2003, p. 497). The critical dimensions to which governance structures are matched with attributes and transactions/contracts also matters. In this sector, since TCE favours market governance, strong incentive intensity, autonomous adaptation, contract law, and information and decision-making contexts are required at the expense of weak administrative controls and cooperative adaptation (Williamson, 1991, pp. 270-295).

In the inter-country comparison, the PIC and GIC were compared. While the PIC is wholly owned by the South African government, the GIC is wholly owned by the Singaporean government but operates as a commercial entity. These enterprises are appropriately structured with regard to TCE in that TCE favours private ownership in this case and these enterprises operate as private enterprises. The content analysis revealed that the PIC is a holding company but operates differently from the GIC, its Singaporean counterpart, in terms of investment. In discharging its duties, PIC operates based on the companies it invests in (in some cases it is a passive and in others an active investor); thus, the only thing that is certain is that it has to invest in office space in order deliver on its mandates. Other investments depend on the kind of portfolio companies it has. In this case, uncertainty is usually high and investments are usually in non-specific occasional assets. Because it is wholly owned, it is expected that incentive adaptation will be weak, while autonomous cooperation is also expected to be weak. Contract law, information and decision-making contexts are also expected to be weak, while administrative control and cooperative adaptation are expected to be strong. In discharging its mandate, the type of investment engaged in by GIC also depends on the kind of companies it invests in; thus, what is certain is that it generally invests in the premises where it operates. These sorts of occasional investments are non-specific. The uncertainty in this case is also usually high but compared with the PIC, GIC minimises this by investing in low-risk ventures (Huat, 2016, p. 509) since it operates as a manager

model while PIC operates on an investment model basis. Since it operates as a commercial entity, it is generally expected that incentive intensity, autonomous adaptation, contract law, information and decision-making contexts will be strong and administrative control and cooperative adaptation will be weak. Incentive intensity is strong in both SOEs. As with most Singaporean enterprises, GIC takes a prudent approach to both investment policy and remuneration policy; thus, directors are not as well remunerated as Temasek's directors and the directors of SOEs under Temasek. The operational efficiency of these two enterprises could not be compared as GIC does not include its financial statements in its published reviews.

In another inter-country comparison, the ECIC was compared with Mapletree. Neither are appropriately structured according to TCE, as TCE favours SIE as against SOE (Williamson, 1979, pp. 234-260). Both operate as commercial enterprises, hence are profit-oriented, however, different methods are employed to achieve this aim. In this regard, while ECIC has had mixed fortunes in terms of profitability, Mapletree has been profitable. The content analysis indicated that ECIC is mandated to provide the necessary business covers to enable South African exporters to offer their services and products on the international market. In fulfilling its mandate, ECIC, a schedule 3 NGBE wholly owned by the South African government through the Department of Trade and Industry, is generally expected to invest in buildings in the form of office spaces. This form of investment is occasional and non-specific investment in that it does not require the substantial sums required in the other three sectors discussed above (Williamson, 1979, pp. 234-260). Uncertainty is usually high owing to the nature of the business (Williamson, 1979, pp. 234-260). Since it is wholly owned, it is expected to have the attributes and characteristics of hierarchical governance in that administrative control and cooperative adaptation are expected to be strong, while autonomous adaptation, contract law, incentive intensity, decision-making and information contexts are expected to be weak (Williamson, 1991, pp. 270-295). In delivering its development and capital investment mandate, Mapletree also engages in investments that usually take the form of non-specific occasional investments in buildings for office space. Since it deals in liquid assets, uncertainty is usually high and, as it operates under the new wholly owned model, administrative control, cooperative adaptation, incentive intensity, contract law, autonomous adaptation, information and decision-making contexts are expected to be semi-strong. Incentive intensity is higher in Mapletree as it operates more like a private

entity compared with the ECIC. As stated in its annual reports, it remunerates management and directors better than the ECIC and there is an employee share ownership scheme in place. Figure 5.11 indicates that the ECIC's (0.3) operational efficiency in terms of asset turnover was lower than that of Mapletree (7.3) but ECIC's fixed asset turnover (61) was abnormally high compared to that of Mapletree (9.4).

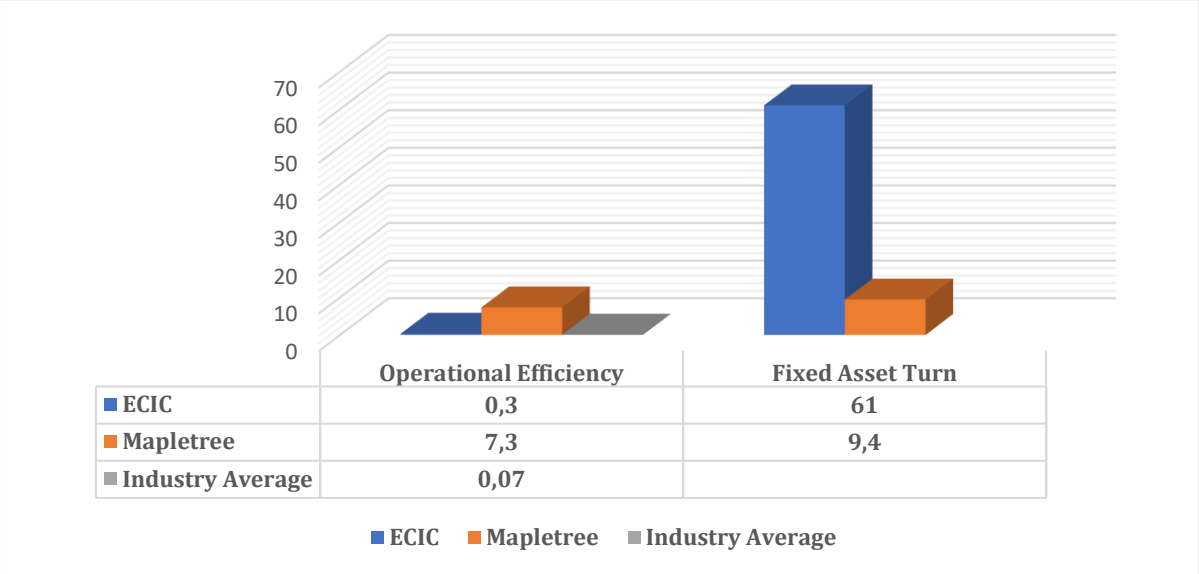


Figure 5.11: Comparison of ECIC and Mapletree (content analysis – annual reports)

In the third inter-country comparison in this sector, the Landbank and the DBSA were compared with the DBS. The Landbank and DBSA are both schedule 2, major public entities, wholly owned South African SOEs, while DBS, their Singaporean counterpart is partly owned. Landbank and the DBSA are both owned by the South African government through the Department of National Treasury. They are not appropriately structured with regard to TCE, although the DBS is (Williamson, 1979, pp. 234-260). The content analysis indicated that the Landbank and the DBSA are not entirely profit-oriented, but it is generally expected that revenue should cover expenditure and both enterprises have been profitable. The Landbank is mandated to promote agricultural and rural development by expanding access to agricultural land, while the DBSA is mandated to promote economic development and growth by harnessing financial and other resources from the national and international private and public sectors for sustainable development projects and programmes on the African continent. In discharging their mandates, the only general investment is that of non-specific occasional investment in buildings in the form of office space. Uncertainty concerning the operations of these SOEs

is usually generally high. Since they are wholly owned, it is expected that administrative control and cooperative adaptation will be strong, while contract law, autonomous adaptation, incentive intensity, decision-making and information contexts are usually weak. The DBS, which was formerly a SOE, is a SIE of the Singaporean government through the 29% stake of Temasek and its subsidiaries. It is profit-oriented and has been profitable. The types of investments the DBS engages in, in discharging its mandate, are similar to those of the DBSA, even though the DBS is expected to engage in other forms of investment since it is partly owned. In this way, the investments expected to be engaged in delivering national mandates are non-specific occasional investments in the form of buildings for office space (Williamson, 1979, pp. 234-260). Since it operates under the new partly owned model, all attributes and characteristics are expected to be midway between privately owned and wholly owned. Thus, administrative control, incentive intensity, cooperative and autonomous adaptations, decision-making and information contexts and contract law are expected to be semi-strong (Williamson, 1991, pp. 270-295). Incentive is stronger in the DBS compared with the Landbank and the DBSA in that management and directors are better remunerated and there is a share ownership incentive in place. Figure 5.12 indicates that the operational efficiency of the Landbank (2.0) in terms of asset turnover was lower than that of the DBSA (21.4) and the DBSA's fixed asset turnover (19.0) was higher than that of Landbank (3.8). The DBS's operational efficiency (0.2) in terms of asset turnover was lower than that of both the DBSA and the Landbank. Furthermore, its fixed asset turnover (6.9) was lower than that of the DBSA but higher than that of the Landbank. In this context, the DBSA's operational efficiency and asset turnover were abnormally high compared to the industry average and those of both the Landbank and the DBS.

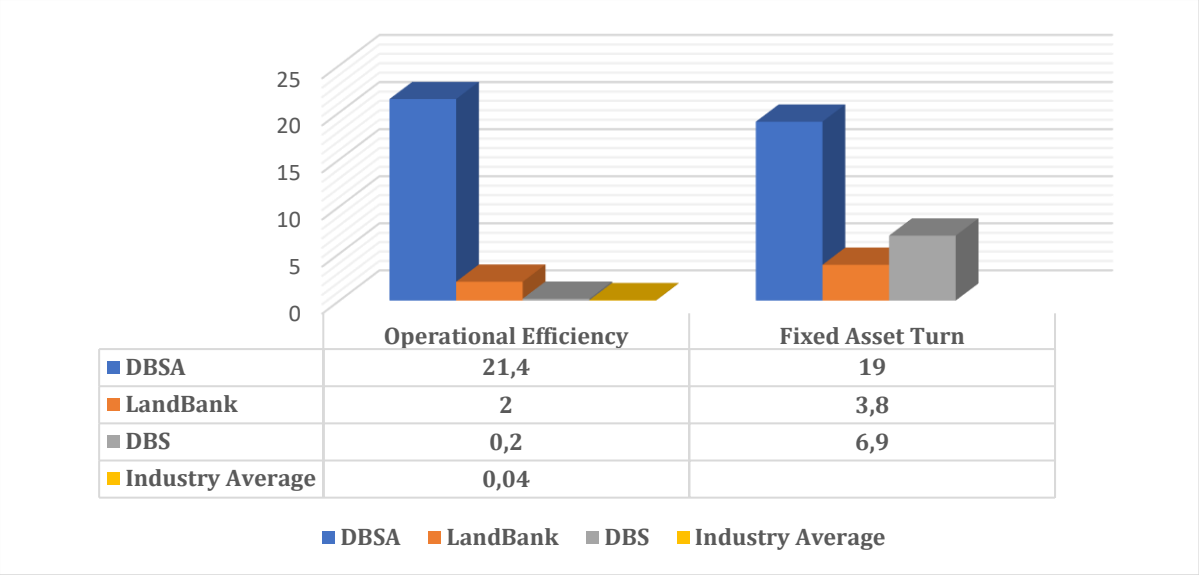


Figure 5.12: Comparison of the DBSA, the Landbank and the DBS (content analysis – annual reports)

5.4.1.5.2 Analysis of the inter- and intra-country comparison of enterprises in the Financial sector

In this sector, TCE supports market governance since enterprises in this sector require only investment in specific assets in order to deliver on their mandates. This market governance is more closely related to the bilateral governance mode than the unified governance mode. It would therefore appear that SOEs in this sector might be better structured as SIEs, rather than as partly or wholly owned SOEs. The only issue that comes up immediately following this theorising is that some mandates may require certain SOEs to remain within the traditional organising model.

Table 5.16: Operational efficiency of enterprises in the Financial sector

SOE/SIE/SWF	Operational efficiency	Industry average	Fixed asset turnover
ECIC	0.3	0.07	61
MAPLETREE	7.3	0.07	9.4
DBSA	21.4	0.04	19
LANDBANK	2	0.04	3.8
DBS	0.2	0.04	6.9

PT bank	1.9	0.04	8.5

Source: Author's own compilation.

In comparing enterprises in this sector, the ECIC was compared with Mapletree. Figure 5.11 indicates that the operational efficiency of the ECIC (0.3) was significantly lower than that of Mapletree (7.3). Also, the fixed asset turnover of the ECIC was abnormally high compared to that of Mapletree. Compared with the industry average (0.07), it was revealed that this abnormality lies with Mapletree rather than with the ECIC. It thus becomes necessary to note the cause of this abnormality. Despite the Risk Management Association's (2014, p. 1) observation that when operational efficiency and fixed asset turnover are abnormally high, three events are likely to be taking place, after scrutinising the relevant annual reports of Mapletree the reason for this could not be established. It is thus likely that Mapletree may be in need of new investments in assets. In addition, the reason for the abnormality in the fixed asset turnover of ECIC could also not be established after scrutinising the relevant annual reports of these enterprises. Thus, based on one of the observations by the Risk Management Association (2014, p. 1), it is likely that the ECIC requires investment in new assets.

In another comparison of the DBSA, the Landbank and the DBS, Figure 5.12 indicates that the operational efficiency of the DBSA (21.4) was abnormally high compared to that of the Landbank (2) and the DBS (0.2). Comparisons of the industry average (0.04) showed that the abnormality lay with the DBSA. Hence, it was necessary to ascertain the possible cause. However, despite the Risk Management Association's (2014, p. 1) observation and scrutinising the annual reports of the DBSA, the cause for this could not be established. It could be, based on one of the observations by the Risk Management Association (2014, p. 1), that the DBSA needs to invest in assets. A direct comparison of TCE with the thesis statement in this study, that the holding company (bilateral governance structure) is a better model, could not be conducted in this context as the SOEs were under wholly owned and market governance. Further, in the context of this study, in confirming that the DBS has been more profitable than the DBSA, the return on equity was 11% for the DBS and 8% for the DBSA for the period considered. The fact that the operational efficiency of the DBSA was abnormally high may indicate corrupt practices and accounting malpractices on the part of DBSA management.

In this sector in South Africa, no SOEs are partly owned. Therefore, an intra-country comparison could not be conducted. In the intra-country comparison of wholly owned and partly owned SOEs in Singapore, Mapletree and PTbank were compared. These enterprises are appropriately structured with regard to TCE in that they are subjected to market practices. The attributes and characteristics of Mapletree have been discussed above and are not repeated here. The content analysis revealed that PTbank, in carrying out its business, engages in occasional transactions in the form of buildings for office space. This form of investment is non-specific and occasional. Uncertainty is usually high. PTbank is a SIE of Temasek with a 29% stake. Since PTbank operates in line with the new partly owned model, incentive intensity, administrative control, autonomous and cooperative adaptations, contract law, information context and decision-making context are expected to be semi-strong. Following the general belief that partly owned SOEs and those that are under a holding company should perform better compared with wholly owned SOEs that are under the decentralised, dual and centralised models, it is expected that both PTbank and Mapletree will operate in line with the operational efficiency of the industry average. In this context, the observation emerging from the percentage difference in their operational efficiency compared with their industry average revealed that Mapletree (196%) operates better than PTbank (191%), but both enterprises operate better than the industry average; as a result, the thesis statement appears to be supported by this comparison.

Table 5.17: Percentage differences of wholly owned and partly owned SOEs under financial

Wholly owned	Percentage difference	Percentage difference	Partly owned
LANDBANK	192%	133%	DBS
DBSA	199%	191%	PT BANK
PIC	186%		
ECIC	124%		
MAPLETREE	196%		

Source: Author's own compilation.

In another intra-country comparison of wholly owned and partly owned SOEs in Singapore, the GIC and the DBS were compared. These operate in line with the doctrine of TCE in that they are subjected to market practices. The attributes and characteristics of the GIC and the DBS have been discussed above and are thus not repeated here. Incentive intensity in the GIC is not as strong as the DBS in that, as discussed above, the GIC does not invest in high risk business and applies the same prudence to remuneration. Following the general belief that partly owned SOEs should do well compared with wholly owned SOEs, it is expected that the DBS will operate better than the GIC in that the latter is a wholly owned SOE. The operational performance of these enterprises could not be computed as the GIC's annual results are not published in its review.

5.4.6 Meso analysis of the intra-country comparison of enterprises under the decentralised and centralised organising models in South Africa

The comparison of organising models is limited because Singapore uses only the holding company model. Thus, the analysis in this section is between the decentralised and centralised model used in South Africa. Figure 4.6 depicts the organising models in South Africa and Singapore. Under the centralised model, ESKOM, Transnet, Denel, SAE, Alexkor, SAFCOL and SAA were compared with the DBSA, the Landbank, SA Post, Broadband Infraco, PRASA, AEMFC, PetroSA, Telkom SA, ACSA, the PIC, the SABC and the ECIC, which fall under the decentralised model. In this context, the characteristics of these enterprises have been discussed above and are thus not repeated here. Compared with the industry average, the percentage difference in the operational efficiency of ESKOM is 18%.

Table 5.18: Operational efficiency of SAFCOL under the centralised model and PIC under the decentralised model

SOE/SIE/SWF	Operational efficiency	Industry average	Fixed asset turnover
SAFCOL	0.25	1.57	4.0
PIC	11.3	0.42	18.5

Source: Author's own compilation.

Operational efficiency was found to be 84% worse than the industry average for SAFCOL; 87% worse for Transnet; 35% for DENEL; 61% for SAE; 164% for SAA and 191% for Alexkor. While it appears some SOEs under the centralised model (SAFCOL, Transnet) performed significantly lower compared with the operational efficiency of the industry average, all SOEs under the decentralised model appeared to perform significantly better than the operational efficiency of the industry average. The difference in the operational efficiency of AEMFC is 13%; for Broadband 154%; for ECIC 124%; for PetroSA 92%; for the DBSA 199%; for the Landbank 128%; for SA Post 119%; for the SABC 168%, for Telkom 108%, for ACSA 140%, for the PIC 186% and for PRASA 120% (75% worse than the industry average). In this case, the decentralised model performed better than the centralised model. While the contemporary academic discourse and the literature in this context holds that the centralised model is a better organising model than the decentralised model (Lei et al., 2015, p. 5; OECD, 2005, p. 43), participant G, in line with the observation from the comparison of decentralised and centralised models in this section, asserted that this is only the case when the centralised model is organised in such a way that it operates as an investment/manager model and not like a government ministry. In this context, participant G notes that:

> *You see the problem with DPE and what I found with DPE when I was doing my master's is that various departments have enterprises that clearly operate in familiar sectors, DPE doesn't have that. It is the only government department that have SOEs that operate in a number of departments and sectors. And that causes problems on its own. Can you imagine what sort of skills are required to be able to oversee an entity in transport, an airline, oversee ESKOM, oversee a diamond mining company … it's not just possible. Even though top management in DPE is now competent, it's almost impossible to oversee such huge enterprises in different sectors considering the way it has been set up a long time ago*.

It is thus evident that it is important to be clear on the form of centralisation to use when contemplating organising SOEs using the centralised model.

5.5 Suitability of arrangements

This section presents the analysis of the assessment of the suitable model for reforming SOEs. In doing this, the section utilised data from the systematic literature review, and the three empirical phases, content analysis, questionnaire survey and interviews.

5.5.1 Background

In line with TCE, different governance structures are applicable to different SOE sectors as a result of the investment necessary to deliver on mandates. In this context, TCE supports unified governance (unified – traditional model/wholly or partly owned) for SOEs that require substantial investment in the form of occasional and recurrent construction of plant and site transfer of product/plant/machinery across successive stages in fulfilling their mandate. For SOEs that require occasional and recurrent purchase of customised equipment and materials respectively, TCE advocates bilateral governance (bilateral – new model/wholly and partly owned). For SOEs that require occasional and recurrent purchasing of standard equipment and material respectively in order to deliver on their mandates, TCE supports market governance which, even though it is more relevant for SIEs than SOEs, is closely related to the holding company and SWF models, since these usually tend to be investment and manager models. These aspects have been discussed in some of the sections above.

This section and the sections below integrate the results discussed in the above sections, thus integrating the three analysis phases. The majority of the data used from section 5.1 up to this point emanated from the content analysis in the first phase, providing the data used in conducting the inter- and intra-country analyses. As a result, up to this point, the observations emanating from the content analysis in this study appear to have confirmed the new model of wholly and partly owned is better compared with the traditional model of wholly and partly owned, especially for important public utilities.

In this way, data obtained from the survey respondents in the second phase, which provided the foundation from which to obtain the views and opinions of SOE experts and interviews in the third phase, are expected to add another dimension to the inter- and intra-country analyses. The thesis statement is in line with the notion that organising SOEs under a holding company and through part ownership mitigates most of the problems associated with SOEs. In section 4.5.8.1.2, the holding company and part ownership were distinguished along the lines of new wholly owned model and a new partly owned model, while the decentralised, dual and centralised forms were distinguished along the lines of a traditional wholly owned model and a traditional partly

owned model. As described in section 3.10.2.4, the idea is that the new model of both wholly and partly owned is more suitable than the traditional model of both wholly and partly owned; and further that the traditional partly owned model is better suited than the traditional wholly owned model as a result of private sector representation. In this way, the thesis statement and propositions were developed based on these models.

Two questions were framed in order to document experts' opinion on the suitability of these models for reforming SOEs. The first question required respondents to select just one model they would be likely to employ in reforming SOEs. The second, follow-up, question required that respondents rank the models in order of effectiveness. The second question was analysed in terms of two categories – those that were ranked 1st and those that were ranked 2nd.

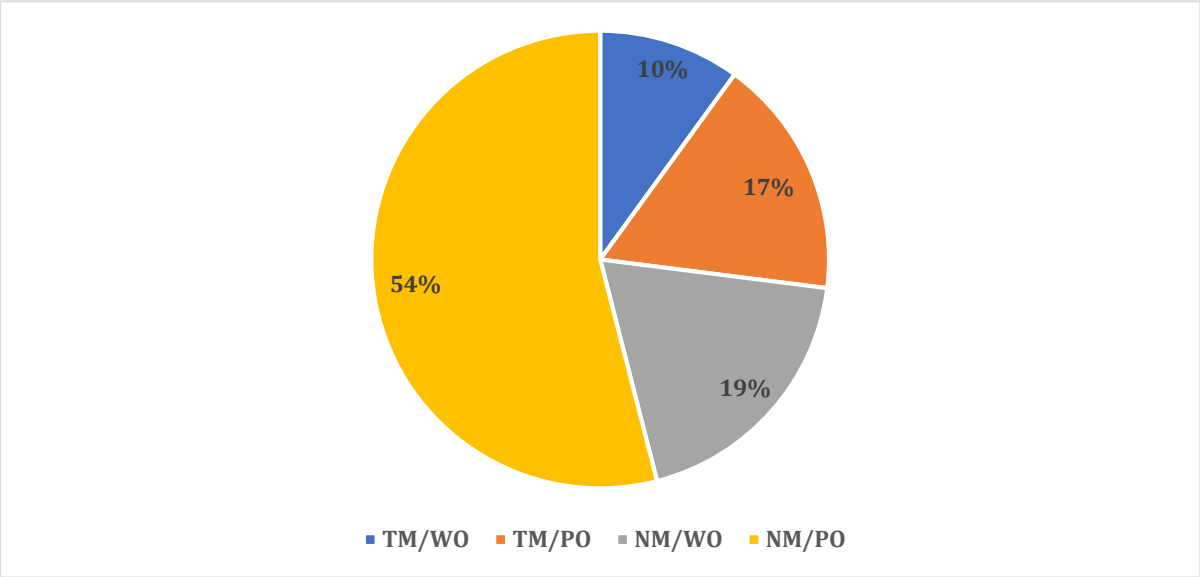


Figure 5.13: Survey model for reforming SOEs (survey responses n = 58)

5.5.2 SOEs expert surveys (n = number)

The first question related to the suitability of the models. Figure 5.13 shows that 31 respondents, representing 54% of the respondents, indicated that the new partly owned model was the most suitable model for SOEs; a further 11 respondents, representing 19%, noted that the new wholly owned model was the most suitable, 10 respondents, representing 17%, preferred the traditional partly owned model and six respondents, representing 10%, indicated the traditional wholly owned model. Most of the

respondents therefore appeared to support the holding company organising model (new wholly and partly owned models) in line with part ownership.

Despite the question above being sufficient to document the type of arrangement considered for reforming SOEs, a follow-up question was posed to confirm the responses indicated in Figure 5.13. In regard to this follow-up question on the effectiveness of models, Figure 5.14 reveals that 41 respondents (71%) confirmed that the holding company organising model in line with the part-ownership model is the most appropriate model for SOEs. A further 31 respondents (57%) were of the opinion that the holding company model in which ownership is wholly owned by the public sector is the best model to achieve SOE effectiveness. Detailed responses to this follow-up question are illustrated below. Responding to the second question, as depicted in Figure 5.14, a majority (n = 41; 71%) of respondents ranked the new partly owned model as 1st; a further eight respondents (14%) ranked the traditional wholly owned model as 1st; while five respondents (8%) ranked new wholly owned model as 1st; and four respondents (7%) ranked the traditional partly owned model as 1st.

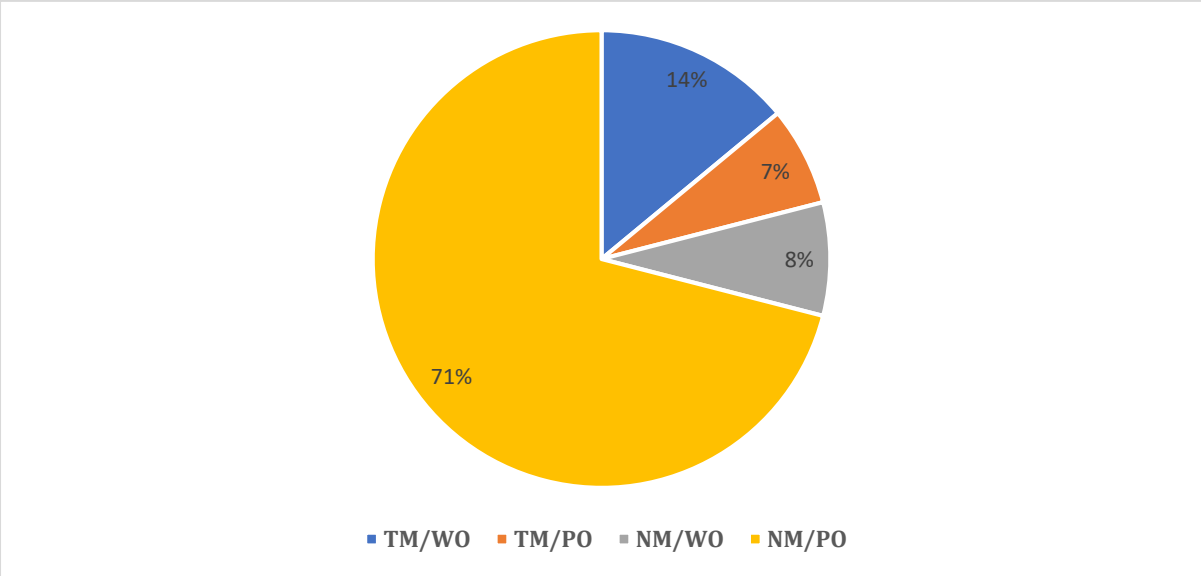


Figure 5.14: Survey model ranked 1st for reforming SOEs (survey responses; n = 58)

Responding to the second question, as pictured in Figure 5.15, a majority (31; 57%) of respondents ranked the new wholly owned model as 2nd; a further 11 respondents (20%) ranked the new partly owned model as 2nd; nine respondents representing 16% ranked the traditional partly owned model as 2nd; while four respondents representing 7%

ranked the traditional wholly owned model as 2nd. The disparity in the number of responses between those ranked 1st and those ranked 2nd was because three respondents only ranked the preferred model and chose not to rank the other models.

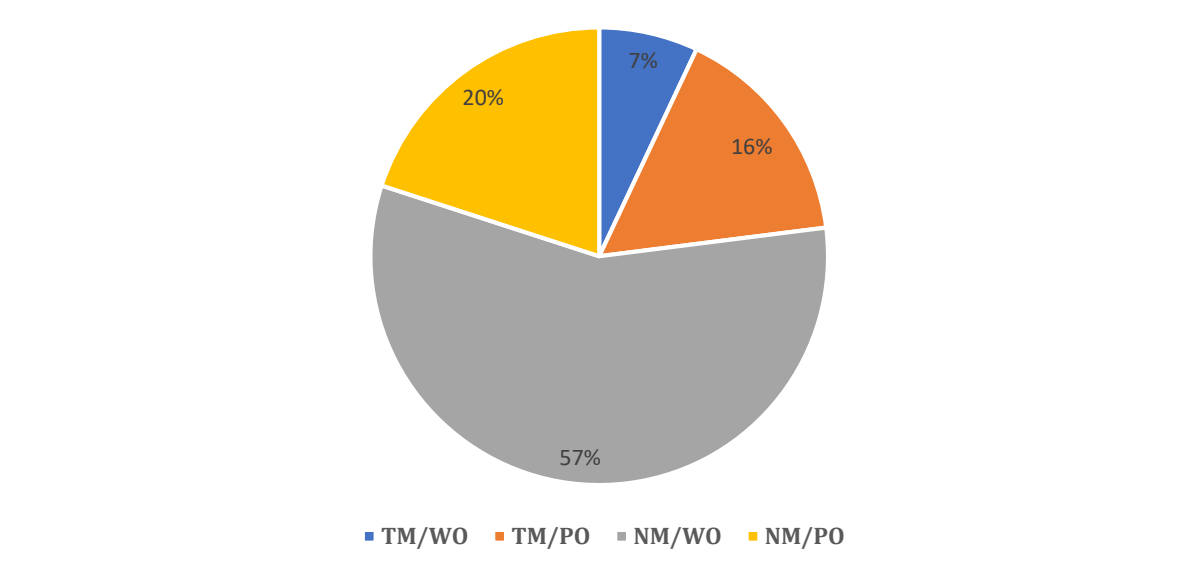


Figure 5.15: Survey model ranked 2nd for reforming SOEs (survey responses; n = 55)

5.5.3 SOEs expert interviews

In responding to a question posed to probe the appropriate model for owning and organising SOEs, the majority of the participants agreed that the holding company organising model with part ownership is the most appropriate. However, some participants were of the opinion that the traditional partly owned model is appropriate. This is in line with the thesis statement, as the traditional partly owned model is expected to be better suited than the traditional wholly owned model as a result of the presence of the private sector, as argued above. In this connection, participant D, in responding to an interview question posed to confirm the suitability of wholly owned and partly owned models, contended that:

> *The one where there is a mix is the most ideal. The mix is actually there to make sure that people are more accountable. Remember in SOEs, the structure becomes so big and diluted. You find that it is not possible to hold a lot of people accountable on certain decisions. So, where they have private sector mixed in it, it's a way to make sure that they have people that can be held accountable for certain decisions that go wrong or right. Basically, it's all about accountability. I think wholly owned came up with the government trying to be in full control*

of SOEs and when they see that in terms of making profit and holding people accountable, they find it difficult, hence they are beginning to consider giving part of the companies to privately owned enterprises.

In contrast to this, participant F submitted that "*I think it should be wholly owned by the government because it is para-government. We cannot say it is para-government yet owned with private sector role players. It should be fully owned by the government even though the model comes with a problem because the moment they misappropriate funds, and the entity collapses, they expect the government to bail them out*". In responding to a follow-up question regarding organising board/management, using increased public sector representation on SOE boards, Participant F asserted that

I think it can work I have never looked into that model. But I think that can help and it can reduce a lot of bureaucracy within the board because sometimes the board uses their own bureaucracy. It can help. I haven't looked at it per se. Our biggest problem is that the model that we use, we take one member of the Department and put him on the board as a normal board member and obviously that person is going to be outnumbered in terms of the vote and the decision. One of the things that we have realised is that our oversight function is not adequate.

In terms of the ownership model, participant G observed that ownership of SOEs can take different forms with the government fully owning SOEs at inception and then transferring ownership at some point. What is most important is that board/management be better composed in order to be able to fulfil their mandate. Participant G further noted that ownership of SOEs should be restructured in a manner deemed fit once SOEs start making losses.

5.5.4 Analysis and integration of results

As explained earlier, the first phase of the empirical data gathering for this study was the content analysis of relevant SOE documents, Acts and codes, with this phase providing the initial observations that were further interrogated during the interviews. However, the content analysis of TCE and the World Bank toolkit (2014) appears to have revealed that the bilateral governance structure (holding company organising wholly and partly owned model) is the most suitable model for organising SOEs compared with the unified governance structure (traditional partly and wholly owned). Therefore, the survey

questionnaire in the second phase provided the data necessary for following up on the observations from the content analysis phase. Accordingly, the survey results confirmed the observation from the content analysis phase that the holding company model is the model most preferred by the responding experts for reforming SOEs. However, although the respondents preferred the holding company model, the results indicated that they preferred the part ownership to whole ownership for SOEs, and they would only settle for whole ownership if the part-ownership model were not available. The importance of this model is clear following arguments by Keynes (1926, pp. 41–45) that semi-autonomous corporations be preferred to organs of the central government for which ministers of state are directly responsible.

In further corroborating observations from the first two empirical phases, interview participants appear to have confirmed the results in the first two phases. A few participants indicated that they would use the decentralised, dual or centralised (traditional) model in which enterprises are partly owned in reforming SOEs. Although this is likely to be linked to response bias, it is not unusual, as SOEs under this model can also fulfil their mandates when the private sector is involved. In supporting the importance of part ownership, the thesis statement of this study contends that the holding company organising model and part ownership can mitigate most of the problems of SOEs. In this context, the belief is that the political interference that breeds corruption is reduced, bearing in mind that this has been established by participants as the core problem of SOEs (section 5.6.3 to 5.6.3.3), especially in the primary country of analysis; in the holding company and part ownership models there is equally increased accountability (Balbuena, 2014, p. 13; Keynes, 1926, pp. 41–45). This observation highlights the importance of the ownership and organising models for the survival of SOEs, as discussed in section 3.10.

5.6 Structuring state-owned enterprises

Taking into consideration the issues impacting corporate governance of SOEs/arguments against SOEs. This section presents the analysis of the assessment of model(s) suitable for mitigating corporate governance problems in SOEs. In doing this, the section utilised data from the systematic literature review, and the three empirical phases, content analysis, questionnaire survey and interviews.

5.6.1 Background

As identified in Figure 4.1, the problems of SOEs include political interference, conflicting objectives, corruption, free-rider/monitoring, soft budget constraints/mismanagement and ownership. Subsequently, it was argued that ownership and organising models can mitigate these problems even though the effects of these models in mitigating these problems also depend on certain factors. These arguments were factored into the thesis statement and the propositions. Thus, Figure 4.1 details the problems of SOEs, the proposed solution and the propositions that support the proposed solution to the problems of SOEs. These propositions relate directly to and flow from the study's thesis statement. As such, the relationship presented in Figure 4.1 in conjunction with the study objectives inform the majority of the analysis presented in this section, flowing from section 5.5 above. Hence, the themes used in the analysis below take into account key issues presented in the thesis statement, the propositions and the research objectives. In addition, relevant themes generated from the literature review, content analysis and interviews also form part of the themes that inform the subsections below. Where relevant, the discussion takes into account the three analysis phases as a way of aligning them, since, by informing each other, they covered different aspects. Thus, one phase improves on the next, as presented in the three-part research objectives. As a way of ensuring further alignment, where relevant, insights from the literature review are also included in the discussion. This alignment is expected to enable the readability and understanding of this thesis and also ensure that all propositions and objectives are covered. This phase alignment is illustrated in Figure 5.1, as extracted from Figure 1.3.

5.6.2 Redefining objectives of SOEs (separating and achieving objectives)

In section 2.9.2.2, the issue of desired end/conflicting objectives was introduced as one of the problems negatively affecting the corporate governance of SOEs. This issue was further discussed in section 3.3.1. In most countries SOEs are tasked with delivering social (public works) and commercial objectives (engage in public and private investments). However, these social and commercial objectives are often impossible to attain, especially in developing and corrupt countries. This is the reason why Keynes

(1926, p. 46) argues that social and commercial objectives should be separated. Because these enterprises are generally not structured in a manner that makes it possible to attain the conflicting objectives, this issue to a large extent contributes to the failure of SOEs. In the contemporary academic discourse, the idea is that the mode of organising and ownership can take care of conflicting objectives of SOEs. In this connection, while some observers contend that the focus of SOEs should be on social objectives, others are of the opinion that the focus should be on commercial objectives.

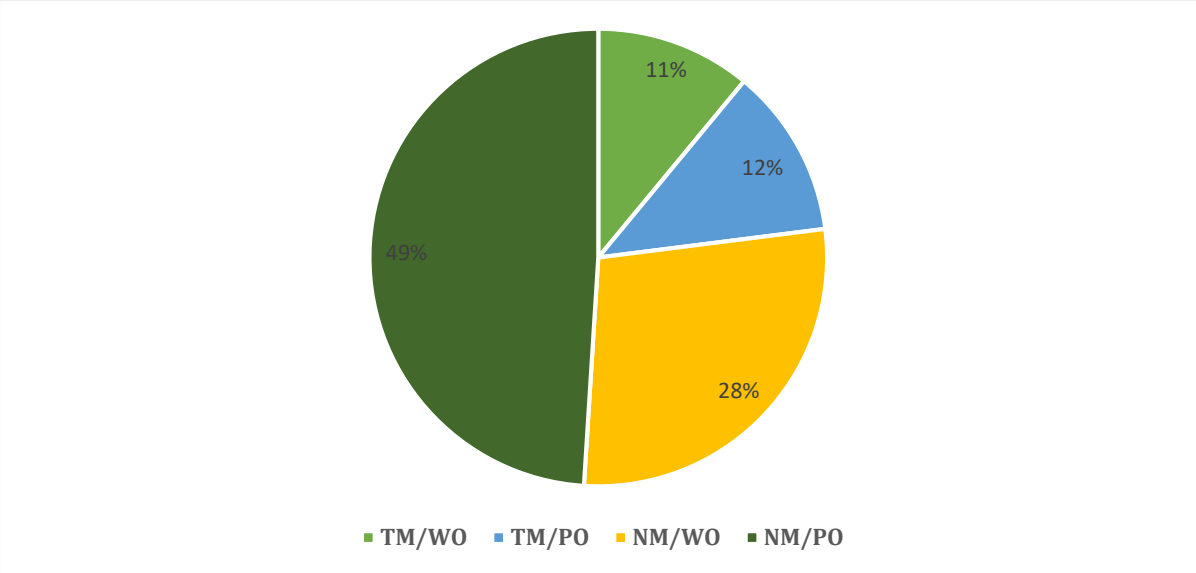


Figure 5.16: Survey model for achieving objectives (survey responses; n = 57)

5.6.2.1 SOEs expert survey

Responding to a question posed on confirming the model that can assist SOEs in achieving their objectives, as indicated in Figure 5.16, the majority of the respondents (n = 28; 49%) submitted that the new partly owned model is the appropriate combination of ownership and organising model for SOEs to achieve their objectives. Further, 16 respondents (28%) indicated that the new wholly owned model is appropriate for SOEs in terms of attaining objectives. Further, seven respondents (12%) were of the opinion that the traditional partly owned model is better suited while six respondents (11%) preferred the traditional wholly owned model.

5.6.2.2 SOEs expert interviews

Despite the literature advancing that SOE objectives have to be separated in order to be achievable (Dai et al., 2016, p. 4; Keynes, 1926, p. 47), all the interview participants

believed that SOEs should pursue both social and commercial objectives. In this context, Participant D asserted that "*the objectives should not be separated. I think they should do both. It is good that the government do have competition for some private products and services, so those that cannot afford the expensive ones can use the less expensive ones provided by the government*". This reasoning is in line with SOEs fulfilling the government mandate. In this context, participant F observed that in carrying out the objectives, what matters is priority. "*When they focus on social, they are prioritising the government mandate and when they focus on commercial, they are prioritising both government mandate and the economy.*" This is linked to participant A's argument that the objectives run parallel and do not conflict. In this regard, participant G further noted that:

> *I think inherently in anything that SOEs do there will be a social benefit to the society. Which is why I don't agree with this separation that the National Treasury has brought up in terms of schedule 2 and schedule 3 SOEs. Because these are supposed to be profit making and these are performing a social function. No, they are all the same. ESKOM is a schedule 2 you say it's a profit making or whatever, but they are producing a product which is a basic human right, electricity, which is why they are not claiming the money back from Soweto from people who will not pay. So, I don't think there should be that separation.*

5.6.2.3 Analysis and integration of results

While the idea in the literature (Dai et al., 2016, p. 4; Keynes, 1926:47; Liu & Zhang, 2015, p. 2) is that social objectives should be separated from commercial objectives, experts submitted that these objectives cannot be separated because they do not often conflict. It is only a matter of which of the objectives to prioritise above the other. The issue that then arises is how to find balance between the objectives in order to ensure that one objective does not prevail at the expense of the other. It then becomes important to identify the model that is capable of enabling SOEs to achieve their objectives. In this connection, the survey found that to allow SOEs to better achieve their objectives, the new partly owned model was the preferred model. Further, the new wholly owned model could also be considered to a significant extent according to respondents. In this context, NM/PO and NM/WO are useful in focusing on the commercial objectives of SOEs. This is the reason why the OECD (2005, p. 60) notes that these models may not be ideal for a country's developmental purposes. In confirming this, one of the participants also noted that private sector officials on the boards of SOEs often forget that such enterprises are

government owned rather than private enterprises. Hence, it appears it is not a particularly good model for SOEs which are expected to focus mainly on the social mandate. In this connection, participants noted that all SOEs are to be commercially viable and that the grant they receive for operations is merely to fulfil the government mandate and that this grant is usually not enough to cover operational expenses. A way of ensuring alignment between social and commercial mandates in the case of a holding company, as described in section 3.10.2.4, is to ensure adequate public sector representation on SOE boards. This presence will serve to constantly remind the board that the social mandate is an important part of what they are meant to do. While such a board composition is not necessarily meant to encourage the democratic governance model in terms of stakeholder representation, it is meant to encourage expert public sector representation on these boards. This representation is expected to improve board practices which in turn should improve SOE performance.

5.6.3 Reducing political interference in SOEs

Since SOEs are owned by states and are managed by government officials (World Bank, 2014, p. 164), there is bound to be political interference in their affairs. This results in SOEs struggling to achieve their objectives. This political interference adds a possible third objective, apolitical objective, to the existing social and commercial objectives, thereby further complicating already complicated terrain. Political interference in SOEs manifests in several ways, for example politicians using SOEs to advance their interests, populating SOE boards with party loyalists and influencing the form of business decisions.

5.6.3.1 SOEs expert survey

In order to gain insights into the appropriate model for reducing political interference in SOEs, a question was posed requiring respondents to give their opinion on the models suitable for reducing political interference in SOEs. In this regard, Figure 5.17 illustrates that a majority of the respondents (n = 35; 60%) submitted that the new partly owned model is better suited to reducing political interference in SOEs. Further, ten respondents (17%) submitted that the new wholly owned model is appropriate for reducing political interference in SOEs; seven respondents (12%) noted that the traditional wholly owned

model is appropriate; while six respondents (11%) submitted that the traditional partly owned model should be considered.

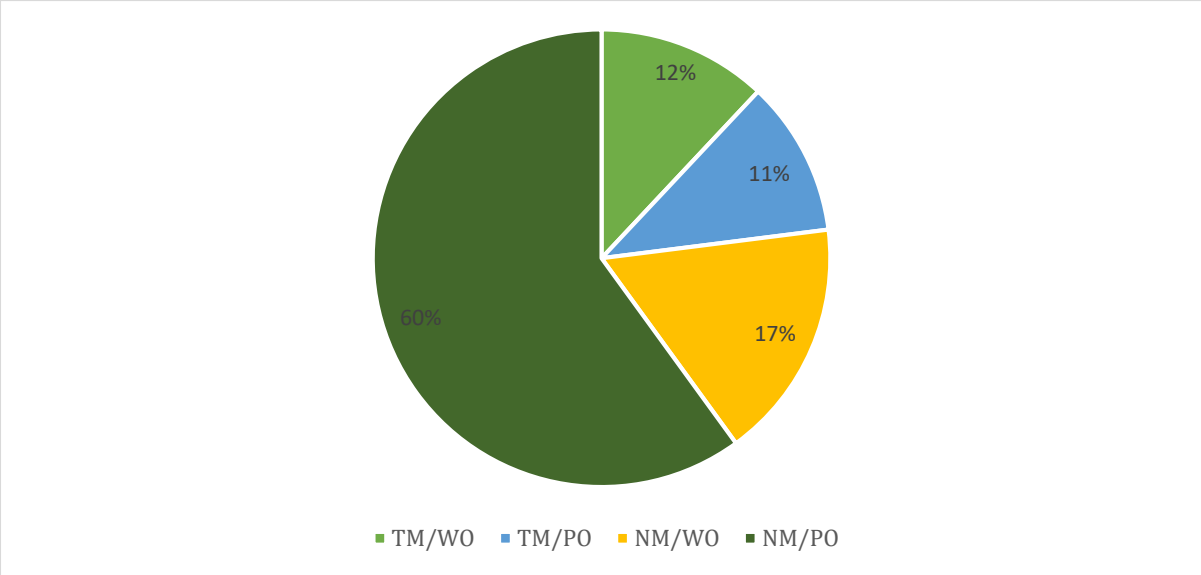


Figure 5.17: Survey model for reduced political interference (survey responses; n = 58)

5.6.3.2 SOEs expert interviews

As suggested by most of the participants, one of the most significant forms of political interference is nepotism. Participant B felt that it may not be possible to reduce political interference in SOEs because of the relationship that exists between them and government, especially when they are wholly owned by the government in dual, decentralised and centralised forms (Chen et al., 2017, p. 72). In this regard, participant G, contended that "*SOEs implement policies of government so it's difficult since politicians have to give policy guidance to SOEs*". "*It just depends on what the minister wants. Sometimes it's positive, sometimes it's not*" observed another participant, participant I. This political connection is not ideal for SOE operations. In this context, participant B declared: "*Even though we have social responsibilities, but we are focused on commercial. Social responsibility is just running on the parallel. Politically connected deployment is not working so we should do things according to expertise in order that we can fulfil the commercial mandates.*" Participant H noted that the only feasible way to mitigate political interference is through the ownership and organising model. In this regard, participant H asserted:

I think the only way to minimise this is to structure SOEs under one government Department or under one Temasek, for example. It's easy, introducing autonomy. Autonomy means taking away the powers from the ministers and investing them out. Giving the specialist or whoever, you are going to appoint whether you call them entity or whatever. That autonomy to be able to run their organisation as it is envisaged.

5.6.3.3 Analysis and integration of results

Although the content analysis phase did not provide any direct information on this, the idea in the contemporary academic discourse is that the ownership and organising models of SOEs to a large extent influence political interference in SOEs (Menozzi et al., 2012, p. 687; Xiongyuan & Shan, 2013, p. 55), as SOEs can be used directly as political instruments when under the minister. In responding to a question related to the challenges encountered in this regard in relation to SOEs, one participant contended thus:

Politicians! People who are the brightest mind in the public sector are in this building and when we come up with ways to fix these problems in the enterprises, politicians will say hold! Just hold on a little bit. Because it serves their interest to keep the chaos the way it is, you understand. It serves their interest as not to have permanent CEOs. It serves their interest for us to have interim board because that's how they are able to manipulate proceedings, manipulate the SOEs operations and then they can have their way. So, politicians are my biggest problem. I work with them every day, but they are my biggest problem. Because most of the time they never want you to do the right thing. They want you to do nonsense.

This political interference manifests in a number of ways as discussed in section 3.3.5. In confirming that political interference is generally present in SOEs, participants submitted that it manifests in the form of nepotism and politicians using the enterprises to achieve personal and political goals. This is in line with the observation by Ennser-Jedenastik (2014b, p. 403) on political managerial allocations in SOEs and Benito et al., (2016, p. 271), Amoako and Goh (2015, p. 50) and Mühlenkamp (2015, p. 543) in terms of politicians using SOEs to advance their personal interests. Although political interference can be difficult to mitigate, the right mix of ownership and organising model could assist in mitigating political interference in SOEs (participant B). The survey responses confirmed the observation by one of the participants, as well as the literature, on political interference in SOEs vis-à-vis the extent to which ownership and organising models can mitigate this. Accordingly, the respondents indicated that the holding company part-

ownership model is appropriate for reducing political interference in SOEs. In addition, the holding company wholly owned model could also be considered because the investment and manager models are more in line with private sector practices than public sector practices; as such, SOEs under this model might be free from political interference. As seen in the Singapore case, wholly owned SOEs under the holding company model are listed on an exchange and subjected to capital market practices. This further explains the observation by Choudhury and Khanna (2014, p. 956) that one of the reasons why SOEs internationalise is to be free from state role players. This internationalisation is only possible in SOEs that fall under a holding company and not those for which state ministers are responsible, as also pointed by Keynes (1926, pp. 41–45).

5.6.4 Monitoring state-owned enterprises

The fact there are many parties that may claim ownership of SOEs makes the monitoring of these challenging. In this regard, most of the parties that can claim ownership of SOEs do not do so because of the costs involved. While citizens – one of the parties that can claim ownership – may have the will to put a monitoring mechanism in place they generally do not have what it takes to do so. Moreover, the coming together of citizens to implement this monitoring mechanism may not be feasible since, being outside these organisations, they are not clear about what is going on inside them. While the content analysis phase did not provide any direct information on this, the contemporary academic discourse holds that the ownership and organising models of SOEs have a significant impact on the monitoring of SOEs.

5.6.4.1 SOEs expert survey

Responding to a question posed on documenting the model that can assist in monitoring SOEs effectively, as summarised by Figure 5.18, the majority of the respondents (n = 35; 60%) indicated that the new partly owned model is the appropriate combination of ownership and organising model for the effective monitoring of SOEs. Further, 14 respondents, representing 24%, submitted that the new wholly owned model is appropriate for SOEs in terms of effective monitoring; while eight respondents (14%) were of the opinion that the traditional wholly owned model is better suited and one respondent (2%) preferred the traditional partly owned model.

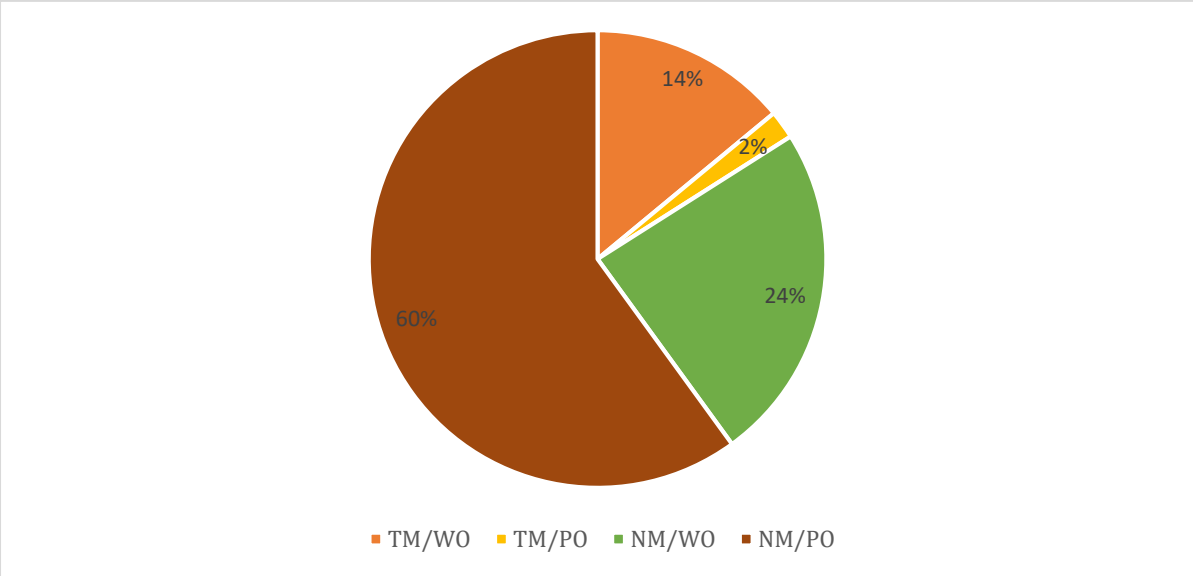


Figure 5.18: Survey model for effective monitoring (survey responses; n=58)

5.6.4.2 SOEs expert interviews

In relation to monitoring, the interviews revealed that it may not be as easy as contemplated, although it is possible (participant J). In this context, participant F contended that monitoring is only feasible if the ministers performs their oversight function adequately. In this context, participant F asserted that monitoring SOEs starts from appointments to management and board. When the board is competent and the minister and the responsible department carry out their oversight duties, they are often able to minimise problems in SOEs. However, where management and board are not competent, and the minster and department fulfil their oversight duties, this oversight may be in vain as problems are bound to arise in such enterprises.

5.6.4.3 Analysis and integration of results

The free-rider issue, which entails lax behaviour by managers of SOEs as a result of lack of adequate monitoring mechanisms, is one of the major problems of SOEs, especially in developing countries and for SOEs that fall under the traditional organising models and are not subjected to capital market principles (Kankaanpää et al., 2014, p. 409). In the literature, the free-rider issue is described in the context of a board of SOEs comprising public sector officials, where it is argued that government officials cannot supervise themselves adequately and, as a result, there is little or no monitoring (Aharoni, 1981, p. 1342; Daiser et al., 2017, pp. 2–3). Observations from interviews revealed that the free-

rider issue is also present in SOEs where the boards are largely composed of private sector officials. Thus, the agency problem discussed in sections 2.9.2.3 and 3.3.2 is very relevant in this context. In fact, the problem flows directly from the principal–agent problem, as described in section 3.3.3. In this regard, the free-rider issue is much more problematic in the traditional decentralised, dual and centralised models in that aside from the issue of strong political interference, oversight is often not adequately conducted by the responsible ministers and officers as observed by participant F. It then becomes necessary that a model that curtails free-riding should be put in place in order for monitoring to be an enterprise issue rather than a personal issue. In this connection, the survey results revealed that of the models considered for reducing free-riding in SOEs, experts were of the opinion that the new wholly and partly owned models are better suited than the traditional wholly and partly owned models. In the new model, monitoring is not necessarily the duty of the minister as it is in the traditional model but becomes the duty of the investment/manager company responsible for the particular SOE by virtue of the organisation of SOE under this model; hence the minister of the state has little or no power to influence SOE operations (Chen, 2016, p. 314; Keynes, 1926, pp. 41–45; Lei t al., 2015, p. 3). Further, SOEs under this new holding company model are often listed and subjected to capital market practices and are thus expected to be better monitored than unlisted SOEs.

5.6.5 Mitigating soft budget constraints

Several authors (Grosman et al*.,* 2016, p. 210; Gumede, 2016, p. 71; Li et al*.*, 2012, p. 287; Sokol, 2009, p. 1713; Yu, 2014, p. 163) have argued that SBC lead to anti-competitive behaviour by SOEs because they are generally important to states and are located in strategic sectors (PwC, 2015, p. 17; Stan et al*.,* 2014, p. 487). Hence, owning states are usually readily available to bail out SOEs whenever they are in distress. Section 3.3.4 buttresses this argument. While the content analysis phase did not provide information on this, the literature holds that ownership and organising models of SOEs to a large extent contribute to mitigating SBC in SOEs.

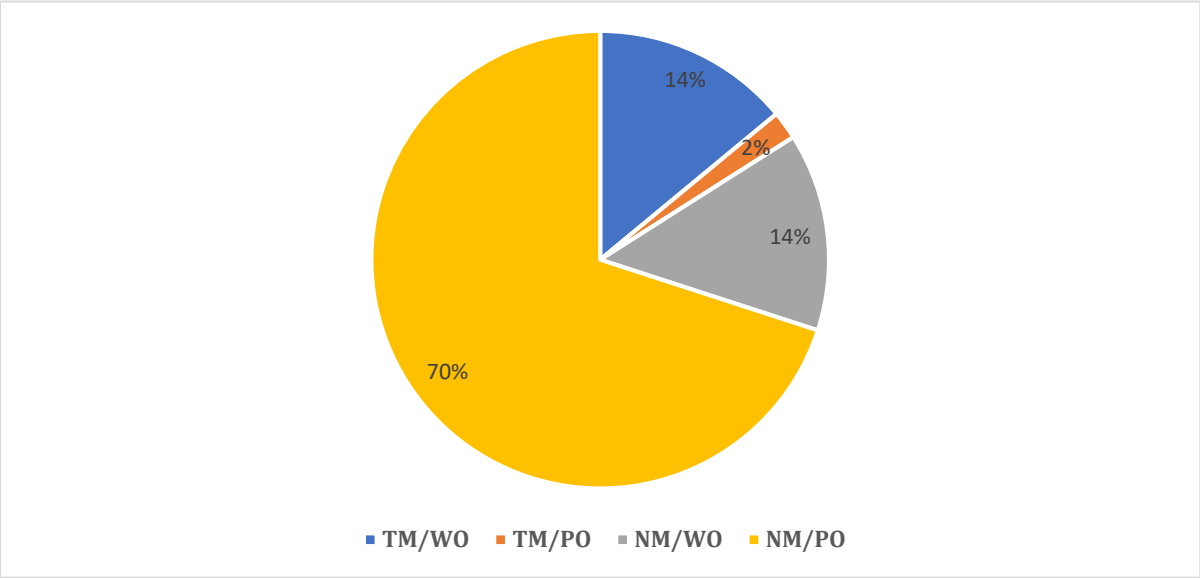


Figure 5.19: Survey model for reduced SBC (survey responses; n = 57)

5.6.5.1 SOEs expert survey

Responding to a question posed in order to identify the models that are appropriate for mitigating SBC in SOEs, as indicated by Figure 5.19, the majority of the respondents (n = 40; 70%) submitted that the new model/partly owned is better suited to mitigating mismanagement and wastage (fruitless and wasteful expenditure) in SOEs. In addition, eight respondents (13%) submitted that the traditional wholly owned model is appropriate for reducing mismanagement and wastage in SOEs. While eight respondents (13%) noted that the new wholly owned model is appropriate, while one respondent (2%) submitted that the traditional partly owned model should be considered.

5.6.5.2 SOEs expert interviews

To establish the reasons for SBC and otherwise, participants were probed about its existence. Participants confirmed that SBC do indeed occur in SOEs. In this regard, in line with the contemporary literature on SBC (O'Toole et al., 2016., p. 96; Stan, et al., 2014, p. 482) and the observation by participant F regarding effective monitoring of SOEs, the key issue advanced for SBC by participants is a human resource (HR) problem. In this context, participant C claimed that "*the ruling party should endeavour to put aside nepotism and must do everything for the benefit of the citizens*". The main thing is to stop political deployment (participant B). So, it becomes important to get a good foundation of management on the board. In this context, participant K submitted that "*I think most of*

the time we hire people who are not just the quality we need to be hiring in most SOEs, almost all SOEs you can go and confirm this". Participant G further observed that:

> *… my belief is that we should never hire for example a CEO who has never run his own spaza shop at least. We should never hire a CEO who has never run a business because you take this individual who is an academic or a politician and you say be the CEO of this SOE. You suddenly give him a multibillion-rand SOE that he needs to run as business, but he is not a businessman. He doesn't understand how to run a business. He may think he does but he does not because he has never run a business in his life*.

Following this observation, it would appear that there are two sides to this HR problem, as further detailed by participants. The first is connected to filling positions with unqualified personnel and party loyalists, as observed by participant G. The second is related to the status of the CEO in relation to the members of the board. In the latter context, participant I and participant F noted that often the CEO is too big for the board in terms of knowledge, experience and status. "Y*ou then find out that he/she does his/her own thing without carrying anyone along*" (participant I).

5.6.5.3 Analysis and integration of results

Because most SOEs, especially in developing countries, are torn between conflicting objectives, they often find themselves falling somewhere between social and commercial objectives. One of the implications of this is wastage and mismanagement (fruitless and wasteful expenditure) as a result of lax behaviour by SOE managers, since SOEs are usually too important to states to fail (PwC 2015, p. 17; Stan et al*.,* 2014, p. 487). Thus, SOE management often pays little or no attention to this. While the contemporary academic discourse has discussed and supported this SBC in the context of public sector SOE board management, observations from the interviews further revealed that this is also possible in boards largely composed of private sector officials, as is the case in South Africa. In this context, participant F, in favouring the traditional model, but with a majority of private sector officials on the board, declared that:

> *It should be fully owned by the government even though the model comes with a problem because the moment the boards misuse the funds, and the entity collapses, they expect the government to bail them out. So that is the problem. The normal processes of business do not*

take place as in a neutral world whereby they have to liquidate and go out of business, so they go back home. In this case, they come and ask for more funds.

Accordingly, the participants' supported the idea that the SBC problem is often as a result of political interference rather than with corruption. In this regard, participants revealed that HR is the main cause of SBC in SOEs, with board composition often being a problem. SOE boards are often composed of people that are not fit for the job, which subsequently becomes a problem in terms of the direction the enterprises take (Duppati & Locke, 2013, p. 7; Menozzi et al., 2012, p. 673); thus, there is little focus on using resources efficiently (O'Toole et al., 2016, p. 96), low emphasis on socioeconomic performance (Stan et al., 2014, p. 482) and reduced pressure to deliver socioeconomic returns (Benito et al., 2016, p. 273). This problem is more prevalent in traditional decentralised, dual and centralised SOEs compared with SOEs under the new holding company model. The reason for this is that the extent of political deployment, if any, is not as high in the holding company model compared with the traditional decentralised, dual and centralised models (Chen et al., 2017, p. 88). The information provided by expert survey respondents indicates that the new partly owned model may be the most appropriate for reducing SBC in SOEs, while the new wholly owned model would also be considered alongside the traditional partly owned model. While this may be attributed to response bias, it is also likely that some respondents favoured the traditional partly owned model, in which case it was argued by some participants that lack of oversight is a large part of the reason why SOE boards mismanage funds.

5.6.6 Mitigating corruption

Political interference flows directly from the problem of corruption. This is a generic problem the extent of which depends on the model of organising and ownership in place. Corruption on the other hand is generally associated with developing countries (Amoako & Goh, 2015, p. 50; Bakre & Lauwo, 2016, p. 45). While the content analysis phase did not provide any direct information on this, the literature holds that SOE ownership and organising models to a large extent contribute to mitigating corruption in such enterprises.

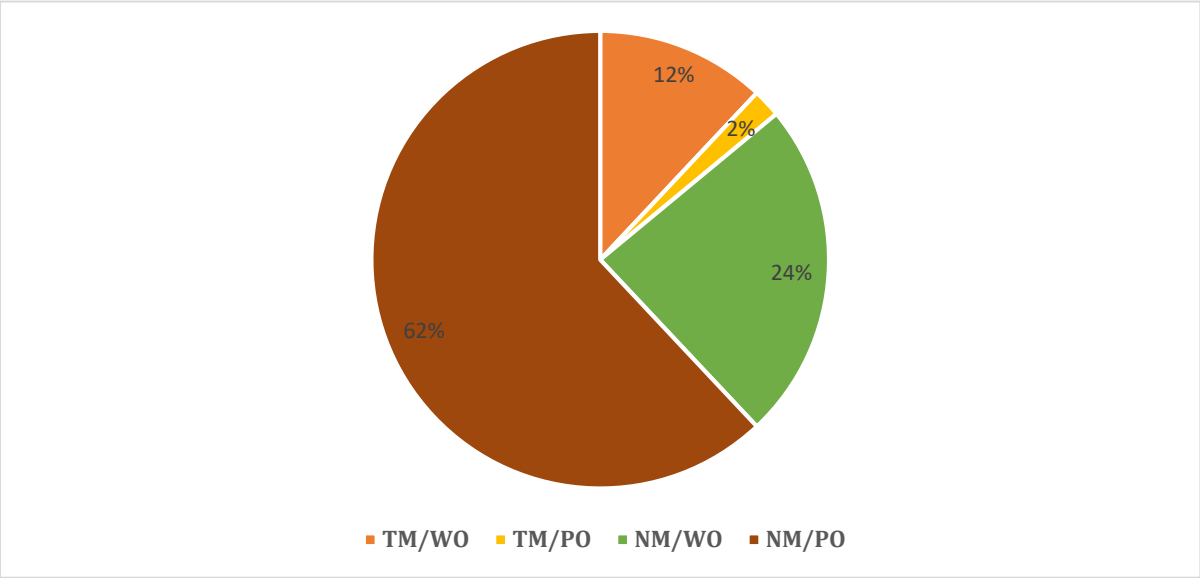


Figure 5.20: Survey model for reduced corruption (survey responses; n = 58)

5.6.6.1 SOEs expert survey

In order to identify the models that are appropriate for mitigating corruption in SOEs, a question was posed. As depicted by Figure 5.20, a majority of the respondents (n = 36; 62%) submitted that the new partly owned model is better suited to mitigating corruption in SOEs, while 14 respondents (24%) submitted that the traditional wholly owned model is appropriate. Furthermore, seven respondents (12%) noted that the traditional wholly owned model is appropriate, while one respondent (2%) submitted that traditional partly owned model should be considered.

5.6.6.2 SOEs expert interviews

In confirming the impact of corruption, as described in sections 2.9.2.7 and 3.3.6, most of the participants admitted that it is the main problem in relation to SOEs in South Africa. In this regard, they linked corruption to the issue of political interference. For example, participant C submitted that "*the problem is I think you know this political issue is a very serious one. You find that the ruling party is the one that fills the top positions with party loyalists, so, positions are seldom filled based on expertise. I think that is the main problem with SOEs*". Observations from the interviews also confirmed that ownership and organising models mitigate corruption. In this regard, participant A contended that "*when I say corruption, it covers a lot of things. I am not saying there is no corruption in the private sector but in the private sector they ensure they reach their goal while doing their*

corruption on one hand. That's why I prefer that private sector works with the public sector in order that goal attainment is powered into the public sector".

5.6.6.3 Analysis and integration of results

As described in sections 2.9.2.7 and 3.3.6, corruption is one of the main problems in SOEs, especially in developing countries (Benito et al*.,* 2016, p. 273). This corruption manifests in many forms, as discussed in section 3.3.6 and in some of the sections above (Belloc, 2014, p. 830; Li et al*.*, 2012, pp. 287–288; Putniņš, 2015, p. 828). Thus, corruption often deters SOEs from fulfilling their mandate (Amoako & Goh, 2015, p. 50; Benito et al*.,* 2016, p. 271; Mühlenkamp, 2015, p. 543). In the framework in Figure 4.1, corruption is one of the contingencies that likely affect the ability of ownership and organising models to mitigate the problems in SOEs, as its implications are usually deleterious (Bakre & Lauwo, 2016, p. 45). In this regard, participants argued that corruption is the main problem in South African SOEs and they maintained that all other problems are linked to it. This is in line with the assertion by Belloc (2014, pp. 821, 830). In finding a solution to corruption by reducing it using ownership and organising models, expert respondents revealed that the best model for this would be the partly owned holding company model. Further, after considering the partly owned model as the best model, before allowing for any of the traditional models, experts would only contemplate the wholly owned organising model after considering the partly owned holding company model. This observation is in line with participants' assertions that they supported a model that is closely related to private sector practices because even if corruption is present in the private sector, it does not usually affect the attainment of objectives. This differs from the public sector where corruption often cripples goal attainment.

5.6.7 Corporate governance

Most of the themes discussed so far under the structuring of SOEs are related to corporate governance issues in SOEs, as illustrated in Figure 4.1. As argued in section 4.2.3, and theorised under the thesis statement, the ownership and organising models of SOEs to a large extent contribute to effective corporate governance in SOEs and corporate governance generally.

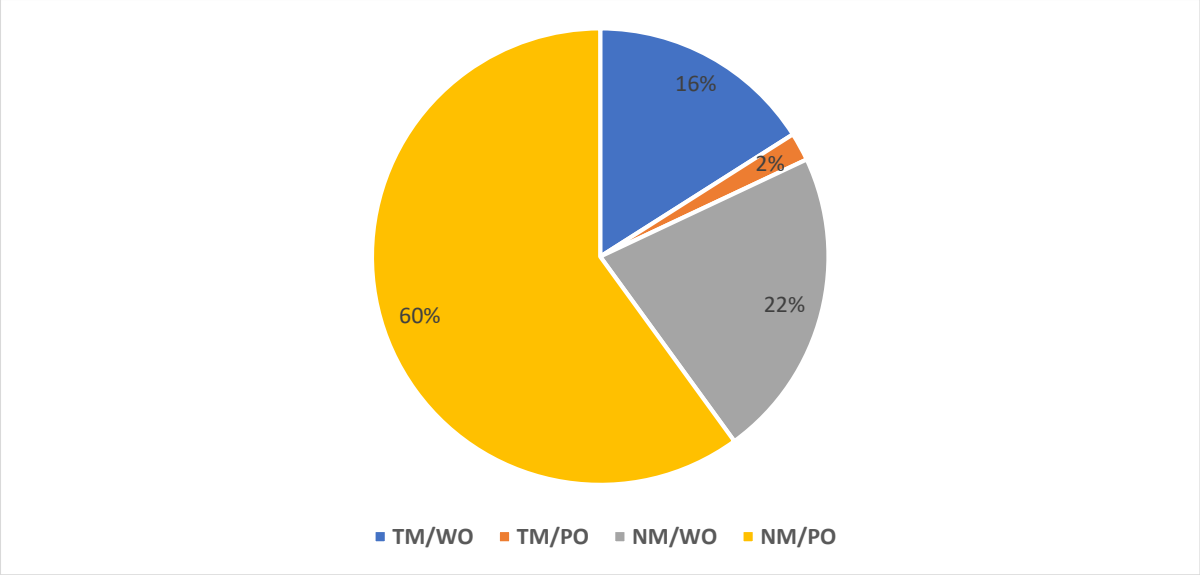


Figure 5.21: Survey model for strong corporate governance (survey responses; n = 58)

5.6.7.1 SOEs expert survey

To establish the models in terms of which corporate governance in SOEs is likely to be strong and effective, a question was posed. As Figure 5.21 illustrates, a majority of the 58 respondents (n = 35; 60%) submitted that the new model/partly owned is better suited for strong and effective corporate governance in SOEs. In addition, 13 respondents (22%) submitted that the new model/wholly owned is appropriate, nine (16%) noted the traditional model/wholly owned, while one respondent (2%) submitted that the traditional model/partly owned should be considered.

To gain further insights into the suitability of ownership and organising models viz-à-viz board composition, three questions were posed using a numerical interval scale, which is similar to a semantic scale. As discussed in section 4.5.8.1.2, since it has been established that only descriptive analysis was conducted for the purposes of this thesis, responses collected from the numerical interval scale were further grouped into three (0–4, 5 and 6–10), representing low, moderate and high respectively, as the case may be. Since the magnitude of the space represented between any two points is the same (Sekaran & Bougie, 2016), 5 was taken as the middle point (average governance), thus 0–4 represents weak governance and 6–10 represents strong governance.

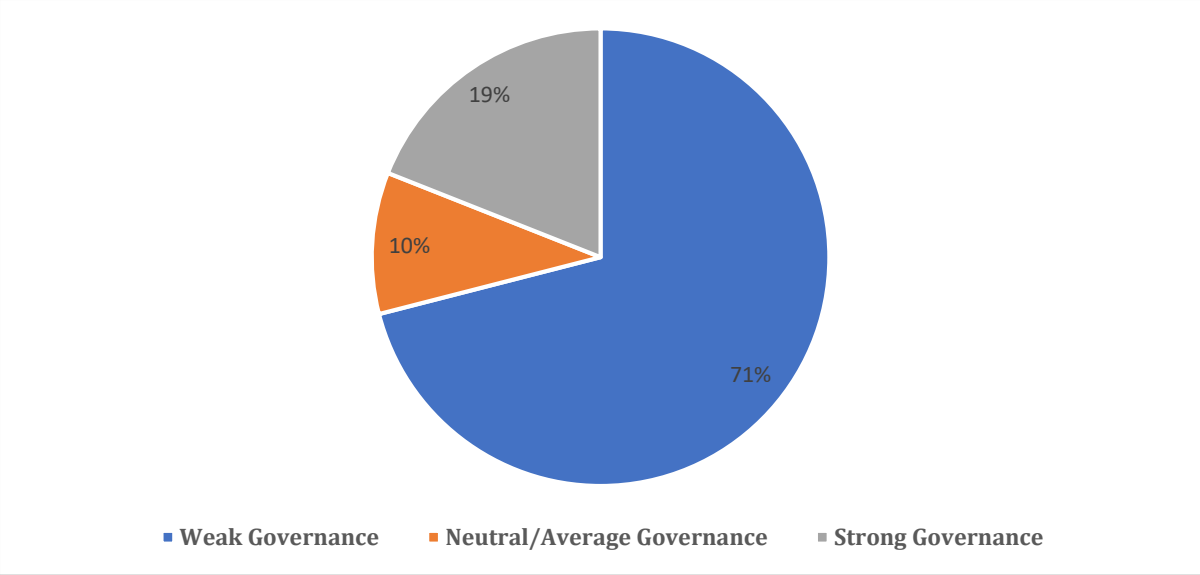


Figure 5.22: Quality of board composed of public sector officials (survey responses; n = 58)

In responding to the first question posed to establish governance quality of SOE boards composed only of public sector officials, as indicated in Figure 5.22, a majority of the respondents (n = 41; 71%) were of the opinion that this represents a weak governance model for SOEs. Further, 11 respondents (19%) were of the opinion that this represents strong governance; while six respondents (10%) were of the opinion that this represents average governance.

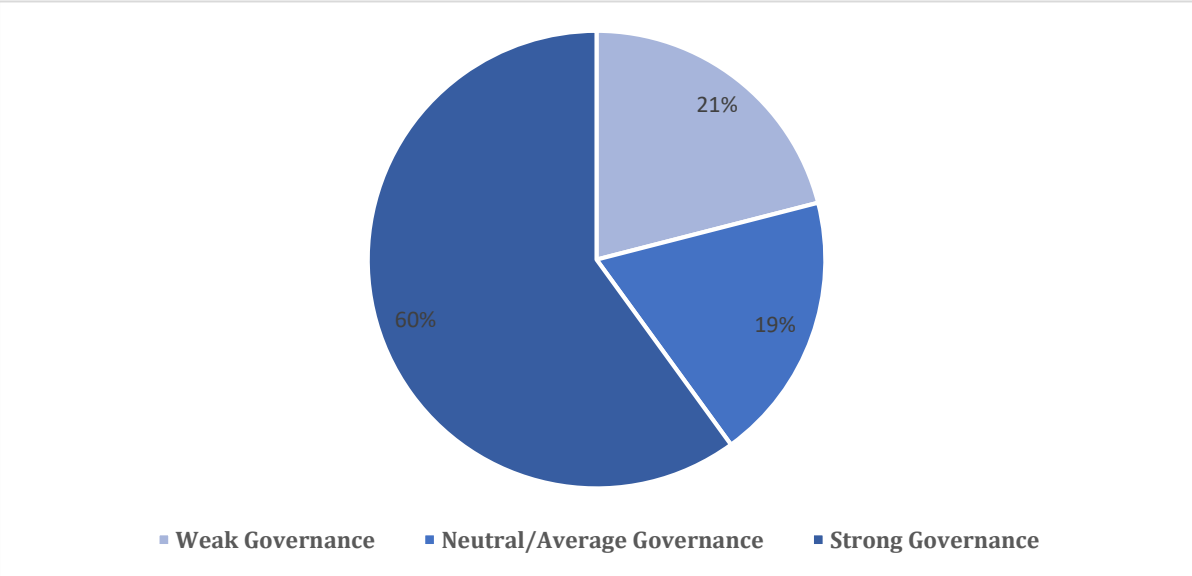


Figure 5.23: Quality of board composed of public and private sector officials (survey responses; n = 58)

In responding to the second question posed to establish the suitability of public and private sector officials combined on the board of SOEs, as Figure 5.23 depicts, a majority

of the respondents (n = 35; 60%) submitted that it represents strong governance for SOEs, while 12 (21%) submitted that it represents weak governance and 11 (19%) were of the opinion that this represents average governance.

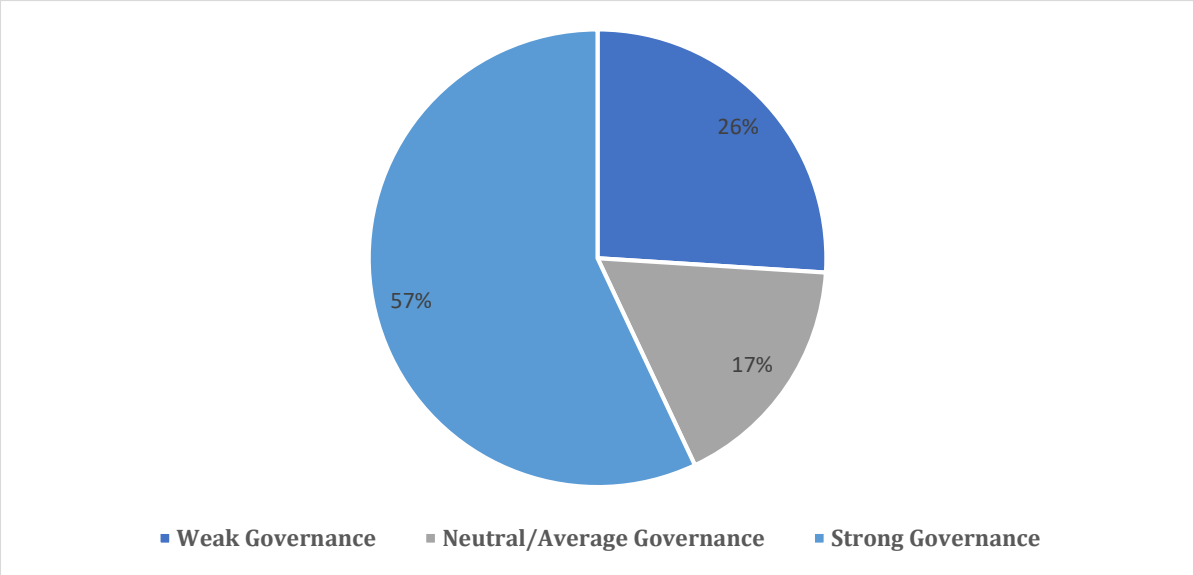


Figure 5.24: Quality of board composed of private sector officials (survey responses; n = 58)

The third question posed was sought to establish the suitability of private sector officials for board governance. In responding to this, as pictured in Figure 5.24, a majority of the respondents (n = 33; 57%) were of the opinion that it represents strong governance for SOEs, 15 (26%) were of the opinion that it represents weak governance, and ten (17%) were of the opinion that it represents average governance for SOEs.

5.6.7.2 SOEs expert interviews

From the observation emerging from interviews, most of the participants submitted that the mixed board composition is the most appropriate for SOEs, even though some maintained that the presence of public sector role players does not necessarily mean good corporate governance. In this regard, participant H, in support of only private sector role players, noted that a SOE board that has public sector board members may not necessarily perform better owing to a lack of entrepreneurial skills as well as the managerial skills required, especially if the SOE is commercial in nature. In support of the mixed board composition, participant A argued: "*Well, you know I support where private*

and public role players *are on the board of SOEs and we are doing this thing together. I don't support the one which is basically constituted by public sector role players. Here in this organisation, it's indirectly like the latter because most of the board members are politically connected private sector officials."* In agreeing with participant A, participant B observed that "*it needs to be a combination of different models where we have the public and private* role players *on the board combined … I think it has to be a combination of both in order to combine the interest of the two. The government pushes for the purpose of saving the citizens and the private pushes for profitability*". Further, participant F agreed with participants A and B but added another dimension. In this regard, participant F submitted that:

> *The one which is a combination of both role players is ideal in which case the public sector role players on the board should be representing their various departments like if the Act says there should be a member from the department, that member should only be acting on behalf of the department and the minister. Once the Act is silent on that, everything should be private sector because if it wasn't for that entity, it should have remained within the public sector for people within the public sector do the job*.

In the context of a board composed of only private sector role players, participant O submitted that "*even though they are legally independent, communication may affect independence and thus a board composed of both public and private role players and in which if possible a supervisory board is attached is more independent and there is efficiency in terms of communication*". This in effect means that the number of directors from the latter sector will be larger than that in the former. In this connection, participant N noted that "*the larger the board size, the lesser the independence of the board*". Hence, while participant O might have argued that there is efficiency of communication in larger boards, participant N submitted that this may be at the cost of independence, even though participant O was convinced that a board consisting of public and private sector actors and to which a supervisory board is attached, is more independent.

5.6.7.3 Analysis and integration of results

Corporate governance of SOEs can be improved by using a combination of the ownership and organising model for SOEs. The major part of this analysis chapter up to this point has sought to confirm this by posing questions about solving the issues related to aspects of corporate governance in SOEs, using themes proposed by the World Bank (2014), and

a comparative analysis based on TCE (Williamson, 1985, pp. 21–22), other literature related to ownership and organising models of SOEs (Balbuena, 2014, p. 13; OECD, 2005, p. 42) and the framework in Figure 4.1. In confirming experts' responses on various aspects of SOE corporate governance above, the responses to the question posed to survey respondents on the model that is appropriate for corporate governance of SOEs revealed that the holding company partly owned model is most preferred followed by the holding company wholly owned model, which is followed by the traditional partly owned model and lastly the traditional wholly owned model, which is the least preferred model. Thus, the responses confirm that the holding company partly and wholly owned models are the preferred models as seen in other sections above. In order to further confirm the composition of organising models in terms of board composition, the observation from survey responses revealed that a board composed of public and private sector officials is more appropriate for SOEs than a board composed of only private sector officials, which was the least preferred board composition. This observation is in line with the thesis statement and Aiken and Hage's (1968, p. 915) argument, who contend that some objectives can only be achieved through some form of collaboration, because in addition to the challenge that objectives may sometimes be complicated, there is often also the presence of tremendous risks. Thus, an organisation may be forced to enter into some form of collaboration in order to achieve those complicated objectives and reduce risk. Furthermore, it has been reported that the larger the government representation on the board of SOEs, the poorer their results (Mbo & Adjasi, 2017, p. 413). The perception is that when the board of a SOE comprises outsiders and non-bureaucratic leaders, performance will be better than when bureaucrats alone govern state enterprises (Jiang et al., 2013, p. 30). This is also in line with observations from the expert respondents' and participants' responses. Their support for the mixed board composition is in line with the view that it reduces corruption and political interference, among other things. This is also in line with observations by Keynes (1926, pp. 41–45) and the World Bank (2014, p.166) which argue that a board composed of public and private role players is likely to take into account both the social and commercial objectives of SOEs and deliver on these objectives.

5.6.8 Influence of level of development of country, corruption and organisational constitution on mitigating the problems of state-owned enterprises

The thesis statement of this study affirms that organising SOEs through a holding company and through part ownership by public and private role players, is more likely to result in the separation of objectives, to limit political interference; to reduce SBC; to minimise the free rider problem; to increase efficiency and effectiveness; to make the work of managers and the board less difficult; and ultimately, to lead to the attainment of desired goals. Further, in addition to organising and owning SOEs thus, SOEs should be constituted (internal and external legal and regulatory frameworks) tightly around these models. Notwithstanding, the potential of part ownership and organising models that tend towards part ownership to eradicate corporate governance problems in SOEs is highly contingent on certain factors. These factors relate to the type of constitution in place (legal, regulatory and legislation for SOEs), the levels of corruption and the level of development of the country.

5.6.8.1 SOEs expert survey

In documenting the effects of Influence of level of development of country, corruption and organisational constitution on the ability of SOE ownership and organising models to mitigate the problems they experience, questions were posed in this regard. The first question sought to establish the extent to which respondents considered the internal and external regulatory frameworks of SOEs in responding to questions on ownership and organising models of SOEs. As revealed in Figure 5.25, a majority of the respondents (n = 41; 70%) noted that the constitution in place guided their opinion, 15 respondents (26%) moderately considered the constitution in responding to the case questions, while two respondents (4%) did not consider on the constitution in responding to the case questions.

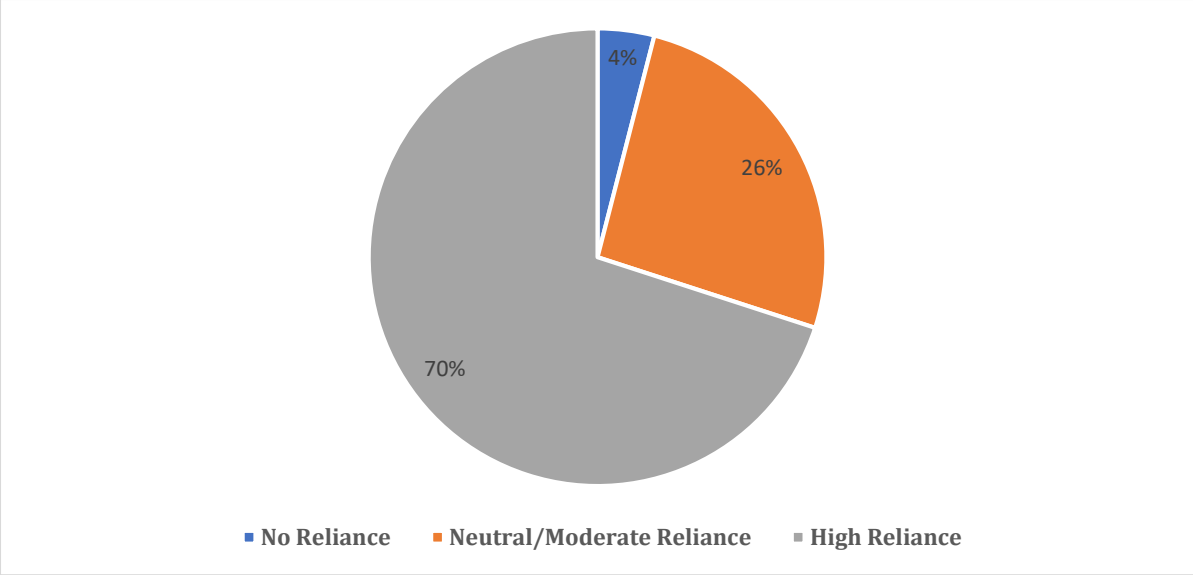


Figure 5.25: Reliance on level of constitution (survey responses; n= 58)

The second question posed sought to gain insights into the extent to which the level of development of a country influenced participants in completing case questions. In responding to this question, as seen in Figure 5.26, a majority of respondents (n = 46; 79%) considered the impact of the level of development in completing the case questions, a further eight respondents (14%) moderately considered the level of development, while four respondents (7%) did not consider the level of country development when completing the case question.

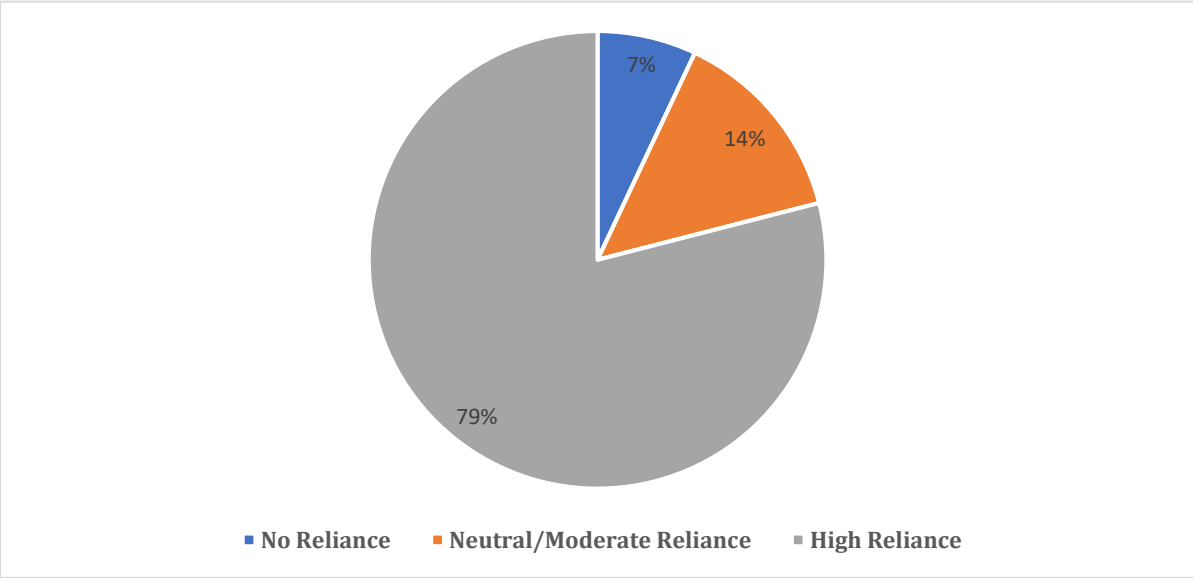


Figure 5.26: Reliance on level of country development (survey responses; n= 58)

The third question posed sought to document the extent to which respondents considered the impact of corruption in completing the case questions. In responding to this question, as pictured in Figure 5.27, a majority of the respondents (n = 49; 84%) submitted that they considered the level of corruption in completing the case questions, seven (12%) moderately considered the level of corruption, while two (4%) did not consider the level of corruption when completing the case questions.

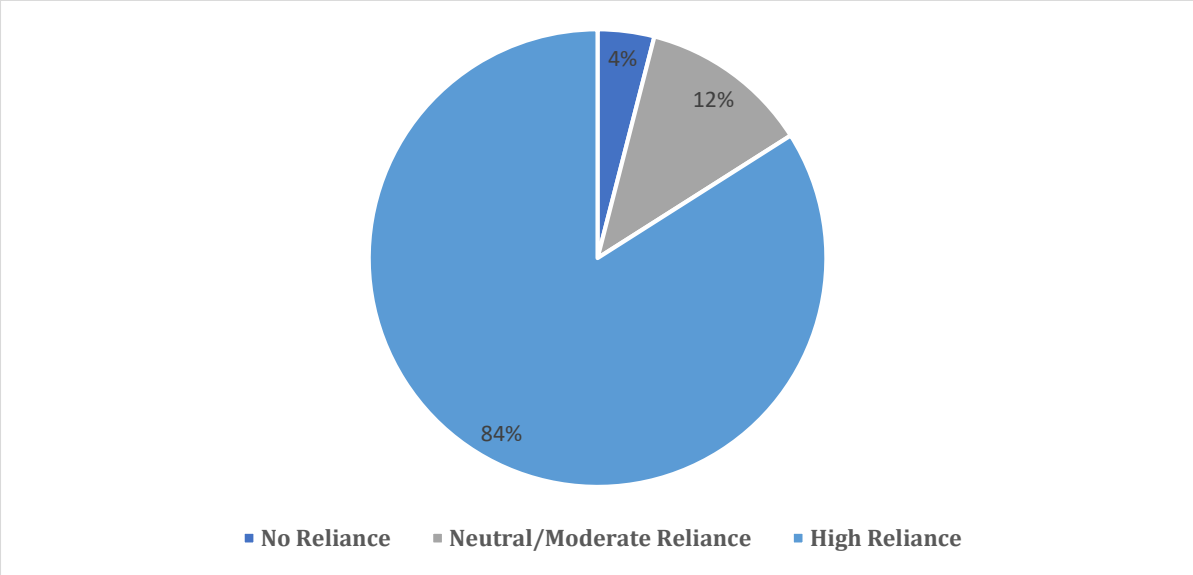


Figure 5.27: Reliance on level of corruption (survey responses; n = 58)

5.6.8.2 SOEs expert interviews

Interview participants confirmed that level of development of country, corruption and organisational constitution impact on the effectiveness of SOEs (as described in section 4.4). In this regard, all interview participants agreed that the constitution, level of development of a country and corruption influence SOE performance to a great extent, although participants' opinions differed on the extent of influence of these factors. In this context, while most participants agreed that the constitution had a significant impact on the effectiveness of SOE ownership and organising models in curtailing problems in SOEs, participant L asserted that "*I think the level of development and corruption to a great extent do influence but the constitution to a lesser extent. I don't think the constitution has a direct or significant influence because people can decide whether or not to follow what is contained in the constitution/legislation".* Participant C in agreeing with participant A on corruption and level of development but in disagreeing on the constitution, submitted: "*Yes, constitution does; remember the constitution is to give guidelines we are supposed to*

follow. Corruption does have influence on the performance of SOEs because now people are put in positions where they are not able to perform because of corruption. Also, level of development matters as better infrastructure and management often help." Participant F in agreeing with participants A and C on the influence of constitution added that "*the constitution/legislation influences performance of SOEs because it is specific in terms of their objectives and that is the minimum thing that has to be in their plan. In their plan they have to look at their legislation and what the legislation entails in terms of their establishment – what they are established to do, and those things can be derived from their legislation*".

5.6.8.3 Analysis and integration of results

The strength of the SOE ownership and organising models in mitigating the problems of SOEs is often put to the test by certain factors. These factors, as contained in Figure 4.1, are corruption, constitution/legislation and level of development of a country. In confirming that these factors often have a telling effect on the ability of SOE ownership and organising models to mitigate SOE problems, participant F in responding to a question related to corruption which was posed to establish the impact of increased public sector representation on the board of SOEs, argued that

> *Well, I do not know but my feeling is that it won't make any difference because when people have bad management orientation/principles, it doesn't matter whether they are in the private or public sector. If people want to embezzle funds it doesn't matter whether they are public or private role players even if they have five qualifications, they can still embezzle funds and government have to rescue.*

In this context, while the deleterious impact of corruption on SOEs has been widely documented in literature (Belloc, 2014, p. 823; Li et al., 2012, p. 288), far less has been documented on the constitution and the level of development in terms of public enterprises. These are emerging themes from this study. In section 3.4.2.4, the organisational constitution was described in line with Stinchcombe's (1960, p. 75) arguments. Although the notion of the organisational constitution appeared in the literature a long time ago, it has not been fully developed. Further, in section 3.4.2.6.1, the level of development was described as having two components. The first is the level of expertise of managers available in a country and the second is the level of infrastructure

to support the delivery of SOE mandates. These elements are seen as contingencies that often affect the ability of SOE ownership and organising models to solve the problems inherent in SOEs. In confirming whether these factors have any influence on experts' responses, questions were posed to survey respondents. The observation emerging from the survey revealed that experts had considered these factors in responding to questions related to reforming SOEs. In this context, respondents considered the level of development more than corruption and the constitution, with the constitution being the less considered factor. This is in line with participants' interview responses, in which most participants agreed that the level of development to a large extent influences the performance of SOEs but the constitution to a lesser extent. This observation is not unusual; as described above, these are emerging themes from this study and may thus be at a developmental stage. In this regard, one interviewee noted that "*in the event that a train crashes, they blame the people in charge saying its human error. They often forget that most of the trains are old*". In this context, the issue of a constitution is as important as corruption and as the level of development, as it deals to a large extent with the way organisations proceed in terms of both their internal and external activities. If the constitution is properly framed and interpreted, it has the potential to mitigate governance issues in organisations. Two participants observed that these are often divisions among board members, which is problematic, especially when the CEO regards himself as not being subject to the board's authority, in which case such the CEO normally takes decisions alone and acts alone. This leads to the social conflict issue described in section 3.4.2.5, where sometimes organisational and individual clashes occur as a result of the struggle for the means of survival by organisational role players (Tinker & Neimark, 1988, p. 58). The organisational constitution to a large extent influences the inner workings of organisations and is thus a key element of organisational governance.

5.7 Conclusion

The problem statement of this study noted that recent evidence (Bhasa, 2015, p. 7; Grönblom & Willner, 2014, p. 268; Kloviene & Gimzauskiene, 2016, p. 188) suggests that most public enterprises all over the world have not efficiently, effectively and adequately utilised their financial and other resources. This therefore depletes the finances of their owning states instead of boosting the social well-being of citizens and the financial resources of these countries while also not improving citizens' welfare (Kankaanpää et

al., 2014, p. 409). In attempting to address this issue, the literature on the corporate governance of SOEs has contributed to mitigating corporate governance challenges, which is the most salient problem SOEs face, as well as other problems associated with SOEs. However, these problems, especially in developing and corrupt countries, still loom large. Hence, it is clear that there is a need to theoretically explore issues identified in the contemporary academic discourse and in practice in the selected countries in order to document country-specific corporate governance issues linked to SOEs towards the development of a structural corporate governance model for SOEs. Accordingly, this study theorised that the basis of the problems identified above in today's context is the weak structural organisation, constitution and ownership models that do not fit the purpose for which SOEs are established in most countries, as well as several interpretations of the role of SOEs vis-à-vis the role of government. Thus, the idea in this study is that should SOEs be owned, organised and constituted tightly in line with a model that is capable of reducing or managing these concerns, and their objectives and mandates are realistic and clearly articulated, SOEs will be more likely to be better equipped to deliver on their respective mandates. Following this observation, the study then argued that organising SOEs through a holding company and through part ownership by public and private role players, is more likely to result in the separation of objectives, limit political interference, reduce SBC, minimise free-rider problem, increase efficiency and effectiveness, make the work of managers and the board less difficult, and ultimately, lead to the attainment of desired goals.

To confirm the thesis statement and the thesis propositions and in order to fulfil the aim and objectives of the study, data were collected in three phases – content analysis, survey and interviews. The major part of what has been done in this chapter up to this point includes presenting data, documenting findings, and discussing and interpreting the data.

In this context, starting with Aharoni (1981) until now, the belief in the contemporary academic discourse is that the starting point for solving governance issues in SOEs is separating social objectives from commercial objectives in order that these enterprises may concentrate on one objective at a time. Despite the reasoning that SOE objectives should be separated into their social and commercial elements, participants have noted

that this is not feasible since there is a social mandate inherent in everything SOEs do, even though they focus on commercial objectives. In this context, as observed by respondents and participants, the new model (wholly and partly owned) could be used to separate objectives because under these models SOEs are more likely to be commercially oriented. In this way, as illustrated by Figure 5.17, respondents revealed that these organising models are also appropriate for reducing political interference in SOEs. As confirmed by participants, when SOEs are directly under a state minister, they can be used as political instruments, since ministers and politicians will have to give them policy directions. It is then more meaningful to organise SOEs using any of the variants of the new model rather than the traditional model.

As observed in section 5.4 through to section 5.4.6**,** the new model (wholly and partly owned) (bilateral model as per TCE) appears to have been perceived to be a better model (even though the traditional model has been good in some instances) than the traditional model (wholly and partly owned) (unified as per TCE). As a result, even though it appears some South African SOEs operate better than Singaporean SOEs, the latter clearly operate better than South African SOEs in inter-country comparisons in terms of TCE, World Bank toolkit themes and operational efficiency, especially important public utilities. In this context, where some South African SOEs operated better than Singaporean SOEs, as is the case with SAA, SAE and Sing Air, the auditors that audited some of the figures used in these computations have documented concerns regarding the figures, thus the results cannot be relied on. In addition, in this context, Sing Air performed better than the industry average. The same is applicable to Alexkor in comparison with Turquoise. Also, in this context, Turquoise performed better than the industry average. Thus, the only South African SOE, the DBSA that may be argued to have performed better than the Singaporean SOE to which it was compared has an abnormal operational efficiency (23.4) against an industry average of 0.04 and the DBS, 0.2. This can be further confirmed by the fact that most of South African SOEs have been loss-making and have required bailouts, while their Singaporean counterparts have been profit-making. The reason for this could not be confirmed from the DBSA annual reports.

Furthermore, the intra-country comparison revealed that in some instances, South African and Singaporean SOEs that are wholly owned have operated better compared

with those that are partly owned and vice versa. Hence, while the results of the inter-country comparison were conclusive, the results of the intra-country comparison were inconclusive. In general, the observations emerging from the survey and the interviews revealed that experts preferred the partly owned version of the new model compared with the wholly owned one. Following observations from the interviews, the reasons advanced for this have to do with the perceived superiority of part ownership to whole ownership. All things being equal, the presence of private sector officials is considered to inhibit corrupt practices to an extent. This is the reason why a few of the participants preferred the decentralised, dual or centralised (traditional) model for reforming SOEs where enterprises are partly owned. The presence of private sector officials is seen to complement (Pfeffer & Nowak, 1976, p. 398) the efforts of public sector officials when delivering on SOE objectives confirmed the arguments in the RDA (Pfeffer, 1972, p. 358) described in section 3.4.2.6, that resources inside a particular sector may be needed by parties outside that sector in order to control the uncertainty (Nienhüser, 2008, p. 15) inherent in a particular sector to increase organisational effectiveness and reduce constraints (Delke, 2015, p. 4).

The intra-country comparison of SOEs in South Africa also revealed that in South Africa, the decentralised model appears to be a better model for structuring SOEs. In this context, participant G confirmed that the current dispensation of SOEs in South Africa favours their decentralisation. The reason advanced for this is that in the decentralised model, shareholding departments generally have experts who are knowledgeable about the activities of the SOEs, unlike in the centralised model where the DPE is not equipped with the necessary expertise to manage enterprises operating in different sectors.

In the same vein, participants noted that there is lack of proper monitoring in SOEs owned by the public sector and managed by public sector officials. They also submmited that there is usually lack of proper monitoring of SOEs in SOEs boards comprising private sector officials if SOEs are wholly owned, in terms of decentralised dual and centralised models, by the public sector. Since this is the case with traditional wholly owned SOEs, it is not surprising that expert survey respondents would prefer to reform SOEs with the new wholly and partly owned model before considering any of the traditional models, with the traditional wholly owned being the least popular. Accordingly, the agency

problem discussed in sections 2.9.2.3 and 3.3.2 becomes relevant as its clear that the principal–agent problem is sustained by a lack of proper monitoring by owners. As argued in sections 3.4.1 and 4.4, among other things, this free-rider problem sends conflicting signals to enterprise boards. Because boards act and make decisions based on the signal received from owners (information available), conflicting signals generally have three negative effects on enterprises. The first relates to the fact that it results in weak corporate governance, thereby informing most of the arguments against SOEs. The second is that objectives are seldom attainable, resulting in the depletion of national resources. The third is that conflicting signals may trigger opportunistic behaviour by boards which realise that owners are unable to specify their desired ends.

Further, as illustrated in sections 5.6.5 to 5.6.5.3, experts' responses indicated that the new wholly and partly owned model is also suitable for minimising fruitless and wasteful expenditure in SOEs. Since this fruitless and wasteful expenditure has been linked to problems of conflicting objectives and HR, a holding company model improves the ability to focus on one objective, which is usually commercial, not necessarily at the expense of social objectives, in solving the problem of conflicting objectives and constituting a SOE board and oversight body based on expertise and not on nepotism as a way of solving the HR issue. While it could be argued that the latter problem may be better solved in less corrupt countries, expert respondents have also submitted, as illustrated in Figure 5.20, that this new wholly and partly owned model is also appropriate for mitigating corruption in SOEs. The reasons advanced for this is that the level of corruption in the private sector does not have as serious an effect on the private sector as it does in the public sector. In this regard, public enterprises do not face most of the problems SOEs face. Consequently, it does not usually affect goal attainment as objectives are generally achieved despite the presence of corruption, unlike the public sector where corruption may be crippling. Thus, the study revealed a preference for shareholder primacy (stewardship model); governance similar to private sector corporate governance rather than stakeholder theory (democratic model); and a governance framework focused on stakeholder representativeness in line with the public sector and stakeholder representation rather than on expertise.

In this regard, the content analysis of relevant documents (Appendix 6) revealed that the new organising model (wholly and partly owned) is preferred to the traditional model (wholly and partly owned), with the new organising partly owned preferred over the new organising wholly owned. The reasons for this argument have been documented in section 3.10.2.4. The main reason why the holding company model is considered to be better than the dual, centralised and decentralised models is that policy and regulatory functions are clearly separated from ownership functions. In this context, Keynes (1926, pp. 41–45) referred to the importance of this model by arguing that semi-autonomous corporations are preferred to organs of the central government for which ministers of state are directly responsible. Hence, priority is usually given to commercial objectives with a view to contributing to the national treasury in order to improve the fiscal capacity of nations.

Furthermore, SOEs under the holding company model are more financially disciplined than those under the traditional model as they cannot rely on their owning states for funds. In addition, as argued in sections 3.2.1 and 3.2.1.1, following the extension of government's role to include collecting and disseminating information about private enterprises (Keynes, 1926, p. 48), partnering with private enterprises will make the collection of information about the activities of these enterprises possible and cost effective. In this regard, Aiken and Hage (1968, p. 916) concur that such collective organising methods lead to increased internal communication, while reducing formalisation and centralisation. Further, Ackers (2014, p. 12) contends that such an organising method promotes individual and societal interests, while incorporating social welfare into economic transactions. The argument in this instance is that the state needs to partner with private enterprises in order to collect reasonable information necessary to keep the profit motives of private enterprises in check. Furthermore, aside from minimising or reducing the cost of gathering information about private enterprises, this form of organising also reduces the cost of political interference, the cost of private goods to citizens, government taxation, the cost of SBC, the cost of free-riding and the cost of conflicting objectives. Furthermore, one advantage of this type of organising and ownership model is that the critical dimensions against which governance structures are analysed – incentive intensity, administrative control, autonomous and cooperative adaptation, contract law, information context and decision-making context – lie between

market and hierarchy, and thus are expected to be semi-strong. An additional and major benefit of this form of organisation is that this model combines the strengths and weaknesses in the other governance structures; hence, these critical dimensions are usually in balance. It should however be noted that this balance is highly contingent on the discipline and commitment of the parties involved.

In addition, this form of organising ensures that the ability of private enterprises to sabotage the activities of public enterprises is curtailed. In this context, Beveridge (1944, p. 206) and Grossman (2012, p. 184) rightly observe that private enterprises can sabotage the activities of the state in maximising returns on savings. Therefore, it is argued that the state may need to partner with private enterprises to invest savings and reserves efficiently and effectively. This does not mean that the state cannot make sound investments; rather, involving private role players may mean that the activities of the state will not be sabotaged by private role players, who although are to an extent controlled and regulated by the state, are already present in the markets where the state is likely to invest and who, arguably, have more information on these markets than the state does and may thus decide to frustrate the activities of the state (Zingales, 2017, p. 3). In confirming the effects of competition on SOE activities, participant F observed that while SOE management sometimes has good intentions, owing to market forces they may not generate revenue because of tight and tough competition.

The New Model, Partly Owned was the preferred dominant model selected by respondents and participants. The next chapter harnesses the previous chapters by consolidating the information in those chapters to develop a structural corporate governance model for SOEs and also highlights the contributions and recommendations of this study; and accordingly concludes this study.

CHAPTER 6

CONTRIBUTION, CONCLUSION AND RECOMMENDATIONS

Finally, brethren, keep your thoughts on and practice things that are of good report, true, noble, fair, pure, honest, acceptable and/or commendable (Philippians 4: 8; GOD's WORD Translation); for behold, Jesus affirms, I come quickly, and My reward is with Me, to render to everyone according to his works (Revelation 22: 12, American Standard Version).

Table of Contents

6.1 Introduction

This concluding chapter provides a brief overview of the thesis, highlighting the main points of arguments and the theories as a way of presenting the academic contribution of this study. In this context, Chapter 2 introduced and described the core concepts. These concepts in addition to other theories provided the theoretical conceptual framework used in this study and presented in Chapter 3. In Chapter 4, the research rationale was discussed leading to the research aim and objectives. In this regard, the comparative analysis methodology and pragmatist mixed methods used in this thesis were described. Chapter 5 presented, analysed, interpreted and discussed the results of the three-phase empirical data collection method used in this study, and incorporated relevant literature into the discussion and interpretation of findings. This final chapter concludes this study by evaluating the extent to which the problem statement, in connection with the aim and objectives of the study, has been addressed in order to set the basis for defending the thesis statement, propositions and the structural corporate governance model in Figure 6.2 and the contributions of this study as a whole.

Following from the above, the content analysis of the enterprises' internal and external legal and regulatory frameworks, the company websites, annual reports, corporate governance documents, corporate governance codes, practice guides, board charters, the companies Acts and other relevant governance reports and Acts in these states, as well as journal articles, company publications, annual reviews and SOE web pages were the preliminary source of empirical data in this thesis, providing data sources for the content analysis phase. In addition, survey responses provided data for confirming the model(s) appropriate for structuring SOEs, while, within these context of content analysis and survey responses, interview participants provided additional information on issues not observed in the content analysis, some questions not posed in the survey, as well as explanations for some of the observations that emerged from the content analysis and the survey phases. All in all, these phases have provided evidence to document the new wholly and partly owned model as the preferred model for structuring SOEs, with the new partly owned model being preferred over other models by experts for reforming SOEs.

6.2 Alignment of research objectives and empirical results.

For ease of navigation through the findings of this study, the findings described in Chapter 5 are summarised briefly below within the context of the overarching research objectives. In addition, Figure 6.1, adapted from Figure 1.3, presents a detailed structural alignment of the research objectives (detailed in sections 1.5 and 4.3) with the thesis statement and thesis propositions (described in sections 1.3 and 1.3.1 and 4.4 and 4.4.1 respectively) as well as with the three empirical phases (discussed in section 4.5.7) and the relevant subsections of the chapters in which the results were presented and discussed. This indicates that even though the three empirical phases were conducted at different stages, they informed each other and it was thus possible to group results together. In addition, this indicates that information obtained from the empirical phases was used in supporting the research objectives in part one and two that were covered at the non-empirical phases.

In reference to this, as described in section 4.3, the empirical part of this study dealt with part three objectives. These objectives and the summary of empirical findings are discussed below.

- **Objective 3. 1** *Identify the reasons for the establishment of SOEs, SIEs and SWFs in connection with the role of government in the countries*

The role Played by state-owned enterprises, state-invested enterprises and sovereign wealth funds in government

Fulfilling part of the government role that the Public Service Act does not provide for, such as operating a revenue-generating company, was confirmed as being the basic role played by SOEs, SIEs and SWFs with regard to the role government. In doing so, the enterprises are also expected to deliver public goods and services and be self-sufficient. In addition, these enterprises are to be used in achieving the extended role of government presented in section 3.2.1.2.

- **Objective 3.2** *Examine ownership and organising models using the frameworks developed in the second part*

Macro assessment of ownership and organising models of state-owned enterprises, state-invested enterprises and sovereign wealth funds in South Africa and Singapore.

- **History and reforms of state-owned enterprises in South Africa and Singapore**

No major reform, aside from reforms in line with global movements, of South African SOEs has taken place apart from restructuring (reforms) following global reforms of SOEs. Although the Presidential Review Commission gave its recommendations in 2012/2013, no major reform has taken place since then. In Singapore, where SOEs initially made use of the decentralised, dual and centralised models under various ministries and SOE boards composed of top civil servants, major SOE reform involved the creation of Temasek in 1974.

- **Institutional framework of state-owned enterprises in South Africa and Singapore**

SOEs in South Africa fall under the PFMA and are classified in form of schedules which differentiate various classes of SOEs. This grouping is not particularly clear, as there is blurred distinction between the different classes of SOEs, especially those in schedules 2 and 3. SOEs in Singapore fall under a holding company and are thus classified according to sectors instead of according to whether or not they are to be revenue generating as in South Africa. Thus, the classification in Singapore is clearer than in South Africa.

- **Legal and regulatory framework of state-owned enterprises in South Africa and Singapore**

It was revealed that the legal and regulatory framework of SOEs in South Africa and Singapore are both adequate with the Singaporean SOEs being better regulated because they are listed on various stock exchanges and subjected to tighter capital market discipline.

Structural ownership and organising models of state-owned enterprises in South Africa and Singapore

— **Meso assessment of ownership and organising models of state-owned enterprises, state-invested enterprises and sovereign wealth funds in South Africa and Singapore.**

Telecommunications, Media and Technology sector

In this sector, the inter-country comparison of SOEs in Singapore and South Africa revealed that SOEs under the holding company model (Singapore) performed better than SOEs under the traditional model (South Africa); accordingly, the thesis statement appears to be confirmed in this instance. The results of the intra-country comparison of wholly owned SOEs and partly owned SOEs in South Africa appear to have revealed that wholly owned SOEs in this sector performed better than partly owned SOEs. This comparison could not be conducted for SOEs in Singapore as a result of the non-availability of annual reports of some of the Singaporean SOEs in this sector.

Transportation and Industrials sector

In this sector, the inter-country comparison of SOEs in Singapore and South Africa revealed that SOEs under a holding company model (Singapore) performed better than SOEs under the traditional model (South Africa); thus, the thesis statement is confirmed in this instance. In this sector, the results of the intra-country comparison between wholly owned and partly owned SOEs in South Africa were inconclusive, with partly-owned SOEs in Singapore performing better than wholly owned SOEs in Singapore.

Energy and Resources sector

In the inter-country comparison of SOEs in this sector in Singapore and South Africa, the most important comparison (public utility SOEs), SP under the holding company model (Singapore) performed better than ESKOM which uses the traditional model (South Africa), hence the thesis statement appears to be confirmed in this instance. However, apart from the fact that Alexkor wrote down inventory, the return on equity of Alexkor and AEMFC bettered that of Turquoise. The results of the intra-country comparison of wholly owned and partly owned SOEs in this sector in South Africa were inconclusive; however, intra-country analysis could not be performed for SOEs in Singapore as the annual results of Pavilion Energy are not publicly available.

Financial sector

An inter-country comparison of SOEs in Singapore and South Africa in this sector, comprising Mapletree under the holding company model (Singapore) and ECIC under the traditional model (South Africa), appears to show that Mapletree performed better than ECIC, thus confirming the thesis statement in this instance. However, the operational efficiency of the DBSA and the Landbank was abnormally high compared to the DBS, even though the operational efficiency of the DBS was greater than the industry average. Thus, a further analysis, return on equity, was performed in order to establish that even though the operational efficiency of the DBSA was high, the DBS was more profitable. The results of the intra-country comparison in this sector revealed that Mapletree under the wholly owned model performed better than PTbank under the partly owned model for SOEs in Singapore. The intra-country comparison between wholly owned and partly owned SOEs in South Africa could not be performed as South Africa does not have any partly owned SOEs in this sector.

— **Meso analysis of the intra-country comparison of enterprises under decentralised and centralised organising models in South Africa.**

Singapore uses only one organising model, the holding company; thus, intra-country organisational analysis could not be conducted on Singaporean SOEs. The intra-country organising analysis of SOEs in South Africa revealed that SOEs under the decentralised model operates better than SOEs under the centralised model.

— **Monitoring performance and accountability of state-owned enterprises in South Africa and Singapore**

By virtue of the monitoring and accountability documents used by SOEs in South Africa, it appears SOEs in South Africa should be better monitored than SOEs in Singapore. However, findings appear to have revealed that this is not the case largely as a result of political interference, nepotism and corruption among other issues associated with SOEs in South Africa.

— **Financial and fiscal discipline of state-owned enterprises in South Africa and Singapore**

Considering the sources of finance and mode of operation of SOEs in South Africa and Singapore, the latter are more financially and fiscally disciplined than the former.

— **Board of directors of state-owned enterprises in South Africa and Singapore**

Both countries operate based on a unitary one-tier board system. In this context, board tenure also appears to be closely related in both countries, except that South African board members can be elected to the board for an additional period if independence can be guaranteed. Board committees are identical in both countries except where SOEs have enterprise-specific committees. The CEO and chairperson of a SOE are two distinct individuals in both countries. However, SOE boards in Singapore are better constituted in terms of skills and public and private sector experience and also experience lower levels of nepotism compared with SOE boards in South Africa.

— **Board remuneration**

Based on information contained in their annual reports and corporate governance report and company websites for those SOEs whose annual reports are not publicly available, SOE board members in Singapore appear to be better remunerated compared to SOEs board members in South Africa.

— **Transparency and disclosure of state-owned enterprises in South Africa and Singapore**

As a result of lower levels of corruption and the capital market discipline prevailing in Singapore, despite SOE transparency in both South Africa and Singapore appearing to be lacking, Singaporean SOEs in general, especially those that make annual reports publicly available, appear to be more transparent compared with South African SOEs. While the transparency of South African SOEs cannot be said to be adequate as a result of political interference and corruption, disclosure in South African SOEs appears to be more adequate compared with Singaporean SOEs, as some of the latter do not make their annual reports publicly available. In addition, although not mandatory, as a result of King III, SOEs in South Africa are expected to disclose certain things such as reporting on combined assurance in their annual reports. This is not applicable to Singaporean SOEs.

- **Objective 3.3** *Establish which of the identified arrangements are suitable for delivering SOE objectives*

Suitability of arrangements

In line with the thesis statement, the findings confirmed that the new wholly and partly owned model should be considered for reforming SOEs ahead of any of the traditional models. A majority of experts would use the new partly owned model before considering the new wholly owned model and the partly owned variant of the traditional model would be only be considered after the other variants of the new model have been considered, with the traditional wholly owned model the least favoured option.

- **Objective 3.4** *Determine how best the enterprises might be structured to achieve their raison d'être*

Structuring state-owned enterprises

— **Redefining objectives of state-owned enterprises (separating and achieving objectives)**

Instead of separating objectives, experts preferred to use organisational governance structure to deliver objectives better, as objectives cannot be separated because, generally, the idea is to deliver on mandates while generating revenue. The new wholly and partly owned model is appropriate for achieving SOE objectives.

— **Reducing political interference in state-owned enterprises**

Political interference may not be easily reduced in SOEs as politicians have to give policy guidance to SOEs. Hence, the only means by which to reduce political interference is by way of autonomy. Such autonomy has to do with taking power away from the ministers and conferring it on enterprise top management. In this context, experts note that this could be achieved by using the holding company wholly and partly owned model in structuring SOEs.

— **Monitoring state-owned enterprises**

Although the PFMA in the primary country of analysis and similar legislation in most other countries comprehensively prescribe reporting on performance and on other aspects of enterprises; and that compliance should be monitored through independent

audits by the Auditor General, oversight is often problematic when SOEs are organised in such a way that they fall under state ministers. In addition, when organised in this way board composition does not usually improve this oversight problem. As a result, experts would prefer that SOEs are structured using the partly and wholly owned holding company model rather than the traditional models.

— **Mitigating soft budget constraints**

Fruitless and wasteful expenditure (wastage and mismanagement) in SOEs can be curtailed if they are exposed to proper financial and fiscal discipline. This fiscal and financial discipline is one the many traits that led to experts preferring the new partly and wholly owned model (holding company) to mitigate SBC in SOEs. Moreover, even though the PFMA and Treasury Regulations in South Africa provide specific requirements for fiscal discipline, corruption and political interference do not necessarily allow for proper compliance of SOEs. Corruption and political interference are often reduced through the use of the partly and wholly owned holding company model.

— **Mitigating corruption**

To reduce corruption in SOEs, they will have to be removed from the direct supervision of state ministers. Governance structure is the only means to achieve this. In this context in order to take SOEs out of the reach of politicians, they should be structured using either the new partly owned holding company model as well as the partly owned traditional model as the case may be, as confirmed by experts.

— **Corporate governance**

Experts submitted that the holding company partly and wholly owned models are key in minimising the corporate governance problems experienced by SOEs as described above. The idea is that the models are also appropriate for structuring the corporate governance of SOEs in general. In this context, it would be better for SOE boards to be a mix of private and public sector officials rather than only public sector or only private sector officials.

— **Influence of level of development of a country, corruption and organisational constitution on mitigating problems in state-owned enterprises**

Factors that influence the ability of the ownership and organising model to solve corporate governance problems in SOEs were key in determining the best model for minimising these problems. In this context, the extent to which the level of development and corruption influence the ability of SOE ownership and organising models to minimise corporate governance problems was deemed greater than the organisational constitution. In this context, experts noted that the level of development has a greater influence than constitution, while corruption is of the greatest impact.

- **Objective 3.5** *Underpin the thesis statement and thesis propositions using information obtained/gathered from content analysis, survey and semi-structured interviews*

Thesis statement and thesis propositions

Based on the evidence from the content analysis, the survey and the interview phases, as summarised above, it is clear that the empirical results confirm the thesis statement and propositions developed for this study. This confirmation is further illustrated in section 6.3.

6.3 Thesis statement and thesis propositions

The findings of the empirical phases underpin the thesis statement and thesis propositions advanced for this study below:

Organising SOEs through a holding company and through part ownership by public and private role players is more likely to result in the separation of objectives; limit political interference; reduce SBC; eliminate the free-rider problem; increase efficiency and effectiveness; make the work of managers and the board less difficult; and ultimately, lead to the attainment of desired goals.

All things considered, the findings of the three empirical phases confirm the suitability of the holding company model and part ownership for mitigating corporate governance problems in SOEs. In line with this, while experts preferred the new (holding company) wholly and partly owned model over the traditional (centralised, dual and decentralised) wholly and partly owned model, they indicated that they would consider the partly

owned model variant of the traditional model. Thus, the efficacy of part ownership is confirmed.

- ***P*1** *organising SOEs under a holding company and in part ownership leads to separation of objectives.* Everything considered, the survey respondents and experts interviewed confirmed that the holding company model and part ownership result in the proper prioritisation as discussed in section 5.6.2.3.
- ***P*2** *organising SOEs under a holding company and in part ownership reduces political interference.* As described in section 5.6.3.3, the findings of the survey and interview phases confirmed that the holding company model and part ownership have the potential to reduce political interference in SOEs compared with the traditional dual, centralised and decentralised model in terms of which SOEs fall directly under the supervision of state ministers.
- ***P*3** *monitoring is likely to be effective in SOEs that are organised under a holding company and in part ownership.* The idea behind this proposition is that SOEs under a holding company model are more likely to be listed on a stock exchange and that there will be reduced political interference and corruption. In this context, as described in section 5.6.4.3, findings from survey respondents indicated in Figure 5.18 and the interviews with experts confirmed that the holding company model and *part* ownership are useful in improving monitoring mechanisms in SOEs, because SOEs under such a model are more likely to be subjected to capital market regulations; in addition, the presence of private sector officials is expected to improve operations.
- ***P*4a** *SOEs that pursue only either social or commercial objectives are more likely to achieve their mandate.* As observed by participants and described in section 5.6.2.2, SOEs generally focus on one objective, namely, the commercial objective, and the social objective merely runs in parallel. The idea is that when SOEs are clear on which of the objectives to prioritise, they are more likely to achieve that objective, and are not torn between two conflicting objectives, even though achieving such objective is more likely to be at the expense of the other. Hence, priority matters in this instance.
- ***P*4b** *SOEs that pursue only commercial objectives are more likely to be organised under a holding company or under part ownership.* As described in section 5.6.2.2,

what matters in terms of SOE objectives is priority. In this context, when the priority is purely on commercial objectives, SOEs are more likely to be subjected to capital market discipline and thus are likely to be organised under a holding company and through part ownership.

- ***P*5** *SOEs that are organised under a holding company and with part ownership are more likely to eradicate 'soft budget constraints' by undertaking only commercial objectives and paying dividends to the state, which the state can use to pursue social and political objectives*. As described in sections 5.6.5.2 and 5.5.5.3, in line with the assumptions of TCE, change in governance structure often results in change in the mode of transaction and vice versa. When SOEs are partly owned and fall under a holding company model, the commercial orientation of SOEs increases and this is accompanied by changes in operational methods. The idea is to generate revenue and contribute to national development, while delivering on mandates.
- ***P*6a** *corporate governance in SOEs that are organised under a holding company and in part ownership is likely to be strong.* As discussed in section 5.6.7 through to section 5.6.7.3, the findings provided by the survey respondents and expert interviews confirmed that the holding company model and part ownership increases the strength of corporate governance in SOEs.
- ***P*6b** *irrespective of ownership and organising models, the likelihood of strong corporate governance increases when the country is developed, with little or no corruption and the organisational constitution is strong.* Discussions in sections 5.6.8 through to 5.6.8.3 confirmed that these elements influence the ability of SOE ownership and organising models to minimise their corporate governance problems.
- ***P*7** *there is likelihood of reduced corruption in SOEs that are organised under a holding company and in part ownership*. As described in section 5.6.6.3, the survey responses indicated in Figure 5.20, as well as the expert interviews, confirmed that there is a likelihood of reduced corruption in the holding company model and part ownership compared with the traditional decentralised, dual and centralised models.

Research objectives	Research phase (data collection methods)	Data Analysis methods	Thesis subsections	Thesis Propositions
Part one **1.1 Understand the role of government**	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Section 3.2**	**TP 1**
1.2 Establish and argue for the appropriate role of government based on the above understanding	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 3.2.1.1 to 3.2.1.2**	**TP 2**
Part two **2.1 Identify the problems of SOEs**	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 2.8.1; 2.9.1 to 2.9.2.7; 3.3 to 3.3.6**	**TP 3**
2.2 Identify the types of arrangements by which SOEs are owned and organised	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 3.10 to 3.10.2.4**	**TP 4a**
2.3 Examine internal and external legal and regulatory frameworks guiding SOEs	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Sections 3.8.2 to 3.8.3; 3.9.2 to 3.9.3**	**TP 4b**
2.4 Formulate thesis and thesis statement propositions based on the three steps above	**Literature** **P1 – content analysis**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.**	**Sections 1.3 to 1.3.1; 4.4 to 4.4.1**	
2.5 Develop a framework that permits the analysis of inter- and intra-country ownership models of SOEs	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Section 4.5.8.1.1**	**TP 5**
2.6 Develop a framework that permits the analysis of inter- and intra-country organising models of SOEs	**Literature** **P1 – content analysis**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.**	**Section 4.5.8.1.1**	
Part three **3.1 Identify the reasons for the establishment of SOEs, SIEs and SWFs in relation to the role of government**	**Literature** **P1 – content analysis** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P3 – integrated narrative analysis, theme matching**	**Section 5.2**	**TP 6a**
3.2 Examine ownership and organising models of SOEs using the framework developed in part two	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Sections 5.3 to 5.6.8.3**	
3.3 Establish which of the identified arrangements are suitable for delivering SOE objectives	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Sections 5.4 to 5.6.8.3**	**TP 6b**
3.4 Determine how best the enterprises might be structured to achieve their raison d'etre	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Sections 5.5 to 5.6.8.3**	
3.5 Underpin the thesis statement and thesis propositions using information obtained/gathered from content analysis, survey questionnaire and semi-structured interviews	**Literature** **P1 – content analysis** **P2 – survey** **P3 – interviews**	**Systematic literature review** **P1 – TCE, World Bank, ratio analysis, percentage diff.** **P2 – Descriptive statistics** **P3 – integrated narrative analysis, theme matching**	**Section 6.3**	**TP 7**

Figure 6.1: Structure of research objectives, thesis propositions, research phases and results subsections

Source**:** Author's own compilation.

6.4 Suitability of existing ownership and organising model of structural corporate governance model for state-owned enterprises in South Africa

The inter-country comparison of SOEs, SIEs and SWFs revealed that the holding company model used in Singapore is a better model for structuring SOEs than the traditional decentralised and centralised model used in South Africa, in terms of the theoretical framework of socioeconomic dimensions. The findings of the intra-country comparison revealed that some wholly owned SOEs in South Africa and Singapore performed better than partly owned SOEs thus the results were inconclusive. Further, SOEs under the decentralised model in South Africa performed better than those under the centralised model. Following these observations and taken together with observations from experts' survey responses and the expert interviews, in line with the thesis statement, it is consequently proposed that SOEs in South Africa will be able to minimise their problems and better achieve their mandates if they are structured under a holding company, as against the current practice where they are organised and mostly owned through the wholly traditional decentralised and centralised models. The structural model for this form of proposed holding company is illustrated in Figure 6.2 and recommendations on how to proceed with reforming SOEs using this model are discussed in sections 6.5 and 6.8.

6.5 Research implications and recommendations

This study represents one of the very few (if any) studies to bring together issues of SOEs in the contemporary academic discourse (Figure 4.1), to develop a framework (Figure 4.5) for studying corporate governance in SOEs holistically in order to develop a structural corporate governance model for mitigating corporate governance problems in SOEs and enabling them achieve their mandates. In this regard, the study confirmed the thesis statement in terms of the ability of ownership and organising models to address corporate governance issues in SOEs. In addition, the propositions advanced for this study were confirmed by empirical evidence from the three-phase empirical data collection. Hence, a structural corporate governance model was developed. Apart from developing this structural corporate governance model, several other issues were addressed in this study. Overall, the following implications and recommendations have emerged from this study.

- Prior to this study, some of the numerous problems related to SOEs have been identified in the contemporary academic discourse. In this regard, this thesis advances that these already identified problems in conjunction with the ones identified by this study can be conveniently classified as corporate governance problems of SOEs, since the problems are generic and have been studied under the umbrella term, 'the corporate governance of SOEs'.
- In attempting to solve corporate governance problems in SOEs, in the contemporary academic discourse SOEs have been theorised as hybrid organisations in terms of ownership, hence the solution that has been advanced to address these problems has been along the lines firstly of full privatisation and then later full nationalisation when full privatisation did not solve most of these problems. These models have not, however, been useful in mitigating corporate governance issues in SOEs and some commentators have declared that privatisation and nationalisation merely resulted from the turn of socio-political and economic events at that time.
- In this context, privatisation and nationalisation were seen as useful tools for solving corporate governance problems in SOEs because these enterprises have been described as hybrid organisations lying somewhere between the public and the private sector. However, in contrast to the contemporary academic discourse, as developed and theorised in this study, SOEs are better theorised hybrid organisations in terms of objectives compared with ownership.
- This theorising made it possible to further theorise that if SOEs are hybrid organisations in terms of objectives, full privatisation and full nationalisation may not be the appropriate solution to the numerous problems of SOEs.
- Within this context, this thesis argues that the role of government and the role of SOEs in relation to the role of government be considered as a starting point in developing a framework for addressing corporate governance of SOEs, which is the approach taken in this study.
- In doing so, the role of government was revisited and extended to include protecting citizens (Smith, 1776, p. 689); providing public goods (Smith, 1776, p. 689; Beveridge, 1944, p. 30); collecting and disseminating information about private enterprises (Keynes, 1926, p. 48); distributing and investing savings and reserves along productive channels nationally and internationally (Keynes, 1926,

pp. 48–49); engaging in public business activities (Beveridge, 1944, p. 30); and engaging in private business activities (Beveridge, 1944, p. 30). Subsequently, it was argued that SOEs, SIEs and SWFs are some of the available means by which government could fulfil this extended role.

- This extended role further shows the importance of SOEs, SIEs and SWFs in relation to government's role.
- Because there are other entities available to the state with which it can pursue it core social mandates contained in the Public Service Act, SOEs and their related enterprises should be used to fulfil those other important mandates that the Public Service Act does not allow states to fulfil.
- all in all, in contrast to what is currently reported in the contemporary academic discourse, ownership and organising models of SOEs were identified as the means through which the existing problems of SOEs could be addressed and the new extended role of government could be achieved.
- In this way, the statement formulated by this thesis is that organising SOEs through a holding company and through part ownership by public and private role players is more likely to result in the separation of objectives; limit political interference; reduce SBC; eliminate the free-rider problem; increase efficiency and effectiveness; make the work of managers and the board less difficult; and ultimately, lead to the attainment of desired goals.
- Within this context, the study confirmed that these models are useful in mitigating corporate governance in SOEs and also assisting the government to achieve both its current and extended role.
- In line with the current situation that prevails in SOEs in South Africa, which is the primary country of analysis, this thesis argues that the existing ownership and organising model for SOEs in South Africa is not fit for purpose, considering the plethora of issues related to corruption and political interference.
- In this context, this thesis, as indicated in Figure 6.2, proposes that SOEs be organised and owned based on the model in Figure 6.2.
- In doing so, SOEs should be properly reassessed to come up with a new classification that differs from the current classification contained in the PFMA. This reclassification will be useful in assessing whether or not certain SOEs will

have to be classified as SBs and managed accordingly or whether all enterprises should remain as SOEs.

- As presented in Figure 6.2, the new model proposes the increased representation of experienced public sector officials on SOE boards, as is the case with Singaporean SOEs where some of the positions on SOE boards are filled by experienced retired public sector officials. This is expected to improve public sector oversight in contrast to what occurs currently. Furthermore, this will also ensure shareholder participation as the chairperson of the holding company will be fully involved since such a holding company has its own board, which is especially useful in partly owned SOEs.
- The DPE could be restructured to take the form of the holding company model proposed in Figure 6.2. In addition, the holding company could operate in terms of an investment model, in which the company owns the assets and invests the funds, or in terms of a managerial model, in which only responsibilities for the management of funds are transferred to the holding company and ownership of assets remains with the public sector; or in terms of a combination of both. In the managerial model, care is taken with the types of investment undertaken in order to avoid highly risky investments but depending on what the state wishes to accomplish with the SOE in question. The investment model could be used for partly owned SOEs and the manager model for wholly owned SOEs.
- Departmental SOE experts should be transferred from their various departments to a team of experts to manage the division in which SOEs under their sector operate.
- Rather than a ministry, the state should be the shareholder of the holding company which should fall under a chairperson rather than a state minister. In this case, the holding company will be a distinct entity by virtue of the title of the person overseeing the holding company to further ensure separation from the reach of state politicians. This chairperson should be accountable to the president, rather than a minister. As with other factors, this will, ensure that the holding company is a pilot agency, overseeing and guiding the developmental goals of the primary country of analysis.
- Irrespective of the proposition that the chairperson of the holding company will be accountable to the president, and that the president should constitute the

board of the holding company, the president and other ministers should not have the constitutional power to influence the management affairs of the holding company and the SOEs under the holding company.

- Although the chairperson is to report to the president, the president should require the permission and support of the entire cabinet to exercise his discretionary power over the holding company.
- In contrast to the currently available unitary, two-tier and ordinary board systems, a combined board system, in which a supervisory board consisting of representatives from the relevant ministry, ministry of finance, other relevant enterprises, specific external legal and regulatory assurance providers and private sector officials is attached to SOE boards as proposed and indicated in Figure 6.2. In addition, SOEs board should be a mix of retired and/or active public sector officials and private sector role players in order to improve oversight, which has been one of the problems of SOEs in the primary country of analysis. This would also be useful for developmental purposes, as public sector officials can always remind the board to integrate public sector goals into whatever commercial activities they engage in, as board members and management often forget that these enterprises are state owned and have to use everything within their reach to contribute to the service delivery mandate of government.
- The board of the holding company should comprise relevant experienced retired and active public sector officials as well as private sector officials. There is no need for a supervisory board to be attached to the board of the holding company as is the case with the SOE board. The way in which the board of the holding company should be monitored may be decided by the state cabinet, if necessary.
- The holding company should endeavour to list SOEs on the relevant stock exchange.
- Where relevant, the holding company should co-own SOEs with private sector role players and also encourage cross-SOE investment. This will ensure that the state increases its control rights in SOEs owned in conjunction with private sector role players. This also ensures that the state pays maximum attention to SOE activities, whether or not it has a majority stake.
- As observed, incentive changes as governance structure changes; hence, the public sector will have to structure a convincing incentive package for active and/or

retired public sector officials to act on the boards of SOEs so that they are remunerated similarly to their private counterparts on the board. In this case, active public sector officials, if in active service and not retired, may be allowed to take a non-payment leave of absence from their core public sector job and return to it after their board tenure lapses. This will ensure they are not on double remuneration (as was observed by participants to constitute tension in SOEs and state departments) and also ensure that their remuneration package is in line with that of other board members. In addition, if SOEs were to be listed, share ownership by the board and top management should be encouraged in order to align shareholders' interests with those of the board and top management, as this is expected to further increase the latter's commitment.

Figure 6.2: Structural corporate governance model for SOEs

Source: Author's own compilation.

Corporate governance relationship between state and holding company: black arrows
Holding company board: orange arrows
SOEs board: grey arrows
Holding company board oversight over SOEs board: green arrows

Figure 6.2 *is a structural corporate governance model developed for the purposes of mitigating corporate governance problems of SOEs. The development of this model is a culmination of processes that commenced with the systematic review of literature and synthesising disjointed literature on public entrepreneurship. The process also included developing and demostrating a comparative theoretical sampling method that aided country selection and comparison. Further, in the process of developing the model, the study revisited and extended the role of government. A conceptual framework was then developed, dimensional theory, which assisted in making sense of this study. All levels of SOEs management and experts, including two Professors of corporate governance are represented in the study. Thus, this process of developing the model and the model itself contributes to scholarly knowledge theoretically as well as in an applied manner.*

6.6 Research limitations

The first limitation identified at the design stage is primarily associated with that prevailing in qualitative research. This limitation is concerned with the extent to which respondents and participants, especially participants, were honest in answering the survey and interview questions. This is because this study is concerned with national strategic issues and thus participants may not necessarily have been objective and professional when providing answers to the research questions. However, although one might argue for possible respondent and participant bias in some instances, following the three-phase empirical stages, since survey responses in most cases correspond with observations from the expert interviews, it may be stated that this did not affect the findings in this study.

A further limitation relates to setting the boundaries for the study. In South Africa, apart from the SOEs considered, there are also provincial business enterprises. This study only considered some of the national SOEs, and only those that are partly owned. Likewise, in Singapore, which has many SIEs not all SIEs were considered, while all SIEs in South Africa were taken into consideration. This is because Singapore has many SIEs, compared to South Africa, and this study only focused on those Singaporean SIEs that are similar to South African SIEs. Thus, the idea was to use the sampled SOEs, SIEs and SWFs to confirm the thesis statement. While it is not certain whether results would have changed if all SOEs, SIEs and SWFs in these countries were considered, responses from the survey and interviews confirmed the results of the content analysis phase. However,

the fact that all SOEs, SIEs and SWFs were not considered may limit the extent to which conclusions from the study may be generalised.

Another limitation that was contemplated before the commencement of the study is the extent to which countries and organisations selected for analysis can be said to be comparable. The issue in this instance is what 'comparable' as used in this context entails. In this context, great care was taken to group similar organisations in the countries of analysis. However, the extent to which countries and organisations were comparable was not entirely clear in advance, as theoretical sampling directed the study towards selecting Singapore as the secondary country of analysis. In this context, as observed in section 4.5.7.1, other countries identified by the OECD (2005, pp. 59–60) that use the holding company model type that would have been considered are developed countries according to the UN's (2019, p. 170) classification under the World Economic Situation and Prospects, 2019 and were thus not considered. In addition, the analysis in Chapter 5 shows that these countries were comparable. While organisations possess similar characteristics thus, they are very much comparable, it may be argued that some organisations are not close enough to be grouped as similar comparable organisations in terms of size and operations. This, however, did not pose any threat to the study as issues considered were not purely financial issues where size may affect comparison. However, it might have been that some organisations grouped together for comparison purposes were not perfectly comparable.

Comparing only two countries also presents a limitation. Should a wider range of countries be chosen, this may have had an impact on the study.

Despite the fact that the study focused on corporate governance in SOEs, some aspects of corporate governance have only been dealt with in passing in this study because these have been covered in previous studies and because they contributed little to achieving the aim and objectives of this study. Thus, this study focused mainly on structurally based aspects of corporate governance, with a limited focus on rule-based aspects of SOE corporate governance.

In the content analysis phase, annual reports of some Singaporean enterprises were not publicly available. Hence, the operational efficiency of these enterprises could not be

computed. This limited the extent of comparison of the affected enterprises in relation to similar enterprises.

Although the reasons for abnormal operational efficiency and fixed asset turnover were scrutinised based on the observations by the Risk Management Association (2014), they could only be scrutinised to the extent of evidence contained in the relevant annual reports of enterprises. Where the reasons for abnormality could not be established from the annual reports, they not probed further as it was beyond the scope of this study.

6.7 Areas for future research

In order to address the limitations identified above, future studies could design a comparative framework that would enable the comparison of all SOEs, SIEs and SWFs in the two countries, South Africa and Singapore. In addition, such studies could consider only those provincial South African SOEs and Singaporean SIEs that are not considered in this study in order to document whether findings will be different from those observed in this study.

Further studies could also go beyond this study to compare SBs with SOEs. Such studies are expected to open up new research areas as many SBs now operate like SOEs in some countries. Again, future studies could also consider comparing SBs in South Africa with SBs in Singapore.

Further studies could also develop a comparative framework different from the one developed and used in this study for comparative purposes. Such frameworks could group SOEs, SIEs and SWFs in other ways different from sectoral grouping used in this study. In doing so, it may be possible that other comparative themes different from the ones used in this study may evolve; thus, presenting some results different from those observed in this study.

While this study only considered rule-based corporate governance to the extent to which it was useful for the purposes of this study, further studies, taking into account the structural corporate governance model developed in this study, could explore the impact of existing rule-based corporate governance on the structural model of SOEs advanced in this study.

Although this study was conducted using a multiphase exploratory mixed methods approach which prioritised qualitative exploration, future studies could explore these aspects using quantitative techniques. Accordingly, such studies could, where relevant, use relevant purposefully collected quantitative data collected alongside data used in this study for the purposes of exploring issues covered in this study quantitatively, while taking into account other relevant issues not covered in this thesis.

It is recommended that the governance structure of SOEs in the primary country of analysis, South Africa, be changed, thus two aspects of corporate governance of SOEs becomes necessary. The first is concerned with special issues in partly owned SOEs and the second is related to issues that may arise when implementing reform. These issues are outside the scope of this thesis but are relevant by virtue of the findings in this study. In this context, while these issues have been dealt with to an extent in the 'implications and recommendations' as well as 'conclusion' – sections 6.5 and 6.8 respectively – in this chapter, further studies should comprehensively explore issues that SOEs contemplating mixed ownership would be likely encounter as well as issues associated with reforming SOEs.

6.8 Conclusion

This study using multiple phases (4.5.2.1) from a critical postpositivist perspective (section 4.5.2.3) has developed a structural corporate governance model for SOEs, which is expected to mitigate corporate governance problems in SOEs and ensure that such organisations achieve their mandates. From the critical realist angle, the study commenced with the understanding that knowledge of the structures generating events and discourses results in needed change. Thus, utilising pragmatist constructivism, which is more in line with the mixed methods approach. In developing the model, as a way of ensuring that this model is evidence based, this study has compared two structural governance structures – holding company (wholly and partly owned) and the more traditional decentralised and centralised models (wholly and partly owned). In doing this, the study compared public enterprise practices in Singapore and South Africa respectively, with South Africa as the primary country of analysis. Following theorising in the contemporary academic discourse, it was envisaged at the design stage that, in terms of socioeconomic dimensions, the holding company model used in Singapore which was varied as the new model (wholly and partly owned) is a better model compared with

the decentralised and centralised model used in South Africa, which was varied as the traditional model (wholly and partly owned). It was further envisaged that the partly-owned model of the traditional model appears to be a better model compared with the wholly-owned model. These assumptions were combined to develop the thesis statement. Following observations from the analysis of data collected from the three empirical phases, the thesis statement and the thesis propositions that emanated from the thesis statement were confirmed. Hence, this study, as described above, has implications for public enterprises, public governance practices, theory, academic as well as research methods.

Within these contexts, several issues were documented, especially those arising from the experts' interview phase. These assisted, among other things, in providing further support for the model developed, as well as in providing further insights into aspects not covered in the other empirical phases. Hence, the model takes into account other aspects not envisaged at the design stage of this study. One such issue relates to the one of the main reasons why SOE boards in South Africa are largely composed of private sector role players, with only a member or two representing the department/minister on the board. The purpose of this is that if the SOE in question were to collapse, the major part of the blame remains with the private sector officials on the board and is not transferred to the public sector. However, the rationale behind this may be questioned as the ministry/department has to perform its oversight duties in order to mitigate such collapse. In this regard, the public sector should endeavour to accept more responsibilities and the inherent risks in these responsibilities, in order to ensure that SOEs become institutions rather than temporary measures.

Following the development of the structural corporate governance model, in Figure 6.2, this study recommends that the model be adopted in reforming SOEs in South Africa and in other developed and developing countries contemplating the reform of SOEs and whose circumstances are similar to those in South Africa. Doing so will limit corruption, which is one of the issues dogging SOEs in South Africa. This is evidenced in the operational efficiency of enterprises such as ESKOM and SP, its Singaporean counterpart. The operational efficiency of SP was found to be not significantly higher than that of ESKOM, but while SP has been highly profitable, ESKOM has been loss-making. A similar case is that of SAA and SAE, whose operational efficiency was abnormally high compared

to that of Sing Air but in which Sing Air has higher return on equity. Furthermore, while SAA and SAE have been constantly requiring state bailouts, Sing Air has been profitable. A similar case to SAA, SAE and Sing Air was observed in comparing the DBSA and the DBS where the DBS was found to operate more profitably than the DBSA, but the operational efficiency of the DBSA was abnormally high. These observations, and other related observations, spell possible corrupt practices and accounting malpractices in these enterprises. Further, following observations by participants on the lack of adequate representation and oversight by the department, one of the key aspects in the proposed model is increased public sector representation on the boards of SOEs. This increased representation will involve encouraging active participation of experienced retired and/or active public sector officials on SOE boards. This is expected to further improve public sector oversight as this would have already improved had SOEs been reformed using the holding company model. The quest for increased public sector board representation does not advance stakeholder theory, just as the model developed does not advance shareholder primacy either. Although it does appear to advance shareholder primacy compared with stakeholder theory, the recommendations are based purely on observations from the research findings.

In this regard, one factor that should be given priority in reforming SOEs based on the developed model is to consider the strengths and weaknesses of the investment and manager model variants of the holding company in deciding which form of holding company to adopt. This decision leads to an equally important decision in respect of deciding the locus of the control of power, as sustained in PRT and social conflict theory, especially in mixed ownership as detailed in the RDA. While this study was angled towards the public and not the private sector, it is worthwhile reminding policymakers that the locus of power, to a large extent, determines what accrues to each of the parties involved irrespective of the combination of models in use. Also, the public sector needs to retain a considerable stake to ensure that government can use SOEs, SIEs and SWFs to achieve the relevant extended role of government. In addition, the public sector and private role players need to constantly bear in mind that the ability of these holding company wholly and partly models to deliver on SOE mandates and mitigate SOE problems to a large extent depends on the efforts and dedication of the parties involved. Accordingly, the public sector, through the holding company, should be ready to play the role of an active owner in order to gain the benefits of owning these state enterprises.

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Appendix 1: Covering Letter to Survey Respondents at Sample Organisations

Dear Sir/Madam

I am a PhD candidate in the Department of Auditing, in the College of Accounting Sciences at the University of South Africa. I am currently working on a thesis entitled "Corporate Governance of State-Owned Enterprises: Role, Ownership, Organising and Constitution". This study involves examining how fully and partly owned state-owned enterprises/government-linked companies (SOEs/GLCs) might be better structured to enhance their ability to deliver on their mandates. For the purposes of this study, the term SOEs/GLCs means those state-owned enterprises that are created to pursue social and commercial goals. As you may already know, these enterprises utilise a major part of national resources; thus, it is important that they are efficient and effective. In view of this, the study attempts to develop a corporate governance framework for SOEs, which will assist in resolving some of the problems associated with SOEs, which potentially deter them from achieving their mandated objectives. Thus, the findings of this study are expected to potentially improve the ability of your organisation and other SOEs/GLCs to deliver on their mandated responsibilities. The findings of the study will be made available to your organisation on request

In view of this, you have been selected as one of the respondents that can help in providing information necessary in carrying out this study and achieving its aim. I will therefore humbly require that you take 15 minutes of your precious time to complete the electronic opinion research questionnaire (based only on literature on corporate governance of SOEs) available on the following link https://www.surveyface.com/l2/organizational-effectiveness. After completing the electronic questionnaire, if possible, I would appreciate you forwarding this email (containing the link to the survey) to the following officials in your organisation listed below:

- The Company Secretary
- Chairperson of the Board of Directors
- All executive directors
- All independent non-executive directors
- Organisation's Committee Members
- Chief Executive Officer
- Chief Financial Officer
- Chief Risk Officer
- Chief Audit Executive/Internal Audit Manager
- External Audit Manager/Partner
- Staff members with at least three years' experience

- Company subsidiary (if any)

While this cover letter and the link provide the necessary information that will assist you in completing the questionnaire, you can find additional information regarding the study in the attached documents.

Thank you for assisting, responding and supporting this research. You are much appreciated. Should you have any question or require additional information (either pre or post survey), please free to contact me on adeyemioadebayo@gmail.com. You may also contact me directly should you require a copy of the final Research Report, which I will gladly forward to you.

Kind regards

Adeyemi Adebayo

Appendix 2: Copy of Experts Survey on Ownership and Organising Models of SOEs

Department of Auditing
College of Accounting Sciences
1 Preller St, Muckleneuck
Pretoria, 0002
South Africa

INSTRUCTIONS FOR COMPLETING QUESTIONNAIRE

Dear Respondent

This research study is being conducted by Mr Adeyemi Adebayo in fulfilment of the requirements for a Doctor of Philosophy in Auditing (PhD), in the College of Accounting Sciences, at the University of South Africa. This study seeks to understand how state-owned enterprises/government-linked companies (SOEs/GLCs) might be better structured to enhance their ability to deliver on their mandates. For the purposes of this study, the term SOEs/GLCs means those state-owned enterprises that are created to pursue social and commercial goals. As you may know, these enterprises utilise a major part of national resources and, in some cases/nations may have been mismanaging these national resources. In view of this, the main aim of the study attempts to develop a corporate governance framework for SOEs, which will assist in resolving some of the problems associated with the potential mismanagement of national resources in some countries, without necessarily achieving their mandated objectives. Hence, the questionnaire you are requested to complete has been designed to study the organisational effectiveness of SOEs. Accordingly, given your responsibilities, experience and expertise in your organisation, you have been identified as a suitable respondent. Thus, the information that you provide will help us better understand how SOEs are structured and governed, with a view to improving the efficiency and effectiveness of service delivery.

In anticipation of you agreeing to voluntarily participate in this study; I thank you. I really appreciate you giving your valuable time. The researcher values your privacy; and assure you that your opinions and the invaluable information that you provide will remain anonymous and will be treated as highly confidential. You do not need to provide your name nor reveal your identity. Any information that you provide will only be used for the purposes of this research project, and data files will be deleted, and records will be shredded after five years. To ensure information security before deletion and shredding, data files will be stored on a password protected computer, and records will be stored in a locked cabinet in the researcher's office. Only members of the research team, the

researcher and the supervisor, if any, will have access to the information provided. There are no risks involved to you as a respondent, and your agreement to participate does not impinge on your legal rights in any way. The only foreseeable risk is one of potential inconvenience or discomfort you may feel in responding. Accordingly, measures are in place to ensure your privacy and anonymity are preserved. You may withdraw at any time should you not be comfortable with the process. You may also refuse to answer any question that you are not comfortable with. Also, please note that no compensation will be paid for your participation, nor will any expenses be reimbursed.

I accordingly, kindly request that you frankly and honestly, take about 15 minutes of your time to complete an opinion questionnaire (based only on literature on corporate governance of SOEs) that contains two sections and three parts. In section one, you are required to read the background information and the description of state-owned enterprises/government-linked companies (SOEs/GLCs). Thereafter, you will kindly complete, in section two, case questions in part I, questions related to SOEs in part II and demographic questions, which is included for the purpose of anticipated future publications, in part III.

Thank you once again for your time and cooperation. I truly appreciate the help of your organisation and yourself in assisting on this important research project, the results of which should improve the ability of your organisation and other SOEs/GLCs to deliver on their mandated responsibilities. Should you have any questions or require additional information (either pre or post the survey), please feel free to contact me on adeyemioadebayo@gmail.com. In addition to informing you of journal publications from this study, you may also contact me directly should you require a copy of the final Research Report, which I will gladly forward.

I sincerely thank you once again for agreeing to assist on this important research project.

Yours faithfully

Adeyemi Adebayo

SECTION ONE: Background Information and Description of Enterprises

Background Information

Assume: You are a SOE organisational expert. As a SOEs organisational expert, you have been recently appointed on a temporary basis in the beginning of 2019 by the shareholding Minister in charge of the ministry overseeing SOEs/GLCs in your country to restructure SOEs/GLCs in line with the country's policy of reforming SOEs/GLCs every five years.

Description of the enterprises

SOEs/GLCs are state enterprises that are charged with, in most cases, delivering social and commercial objectives, as the case may be, depending on national circumstances. These enterprises are useful to nations. However, their performance varies from sector to sector and nation to nation. Hence, there is a need to coordinate them in such a way that they deliver their objectives, irrespective of sector or nation. There are two organising models: traditional and new; as well as two ownership models: wholly and partly. These models constitute the varied scenarios described below.

Organising and Ownership Models

Traditional model/wholly owned

In this traditional public sector wholly owned model, all SOEs/GLCs are organised in three ways. Firstly, under their respective ministries (Decentralised), secondly, under their respective ministry and another ministry (Dual); and thirdly, all SOEs are organised under one ministry (Centralised). The Minister(s) of the ministry, or ministries, whatever the case may be, is the shareholding Minister. In this way, the minister(s) constitutes the board to oversee the SOE(s) under the ministry. The board overseeing the SOEs are mainly composed of national public sector officials within the particular ministry/ministries. In the first cases, there is usually one shareholding minister while in the second case there are two.

Traditional model/partly owned

In this model, all SOEs fall both under a particular ministry/ministries as described above, as the case may be, and under private sector role players. In this way, the shareholding minister(s) and the board constituted by the shareholding minister(s) represent government's stake in the SOEs, and they partner with role players from the private sector, who are also nominated by private role players on the board. From this, it is clear that these SOEs will be jointly owned by states and private role players. Accordingly, the SOE board in this model is comprised of public sector officials and private sector role players.

New model/ wholly owned

In this model, all SOEs are organised under an investment/manager enterprise directly under the ministry of finance or the ministry overseeing SOEs. In this way, the investment/holding enterprise is owned by the ministry of finance or the ministry in charge of SOEs. Thus, this investment/manager model constitutes its own board, which is usually composed of private sector role players and, if it deems fit, retired enterprise

specific public sector officials. Thus, this investment/manager enterprise may not necessarily include public sector officials on its board. The investment/manager enterprise overseeing SOEs reports to the minister in charge of the investment/manager enterprise.

New model/partly owned

In this model, all SOEs are organised into an investment/manager enterprise as described in the above model. Unlike in the model above, here, this investment/manager enterprise has the autonomy to partner, acquire or invest in other enterprises. In this way, the composition of the board in this model does not usually take any particular form since it depends on whether the investment/manager enterprise owned by the state invests, acquires or partners with other enterprises. However, what is certain is that the investment/manager enterprise constitutes its own board which may not necessarily include public sector officials, if it deems fit. In addition, it can decide whether or not to constitute separate boards for enterprises in which it invests, partners or acquires, depending on what is obtainable, based on its stakes in these other enterprises.

SECTION TWO: Survey Questions

PART I

Case Questions

1. **Based (only) on the just completed case,** please circle one of the percentages on the scale below to indicate your **likelihood of employing the traditional/wholly owned model** in reforming SOEs.

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

No likelihood **Moderate likelihood** **High likelihood**

2. **Based (only) on the just completed case,** please circle one of the percentages on the scale below to indicate **your likelihood of employing the traditional/partly owned model** in reforming SOEs.

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

No likelihood **Moderate likelihood** **High likelihood**

3. **Based (only) on the just completed case,** please circle one of the percentages on the scale below to indicate your **likelihood of employing the new/wholly owned model** in reforming SOEs.

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

No likelihood **Moderate likelihood** **High likelihood**

4. **Based (only) on the just completed case,** please circle one of the percentages on the scale below to indicate your **likelihood of employing the new/partly owned mode**l in reforming SOEs.

0%	**10%**	**20%**	**30%**	**40%**	**50%**	**60%**	**70%**	**80%**	**90%**	**100%**
No Likelihood					**Moderate Likelihood**					**High Likelihood**

5. Please tick **(✓)** which, **only one**, of the models you are likely to employ in reforming SOEs.

   Traditional model/wholly owned ☐
   Traditional model/partly owned ☐
   New model/wholly owned ☐
   New model/partly owned ☐

   - **In responding to questions 8-13,** you may provide **more than one, but not more than two,** response(s) in the order of preference.

6. In which of the model(s) do you think SOEs can **better achieve their objectives**?

   Traditional model/wholly owned ☐
   Traditional model/partly owned ☐
   New model/wholly owned ☐
   New model/partly owned ☐

7. In which of the model(s) do you think **political interference will be minimal**?

   Traditional model/wholly owned ☐
   Traditional model/partly owned ☐
   New model/wholly owned ☐
   New model/partly owned ☐

8. In which of these model(s) do you think **monitoring of SOEs will be effective**?

   Traditional model/wholly owned ☐
   Traditional model/partly owned ☐
   New model/wholly owned ☐
   New model/partly owned ☐

9. In which of the model(s) is **corporate governance likely to be strong and effective**?

   Traditional model/wholly owned ☐
   Traditional model/partly owned ☐
   New model/wholly owned ☐
   New model/partly owned ☐

10. In which of the model(s) is there likely to be **reduced corruption**?

    Traditional model/wholly owned ☐
    Traditional model/partly owned ☐

New model/wholly owned ☐
New model/partly owned ☐

11. In which of the model(s) do you think **mismanagement and wastage is likely to be reduced or eradicated** in SOEs?
    Traditional model/wholly owned ☐
    Traditional model/partly owned ☐
    New model/wholly owned ☐
    New model/partly owned ☐

12. Rank, **using 1-4, taking 1 as the most effective and 4 as least effective**, the organising/ownership models in the order of their effectiveness in your opinion.

    Traditional model/wholly owned ☐
    Traditional model/partly owned ☐
    New model/wholly owned ☐
    New model/partly owned ☐

13. In general, I am likely to employ (**Please tick only one**)

    Traditional/wholly owned over traditional/partly-owned ☐
    New/wholly owned over new/partly owned ☐
    Traditional/partly owned over traditional/ wholly owned ☐
    New/partly owned over new/wholly owned ☐

14. In general, I am likely to employ (**Please tick only one**)

    Traditional/wholly owned and traditional/partly owned ☐
    New/wholly owned and new/partly owned ☐
    Traditional/wholly owned and new/ partly owned ☐
    New/wholly owned and traditional/wholly owned ☐
    Traditional/partly owned and new/wholly owned ☐
    New/partly owned and traditional/partly owned ☐

PART II

Questions related to SOEs

1. To what extent do you place reliance on **internal and external organisational constitution (legal and regulatory frameworks)** of SOEs in answering the case questions above?

0%	**10%**	**20%**	**30%**	**40%**	**50%**	**60%**	**70%**	**80%**	**90%**	**100%**
Low Reliance					**Moderate Reliance**					**High Reliance**

2. To what extent do you place reliance on the **level of development of a country** in answering the case questions above?

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Low Reliance					**Moderate Reliance**					**High Reliance**

3. To what extent do you place reliance on the **level of corruption in your country** in answering the case questions above?

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Low Reliance					**Moderate Reliance**					**High Reliance**

4. In general, if the board of SOEs is composed of **only public sector officials**, what does this indicate for governance quality of SOEs?

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Strong Governance					**average Governance**					**weak Governance**

5. In general, if the board of SOEs iscomposed of **public sector officials and private sector actors**, what does this indicate for governance quality of SOEs?

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Strong Governance					**Average Governance**					**Weak Governance**

6. In general, if the board of SOEs is composed **only of private sector actors**, what does this indicate for governance quality of SOEs?

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Strong Governance					**Average Governance**					**Weak Governance**

PART III

DEMOGRAPHIC INFORMATION

Please TICK (✓) or complete (……..) the appropriate box or space

1.1 Your age (in years)

Under 30	30–39	40–49	50–59	60–69	70–79
☐	☐	☐	☐	☐	☐

1.2 Gender

Male	Female
☐	☐

1.3 Number of years with the organisation

Less than 5 years	☐
5–10 years	☐
11–15 years	☐
16–20 years	☐
More than 20 years	☐

1.4 Number of years in current position

Less than 5 years	☐
5–10 years	☐
11–15 years	☐
16–20 years	☐
More than 20 years	☐

1.5 Your highest level of education

High School	Certificate	Diploma	Bachelor's degree	Master's degree	Phd	Other (specify)
☐	☐	☐	☐	☐	☐	☐

1.6 Position occupied

Minister	CEO	Director	Chairperson	Manager	Other (specify)
☐	☐	☐	☐	☐	☐

Appendix 3: Summary of Survey Results

SURVEY FACE

Organizational Effectiveness

1.Based (only) on the just completed case, Please tick (X) one of the percentages on the scale below to indicate your likelihood of employing the traditional/wholly-owned model in reforming SOEs.

		Response Percent	Response Count
No Likelihood 0	IIIIIIIIIII	20.69%	12
10%	II	3.45%	2
20%	IIIII	8.62%	5
30%	IIIIIII	13.79%	8
40%	IIIIIIII	15.52%	9
Moderate Likelihood 50%	IIIIIIIII	17.24%	10
60%	II	3.45%	2
70%	IIIIII	10.34%	6
80%	II	3.45%	2
90%	I	1.72%	1
High Likelihood 100%	I	1.72%	1

Skipped Question : 0 Answered Question : 58

2.Based (only) on the just completed case, Please tick (X) one of the percentages on the scale below to indicate your likelihood of employing the traditional/partly-owned model in reforming SOEs.

		Response Percent	Response Count
No Likelihood 0	III	5.17%	3
10%	II	3.45%	2
20%		0%	0
30%	I	1.72%	1

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SURVEY FACE

Organizational Effectiveness

2.Based (only) on the just completed case, Please tick (X) one of the percentages on the scale below to indicate your likelihood of employing the traditional/partly-owned model in reforming SOEs.

40%	IIIIIIIIII	18.97%	11
Moderate Likelihood 50%	IIIIIIIIIIIIII	25.86%	15
60%	IIIIIII	13.79%	8
70%	IIIIIIII	15.52%	9
80%	IIIII	10.34%	6
90%	II	3.45%	2
High Likelihood 100%	I	1.72%	1

Skipped Question : 0 Answered Question : 58

3.Based (only) on the just completed case, Please tick (X) one of the percentages on the scale below to indicate your likelihood of employing the new/wholly-owned model in reforming SOEs.

		Response Percent	Response Count
No Likelihood 0	I	1.72%	1
10%		0%	0
20%		0%	0
30%		0%	0
40%	IIII	6.9%	4
Moderate Likelihood 50%	IIIIIIII	15.52%	9
60%	IIIIIIIIIIIIII	25.86%	15
70%	IIIIIII	13.79%	8
80%	IIIIIIIIIII	22.41%	13
90%	IIIIII	10.34%	6

SURVEY FACE

Organizational Effectiveness

3.Based (only) on the just completed case, Please tick (X) one of the percentages on the scale below to indicate your likelihood of employing the new/wholly-owned model in reforming SOEs.

High Likelihood 100%	II	3.45%	2

Skipped Question : 0 Answered Question : 58

4.Based (only) on the just completed case, Please tick (X) one of the percentages on the scale below to indicate your likelihood of employing the new/partly-owned model in reforming SOEs.

		Response Percent	Response Count
No Likelihood 0	I	1.72%	1
10%		0%	0
20%	I	1.72%	1
30%	I	1.72%	1
40%	IIIIII	10.34%	6
Moderate Likelihood 50%	IIIIIIIIII	17.24%	10
60%	IIIIIIII	13.79%	8
70%	IIIIIIIII	15.52%	9
80%	IIIIIIIIII	17.24%	10
90%	IIIIIII	12.07%	7
High Likelihood 100%	IIIIII	8.62%	5

Skipped Question : 0 Answered Question : 58

5.Please tick (X) which (only one) of the models you are likely to employ in reforming SOEs.

	Response Percent	Response Count

SURVEY FACE

Organizational Effectiveness

5.Please tick (X) which (only one) of the models you are likely to employ in reforming SOEs.

Traditional model/wholly-owned	IIIIII	10.34%	6
Traditional model/partly-owned	IIIIIIIIII	17.24%	10
New model/wholly-owned	IIIIIIIIIII	18.97%	11
New model/partly-owned	IIIIIIIIIIIIIIIIIIIIIIIIII	53.45%	31

Skipped Question : 0 Answered Question : 58

6.In which of the model(s) do you think SOEs can better achieve their objectives? Please tick (X) only one.

		Response Percent	Response Count
Traditional model/wholly-owned	IIIIII	10.53%	6
Traditional model/partly-owned	IIIIIII	12.28%	7
New model/wholly-owned	IIIIIIIIIIIIII	28.07%	16
New model/partly-owned	IIIIIIIIIIIIIIIIIIIIIII	49.12%	28

Skipped Question : 1 Answered Question : 57

7.In which of the model(s) do you think political interference will be minimal? Please tick (X) only one.

		Response Percent	Response Count
Traditional model/wholly-owned	IIIIIII	12.07%	7
Traditional model/partly-owned	IIIIII	10.34%	6

SURVEY FACE

Organizational Effectiveness

7.In which of the model(s) do you think political interference will be minimal? Please tick (X) only one.

New model/wholly-owned	IIIIIIIIII	17.24%	10
New model/partly-owned	IIIIIIIIIIIIIIIIIIIIIIIIIIIIII	60.34%	35

Skipped Question : 0 Answered Question : 58

8.In which of these model(s) do you think monitoring of SOEs will be effective? Please tick (X) only one.

		Response Percent	Response Count
Traditional model/wholly-owned	IIIIIIII	13.79%	8
Traditional model/partly-owned	I	1.72%	1
New model/wholly-owned	IIIIIIIIIIIII	24.14%	14
New model/partly-owned	IIIIIIIIIIIIIIIIIIIIIIIIIIII	60.34%	35

Skipped Question : 0 Answered Question : 58

9.In which of the model(s) is corporate governance likely to be strong and effective? Please tick (X) only one.

		Response Percent	Response Count
Traditional model/wholly-owned	IIIIIIIII	15.52%	9
Traditional model/partly-owned	I	1.72%	1
New model/wholly-owned	IIIIIIIIIII	22.41%	13
New model/partly-owned	IIIIIIIIIIIIIIIIIIIIIIIIIIII	60.34%	35

SF SURVEY FACE

Organizational Effectiveness

Skipped Question : 0 Answered Question : 58

10.In which of the model(s) is there likely to be reduced corruption? Please tick (X) only one.

		Response Percent	Response Count
Traditional model/wholly-owned	IIIIIII	12.07%	7
Traditional model/partly-owned	I	1.72%	1
New model/wholly-owned	IIIIIIIIIIII	24.14%	14
New model/partly-owned	IIIIIIIIIIIIIIIIIIIIIIIIIIIIII	62.07%	36

Skipped Question : 0 Answered Question : 58

11.In which of the model(s) do you think mismanagement and wastage is likely to be reduced or eradicated in SOEs? Please tick (X) only one.

		Response Percent	Response Count
Traditional model/wholly-owned	IIIIIIII	13.79%	8
Traditional model/partly-owned	II	3.45%	2
New model/wholly-owned	IIIIIIII	13.79%	8
New model/partly-owned	IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	68.97%	40

Skipped Question : 0 Answered Question : 58

SF SURVEY FACE

Organizational Effectiveness

12.Rank, using 1-4, taking 1 as the most effective and 4 as least effective, the organising/ownership models in the order of their effectiveness in your opinion.

12.Rank, using 1-4, taking 1 as the most effective and 4 as least effective, the organising/ownership models in the order of their effectiveness in your opinion.

		Response Percent	Response Count
Traditional model/wholly-owned	IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	94.83%	55
Traditional model/partly-owned	IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	96.55%	56
New model/wholly-owned	IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	96.55%	56
New model/partly-owned	IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	96.55%	56

Skipped Question : 0 Answered Question : 58

13.In general, I am likely to employ (Please tick (X) only one)

		Response Percent	Response Count
Traditional/wholly-owned over Traditional/partly-owned	II	3.51%	2
New/wholly-owned over New/partly-owned	IIIIIIIII	17.54%	10
Traditional/partly-owned over Traditional/wholly-owned	IIIIIIIIIII	21.05%	12
New/partly-owned over New/wholly-owned	IIIIIIIIIIIIIIIIIIIIIIIII	57.89%	33

Skipped Question : 1 Answered Question : 57

SF SURVEY FACE

Organizational Effectiveness

14.In general, I am likely to employ (Please (X) tick only one)

		Response Percent	Response Count
Traditional/wholly-owned and Traditional/partly-owned	IIIIII	10.34%	6
New/wholly-owned and New/partly-owned	IIIIIIIIIIIIIIIIIIIIIII	43.1%	25
Traditional/wholly-owned and New/partly-owned	III	5.17%	3
New/wholly-owned and Traditional/wholly-owned		0%	0
Traditional/partly-owned and New/wholly-owned	IIIIII	10.34%	6
New/partly-owned and Traditional/partly-owned	IIIIIIIIIIIIIIII	31.03%	18

Skipped Question : 0 Answered Question : 58

15.To what extent do you place reliance on internal and external organisational constitution (legal and regulatory frameworks) of SOEs in answering the case questions above? Please tick (X).

		Response Percent	Response Count
No Reliance 0		0%	0
10%		0%	0
20%		0%	0
30%		0%	0
40%	II	3.45%	2

SF SURVEY FACE

Organizational Effectiveness

15.To what extent do you place reliance on internal and external organisational constitution (legal and regulatory frameworks) of SOEs in answering the case questions above? Please tick (X).

Moderate Reliance 50%	IIIIIIIIIIIIII	25.86%	15
60%	IIIIIIIIII	17.24%	10
70%	IIIIIII	12.07%	7
80%	IIIIIIII	13.79%	8
90%	IIIIIII	12.07%	7
High Reliance 100%	IIIIIIIII	15.52%	9

Skipped Question : 0 Answered Question : 58

16.To what extent do you place reliance on the level of development of your country in answering the case questions above? Please tick (X).

		Response Percent	Response Count
No Reliance 0		0%	0
10%		0%	0
20%		0%	0
30%	I	1.72%	1
40%	III	5.17%	3
Moderate Reliance 50%	IIIIIIII	13.79%	8
60%	IIIIIIIIII	18.97%	11
70%	IIIIIII	12.07%	7
80%	IIIIIIIIIII	20.69%	12
90%	IIIIIIII	13.79%	8
High Reliance 100%	IIIIIIII	13.79%	8

SURVEY FACE

Organizational Effectiveness

Skipped Question : 0 Answered Question : 58

17.To what extent do you place reliance on the level of corruption in your country in answering the case questions above? Please tick (X).

		Response Percent	Response Count
No Reliance 0		0%	0
10%		0%	0
20%		0%	0
30%	II	3.45%	2
40%		0%	0
Moderate Reliance 50%	IIIIIII	12.07%	7
60%	IIIIIII	12.07%	7
70%	IIIIIII	12.07%	7
80%	IIIIIIIIIIIIIIIIIIIII	39.66%	23
90%	IIIIIIIII	15.52%	9
High Reliance 100%	III	5.17%	3

Skipped Question : 0 Answered Question : 58

18.In general, if the board of SOEs is composed of only public-sector officials, what does this indicate for governance quality of SOEs? Please tick (X).

		Response Percent	Response Count
Weak Governance 0	IIIIIIIIIIIII	24.14%	14
10%	IIIIIIII	13.79%	8
20%	IIIIIII	12.07%	7

SURVEY FACE

Organizational Effectiveness

18.In general, if the board of SOEs is composed of only public-sector officials, what does this indicate for governance quality of SOEs? Please tick (X).

30%	III	5.17%	3
40%	IIIIIIIII	15.52%	9
Average Governance 50%	IIIIII	10.34%	6
60%	I	1.72%	1
70%	II	3.45%	2
80%	III	5.17%	3
90%	IIII	6.9%	4
Strong Governance 100%	I	1.72%	1

Skipped Question : 0 Answered Question : 58

19.In general, if the board of SOEs is composed of public-sector officials and private-sector actors, what does this indicate for governance quality of SOEs? Please tick (X).

		Response Percent	Response Count
Weak Governance 0	I	1.72%	1
10%	II	3.45%	2
20%		0%	0
30%	II	3.45%	2
40%	IIIIIII	12.07%	7
Average Governance 50%	IIIIIIIIII	18.97%	11
60%	IIII	6.9%	4
70%	IIIIIIII	13.79%	8
80%	IIIIII	10.34%	6

SF SURVEY FACE

Organizational Effectiveness

19.In general, if the board of SOEs is composed of public-sector officials and private-sector actors, what does this indicate for governance quality of SOEs? Please tick (X).

90%	IIIIIIIII	15.52%	9
Strong Governance 100%	IIIIIIII	13.79%	8

Skipped Question : 0 Answered Question : 58

20.In general, if the board of SOEs is composed of only private-sector actors, what does this indicate for governance quality of SOEs? Please tick (X).

		Response Percent	Response Count
Weak Governance 0		0%	0
10%	II	3.45%	2
20%	IIII	6.9%	4
30%	IIII	6.9%	4
40%	IIIII	8.62%	5
Average Governance 50%	IIIIIIIII	17.24%	10
60%	IIII	6.9%	4
70%	IIIIIII	13.79%	8
80%	IIIII	10.34%	6
90%	IIIIIII	13.79%	8
Strong Governance 100%	IIIIIII	12.07%	7

Skipped Question : 0 Answered Question : 58

SF SURVEY FACE

Organizational Effectiveness

21.Please tick (X) the appropriate box or space; your age (in years).

21.Please tick (X) the appropriate box or space; your age (in years).

		Response Percent	Response Count
Under 30	IIII	6.9%	4
30-39	IIIIIIIIIIIIIII	32.76%	19
40-49	IIIIIIIIIIIIIIIIIII	41.38%	24
50-59	IIIIIIIII	18.97%	11
60-69		0%	0
70-79		0%	0

Skipped Question : 0 Answered Question : 58

22.Please tick (X) the appropriate box or space; gender.

		Response Percent	Response Count
Male	IIIIIIIIIIIIIIIIIIIII	43.1%	25
Female	IIIIIIIIIIIIIIIIIIIIIIIIIII	56.9%	33

Skipped Question : 0 Answered Question : 58

23.Please tick (X) the appropriate box or space below to indicate number of years with the organisation.

		Response Percent	Response Count
Less than 5 years	IIIIIIIIIIIIIIIIII	36.21%	21
6 - 10 years	IIIIIIIIIIIIIIIIIII	39.66%	23
11 - 15 years	IIIIIII	12.07%	7
16 - 20 years	I	1.72%	1

SURVEY FACE

Organizational Effectiveness

23.Please tick (X) the appropriate box or space below to indicate number of years with the organisation.

More than 20 years	IIIIII	10.34%	6

Skipped Question : 0 Answered Question : 58

24.Please tick (X) the appropriate box or space below to indicate number of years on current position.

		Response Percent	Response Count
Less than 5 years	IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	63.79%	37
6 - 10 years	IIIIIIIIIIIII	22.41%	13
11 - 15 years	IIIII	6.9%	4
16 - 20 years	I	1.72%	1
More than 20 years	III	5.17%	3

Skipped Question : 0 Answered Question : 58

25.Please tick (X) the appropriate box or space; your highest level of education.

		Response Percent	Response Count
High School	III	5.36%	3
Certificate	IIIIII	8.93%	5
Diploma	IIIIIIII	12.5%	7
Bachelors Degree	IIIIIIIIIIIIIIII	30.36%	17
Masters Degree	IIIIIIIIIIIIIIIIIIIII	37.5%	21
Phd Other (specify)	III	5.36%	3

Skipped Question : 2 Answered Question : 56

SURVEY FACE

Organizational Effectiveness

26.Please tick (X) the appropriate box or space; position occupied.

26.Please tick (X) the appropriate box or space; position occupied.

		Response Percent	Response Count
Minister		0%	0
CEO	IIIIII	8.77%	5
Director		0%	0
Chairperson		0%	0
Manager	IIIIIIIIIIIIIIIIIIIII	40.35%	23
Others, (specify)	IIIIIIIIIIIIIIIIIIIIIIIIIII	50.88%	29

Skipped Question : 1 Answered Question : 57

Appendix 4: Copy of Interview Guiding Questions

2i

1. What are some of your feelings about working for this organisation?
2. Could you please walk me through your understanding of government's role?
3. Could you please tell me something about why SOEs/SIEs/SWFs exist?
4. Could you please give me insights regarding what role you think the government should be undertaking in terms of SOEs/SIEs/SWFs?
5. I would like to know the use of SOEs/SIEs/SWFs in connection with the government role you have identified.
6. There are two models of organising – traditional and new; as well as two models for owning SOEs – wholly and partly. What are your views on these models?

2ii

1. Are SOEs meant to be pursuing social and commercial objectives?
2. Are the objectives conflicting?
3. Please tell me about the problems of SOEs/SIEs/SWFs in your organisation and in this country.
4. How can political interference, soft budget constraints, and the free-rider issue be mitigated in SOEs?
5. What are the challenges you have directly encountered in terms of SOEs/SIEs/SWFs?
6. If you would like to have one problem of SOEs/SIEs/SWFs solved or eliminated, what would that be?
7. How do you measure the performance of SOEs/SIEs/SWFs?
8. Do you think the level of development of the country, the constitution and corruption influence the performance of SOEs?
9. What aspect(s) of SOEs/SIEs/SWFs management is/are the most problematic?
10. Could you please give an insight into how you provide information on disclosure?
11. What accountability documents are used by SOEs?
12. Who controls the core activities in terms of partly owned SOEs?

Appendix 5: Analysis based on TCE

	appropriately Owned		Critical dimensions for analysing governance structure in relation to transactions						
Company	Yes	No	Decision-making context	Incentive intensity	Administrative control	Autonomous adaptation	Cooperative adaptation	Contract law	Information context
SABC	X		Weak	Weak	Strong	Weak	Strong	Weak	Weak
Media Corp	X		Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
SA POST	X		Weak	Weak	Strong	Weak	Strong	Weak	Weak
Sing POST		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
TELKOM		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
SINGAPORE TELE		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
BROADBAND	X		Weak	Weak	Strong	Weak	Strong	Weak	Weak
ST TELEMEDIA	X		Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
TRANSNET		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
PSA		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
PRASA	X		Weak	Weak	Strong	Weak	Strong	Weak	Weak

SMRT	X		Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
DENEL	X		Weak	Weak	Strong	Weak	Strong	Weak	Weak
SAFCOL		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
ACSA		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
SAE		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
SAA		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
SING AIR	X		Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
ST ENG		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
ARCELORMITTAL		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
ESKOM		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
SP		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
PERTO SA		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
PAVILION		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
ALEXKOR		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
AEMFC		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak

TORQOUISE	X		Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
SASOL	X		Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
PIC	X		Weak	Weak	Strong	Weak	Strong	Weak	Weak
GIC	X		Weak	Weak	Strong	Weak	Strong	Weak	Weak
ECIC		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
MAPLETREE		X	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
LANDBANK		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
DBSA		X	Weak	Weak	Strong	Weak	Strong	Weak	Weak
DBS	X		Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong
PT bank	X		Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong	Semi-strong

Source: Author's own compilation with insights from Williamson, (1979; 1991; 1993; 1998; 2005)

Appendix 6: Content analysis documents

Acts	Annual Reports	Corporate Governance Documents	Websites
Companies Act 2008 (South Africa; SA)	Annual reports of sample SOEs, SIEs and SWFs	King III (South Africa)	Website of sample SOEs, SIEs and SWFs
Companies Act 2006 (Singapore)	Temasek Review	King IV (South Africa)	Temasek Website
DBSA Act (SA)	GIC Review	PFMA (South Africa)	CSI Market
Braodband Infraco Act (SA)		Guide for Accounting Officers (South Africa)	
Broadcasting Act (SA)		Board Charters (South Africa)	
SA Post Act (SA)		Practice Guidance (Singapore)	
PIC Act (SA)		Presidential review commission report (South Africa)	
ECIC Act (SA)			
ESKOM conversion Act (SA)			
NPA Act (SA)			
SAE Act (SA)			
Alexkor Limited Act (SA)			
SAA Act (SA)			
SATS Act (SA)			
Airports Company Act (SA)			

Appendix 7: Copy of ethical clearance certificate

UNISA university of south africa

UNISA COLLEGE OF ACCOUNTING SCIENCES ETHICS REVIEW COMMITTEE

Date 2018-08-14

ERC Reference:
2018_CAS_033

Name: A Adebayo
Student/ Staff #: 61155055

Dear Mr A Adebayo,

Decision: Ethics Approval from 2018-08-14 to 2021-08-14

Researcher: A Adebayo
61155055@mylife.unisa.ac.za

Working title of research:

Corporate Governance of State-Owned Enterprises: Role, Ownership, Organising and Constitution

Qualification: PhD in Accounting Sciences

Thank you for the application for research ethics clearance by the Unisa College of Accounting Sciences Research Ethics Review Committee for the abovementioned research. Ethics approval is granted for the period indicated above.

The application was reviewed by the College of Accounting Sciences Research Ethics Review Committee on 14 August 2018 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment, and approved.

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the College of Accounting Sciences Research Ethics Review Committee.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of

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participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.

5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
7. No field work activities may continue after the expiry date of this certificate.

Note:

The reference number of this certificate should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,

Prof L J Erasmus
Chair of CAS RERC
E-mail: erasmlj1@unisa.ac.za
Tel: 012 429 8844

Prof E Sadler
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