

**CREATING COMPETITIVE ADVANTAGE THROUGH COMBINED ASSURANCE
IN SOUTH AFRICAN ORGANISATIONS**

by

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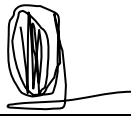
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February 2021

DECLARATION

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I declare that the above thesis 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 thesis 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 for another qualification or at any other higher education institution.



Signature

24 February 2021

Date

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LIST OF ABBREVIATIONS

Abbreviation	Meaning
AD_ETHICS	Adequacy of the TLDM in its ethics underpinnings
CA	Competitive advantage
CAE	Chief Audit Executive
CR_CA_TLDM	Creation of competitive advantage through TLDM
CSR	Corporate Social Responsibility
EFF_AGENCY	Effectiveness of TLDM in dealing with Agency.
ERM	Enterprise Risk Management
FLAM	Five Levels of Assurance Model
IIA	Institute of Internal Auditors
IMPL_COMP	Implementation of the TLDM with a compliance fixation
IMPL_TLDM_MDF	Implementation of the TLDM with a moral development focus
IMPR_TLDM	Improvement of the TLDM
IoDSA	Institute of Directors of Southern Africa
JSE	Johannesburg Stock Exchange
DBL	Doctor of Business Leadership
MGT	Management

Abbreviation	Meaning
NED	Non-Executive Director
NPO	Non-Profit Organisation
PwC	PricewaterhouseCoopers
SMMEs	Small Medium and Micro Enterprises
SCOPE_CR_CA	Scope for creation of competitive advantage
SOEs	State Owned Enterprises
SOX	Sarbanes-Oxley Act of 2002
TLDM	Three Lines of Defence Model

ABSTRACT

South Africa has institutionalised the application of combined assurance's Three Lines of Defence Model (TLDM) through the 3rd and 4th editions of the King Code. Albeit, failure of the TLDM has been documented in recent corporate governance scandals in South Africa. These failures point to the inadequacy of the model in its theoretical underpinnings that place more emphasis on compliance than moral development (acts vs virtue ethics). In this research study, the adequacy of the TLDM was assessed, as well as its effectiveness in dealing with Agency. It was further sought to establish whether competitive advantage could be created through TLDM implementation in South African organisations and to quantify in relative terms, the scope for competitive advantage creation through TLDM application. A mixed research methodology (convergent design) was used to gather quantitative and qualitative insights from governance practitioners in South Africa (concurrently over a cross-sectional time frame). 204 survey respondents and 11 interviewees participated in the study. A statistically valid model for creation of competitive advantage was developed from the quantitative findings while a framework for competitive advantage was developed from the qualitative findings. The findings of the study confirm the inadequacy of the TLDM that it lies in poor implementation by South African organisations than in the model's theoretical underpinnings. It was concluded that competitive advantage can be created through TLDM implementation in South African organisations, and the scope for creation of competitive advantage is relatively significant. The implementation of TLDM with compliance fixation mediates the creation for competitive advantage through TLDM, while moral development focus in TLDM implementation moderates the relationship between TLDM Adequacy in ethics underpinnings and competitive advantage creation. While the inadequacy of the TLDM was established through this study, the support for the TLDM was still overwhelming, although support for additional levels as contemplated in the Five Levels of Assurance Model (FLAM) was considerable.

Key Terms: *Competitive Advantage; Combined Assurance; Three Lines of Defence; Corporate Governance; Agency; Ethics; Compliance; Morality; Corporate Social Responsibility; King Code; Corporate Scandals; Governance Failures; Stewardship; Governance Practitioners; Impropriety; Board of Directors; Organisational Value; Stakeholders; Organisational Reputation.*

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DEFINITION OF KEY TERMS

Agency problem: the dilemma of management objectives being misaligned with those of organisational owners, the pursuit of self-serving interests above the interests of owners (Jensen & Meckling, 1976).

Board of Directors: refers to the company's board as envisaged in the South African Companies Act 71 of 2008 as amended.

Combined Assurance: an integration and alignment of assurance processes, in order for senior management, audit and supervisory committees to obtain a comprehensive and holistic view of the effectiveness of governance, risks, and controls in the organisation, thus aiding prioritisation and actioning (Huibers, 2015).

Strategy: a ploy or a game plan to outwit competitors to create a sustainable competitive advantage (Thompson, Strickland & Gamble, 2007).

Competitive advantage: the ability to deliver superior value to customers compared to rivals while covering costs, and is sustainable if it persists despite attempts by rivals to imitate (Farma & Jensen, 1982; Porter, 1985).

Conscientiousness: awareness of the impact that one's self behaviour has on those around them.

Corporate Governance: the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources, with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission (Okeahalam & Akinboade, 2003).

Ethics: basically refers to issues of fairness and justice (Carroll & Buchholtz, 2014).

Governance Practitioners: refers to accountants, financial managers, auditors, ethics officers, company secretaries, as well as company directors, inter alia, involved in governance and combined assurance processes in South African organisations.

Impropriety: failure to observe standards of honesty or modesty.

Information Asymmetry: the imbalance in the level of information at the disposal of non-executive directors, compared to management who due to the nature of their

internal position, have an intimate knowledge of the business, putting the board at a disadvantage (Hendry & Kiel, 2004).

Institutionalisation: the action of establishing something as a convention or norm in an organisation or culture (Oxford English dictionary (2021)

King Code (King IV™): is structured as a report that includes a code, with additional, separate sector supplements for SMEs, NPOs, SOEs, municipalities and retirement funds. The King Code™ contains both principles and recommended practices aimed at achieving governance outcomes (KPMG, 2016).

Managerial Hegemony Theory: argues that boards are a legal fiction dominated by management (Hendry & Kiel, 2004).

Morality: an adopted code of conduct within an environment and a set of agreed-upon rules for what is right and wrong (Borade, 2012).

Organisational Culture: a set of common assumptions, beliefs and values that have developed over sometime within an organisation and have become an acceptable standard of doing things (Flatt & Kowalczyk, 2008; Thebe, 2017).

Organisational Reputation: The image of an organisation from the point of view of its customers, shareholders and broader stakeholders, arising from its exhibits of good practices (Jones, 2000; Turyakira, 2018).

Organisational Value: The worth of the assets of the organisation, which may be represented by the valuation of its stocks on issue for listed companies i.e. the market capitalisation.

Resources Dependency Theory: views boards of organisations as critical mechanisms through which a firm can form links with its external environment, to access resources and mitigate adverse impacts of environmental change (Hendry & Kiel, 2004).

Stewardship Theory: argues against the Agency Theory assumption of opportunistic self-interest (Davis, Schoorman & Donaldson, 1997). Instead, it claims that managers are inspired and motivated by the need to realise outcomes, from which they derive satisfaction through successfully performing their inherently challenging work, i.e., to exercise responsibility and authority, and thus gaining

recognition from colleagues and superiors (Donaldson & Davis, 1991; Hendry & Kiel, 2004).

Strategic corporate governance: the application of corporate governance with a strategic intent, to create competitive advantage through good corporate governance practice.

The Companies Act: the South African Act 71 of the Companies Act of 2008.

Three Lines of Defence Model (TLDM): A model for combined assurance which consists of three lined of defense i.e. of management, internal and external assurance providers.

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

There has been advancement in global corporate governance over the last few decades; however, its failures have also been on the rise. Similarly, calls for good corporate governance coming from various proponents have grown (Flowers *et al.*, 2013). It seems like corporate governance improvements have met advancement in the magnitude and complexity of corporate governance failures. South Africa has had a number of emerging cases of corporate governance malpractices in the recent past few years, which have resulted in the collapse of prominent entities such as Steinhoff, KPMG and African Bank, inter alia. The rhetoric that comes to mind is: has the codification of corporate governance in South Africa (through the Companies Act 71 of 2008, hereafter, the Companies Act) created a false comfort in the assumption that corporations would be socially responsible and ethical in their business practices?

Against the backdrop of the identified limitations of mandatory approaches to corporate governance (e.g., the American Sarbanes-Oxley [SOX], Act of 2002), which result in compliance fixation without legitimate commitment to being a socially responsible organisation, the South African corporate governance landscape took a hybrid approach, which combines principle-based and legislative efforts. Through the four versions of the King Code whose adoption is on voluntary basis, the South African corporate governance stance has sought to overcome the box-ticking shortcomings of the legislative corporate governance. The Companies Act, the Johannesburg Stock Exchange (JSE) listing rules and the various King Codes (King I-IV), have shaped the hybrid corporate governance landscape in South Africa. However, corporate governance failures have dogged countries regardless of the corporate governance approaches adopted e.g. the Enron Saga in the United States of America (USA or US) and the Steinhoff scandal in South Africa (Manning, 2018; Jika, 2018; Donnely, 2018). These scandals have occurred in spite of well-developed corporate governance practice in the two countries.

With the widespread and growing expectation by society for organisations to adopt the King Codes (King IV Code), the application of combined assurance has arguably become a compliance imperative. The occurrence of corporate governance failures in South Africa and globally, have demonstrated how organisational competitiveness and value can be lost in the event of combined assurance application failures. Against this backdrop, an inquisition into creation of competitive through combined assurance was developed, with an aim of determining if an organisation that deliberately set out to implement combined assurance beyond ticking the boxes of compliance could derive competitive advantage by being unique in this regard.

1.2 INTRODUCTION

Given the cost implications of corporate governance failures to society, the South African King Codes have institutionalised corporate governance practise by recommending the implementation of combined assurance model by South African boards (Institute of Directors of Southern Africa [IoDSA], 2009). Combined assurance essentially, aims to provide the board with a holistic assurance on the effectiveness of risk management and internal control systems through co-ordination of various assurance activities from various sources (Decaux & Sarens, 2015). Historically, assurance provision used to be from various sources in an attempt to satisfy the board on the effectiveness of Enterprise Risk Management (ERM), however, this resulted in 'assurance fatigue' or information overload, hence the need for combined assurance (Sarens *et al.*, 2012; Decaux & Sarens, 2015).

According to the Institute of Internal Auditors (IIA), a single line of defence is inadequate in assurance provision; hence, the Three Lines of Defence Model (TLDM) has become accepted as the combined assurance model (IIA, 2013). The TLDM consists of management, internal assurance providers and external assurance providers as shown Figure 1.1 below.



Figure 1.1: Three Levels of Defence Model (TLDM) of Combined Assurance

Source: Adapted from King Code of Governance for South Africa (IoDSA, 2009)

In spite of the combined assurance model and its institutionalised application, there has been a remarkable failure brought about by a systematic failure on the part of almost all the parties involved in corporate governance (Alles, Kogan & Vasarhelyi, 2003; Chiu, Liu & Vasarhelyi, 2018). The failure of corporate governance at the different levels of assurance provision has cast some doubt on whether any number of assurance providers can ever be enough to effectively curb corporate governance failures (Alles, Kogan & Vasarhelyi, 2003; Masegare, 2018). Must another level of assurance provision be added to the existing TLDM of combined assurance to curb corporate governance failure? If so, how many lines of assurance would be enough to avoid corporate governance scandals?

Considerable enterprise value and competitiveness have been lost in some corporations in which corporate governance malpractice and ineffective application of combined assurance have occurred. The Enron saga, Steinhoff scandal and KPMG auditing failure, among others, are some of the cases that highlight the

relationship between combined assurance application and the competitive advantage. In the Enron case, a multi-billion corporation was in fact a Ponzi scheme that cost investors large sums of money on its collapse (Manning, 2018). The Steinhoff collapse, on the other hand, was in the back of accounting irregularities and misleading financials. KPMG's demise was a case of auditors ignoring accounting issues in various financial statements of their clients (Jika, 2018; Donnelly, 2018). The commonality in these cases is that, where corporate governance failures led to the demise of the organisations, society paid the price.

Corporate governance and its application is one way through which organisations can create competitive advantage (Ndung'u, 2015). According to Porter (2001), a firm has competitive advantage if it is able to deliver superior financial performance in comparison to its peers. The competitive advantage becomes sustainable if it cannot be easily imitated by rivals (Johnson, Scholes & Whittington, 2008; van der Heijden, 2011). While Ndung'u (2015) related corporate governance application to competitive advantage, attempts to investigate the relationship between corporate governance and the firm's performance have yielded conflicting results (Gill, Vijay & Jha, 2009; Smits, 2014). Heretofore, there is inconclusiveness on the nature of the relationship between corporate governance and firms' performance (Smits, 2014). However, there is widespread acceptance by authors that corporate governance does influence firm performance – be it positively or negatively (Ljubojevic, Ljubojevic & Maksomovic, 2013; Padachi, Ramsurrun & Ramen, 2017). Researchers have tended to investigate the influence of some elements of corporate governance on firm performance in large established enterprises with minimal focus on Small Medium and Micro Enterprises (SMMEs) (Hove-Sibanda, Sibanda & Pooe, 2017). Studies on combined assurance in general are limited, however, research by professional bodies have identified that combined assurance implementations are rare (IIA UK and Ireland, 2008; ECIIA, 2009; IIA UK and Ireland, 2010; Paterson, 2011). The newness of the combined assurance phenomenon could be the reason why there is minimal academic research on the model and its application (Decaux & Sarens, 2015).

This study on creating competitive advantage through combined assurance in South African organisations, explored the theoretical constructs of the TLDM of combined assurance in the context of creating competitive advantage, through the implementation of the model in organisations. Through this approach, the study contributed to the body of knowledge by developing an understanding of combined assurance model and its strengths and weaknesses as a competitive tool. This knowledge is profound in that, while there is widespread acceptance of the importance of corporate governance *vis-a-vis* firm value creation and/or protection, there is limited know-how on the effective application of combined assurance, in the context of creating competitive advantage. An understanding of why corporate governance failures still occur in spite of the institutionalisation of the TLDM of combined assurance in South Africa was sought by exploring the theoretical underpinnings of the model. The contribution of the study was thus on two fronts. From a theoretical perspective, the study enhances the understanding of the combined assurance model, while from a practical business perspective; it unravelled the application of the model for creation of competitive advantage. The study thus took a variation from the conventional approach to corporate governance studies that tend to attempt to prove a business case for corporate governance and Corporate Social Responsibility (CSR).

1.3 OVERVIEW OF SOUTH AFRICAN CORPORATE GOVERNANCE

The combined application of the Companies Act, the King Codes and JSE listing rules defines the landscape of the South African corporate governance. In the 2008 revision of the 1973 Companies Act, much emphasis was brought on corporate governance by legislation of the duties of directors and the obligation to periodically disclose certain companies' information. Mervin King was in 1992 appointed Chair of a committee tasked to formulate a governance code for South Africa, which was to be named after him, the 'King' Code. The work of the King Code Committee led to the publication of the first King Code in 1994 (Aguilera & Cuervo-Cazurra, 2009; Mans-Kemp, Erasmus & Viviers, 2017). The King Code has been a working document that has constantly been reviewed and updated, leading to the King Code II published in 2002, King III in 2009 and the latest King IV in 2016 (IoDSA, 2009).

Having in mind the shortcomings and criticisms of the compliance approach that leads to box-ticking (the SOX approach), the King Codes have evolved from the 'Apply or Explain' approach in the King III, to the 'Apply and Explain' stance taken in its fourth edition. The reasoning behind the variation in the approaches used in the afore-mentioned codes was that, the 'apply or explain' stance meant that one needed to apply the principles of the code failing which they would have to explain.

Consequently, the 'apply or explain' approach in the King Code III imposed an obligation that perceivably inculcated a compliance culture. The 'apply and explain' stance taken in the King IV on the other hand, requires application of the code and explanation of how the code has or has not been applied in the organisation, out of responsibility than duty. The latter stance thus advocates for corporate governance practices that flow from principles founded on ethical, transparent and responsible leadership. The King Code III brought about institutionalisation of combined assurance in South Africa by requiring in principle 6.4.2 that:

"The board should receive assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards" (IoDSA, 2009, p.43).

King Code III principles 7.1.2.1 and 7.3.3 stipulate that, objective assessment of the effectiveness of risk management and the internal control framework should be done in order to maintain an effective governance, risk management and internal control framework (IoDSA, 2009). This is also echoed in King Code IV principles 15.41 and 15.42 a-f (IoDSA, 2016, p.68). The King IV Code also advocates for an inclusive stakeholder approach, which is based on legitimately taking the interests and expectations of the stakeholders into account in conducting business, than doing so only when it's in the interest of shareholders (IoDSA, 2016). In the stakeholder inclusive approach, meeting the interests and expectations of stakeholders is acknowledged as a business imperative for achieving business goals. While the application of the King Code in South African organisations is essentially on voluntary basis, the JSE listing rules however give effect to the King Code by making its adoption mandatory for listed entities (Colares Oliveira, Ceglia & Antonio Filho, 2016). The Companies Act is implicit on the need to apply the King

Codes in that, directors can possibly only reasonably prove due diligence in the dispensation of their duties if they adopted and applied the King Code in their organisations. The combined interactive application of the Companies Act, the King Code(s) and the JSE rules results in a hybrid corporate governance landscape in South Africa, which combines mandatory and voluntary approaches (Waweru, 2014).

In spite of the seemingly robust South African corporate governance landscape, corporate scandals have been prevalent in the country. The spate of corporate governance scandals in South Africa sparks an interest in the TLDM of combined assurance, its theoretical underpinnings and how the model could effectively be applied to create competitive advantage in South African organisations.

1.4 THE STATEMENT OF THE PROBLEM

Corporate governance failures have occurred and continue to occur in countries, irrespective of the corporate governance approaches adopted, i.e., be it mandatory, principles-based or hybrid approach (Sama & Shoaf, 2013; Soltani, 2014). The widespread application of the TLDM of combined assurance and its institutionalisation in South Africa (through the King Code) has not curbed the occurrence of corporate governance scandals (IoDSA, 2009, 2016; Decaux & Sarens, 2015). Corporate governance scandals have highlighted failures of the combined assurance model at different levels (IIA, 2013), raising questions on the adequacy of the TLDM of combined assurance in providing effective assurance that the Agency problem is kept minimal in organisations. According to Decaux and Sarens (2015), the combined assurance concept is relatively new thus, there is limited literature exploring its theoretical underpinnings and adequacy in dealing with the Agency problem in organisations. However, the South African corporate governance landscape has institutionalised the application of combined assurance model through the King III and IV Codes, despite limited understanding of its effectiveness in dealing with self-serving interest (IoDSA, 2009, 2016). Moreover, the application of the TLDM with a goal of creating competitive advantage beyond the compliance agenda in a South African context remains underexplored. By reviewing the theoretic constructs of the TLDM from an ethics perspective, in view

of application of the model in organisations to gain competitive advantage, this study enhances the understanding of the model (through suggested improvements) and the nuances of its application in South African organisations.

1.5 THE RESEARCH PROBLEM

The research problem at hand is that: the Agency problem persists and hence corporate governance scandals, in spite of institutionalised advancement in corporate governance and combined assurance practice in South Africa, resulting in value and competitive advantage loss in organisations (van Rensburg, Venter & Kriek, 2013). This problem raises inquisition into the adequacy of the TLDM of combined assurance from an ethics theoretical perspective, in dealing with the Agency problem and ensuring organisational sustainability, hence the rhetoric: 'who will guard the guards?' In this study, the adequacy of the TLDM of combined assurance from an ethics theory viewpoint was investigated, with a view of possibly improving the TLDM and/or its application, for effective combined assurance practise in organisations, which leads to competitive advantage.

1.6 THESIS

Creating competitive advantage through combined assurance requires an understanding of the theoretical underpinnings of the combined assurance model, in order to apply the model for the provision assurance to all stakeholders that organisational risks (arising from the Agency problem) are managed effectively from all ethical perspectives. Combined assurance needs to combine assessment of adherence to rules and laws, as well as measurement of moral development at organisational and individual level. The researcher posits that the failure of the TLDM of combined assurance in curbing corporate governance scandals lies in the ethical pre-dispositions informing the model that place more emphasis on one ethical dimension than the other (i.e., more acts than agent moral development focus). Moreover, the TLDM of combined assurance has been applied with a compliance fixation than moral development intent and competitive advantage objective thus, there is scope to create competitive advantage by applying

combined assurance, based on a combination of virtue and acts-based ethics in South African organisations.

1.7 THE PURPOSE OF THE STUDY

The aim of the study was to review the theoretical underpinnings of the TLDM of combined assurance *vis-a-vis* its application to create organisational competitive advantage in the South African context. Qualitative and quantitative investigations were conducted into the perspectives of South African directors; accounting; ethics and audit professionals (governance practitioners hereafter) on the application of corporate governance, the TLDM and hence board oversight, in the pursuit of creating competitive advantage for organisations. In this cross-sectional study, the adequacy of the TLDM of combined assurance from an ethics theory viewpoint was investigated, with a view of possibly improving the model and/or its application, for effective combined assurance practice in organisations, which leads to competitive advantage.

1.8 THE OBJECTIVES OF THE STUDY

The study had three primary objectives and a secondary objective.

1.8.1 Primary objectives

The study intended to:

1. Explore the TLDM of combined assurance in order to identify theoretical gaps in the model that could have a bearing on its effectiveness in dealing with the Agency problem.
2. Acquire understanding through quantitative and qualitative data from governance practitioners, on the application of TLDM of combined assurance in organisations to achieve compliance as well as moral character development.
3. Establish if combined assurance is perceived as a competitive tool that can be applied with a strategic intent to create competitive advantage.

1.8.2 Secondary objective

Subject to primary objective one the study sought secondarily to:

4. Explore how the TLDM of combined assurance could be improved from an ethics theoretical perspective and application viewpoint, to enhance the effectiveness of boards' oversight on organisations and minimisation of the Agency problem for the sustainability of organisations.

1.9 THE RESEARCH QUESTIONS

The following main research questions and sub-question were formulated in order to achieve the research objectives through soliciting their answers:

1.9.1 Research main questions

1. What are the theoretical underpinnings of the TLDM of combined assurance found in the existing body of knowledge?
2. How adequate is the TLDM in providing assurance to South African directors that employees will do the right thing even when no-one is watching?
3. To what extent is the TLDM of combined assurance perceived by governance practitioners as a strategic tool through which competitive advantage could be derived in South African organisations?

1.9.2 Research sub-question

The following sub-question supported the above main research questions in attempting to achieve the research objectives and resolution of the research problem:

4. How can the existing TLDM of combined assurance be improved to enhance its effectiveness and creation of competitive advantage through its application in South African organisations?

1.10 ASSUMPTIONS AND HYPOTHESES

The following assumptions were made in this study:

- South African governance practitioners' perspectives on combined assurance are shaped by their experiences obtained from organisations in which they currently or have previously served.
- Understanding corporate governance failures in South Africa in spite of the institutionalised corporate governance landscape would require an understanding of the theoretical underpinnings informing the corporate governance practice in the country.
- Good corporate governance practice including the application of combined assurance can lead to competitive advantage through avoidance of corporate collapses than from positive financial performance.

The following hypotheses were held:

Hypothesis 1

The perceived effectiveness of the TLDM of combined assurance in dealing with the Agency problem in South African organisations increases with the perceived adequacy of the model in its ethics theoretical underpinnings (i.e., compliance vs. moral development intent).

The foregoing hypothesis was formulated in the back of the identified research problem that the institutionalised application of the TLDM of combined assurance in South Africa (through the King Codes) has not curbed the occurrence of corporate governance scandals (IoDSA, 2009; Decaux & Sarens, 2015). According to the IIA (2013), the failure of the combined assurance model at different levels has been highlighted in corporate scandals, hence the inquisition into the nature of the relationship (if any exists) between the perceived adequacy of the TLDM of combined assurance in its ethics theoretical underpinnings and its perceived effectiveness in dealing with Agency problem. The hypothesis is grounded on the

Agency Theory and the ethics theories of virtue, teleology and deontology (Jensen & Meckling, 1976; Magang, 2012; Carroll & Buchholtz, 2014).

Hypothesis 2

The implementation of the TLDM of combined assurance with a compliance fixation without moral development focus perceivably reduces creation of competitive advantage in South African organisations.

The hypothesis is backed by Hasnah, Ishak and Sobei (2015) who argue that there exists a positive relationship between businesses' ethical codes of conduct standards and profitability hence success prospects in a hypercompetitive environment. A similar train of thought is held by Jones (2000) cited in Turyakira (2018), who identifies the relationship between business exhibits of good practices to its customers as well as to the general public and the image (or reputation) of the business (which in turn influence competitive advantage). This hypothesis is based on the ethics theories of virtue, teleology and deontology applied in the context of the theory of competitive advantage (Carroll & Buchholtz, 2014; Porter, 2001).

Hypothesis 3

With decreased perceived application of the TLDM of combined assurance from compliance and moral development objectives, the perceived scope for creating competitive advantage through combined assurance in South African organisations increases.

This hypothesis explores further the relationship between good corporate governance practices (in this case represented by application of the TLDM of combined assurance) and competitive advantage. A number of studies have been conducted to explore the nature of the relationship between corporate governance variables and financial performance as a competitive advantage indicator (Table 2.1, adapted from Beurden & Gosling, 2008; Smits, 2014). Due to the inconclusiveness of the findings of these studies on corporate governance

competitive advantage relationship (with reference to Table 2.1), it is warranted to explore the relationship further to contribute to the body of knowledge. Like hypothesis 2, this hypothesis is based on ethics theories of virtue, teleology and deontology as well as the theory of competitive advantage (Carroll & Buchholtz, 2014; Porter, 2001).

1.11 LIMITATIONS OF THE STUDY

The variations in corporate governance approaches in different countries limit the generalisability of the findings of the study to other countries, whose corporate governance landscapes differ from that of South Africa. The relative newness of the combined assurance concept and limited existing research work on the TLDM of combined assurance imposed a limitation on the body of knowledge that this study was based on. The study focused on key role players in combined assurance implementation but not extending to general employees of any organisation. It would have been ideal to also sample employee categories to obtain their perspectives on corporate governance systems, processes and practices in the various organisations. This would enable contrasting the views of the governance practitioners to those of general employees, on the level of development and enactment of organisational governance culture and combined assurance application. However, it was envisaged that a higher level of knowledge and understanding of the TLDM and its application would exist in the target population than in general employees thus; the afore-mentioned limitation arguably did not materially affect the realisation of the objectives of the study. The difficulty of accessing governance practitioners imposed a limitation on the sample size and the diversity of perspectives that could be obtained.

1.12 DELIMITATION OF THE SCOPE OF STUDY

Due to the institutionalisation of combined assurance in South Africa, the scope of the study was limited to the perspectives of South African governance practitioners. The study was not extended to corporate governance best practices, which may be applicable in other jurisdictions due to the non-universality of the application of combined assurance. The study focused on combined assurance and its application

in organisations to create competitive advantage. The TLDM was the model of combined assurance used in this study although some combined assurance models do exist. It was not intended to review the detail of the competitive advantage theory, its strengths, weaknesses and alternative theories. Neither was it intended to look at other corporate governance variables and their contribution to organisational competitive advantage. The scope was not extended to investigating a causal relationship between combined assurance application and competitive advantage in organisations. The study did not seek to prove which of the ethical approaches, i.e., deontology, teleological or virtue ethics is appropriate.

1.13 CHAPTER OUTLINES

This research report consists of seven chapters:

Chapter 1 provides an introduction to the study, thus providing a background and context of the study. The research problem is introduced and the scope of the study defined and delineated. Assumptions and hypotheses are explained, together with the envisaged limitations of the study.

Chapter 2 reviews the theoretical paradigms applicable to the study. It reviews the various theories applicable to the study and how they relate to the study and its objectives.

Chapter 3 reviews the literature on combined assurance, competitive advantage and the corporate governance-competitive advantage relationship. Cases of South Africa's recent corporate governance scandals are discussed in relation to the research problem to provide anecdotal support for the study. The review of the existing body of knowledge is done; thus identifying the gaps in the existing body of knowledge. The research is placed in the broader research space therefore highlighting its relevance and intended benefits. The research problem is also identified through the review of literature in this chapter;

Chapter 4 explains the methodology and the rationale for its choice to clarify the research philosophy used in the research. The population and sample are defined in this chapter, with justification for the sampling design, size and

representativeness. The data analysis followed is also explained, including how findings were integrated.

Chapter 5 presents the findings of the study within the case analysis.

Chapter 6 presents a discussion of cross-case findings and interpretations.

Chapter 7 presents conclusions, recommendations and imperatives for future research.

1.14 CHAPTER CONCLUSION

In this chapter, the study was introduced by providing the background to corporate governance and the strategy topics. The need for the study was highlighted through the identification of the research problem in the current corporate governance practices. The thesis that arises from the corporate governance - strategy practices that was introduced will be expounded on in the subsequent sections. The research's primary and secondary objectives were outlined in section 1.8 with the associated research main and sub-questions detailed in section 1.9. Section 1.10 outlined the assumptions and hypotheses of the study. The limitations of the study and the delimitation of scope were presented in section 1.11 and 1.12 respectively. The chapter ended with an outline of this research report. In the following chapter, the theoretical paradigms of the study will be considered in detail.

CHAPTER 2: THEORETICAL PARADIGMS

2.1 CHAPTER INTRODUCTION

A theory is a system of ideas intended to explain something, particularly one based on general principles (Kamau, Namusonge & Bichanga, 2015). In order to position the research study in the bigger scope of existing theories on the subject, it is considered necessary to explore the theoretical paradigms. This chapter presents the various theories forming the foundations of the study. In reviewing the theoretical paradigms, an attempt will be made to position the study in the existing body of knowledge. Gaps in theory will be identified and how this study contributes towards closing the identified gaps will be discussed. The following theories are considered in detail in the following subsections:

- The Agency Theory
- The Stewardship Theory
- Managerial Hegemony
- Shareholder primacy model
- Director primacy model
- The stakeholder theory
- Resource Dependency Theory
- Combined Assurance
- Kantianism
- Utilitarianism
- Virtue
- Competitive advantage.

2.2 CORPORATE GOVERNANCE THEORY

Corporate governance has been defined in a number of ways. The Cadbury Report (1992) regards corporate governance as being about how entities are directed and controlled. Okeahalam and Akinboade (2003) on the other hand define the term as the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources, with an objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission. According to Moyo (2016), corporate governance has an important theme of concurrently improving corporate performance and accountability of individuals involved in the management of an organisation. Its aim is to attract financial and human resources to the organisation on the best terms and to prevent corporate failure arising from pursuit of self-serving interests at the expense of the organisation and other stakeholders (Moyo, 2016). The common themes in the definitions of corporate governance considered above are: the objectives of dealing with organisational control, aligning management practices to the objective of sustaining the organisation and ensuring performance (competitiveness) that is based on good corporate governance. In view of the existing varied definitions of the corporate governance term, this study adopted the definition by Okeahalam and Akinboade (2003) as it brings out the key elements of corporate governance, which include power exercise, organisational control and stewardship, as well as strategic intent in the application of corporate governance.

The growth of firms from small family-owned to large public enterprises and the existence of the Agency problem gave rise to the need for minimising management's self-serving interests, hence corporate governance came to be (Cuervo, 2002; Steyn & Stainbank, 2013; Moyo, 2016). According to Adams, Hermalin and Weisbach (2010) cited in Desender *et al.*, (2013), shareholders face challenges in supervising their agents thus; they rely on a variety of governance mechanisms, which include direct shareholder involvement as well as board control. As such, the objective of corporate governance is to return some control to the owners and keep Agency costs at a minimum (Ndung'u, 2015). According to the King Code III, "the board should act as the focal point for and custodian of corporate

governance” (IoDSA, 2009 p.210). Overarching the subject of corporate governance is the problem of separation of ownership and control in large public entities, which is explained by the Agency Theory, considered in detail in the next sub-section.

2.2.1 The Agency Theory

The origins of the Agency Theory have been tracked back to economists’ efforts in the 1960s and 1970s, to explain the risk-sharing between various corporate stakeholders (Hilt, 2007). The afore-mentioned economists explained the difference in goals held by the related stakeholders as being the origins of the so-called Agency problem. According to Mitnick (2011) cited in Kamau, Nanusonge and Bichanga (2015), Stephen Ross and Barry Mitnick independently and almost concurrently developed the Agency Theory, with Ross responsible for the origin of the economic theory of Agency while Mitnick explained the institutional theory of Agency. According to Booth and Schulz (2004) as well as Tan and Lee (2015) cited in Rossouw and Marais (2015), goal asymmetry (misaligned principal-agent goals due to personal interests), risk asymmetry (principal-agent differences in risk perceptions and treatment) and information asymmetry (the imbalance of information between agent and the principal) are problems addressed by the Agency Theory. The Agency Theory identifies the owners as principals while the managers are Agents and that there exists Agency costs arising from the difference in returns with agents at the helm of the organisation compared to when the principals, i.e., the owners, exercised direct control of the corporation (Jensen & Meckling, 1976; Magang, 2012). The delegation of the management of entities to Agents creates a situation where managerial opportunism can arise (Cuervo, 2002; Okeahalam & Akinboade, 2003). This managerial opportunism is due to misaligned interests of management from those of shareholders and has been termed the “Agency Problem” (Farma & Jensen, 1982; Carney, 2005; Lessing, 2009; Kamau, Namusonge & Bichanga, 2015).

The challenge of corporate governance is that, in a modern corporation, wherein share ownership is diverse, it is not possible for all the owners or principals to manage the organisation themselves due to large number of stockholders that may

be holding interests in the organisation. The control is thus delegated to the Agents (managers) to make day-to-day decisions on the organisational affairs. However, managerial actions depart from those required to maximise shareholder returns, in Agency Theory terms (Berle & Means, 1932; Pratt & Zeckhauser, 1985; Adelopo, 2010). In the Agency Theory, the assumption is that managers will act in an individualistic, self-serving and opportunistic manner (Kamau, Namusonge & Bichanga, 2015). The model of managers as contemplated under Agency Theory prefer to maximize their own interests at the expense of the owners (Adelopo, 2010).

The behaviour of management as postulated in Agency Theory could be explained by applying Maslow's Hierarchy of Needs Model (Figure 2.1). According to Maslow (1943) cited in McLeod (2007), people are motivated to achieve certain needs, ranging from: physiological, safety, love/belonging and self-actualisation, in that order of hierarchy. Upon satisfying one need, a person will seek to fulfil the next need.

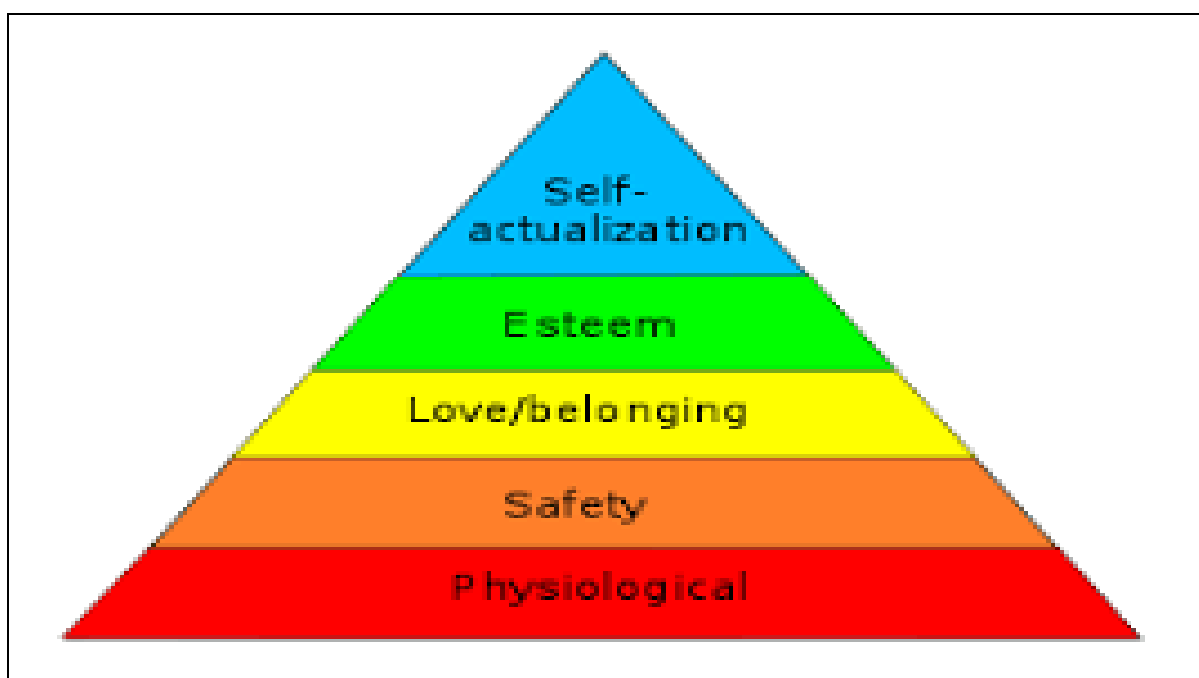


Figure 2.1: Maslow's Hierarchy of Needs Model

Source: McLeod (2007, 2013)

The decision by a manager to pursue self-serving interest at the expense of the principal could arguably be said to be informed by the motive to achieve a particular need. Since managers or agents are mostly compensated through remuneration and various forms of incentives, which can meet the physiological and safety needs, the pursuit of self-serving interests could arguably be out of a need to achieve esteem and/or self-actualisation, through a particular lifestyle which cannot be sustained through remuneration. By attributing the motive of agents to the need to achieve a certain esteem or status, the researcher argues that selfishness and greed underlie most departures from loyal behaviour. In the quest to create competitive advantage through minimisation of the Agency problem, the challenge becomes that of dealing with individual motives informing their conduct, i.e., how does one undo greed and selfishness that may be possessed by an individual, which may immediately or in future shape their conduct in the pursuit of self-serving interest? This thinking has informed the issue of executive remuneration and incentives, which have been topical in corporate governance research, with a view that if executives are remunerated and incentivised adequately, their needs would be met, thus eliminating their pursuit of self-serving interest at the expense of the principals. Incentive schemes in the form of share options offered to executives at discounted prices have been suggested as being one mechanism of aligning financial interests of executives with those of shareholders, thus minimizing the Agency loss (Eisenhardt, 1989). Deferring executive compensation and tying benefits to long-run value maximisation in an attempt to deter short-run executive action, which harms corporate value is another way of attempting to deal with the Agency problem (Donaldson & Davis, 1991).

The Agency Theory is the central theory underlying this study. Anecdotal evidence from the corporate governance scandals reveals the prevalence of pursuit of self-serving interests by managers at the expense of other stakeholders. This study sought to find answers on how combined assurance could be applied effectively to minimize the Agency problem in organisations and thus, derive competitive advantage through avoidance of corporate governance failure, i.e., manifestation of the Agency problem in organisations. Magang (2012) argues that the Agency Theory is inadequate in terms of explaining why corporations comply with corporate

governance principles, when other stakeholders are considered, because it is limited to one stakeholder group (shareholders). The position taken in this study was that of adopting the Agency Theory while acknowledging its limitations in explaining the mechanism of corporate governance scandals. The alternative to Agency Theory is the Stewardship Theory, discussed in detail in the following subsection.

2.2.2 The Stewardship Theory

The origins of the stewardship notion have been traced back to the biblical Old Testament times during which valued employees were entrusted with running households (Dzomira, 2016). Stewards were viewed as servants of their master, dedicated to doing their work and having the required wisdom to take risks and make decisions on behalf of their masters (Cribb, 2006; Dzomira, 2016). In the context of public administration, public servants are viewed as stewards serving the desires of citizens in the most economic, efficient and effective manner (Jordaan & Fourie, 2013). According to Cornforth (2003) cited in Dzomira (2016), the Stewardship Theory has an assumption that managers want to do a good job and will act as valuable stewards of an organisation's resources and, thus, senior management, the internal audit function, audit committee unit, external assurers and citizens are viewed as partners. Stewardship Theory stands for structures that foster empowerment of the steward to offer maximum independence built on trust (Jordaan & Fourie, 2013). Thus, in stewardship Theory terms, any performance variations are due to the structural situation in which the executive is located, i.e., whether it facilitates effective action by the executive (Donaldson & Davis, 1991; Dzomira, 2016).

The view of the Stewardship Theory is in contrast to the Agency Theory (Okpara, 2011). While the existence of Stewards cannot be ruled out, the escalation of corporate governance scandals is a testimony of the reality of the Agency problem in organisations. In this study, the Stewardship Theory was viewed as the epitome, a state where the Agency problem would have been minimised to insignificant levels in an organisation. The application of the Stewardship Theory in this study

was from an understanding that competitive advantage in organisations could be achieved if the Agency problem was minimised and management acted as good stewards in the dispensation of the duties delegated to them. According to Rossouw (2018) of the Institute of Ethics, the conduct of one of the South African former finance ministers, of being dishonest in disclosing his activities with the Gupta family and his bravery of resigning as a result, highlights that no individual is always good or bad consistently.¹ Rather, it is natural to err as human thus there is a need to make a distinction between persons of integrity who often conduct themselves ethically consistently from unscrupulous characters that have a reputation and record of unethical conduct (Russouw, 2018). In light of the foregoing, the Agency and Stewardship are perceivably two ends of a moral continuum as opposed to being absolute moral states (Figure 2.2). As such, the application of combined assurance in view of competitive advantage would require assessing individual and the consolidated organisational positioning on the morality continuum that spans from pure impropriety (Agency) through compliance (Box-ticking) to conscientiousness (Stewardship).

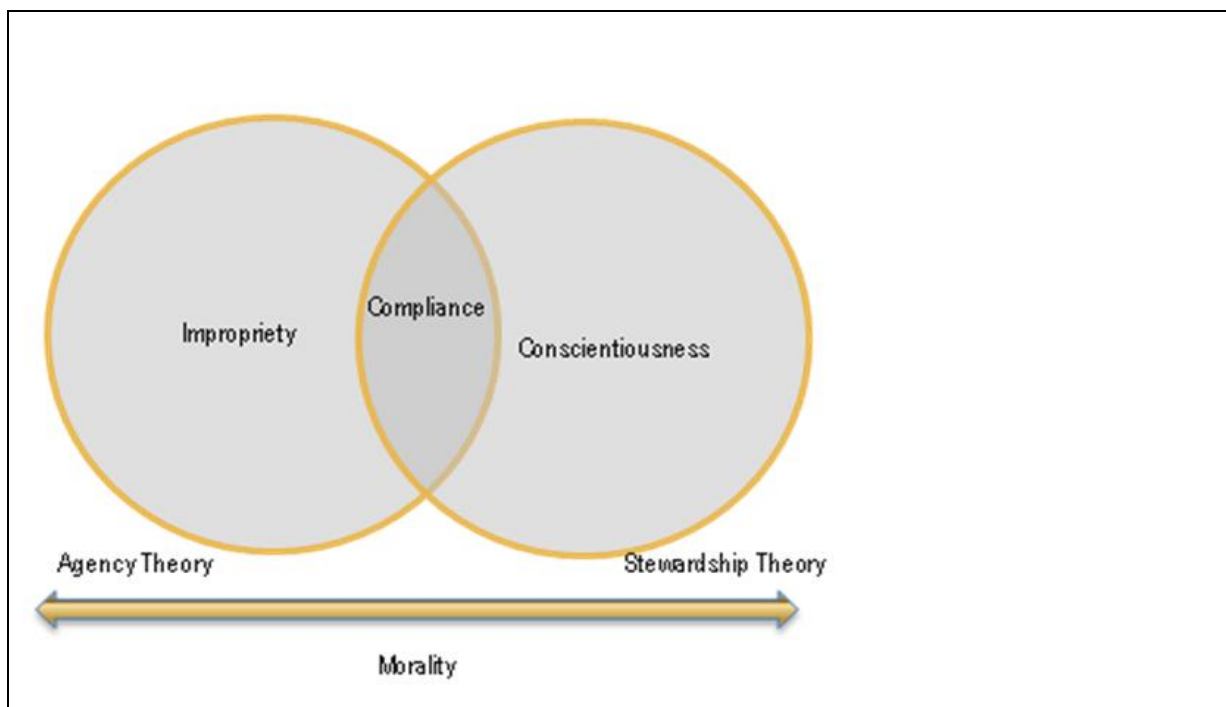


Figure 2.2: The Agency-Stewardship Moral Continuum

Source: Researcher's own compilation

¹ <https://www.news24.com/news24/Columnists/GuestColumn/the-nene-case-an-ethical-mixed-bag-20181011>.

The researcher views the application of combined assurance in the assessment of agents' inclination towards pursuing self-serving interest (impropriety) vs. good stewardship (conscientiousness) as a pro-active measure through which corporate governance scandals could be abetted and competitiveness created through good governance in organisations. Thus, stewardship is viewed as the end-game of all corporate governance efforts as opposed to being an inherent status quo, and is not a '*once-had always-have*' moral state.

2.2.3 Managerial Hegemony

According to the Managerial Hegemony theory, boards of directors are merely legal additions dominated by management, which are essentially passive in organisational strategy processes and direction of the corporation (Okpara, 2011). This theory seems harsh towards boards of directors by suggesting that directors are essentially dominated by managers, in view of their roles or at least legally intended mandate. However, the frequency and magnitude of corporate governance scandals in spite of boards' oversight in organisations seem to prove the theory true. The managerial hegemony theory seems to be acknowledging the problem of information asymmetry between management and the board of directors, which gives managers an edge over the directors on organisational operational details. Information asymmetry refers to the imbalance in the level of information at the disposal of non-executive directors compared to management, who due to the nature of their internal position, have an intimate knowledge of the business, putting the board at a disadvantage (Hendry & Kiel, 2004; Magang, 2012). In this study, the managerial hegemony theory was not applied in its literal expression, instead, its relevance was in the implicit notion that, in the absence of effective board oversight mechanisms (in this case ineffective application of combined assurance), the board would be reduced to an expensive spectator that is unable to monitor and control the activities of the agents.

2.2.4 Shareholder Primacy Model

According to Smith *et al.*, (2005) cited in Magang (2012), the shareholder primacy model or contractarian view focuses corporate objectives on returning a profit to shareholders over the long-term and is an approach to corporate governance observed in the USA, Canada and the United Kingdom (UK). This theory informs the Anglo-American corporate governance model that views the reason for the existence of an organisation as delivering a profit and creating wealth for the shareholders (Stout, 2012; Steyn & Stainbank, 2013). However, Stout (2012) refutes the shareholder primacy model, arguing that shareholders do not own a corporation but rather, hold shares or stocks, which are a type of contract between them and the legal entity, which affords stockholders limited legal rights. As such, shareholders are not at a superior positioning with the corporation in comparison to the various stakeholders who similarly have limited legal rights on the basis of various contracts held with the firm (Stout, 2012). The foregoing arguments provide a background to an alternative model, i.e., the director primacy model.

2.2.5 Director Primacy Model

Contrary to the shareholder primacy model, the director primacy model esteems directors above the shareholders. In the same vein of argument by Stout (2012), the director primacy model argues that stockholders may not necessarily have the best interests of the organisation as they pursue wealth creation. Given the diversity of stockholders and hence their expectations of the organisation, the directors are thus legal appointees whose mandate is to safeguard the interest of the organisation to ensure its sustainable value creation (Moyo, 2016). As such, directors have fiduciary duties to the organisation as opposed to being employees of shareholders. Within a South African context, institutional investors tend to hold a lion's share of stakes in listed companies and dictate on organisations in which they are invested, the acceptance of deployed directors (proxies) to represent the institutional investor's interests. Such directors do not necessarily represent the interests of the diversity of stockholders. Although there may be a large number of stockholders in a listed entity, it would be a few (often not exceeding 10) that dictate matters of organisational strategy and governance. In such situations, the director primacy

model does not always achieve its intended outcomes if proxies are mandated to act in the interest of a single or few stockholders. South Africa has a considerable number of SMMEs, whose directors (also the owners) essentially manage those companies. In these instances, the director primacy model has no relevance since the director is essentially the shareholder and represents their own interests in the running of the organisation.

2.2.6 Stakeholder Theory

According to the Stakeholder Theory by Freeman and Reed (1983) cited in Magang (2012), an organisation is part of a broader social system that it impacts, and in turn being impacted by the same social system and other groups within society. The arguments made by Stout (2012) in refuting the shareholder primacy model provide support for the Stakeholder Theory. The definition by Freeman and Reed (1983) recognises any group or individual with actual or potential to affect or be affected by the achievement of the organisation's objectives, as being a stakeholder of that corporation. Like stockholders, stakeholders have limited legal rights on the corporation however, due to the foregoing parties' diversity and variations in views about how an organisation should do its business, each stakeholder may have a different social contract from the other, negotiated with the organisation (Magang, 2012). The stakeholder theory underpins what the King IV code advocates for through in its principles of stakeholder inclusion and transparency (IoDSA, 2016). Stakeholders are given an esteemed place of recognition in the King IV code in a bid to address the historic governance practices which leaned more on Shareholder primacy.

In this study, the Stakeholder Theory was esteemed above the director and the shareholder primacy models. The organisation was thus viewed by the researcher as having an obligation to conduct its business in harmony with the various contracts it has with stockholders and the various stakeholders. The application of combined assurance in organisations should intend to provide assurance not only to the directors or stockholders but also to the broader stakeholder community. This assertion is made in line with what the Stakeholder Theory advocates for. The

relevance of the Stakeholder Theory in this study was that it formed the basis for the assessment of the adequacy of the existing combined assurance model (TLDM) in providing effective assurance, which could lead to competitive advantage through corporate scandals avoidance and organisational reputation building including sustaining it.

2.2.7 Resource Dependency Theory

The resource dependence theory views the boards as strategic assets whose interaction with the environment can serve as a source of strategic information (Riana, 2008). In view of the likelihood and often a reality that an organisation's board members tend to hold other board positions in other firms, the board members form a web of linkages to competitors and other stakeholders thus helping the organisation to have access to important resources and/or create buffers against external volatilities. The application of the resource dependency theory in this study was in light of its attempt to link corporate governance and competitiveness (strategy). The resource dependency theory informed the inquisition into how corporate governance practices with respect to combined assurance application, could be done to derive organisational competitive advantage. The view taken in this study is that competitive advantage can arise from the effectiveness of the board in exercising oversight on an organisation (through combined assurance application); thus minimising the managerial Agency risk, as opposed to the directors' external networks and access to resources as per the resource dependency theory perspective. The resource dependency theory is construed by the researcher as supporting competitive advantage through intangible resources, which are difficult to imitate. Thus, effective application of combined assurance effectively by boards of directors to create competitive advantage can constitute core competencies that make the directors valuable resources for the organisations. However, for combined assurance practice in organisations to be linked to competitive advantage, it is worthwhile to review the model in detail, which is the subject of the following sub-section.

2.2.8 Combined Assurance

Historically, assurance provision was characterised by a reliance on a number of sources within an organisation (Sarens *et al.*, 2012; Decaux & Sarens, 2015). However, information overload has been cited as the limitation of disintegrated assurance providers, since the board would receive information from various sources in the organisation leading to ineffective prioritisation and resource optimisation (IIA, 2013; Decaux & Sarens, 2015; Huibers, 2015). Combined assurance has been developed to overcome the identified shortcomings of uncoordinated assurance provision within an organisation. Combined assurance is defined as the process of co-ordinating management efforts with those of internal and external assurance providers in order to jointly satisfy the board or audit committee that organisational risks of significance are adequately mitigated in order for the organisation to achieve its objectives (IoDSA, 2009; Forte & Barac, 2015). According to the King Code III of the IoDSA (2009, p.50), combined assurance is the means of *“Integrating and aligning assurance processes in a company to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the audit and risk committee, considering the company’s risk appetite”*. This can be done through the application of the TLDM.

In combined assurance, there are no solitary autonomous parties that offer assurance in isolation; however, many parties constitute the assurance process (Dobie & Plant, 2014). By integrating and aligning assurance processes, combined assurance can overcome the information overload problem thus helping senior management, audit and supervisory committees to obtain a comprehensive and total view on the effectiveness of governance, risks, and controls in the organisation for proper prioritisation and management (Huibers, 2015). In this report, the combined assurance model applied is the TLDM (Figure 1.1), which consists of management, internal and external assurance providers at levels 1, 2 and 3 respectively. Management (Level 1) is responsible for ensuring that the organisation has a robust risk identification and control framework that enables prompt identification and remediation of deviations. Internal assurance providers (Level 2) consist of management support systems for enabling risk identification and mitigation, e.g., the internal compliance function. The audit function (Level 3)

provides an independent assessment of the effectiveness of the Enterprise Risk Management (ERM) system (Lewis, 2012).

In light of the foregoing discussion of the combined assurance model, it is evident that the TLDM is widely accepted as an effective model for assurance provision. In corporate governance failures, the failure of assurance provision at all levels has been identified (Alles, Kogan & Vasarhelyi, 2003; Chiu, Liu & Vasarhelyi, 2018). The conceptualisation of combined assurance and the TLDM appears to lean on the director primacy model. The objective of combined assurance as per the definitions considered above is to provide assurance to the board and its various committees. However, in view of the Stakeholder Theory, the researcher argues that the definition and/or objective of combined assurance need to be broadened to include assurance provision to stockholders and stakeholders on the effectiveness of organisational governance processes. Cases of directors equally pursuing self-serving interests as is the case with management in the Agency Theory have been recorded with the South African Venda Building Society (VBS Mutual Bank) being the latest example (to be considered in detail in Chapter 3) (Motau *et al.*, 2018). Arguably, if competitive advantage is to be created through corporate reputation arising from good corporate governance practices (i.e., effective combined assurance), assurance would have to be provided to the broader organisational interest groups than just the directors.

In spite of the widespread acceptance of the combined assurance and its institutionalised application in South Africa, the following questions remain to be answered: how can the TLDM of combined assurance be applied effectively in organisations to create competitive advantage? How adequate is the TLDM in providing assurance that organisational employees and directors alike will do the 'right thing', i.e., be ethical in their conduct even when no-one is watching? To answer these questions, an understanding of the theoretical underpinnings of the TLDM of combined assurance is required, which is explored in section 2.4. In order to explore the theoretical underpinnings of the TLDM of combined assurance effectively, a consideration of ethics was warranted, which is the subject of discussion in the following section.

2.3 ETHICS IN CORPORATE GOVERNANCE

Thebe (2017) suggests that the overarching objectives of monitoring and ensuring ethical conduct for sound decision-making, should form the basis of good governance oversight bodies. By deduction, ethical considerations are an inherent package of corporate governance. According to Dzumira (2016), a combined assurance approach needs to provide the right coverage against principal ethics risks. Mujtaba (2005) cited in Turyakira (2018) defines ethics as the branch of philosophy that theoretically, rationally and reasonably determines right from wrong, good from bad, moral from immoral, and fair from unfair actions and behaviour. Ethics refers to a system of moral principles or rules of behaviour, which involves doing the right thing in the right manner (Okafor, 2011; Riley, 2012). Business ethics is the application of ethics in business practices and is the set of moral principles and values considered the standard of what is regarded as right or wrong conduct within a business setting (Hodgelts & Luthans, 2003; Velentzas & Broni, 2010; Abiodun & Oyeniyi, 2014; Turyakira, 2018).

Attempts to define ethics by various authors have been explicit on the notion of 'right and wrong', thus ethical practices are understood as the conscious compliance with the standard of morality (Ononogbo *et al.*, 2016). Borade (2012) relates morality and ethics by defining morality as an adopted code of conduct within an environment and a set of agreed-upon rules for what is right and wrong thus, ethics points towards the application of morality, while morality is derived from ethics (Borade, 2012). An individual's moral sense guides morality in their behaviour (Krebs, 2011). Business decisions and individual behaviour may be judged as being ethical or unethical, depending on whether they promote or threaten the values and standards of individuals and the societies in which a business operates (Turyakira, 2018).

The standard of right or wrong and ethical or unethical can be influenced by various factors, such as the employees, their cultural background and geopolitical legal framework, which vary from one business to another (Wiid, Cant & Van Niekerk, 2013). According to Krebs (2011), morality is the equilibrium of individuals, implying

that interaction takes place according to a set of rules that balance the benefits and burdens of cooperation. Thus, the standards of morality and ethics are not static but rather, are dynamic and reflective of the nature and content of human interaction (Turyakira, 2018). The dynamism of ethical standards presents a challenge for organisations in that there is a requirement for the organisations to constantly review and update their ethics standards in order to remain relevant and socially acceptable. On the other hand, the dynamism of ethical standards presents an opportunity for creation of competitive advantage for those organisations that deliberately adopt stakeholder inclusive approaches. In view of the dynamism of ethics standards, the view by Russouw (2018) that morality is not an absolute state and the researcher's conceptualisation of the morality continuum (Figure 2.2) are arguably substantiated.

The subject of business ethics relates to the Stakeholder Theory in that it is the stakeholders that rate the organisational ethical conduct and their judgements are what matters as far as the organisational reputation is concerned. Thus, individual and organisational values need to be constantly ratified against stakeholder expectations in order to keep the ethical problem minimal (IoDSA, 2009, p.47). The ethical problem is the gap between society's expectations of business ethics and the actual business ethics practices (Carroll & Buchholtz, 2014). The frequent community protests around mining towns in the world are a testimony to how society can have expectations which organisations struggle to keep up with. According to principle 1.1 of the King III Code:

"The board should provide effective leadership based on an ethical foundation" (IoDSA, 2009, p.19).

However, ethics is multidimensional in its theoretical constructs thus there is ambiguity on the appropriate ethics theoretical approach to be taken if principle 1.1 of the King III Code was to be implemented in an organisation. The broad theoretical approaches to ethics are deontological (Kantianism), teleological (utilitarianism) and virtue-based ethics (Carroll & Buchholtz, 2014). The challenge of

applying business ethics is that the subject of ethics is broad with inconclusive debates around the main ethical approaches.

Regardless of the arguments for and against virtue ethics, the view taken in this study was that, broadly speaking, the theoretical underpinnings of ethics principles or theories can be classified into two broad categories, i.e., acts focused and agent-focused. These ethical theoretical underpinnings largely inform the corporate governance practices at institutional and organisational level. The legislative approach to corporate governance taken by the USA, which is 'acts' oriented has been criticised for inculcating a compliance culture which lacks foundation on principles (Andreasson, 2011). The non-universality of ethical principles and the 'subjectiveness' of what is considered to be best principles of ethics (resulting in ethical relativism) is the limitation of purely principle-based approaches to corporate governance. The hybrid approach to corporate governance as adopted in South Africa is aimed at overcoming the shortcomings of the earlier approaches. However, the commonality in these institutional approaches to corporate governance is that while there may be appreciation of the importance of virtue in ethics (in the principle-based and hybrid approaches), there appears to be a bias towards 'acts' in institutional and organisational ethics.

2.3.1 Kantianism

Deontological or Kantian ethics is a school of thought that places emphasis on ethical actions shaped by a deliberate attempt to adhere to institutional rules, regulations, laws and norms (Chakrabarty & Erin Bass, 2013). The Kantian approach inculcates a culture of compliance since the law is considered to be the standard of right or wrong. Deontological ethics is arguably the most popular approach to ethics, as most definitions of ethics seem to express the notion of right or wrong (Hodgelts & Luthans, 2003; Velentzas & Broni, 2010; Abiodun & Oyeniyi, 2014; Turyakira, 2018). Teleological and deontological approaches, despite their well-defined differences, have a common focus on acts as opposed to qualities of agents and seek to answer the question: *What ought I to do?* (Louden, 1984). The combined assurance TLDM in its auditing approach appears to implicitly endorse

deontological ethics. That is, the various lines of defence are there to identify areas of non-compliance for remediation to be actioned, since any form of non-compliance is considered wrong.

2.3.2 Utilitarianism

Consequentialist or utilitarian ethics emphasises the utilitarian outcomes of actions, i.e., actions are justifiable if their outcomes yield the “greatest good for the greatest number” (Chakrabarty & Erin Bass, 2013). The South African debates on land expropriation without compensation is an example of utilitarian ethics. With the outbreak of Covid-19 and the rollout of vaccines, boards are faced with a dilemma of potentially trampling on individual rights to refuse vaccination by insisting that all employees in an organisations must be vaccinated. While vaccination of everyone may result in greater good for society at large in the curbing of Covid -19, forced vaccinations would undermine individual rights as company boards of companies or government for that matter, argue from a utilitarian view stand in defence of their decisions. However, utilitarian ethics may entail trampling on the principle of rights. When contrasted, the principle of rights views morality from an individual or group lens while utilitarianism esteems rights of a group or society as a whole (Carroll & Buchholtz, 2014). Like deontological ethics, utilitarianism is an acts-based approach.

2.3.3 Virtue

According to Aristotle, ethical behaviour is premised upon a process of intrapersonal character information and it is imperative that one develops certain virtuous character traits that enhance consistent ethical behaviour in all spheres of life (Buys & Cronje, 2016). Virtue ethics is frequently considered a single category of ethics theory, and a rival to Kantianism and Utilitarianism. Nussbaum (1999) argues that virtue ethics is implicit in the afore-mentioned ethics theories. That is to say, Kantians and Utilitarians do in fact have an interest in the virtues and the two ethics approaches can lead to the formation of character (Nussbaum, 1999). Virtue ethics seeks to answer the question: “what sort of person should I be or become?”

(Carroll & Buchholtz, 2014). Virtue ethics focuses more on virtuous individuals and individual traits than on actions, i.e., it is agent-focused taking interest in internalised personal values and beliefs (Crisp & Slote, 1997). Critics of the virtue theory have argued that considering virtue ethics to be a single category of ethics theory and a rival to Kantianism and Utilitarianism is a mistake because both Kantians and Utilitarians can, and do, have an interest in the virtues and the formation of character (Nussbaum, 1999). Proponents for virtue ethics on the other hand, argue that there are “internal” goods, e.g., those that can be achieved from loving relationships, listening to music and/or from other kinds of intellectual stimulation, which are obtainable from exercising virtues in pursuit of excellence within the context of a particular practice (Moore, 2005). This view sees complementarity in ethical approaches as opposed to viewing them as being antagonistic. MacIntyre esteems virtue ethics:

“We should therefore expect that, if in a particular society the pursuit of external goods were to become dominant, the concept of the virtues [necessary for the achievement of internal goods] might suffer first attrition and then perhaps something near total effacement, although simulacra might abound” (MacIntyre, 1985, p.196).

How managers behave has been linked to their values as these shape their attitudes, which are a fundamental part of culture (Osemeke & Osemeke, 2017). In a typical modern business, employees come from diverse backgrounds in terms of culture, age, nationality, religion, socioeconomic status and education, thus they tend to have different values, aspirations and opinions of what acceptable behaviour entails (Turyakira, 2018).

The differences in ethics theories compound the challenge of being a socially acceptable business since standards of good or bad and right or wrong can be widely diverse, shaped by whether the socially acceptable ethical conduct is ‘acts’ or ‘being’ based. The ongoing debate on which of the ethics approaches is appropriate was acknowledged in this study, however the argument for or against any ethics approach was beyond the scope of this study. The position adopted was that organisational ethics and corporate governance practices need to be all-

encompassing to ensure that business ethics is comprehensively managed from both 'acts' and 'agent-focus' perspectives. The assessment of the TLDM model was done on the foregoing basis or assumption, and is detailed in the following section.

2.4 TLDM THEORETICAL UNDERPINNING

The Three Lines of Defence Model (TLDM) of combined assurance was developed for HSBC by KPMG within the UK in the 1990s and was later adopted by the Basel Committee on Banking Supervision as a good model for internal control management (IIA, 2018). Combined assurance is considered as the process of integration and harmonisation of support in the business to help ensure efficient, maximum risk management and oversight, taking into account the relevant risk expectations, typically to improve the understanding of the general levels of confidence and how to solve and/or mitigate areas of risk (Dmitrenko, 2017). With this definition in mind, the concept of combined assurance appears to place added emphasis on the level of confidence, promise or certainty that the ERM processes are working effectively.

Paradoxically, corporate governance failures have occurred in spite of combined assurance and its institutionalisation in South Africa, a problem acknowledged by van Rensburg, Venter and Kriek, (2013) as being existent in their sporting organisations based study. Literature suggests that the focus of monitoring and control functions must move from assuring the effectiveness of internal controls to assuring the effectiveness of risk management processes (Spira & Page, 2003; Sarens & De Beelde, 2006; Fraser & Henry, 2007; Shortreed *et al.*, 2012). Implicit in this recommendation is the acknowledgment that the combined assurance model has placed emphasis on the architecture of ERM and the application of controls than it has focused on avoiding the occurrence corporate governance failures.

The problem that emerges from this unpacking of combined assurance concept is that the combined assurance model does not provide assurance that corporate governance failures will not occur. According to Soltani (2014), corporate scandals involve different types of frauds and scams. The anatomy of corporate fraud

comprises three elements, i.e., opportunities for fraud, incentives/pressure and attitudes/rationalisations, as being the underlying causes of fraudulent behaviour as explained by the Fraud Triangle Framework (Soltani, 2014). The two elements of the Fraud Triangle Framework, i.e., opportunities and incentives/pressure resonate around architectural issues of governance, however, the third component (attitudes) resides at individual level and is informed by individual's character, or set of ethical values. It follows by interpretation that a combined assurance model, if it were to be effective, it would have to be able to assess ERM from organisational governance architecture and individual attitude perspectives. Arguably, the TLDM of combined assurance is effectively a multi-level one dimensional assurance model focusing on architecture and practices while neglecting the individual attitudes aspect.

While the concept of combined assurance has widely been accepted as referring to the consolidation and co-ordination of assurance providers from multiple sources, the researcher argues that assurance provision should be perceived as being 'combined' if it approaches ERM from both organisational governance architecture and individual moral values or attitude perspectives in dealing with the Agency problem. The TLDM of combined assurance has its theoretical underpinnings based on the 'acts' view of ethics, hence it has not focused on the agent and moral development. Instead, emphasis in the TLDM seems to be placed on organisational systems and practices of corporate governance. From this theoretical review, a research problem emerges as the question: how can the TLDM be improved and applied in South African organisations to provide combined assurance that deals with the Agency problem effectively?

2.5 COMPETITIVE ADVANTAGE THROUGH COMBINED ASSURANCE

Corporate governance and its application is one way through which organisations can create competitive advantage (Ndung'u, 2015). The relationship between strategy and corporate governance is explored in this study by considering the two disciplines' elementary models-competitive advantage and combined assurance respectively. Understanding how competitive advantage could be derived from combined assurance constituted one of the primary objectives of the study. However, before unpacking the competitive advantage-combined assurance link, a consideration of competitive advantage as well as how it is derived and sustained is imperative.

2.5.1 Competitive Advantage

The notion of competitiveness has a wide-range of contextual applications. In the context of a company, competitiveness means the creation of new growth options that create value for shareholders (Dwyer & Kim, 2003). According to Porter (2001), a firm has competitive advantage if it is able to deliver superior financial performance to its peers (Bhaya & Jassmy, 2017). Competitiveness entails the capability of an organisation to outmanoeuvre its competitors based on particular competitive advantages acquired through either minimised costs or maximised business opportunities (Hove-sibanda *et al.*, 2017). For a firm to attain competitiveness in the market, it is essential that the firm first achieve a competitive advantage, which refers to the firm doing its activities better or differently from its competitors (Maniak, 2006).

According to Porter's Five Forces model, a business faces a range of threats from substitution, rivals, new entrants, bargaining power of suppliers, and buyers bargaining power (Dobbs, 2014). It is the uniqueness of how an organisation overcomes these threats that creates competitive advantage. Creating competitive advantage through combined assurance thus would entail uniqueness in approach and difficulty in imitation of an organisation's combined assurance practice by rivals and new entrants. Competitive advantage is often assessed through quantitative

measures of financial performance, e.g., return on equity, financial bottom line, inter alia.

2.5.2 Sources of Competitive Advantage

Sources of competitive advantage can vary depending on the business strategy pursued, i.e., cost leadership or differentiation. In relating combined assurance to competitive advantage, the reasoning made by the researcher was that application of combined assurance effectively in an organisation could become a source of competitive advantage as a result of core capabilities in application, which could be embedded in the organisational culture to become a reputation (brand) as depicted in Figure 2.3.

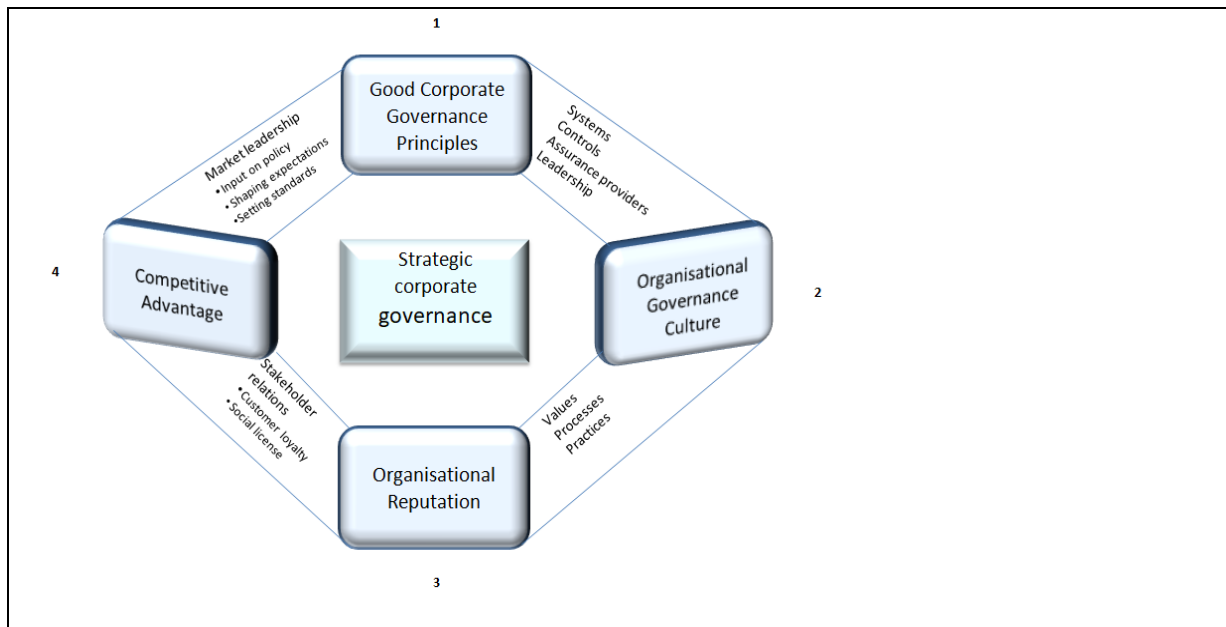


Figure 2.3: Competitive advantage through combined assurance

Source: Researcher's own compilation

Creating competitive advantage through corporate governance requires establishing and nurturing an organisational governance culture that is founded on good corporate governance principles (IoDSA, 2009). Such a culture would create a reputation and brand power that give a competitive advantage and market leadership, to determine and shape societal perceptions on standards for good corporate governance (Bhaya & Jassmy, 2017). The benefit of ethical practice is

that it enables competitive advantage to be attained as the business distinguishes itself from its competitors through good corporate citizenship (Ahmad, 2009).

The reputation of good governance could result in competitive advantage in that, the organisation would be a model of good corporate governance thus enabling it to set industry standards, attract investment and best skills (Ndung'u, 2015). In this line of thought, the effective application of combined assurance could constitute an intangible asset that gives competitive advantage with source-ambiguity, making imitation difficult for rivals. This reasoning is supported by Jones (2000) cited in Turyakira (2018), who argues that the image and reputation of a business may be influenced by the exhibits of good practices to its customers and to the general public. This is further substantiated by Hasnah *et al.*, (2015) who assert that businesses with high ethical codes of conduct and a commitment to enhancing integrity are not only profitable but have higher success prospects in a competitive world.

2.5.3 Sustaining Competitive Advantage

There is no point in creating competitive advantage if it cannot be sustained. The competitive advantage becomes sustainable if it cannot easily be imitated by rivals (Johnson, Scholes & Whittington, 2008). An organisation has a sustainable competitive advantage when the existing or potential competitors cannot duplicate its strategy and/or will incur deterring costs if they were to imitate (Kuncoro & Suriani, 2018). When a business enterprise is at a state in which it survives and is prosperous in a competitive environment over the long haul, then it has a sustainable competitive advantage (Barach, 2017). There are a number of suggested ways to sustain competitive advantage depending on whether a low cost provider or differentiation strategy is pursued.

According to Johnston *et al.*, (2008), when pursuing cost leadership strategy, competitive advantage could be sustained through:

- Unique cost structure-ability to source raw materials or human resources at cheaper rates than competitors.

- Organisational specific capabilities, e.g., down value chain cost reductions.
- Focused market segments where customer price sensitivity is low.

When pursuing a differentiation strategy, competitive advantage can be sustained through:

- Creation of difficulties of imitation through intangible assets or competences rooted in an organisation's culture such as brand, image or reputation,
- Imperfect mobility such that the capabilities that sustain differentiation cannot be traded, e.g., the existence of switching costs and co-specialisation,
- Product advancement through low cost provider benefits.

According to the economic theory, competitive advantage is achieved and sustained through successful deployment of strategic assets that share the attributes of valuability, rarity and inimitability (Barach, 2017).

In the context of combined assurance applications in organisations, effective application of the model can constitute a unique and embedded capability that is part of the organisational culture, which rivals could find difficult to imitate. According to Hart (1995) cited in Amalda and Borges (2018), sustainable competitive advantage is achievable when valuable rare, inimitable and not-substitutable enterprise resources are related to specific strategic capabilities. The question of rarity of resources and capabilities is central to sustaining competitive advantage. Those organisational practices that become embedded in the culture can be sources of competitive advantage as they are difficult to copy. Combined assurance application in an organisation in a unique way seeking to achieve both compliance and moral development of employees and management, is perceivably an avenue for competitive advantage creation which this study sought to investigate.

2.5.4 Competitive advantage through Combined Assurance

Attempts to investigate the corporate governance to firm performance relationship have yielded conflicting results (Smits, 2014). In a survey of literature relating

corporate governance to firm performance, Smits (2014) categorised the researchers on the basis of the outcomes of their studies (i.e., positive, negative, non-significant and curvilinear/u-shaped relationship) between corporate governance practice and firm performance as shown in Table 2.1. Later studies have continued to explore the nature of corporate governance to firm performance relationship albeit, the findings have fallen into the categories that Smits (2014) identified (Davila, 2014; Hove-sibanda *et al.*, 2017). To this end, there is inconclusiveness on the nature of the relationship between corporate governance and firm performance (Gill, Vijay & Jha, 2009). However there is widespread acceptance by authors that corporate governance does influence firm performance be it positively or negatively (Ljubojevic, Ljubojevic & Maksomovic, 2013; Padachi, Ramsurrun & Ramen, 2017).

Table 2.1: Corporate governance-firm performance research

Relationship	Author (Year)
Positive	
	Padachi, Ramsurrun and Ramen (2017)
	Ljubojevic, Ljubojevic and Maksomovic (2013)
	Aregbeshola and Radebe (2012)
	Luo and Bhattacharya (2006)
	Barnett and Salomon (2006)
	Peinado-Vara (2006)
	Schnietz and Epstein (2005)
	Goll and Rasheed (2004)
	Willard (2002)
	Russo and Fouts (1997)
Negative	
	Lopez, Garcia and Rodriguez (2007)

Relationship	Author (Year)
	Graves and Waddock (1999)
	Boyle <i>et al.</i> , (1997)
Non-significant/ Inconclusive	
	Gill, Vijay and Jha (2009)
	Brammer and Pravelin (2006)
Curvilinear/U shaped	
	Barnett and Salomon (2012)
	Brammer and Millington (2008)
	Eisingerich, Rubera, Seifert, and Bhardwaj (2011).
	McWilliams and Siegel (2000)

Source: Adapted from Beurden and Gosling (2008); Smits (2014)

In reality, as argued by Bates (2013), corporate governance in its practical application is an important key, which unlocks the true value of a business regardless of the firm size. Willan *et al.*, (2016), whose study revealed that organisations whether large or small have the same benefits, influences and challenges when it comes to the application of corporate governance, confirmed this. In other words, corporate governance can shift the SMME firm from a survivalist entity incapable of growing past the abilities of its owners, to being an enterprise with factual and sustainable growth through improved competitiveness, firm performance and value (Abor & Biekpe, 2007; Bates, 2013).

Jones, Harrison and Felps (2018) present an argument as to why the Instrumental Stakeholder Theory is not the dominant mode of relating with stakeholders despite research suggesting its performance benefits. The Instrumental Stakeholder Theory considers the performance consequences for firms of highly ethical relationships with stakeholders, characterised by high levels of trust, co-operation, and information sharing (Jones, Harrison & Felps, 2018). The trio identify three

shortcomings of the instrumental Stakeholder Theory literature, limiting its ability to explain variance in performance:

1. There is limited theory on how sustainable competitive advantage could be derived from instrumental Stakeholder Theory-based stakeholder management.
2. Existing studies have essentially downplayed the potential downsides (i.e., costs) that may come with pursuance of stakeholder relationships.
3. There is limited research work demonstrating how the benefits of Instrumental Stakeholder Theory shaped stakeholder relations are most likely to exceed the costs.

Jones, Harrison and Felps (2018) suggest that sustainable competitive advantage could arise from a communal sharing relational ethics strategy, based on relational contracts, joint wealth creation, high levels of mutual trust and cooperation as well as communal sharing of property to a close relationship capability. In light of the identified theoretical gaps on Stakeholder Theory application to create competitive advantage, and in consideration of the suggestions made by Jones, Harrison and Felps (2018) on how competitive advantage could be derived from a stakeholder-based strategy, this study sought to investigate further the subject with an objective of closing the identified theoretical gaps.

2.6 CHAPTER CONCLUSION

In this chapter a range of theories were considered in the context of creating competitive advantage through combined assurance application in organisations. The Agency Theory was presented as the main theory underlying the study and the conceptualisation of combined assurance. The relationship between the Agency and Stewardship theories was explored in detail resulting in the interpretation of morality as being a continuum spanning from impropriety through compliance to conscientiousness as opposed to being absolute states of being good or bad. Managerial hegemony, director and shareholder primacy models were also discussed. The position adopted for this study leans towards the Stakeholder Theory, in view of that shareholders, like stakeholders, are technically not owners of

a corporation by limited right owners on the basis of a contract they hold with the organisation.

Thus, the organisational governance efforts should seek to provide assurance to all stakeholders than just directors as is the current objective of the TLDM model of combined assurance. Combined assurance and the TLDM were then considered in relation to creating competitive advantage. The ethics in corporate governance was applied by considering the broad ethics theories. In light of the ongoing debates on the ethics theories, the position adopted in this study was that the application of ethics in business needs to cover all the bases of ethics theoretical perspectives. The last section of the chapter explored competitive advantage and how it could arise from combined assurance applications.

CHAPTER 3: LITERATURE REVIEW

3.1 CHAPTER INTRODUCTION

A literature review seeks to create context to the study by reviewing the existing body of knowledge on the research subject area. This was done in order to highlight the existence of a researchable problem and to highlight gaps in knowledge in view of the existing research work. In this chapter, a review of recent corporate governance scandals in South Africa will be done to highlight the magnitude of the problem and the relevance of this study. The existing literature on combined assurance, corporate governance to firm performance relationship and general corporate governance developments will be considered. Gaps in theory will be highlighted and the envisaged contribution of the study discussed.

3.2 RECAPPING ON THE RESEARCH PROBLEM

The research problem underpinning the study is that: the Agency problem persists and hence the corporate scandals, in spite of institutionalised advancement in corporate governance and combined assurance practice in South Africa, resulting in firms' value and competitive advantage loss in organisations (van Rensburg, Venter & Kriek, 2013). Despite divergence in corporate governance approaches, which has resulted in mandatory, principles-based and hybrid corporate governance landscapes in different geographies, corporate governance failures have continued to occur with even increasing frequency and magnitude, regardless of the approach to corporate governance adopted (Sama & Shoaf, 2013; Soltani, 2014).

South Africa has institutionalised the application of the combined assurance model through the King III & IV Codes, despite limited understanding of its effectiveness (IoDSA, 2009, 2016). Decaux and Sarens (2015) noted a dearth in literature on combined assurance there is due to the newness of the concept. In the back of limited exploration of combined assurance research, this study was done with an objective of contributing to the body of knowledge through reviewing the theoretical underpinnings of combined assurance and the TLDM. It was also intended to contribute to business practice through a consideration of applied combined

assurance practice with competitive advantage intent. The overarching question that shaped the study is: how can the TLDM of combined assurance be applied in its existing form and/or improved, in order to derive competitive advantage through minimisation of the Agency problem in organisations? This question was given relevance by the recent corporate governance failures experienced in South Africa, which are the subject of discussion in the following section.

3.3 SOUTH AFRICAN CORPORATE GOVERNANCE FAILURES

The period between 2015 and 2019 has arguably defined new lows in South African corporate governance practice. Have institutions regressed in corporate governance practice or has there been an increased revelation of malpractice? Either way, significant value has been lost in corporations and in some instances leading to the demise of entities at a cost to the various stakeholders (society). In this section, a few topical corporate governance scandals that have occurred in South Africa will be discussed.

3.3.1 Steinhoff Scandal

The facts provided here on the Steinhoff saga are based on a narrative by Naudé *et al.*, (2018). The Steinhoff saga has been noted as being possibly the biggest case of corporate fraud in South African business history that made headlines on 5 December 2017, upon the collapse of the firm's share price. As of 2016, Steinhoff was selling household goods and general merchandise with over 40 different brands, in more than 32 countries across the globe. This was supported by 26 global manufacturing facilities, 2 500 000 m² of warehouse space, 12 000 retail outlets covering 9 000 000 m² of retail space and a 4 000 000 m² property portfolio (Naudé *et al.*, 2018). With 130 000 employees on its books, Steinhoff was shipping 150 000 containers annually. In 2016, a revenue of €8 645 million and a net profit of €1 510 million were posted, representing a year-on-year growth rate of 11.8%. As of 23 May 2017, its share price on the JSE was valued at R50.25, equating to a R240.5 billion market capitalisation.

However, the empire collapsed on the evening of 5 December 2017 when the Steinhoff CEO, Markus Jooste, resigned with immediate effect amid allegations of accounting irregularities that warranted further investigation. There had been irregularities identified by Deloitte, which then led to the appointment of PricewaterhouseCoopers (PwC) to conduct an independent investigation into the allegations. These irregularities related to off-balance sheet items and possible misrepresentations of earnings, although the extent and details of what was exactly meant by “irregularities” had yet to be determined at the time of this research report.

Leading to the firm’s demise, there had been concerns over the fast-paced Steinhoff acquisition drive, the high levels of complexity associated with those acquisitions and the ability of the company to acquire ailing businesses and immediately reflect turnaround once these businesses had been incorporated into the group. The firm was very explicit on its corporate governance stance yet the collapse happened, which points to the risks associated with ‘tick-box’ compliance systems that are not underpinned by an ethical commitment to respect and abiding by relevant rules and regulations (Naudé *et al.*, 2018). The importance of compliance is seemingly just rendered a lip service in corporations.

The cause of Steinhoff’s collapse has been attributed to a number of factors relating to accounting irregularities, the role of the auditor, the dominant personality of the CEO, fast-paced acquisition spree and misleading financial reporting. The failure of one of the levels (i.e. the third line of defense) of the TLDM of combined assurance again raised its head in the Steinhoff saga.

3.3.2 The State of Capture

The term ‘state of capture’ or ‘state capture’ has become widely used to refer to allegations of institutional corruption relating to South African government and state enterprise functions masterminded by the Gupta family brothers and the unethical conduct by the South African former president (Madonsela, 2016). The hearings on the inquiry were in progress at the time of this research report. However, the essence of the complaints raised to the then Public Protector Advocate Thuli

Madonsela resonated around the breach of the executive Ethics Code of South Africa by the then South African president, relating to his relationship with the aforementioned family members. Based on the revelations made during the testimonies in the state of capture inquiry hearings, the alleged family brothers had capitalised on their relations with the 'president' of South Africa to benefit unethically through contracts with state enterprises (Madonsela, 2016). This led to the establishment of The Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State (famously known as the Zondo Commission – named after the lead Judge) by the then South African president Jacob Zuma on 23 January 2018, in terms of section 84(2) (f) of the South African Constitution (SA State Capture, 2016).

While the details of the proceedings of the Zondo commission (which was in session at the time of this report) are beyond the scope of this research report, what has been noteworthy from the testimonies heard is the testimony by the former Minister of Finance, Mr Nhlanhla Nene. Nene had become famous for his integrity that led to his unceremonious dismissal by president Zuma, leading to market reaction that heavily devalued the South African currency in December 2015 (SA State Capture, 2016). There had been widespread calls for his re-instatement, which eventually happened when president Zuma was recalled and replaced by the incumbent Cyril Ramaphosa in 2017. At the Zondo commission, Nene admitted to having met the controversial Gupta brothers at their private residence at least four times. This was a stark contradiction to his answers provided in 2016 to eNCA during an interview (Manyathela, 2019)². Amid mounting pressure from various proponents, Nene resigned and was replaced as Finance Minister by Mr Tito Mboweni.

Also of significance in the Zondo commission was the testimony of the former deputy Minister of Finance, Mr Mcebisi Jonas. Jonas was the whistle-blower on state capture and was central in the establishment of the investigations into the allegations of state capture by the Public Protector. During the Zondo Commission proceedings, it came to light that some of Jonas' statements provided to the Public

² <https://ewn.co.za/2018/10/09/nene-s-resignation-how-did-we-get-here>

Protector during investigations were inaccurate, indicating possibilities that he might have misled the Public Protector (Umraw, 2019)³.

However, amid questions raised on the integrity of his statements in the Madonsela inquiry, his whistle-blowing has remained largely relevant in the unearthing of state capture. Despite criticism of Jonas for supposedly lying to the Public Protector, he remains hailed for his courage and bravery in exposing what has become an inferno of revelations of corporate governance failures in South African state institutions and the private sector alike.

Also featuring in the Zondo Commission has been Angelo Agrizzi, the former Chief Operating Officer of Bosasa Group. Agrizzi's testimony brought to light that the state capture by private sector or families extended beyond the Gupta family. His testimony highlighted how cash payments were made to influential politicians and civil servants as gifts for awarding state contracts to the Watson family-owned Bosasa Group (SA state capture, 2016). While Agrizzi has been explicit in revealing the names of individuals involved in state capture, questions have been raised over his sudden turn to whistle-blowing, given that he was critically involved in the Bosasa Group and state institutions corruption. His motive for whistleblowing has also been questioned since there has been indication that he aspired to take over Bosasa Group and became spiteful when his plans did not materialise.

The testimonies of whistle-blowers and their cross examinations in the Zondo Commission of inquiry highlight how morality is not an absolute state as alluded to in section 2.2.2 and Figure 2.2 of this report. Rather, morality should arguably be viewed as a continuum between impropriety and stewardship with compliance being the middle ground. The anatomy of governance failure in the state of capture saga was shaped by individuals' sense of moral values and judgement or a lack thereof. This case highlights the importance of moral or character development in individuals and how it can affect an organisation or country for that matter. Also evident in the state of capture saga is the failure of combined assurance at all the levels i.e. management, internal and external auditors. In the back of the state capture saga,

³ <https://www.timeslive.co.za/politics/2019-03-15-mcebisi-jonas-admits-to-errors-in-thuli-madonselas-state-capture-report/>

this research report gave regard to the significance of assessment of moral development when applying combined assurance in organisations.

3.3.3 The KPMG Saga

According to the Mail & Guardian of 13 September 2018, newer revelations came to the fore regarding a KPMG lead auditor's failure to disclose the loans that the accused held with the embattled VBS Bank of South Africa. In a narrative by Jika (2018), the revelations came after a series of auditing failures had been revealed in 2017 where KPMG produced a report for South African Revenue Service confirming the existence of an illegal spy unit. The auditing firm later withdrew the report since political manipulation appeared to have compromised the firm's independence in the compilation of the report. According to an article by Donnely (2018) in the Mail & Guardian tabloid, KPMG had also been accused of ignoring irregular financial transactions in some government departments where payments were made to the Gupta-owned firms. Furthermore, disclosures by its auditors were not made regarding their invitation and attendance to the exclusive Gupta family wedding at the Sun City Resort and Casino in the North West province of South Africa.

In essence, KPMG scandals were a case of an independent auditor failing to act independently in the dispensation of auditing functions thus causing the third line of defence in the TLDM to fail. The KPMG scandals in the context of the role it played in corporate governance failures as an auditor gives effect to the rhetoric that, 'who will guard the guards' in combined assurance? KPMG, once a dominant auditing firm in South Africa with clients ranging from JSE top 40 listed corporations and state enterprises, has significantly lost its reputation and competitive positioning in South Africa. The case of KPGM corporate governance scandals provides insights into how poor application of combined assurance can lead to loss of competitive advantage in organisations, as a result of tarnished corporate image and reputation.

3.3.4 The Venda Building Society (VBS) mutual bank heist

The VBS Mutual Bank saga as detailed in The Great Bank Heist report by Motau *et al.*, (2018) is a case of looting of depositors funds from the bank by 50 implicated individuals. Bribery was used to silence would be whistle-blowers while the executives and non-executive directors of the bank looted close to R2 billion. The largest deposits by amounts were from state entities and municipalities.

Major political party affiliates have been implicated in the VBS saga as they appear to have used political power and connection to influence state deposits into the bank. The proceeds of the loot were used by the alleged looters to finance a lavish lifestyle. The VBS saga gives substance to the researcher's analysis of the Agency problem using Maslow's hierarchy of needs. The desire to attain a prestigious societal status and lifestyle appears to have been the motive for the theft of the bank funds. Status appears to have been the motivating factor in this latest corporate governance scandal of considerable magnitude. The corruption of executive and non-executive directors alike in the VBS scandal including the external auditor highlight the fact that assurance provision needs to be done to broader stakeholders and not just directors as there is evidently an existence of a 'principal problem'⁴ over and above the widely accepted managerial Agency as per the Agency Theory.

The reviewed corporate governance scandals are by no means the only corporate governance failures that have been documented recently in South Africa. However, it is emergent from the review that in all the four cases considered, the scandals involved a failure of the TLDM of combined assurance in providing proactive corporate malpractice detection, in part or entirely. The failure of the third line of defence, i.e., the audit function, is particularly conspicuous in the scandals considered hence the rhetoric- 'who will guard the guards?'

⁴ Principal Problem – The pursuit of self-serving interest by directors or company owners at the expense of the organisation and other stakeholders.

3.4 EXISTING RESEARCH THRUSTS

According to Decaux and Sarens (2015), the combined assurance concept is relatively new, thus there is limited literature exploring its theoretical underpinnings and adequacy in dealing with the Agency problem in organisations. However, Forte and Barac (2015) contend that combined assurance is not a new concept, as it agrees in principle with the elements of assurance mapping and integrated assurance. According to Hardy (2014), Beale (2013) and Hodge (2012) cited in Forte and Barac (2015), assurance mapping and integrated assurance involve mapping the key risks so as to ensure adequate coverage of all risks and to avoid duplication of effort, which in essence is the definition of combined assurance. In the context of the South African corporate governance, the significance of combined assurance could be said to have taken effect since King Code III recommended its application in organisations (IoDSA, 2009).

Dzomira (2016) investigated the espousal of combined assurance in the South African public sector by reviewing audit outcomes for the period between 2014-2015, for eight of the nine South African provinces. It was concluded that the three levels of assurance provision were generally applied in the government institutions (Dzomira, 2016). However, the events of the state of capture have highlighted the gravity of corporate governance failure in state institutions, in spite of the findings by Dzomira (2016). The contrast between the level of combined assurance application and the corruption or fraud in state institutions raises an inquisition into the adequacy of the combined assurance TLDM and/or its application approach by institutions. It could be argued that if combined assurance application in state institutions were to be commendable, as per findings by Dzomira (2016), then it would be expected that corporate governance scandals would be abated in those institutions, if the combined assurance model TLDM was effective.

Masegare (2018) asserts that boards are struggling to effectively and efficiently manage risks despite having the combined assurance model, a support tool which seeks to manage risks holistically without duplication of effort. As a result of this failure in combined assurance application, an erosion of stakeholders' confidence

and interest in organisations in South Africa has occurred (Masegare, 2018). Albeit, empirical measures of confidence and interest loss in South African organisations were not presented by Masegare (2018). Furthermore, the causal relationship between combined assurance application and stakeholder confidence, as well as interest in South African organisations was not empirically explored by the aforementioned researcher. In the absence of such empirical evidence to support the assertions by Masegare (2018), the assertions cannot be substantiated. However, the author suggested a value added combined assurance model in the form of a checklist for mapping the adequacy of assurance provision in various organisational functions as per PwC recommendations. PwC suggested a Four Lines of Defence Model by making a distinction between internal and external audit functions in the original TLDM (PwC, 2014) as a solution to the acknowledged challenge of embedding combined assurance in organisations. PwC (2014) lists four business challenges in embedding combined assurance in organisations: 1) Inadequate culture and behaviour at the top; 2) Lack of balance between risk resilience and readiness; 3) Lack of board confidence in the effectiveness of governance of risk and control processes, the quality and reliability of management reporting, and 4) Blurred lines of defence in the model, resulting in irrelevant, inefficient and inadequate co-ordination of assurance efforts. A corresponding four steps were suggested by PwC for improving combined assurance implementation: 1) Complete an assurance map; 2) Assurance reality check; 3) Combined assurance design, and 4) Making combined assurance a continuing reality.

The significance of the conceptualisation of the Four Lines of Defence Model by PwC (2014) is that, it provides a practical stepwise guide on how to implement and embed combined assurance in organisations. Furthermore, there is acknowledgement of the inadequacy of the TLDM. The researcher however does not place significance in the number of lines of defence in combined assurance since adding lines of defence on the same model arguably does not resolve the problem of 'who will guard the guards' in combined assurance.

Russouw and Marais (2015) conducted a literature review with an aim of discussing combined assurance prominent themes in order to identify the possible impact of combined assurance on the internal auditing function. The pair argues that combined assurance could potentially change the face of assurance providers with consequences of casting doubt on the relevance and viability of the involvement of the internal audit function in assurance provision. Russouw and Marais (2015) argue that organisational risks in the current competitive market have become too diverse to be effectively covered by only one assurance provider. As such, there is an increasing demand for other internal assurance providers as there now exists an assurance vacuum, due to the growing inadequacy of the internal audit function. On this basis, Russouw and Marais (2015) foresee a threat of irrelevance of the internal audit function as a result of growth in reliance on alternative sources of internal assurance provision. Concerns over potential redundancy of the internal audit function are somewhat contradictory to the very reason why organisations may find it necessary to increase assurance provision from other internal sources. Rather, the researcher is concerned over viability of the entire audit function (internal and external) given the prevalence of unprofessional conduct by auditors in cases where corporate scandals would have occurred.

Manning (2018) conducted a case study on Bernard L. Madoff Investment Securities (BLMIS) that sought to understand the social network analysis of criminal networks at both the ego and socio-centric levels. By analysing archival data from the court proceedings of the Enron saga court case, Manning (2018) established that financial crime literature can be expanded with a social capital analysis, which facilitates a socioeconomic analysis of egocentric criminal networks. The study by Manning (2018) relates to the analysis of the Agency Theory using Maslow's hierarchy of needs model applied by the researcher earlier in this report. In this thinking, certain ego and socio-centric behaviours could be a basis of proactively identifying would-be financial criminals. That is to say, from the desire to display certain self and social achievements and attain some form of esteem or self-actualisation, financial criminals tend to form networks, which when busted, could actually avoid financial crimes that would occur in future.

Schreurs and Marais (2015) investigated the perspectives and experiences of Chief Audit Executives (CAEs) of listed companies in the financial services industry in South Africa, in order to determine the status of combined assurance practices in organisations. The pair further intended to identify critical success factors for combined assurance implementation in order to determine the role of internal audit in the implementation of combined assurance, and to identify obstacles hampering successful combined assurance implementations. From the findings obtained, CAEs viewed combined assurance implementation as a journey, with organisations being at various levels of maturity in the implementation process. Challenges faced by organisations in combined assurance total implementation were identified as being: executive management's lack of buy-in, second line of defence functions immaturity, varying regulatory environments, and the absence of a dedicated combined assurance champion (Schreurs & Marais, 2015).

The foregoing authors' study provided valuable insights on combined assurance practice in South Africa as it was conducted after five years since combined assurance had been institutionalised in the country through the third King Code. From the review of the work by Schreurs and Marais (2015), it was deduced that combined assurance failures could actually be arising from infancy of the stages of implementation of the model in the organisations as opposed to flaws in the model and its theoretical underpinnings. However, the review of corporate governance failures experienced in South African organisations considered earlier in this report draws attention to the model itself as there is evidently failure of certain lines of assurance provision in those cases.

Studies investigating the application of combined assurance to create competitive advantage were not identified in the review of literature conducted. However, a view of competitive advantage through corporate governance has been conceptualised in the sense of CSR in most studies. The findings made by Smits (2014) that corporate governance to firm performance relationship studies fall under four classes of findings (i.e., positive, negative, non-significant and curvilinear) was confirmed in the survey of literature done by the author as alluded to earlier (Table 2.1). The researcher thus did not find any worth in engaging in the cycle of

inconclusive arguments on the matter. Instead, competitive advantage through combined assurance application in this research was in view of core capabilities and reputation or image, leading to firm attractiveness to investors and skilled employees (Figure 2.3).

In a Jordanian pharmaceutical companies focused study, Zamel and Qatawneh (2015) investigated the impact of corporate governance on achieving competitive advantage. The pair tested the statistical significance of the impact of corporate governance dimensions (i.e., accountability, justice, social responsibility and autonomy) on competitive advantage variables cost leadership, differentiation and excellence. The findings revealed the existence of a statistically significant impact of corporate governance dimensions on the competitive advantage variables. In the back of these findings, the researcher sought to investigate how combined assurance application could be done to create competitive advantage through corporate image and reputation in South African organisations.

3.5 GAPS IN THEORY

The review of literature on theory and corporate governance landscapes revealed some theoretical gaps identified by the researcher:

- Ethics is multidimensional and there is a lack of consensus on its theoretical frameworks, which makes implementation of ethics-based corporate governance difficult (Carroll & Buchholtz, 2014).
- There is extant literature on 'acts' based ethics theories with limited exploration of virtue ethics albeit there are debates over the theoretical status of the latter as being a separate theory of ethics (Dzomira, (2016).
- Institutional and organisational corporate governance practice lean heavily on 'acts' based ethics with under emphasis on virtues of agents and moral development (Hodgelts & Luthans, 2003; Velentzas & Broni, 2010; Abiodun & Oyeniya, 2014; Turyakira, 2018).
- The TLDM, as informed by the hybrid corporate governance landscape in South Africa that has an 'acts' bias, is summarily a one dimensional assurance

model that pays little attention on the implementation of moral development in organisations (Russouw, 2018).

- There is a lack of a theoretical framework that advocates for combined assurance from both perspectives of ethics, i.e., 'acts' and 'virtues' in the quest for competitive advantage (Alles, Kogan & Vasarhelyi, 2003; Chiu, Liu & Vasarhelyi, 2018).
- There remains inconclusivity on the competitive advantage benefit of stakeholder based strategies, which warrants further exploration of the subject (Jones, Harrison & Felps, 2018).

3.6 CONTRIBUTIONS OF THE STUDY

The study contributes to the body of knowledge by attempting to close the identified theoretical gaps through a conceptual model for combined assurance. From a methodological point of view, a variation in approach was adopted, which deviated from the conventional approaches that have tended to argue a business case for corporate governance. The methodology enabled perceiving combined assurance application as a mechanism for creation of competitive advantage, by incorporating agent-focused and acts based ethical approaches in a combined assurance model, i.e., the FLAM.

3.7 THE FLAM CONCEPTUAL FRAMEWORK

The proposed conceptual model for combined assurance redefines combined assurance as the application of assurance efforts in a co-ordinated manner, to inculcate 'acts' and 'agent-focused' ethical practices for assurance provision to the broader stakeholder community. This approach would bring about the 'combined-ness' of assurance provision as opposed to the meaning of mere consolidation of many assurance providers it has in the present TLDM of combined assurance definition. Furthermore, there is acknowledgement of the role of board committees and external board appraisals as distinct levels of assurance provision in the proposed revised TLDM of combined assurance. The result is the FLAM of combined assurance (Figure 3.1).

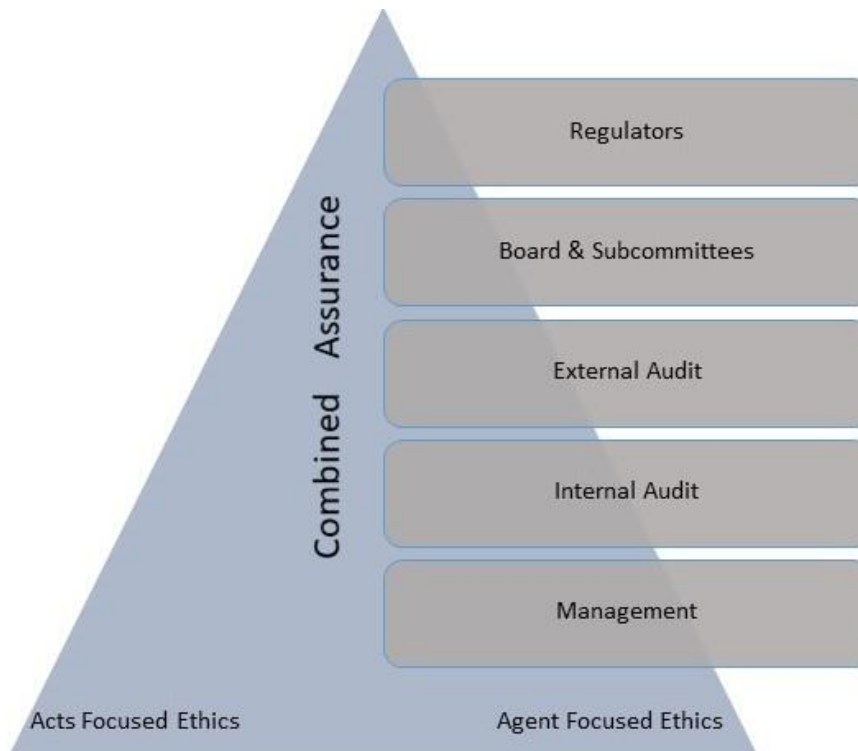


Figure 3.1: Five Levels of Assurance Model (FLAM)

Source: Researcher's own compilation

Level 1

In the FLAM, management and the various lines of supervision form the first level of assurance in organisations. As in the TLDM, management is perceived as being closer to the daily operations of an organisation and is thus better poised to identify organisational risks, formulate risk management initiatives and ensure that all risk management initiatives are implemented (PwC, 2014).

Level 2

The second level of assurance in the FLAM consists of organisational systems, processes and practices designed for the management organisational risk. Level 2 of the FLAM is similar to the second line of defence in the TLDM (Lewis, 2012).

Level 3

Level 3 of the FLAM, like in the TLDM, consists of the internal and external audit functions (Lewis, 2012). The audit functions should be separated from the

operational lines of reporting in order to maintain an independent opinion on assessing the effectiveness of the first and second level of assurance. The functioning of the audit function should be as per the stipulations of the Companies Act.

Level 4

The variation of the FLAM from the TLDM is in the introduction of level 4 of assurance. In the FLAM, the board and its subcommittees form the fourth level of assurance. The significance of the introduction of the fourth level in the FLAM is in that there is acknowledgement in the model of shortcomings of the Agency Theory on which the TLDM heavily leans in explaining corporate scandals (in cases where director self-serving interests has been noted). Out of the realisation that self-serving interest can also be found in directors and shareholders even in the FLAM, the objective of assurance provision is extended beyond directors, to seeking to provide assurance to the broader stakeholders of the organisation (shareholders, employees, society, government, etc.). The FLAM also varies from the TLDM in its Stakeholder Theory bias as opposed to the director primacy and/or shareholder primacy models that largely shape assurance provision under the TLDM.

The introduction of the fourth level of assurance in the FLAM is in line with the provisions of the Companies Act that outlines the duties of the directors. Moreover, by introducing the fourth level of assurance, the directors' responsibility for organisational assurance processes becomes explicit and their accountability to stakeholders brought to light. In essence, the fourth level of the FLAM indicates that the combined assurance model should not be applied as a convenience tool for reducing information overload to directors, but instead, it should be applied with a purpose of earning corporate legitimacy.

Level 5

From appreciating that Agency is not only a management phenomenon but that it can also exist in directors, the FLAM introduces board appraisal and independent regulators as a fifth line of assurance provision. This logic is supported by cases of

corporate governance failure that have highlighted directors' pursuit of self-serving interest at the expense of the organisations (e.g., the VBS scandal discussed in section 3.3.4 of this report). By introducing a fifth level of assurance, the FLAM attempts to bring about assurance provision to stakeholders, thus extending the objective of combined assurance beyond directors as envisaged in the TLDM. Board appraisals should typically be performed by independent professional bodies with in-depth knowledge of board functions and corporate governance, e.g., the IoDSA. It is also suggested that in applying the FLAM, a signed statement by an independent board appraisal firm must be included in the organisations' annual integrated report in a similar way that independent external auditors sign off financial statements. This practice will not only curb the self-serving interest by principals (directors), but will also enable stakeholders to assess the effectiveness of the board in dispensing its functions in the organisation.

In the FLAM, emphasis is not placed on the number of levels of assurance but rather, the focal point is on ensuring that moral development that is based on best ethical principles is inculcated within an organisation, to aid ethical decision-making by individuals, thus taking away the need for many layers of 'guards.' According to Nicolaidis (2017), ethical behaviour can be a differentiation mechanism for a business, that can lead to gaining strategic competitive advantage in a market place through communication and actual practice of organisational values. Since the acts part of ethics has largely been institutionalised, yet corporate scandals persist, the agent-focused ethics could be the missing link in the competitive advantage through combined assurance efforts in organisations. Extending business practice beyond merely ticking the boxes of compliance and profit fixation into the realms of the spirit of the law could develop a new outlook for organisations, which is characterised by an organisational culture-based legitimate welfare and sustainability of society (Nicolaidis, 2018).

The different levels in the FLAM model are purposefully referred to as 'levels of assurance' as opposed to being 'levels or lines of defence.' This variation acknowledges that combined assurance needs to be applied with an intention to be transparent about the organisational practices for the stakeholders to make their

own judgements. The notion of 'defence' arguably creates an impression that organisational governance practices or malpractices need to be defended, protected or concealed. The researcher argues that perceiving combined assurance as a defence mechanism has an extrinsic view of the problem, that is, views the organisational threats to the reputation and image as being from the public as opposed to being intrinsic, i.e., organisational values, ethics culture, control systems and management practices. The FLAM thus supports looking inside for competitive advantage (Barney, 1995). According to Barney (1995), creation of sustainable competitive advantage is dependent on the uniqueness of the resources and capabilities that a firm possesses, thus, managers need to search inside their organisations for those rare and expensive-to-copy resources, to apply them as the basis of competition.

3.8 CHAPTER CONCLUSION

In this chapter, a review of literature was conducted with an objective of highlighting the existence of the research problem thus justifying the relevance of the study. A consideration of the most recent South African corporate governance scandals of significance was done. These revealed a commonality of failure of a part or the whole of the TLDM of combined assurance in stopping corporate governance scandals. Attention was then turned on the existing combined assurance research thrusts. In the existing body of knowledge, no attempt to investigate competitive advantage through combined assurance application in South Africa could be found through the review of literature done. The identified gaps in theory and the contribution of the study were then presented. The contribution to the body of knowledge included suggestions for improvement of the existing TLDM of combined assurance through a FLAM, which includes the agent focus in the ethics theory foundations of the model. Furthermore, the objective of assurance provision was shifted from providing assurance to the directors, to the broader stakeholder community in view of the existence of the 'principal problem' and the esteem placed on the Stakeholder Theory in this study.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 CHAPTER INTRODUCTION

Research is about systematically finding out new knowledge (Walliman & Walliman, 2011, p.7). The process followed in a research is the methodology and according to Brown (2006), the philosophical framework governing or underpinning the research is the methodology. In this chapter, an exploration of the methodology followed in this study will be done, justifying the choice by detailing the research design. According to Yin (2011) cited in Masekela (2016), a research design details a set of flexible guidelines connecting theoretical paradigms to strategies of inquiry and empirical data collection. The importance of clarifying the research methodology and design is that it reduces the ambiguity of the research evidence (De Vaus, 2001). This chapter will furthermore describe the population and sample, addressing the issues of representativeness, reliability, as well as validity to provide insights into the measures taken to enhance the quality of the study. Ethical considerations pertaining to the study will be made and the detail on how ethics was managed throughout the study provided.

4.2 PHILOSOPHICAL APPROACH

A research philosophy is a belief about the ways in which data about a phenomenon should be collected, analysed and used (Bajpai, 2011). According to Trigg (1985) cited in Appiah (2013), the philosophical stance forms the starting point for all social science research since where one stands can influence what they see (Fischer, 1998). The four main research philosophies in business studies are:

- Positivism;
- Interpretivism;
- Pragmatism and
- Realism.

In order to understand the differences in the foregoing research philosophies, a consideration of ontology, epistemology and axiology is warranted.

4.2.1 Ontology

Research philosophy can be viewed in terms of ontology and epistemology. Ontology is a system of belief that reflects an interpretation by an individual about what constitutes a fact, i.e., it is the study of being (Blaikie, 2010). Ontology deals with the debate of whether the world should be viewed objectively (positivism) or subjectively (constructionism or interpretivism). According to Saunders, Lewis and Thornhill (2012), objectivism takes the view that the existence of social entities in reality is external to social actors that have to do with their existence. That is to say, social actors have no influence on the existence of social phenomena and their meanings. On the other hand, subjectivism (or constructionism or interpretivism) subscribes to the school of thought that social phenomena are a product of perceptions and consequent actions of those social actors concerned with their existence. Bryman (2012) defines constructionism as an ontological position in which social actors continually accomplish social phenomena and their meanings. A clarification of the ontological position of the researcher is important in providing clarity on what informed the choice of the research design adopted in a study. In this study, the ontological position adopted was that the world is a complex system that arguably cannot be understood entirely by either objectivism or subjectivism.

The researcher subscribes to the school of thought that suggests that, what constitutes reality is a combination of what can be measured objectively and our perceptions (which are shaped by our subjective predispositions and feelings). As such, an understanding of what we term reality would arguably require an exploration of both objective and subjective attributes of phenomena if deeper insights are to be obtained. In this regard, the debates over which of positivism or interpretivism is an appropriate philosophical stance to be used in research were considered irrelevant in this study. The two approaches were considered as providing different views, which may be valid in describing the reality about phenomena. This ontological position takes a pragmatic research philosophy as shown in Table 4.1 below.

4.2.2 Epistemology

Epistemology deals with knowledge sources and what is deemed acceptable knowledge in a particular field of study (Hallebone & Priest, 2009). According to Hallebone and Priest (2009), epistemology can be labelled as the study of the researcher's criteria of classifying what does and does not constitute the knowledge. In business research, the following four categories are considered to be sources of knowledge:

1. Intuitive knowledge: is based on intuition, faith, beliefs, etc. Intuition places greater reliance on human feelings rather than facts as a source of knowledge;
2. Authoritarian knowledge: relies on information that has been obtained from books, research papers, experts, supreme powers, etc.;
3. Logical knowledge: is a creation of new knowledge through the application of logical reasoning, and
4. Empirical knowledge: relies on objective facts that have been established and can be demonstrated.

During this research process, the four sources of knowledge detailed above were all recognised and applied at different stages. While there are many branches of epistemology, i.e., essentialism, historical perspective, perennialism, progressivism, empiricism, idealism, rationalism and constructivism, inter alia, empiricism and rationalism are the two major constructing epistemological debates that relate to business studies.⁵ In empiricism, personal experiences associated with observation, feelings and senses constitute a valid source of knowledge, while rationalism esteems empirical findings gained through valid and reliable measures (Hallebone & Priest, 2009). In this study, both empiricism and rationalism were deemed as valid sources of knowledge. This epistemological position was in line with the pragmatic ontological philosophy to which the researcher subscribed.

⁵ www.research-methodology.net.

4.2.3 Axiology

According to Saunders *et al.*, (2012), axiology concerns judgements about the value. Axiology primarily refers to the 'aims' of the research and attempts to clarify if the researcher is attempting to explain or predict the world, or their aim is only seeking to understand it (Lee & Lings, 2008). Axiology, thus, is concerned with establishing what the researcher places value on throughout the study as this influences how the study is conducted and findings are analysed (Li, 2016). In this study, the axiological stance taken was that, values play an important role in the interpretation of results, thus both objective and subjective point of views were adopted in an attempt to obtain knowledge on what the reality is. Table 4.1 shows how axiology is applied in the various research philosophies.

Table 4.1: Comparison of four research philosophies

	Positivism	Realism	Interpretivism	Pragmatism
Ontology: the researcher's view of the nature of reality or being.	External, objective and independent of social actors.	Is objective. Exists independently of human thoughts and beliefs or knowledge of their existence (realist), but is interpreted through social conditioning (critical realism).	Socially constructed and subjective and may change. Multiple.	External, multiple, view chosen to best enable answering of research question.
Epistemology: the researcher's view regarding what constitutes acceptable knowledge.	Only observable phenomena can provide credible data, facts. Focus on causality and law-like generalisations, reducing phenomena to simplest elements.	Observable phenomena provide credible data, facts. Insufficient data means inaccuracies in sensations (direct realism). Alternatively, phenomena create sensations that are open to misinterpretation	Subjective meanings and social phenomena. Focus upon the details of situation, a reality behind these details, subjective meanings motivating actions.	Either or both observable phenomena and subjective meanings can provide acceptable knowledge dependent upon the research question.

	Positivism	Realism	Interpretivism	Pragmatism
		(critical realism). Focus on explaining within a context or contexts.		Focus on practical applied research, integrating different perspectives to help interpret the data.
Axiology: the researcher's view of the role of values in research.	Research is undertaken in a value-free way; the researcher is independent of the data and maintains an objective stance.	Research is value laden; the researcher is biased by world views, cultural experiences and upbringing. These will impact on the research.	Research is value bound, the researcher is part of what is being researched; cannot be separated and so will be subjective.	Values play a large role in interpreting results, the researcher adopting both objective and subjective points of view.

Source: Adapted after Masekela (2016)⁶

⁶ Originally by Saunders *et.al.*, 2009.

4.2.4 Pragmatism Research Philosophy

This study adopted a pragmatic research philosophy as highlighted in Table 4.1 above. According to Saunders *et al.*, (2012), pragmatics believe that the world can be interpreted in a variety of ways and that there is no single point of view that can provide a complete picture, given that there may be existence of multiple realities. Most research fall either under positivism or interpretivism. However, pragmatics can combine both positivism and interpretivism within a scope of a single research, informed by the nature of the research question (Collis & Hussey, 2014). Thus, pragmatics can apply both qualitative and quantitative research strategies to answer the research question.

In this study, the justification for the pragmatic approach lies in the research questions. The research questions below have both qualitative (main question 1 and the sub-question) and quantitative (main questions 2 and 3) inquiries, i.e.:

1. What are the theoretical underpinnings of the TLDM of combined assurance found in the existing body of knowledge?
2. How adequate is the TLDM in providing assurance to South African directors that employees will do the right thing even when no-one is watching?
3. To what extent is the TLDM of combined assurance applied by South African directors from a strategic point of view to create competitive advantage in South African organisations?
 - How can the existing TLDM of combined assurance be improved to enhance the effectiveness of combined assurance and creation of competitive advantage through its application in South African organisations?

Given the research questions above, which were shaped by the aim and objectives of the study, the researcher adopted a pragmatic research philosophy as it would arguably enable answering the research questions and resolution of the research problem. In consideration of the limitations of pure positivism or interpretivism, the literature seems to suggest embracing a middle ground, i.e., a mixed research

design (Easterby-Smith Thorpe & Lowe, 1991; Miles & Huberman, 1994; Stiles, 2003; May, 2011; Appiah, 2013). While positivism and interpretivism have considerable ontological and epistemological differences, Easterby-Smith, Thorpe, and Lowe (2008) argue that in actual research, the incompatibility of the two approaches is distorted. These arguments favour application of both approaches in one research, as was done in this study. Pragmatism also has an advantage of allowing liberation from the forced choice dichotomy between positivism and constructivism which limits sociological imagination (Feilzer, 2010).

4.3 RESEARCH DESIGN

In light of the foregoing discussion on the research philosophy, the choice of research design for this study is highlighted in the adapted research onion by Saunders *et al.*, 2009 (Figure 4.1). A pragmatic research philosophy using both inductive and deductive approaches in a mixed methods research was used to collect and analyse both qualitative and quantitative data in a cross-sectional time horizon using a survey strategy. This research design was considered appropriate for meeting the ontological, epistemological and axiological philosophical inclinations of the researcher.

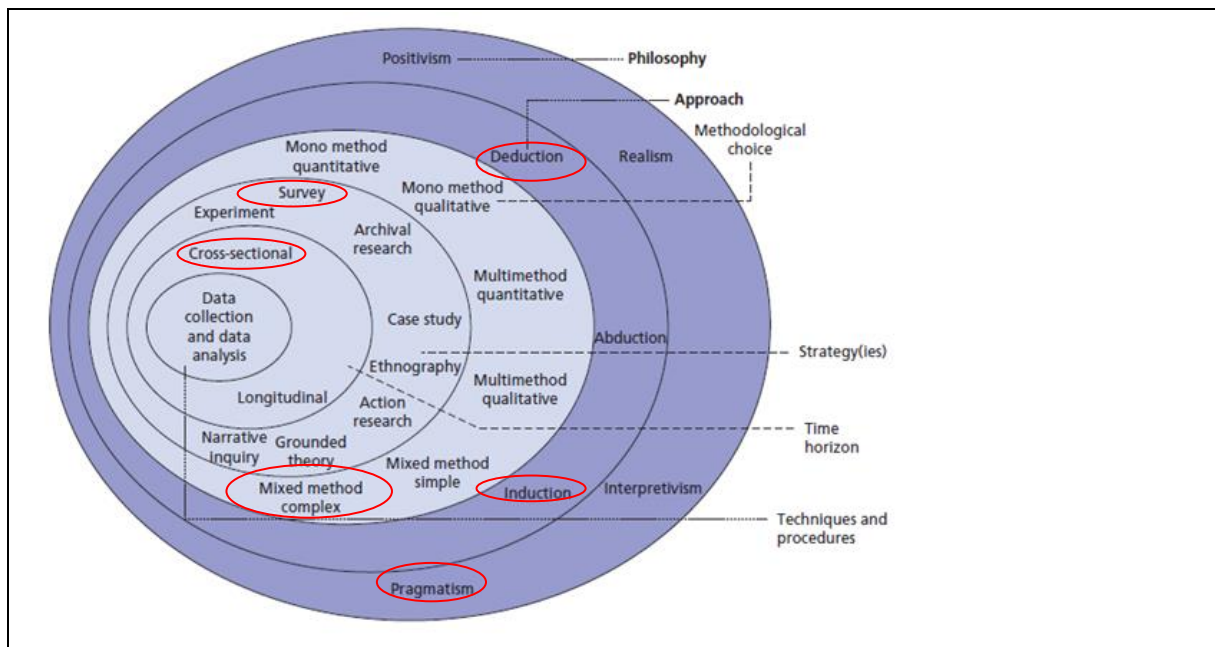


Figure 4.1: Research Design

Source: Adapted from Saunders et al., (2009)

A mixed methods research design (Figure 4.1) was adopted to gather both quantitative and qualitative data from South African governance practitioners on their perspectives on the TLDM of combined assurance and its strengths and weaknesses as a tool for creation of competitive advantage through effective board oversight in organisations. Quantitative data was collected using a survey tool (online questionnaire – Appendix G), while qualitative data was partly from the online survey but largely from face-to-face interviews (Appendix H). Both data sets were collected over a cross-sectional timeframe, concurrently. A convergent design, which placed equal weighting on both qualitative and quantitative aspects (Quant=Qual), was used and triangulation done to arrive at conclusions (Leedy & Omrod, 2015). This research design was considered appropriate for the realisation of the research objectives in that in-depth understanding of phenomena would be achievable through this pragmatic approach. Inductive reasoning was applied on the qualitative data set in an attempt to theorise the findings.

Induction emphasises the understanding of the meanings humans attach to events and involves movement from observations and findings to theory, where theory is the outcome of the research (Bryman & Bell, 2007; Van Rensburg, 2016; Madondo, 2017). Deduction was applied on the quantitative aspects of the data in order to test the hypotheses postulated. The findings from qualitative and quantitative analyses were given equal emphasis in drawing conclusions on combined assurance (TLDM) theoretical underpinnings and the application of combined assurance (TLDM), in view of creating competitive advantage through combined assurance practice in South African organisations.

4.4 THE VARIABLES

The study investigated complex social phenomena with multivariate correlation relationships. The variables consisted of measured and latent variables. The measured variables were the perceptions of governance practitioners on various aspects of combined assurance and competitive advantage. The variable 'Combined Assurance (TLDM) adequacy in its theoretical underpinnings' (AD_ETHICS) was viewed as being positively correlated to the variable 'TLDM

effectiveness in eliminating Agency' (EFF_AGENCY). The variables 'Implementation of combined assurance (TLDM) with compliance focus' (IMPL_COMP) and 'Implementation of combined assurance (TLDM) with moral development focus' (IMPL_TLDM_MDF) were envisaged as mediating relationship between AD_ETHICS and EFF_AGENCY. AD_ETHICS was viewed as negatively correlated to 'Improving the TLDM' (IMPR_TLDM), i.e., with increased adequacy of the TLDM in its ethics underpinnings, the need to improve the model would decrease.

In the application of TLDM, 'Competitive Advantage' (CA) would arise through effectiveness of TLDM implementation and Agency reduction. CA was viewed as consisting of sub-constructs 'creation of competitive advantage' (CR_CA_TLDM) and 'scope for competitive advantage creation' (SCOPE_CR_CA). The nature of relationships between the variables is depicted in Figure 4.2 below, showing the Structural Equation Model (SEM).

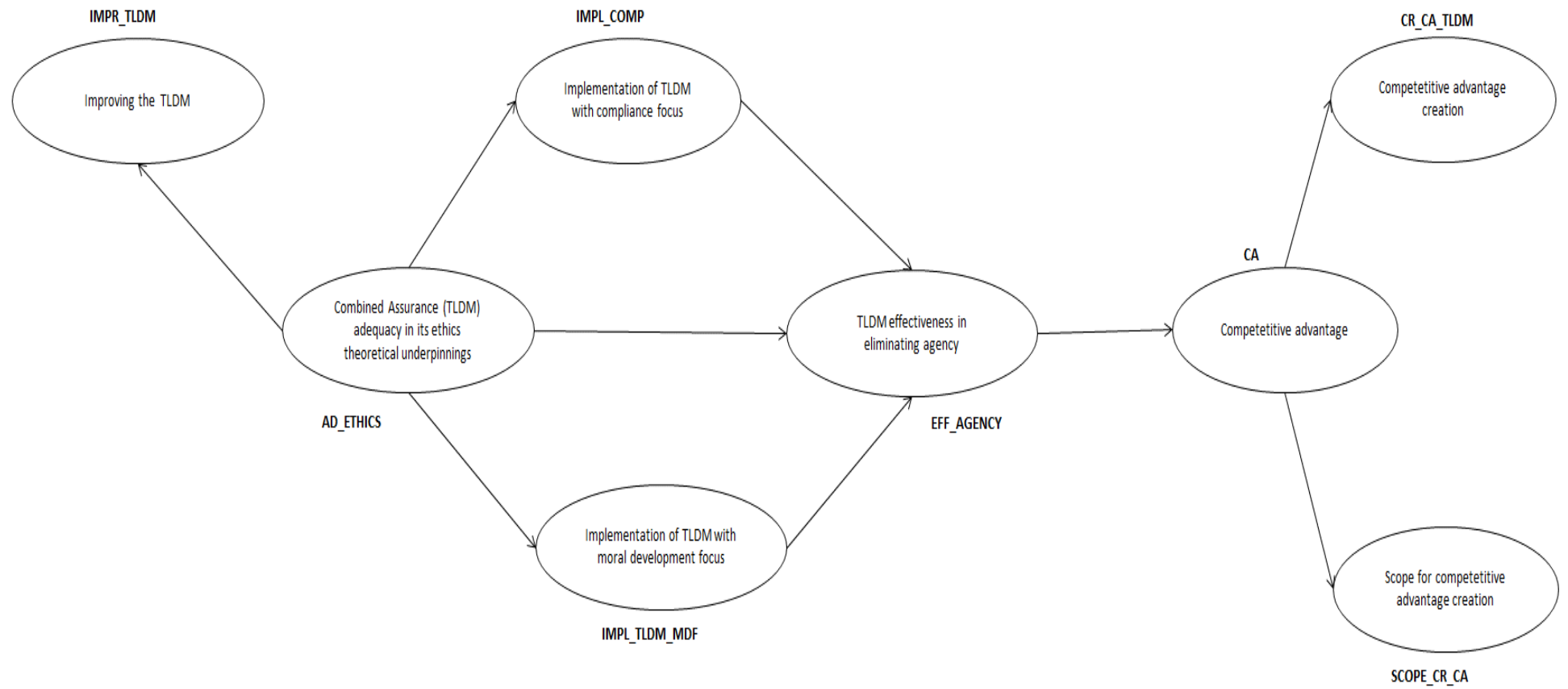


Figure 4.2: The Structural Equation Model

Source: Researcher's own compilation

Qualitative perspectives of the interview participants on the latent variables (Figure 4.2) were also sought in a bid to complement the findings from qualitative and quantitative data from the survey. Qualitative data gathered the perceptions of South African governance practitioners on the theoretical constructs of the TLDM and its application in view of gaining competitive advantage, using the online survey (Appendix G) and the face-to-face interviews (Appendix H).

4.5 THE POPULATION

According to White (2003), a population is a collection of objects, events or individuals with some characteristic(s) that the researcher is interested in studying. Thus, the definition of a population in the research sense differs from the everyday notion of population being the number of people in a certain country or city. The South African governance practitioners from organisations of any form and size, constituted the population for the study. Company directors are mandated by the Companies Act to perform oversight roles on organisational governance matters. They are further encouraged by the King Code to apply the combined assurance model (TLDM) in exercising their oversight duties, in order to be able to comment on the effectiveness of their organisations' ERM systems and processes. This made the South African directors appropriate members of the population to base studies of combined assurance on. Accountants, ethics officers and audit professionals are more involved in the various stages of combined assurance application in organisations. A higher level of understanding of the combined assurance model and its strengths and weaknesses was expected of target population in South Africa (due to the institutionalisation of combined assurance through the King Codes) than would have been anticipated from employees in organisations or a similar population from any other country.

4.6 THE SAMPLE

A sample was taken of directors with affiliation to the Institute of Directors of Southern Africa (IoDSA), Accountants belonging to the Chartered Institute of Management Accountants (CIMA) and/or the South African Institute of Chartered

Accountants (SAICA), Audit professionals with Institute of Internal Auditors (IIA) affiliation and Ethics professionals belonging to the Business Ethics Network of Africa (BEN Africa). Permissions to reach out to these professionals was obtained from the respective professional bodies, as shown in appendices A, B and C. The sample was sought so as to gather quantitative and qualitative data. Membership to the stated professional bodies was not used as an inclusion or exclusion criterion. Rather, the professional bodies were used to access the governance practitioners. Using LinkedIn, governance professionals with memberships or affiliations to other professional bodies were also reached out to and they took part in the study.

4.7 QUANTITATIVE SAMPLE AND SAMPLING TECHNIQUES

Due to the methodological differences between quantitative and qualitative studies, two sampling techniques were applied in order to obtain qualitative and quantitative data samples. A population survey was used to gather quantitative data, while interviews were conducted for qualitative data collection. The decision to use the chosen sampling techniques was in consideration of their advantages and disadvantages as detailed by Denscombe (2010) (Table 4.2 below).

Table 4.2: Advantages and Disadvantages of sampling methods

Method	Purpose	Advantages	Disadvantages
Questionnaires	Conducted in order to gather large size of information in a short period of time.	<ol style="list-style-type: none"> 1. Anonymity of respondents. 2. Considerably cheaper than other primary data collection methods. 3. Possibility of generating large amount of data. 	<ol style="list-style-type: none"> 1. Difficulties of ensuring greater depth for the research. 2. The problem of the 'first choice selection.'
Interviews	Conducted in order to reflect emotions and experiences, and explore issues with a greater focus.	<ol style="list-style-type: none"> 1. The possibility to direct the process of data collection. 2. The possibility to collect the specific type of information required. 	<ol style="list-style-type: none"> 1. Great amount of time required in order to arrange and conduct interviews and primary data collection. 2. Additional costs might be incurred, associated with

Method	Purpose	Advantages	Disadvantages
			arranging and conducting interviews, travelling, etc. 3. Potential for interviewee bias.
Documentation review	Conducted in order to study issues that have developed over a specific period of time.	Possibility to retrieve comprehensive information.	Challenges associated with access to documentation. Inflexibility of the research process.

Source: Denscombe (2010)

4.7.1 Quantitative data sample

A request to participate in the survey was distributed to the population members using communication platforms of their professional bodies. Direct invitations were also sent through the LinkedIn professional networking platform. Participation in the survey was optional, as making it compulsory would have created ethical issues.

A sample arose from the discretionary participation of the members of the target population (self-selection). Since South African governance practitioners are exposed to an institutional environment requiring application of the TLDM of combined assurance, a population survey of these groups would perceivably provide valuable insights on the model and its application. Sampling a similar population from other countries would arguably not provide similarly valuable insights since corporate governance landscapes vary from one country to another and combined assurance is not necessarily institutionalised in other jurisdictions. It was in this regard that this non-probability self-selection sampling approach was considered appropriate for this study (Figure 4.3).

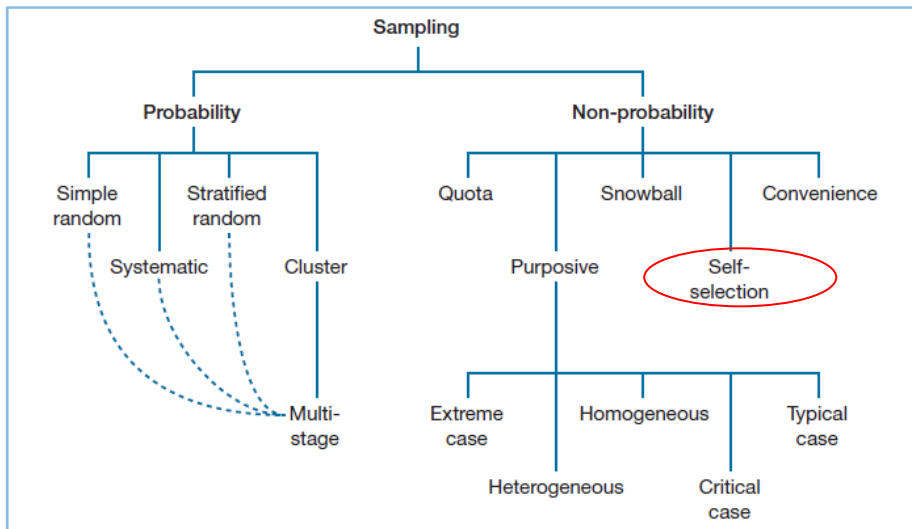


Figure 4.3: Quantitative Sampling design

Source: Saunders et al., (2009)

The challenge with making samples that involve humans probabilistic is that, it would require making participation in the study compulsory, which would be unethical in that, individual rights to decide on their involvement in the study would have to be denied. It was from this point of view that a population survey was conducted, which would result in a ‘self-selected’ sample for quantitative data, as the population members decided without obligation, whether they took part in the survey or abstained.

In view of a low response rate that was anticipated for an online survey, an extension of invitation to take part in the survey was made to non-members of the earlier stated professional bodies in order to obtain much wider views from governance professionals of all organisational forms. A minimum of 650 participants was sought which would comprise governance practitioners from various organisations. The sample size was considered adequate by the researcher in enabling statistical analyses to be performed without obvious limitations of sample size. According to Boomsma and Hoogland (2001), in order to perform multivariate statistical analysis on any set of data, a minimum sample size of 200 would be required, hence the researcher aimed for 650 to ensure that the 200 threshold was achieved.

The type or form of organisations represented was emergent from the sample, as it was anticipated that a case study on purposefully selected organisations would have faced organisational approval hurdles, let alone the challenges of response rate. The distribution of respondents in relation to organisational form was considered arguably unimportant, since the unit of analysis was the individual's perspectives as opposed to being the organisation(s).

In a purely positivist study, a random sample would have been esteemed for minimizing bias and the enabling generalisability of findings. In this instance, however, attempting to obtain a random (probability) sample would encounter challenges in that participation in the survey was based on the willingness and the decision of the respondents. A probability sample would require making participation compulsory for those respondents that would have been statistically chosen. The difficulty of accessing directors, as well as other governance practitioners, and to have them divulge information on their organisational experiences made the use of random sampling impractical and less preferred for this study. Thus, in line with the pragmatic research philosophy of the study, the researcher decided on a non-probability self-selection sampling design through a population survey for obtaining quantitative data.

4.7.2 Quantitative data Collection Techniques

An online administered survey questionnaire structured to obtain relevant information from governance practitioners in South African organisations was used to gather quantitative and qualitative data. The aim of any questionnaire is to establish and capture the true nature of the feelings, attitudes, perspectives and behaviours of a selected group of participants about the relevant subject matter in question (Watkins, 2012). Structured (closed-ended) questions have widespread application in quantitative research, while unstructured (open-ended) questions are useful in qualitative research. The decision to use a semi-structured questionnaire to gather data was in consideration of the advantages and disadvantages of open-ended and closed-ended questions as detailed by White (2003) (Table 4.3 below).

Table 4.3: Pros and cons of open and closed ended questions

Open-Ended Questions	
Advantages	Disadvantages
a) Applicable when what respondents view as appropriate answer categories is sought.	a) Irrelevant and not-so-useful information may be collected.
b) Allow respondents to provide detailed and qualified answers.	b) Lack of standardisation of data collected from person to person, makes comparison or statistical analysis challenging.
c) Enable exploration of complex issues.	c) Require good writing skills and a generally higher educational level.
d) Allow for creativity in self-expression.	d) Time consuming from a respondent perspective thus may deter participation.
Closed-Ended Questions	
Advantages	Disadvantages
a) Enable collection of standardised responses that are comparable.	a) Risk of central tendency in responses.
b) Data is easy to analyse.	b) Inaccurate responses may be gathered due to limited options available.
c) The respondent is often clearer about the meaning of the question.	c) Errors may arise from accidental selection of an unintended response.
d) Limit irrelevant answers by providing appropriate answer categories.	
e) Easy to complete thus encourage participation.	

Source: White (2003)

A questionnaire with mainly close-ended and some open-ended questions was designed and used to gather both qualitative and quantitative data in line with the mixed research methodology adopted for the study. The questionnaire combined a

five-point Likert scale-based response framework and open-ended questions that probed participants to think broadly and explore their views on issues investigated (Appendix G). The survey questionnaire was designed to gather qualitative and quantitative data concurrently, given the challenge in accessing the population group. The respondents were questioned on the same variables, from their perspective, to enable comparison of results.

Approvals to access would-be respondents were obtained from the various professional institutions prior to data collection (Appendices A, B and C). The professional institutions were used as hubs to access individuals to take part in the study. Thus, the questions posed to the respondents investigated their perspectives on combined assurance and competitive advantage as informed by experiences from their organisations of employment than the institutions of professional association. Their responses would not be a reflection of the professional institutions of their affiliation. A database of individuals belonging to the target population was created from responses obtained from those that expressed their willingness to take part in the study. This database also included identified members of the target population from the researcher's LinkedIn network.

4.7.3 Online Survey Design

The questionnaire was administered as an online survey created on the Zoho website (www.zoho.com). This survey could be completed on computers and handheld devices with internet connectivity to aid convenience and enhance respondents' willingness to complete the survey. The questionnaire was designed with the option to select a response while some questions allowed the respondents to type their responses. An information sheet constituted the first page of the online survey (Appendix F). This sought to solicit informed consent to take part in the study. Respondents had to either accept or decline the provided terms and conditions for completing the survey. In the event of a respondent selecting the 'decline' option for the conditions provided, they would be automatically navigated to the survey end page, without going through the survey questions.

In order to avoid incomplete survey responses, certain (especially structured) questions were set to be compulsory, thus the participants would not be able to proceed to the next page without completing all compulsory parts. To avoid staged and rehearsed responses, the online survey opened one page at a time and did not allow the respondents to go back to their previously completed pages. This was done because certain questions had been repeated or asked differently to test the quality of responses provided by respondents to the survey. Allowing respondents the option to go back to their previous responses would result in staged responses, which would arguably, be considered unreliable.

4.8 QUALITATIVE SAMPLE AND SAMPLING TECHNIQUES

The researcher was mindful of the limitations of questionnaires in gathering in-depth qualitative data, thus, interviews were also conducted to supplement qualitative data collection obtained through the online survey. This approach was adopted in order to overcome the disadvantages of questionnaires in gathering in-depth qualitative data identified by Denscombe (2010) (Table 4.3 above). In this section and its sub-sections, the sample and the data collection techniques adopted for the qualitative part of this research study will be detailed.

4.8.1 Qualitative data sample

In view of the mixed research design adopted in this study, qualitative perspectives of governance practitioners on TLDM of combined assurance and its application in the context of creating competitive advantage in South African organisations were sought through a phenomenological study. A non-probability heterogeneous purposive sample of eight South African governance practitioners was obtained (Figure 4.4).

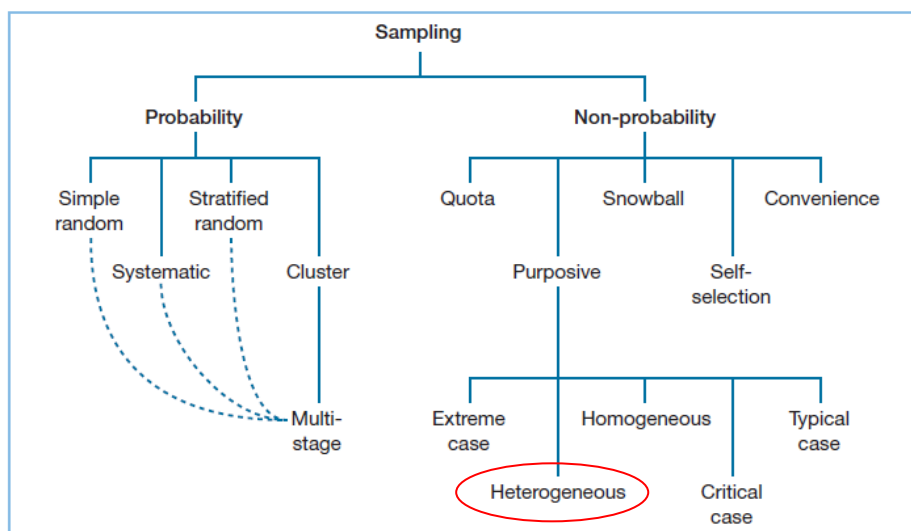


Figure 4.4: Qualitative Sampling design

Source: Saunders et al., (2009)

In obtaining a heterogeneous purposive sample, the researcher applied their judgement in selecting participants with diverse characteristics from the population (Black, 2010). A sampling frame as shown in Table 4.4 below, was used to obtain interview candidates. These candidates were excluded from the invitations to complete the online survey (which gathered quantitative and some qualitative data). This was done to avoid candidate double exposure to the study (through a survey and as well during interviews), which would result in researched responses that would be biased, resulting in lower levels of participant engagement.

Table 4.4: Qualitative Sampling Frame

	Directors	Accountants	Ethics professionals	Auditors
Number of Participants from Listed Enterprises	1	1		1
Number of Participants from SOEs		1	1	1
Number of Participants from Private Non-Listed Enterprises	1	1		1
Number of Participants from NPOs	1			
Number of Participants from SMMEs		1		

Source: Researcher's own compilation

The governance practitioner categories were selected to obtain perspectives reflecting experiences obtained from the private sector entities (in a broad sense) as well as SOEs. Such heterogeneity in sampling would enhance the usefulness of the qualitative study findings in providing insights on TLDM practice in various organisation types in South Africa, based on participants' perspectives. Some scholars have criticised the tendency of many governance research efforts to exclude SMMEs and NPOs citing that corporate governance is equally important in these types of establishments (Rossouw, van der Watt & Malan-Rossouw, 2002; Abor & Biekpe, 2007; Bates, 2013, Willan *et al.*, 2016; Hove-Sibanda *et al.*, 2016). However, the development of formalised governance practices in SMMEs has been found by Flowers *et al.*, (2013) to be constrained by lack of knowledge and cost implications. According to Prinsloo *et al.*, (2015), while SMMEs do make use of various assurance providers, only 36% of respondents in their study indicated that combined assurance was applied in their organisations. From this perspective, the researcher anticipated that gathering perspectives from SMMEs directors would not result in detailed findings due to their envisaged limited experiential knowledge of the TLDM of combined assurance. This is why the qualitative sampling frame did not include SMMEs. Attempting to include SMMEs in the sampling frame in a bid to overcome criticisms of governance research that excludes SMMEs by earlier researchers would only foreseeably result in higher levels of incomplete questionnaires and/or 'I-do-not-know-responses', thus making the interpretation of results challenging.

According to Guest, Bunce and Johnson (2006) cited in Masekela (2016), when conducting interviews, a certain level of data saturation that is indicative of the number of interviews that would be enough in a study is attainable after six interviews. In light of this foregoing knowledge, the researcher set out to conduct eight interviews, hence the qualitative data sample size, with the anticipation that a data saturation point would be attainable. In the following sub-section, the qualitative data collection techniques are discussed in detail.

4.8.2 Qualitative data collection techniques

Self-administered face-to-face interviews were conducted. According to Blumberg, Cooper and Schindler (2014), qualitative interviews are useful if the study intends to obtain the meanings participants attach to phenomena (phenomenological studies). A request was sent by email to eight purposefully selected candidates for interviews. The request provided the background information on the study, the benefits of the study and the rights of the participants to withdraw from participation at any stage of the study (Appendix H).

4.8.3 Interview Design

The interview was designed in consideration of the factors influencing participant motivation to be part of any study by Kahn and Cannell (1957) in Figure 4.5 below.

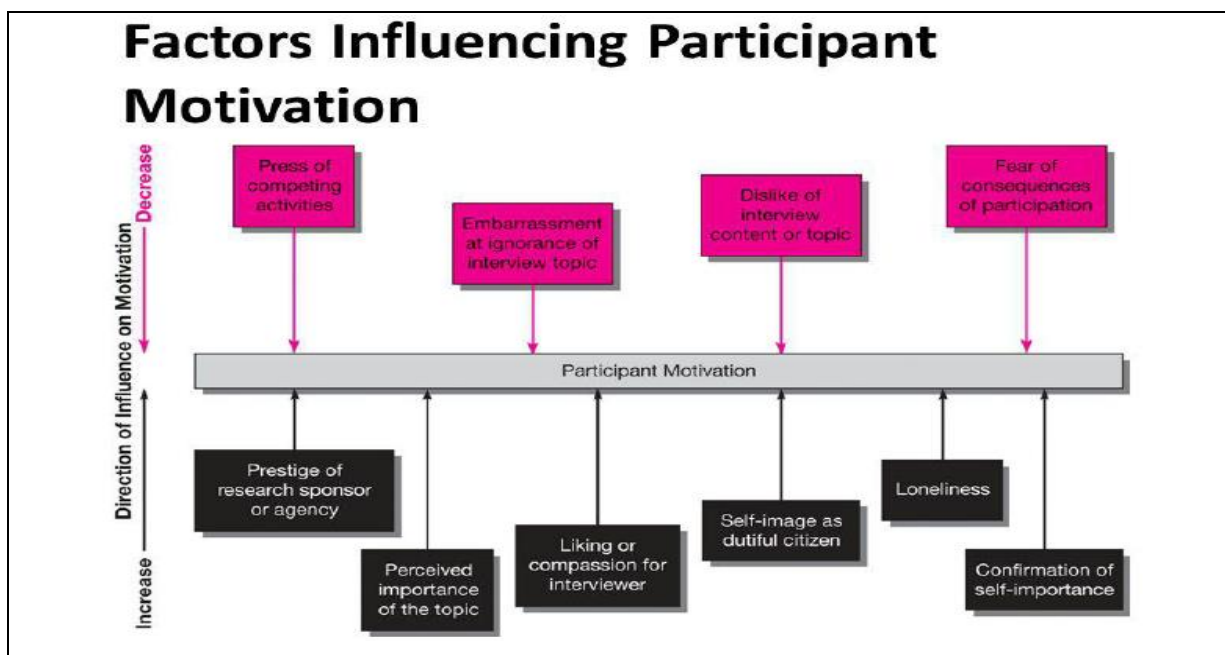


Figure 4.5: Interviewing

Source: Kahn and Cannell (1957)

According to the pair, motivation is decreased by: 1) press of competing activities; 2) embarrassment at ignorance of interview topic; 3) dislike of interview content or topic; and 4) fear of consequences of participation. By ensuring that the participants

provided their perspectives in abstract, i.e., without disclosing which organisations their perspectives related to, the researcher sought to minimise the perceivable negative consequences of participation. The interviews were scheduled at the times selected by the participant in order to reduce the pressure of competing activities that would reduce participant motivation. The selected candidates for interviews were individuals that were considerably knowledgeable on the TLDM of combined assurance, as such; the participants' fear of embarrassment at the lack of knowledge on the topic was minimised. The selected candidates were governance professionals who would arguably be enthusiastic about the topic as it addressed a subject matter of relevance in their daily work lives.

The interview combined structured and unstructured questions as shown in Appendix H. According to Saunders *et al.*, (2009) semi-structured interviews are applicable when in-depth experiences of the subjects are sought. The inclusion of structured questions in the interview schedule was done in order to ensure that demographic information was gathered to aid analysis. The unstructured part of the interview sought to obtain insights from interviewees on TLDM of combined assurance, which may have not been conceptualised in the formulation of the hypotheses of this study. According to Richards and Morse (2013) as well as Yin (2009) cited in Masekela (2016), while an interview schedule of questions may be followed in conducting an interview, unbiased supplementary questions and probing may be done in a conversational manner for insightful findings to be made.

4.8.4 Interview process

The interview process started off with the scheduling of appointments with the identified candidates for the interviews. The schedules were administered on Microsoft Outlook as well as Google Calendar to ensure that the researcher did not double book himself or forget appointments. The scheduling of appointments was done through telephone and email conversations. Each interview session was scheduled to last for 30 minutes and the interview protocol was shared with the interviewees two days prior to the date of the interview. This was done in order to

allow the participants to familiarise themselves with the interview questions, for them to apply their minds in order to be able to provide deep insights on the topic under investigation.

The interview process was explained to the interviewees, their rights clarified and (signed) consent to be interviewed sought before commencing with the interviews. It was further clarified that the interview would be recorded to ensure that all responses were captured accurately for analysis post the interview. The researcher did a self-introduction in each session and provided a background to the study, its objectives and envisaged benefits. This was done in order to highlight the importance of participation and thus obtain full concentration of the participants during the interview.

The interview was done by following the guide (Appendix H) to ensure that critical issues were addressed in the interview. However, the researcher allowed the interviewees to express themselves openly and freely, going as far as extending the conversation to other matters that were not part of the guide (without interjections). This was considered important in obtaining deeper insights shaped by interviewees' experiences on the TLDM of combined assurance application in various South African organisations. Furthermore, allowing interviewees to seemingly veer off topic would enable overcoming the researcher's pre-dispositions on what was considered important on the subject (for objectivity to be attained).

During the course of the interview, the researcher observed linguistic behaviour. The use of certain sounds could provide indications on the level of confidence or agreeableness with a particular sentiment. The researcher also paid attention to extra-linguistic behaviour as it is equally an important means of communication as linguistic behaviour, i.e., 1) *Vocal*-pitch, loudness and timbre; 2) *Temporal*-rhythm, speed of speaking and length of utterance; 3) *Interaction*-interruption, dominating and inhibiting tendencies; and 4) *Verbal stylist*-use of certain vocabulary and pronunciation (Blumberg *et.al.*, 2014).

Beyond the verbal answers provided by the interviewees, the researcher paid particular attention to the non-verbal behaviour (Blumberg *et.al.*, 2014). According to Blumberg *et.al.*, (2014), non-verbal behaviour is the most common behavioural observation and includes body movement, motor expressions as well as glances exchanged. Body language and facial expressions constitute self-expressions from which meaning can be deduced, for example, nodding or shaking of the head as expressions of agreeing and disagreeing respectively.

In all the interview sessions, a deliberate attempt was made to allow interviewees freedom of expression, without objections or challenging their opinions. To ensure that the critical objectives of the interviews were met, the researcher addressed the structured parts of the interview earlier in the meeting and then probed further with follow up questions as the interview progressed. On conclusion of each interview session, the researcher thanked the participant for their time and insights provided during the interview. In the following sub-section, the research consistency matrix will be presented.

4.9 THE RESEARCH CONSISTENCY MATRIX

The matrix below was compiled to ensure research alignment and consistency from the problem to findings. It helps in the mapping of the variables in the statistical model to the questions in the research instrument.

Table 4.5: The quantitative research consistency matrix

Literature Review	Hypotheses/ Propositions Research questions	Research instrument questions	Variable type	Analysis
<p>The institutionalised application of the TLDM of combined assurance in South Africa (through the King Codes) has not curbed the occurrence of corporate governance scandals (IoDSA, 2009; Decaux & Sarens, 2015). According to the IIA (2013), the failure of the combined assurance model at different levels has been highlighted in corporate scandals. The hypothesis is grounded on the Agency Theory and the ethics theories of virtue, teleology and deontology (Jensen & Meckling, 1976; Magang, 2012; Carroll & Buchholtz, 2014).</p>	<p>1. The perceived effectiveness of TLDM of combined assurance in dealing with Agency problem in South African organisations increases with the perceived adequacy of the model in its ethics theoretical underpinnings (compliance vs. moral development intent).</p>	<p>Perceived effectiveness of TLDM of combined assurance in dealing with Agency problem Q41; Q42; Q14; Q15; Q16; Q17</p>	<p><u>Perceived effectiveness of TLDM of combined assurance</u> Continuous</p>	<p>Multiple Linear Regression analysis: Perceived TLDM effectiveness = Perceived TLDM Moral Development Intent + Perceived TLDM Compliance Intent</p>
		<p>Perceived adequacy of TLDM in its ethics theoretical underpinnings (compliance vs. moral development intent). Q8; Q11; Q13; Q12</p>	<p><u>Perceived adequacy of TLDM in its ethics theoretical underpinnings</u> Continuous</p>	

Literature Review	Hypotheses/ Propositions Research questions	Research instrument questions	Variable type	Analysis
<p>The hypothesis is backed by Hasnah, Ishak and Sobei (2015), who argue that there exists a positive relationship between businesses' ethical codes of conduct standards and profitability hence success prospects in a hypercompetitive environment. A similar train of thought is held by Jones (2000) cited in Turyakira (2018), who identifies the relationship between business exhibits of good practices to its customers and to the general public and the image and reputation of the business (which in turn influence competitive advantage). This hypothesis is based on the ethics theories of virtue, teleology and deontology applied in the context of the theory of competitive advantage (Carroll & Buchholtz, 2014; Porter, 2001).</p>	<p>2. The implementation of TLDM of combined assurance with a compliance fixation without moral development focus perceivably reduces creation of competitive advantage in South African organisations.</p>	<p>Perceived implementation of TLDM combined assurance with compliance fixation. Q21; Q25</p>	<p><u>Perceived implementation of TLDM combined assurance with compliance fixation</u> Continuous</p>	<p>Multiple Linear Regression analysis: Perceived Competitive Advantage = Perceived TLDM implementation for compliance + Perceived TLDM implementation for moral development.</p>
		<p>Perceived implementation of TLDM combined assurance with moral development focus. Q22; Q23; Q28; Q40</p>	<p><u>Perceived implementation of TLDM combined assurance with moral development focus</u> Continuous</p>	
		<p>Perceived creation of competitive advantage. Q30; Q31; Q20; Q26; Q32</p>	<p><u>Perceived creation of competitive advantage</u> Continuous</p>	

Literature Review	Hypotheses/ Propositions Research questions	Research instrument questions	Variable type	Analysis
<p>A number of studies have explored the nature of the relationship between corporate governance variables and financial performance as a competitive advantage indicator (Table 2.1). Due to the inconclusiveness of the findings of studies on corporate governance-competitive advantage relationship (with reference to Table 2.1), it is warranted to explore the relationship further to contribute to the body of knowledge. Like hypothesis 2, this hypothesis is based on ethics theories of virtue, teleology and deontology as well as the theory of competitive advantage (Carroll & Buchholtz, 2014; Porter, 2001).</p>	<p>3. With decreased perceived application of TLDM of combined assurance from both compliance and moral development objective, the perceived scope for creating competitive advantage through combined assurance in South African organisation increases.</p>	<p>Perceived application of TLDM for compliance. Q21; Q25</p>	<p><u>Perceived application of TLDM for compliance</u> Continuous</p>	<p>Multiple Linear Regression analysis:</p> <p>Perceived scope for creating competitive advantage in SA organisations</p> <p>= Perceived application of TLDM for moral development + Perceived application of TLDM for compliance.</p>
		<p>Perceived application of TLDM for moral development. Q22; Q23; Q28; Q40</p>	<p><u>Perceived application of TLDM for moral development</u> Continuous</p>	
		<p>Perceived scope for creating competitive advantage in SA organisations. Q33; Q35 ;Q34</p>	<p><u>Perceived scope for creating competitive advantage in SA organisations</u> Continuous</p>	

Source: Researcher's own compilation

4.10 ISSUES OF RELIABILITY, VALIDITY AND RIGOR

In a research study it is imperative to put measures to ensure validity and reliability to overcome biases and personal predispositions on the matters investigated. The following measures were taken:

4.10.1 Reliability

Reliability assesses the consistency of outcomes obtainable using a research instrument in repeated occasions (Heale & Twycross, 2015). Aspects of reliability in the quantitative part of the study were explored through computation of the Reliability Coefficient (Cronbach's Alpha). In the quantitative sense rigour aspects of credibility, dependability, conformability, transferability and authenticity were also taken into account in this study.

4.10.1.1 Credibility

The questionnaire was designed with repetition of some questions, to test the credibility and consistency of responses to the questions asked. By using an electronic survey tool, questions were loaded page-by-page, without the option for one to page back to previous responses when encountering questions that had been repeated for quality control purposes. The use of open-ended questions intermittently with structured questions enabled respondents to provide their independent views as well. The consistency of responses provided in closed-ended and open-ended questions was assessed. The respondent's IP address was used as an identifier on the survey platform that avoided multiple responses to the survey by one individual.

4.10.1.2 Dependability

To ensure that the responses obtained from the survey were dependable, respondents were not requested to specify their names or the names of the organisations that they represented. This was done in an attempt to allay fears of

confidentiality breaches given that governance practitioners consciously avoid conflict of interest and confidentiality breach situations. Furthermore, dependability enhancement was through the use of a third party survey platform without direct facial encounter with the respondents. This arguably made the respondents comfortable to express their lack of knowledge on any matter without the consciousness of appearing incompetent to the researcher. Since involvement in the study was by respondents' choice and not by obligation, it was reasonably expected that by merely completing the survey, the respondent would have demonstrated interest in the subject. It would have been an odd case if any respondent would complete the survey unwillingly, with a deliberate intention to provide misleading responses due to disinterest. A computation of Cronbach's alpha was performed to measure internal consistency on the quantitative aspects of the study. An alpha value ranging between 0.6-0.7 was considered appropriate.

4.10.1.3 *Conformability*

The response patterns were analysed for any evidence of disengagement of the respondent. (e.g., providing the same response in all questions). Such anomalous response patterns would be indicative of the participants' level of disengagement during the survey process. Disengaged respondents were treated as invalid and excluded from the analysis as these would skew the results. The manner in which the questionnaire and the purpose of the study were introduced was consistent to all respondents, as variances in how the research was pitched would result in differences in understanding, thus creating non-conformability. Incomplete questionnaires were avoided in the electronic platform by not allowing the next survey page to open if the existing page had not been completely filled in. Incomplete questionnaires would introduce a dynamic of non-conformability thus making comparisons difficult.

4.10.1.4 *Transferability*

The quantitative dimension of the survey enabled statistical descriptions to be made on the findings thus enabling generalisations to be made (within the delimitations of

the study). By attempting to obtain a sample that represented the population, it was anticipated that the findings would be transferable to other countries with similar institutional practices on corporate governance to South Africa. While the study was limited in generalisability of findings (due the population and sample chosen), the insights obtained would arguably be useful in other settings and jurisdictions.

4.10.1.5 Authenticity

Authenticity was addressed by making participation to be on an individual basis. Each respondent received a link via their email as a gateway to the survey questionnaire. The survey had to be completed in one seating, to avoid consultation and researched responses by participants. Once the next page of the survey would have opened, the respondents were not able to page back and check or rectify their initial responses. Repeated questions enabled validation of the authenticity of responses provided, since participants were not able to refer back to their initial responses for repeated questions. The survey only allowed an IP address of the respondent to undertake the survey once, thus avoiding multiple entries by one individual. These quality control measures arguably addressed reliability and validity issues of the study and its findings.

4.10.2 Validity

According to Heale and Twycross (2015), validity in quantitative research is the extent to which a concept is accurately measured. The survey instrument was distributed to two subject experts to assess the soundness of the questions posed (face validity). This procedure was intent on ensuring that the survey tool was of the required construct validity. Their feedback was taken into account in finalising the survey tool before the actual data gathering was done. Construct validity testing statistically involved testing the following correlation relationships envisaged through factor and multiple regression analysis (Table 4.6):

Table 4.6: Validity Testing

Construct A	Construct B	Correlation relationship Envisaged
Ethics Adequacy of TLDM	Implementation of TLDM for compliance	Negative
Ethics Adequacy of TLDM	Implementation of TLDM with moral development focus	Positive
Application of TLDM for compliance	Competitive advantage	Curvilinear-positive to a point beyond which the relationship becomes negative
Application of TLDM for moral development	Competitive advantage	Positive
Ethics Adequacy of TLDM	Improving Combined Assurance (TLDM)	Negative

Source: Researcher's own compilation

A pilot study was conducted to ensure that the data collection tool was valid.

4.11 PILOT STUDY

A self-designed semi-structured questionnaire was used in the study to obtain governance practitioners' sentiments on combined assurance and the TLDM. To ensure that the questionnaire asked relevant questions that met the objectives of the study, a pilot study was conducted.

4.11.1 Pilot Study Process

The pilot study was conducted by sending the survey link to purposefully selected individuals. These individuals had been requested to review the questionnaire and grant their consent. The pilot study respondents were individuals considered knowledgeable on the subject of the study and represented the population groups for the main study. After they had completed the online survey, the pilot study

respondents were telephonically interviewed to obtain in-depth sentiments on the quality of the questionnaire. During the pilot phase of the study, the following was tested:

1. That the respondents had the same and intended understanding of the questions.
2. The clarity of the questions and/or statements in the questionnaire.
3. The existence of any questions that made respondents uncomfortable to respond that would result in incomplete responses.
4. The length of time taken to complete the questionnaire.

The participants in the pilot study were not invited to take part in the main study since their prior exposure to the questionnaire would have influenced their responses, leading to unreliable findings. The outcomes of the pilot study were used to amend the questionnaire accordingly to enhance the reliability and validity of the findings of the study.

4.11.2 Pilot Study Outcomes

A total of 35 individuals visited the survey site and 11 responded. This yielded a 31% response rate. The average time taken to complete the survey was 35 minutes. The feedback provided by those that attempted the survey was that:

- They did not know the TLDM and combined assurance and thus could not respond to questions on it.
- Some questions were similarly worded and thus seemingly repetitive.
- The questionnaire moved back and forth on themes.

The pilot study sample aligns with similar research (e.g. Hertzog, 2008; Hill, 1998; Johanson & Brooks, 2009; Julious, 2005; Mason, 2010) that suggest a pilot sample size ranging between 11 and 30 respondents or participants.

4.11.3 Application of Pilot Study Outcomes

The questionnaire was amended to have a question that assessed the individual's level of understanding of combined assurance and the TLDM. In cases where respondents indicated their lack of knowledge of the subject and capability to review the TLDM and combined assurance practice, they were automatically navigated to the end page of the survey and thanked for their willingness to complete the survey. This avoided incomplete questionnaires since some questions had been made compulsory and subsequent pages would not open if the open page had not been completed entirely. The wording of some questions, as highlighted by the respondents in the pilot study, was refined to enhance clarity.

The repetition of some questions was retained as this had been deliberately done for quality control purposes.

4.12 DATA ANALYSIS AND INTERPRETATION

The data obtained from the survey responses was analysed quantitatively and qualitatively.

4.12.1 Quantitative analysis

Quantitative analysis involved application of Confirmatory Factor Analysis (CFA) to test the goodness of fit of the Structural Equation Model formulated in this study (Figure 4.2 above). IBM-SPSS package was used to perform the various statistical analyses of the quantitative data. The services of a statistician were sought for assistance with the application of SPSS (Appendix D). The statistical analysis performed tested for the SEM goodness of fit. Tucker-Lewis Indices TLI (Tucker & Lewis, 1973), better known as the Non-Normed Fit Index (NNFI) and the Normed Fit Index (NFI) (Bentler & Bonett, 1980) were applied. These indices were chosen for their said best overall performance of the TLI/NNFI in indicating SEM goodness of fit and adjusting for complexity of the model. The rule of thumb is that if a value of 1 is obtained for these indices, then the model fits perfectly, while at least a value of 0.90 is required to accept a model, and 0.95 to judge the model fit as 'good.'

Multiple regression analyses were performed to test the relationships between variables as envisaged in the hypotheses.

4.12.2 Hypotheses Testing

The following relationships between the variables in the hypotheses were tested using multiple regression methods:

Hypothesis 1

H1: Increased Perceived TLDM effectiveness = Increased Perceived TLDM Moral Development Intent + Increased Perceived TLDM Compliance Intent.

The perceived effectiveness of TLDM of combined assurance in dealing with Agency problem in South African organisations increases with the perceived adequacy of the model in its ethics theoretical underpinnings (compliance vs. moral development intent).

Hypothesis 2

H2: Decreased Perceived Competitive Advantage = Increased Perceived TLDM implementation for compliance + Decreased Perceived TLDM implementation for moral development.

The implementation of TLDM of combined assurance with a compliance fixation without moral development focus perceivably reduces creation of competitive advantage in South African organisations.

Hypothesis 3

H1: Increased Perceived scope for creating competitive advantage in SA organisations = Decreased Perceived application of TLDM for moral development + Decreased Perceived application of TLDM for compliance.

With decreased perceived application of TLDM of combined assurance from both compliance and moral development objective, the perceived scope for creating competitive advantage through combined assurance in South African organisation increases.

4.12.3 Qualitative analysis

The open-ended questions in the questionnaire were designed to gather opinions and perspectives held by respondents on the phenomena. The data from these open-ended questions would constitute subjective information shaped by individual experiences and own assessment of the world. This data was considered valuable in providing a complete picture alongside the quantitative data, in assessing the TLDM adequacy and its application (as per the pragmatic approach to the research problem resolution). The responses from the qualitative parts of the survey and the interviews were captured and analysed using Microsoft Excel. The analysis involved inductive identification of emergent themes and common terms used by respondents in answering any given question. The common themes or terms were sequentially narrowed down until a few key themes were identified, which were widely held as being the reality by respondents.

Table 4.7 below shows how the emergent themes were identified.

Table 4.7: Qualitative data analysis

Question	Responses	Broad Themes	Narrowed Themes
1	1	Theme 1	Theme 1
	2		
	3	Theme 2	
	4		
	5		

Question	Responses	Broad Themes	Narrowed Themes
	6	Theme 3	Theme 2
	7		
	8	Theme 4	
	9		
	10	Theme 5	Theme 3
	11		
	12	Theme 6	
	13		

Source: Researcher's own compilation

4.12.4 Triangulation of findings

The findings from the qualitative and quantitative data were triangulated towards conclusions. In triangulation, findings from the qualitative and quantitative data were used to provide perspectives about the truth from different points of view (Figure 4.6).

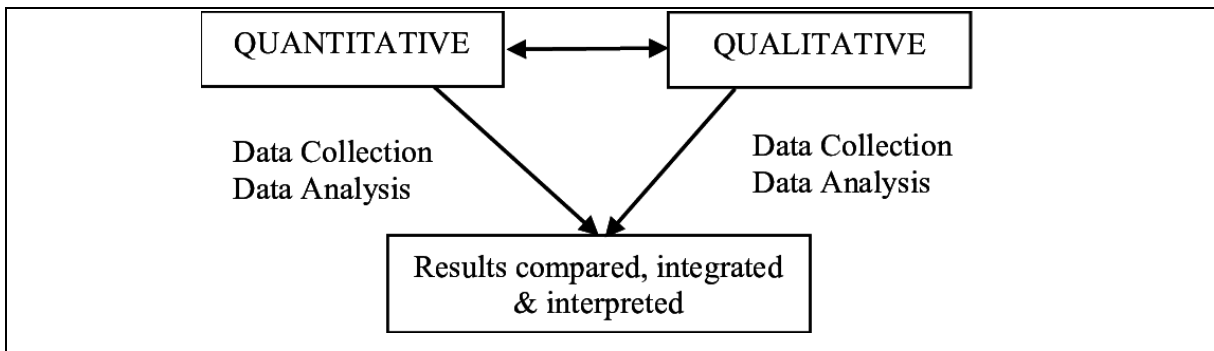


Figure 4.6: Triangulation of findings

Source: Atif and Bilgin (2013)

According to Atif and Bilgin (2013), researchers would use the Mixed-Methods Concurrent Triangulation Strategy for it's:

- Strengths in answering a broader and more complete set of research questions.
- Ability to overcome the shortcomings of applying the individual qualitative or quantitative approaches discretely.
- Potential to improve insights into and understanding of the data, which might be missed when using a single approach.
- Capacity to provide strong evidence for conclusions.
- Increased validity of the results and the conclusions.

The qualitative and quantitative results of this study were integrated to draw conclusions on creating competitive advantage through combined assurance in South African organisations as shown in Figure 4.7.

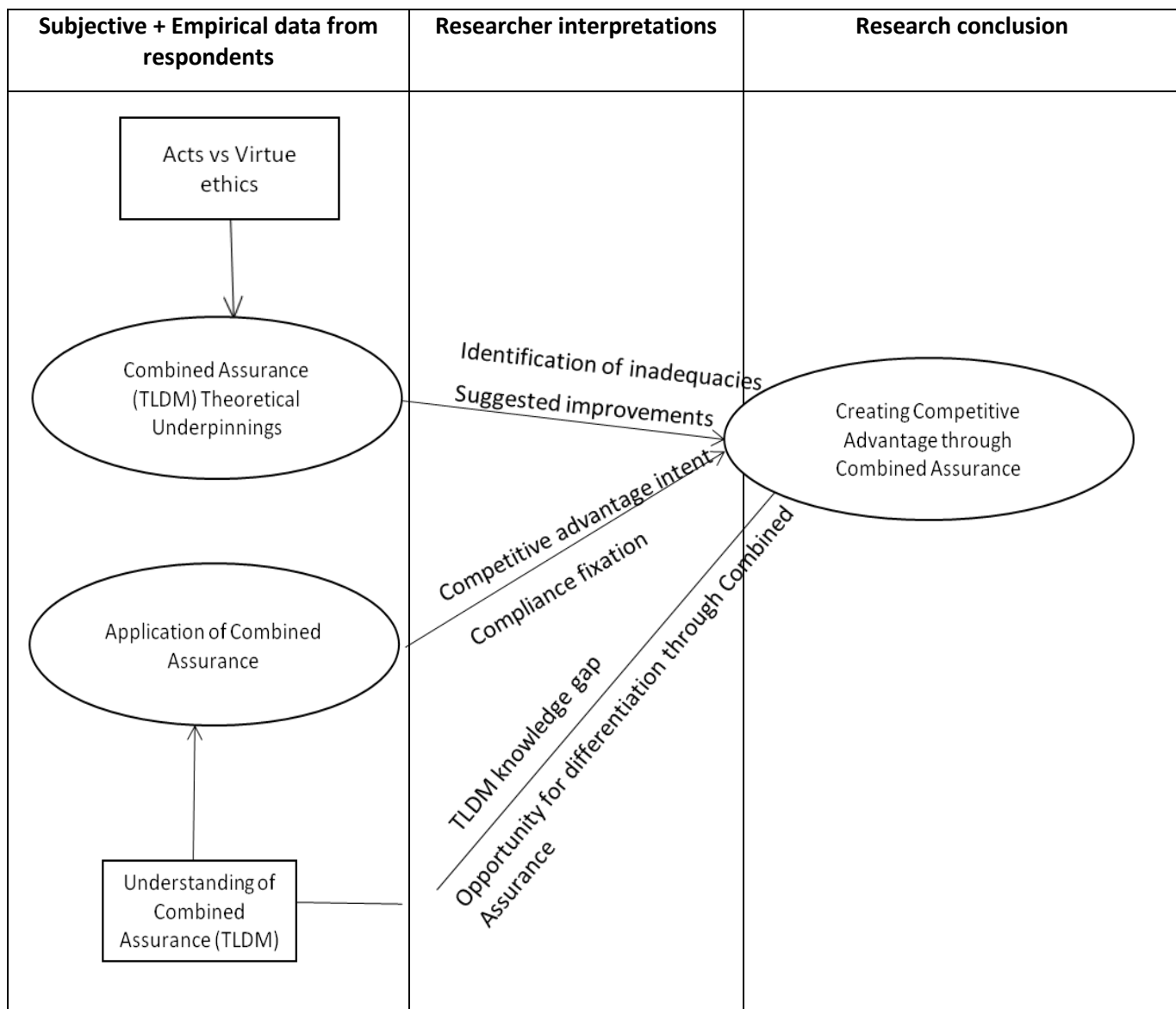


Figure 4.7: Integration of research findings

Source: Researcher's own compilation

4.13 ETHICAL CONSIDERATIONS

In order to ensure that the study adhered to the best practices of ethics in research, ethical considerations were made prior to and during the various stages of the study.

4.13.1 Confidentiality

The study did not gather personal identification details of the survey respondents during the collection of data. Respondents took part in the survey on the basis of anonymity. The third parties involved in the aspects of the study involving the collection and administration of respondent data entered into a confidentiality agreement before their involvement in the study (Appendix D). The information that collected includes gender, age, qualifications, and years of experience and organisation type. This information enabled demographic analysis of the sample without tapping into the confidential details regarding respondent names and organisation name. As much as face-to-face interviews were conducted for qualitative data collection, the details of the interviewees were safeguarded. No reference to the interview participants' identifiers is made in this report.

4.13.2 Informed consent

The first page of the online survey provided information on the research, the terms and conditions of participation and the implications of such participation. The respondents were requested to either accept or decline the terms and conditions (Appendix F). Where a respondent declined the terms they were automatically redirected to the survey end page (with a "Thank You" message). Similarly, informed consent was sought prior to conducting interviews (Appendix H). The necessary authorisation from the professional institutions used as research platforms was requested and granted prior to the data collections (Appendix A–C). Furthermore, the necessary ethical clearance for the research study was applied for and obtained from the academic institution prior to data collection.

4.13.3 Debriefing, counselling and additional information

Debriefing was provided to the respondents through an invitation to participate in the study sent via communication by the institutions of respondent affiliation. The message clarified the purpose of the study and the rights of the respondents. The contact details of the researcher and the research supervisor were made available

for respondents to direct any queries regarding the research. A briefing message was also available as the preamble to the online survey before the questionnaire popped up. Interviewees were also debriefed on their rights and requested to sign for consent prior to commencement of the interviews.

4.14 CHAPTER CONCLUSION

In this chapter, the methodology followed in the research study was detailed. A mixed methods research design with an equal emphasis on both qualitative and quantitative approaches was adopted, overarched by a pragmatic research philosophy. A consideration of issues of validity and reliability was made and the details of a pilot study discussed. The data analysis followed was then detailed with the chapter concluding by highlighting ethical considerations made for the study.

CHAPTER 5: RESEARCH FINDINGS

5.1 CHAPTER INTRODUCTION

A mixed methods research design was applied with equal emphasis on both quantitative and qualitative approaches. Qualitative and quantitative data sets were collected concurrently over a cross-sectional timeframe in an attempt to answer the research questions and resolve the research problem. In this chapter, the findings of the study will be presented. The chapter begins with a presentation of the quantitative research findings, detailing the sample attributes and outcomes of quality control measures taken in the study. In the later part of the chapter, qualitative results of the study will be presented. The presentation of the results is done relative to the over-arching research aim, objectives and questions set out to be answered from the onset of the study. In order to keep track of the research golden thread, i.e. the link between the research problem, aim objectives, questions and hypotheses, a research mapping will be presented in the following subsection for orientation on the context of the results presented.

5.1.1 Research Mapping

Figure 5.1 below is a depiction of the research map, which shows how the various research themes related to the research objectives, questions and hypotheses. In seeking to understand how competitive advantage could be derived through combined assurance TLDM, the research study looked at the model adequacy and effectiveness in dealing with the Agency problem from an ethics theory perspective on one hand. On the other, the application of the model in view of creation of competitive advantage in South African organisations was investigated. The significance of this research map is that it enables the tracking of the research thread as findings are presented. This avoids focusing on matters that do not answer the research questions and meet the objectives of the study.

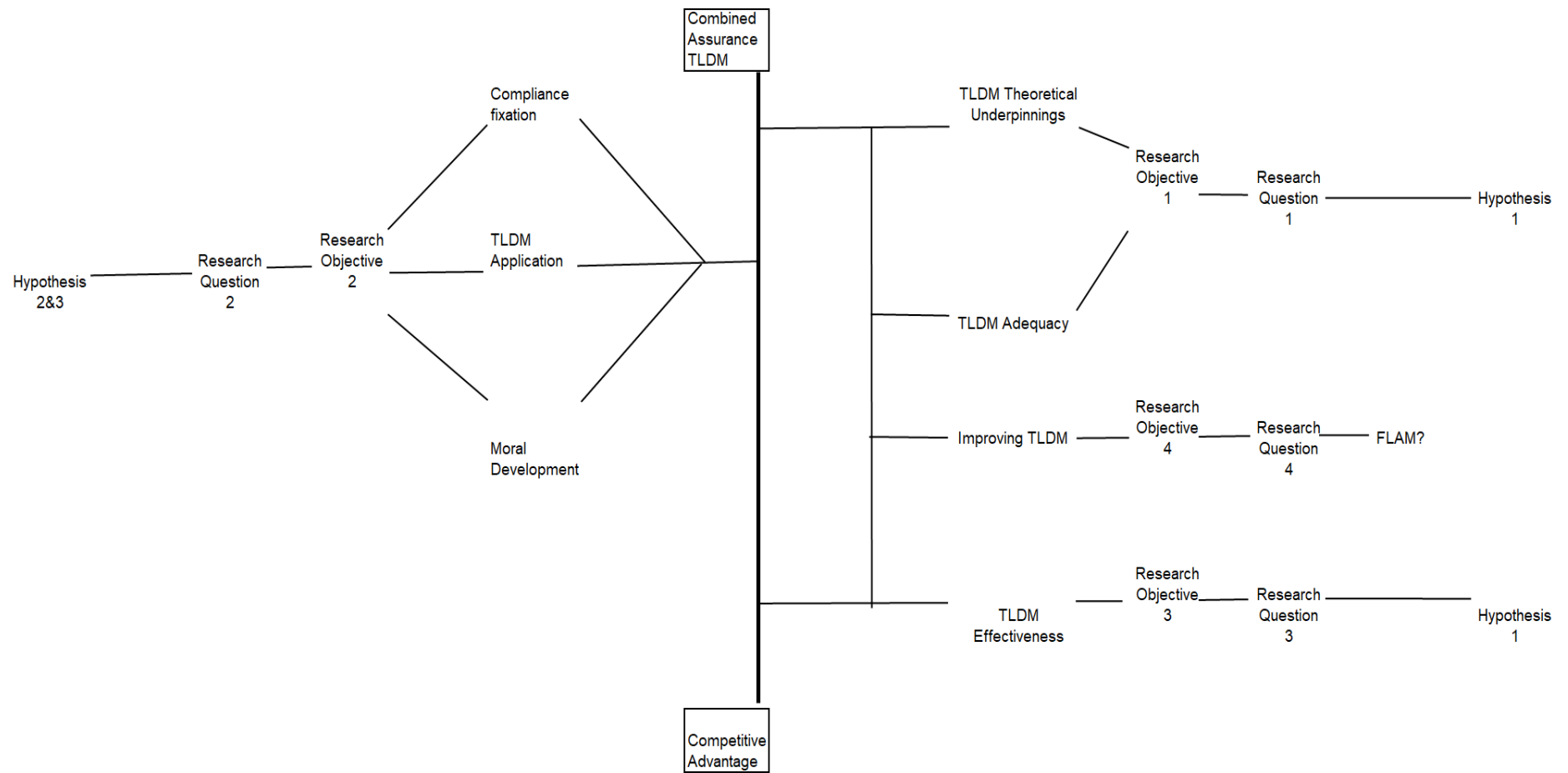


Figure 5.1: Research Mapping

Source: Researcher's own compilation

5.1.2 The Sample

A sample of South African governance practitioners was chosen in order to obtain their perspectives on the TLDM, its application and the scope for competitive advantage creation within a South African context. The sample arose through self-selection as candidates decided on their own discretion, whether to respond to the survey or not. Interviewees were on the other hand purposefully selected in order to attain heterogeneity of the sample for a diversity of perspectives to be obtained.

5.2 QUANTITATIVE RESEARCH FINDINGS

In this section of the report, the quantitative research findings will be presented in order to detail the perspectives of governance practitioners on the TLDM to:

- Identify theoretical gaps in the model that could have a bearing on its effectiveness in dealing with the Agency problem.
- Acquire understanding on the application of the TLDM of combined assurance in organisations to achieve compliance and moral development.
- Establish if combined assurance is perceived as a competitive tool that can be applied with a strategic intent to create competitive advantage.
- Explore how the TLDM of combined assurance could be improved from an ethics theoretical perspective and application viewpoint.
- Enhance the effectiveness of boards' oversight on organisations and minimisation of the Agency problem for the sustainability of organisations.

The presentation of findings begins with survey outcome and quantitative sample obtained.

5.2.1 Survey Respondents

Survey respondents were requested to take part in the study through an invitation sent via various platforms (professional bodies, social media and emails). A total of 596 candidates visited the survey site, of which 227 attempted to complete and 206 successfully completed the online questionnaire (19 incomplete responses), thus giving a response rate of 38% and circa 35% complete responses over a 70-day period (Figure 5.2). Notably, two respondents (approximately 1%) were disqualified

from the survey as they opted not to accept the clarified terms of participation in the survey. This was significant in that it highlights that the survey respondents were not coerced to take part nor were they requested to complete the survey without informed consent. The obtained number of respondents (206) was above the threshold sample size of 200 that had been sought in order for sound statistical analyses to be performed. The survey link⁷ hosted on the ZOHO website was sent, which enabled respondents to complete the online survey from any device with internet connectivity. The average time taken to complete the survey was 40 minutes in one seating, while some respondents dragged the survey completion over a couple of days as time permitted them to do so. The survey procedure adhered to ethics of research protocols and the conditions of the ethics clearance certificate granted by the University of South Africa’s Graduate School of Business Leadership (Appendix E).

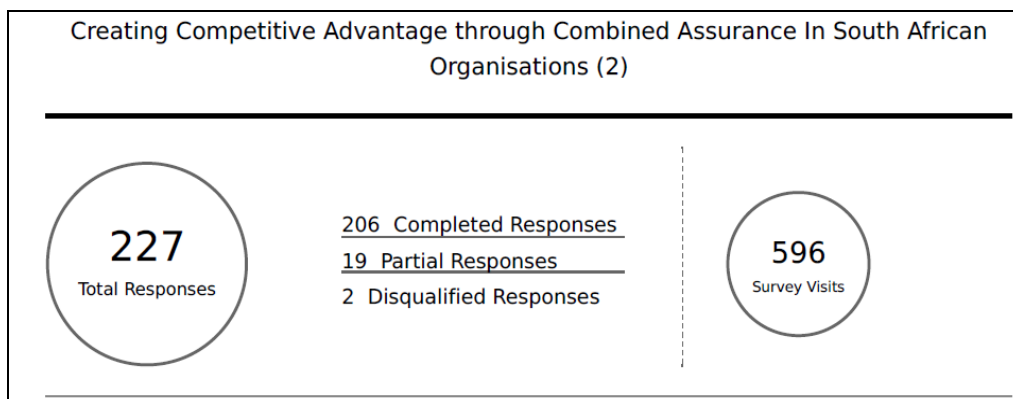


Figure 5.2: Summary of Survey Respondents Categories

Source: Extracted from ZOHO⁸

5.2.2 Quantitative Data Integrity and Case Screening

5.2.2.1 Quantitative Data Integrity – Item Level Screening

Before presenting the detail on the findings of this study, it is considered important to discuss issues of data integrity. The presentation of data integrity under this sub-heading is aimed at addressing the issues of validity and reliability of the findings.

⁷ <https://survey.zohopublic.com/zs/hRCsW8>.

⁸

<https://survey.zoho.com/survey/newui#/portal/679843240/department/upCsHJ/survey/45205300000012001/reports/summaryresponse/defaultreport>.

This is important in enabling the reader of this research work to make their own assessment of the quality and usefulness of the findings. Of the 227 survey responses obtained, only complete surveys were considered for analysis, i.e., 206 responses. This was done in order to avoid distortion of the responses, whereby some questions would have more responses than others, if partially completed surveys were to be included. Of the 206 completed surveys, two were excluded from the analysis as they showed evidence of unfamiliarity with the TLDM, i.e., the subject under investigation. This meant that their appraisal of the model was not useful as it was arguably, based on arbitrary selection of responses in the structured part of the survey. The evidence of this was observed in some compulsory open-ended questions that required elaboration or justification for selections made in some structured questions. For instance, one question required respondents to justify their rating of the adequacy of the TLDM in dealing with self-serving interest, the response of one respondent was: *“What is the Three Lines of Defence Model?”* The other respondent could not answer any of the open-ended questions and thus typed: *“I don’t know”*, in cases where the open-ended questions were mandatory (i.e., requiring a response before the next page of the survey could be accessed). On this basis, the two respondents were excluded from the analysis (as they would distort the statistics), leaving a net of 204 completed surveys eligible for analysis.

Quality control checks were done to identify any evidence of respondents’ non-engagement, i.e., provision of median Likert scale ratings or similar response options in all or most questions. Of the 204 net survey respondents considered eligible for analysis, they all displayed engagement with no central tendency in their response selection. The standard deviation for each case was computed based on the responses obtained to identify cases with a standard deviation of less than 0.5 (Table 5.1). A standard deviation of less than 0.5 would indicate low engagement by the candidate and would have to be excluded. No such case was found or excluded on this basis. The data integrity check exercise resulted in the adoption of the 204 survey respondents for further statistical analysis.

Table 5.1: Descriptive Statistics

Descriptive Statistics				
	n	Minimum	Maximum	Mean
sd	204	0.50	1.83	1.1018

Source: Researcher's own compilation

Furthermore, some questions had been repeated in the survey to test the consistency of responses provided by the survey respondents. The consistency of responses was assessed for each respondent to identify any inconsistencies in responses in those questions that had been repeated. No inconsistencies that warranted exclusion of respondents on this basis were identified. Table 5.2 below shows the average ratings (using a 1–5 Likert scale) obtained for questions that were repeated. This shows that the 204 respondents were consistent in answering the questions and thus engaged during the completion of the survey.

Table 5.2: Response consistency test outcomes

Test Questions Pairs	Average Ratings (out of 5) Obtained	Conclusion
How adequate is the Three Lines of Defence Model (TLDM) in dealing with self-serving interest (Agency) in South African organisations?	2.67	High level of consistency in the sentiments expressed by respondents on the effectiveness of the TLDM in dealing with Agency.
The Three Lines of Defence Model (TLDM) is effective in dealing with pursuit of self-serving interest in South African organisations.	2.68	
Through the application of the Three Lines of Defence Model (TLDM) in South African organisations, some measurement of individuals' moral development is incorporated as part of the combined assurance efforts.	2.33	High level of consistency in the sentiments expressed by respondents on the inclusion of moral development measurement during assurance provision through TLDM
The application of the Three Lines of Defence Model (TLDM) in	2.13	

Test Questions Pairs	Average Ratings (out of 5) Obtained	Conclusion
organisations involves assessment of individuals' moral development.		application.
Corporate governance failures in South African organisations could be attributed to the failure at some level of the Three Lines of Defence Model (TLDM).	4.08	High level of consistency in the sentiments expressed by respondents on the effectiveness of the TLDM in dealing with Agency.
Corporate governance failures involve failure of some level or all of the Three Lines of Defence Model (TLDM).	4.01	

Source: Researcher's own compilation

5.2.2.2 Case Screening

At item level, there were no missing values or incomplete responses because quality control measures were built into the online survey enabling the respondents to see if they had omitted any questions. At construct level, no missing entries were observed either.

5.2.3 Survey Respondents' Demographics

5.2.3.1 Survey Respondents' Race

The demographics reflect that the sample was fairly diverse, representing gender and race group profiles anticipated of the population. The diversity of the sample from a race and gender perspective was considered important in this study in order to attain population validity (a form of external validity). According to Shuttleworth (2009), population validity can be defined as a type of external validity that describes how well the sample used can be extrapolated to a population as a whole. As shown in Figure 5.3 below, all major racial groups of the jurisdiction of the study were fairly represented in the sample of survey respondents obtained, resembling the profile of national demographics.⁹

⁹ According to the 2011 Census, 79.2% of South Africans (41 million) were 'Black Africans', 8.9% were

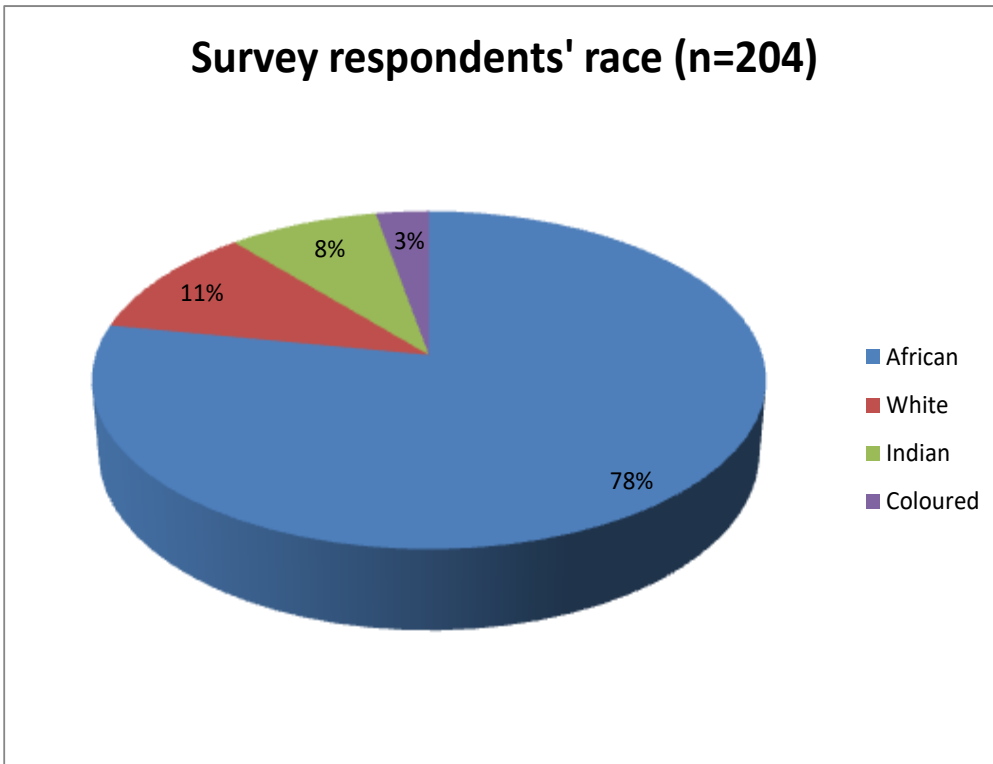


Figure 5.3: Survey respondents' racial profile.

Source: Researcher's own compilation

5.2.3.2 Survey Respondents' Gender

The survey respondents consisted of a fair representation of all gender groups (Figure 5.4), enabling varied perspectives nuanced by gender dynamics to be obtained. A higher proportion of males in the sample reflects what would be expected in South African companies where in general terms, more males than females are formally employed; hence, the government's efforts to empower women in a bid to redress the historic institutionalised preference of males over women in employment. From a gender perspective, the survey respondents were arguably sufficiently diverse, enabling population validity to be attained in the conclusions drawn from the perspectives the respondents provided on the TLDM.

Coloured (4.62 million), 8.9% were white (4.59 million), 2.5% were 'Indian or Asian' (1.29 million) and only 0.2% (280.4 thousand) who declared another race (<https://welections.wordpress.com/guide-to-the-2014-south-african-election/race-ethnicity-and-language-in-south-africa/>).

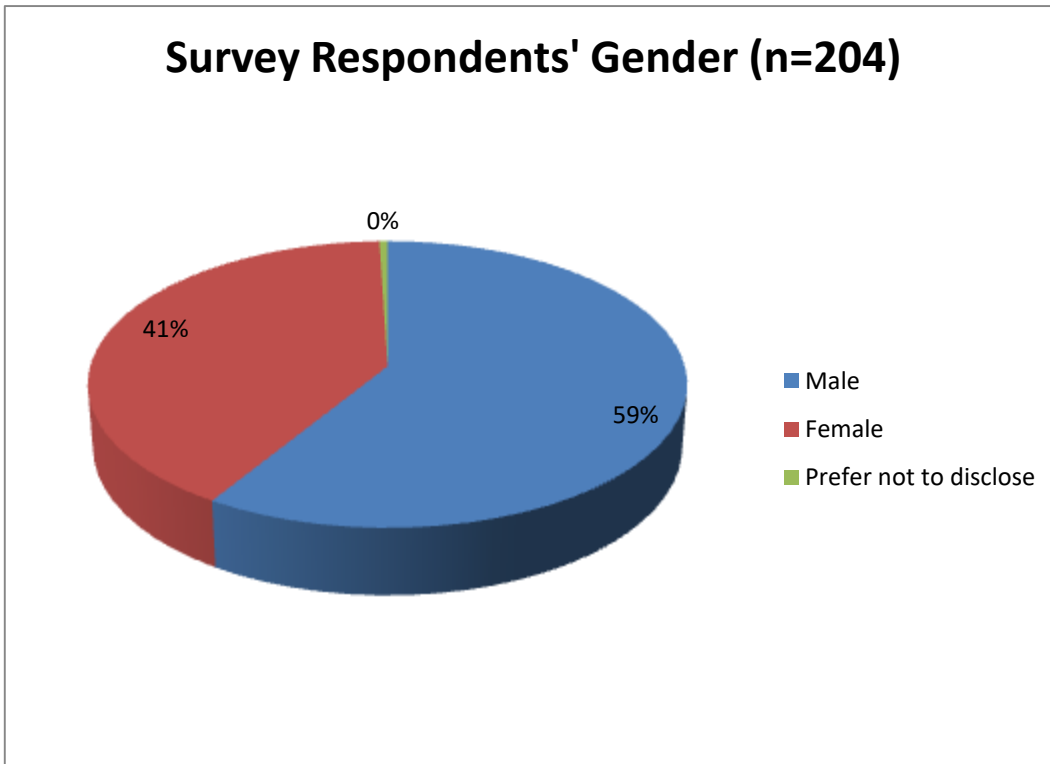


Figure 5.4: Survey respondents' gender profile.

Source: Researcher's own compilation

5.2.3.3 Survey Respondents' Qualifications

Combined assurance and the TLDM are concepts that are fairly limited in use and application to the finance, governance and audit professions. As such, perspectives on the TLDM were obtained from survey respondents that were essentially educated and knowledgeable on the subject matter under investigation. As shown in Figure 5.5 below, the survey respondents were educated, with their qualifications making them subject matter experts whose perspectives on the TLDM could reasonably be considered insightful, for valid interpretations and conclusions to be drawn.

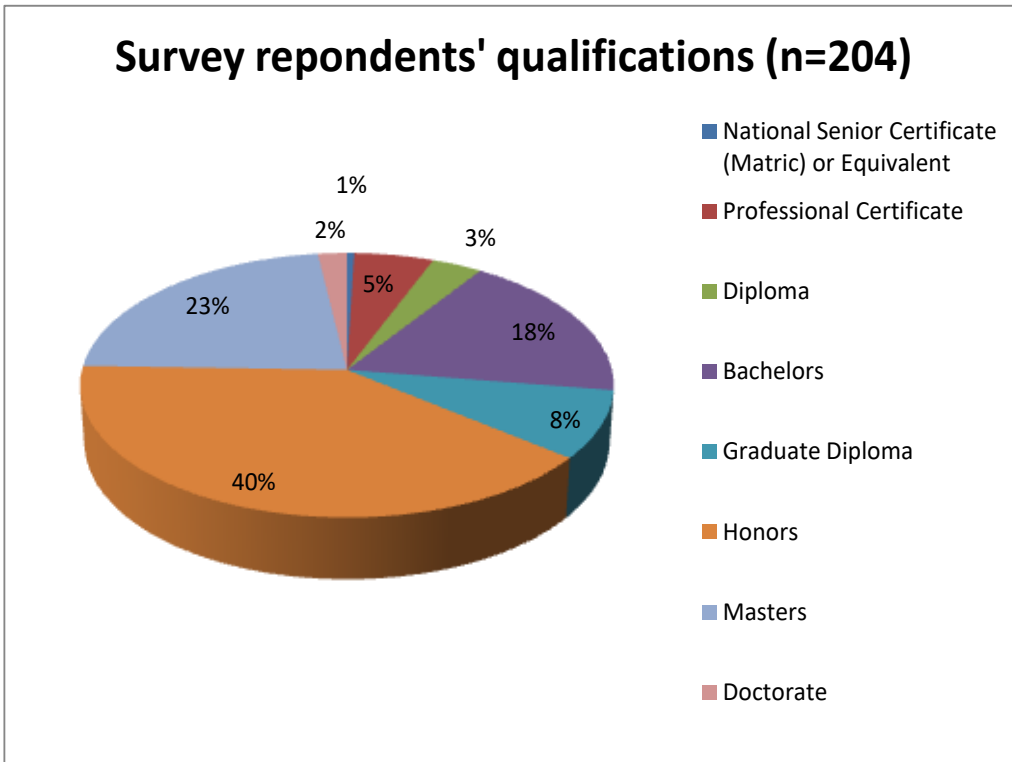


Figure 5.5: Survey respondents' qualifications.

Source: Researcher's own compilation

5.2.3.4 Survey Respondents' Organisations of Employment and Industry

In order to have an understanding of TLDM practice and the scope for creation of competitive advantage through TLDM in South Africa, it was imperative for perspectives from governance practitioners from the diversity of South African organisational forms to be obtained. It was reasonably expected that the TLDM practice and hence the scope for creation of competitive advantage through TLDM would differ from one organisation form to another, shaped by industry and regulatory requirements that apply to some organisational forms or industries, and not necessarily to the others. Figure 5.6 below shows that the survey respondents were from Private Corporations (39%); Listed Corporations (26%); State Owned Enterprises (SOEs) 19%; and Small Medium and Micro Enterprises/Family businesses (SMMEs) (16%).

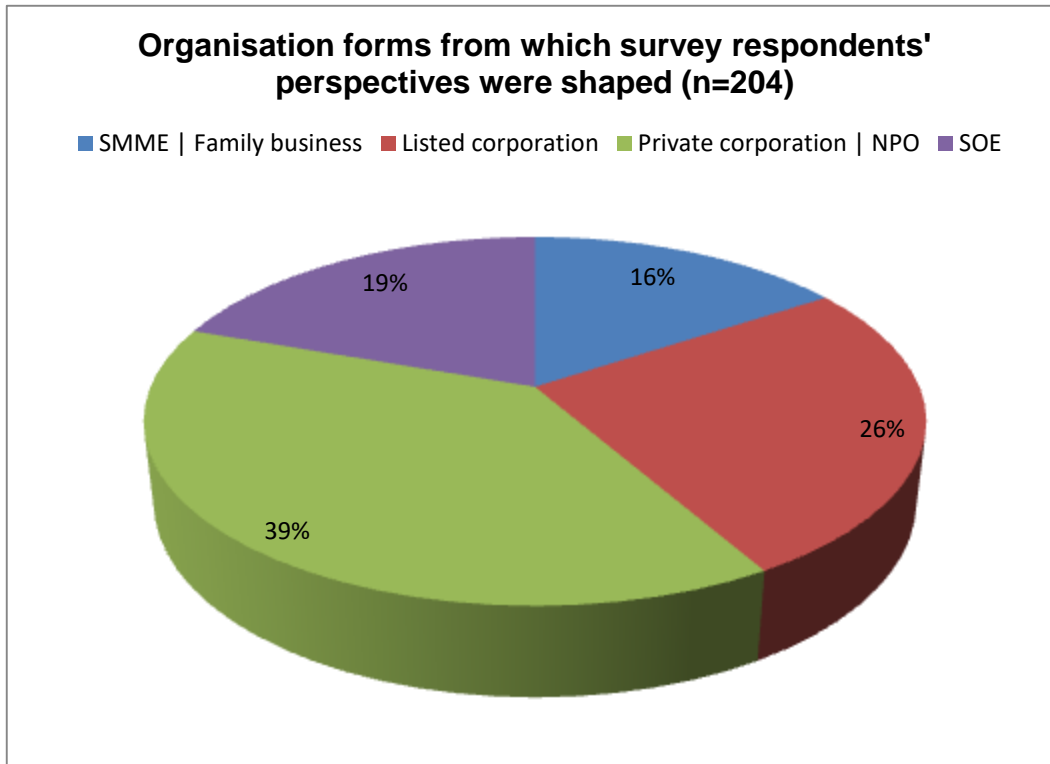


Figure 5.6: Organisational forms represented by the Survey respondents.

Source: Researcher's own compilation

The diversity of organisational forms represented in the sample of survey respondents enabled group differences to be analysed, for the variations in perspectives of the respondents shaped by their organisational experiences of TLDM practice to be identified. It was envisaged that different organisational forms would have differences in maturity of TLDM adoption and application, for example, the listed corporations were expected to be at an advanced state of TLDM implementation in comparison to SMMEs or Family Businesses. Furthermore, various industries have their own industry-specific regulatory requirements, thus, understanding the representation of industries in the sample of survey respondents obtained was considered important. Figure 5.7 shows the industries to which the survey respondents belonged. The survey respondents represented a number of different industries, enabling diverse perspectives shaped from a wide-range of industries to be obtained and meaningful conclusions on the TLDM practice in South Africa to be understood.

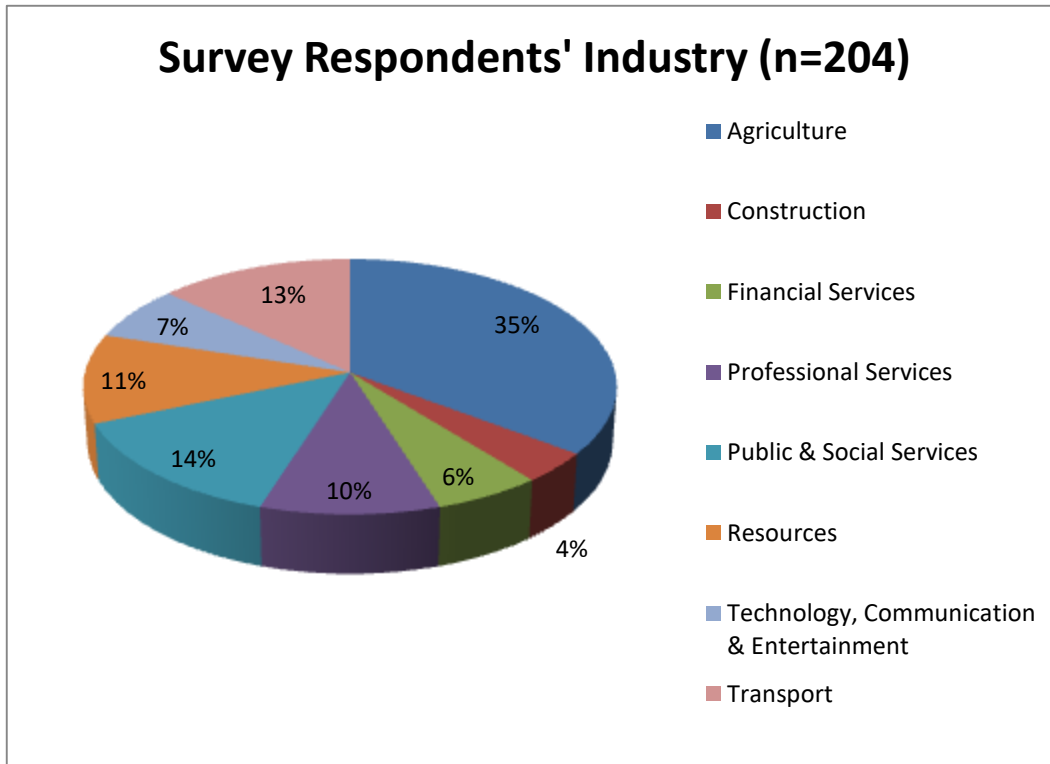


Figure 5.7: Industries represented by the Survey respondents.

Source: Researcher's own compilation

From the survey respondents' demographics presented, it can be seen that the obtained sample was arguably robust in terms of aspects of diversity, to enable population-valid deductions and conclusions to be made about the TLDM, its application in the context of creating competitive advantage and the scope for creation of competitive advantage in South African organisations.

5.2.4 Exploratory Factor Analysis (EFA)

In this research study, a researcher-developed questionnaire (measuring instrument – Appendix G) was used to gather the perspectives of governance professionals on the TLDM and competitive advantage through its application in South African organisations. It was therefore important to ensure that the measuring instrument was valid,¹⁰ through validity testing. Exploratory Factor Analysis (EFA) was

¹⁰ Construct validity.

performed in order to identify the constructs¹¹ in the various elements¹² of the measuring instrument. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and the Bartlett's test of sphericity tests were performed in order to assess the suitability of the data for structure detection using factor analysis. High KMO values (close to 1.0) would indicate usefulness of factor analysis on the data while lower values would mean that factor analysis is not useful with the data.¹³ Low values of the significance level (less than 0.05) in Bartlett's test of sphericity on the other hand, would suggest that factor analysis is useful with the data under consideration (i.e., there exists a relationship between variables, which makes the data suitable for structure detection). Table 5.3 below shows the results of the KMO measure of sampling adequacy and the Bartlett's test of sphericity outcomes obtained.

Table 5.3: KMO and Bartlett's tests

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy		0.785
Bartlett's test of sphericity	Approx Chi-Square	2356.786
	df	435
	Sig.	0.000

Source: Researcher's own compilation

The KMO measure of sampling adequacy (>0.5 and closer to 1.0) and the Bartlett's test of sphericity (significance level <0.05) results obtained indicate that the data was suitable for structure detection using factor analysis (Table 5.3).

An iterative EFA process was followed in order to gain insight into underlying constructs that emerge and in part to assess the original proposed measurement model structure. During round 1 of the EFA using principal component analysis

11 The theoretical themes or latent variables in the statements.

12 The individual questions or statements in the research instrument.

13 https://www.ibm.com/support/knowledgecenter/SSLVMB_23.0.0/spss/tutorials/fac_telco_kmo_01.html.

extraction method on IBM-SPSS package, the outcome shown in Table 5.4 below was obtained. The outcome was assessed for items with low communalities for possible exclusion. Low communality would imply that items were unrelated. According to Hair *et al.*, 2010, extraction factors of less than 0.4 signify low communality. There were thus no items identified with low communality (on this basis) that were excluded (Table 5.4).

Table 5.4: Measurement instrument item communalities

	Communalities	
	Initial	Extraction
Q8 How adequate is the TLDM in dealing with self-serving interest (Agency) in SA organisations?	1,000	0,670
Q11 What is your assessment of the adequacy of the TLDM in achieving moral development in SA organisations?	1,000	0,721
Q12 How adequate is the TLDM in developing a compliance culture in SA organisations?	1,000	0,591
Q13 What would you say about the adequacy of the TLDM in its ethics theoretical foundations?	1,000	0,597
Q14 The TLDM is effective in dealing with pursuit of self-serving interest in SA organisations.	1,000	0,600
Q15 Corporate governance scandals can be minimized by implementing the TLDM in SA organisations.	1,000	0,588
Q16 In most cases of corporate governance failures, the pursuit of self-serving interest by individuals involved at some level of the TLDM is evident (i.e. their management, internal and or external auditors as well as directors).	1,000	0,623
Q17 Corporate governance failures in SA organisations could be attributed to the failure at some level of the TLDM.	1,000	0,637
Q20 The TLDM is implemented with an intention to derive competitive advantage in SA organisations.	1,000	0,666
Q21 In implementing the TLDM in SA organisations, the emphasis has been on achieving compliance within the organisation.	1,000	0,595
Q22 The TLDM has been implemented in SA organisations with a goal of achieving the development of individuals' moral sense and stewardship.	1,000	0,644
Q23 Through the application of the TLDM in SA organisations, some measurement of individuals' moral development is incorporated as part of the combined assurance efforts.	1,000	0,761
Q25 There is more compliance fixation than moral development intent in the application of the TLDM of combined assurance in SA organisations.	1,000	0,585
Q26 Competitive advantage can be derived through the application of TLDM in SA organisations.	1,000	0,457
Q28 The application of the TLDM in SA organisations involves assessment of individuals' moral development.	1,000	0,738
Q29 Compliance fixation in the application of the TLDM leads to creation of competitive advantage in SA organisations.	1,000	0,648
Q30 The moral development intent in individuals through the application of TLDM leads to creation of competitive advantage in SA organisations.	1,000	0,599
Q31 With increased moral development focus in the application of the TLDM, competitive advantage increases in SA organisations.	1,000	0,729
Q32 Increased compliance fixation in the application of the TLDM reduces competitive advantage in SA organisations.	1,000	0,815
Q33 In light of the current TLDM practice, there is scope to create competitive advantage in SA organisations.	1,000	0,655
Q34 Given the prevailing TLDM application, the scope for creating competitive advantage through implementing TLDM practice in SA organisations is narrow.	1,000	0,680
Q35 In my opinion, there is no relationship between the applications of the TLDM and creation of competitive advantage in SA organisations.	1,000	0,713
Q36 The application of the TLDM focuses on organisational employees and management without extending to assessing director or owner/principal conduct.	1,000	0,596
Q37 Assurance provision through application of the TLDM is intended on providing assurance to directors than the broader stakeholder community.	1,000	0,526
Q38 There is a need to improve the TLDM to enhance its effectiveness in dealing with self-serving interest (Agency)	1,000	0,524
Q39 The TLDM encourages the development of a compliance culture in organisations.	1,000	0,523
Q40 The TLDM does not lead to development of virtues and personal values that are internalised to model behaviour.	1,000	0,603
Q41 Corporate governance failures involve failure of some level or all of the TLDM.	1,000	0,603
Q42 The objective of combined assurance needs to extend beyond being a convenience tool for reducing director information overload to providing assurance to the broader stakeholder community.	1,000	0,553
Q44 I think that more levels need to be added onto the current TLDM in order to enhance its effectiveness.	1,000	0,588

Source: *Researcher's own compilation*

The 30 measurement instrument items were all retained for further component analysis on the basis of communality. Using principal component analysis extraction method, an 8 component-matrix was generated during round 1 of the EFA. A rotated component matrix extracted using principal component analysis method converged to 26 iterations. Items with cross loadings (differences of <0.2)¹⁴ were identified and excluded to avoid skewing the analysis. Measurement instrument items Q29, 33, 34, 37 and Q38 were excluded on this basis.

Round 2 of the EFA involved component extraction using principal component analysis, excluding the identified measurement tool items with cross loadings. The result of the second round of analysis was a reduction in components extracted from 8 to 6. The item groupings were then inspected for commonalities in the themes, variables or constructs that they measured. The emergent themes or constructs from the EFA are as shown in Table 5.5 below.

Table 5.5: Final scale measurements and emergent constructs

Construct	Abbreviation	Associated Measurement instrument item
Effectiveness of TLDM of combined assurance in dealing with Agency problem	EFF_AGENCY	Q41 Q42 [Q14 Q15 Q16 Q17]
Adequacy of TLDM in its ethics theoretical underpinnings (compliance vs. moral development intent)	AD_ETHICS	Q8 Q11 Q13 [Q12]
Implementation of TLDM for compliance	IMPL_COMP	Q21 Q25
Creation of competitive advantage through TLDM	CR_CA_TLDM	Q30 Q31 [Q20 Q26 Q32]
Scope for creating competitive advantage	SCOPE_CR_CA	Q33 Q35 [Q34]

¹⁴ <http://statwiki.kolobkreations.com>.

Construct	Abbreviation	Associated Measurement instrument item
Competitive Advantage	CA	CR_CA_TLDM SCOPE_CR_CA
Implementation of TLDM combined assurance with moral development focus	IMPL_TLDM_MDF	Q22 Q23 Q28 [Q40]
Improvement of the TLDM	IMPR_TLDM	Q36 Q44

Source: Researcher's own compilation

[Grey highlighted questions measured using the scale: **1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly agree.**

Turquoise highlighted questions measured using the scale: **1 = Very inadequate; 2 = Inadequate; 3 = Somewhat inadequate; 4 = Adequate; 5 = Very adequate]**

The outcome of the EFA was used to conduct Confirmatory Factor Analysis (CFA) to test the proposed model's goodness of fit, which is the subject of discussion in the following sub-section.

5.2.5 Confirmatory Factor Analysis (CFA)

Against the backdrop of the outcomes of EFA, which affirmed the suitability of data structure for factor analysis, Confirmatory Factor Analysis (CFA) was performed. According to Nagy *et al.*, (2017) cited in Mabasa (2018), the psychometric properties of a measurement instrument that is theoretically grounded can be analysed using multivariate statistical analysis, i.e., CFA. In performing CFA, the objective would be to assess whether the behaviour of relationships of constructs is as predicted. A number of tests are used in CFA to estimate validity (convergent and discriminant) and goodness of fit, e.g., GFI (Goodness of fit Index), CMIN (Normed Chi-Squared/df), RMSEA (Root Mean Square Error of Approximation), CFI (Comparative Fit Index) and NFI (Normed fit index). There are varied opinions on what the values of these measures should be for the model to be deemed acceptable as explaining the envisaged relationship. While Brown (2015) contends

that there are no absolute guidelines on what the values of the model goodness of fit measures should be, some authors (Hu & Bentler, 1999; Schreiber *et al.*, 2010)¹⁵ stipulate that for the model to be deemed as having a good fit, the following should be satisfied: CMIN/DF < 3; Chi square p-value > 0.05; SRMR values < 0.08; RMSEA should be < 0.05; CFI/TLI index > 0.90; AGFI values > 0.80; NFI < 0.90 and GFI values > 0.90. These rule of thumb guidelines were thus applied in testing the model.

5.2.5.1 Towards a measurement model

The baseline model from EFA was subjected to an initial round of CFA. The following outcomes were obtained as shown in Table 5.6 below:

Table 5.6: CFA outcomes

	Composite Reliability (CR)	Average Variance Extracted (AVE)	Maximum Shared Variance (MSV)	MaxR(H)
IMPR_TLDM	0.477	0.343	0.228	0.594
AD_ETHICS	0.841	0.639	0.446	0.881
IMPL_COMP	0.558	0.392	0.286	0.898
EFF_AGENCY	0.642	0.476	0.285	0.915
IMPL_TLDM_MDF	0.869	0.690	0.446	0.948
CA	0.853	0.747	0.286	0.982

Source: Researcher's own compilation

The CFA results shown above had the following validity concerns:

- Composite Reliability: the CR for IMPR_TLDM is less than 0.70.

¹⁵ See also Mabasa 2018. "Relationship between leadership styles, employee commitment and business performance: a study of black top managers in state-owned enterprises"; and Naidoo, 2019. A framework to implement open contracting in South African public sector procurement

- Convergent Validity: the Average Variance Extracted (AVE) for IMPR_TLDM is less than 0.50.
- Composite Reliability: the CR for APPL_COMP is less than 0.70.
- Convergent Validity: the AVE for APPL_COMP is less than 0.50.
- Composite Reliability: the CR for EFF_AGENCY is less than 0.70.
- Convergent Validity: the AVE for EFF_AGENCY is less than 0.50.

Furthermore, the baseline model produced the following goodness of fit indices as shown in Table 5.7.

Table 5.7: Model goodness of fit indices

CMIN	df	P-value	CMIN/df	GFI	AGFI	NFI	TLI	CFI	RMSEA	SRMR
166,19	87	0,000	1,910	0,908	0,856	0,864	0,901	0,928	0,067	0,070

Source: Researcher's own compilation

While most measures of model goodness of fit were within acceptable ranges, notably the P-value <0.05 was below acceptable thresholds. Based on the CFA results obtained for the baseline model, the researcher concluded that the model fit was good; however, adjustments to improve validity were necessary.

5.2.5.2 Final measurement model

A modified model was then arrived at by excluding the measurement items with low factor loading, and by merging of CR_CA_TLDM and SCOPE_CA_TLDM into sub-constructs of CA. Figure 5.8 below shows the final measurement model after modifications.

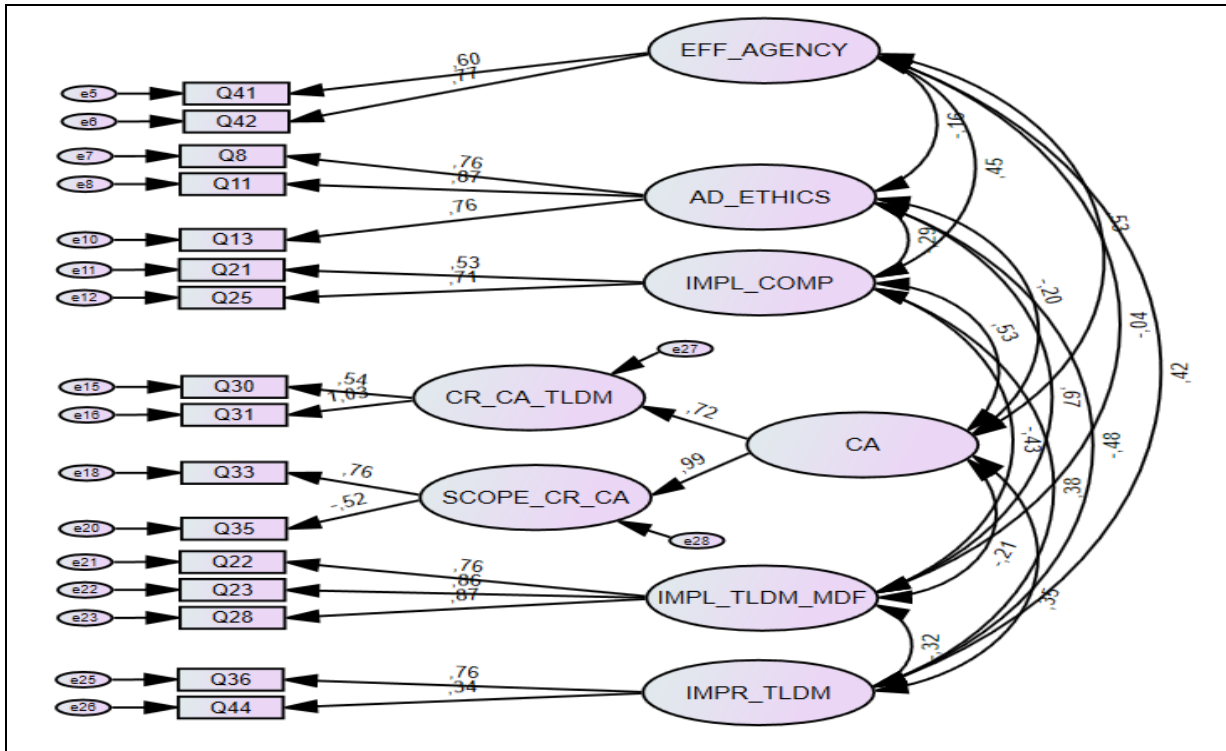


Figure 5.8: The measurement model

Source: Researcher's own compilation

The resultant validity for the modified model is shown in Table 5.8 below.

Table 5.8: Reliability outcomes

Construct	Cronbach's Alpha	Inter-Item Correlations	N of Items		CR	AVE
EFF_AGENCY	0.63	0.46	2		0.64	0.48
AD_ETHICS	0.83	0.63	3		0.84	0.64
IMPL_COMP	0.54	0.38	2		0.56	0.39
CR_CA_TLDM	0.71	0.56	2			
SCOPE_CR_CA	0.54	0.39	2			
CA	0.68	0.51	2		0.85	0.75
IMPL_TLDM_MDF	0.87	0.68	3		0.87	0.69
IMPR_TLDM	0.41	0.26	2		0.48	0.34

>0.6
>0.2

Source: Researcher's own compilation

Composite reliability, i.e., the Cronbach's alpha values for the modified model improved for the constructs CA and IMPL_COMP. However, the Cronbach's alpha for IMPR_TLDM remained less than 0.6 although its inter item correlations were above the threshold of 0.2. On this basis, the modified model (Figure 5.8 above) was accepted as the final measurement model.

5.2.6 Item and construct level descriptives

5.2.6.1 Effectiveness of TLDM of combined assurance in dealing with Agency problem (EFF_AGENCY)

The EFF_AGENCY assessed the survey respondents' perspectives on the effectiveness of the TLDM in the *negative* sense. That is, on a scale of 1 to 5 (signifying strongly disagree to strongly agree respectively), higher agreement with the statements indicated ineffectiveness of TLDM with respect to the sub-construct tested. EFF_AGENCY was assessed with respect to dealing with self-serving

interest of those involved in assurance processes; minimising corporate governance scandals; and in providing assurance to stakeholders. The sentiments (as shown by the mean ratings in Table 5.9 below) indicate that the TLDM is *ineffective* in dealing with self-serving interest of those involved in assurance processes, minimising corporate governance scandals and in providing assurance to stakeholders.

Table 5.9: EFF_AGENCY descriptives

Construct	Items	N	Mean	Standard Deviation	Standard Error Mean	Average Rating Category	Average Rating Interpretation
EFF_AGENCY	Q14 The TLDM is effective in dealing with pursuit of self-serving interest in SA organisations.	204	2.68	0.979	0.069	Disagree-Neither Agree or Disagree	TLDM is not effective in dealing with self-serving interest
	Q15 Corporate governance scandals can be minimized by implementing the TLDM in SA organisations.	204	3.64	0.803	0.056	Neither Agree or Disagree-Agree	TLDM is fairly effective in minimizing corporate governance scandals
	Q16 In most cases of corporate governance failures, the pursuit of self-serving interest by individuals involved at some level of the TLDM is evident (i.e., their management, internal and/or external auditors as well as directors).	204	4.05	0.649	0.045	Agree	TLDM is not effective in dealing with self-serving interest

Construct	Items	N	Mean	Standard Deviation	Standard Error Mean	Average Rating Category	Average Rating Interpretation
	Q17 Corporate governance failures in SA organisations could be attributed to the failure at some level of the TLDM.	204	4.09	0.682	0.048	Agree	TLDM is not effective in dealing with self-serving interest
	Q41 Corporate governance failures involve failure of some level or all of the TLDM.	204	4.11	0.701	0.049	Agree-Strongly Agree	TLDM is not effective in dealing with self-serving interest
	Q42 The objective of combined assurance needs to extend beyond being a convenience tool for reducing director information overload to providing assurance to the broader stakeholder community.	204	4.20	0.676	0.047	Agree-Strongly Agree	TLDM is not effective in providing assurance to stakeholders

Source: Researcher's own compilation

The item level standard deviations obtained were less than 1.0, indicating a fairly low spread in perspectives regarding the ineffectiveness of TLDM, i.e., there was a high level of consensus among the 204 survey respondents in that the TLDM is ineffective in dealing with self-serving interest of those involved in assurance processes, minimising corporate governance scandals and in providing assurance to stakeholders (Mean=4.15). Thus, the respondents ‘agreed’ to the statements regarding TLDM ineffectiveness (Figure 5.9).

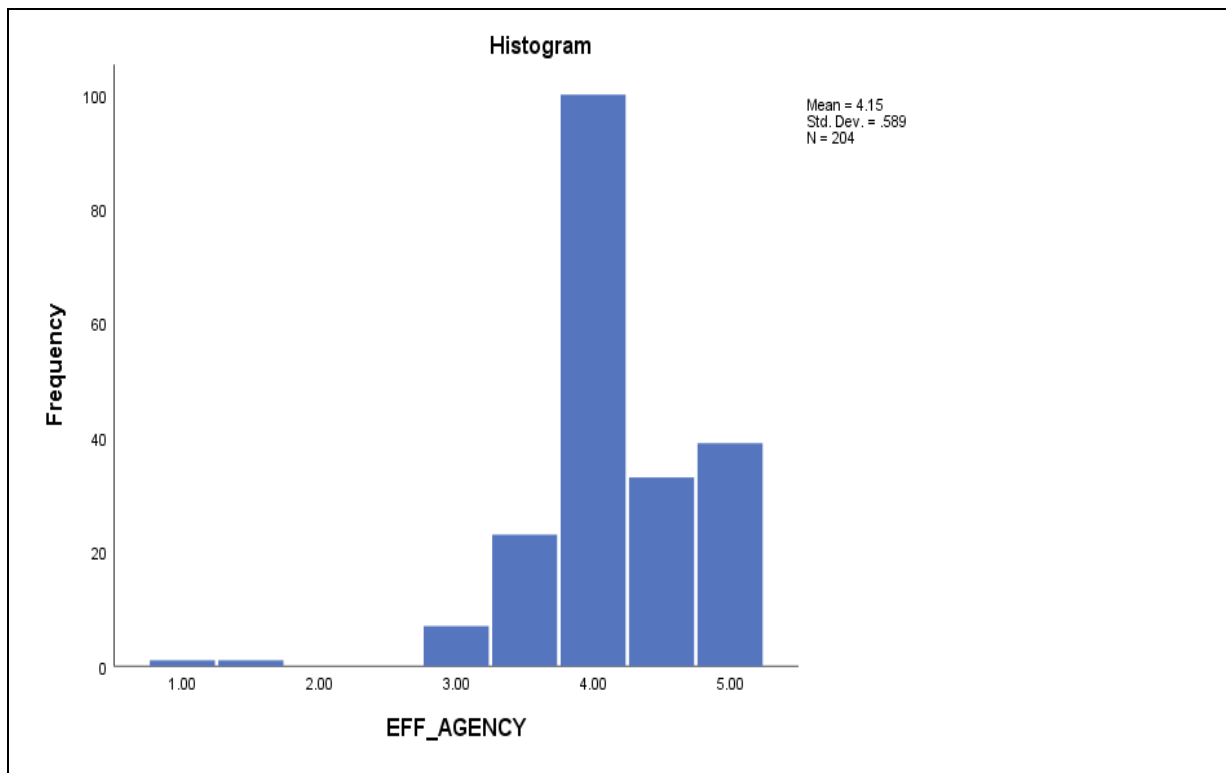


Figure 5.9: EFF_AGENCY Histogram

Source: Researcher’s own compilation

5.2.6.2 Adequacy of TLDM in its ethics theoretical underpinnings: compliance vs. moral development intent (AD_ETHICS)

The AD_ETHICS construct assessed the perspectives of the survey respondents on the adequacy of the TLDM in dealing with Agency, achieving moral development, developing a compliance culture and in its ethics theoretical foundations. The 204 respondents on average rated the TLDM on the inadequate side of the scale (between inadequate and somewhat inadequate), on a scale of 1 (very inadequate) to 5 (very adequate) with relatively low standard deviation (Mean=2.65; SD=0.76),

i.e., in dealing with Agency, achieving moral development and in its ethics theoretical foundations (Table 5.10). The standard deviation highlights that there was a considerable spread in the perspectives obtained, i.e., the majority of the respondents shared similar views about the inadequacy of TLDM in dealing with Agency, achieving moral development and in its ethics theoretical foundations. However, the respondents perceived the TLDM as 'somewhat adequate-adequate' in developing a compliance culture in the organisations (Mean=3.42; SD=0.83). These sentiments indicate that adequacy in developing compliance culture in the South African organisations did not necessarily imply that the model is adequate in its ethics theoretical foundations, nor is it adequate in achieving moral development or dealing with Agency.

Table 5.10: AD_ETHICS descriptives

Construct	Items	n	Mean	Standard Deviation	Standard Error Mean	Average Rating Category	Average Rating Interpretation
AD_ETHICS	Q8 How adequate is the TLDM in dealing with self-serving interest (Agency) in SA organisations?	204	2.66	0.930	0.065	Inadequate to somewhat inadequate	TLDM is inadequate to somewhat adequate in dealing with self-serving interest
	Q11 What is your assessment of the adequacy of the TLDM in achieving moral development in SA organisations?	204	2.51	0.857	0.060	Inadequate to somewhat inadequate	TLDM is inadequate to somewhat adequate in achieving moral development in SA organisations
	Q12 How adequate is the TLDM in developing a compliance culture in SA organisations?	204	3.42	0.835	0.058	Somewhat adequate-adequate	TLDM is somewhat adequate to adequate in developing compliance culture in SA organisations
	Q13 What would you say about the adequacy of the TLDM in its ethics theoretical foundations?	204	2.78	0.834	0.058	Inadequate to somewhat inadequate	TLDM is inadequate to somewhat adequate in its ethics theoretical foundations

Source: Researcher's own compilation

A wide-range of perspectives with regards to the TLDM Adequacy were obtained, forming a normal distribution around the 2.65 average rating of the TLDM adequacy by respondents (Figure 5.10).

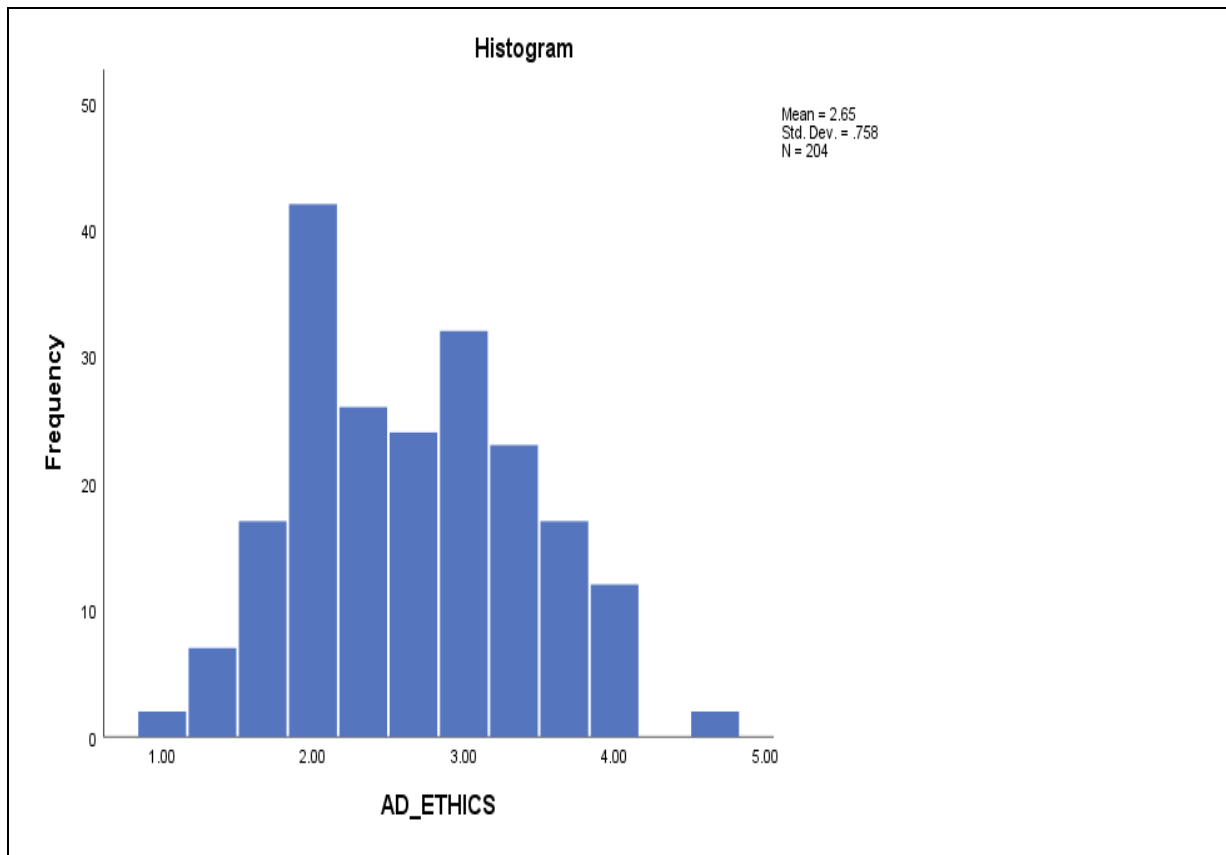


Figure 5.10: AD_ETHICS Histogram

Source: Researcher’s own compilation

The sentiments expressed indicate that the adequacy of the TLDM was questionable to the survey respondents as can be seen that a considerably fair proportion of respondents rated the TLDM on either side of the scale.

5.2.6.3 Implementation of TLDM for compliance (IMPL_COMP)

The IMPL_COMP construct assessed the perspectives of the survey respondents on the TLDM implementation practice in South African organisations with respect to compliance agenda. On a scale of 1 to 5 (signifying strongly disagree to strongly agree respectively), the 204 survey respondents ‘agreed’ (Mean=3.99; SD=0.70) that there was more compliance fixation than moral development intent in the

application or implementation of the TLDM of combined assurance in South African organisations. The respondents also expressed that on average they 'agreed' to 'strongly agreed' (Mean=4.14; SD=0.65) with the statement that: in implementing the TLDM in South African organisations, the emphasis has been on achieving compliance within the organisation. The responses obtained indicate a higher consistence (low standard deviation) in the sentiments expressed on the TLDM implementation practice in South African organisations represented by the survey respondents (Table 5.11).

Table 5.11: IMPL_COMP descriptives

Construct	Items	N	Mean	Standard Deviation	Standard Error Mean	Average Rating Category	Average Rating Interpretation
Implementation of TLDM with a Compliance focus (IMPL_COMP)	Q21 In implementing the TLDM in SA organisations, the emphasis has been on achieving compliance within the organisation.	204	4.14	0.647	0.045	Agree-Strongly Agree	TLDM is implemented with emphasis on achieving compliance
	Q25 There is more compliance fixation than moral development intent in the application of the TLDM of combined assurance in SA organisations.	204	3.99	0.698	0.049	Agree	There is more compliance fixation than moral development intent in TLDM implementation in SA organisations

Source: Researcher's own compilation

At construct level, a majority (76%) of the 204 respondents 'agreed' (Mean=4.1; SD=0.6) that the TLDM was implemented with a compliance objective in South African organisations (Figure 5.11). There was no trend in the group responses, i.e., respondents from SOEs gave fairly similar responses to those from listed entities.

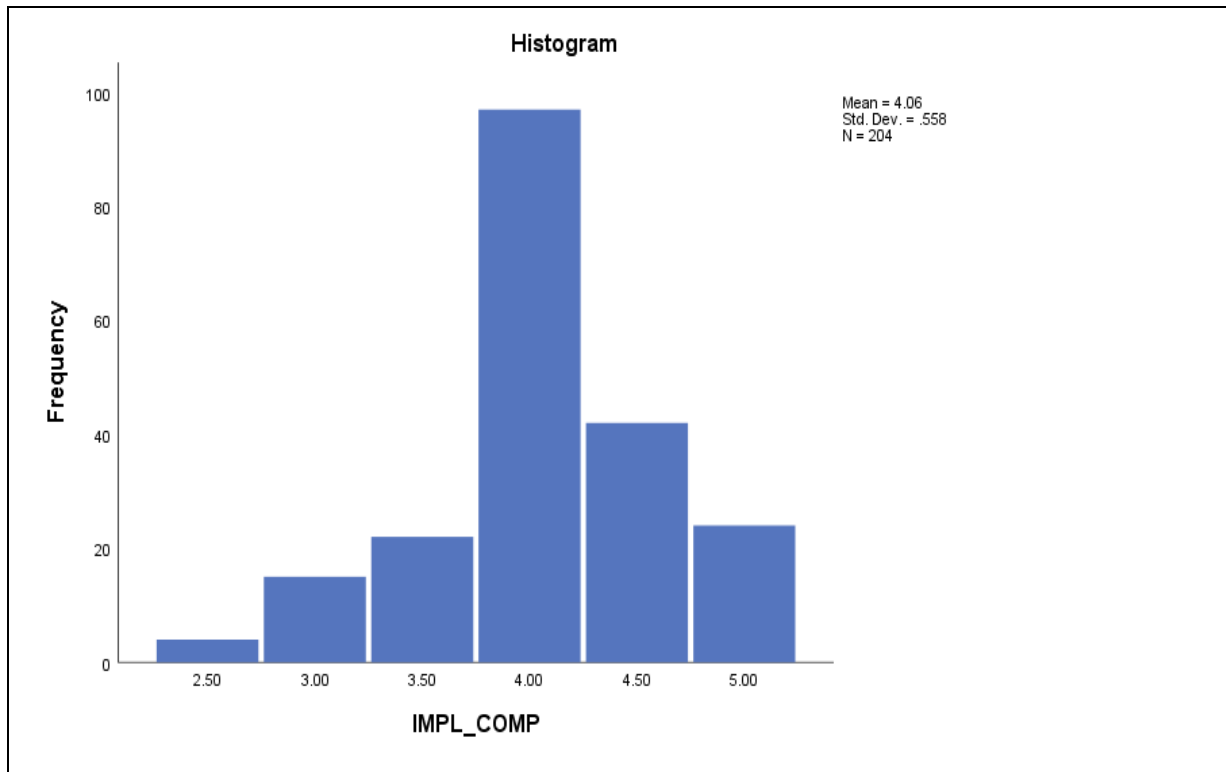


Figure 5.11: IMPL_COMPL Histogram

Source: Researcher's own compilation

5.2.6.4 Implementation of TLDM with moral development focus (IMPL_MDF)

The latent variable 'implementation of TLDM with a moral development focus' (IMPL_TLDM_MDF) was measured using the proxies Q22, Q23, Q28 and Q40 in the questionnaire. The sentiments were measured using a scale of 1 to 5 (signifying strongly disagree to strongly agree respectively), to assess if there was an intention to develop individuals' moral sense in the application of the TLDM, measurement of individuals moral development was incorporated in the TLDM implementation process and that virtues and internalised personal values could be shaped by the application of the TLDM.

Table 5.12: IMPL_TLDM_MDF descriptives

Construct	Items	N	Mean	Standard Deviation	Standard Error Mean	Average Rating Category	Average Rating Interpretation
Implementation of TLDM with a moral development focus (IMPL_TLDM_MDF)	Q22 The TLDM has been implemented in SA organisations with a goal of achieving the development of individuals' moral sense and stewardship.	204	2,52	1,014	0,071	Disagree-Neither Agree or Disagree	There is no intention to achieve individual moral sense and stewardship in the current implementation of TLDM by South African organisations.
	Q23 Through the application of the TLDM in SA organisations, some measurement of individuals' moral development is incorporated as part of the combined	204	2,32	1,107	0,077	Disagree-Neither Agree or Disagree	Measurement of individuals' moral development is not incorporated in the assurance processes using the TLDM

Construct	Items	N	Mean	Standard Deviation	Standard Error Mean	Average Rating Category	Average Rating Interpretation
	assurance efforts.						
	Q28 The application of the TLDM in SA organisations involves assessment of individuals' moral development.	204	2,12	1,034	0,072	Disagree-Neither Agree or Disagree	Measurement of individuals' moral development is not incorporated in the assurance processes using the TLDM
	Q40 The TLDM does not lead to development of virtues and personal values that are internalised to model behaviour.	204	2,88	0,929	0,065	Disagree-Neither Agree or Disagree	The TLDM can lead to development of virtues and personal values that are internalised to model behaviour.

Source: Researcher's own compilation

The sentiments obtained as shown in the Table 5.12 above highlight that while South African organisations from which the respondents' perspectives were informed have implemented the TLDM without moral development focus or intent, the TLDM can actually lead to development of virtues and personal values that are internalised to model behaviour. It can be deduced that if an organisation were to implement the TLDM with a moral development focus, it would arguably stand a good chance to create competitive advantage since this is not a common practice in South African organisations. At IMPL_TLDM_MDF construct level, the 204 survey respondents on average expressed that they 'disagree' that there is a moral development focus in the implementation of the TLDM in South African organisations (Figure 5.12).

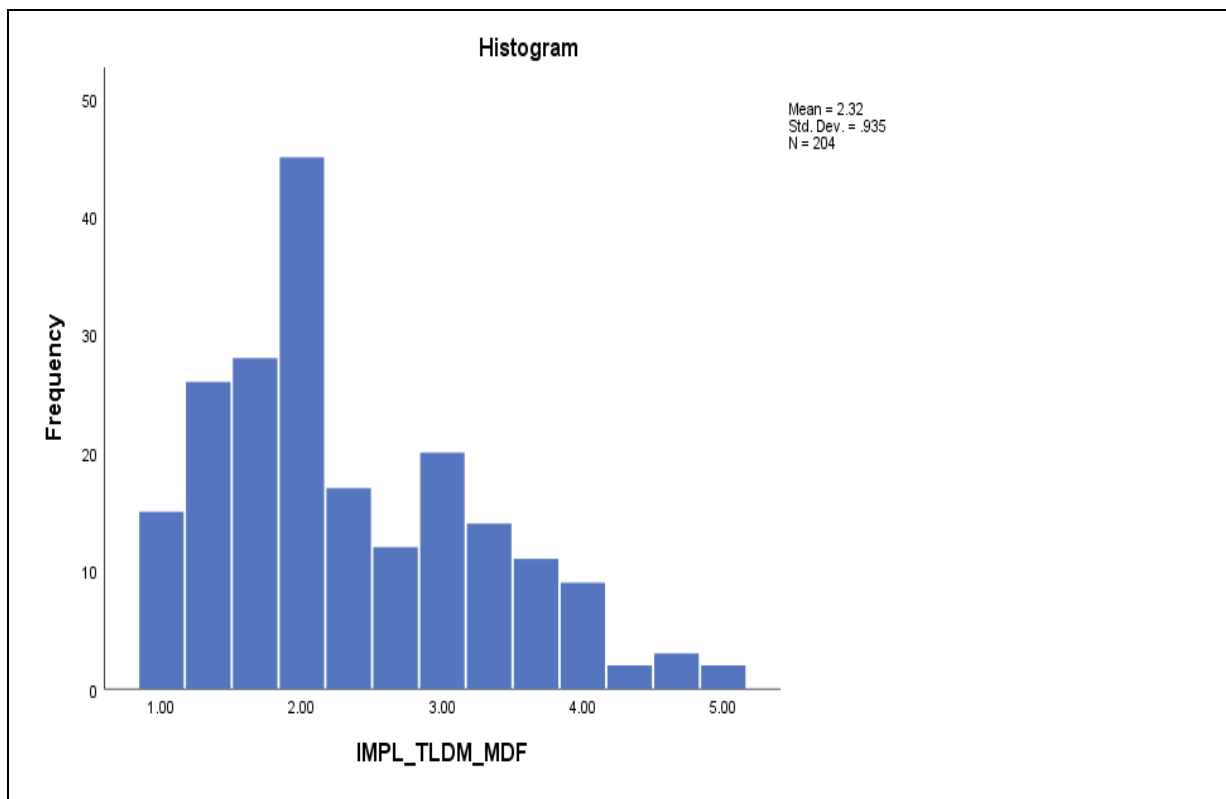


Figure 5.12: IMPL_TLDM_MDF Histogram

Source: Researcher's own compilation

Although a majority of the survey respondents expressed a negative sentiment with regards to implementation of the TLDM with a moral development focus, a considerably wide spread in perspectives was obtained ranging from strongly

disagree (1) to strongly agree (5). These sentiments were in harmony with the ongoing debates in the ethics theory realms regarding deontology, teleology and virtue ethics. This is evident in that while the respondents highlighted that there was more compliance fixation than moral development focus in the implementation of the TLDM, the respondents still believed that the TLDM can lead to development of virtues and internalised virtues that model individual behaviour. These findings support the arguments by Nussbaum (1999) that virtue ethics is implicit in deontology and teleology and thus does not represent an independent branch of ethics.

5.2.6.5 Competitive advantage (CA)

The construct 'competitive advantage' (CA) consists of the sub-constructs 'creation of competitive advantage through TLDM' (CR_CA_TLDM) and 'Scope for creation of competitive advantage through the TLDM' (SCOPE_CR_CA). The CR_CA_TLDM latent variable sought to ascertain if CA could arise from TLDM application, while the SCOPE_CR_CA ascertained if there is scope and the extent of that scope, to create CA through TLDM. At consolidated CA construct level, the perspectives obtained indicate that the 204 survey respondents expressed that on average they 'agree' (Mean=3.87; SD=0.62) that competitive advantage can be created through implementation of the TLDM; and, there is a wide scope to create competitive advantage through TLDM, given the prevailing practice of TLDM implementation without competitive advantage intent in South African organisations. Figure 5.13 below shows the extent of 'agreeing' or 'disagreeing' expressed by the survey respondents on a scale of 1 to 5 (signifying strongly disagree to strongly agree respectively). There existed in few numbers albeit, those that disagreed with the fact that competitive advantage can be created through TLDM implementation in South African organisations. These variations will be considered in detail at sub-construct level in the following sub-sections.

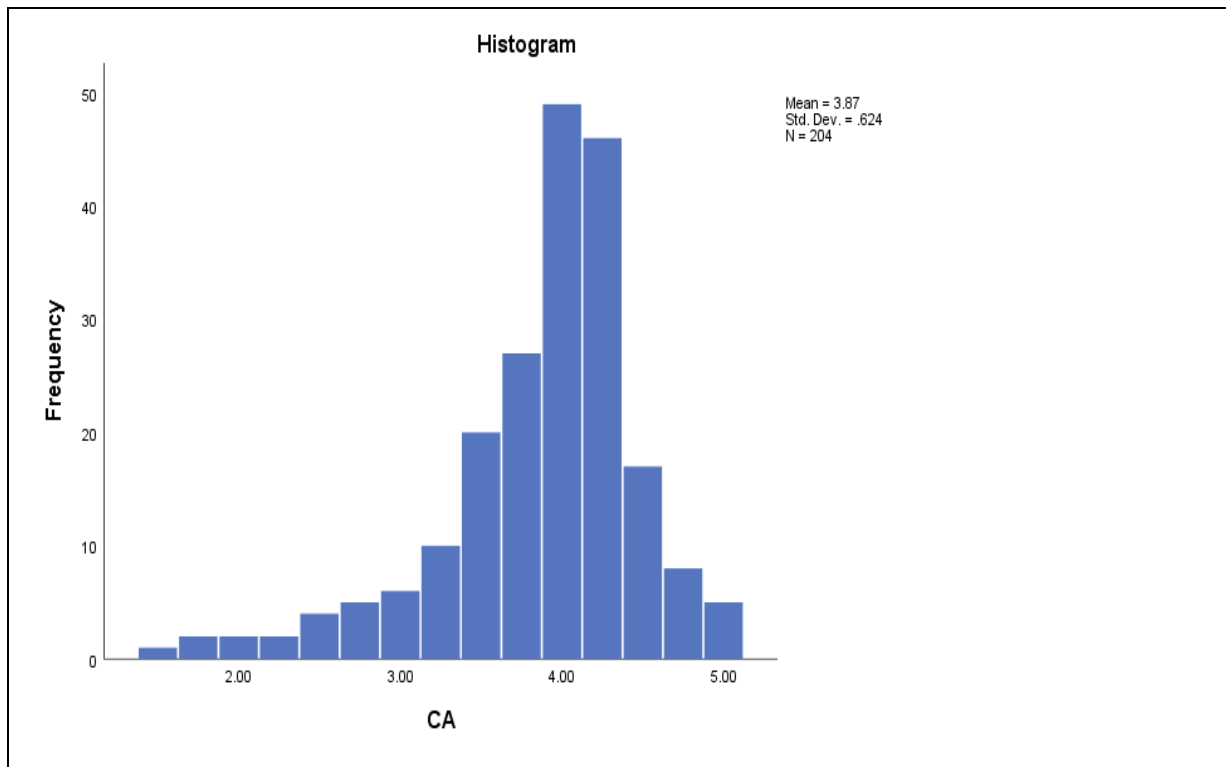


Figure 5.13: CA Histogram

Source: Researcher's own compilation

5.2.6.6 Creation of competitive advantage through TLDM (CR_CA_TLDM)

Creation of competitive advantage through TLDM (CR_CA_TLDM) is a sub-construct of the Competitive Advantage (CA) construct. CR_CA_TLDM sought to understand if: competitive advantage could be created through the implementation or application of the TLDM, there was any intention to derive competitive advantage through implementation of the TLDM, the moral development intent in individuals through the application of TLDM leads to creation of competitive advantage, competitive advantage increased with moral development focus in the application of the TLDM and if increased compliance fixation in the application of the TLDM reduces competitive advantage in SA organisations. The CR_CA_TLDM item level descriptives are shown in Table 5.13 below.

Table 5.13: CR_CA_TLDM descriptives

Construct	Items	N	Mean	Standard Deviation	Standard Error Mean	Average Rating Category	Average Rating Interpretation
Creation of competitive advantage through TLDM (CR_CA_TLDM)	Q20 The TLDM is implemented with an intention to derive competitive advantage in SA organisations.	204	2,29	1,064	0,075	Disagree-Neither Agree or Disagree	There is no competitive advantage derivation intention in the implementation of TLDM in SA organisations
	Q26 Competitive advantage can be derived through the application of TLDM in SA organisations.	204	3,68	0,789	0,055	Neither Agree or Disagree-Agree	Competitive advantage can somewhat be derived from TLDM application
	Q30 The moral development intent in individuals through the application of TLDM leads to creation of competitive advantage in SA organisations.	204	3,47	0,839	0,059	Neither Agree or Disagree-Agree	Competitive advantage can somewhat be derived from TLDM application as a result of moral development
	Q31 With increased moral development focus in the application of the TLDM, competitive advantage increases in SA	204	3,85	0,748	0,052	Neither Agree or Disagree-Agree	Competitive advantage increases with MDF

Construct	Items	N	Mean	Standard Deviation	Standard Error Mean	Average Rating Category	Average Rating Interpretation
	organisations.						
	Q32 Increased compliance fixation in the application of the TLDM reduces competitive advantage in SA organisations.	204	2,76	1,004	0,070	Disagree-Neither Agree or Disagree	Compliance fixation does not diminish competitive advantage

Source: Researcher's own compilation

On a scale of 1 to 5 (signifying strongly disagree to strongly agree respectively), the 204 survey respondents expressed that they 'disagree'- 'neither agree nor disagree' that the TLDM is implemented with an intention derive competitive advantage in SA organisations, albeit with a considerable variation in perspectives (Mean 2.29; SD=1.06). The standard deviation indicates that while the respondents expressed that essentially, the TLDM is not implemented with an intention to create competitive advantage, there existed some respondents that affirmed that there was a creation of competitive advantage intent in the implementation of the TLDM in the organisations they had had experience with. There was no obvious trend in the perspectives expressed from the sample groupings, i.e., along the lines of gender, organisation form, etc. These sentiments highlight that the South African organisations, from which the perspectives of the respondents in the survey were shaped, had not implemented the TLDM from a competitive advantage objective but rather, had done so with a compliance intent.

Despite the lack of implementation of TLDM to derive competitive advantage in the organisations, the survey respondents expressed that they 'neither agree nor disagree'- 'agree' that competitive advantage can be derived through the implementation of the TLDM in the organisations. It could be argued that the lack of competitive advantage intent in the implementation of the TLDM in South African organisations had shaped the respondents' perspectives to an extent that TLDM was essentially viewed from a lens of compliance than competitiveness. The respondents expressed that with an increase in moral development focus or intent in combined assurance efforts; competitive advantage could be derived and increased as opposed to compliance fixation. Implicit in these sentiments obtained was the view that compliance fixation in the implementation of the TLDM does not lead to creation of competitive advantage; however, it does not diminish competitive advantage that an organisation already has. That is, compliance efforts through TLDM are not entirely a bad thing as such efforts can arguably defend an organisation's competitive position although new competitive advantage perceivably cannot arise from mere compliance without an intention of embedding the moral development of individuals during assurance processes.

At construct level, the 204 survey respondents essentially agreed that competitive advantage can be created through TLDM implementation with a moral development focus than just as a compliance exercise (Figure 5.14).

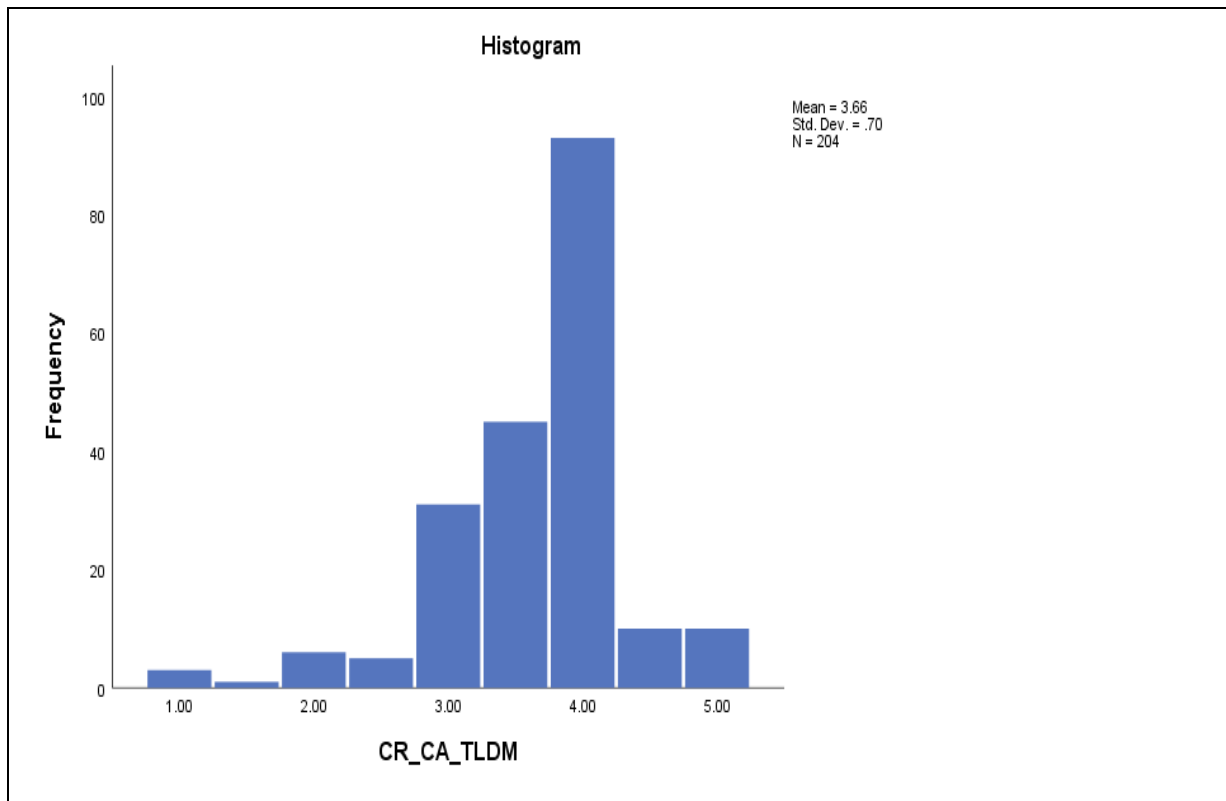


Figure 5.14: CR_CA_TLDM Histogram

Source: Researcher's own compilation

While the respondents in essence 'agreed' (Mean=3.66; SD=0.7) that competitive advantage can be created through TLDM implementation in South African organisations, the sentiments expressed were spread widely from 'strongly disagree' to 'strongly agree.' This variation in perspectives highlights the existence of differences in opinions underlain by the different approaches to TLDM implementation in South African organisations. From the perspectives obtained, it can be gathered that competitive advantage can be derived through TLDM implementation with a moral development focus. South African organisations from which the survey respondents' perspectives were shaped had not yet tapped into the competitive advantage that could be derived from implementing the TLDM with a moral development focus. No apparent group differences in the perspectives

emerged, that is, regardless of gender, qualification, race or organisation form that the respondents represented, the sentiments they expressed were similar.

5.2.6.7 Scope for creation of competitive advantage (SCOPE_CR_CA)

The latent construct 'scope for creation of competitive advantage' (SCOPE_CR_CA) was a dipstick check for quantifying the opportunity there is to create competitive advantage through TLDM implementation, in consideration of the prevailing TLDM practice in South African organisations. It was measured through the proxy items 33, 34 and 35 in the survey instrument. Table 5.14 shows the item level descriptives.

Table 5.14: SCOPE_CR_CA descriptives

Construct	Items	N	Mean	Standard Deviation	Standard Error Mean	Average Rating Category	Average Rating Interpretation
Scope for creation of competitive advantage SCOPE_CR_CA	Q33 In light of the current TLDM practice, there is scope to create competitive advantage in SA organisations.	204	4,00	0,716	0,050	Agree	There is scope to create competitive advantage through TLDM implementation in SA organisations.
	Q34 Given the prevailing TLDM application, the scope for creating competitive advantage through implementing TLDM practice in SA organisations is narrow.	204	2,21	1,007	0,071	Disagree- Neither Agree or Disagree	There is a huge scope to create competitive advantage through TLDM since organisations have not yet applied TLDM with a competitive advantage intent.
	Q35 In my opinion, there is no relationship between the applications of the TLDM and creation of competitive advantage in SA organisations.	204	1,83	1,029	0,072	Strongly Disagree- Disagree	There is a relationship between TLDM application and creation of competitive advantage in SA organisations.

Source: Researcher's own compilation

The perspectives obtained indicate that the 204 survey respondents on average 'agreed' on a scale of 1 to 5 (signifying strongly disagree to strongly agree respectively) that there is scope to create competitive advantage in South African organisations given the current TLDM practice (Mean=4.0; SD=0.7). The respondents expressed that they 'disagree' that the scope for creating competitive advantage is narrow, given the prevailing TLDM practice in organisations. These sentiments indicate that there is a huge scope for creating competitive advantage through TLDM, since organisations have not yet applied TLDM with competitive advantage intent (Mean=2.21; SD=1.0.). The respondents expressed that they strongly disagree that there is no relationship between TLDM application and competitive advantage in South African organisations. These sentiments highlight that the respondents in essence strongly believe that there is a relationship between how the TLDM is applied and competitive advantage in organisations.

At construct level, it can be seen in Figure 5.15 below that 67% of the respondents agreed-strongly agreed that there is a huge scope to create competitive advantage in South African organisations. However, there were some that believed that the scope is narrow. These are individuals who believed that their organisations had already implemented TLDM with an intention to create competitive advantage. On analysis, no apparent pattern in group responses emerged, i.e., respondents from SOEs did not respond differently to those from SMMEs.

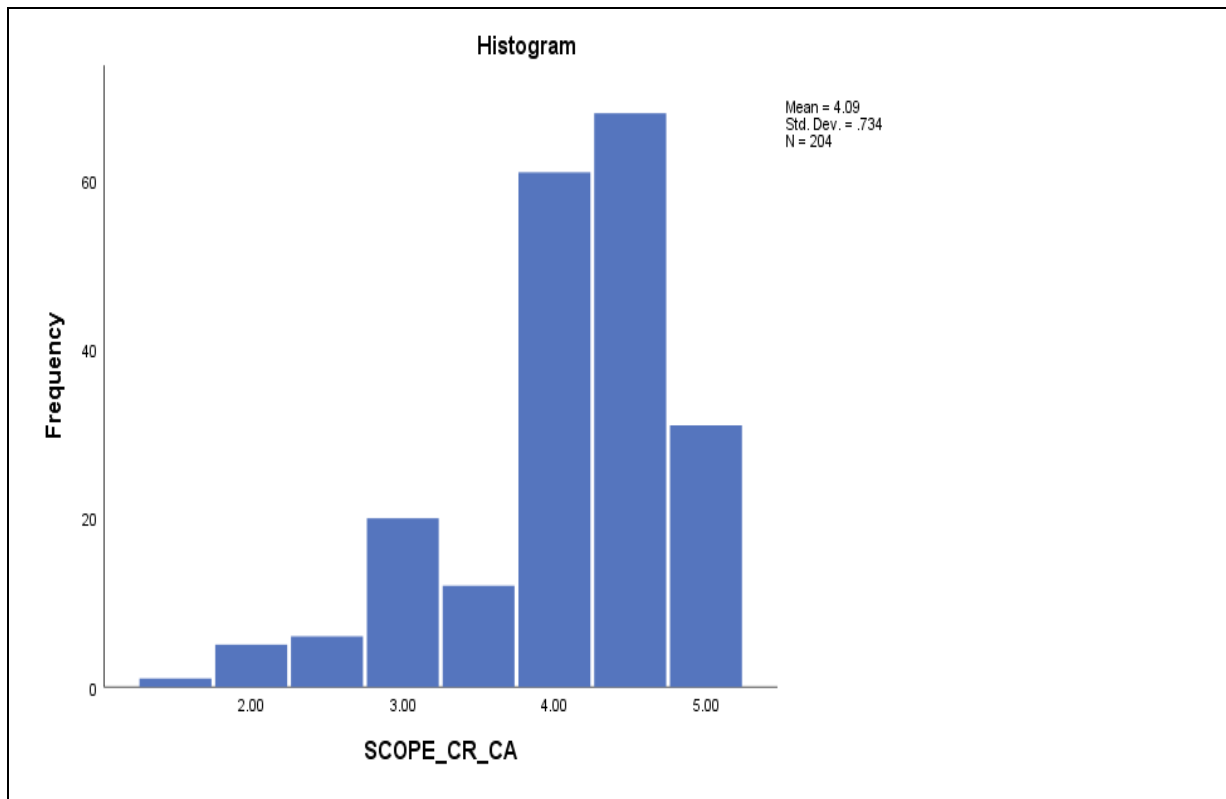


Figure 5.15: SCOPE_CR_CA Histogram

Source: Researcher's own compilation

5.2.7 Group descriptives

The sentiments obtained were analysed for any salient differences long group lines, i.e., gender, race, organisational form, respondent qualifications and industry. There were no trends or patterns of responses that emerged along group lines. That is, respondents from SOEs (for example) did not necessarily share the same perspectives on the elements tested. Given the lack of salient convergence of responses from those belonging in the same grouping, the findings were analysed in totality and not within the confines of respondents' group categorisations. The group sizes were not the same and thus, analysis along group lines could not be conducted with an assurance that type 1 error would not occur.¹⁶ The lack of group differences highlighted that either the TLDM practice was similar in different organisational forms or the respondents had varied experiences shaped in a range

¹⁶ Type 1 error is occurs when a true null hypothesis is rejected
<https://www.simplypsychology.org/type-I-and-type-II-errors.html#:~:text=A%20type%20error%20is,rejects%20a%20true%20null%20hypothesis.&text=The%20probability%20>

of organisation forms, hence differences could not emerge. The researcher is inclined to go with the latter deduction as intuition suggests that group differences should exist since TLDM implementation is mandatory for some organisations (for example listed corporations) and not the others (e.g., SMMEs).

5.2.8 Correlation analysis

When the correlation coefficient (r) is $+1.0$ there exists a perfect linear positive correlation between variables under consideration, while $r=-1.0$ represents a perfect linear negative correlation (Zikmund, 2000). An r value of 0 represents no correlation between the variables. Table 5.15 below shows the results of a correlation analysis between the variables in this study.

A weak negative correlation between AD_ETHICS and EFF_AGENCY was found ($r=-0.141$). This means that with increase in TLDM adequacy, the ineffectiveness thereof (of the TLDM) decreases. This weakly negative correlation between AD_ETHICS and EFF_AGENCY can be better understood when the correlation between IMPL_COMP and IMPL_TLDM_MDF is brought into the picture, since AD_ETHICS is a function of the two variables. A significant negative correlation between IMPL_COMP and IMPL_TLDM_MDF was found (-0.269), meaning that with increased implementation of the TLDM with a compliance objective, moral development focus in TLDM implementation decreases. Thus, depending on the TLDM implementation approach, AD_ETHICS can be increased if there is higher IMPL_TLDM_MDF than IMPL_COMP, in which case EFF_AGENCY would decrease. This is supported by the negative correlation between IMPL_COMP ($r=-0.174$) and AD_ETHICS, and a significantly positive correlation between AD_ETHICS and IMPL_TLDM_MDF ($r=0.588$).

No significant correlation between AD_ETHICS and CA was found ($r=-0.057$). This was to be expected as the two variables are independent of each other. However, when implementation was taken into account, a relationship emerged. With increased IMPL_COMP, CA increases ($r=0.354$), i.e., in an environment where organisations have implemented the TLDM with a compliance fixation, competitive

advantage can be created and the scope for creation of this competitive advantage is wide. However, since IMPL_TLDM_MDF has a high positive correlation with AD_ETHICS and is negatively correlated with EFF_AGENCY, an organisation in an environment characterised by high compliance fixation would have to adopt a moral development focus in the implementation of the TLDM in order to decrease the model's ineffectiveness in dealing with agency and so create competitive advantage. The IMPL_TLDM_MDF becomes the differentiator and source of competitive advantage. This is supported by positive correlation between CA and EFF_AGENCY ($r=0.265$); CR_CA_TLDM and EFF_AGENCY ($r=0.149$); and SCOPE_CR_CA and EFF_AGENCY ($r=0.308$). Where organisations are already implementing TLDM with a moral development focus, creation of competitive advantage through TLDM (CR_CA_TLDM) becomes elusive as the scope for creation of competitive advantage (CA) is narrow. In the latter case, IMPL_TLDM_MDF ceases to be a differentiator and source of competitive advantage, since it would be the standard approach taken by most organisations.

Table 5.15: Results of Bi-variate Correlation analysis

		EFF_AGENCY	AD_ETHICS	IMPL_COMP	CR_CA_TLDM	SCOPE_CR_CA	CA	IMPL_TLDM_MDF	IMPR_TLDM
EFF_AGENCY	Pearson Correlation	1							
	Sig. (2-tailed)								
AD_ETHICS	Pearson Correlation	-0.141*	1						
	Sig. (2-tailed)	0.044							
IMPL_COMP	Pearson Correlation	0.296**	-0.174*	1					
	Sig. (2-tailed)	0.000	0.013						
CR_CA_TLDM	Pearson Correlation	0.149*	-0.031	0.352**	1				
	Sig. (2-tailed)	0.033	0.663	0.000					
SCOPE_CR_CA	Pearson Correlation	0.308**	-0.068	0.266**	0.513**	1			
	Sig. (2-tailed)	0.000	0.331	0.000	0.000				

		EFF_AGENCY	AD_ETHICS	IMPL_COMP	CR_CA_TLDM	SCOPE_CR_CA	CA	IMPL_TLDM_MDF	IMPR_TLDM
CA	Pearson Correlation	0.265**	-0.057	0.354**	0.863**	0.876**	1		
	Sig. (2-tailed)	0.000	0.415	0.000	0.000	0.000			
IMPL_TLDM_MDF	Pearson Correlation	-0.058	0.588**	-0.269**	0.020	-0.176*	-0.092	1	
	Sig. (2-tailed)	0.411	0.000	0.000	0.773	0.012	0.191		
IMPR_TLDM	Pearson Correlation	0.245**	-0.315**	0.157*	0.120	0.078	0.114	-0.207**	1
	Sig. (2-tailed)	0.000	0.000	0.025	0.086	0.268	0.106	0.003	

*. Correlation is significant at the 0.05 level (2-tailed). **.Correlation is significant at the 0.01 level (2-tailed)

Source: Researcher's own compilation

5.2.9 Hypotheses test results

Three hypotheses were postulated in the study and quantitative data collected to test these. In this sub-section, the findings of the hypotheses tests will be discussed.

5.2.9.1 Research findings on Hypothesis 1

Hypothesis 1: The perceived effectiveness of the TLDM of combined assurance in dealing with the Agency problem in South African organisations increases with the perceived adequacy of the model in its ethics theoretical underpinnings, (i.e., compliance vs. moral development intent).

A weak negative correlation between AD_ETHICS and EFF_AGENCY was found ($r=-0.141$). This means that with increase in TLDM adequacy, the effectiveness thereof (of the TLDM) increases. On this basis, the null hypothesis (i.e., there is no positive correlation between AD_ETHICS and EFF_AGENCY) is rejected and the alternate hypothesis is accepted. The adequacy of the TLDM in its ethics theoretical foundations has a bearing on the effectiveness of the model in dealing with the Agency problem.

5.2.9.2 Research findings on Hypothesis 2

Hypothesis 2: The implementation of the TLDM of combined assurance with a compliance fixation without moral development focus perceivably reduces creation of competitive advantage in South African organisations.

The correlation analysis revealed that in an environment dominated by compliance fixation, creation and scope for creation of competitive advantage for those organisations that follow a moral development focus in the TLDM implementation actually increases. That is, the findings do not support the rejection of the null hypothesis (the implementation of the TLDM of combined assurance with a compliance fixation without moral development focus perceivably does not reduce

creation of competitive advantage in South African organisations). This finding was unexpected, but profound in explaining the pathway for competitive advantage creation through TLDM in South African organisations.

5.2.9.3 Research findings on Hypothesis 3

Hypothesis 3: With decreased perceived application of the TLDM of combined assurance from compliance and moral development objectives, the perceived scope for creating competitive advantage through combined assurance in South African organisation increases.

The positive correlation between IMPL_COMP and SCOPE_CR CA ($r=0.266$) and the apparent lack of correlation between IMPL_TLDM_MDF and SCOPE_CR CA ($r=0.078$) is evidence against hypothesis 3. The correlation analysis outcomes highlight that in fact, increased compliance fixation reduces the effectiveness of TLDM in dealing with the Agency problem. Thus, the more organisations that implement TLDM with a compliance fixation there are, the greater the ineffectiveness of the TLDM (and hence corporate governance scandals) and the bigger the scope for competitive advantage creation for an organisation that pursues an alternative strategy, i.e., implementation of TLDM with a moral development focus. On this basis, hypothesis 3 is rejected as there is no support of the rejection of the null hypothesis.

5.2.10 Path analysis and mediation

According to Naidoo (2019), when the regression weight estimate (R) > is greater than 0.3 (indicating medium effect, large effect above 0.5), the relationship is significant, this is also true for when the p-value is less than 0.05. With these relationship assessments conditions defined, the SEM (Figure 5.16) was assessed for the statistical significance of the envisaged variable relationships.

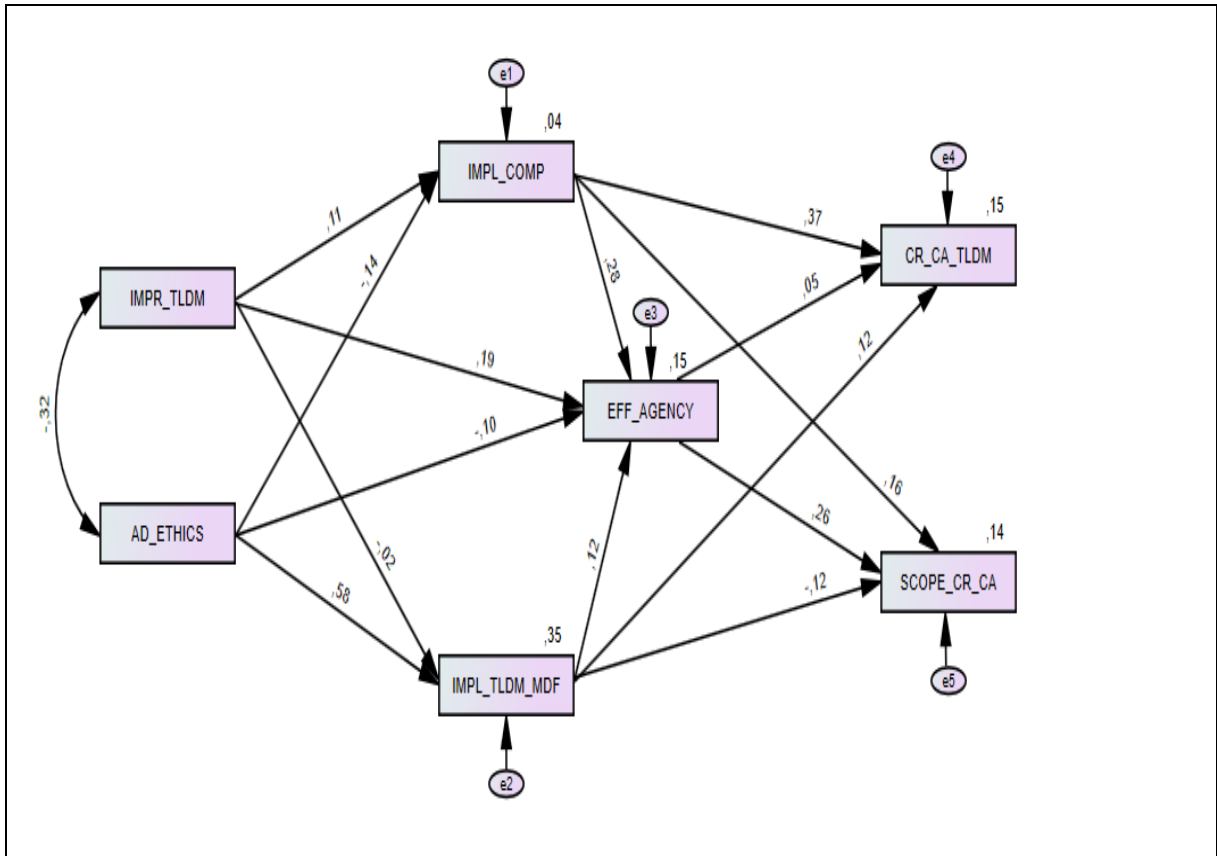


Figure 5.16: SEM path analysis

Source: Researcher's own compilation

Table 5.16 below shows the regression weight estimates and p-values for the various possible variable relationships. A large effect between AD_ETHICS and IMPL_TLDM_MDF ($R=0.58$; $p<0.000$) was obtained. A medium effect was obtained between IMPL_COMP and CR_CA_TLDM ($R=0.37$; $p<0.000$). Other significant relationships obtained were between EFF_AGENCY and CR_CA_TLDM, as well as EFF_AGENCY and SCOPE_CR_CA.

Table 5.16: Regression weights estimates and p-values at 95% significance level

			Estimate	p-Value
IMPL_TLDM_MDF	<---	AD_ETHICS	0.581	***
IMPL_COMP	<---	AD_ETHICS	-0.138	0.056
IMPL_TLDM_MDF	<---	IMPR_TLDM	-0.024	0.689
IMPL_COMP	<---	IMPR_TLDM	0.114	0.116
EFF_AGENCY	<---	IMPR_TLDM	0.192	0.005
EFF_AGENCY	<---	AD_ETHICS	-0.1	0.23
EFF_AGENCY	<---	IMPL_COMP	0.278	***
EFF_AGENCY	<---	IMPL_TLDM_MDF	0.116	0.149
CR_CA_TLDM	<---	IMPL_COMP	0.369	***
SCOPE_CR_CA	<---	IMPL_TLDM_MDF	-0.118	0.071
CR_CA_TLDM	<---	IMPL_TLDM_MDF	0.122	0.06
SCOPE_CR_CA	<---	IMPL_COMP	0.16	0.021
SCOPE_CR_CA	<---	EFF_AGENCY	0.257	***
CR_CA_TLDM	<---	EFF_AGENCY	0.046	0.498

Source: Researcher's own compilation

The path analysis reveals that IMPL_COMP plays a greater mediating role in the creation of competitive advantage through TLDM in South African organisations as it has a more significant relationship with EFF_AGENCY. That is, with increased implementation of TLDM with a compliance fixation, greater is the ineffectiveness of the TLDM in dealing with agency and thus the creation and scope for creation of competitive advantage increases. While IMPL_TLDM_MDF does not have a statistically significant relationship with the ineffectiveness of the TLDM, the former has a negative correlation with IMPL_COMP. As such, IMPL_TLDM_MDF plays a moderating role in the pathway of competitive advantage creation than it mediates. Where TLDM is implemented with a compliance fixation (IMPL_COMP),

implementation of TLDM with a moral development focus (IMPL_TLDM_MDF) reduces (negates) the enhancing effect of IMPL_COMP on the *ineffectiveness* of TLDM in dealing with Agency. At the heart of creation of competitive advantage through TLDM, is the effectiveness of the model in reducing Agency. Where the model is ineffective (which increases with IMP_COMP), the threat of corporate governance failure would increase, thus presenting an opportunity for an organisation that differentiates itself by purposefully following the path of moral development focus in implementing TLDM. However, with increased IMPL_TLDM_MDF in organisations, the practice becomes commoditised in organisations and ceases to become a source of competitive advantage.

A statistically insignificant relationship between AD_ETHICS, EFF_AGENCY and CR_CA_TLDM was found. This means that the TLDM adequacy in its ethics theoretical underpinning has minimal direct influence on creation of competitive advantage through the model implementation (CR_CA_TLDM) and the scope for creating competitive advantage (SCOPE_CR_CA).

The conclusion from the path analysis is that for an organisation to create competitive advantage through TLDM, the following conditions need to prevail:

- There needs to be a lack of TLDM implementation and/or widespread implementation of TLDM with a compliance fixation by rival or competing organisations needs to exist.
- There needs to be a lack of TLDM implementation, and/or minimal implementation of TLDM from a moral development objective by rivals or competing organisations for IMPL_TLDM_MDF to be a source of competitive advantage.

5.3 QUALITATIVE RESEARCH FINDINGS

Qualitative perspectives were obtained from the 204 survey respondents that completed the survey, through unstructured parts of the online survey. To ensure that critical questions were answered, some of the unstructured questions in the online survey were made compulsory (requiring a response in order to proceed to the next question). Other qualitative insights were obtained from the 11 interviewees. Common themes were identified through an inductive process where the researcher sought to identify the emergent themes that were common among survey respondents and interviewees. The identification of themes followed some steps as envisaged by Creswell (1998) i.e.:

- Reading the transcripts/source data (repeatedly).
- Writing notes (thoughts/ideas/initial impressions). Identification of themes that were common in responses obtained.
- Labelling like with like, i.e. linking related items.
- Grouping categories/chunks
- Formulation of themes

The demographic profile of the survey respondents has already been detailed in section 5.2.3 of this report. In the following subsection the demographics of the interviewees will be presented, followed by a presentation of qualitative findings.

5.3.1 Interview Participants

11 purposively selected interviewees participated in face-to-face interviews conducted by the researcher. A deliberate attempt was made and realised to have all major racial groups represented in the sample of interviewees (Figure 5.17).

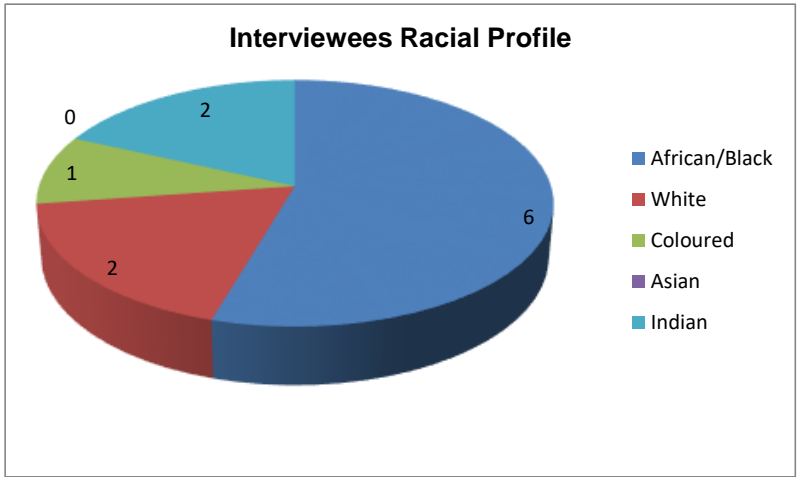


Figure 5.17: Interview participants' race profile

Source: Researcher's own compilation

The interviewees were recruited to ensure that perspectives shaped from the diversity of organisational forms in South Africa are obtained. Figure 5.18 shows the organisational forms from which the interviewees' perspectives on the TLDM and its application were shaped. While it was not anticipated to interview candidates from NPOs or SMMEs, notably, interest to participate in the study from these candidates was found and hence they were included.

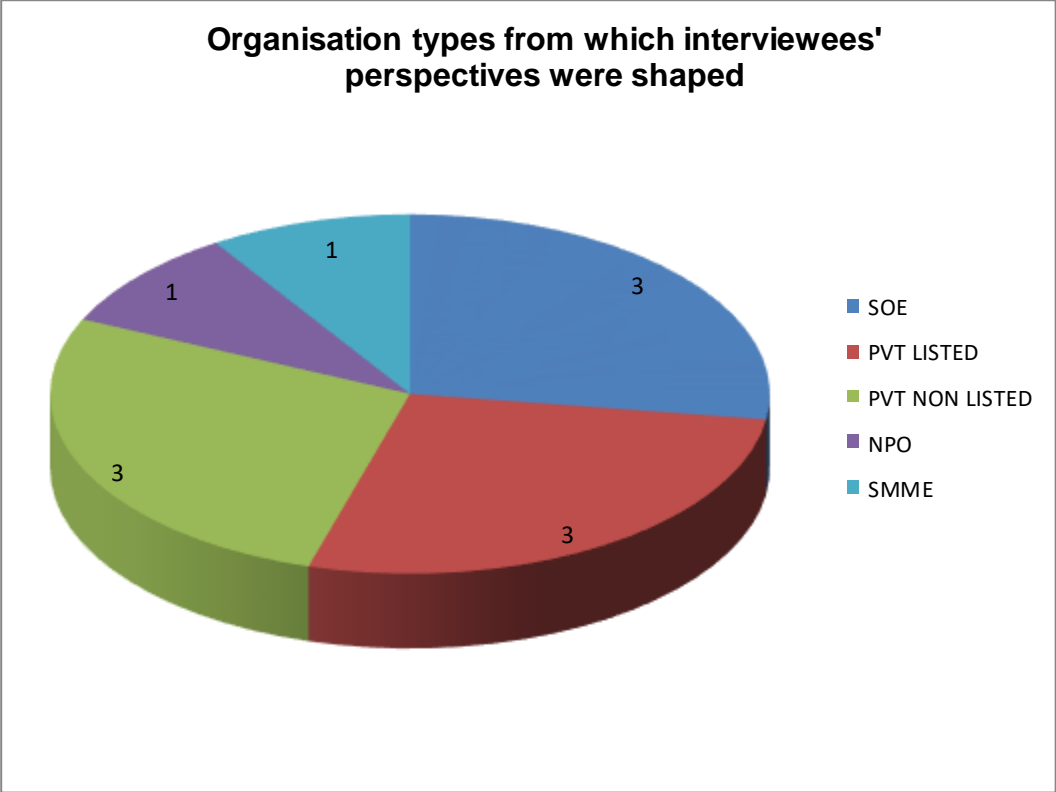


Figure 5.18: Interview participants' organisation forms

Source: Researcher's own compilation

The interviewees were considerably knowledgeable on the TLDM as reflected by their professions in Figure 5.19 below.

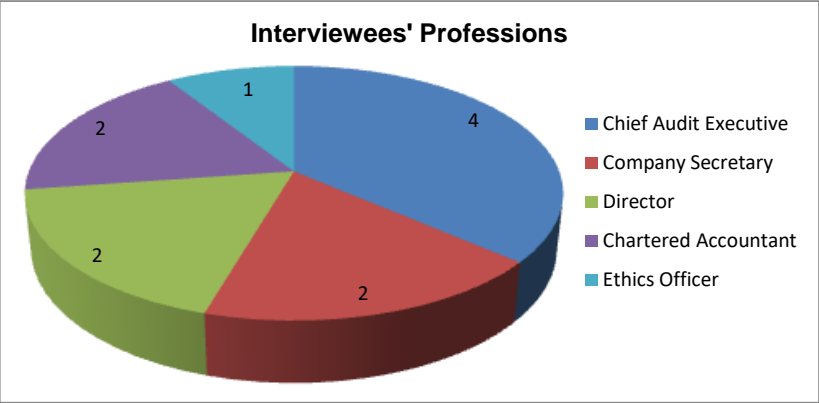


Figure 5.19: Interview participants' race professions

Source: Researcher's own compilation

The sample of interview participants reflects the heterogeneity, which enabled diverse perspectives to be obtained from the various governance practitioner groups. The significance of this heterogeneity is that it enabled appraisal of TLDM from different view stands as it was envisaged that governance practitioners would have differing experiences and hence perspectives on the TLDM, its adequacy and application in South African organisations in view of competitive advantage creation.

The interviews were conducted one-on-one in the offices of those participants that accepted the request to be interviewed. Initially, eight interviews had been scheduled, then an additional three were added as informed by the preceding eight in a bid to establish the saturation point (that point when an additional interview does not provide any new or different insights from those obtained in the preceding interviews). After eight interviews, the saturation point had not been satisfactorily ascertained. The additional three interviews helped in establishing that the saturation point was attained after nine interviews.

5.3.2 Qualitative Findings Pertaining to Objective 1

Research objective 1 aimed to explore the TLDM of combined assurance in order to identify theoretical gaps in the model that could have a bearing on its effectiveness in dealing with the Agency problem. This was done through a literature review, which revealed that there was more compliance fixation in the TLDM (Figure 4.2) than moral development intent in the ethics theoretical foundations of the model. The literature survey led to the proposition of the FLAM (Figure 3.1), in a bid to overcome the identified ethics theoretical gaps in the TLDM.

Through a quantitative question requiring survey respondents to rate the adequacy of the TLDM in dealing with Agency on a scale of 1-5 (1-very inadequate and 5-very adequate), respondents on average rated the model 2.67/5, which leaned on the inadequate side of the scale. Respondents were asked through open-ended questions in the survey to justify their rating of the adequacy of the TLDM and to provide suggestions for its improvement. The question requiring justification for the rating was made compulsory in the online survey, as such, respondents could not

proceed with the survey without answering it, and hence 204 responses to the question were obtained. The request for suggestions on the improvement of the TLDM was based on the rating provided on its adequacy, which was optional – a total of 159 respondents provided answers while 45 skipped it. The responses obtained could be categorised into those explaining the adequacy and those highlighting the inadequacies of the TLDM depending on the rating of the TLDM adequacy provided by the respondent.

5.3.2.1 Adequacies of the TLDM

1. Structurally and design adequate

Some survey respondents highlighted that the adequacy of the TLDM arises from its tiered architecture that enables effective risk coverage. In the event that internal processes fail, the independent external audit function is a layer that is positioned to pick up issues missed by internal processes. This is one sentiment that was expressed:

“The involvement of independent functions like internal auditors provides reasonable assurance that the risk is effectively managed and controlled”.

Respondents also demonstrated an understanding of the functions of each level of assurance in the TLDM e.g.:

“The three structures/layers provide adequate controls to mitigate risks. If risks and controls are not identified by management, auditors will be able to assist, and if auditors fail to identify weaknesses the regulators will assist – hence the approach is comprehensive”.

Some structural adequacy of the model was attributed to the model’s ability to streamline assurance processes leading to role clarity and efficient collaboration between parties in the assurance process. It was notable that some respondents perceived the board and regulators as being part of assurance providers under the TLDM (though these do not form part of the TLDM).

2. Provides risk coverage

The respondents expressed that the TLDM is adequate as it provides risk coverage in that:

- Through application of the TLDM an organisation is enabled to have a holistic view on risk management and the nature of assurance provided for the risks.
- To the extent that the TLDM is effectively implemented, it provides input from three different perspectives thus negating self-interest bias through the different perspectives (as long as each plays a robust role challenging the other).

Some of the sentiments expressed by respondents included the following:

“The three lines of defence assist in identifying and mitigating deficiencies within an organisation, fraud, and risk management. They assist in providing assurance that governance, risk management and control processes are implemented adequately to ensure the success of the organisation”.

“Three Lines of Defence Model evaluates all the levels of the hierarchy and ensures that adequate risks management and controls are implemented”.

3. Drives Compliance

It emerged from the responses obtained that the TLDM adequacy lies in its enablement of organisational compliance with regulations as there are laws and regulations guiding the establishment of structures and functions of the levels or lines of defence.

4. Reduction of Agency

While the adequacy of the TLDM was cited as being dependent on the organisational practices of its implementation, some respondents acknowledged that the model had since its introduction, actually reduced the Agency problem. This was explained as being through there being checks and balances in organisational governance, so that people act in stewardship and good faith. By reduction of the Agency problem, *“focus will be on the business goals and objectives, in that each*

*line will understand fully what their role is in risk mitigation of the organisational risk”.*¹⁷

5.3.2.2 Inadequacies of the TLDM

1. Adequacy is conditional

The respondents that cited adequacies and inadequacies were in majority unequivocal in citing conditions under which TLDM would either be effective or ineffective. These sentiments highlighted that the inadequacy of the TLDM lies in that it is dependent on other various organisational processes. Summarily, the inadequacy of the TLDM lies in that its adequacy is conditional i.e.:

- Its effectiveness depends on the robustness and maturity of enterprise risk management.
- There is a requirement for strong, competent and knowledgeable individuals in the risk management committees to enable effective oversight on assurance processes, and asking of relevant probing questions.
- It is imperative to have adequate support mechanisms for protection of those involved in assurance provision from undue political and leadership manipulation, e.g., whistle-blower policy and protection measures.
- Its success has been negatively impacted by deterioration of ethics and morality in both public and private sectors.
- The underlying organisational culture determines its effectiveness, e.g., leadership practice, communication, risk/rewards, ethics programme, etc.
- Requires organising for successful implementation of combined assurance, i.e., determining the appropriate lines to be implemented, the collaboration between the lines and definition of clear lines of responsibility, reporting and accountability.
- Depends on organisational size and form, e.g., Listed corporations have more mature and thus effective assurance processes (due to JSE listing requirements) while other forms of organisations are at less mature state of development of governance controls, e.g., SMMEs.

¹⁷ Sentiment expressed by one survey respondent from a listed entity.

2. Challenge in implementation

The following challenges in TLDM implementation emerged:

- Organisations are at different levels of maturity of TLDM implementation for the model benefits to be realised in dealing with Agency issues – the private sector is at a more advanced implementation stage compared to SOEs. SMMEs, family businesses and NPOs are struggling to implement the model.
- Formalisation of implementation for co-ordination of assurance processes is a challenge in organisations.
- Lack of commitment in implementation and demonstrated leadership drive. This includes use of audit function for compliance and box-ticking while deliberately ignoring audit findings.
- It has proved to be good on paper with different realities in implementation.
- Reporting and accountability lines are not well defined in organisations leading to independent assurance lines reporting to executives, thus impacting their independence and objectivity (i.e., they are subject to being manipulated, victimised or being used for organisational politics).
- The balancing act between safeguarding the operations (defence) and value creation (strategic intent) in growth pursuit is difficult and particularly to those involved in the operations.
- There is over emphasis on financial assurance.
- Insufficient lines of assurance are implemented in some organisations – assurance provision is reduced to an audit function.
- It is used as a reporting exercise to external stakeholders without being deeply rooted in organisational culture and strategy.
- Lack of role clarity, collaboration and communication (working in silos) between various assurance providers leads to duplication of activities (e.g., Audit function, Secretary and Risk Functions) and misalignment towards goals.
- Lack of understanding of the model and inadequate training.

3. The Agency problem

The interviewees and survey respondents expressed the following regarding the Agency problem:

- As long as humans are involved in the process there will always exist the 'human-element' that compromises the effectiveness of controls.
- At every level of the processes, the Agency problem exists.
- The TLDM is not designed to deal with self-serving interest-*"no model can deal with human propensity to pursue self-serving interest. Honesty is an important factor"*.¹⁸
- Individuals involved in the assurance process may collude thus rendering the TLDM dependent on power relations that are prevalent.
- Senior management, the board or politicians (in cases of SOE) may interfere with assurance processes as they pursue their own self-serving interests by exerting dominant influence on those involved in assurance processes. The lines of defence are still not fully positioned to "take-on" senior leadership as yet.
- The existence of conflicting objectives for lower level employees or management.

4. Governance failures in spite of TLDM

Corporate governance scandals have occurred in spite of organisations claiming that they had implemented combined assurance e.g.:

"Look at all the corporate governance failures – Steinhoff, Tongaat Hulett, VBS etc".

"The model has not been adequate in dealing with self-serving interest (there are well publicised examples where it did not)".

"We have seen many failures in corporate governance that would not have happened if the TLDM was working".

Allegedly, the model gives a false sense of comfort: *"the model gives the impression that all aspects are covered, when in reality, a lot falls through the cracks"*.

¹⁸ Sentiment from one respondent from a private corporation.

5. Excludes some critical assurance levels:

“There is a critical role played by the board and its subcommittees that is considered external to the 3LOD, it needs to be clearly included to ensure that their oversight is also considered as a defence”.

“With no external regulatory body as part of the process, external audit providers can be influenced hence compromising the process (evident in the case of KPMG)”.

The quoted sentiments are from some of the responses obtained.

6. Does not incorporate ethics management

The management of ethics is a process that is considered as separate from assurance processes. One respondent highlighted with reference to the TLDM that it:

“Lacks Ethics Management- greed and ethics need management. Lack of education and buy-in on the roles and responsibilities at all three levels of defence”.

The perspectives obtained from the interviewees were similar to what the survey respondents expressed. Further insights were obtained however from the interviewees. The interviewees highlighted that the inadequacies in the TLDM were in its application practices in organisations than the model’s constructs. Organisations were at different levels of combined assurance implementation with very little commitment in the SOEs, rudimentary implementation in private and listed corporations while SMMEs seemingly were finding it difficult to adopt the TLDM due to lack of formalised organisational structures. Interviewees seemed reluctant to have the model improved or amended as this would lead to assurance costs that outweighed the benefits. Attempts to draw the interview participants to critiquing the TLDM from its theoretical constructs made it apparent that the governance practitioners interviewed had never thought of the model’s theoretical limitations but instead viewed all shortcomings of the TLDM as being a result of poor implementation in organisations. It was also apparent that the inadequacies of the TLDM are appreciated by the governance practitioners albeit, there was still a belief

that the TLDM is a good model, worthwhile to implement in the organisations, in spite of the highlighted limitations.

5.3.3 Qualitative Findings Pertaining to Research Objective 2

The aim of research objective 2 was to acquire understanding through quantitative and qualitative data from governance practitioners on the application of the TLDM of combined assurance in organisations to achieve compliance as well as moral character development. In this section, the qualitative views of survey respondents and interview participants with respect to research objective 2 will be presented.

The survey respondents were asked through open-ended questions to provide some insights on how moral development was assessed during assurance processes. 105 respondents answered the question while 101 skipped it, possibly due to the fact that respondents were not sure how moral development was incorporated into assurance processes in their organisations. Figure 5.20 below shows the summary of qualitative sentiments expressed by those that answered the question.

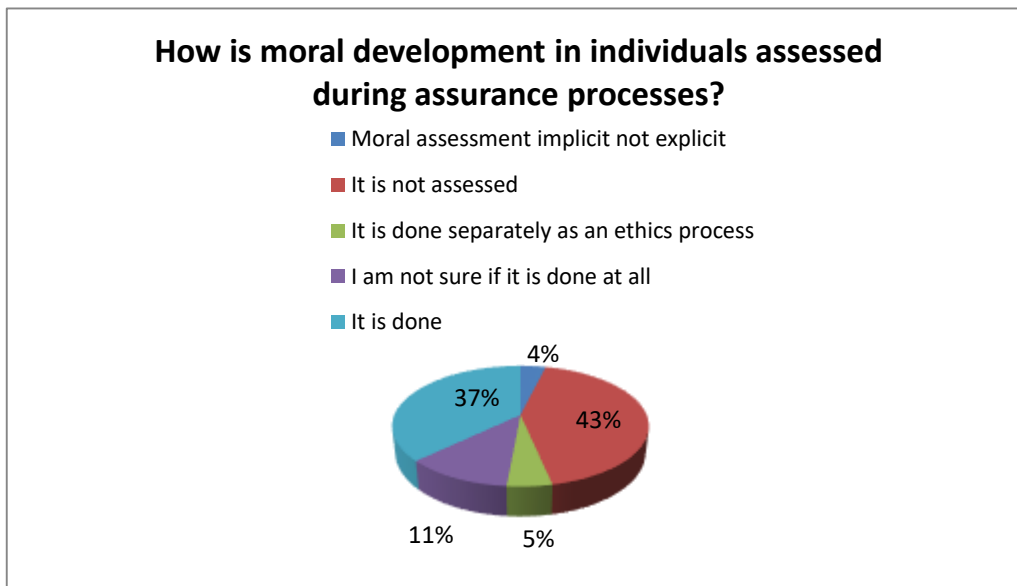


Figure 5.20: Perspectives on moral development assessment during assurance processes

Source: Researcher's own compilation

Only 37% of respondents that answered the question indicated that moral development in individuals was assessed in their organisations during assurance processes with a 5% further acknowledging that it was done but as a separate ethics process. The sentiments expressed on how moral development was assessed during assurance processes could be categorised by the researcher into organisational and individual focused processes. These could also be further sub-divided into proactive and reactive processes as shown in Table 5.17 below.

Table 5.17: Moral development assessment processes

Organisational Focused	Individual Focused
Proactive	
Use of interviews and questionnaires for the assessment of moral development in the organisation, e.g., ethics and culture surveys.	Determination of individual values and organisation culture fit, i.e., reference and security checks on recruitment.
Use of a maturity system, i.e., whereby certain actions amount to a specified maturity level.	Tests and assessments on individual knowledge of organisational processes and procedures.
Training and continuous development of governance practitioners, e.g., CPD and CET points earning.	
Reactive	
Consideration of results in the areas of responsibility based on the assurance provided and actions implemented to improve management of risk in those areas.	Assessment of individual behaviour history and decision-making trend to identify any conflicts of interest
Compliance audits including assessment of effectiveness of ethics programme. Having a system of disclosure of conflict of interest at individual level.	Assessment of individual behaviour in the execution of their functions, i.e., their risk awareness levels, remedial steps taken to mitigate those identified risks and ability to take accountability. This includes 360° appraisals of an individual's behaviour by the various stakeholders they interact with (n/b-avoid subjective selection of those who provide feedback for effectiveness).

Organisational Focused	Individual Focused
Reactive	
Assessment of culture, ethics, and code of conduct practices.	

Source: Researcher's own compilation

The insights obtained from the interviewees on the same question were somewhat similar. None of the 11 interviewees confirmed that moral development was assessed as part of assurance processes (similar to the 43% of survey respondents that answered the question). Further detail could be obtained from the elaborations provided by the interviewees. The interviewees vehemently denied that an attempt to assess moral development was incorporated in the application of the TLDM, with one respondent expressing that combined assurance has become a *“malicious compliance exercise”* in organisations. The interviewees also perceived that compliance fixation would not lead to internalised values in an individual, as it is merely a *“box-ticking exercise”*. It emerged that SOEs, listed and some private corporations had ethics programmes for the management of moral development in individuals while NPOs, Family businesses and SMMEs (that the survey respondents and interview participants were employed at) lacked formal structures for managing moral development, possibly due to increased ERM and governance practice maturity with organisational size. One notable perspective provided by an interviewee from an SOE was that the moral tone in SOEs (i.e., municipal entities) tended to mirror that of the governing political party in that jurisdiction. The interviewee asserted that municipalities and their entities where one particular opposition party governed tended to obtain clean audits than the rest where other political parties led. As such, employees in SOEs tend to emulate the moral leadership values of the political party in power.

The importance of the role of the board and executive management in setting the moral tone in organisations was expressed by interviewees and the survey respondents from all organisational forms. Leadership plays a critical role in defining the ethical culture of an organisation as well as in demonstrating commitment to

ethical leadership through practices displayed. In the absence of demonstrated leadership commitment to a moral high ground, the organisational culture becomes both non-compliant to protocols, as well as lacks embedded and internalised moral values. One interviewee expressed that: *“the fish rots from the head”*, when clarifying what underlies any compliance or ethics culture of the organisation. This view saw corruption and ethics breaches as often beginning at the top ranks of the organisation. Lower level employees would in turn engage in unethical conduct on seeing that there were no consequences for unethical behaviour displayed by senior management and executives.

There was an explicit and implicit view by some survey respondents and all interviewees that compliance fixation in the application of the TLDM did not result in internalised personal moral values. The views were mixed on whether compliance fixation was beneficial to organisations. Some survey respondents and interview participants perceived compliance fixation as non-beneficial to organisations as far as minimisation of Agency is concerned. Some on the other hand deemed compliance emphasis as an important imperative in dealing with Agency. On the basis of the qualitative perspectives obtained from the governance practitioners surveyed and interviewed, it was concluded that compliance was an imperative for Agency minimisation, while leadership demonstration of ethics and morality was critical in the internalisation of compliance and moral values in individuals. The joint application of the TLDM to achieve compliance and to embed an ethics culture in organisations was perceivably beneficial to organisations, although organisations at which the survey respondents and survey participants worked seemingly leaned more towards a compliance culture than an intention to foster moral development individuals. As such, organisations were arguably missing out on the benefits that would arise from a compliance culture underlain by internalised moral values in individuals, which would result in one doing what is right even when no-one was watching. Compliance fixation on the other hand would result in doing what is right when someone was constantly watching over individuals, with a resurgence of Agency in cases where oversight was absent.

5.3.4 Qualitative Findings Pertaining to Research Objective 3

One of the research objectives was to establish if combined assurance is perceived by governance practitioners as a competitive tool that can be applied with a strategic intent to create competitive advantage in organisations. This objective was met through soliciting answers to research question 3.¹⁹ This section presents the qualitative findings obtained from the survey and interviews conducted.

It emerged from the qualitative study that through the application of combined assurance, organisations could achieve a higher state of compliance with organisational protocols and legal requirements. A majority of survey respondents and interviewees expressed that through combined assurance application, efficient and effective risk management could be achieved, e.g., one survey respondent expressed that competitive advantage could be derived from combined assurance:

“Through effective management of business risk as a result of compliance”.

Compliance achieved through application of combined assurance perceivably leads to effective management of risk. An interviewee highlighted that the application of TLDM leads to competitive advantage through *“alignment of assurance processes and thus efficiency in management of risk”*. This sentiment also emerged from the responses gathered through the survey.

Through implementation of the TLDM, the compliance and alignment of assurance processes that result, lead to efficient and effective minimisation of risk of pursuit of self-serving interest. Minimisation of Agency would eliminate wasteful expenditure thus enhancing financial performance.

“When organisational risk of pursuit of self-serving interest is kept minimal, competitiveness is achieved by elimination of wasteful expenditure”²⁰
(Interviewee 5).

The qualitative sentiments obtained through the survey and interviews expressed that minimisation of Agency and demonstration of good corporate governance,

¹⁹ To what extent is the TLDM of combined assurance perceived by governance practitioners from a strategic point of view to create competitive advantage in South African organisations?

²⁰ Sentiment expressed by an interviewee from a listed corporation.

evidenced by a high compliance and moral culture create a good reputation for the organisation from the viewpoint of stakeholders and investors.

“An organisation that can demonstrate that it has less compliance issues gains more credibility than the one with a lot of issues. So the application of the three lines of defence can assist in providing credibility and in turn improving competitive advantage” (Interviewee 7).

Arising from good corporate reputation, which attracts skills and investment, an organisation could thus derive competitive advantage through combined assurance application.

“Investors want to invest in a company that has a strong TDLM. Suppliers want to do business with a company that has a strong TDLM. Customers want to buy products and services from a company that has a strong TDLM. These drive the market value of a company as stakeholders put more value in a business like that” (Survey Respondent).

A number of survey respondents brought up the role of leadership and ethical culture in the creation of a good corporate reputation.

“Embedding an ethical culture in all company’s dealings and calling out all discrepancies will improve a company’s reputation and give a positive competitive advantage”. (Survey Respondent).

While an overwhelming majority of perspectives obtained through the survey and similarly from the interviews expressed that competitive advantage could be derived from combined assurance, some could not relate combined assurance application in organisations to competitive advantage derivation. One such sentiment was expressed by an interviewee from an SOE, who indicated that TDLM had so far been implemented as a compliance imperative in demonstrating the adoption of the King Code in organisations. The interviewee further elaborated that there was a clear absence of commitment from executives and the board in the implementation of combined assurance in spite of governance reports indicating that combined assurance had been adopted in that organisation. Besides the combined assurance

implementation limitation on competitive advantage derivation in organisations, some sentiments obtained viewed combined assurance and competitive advantage as totally unrelated. One such view was expressed by a survey respondent from a private corporation who with reference to the question of how competitive advantage could be derived through combined assurance application responded as follows:

“It cannot. It’s like trying to use brakes to accelerate”.

This sentiment viewed combined assurance and competitive advantage as having opposing objectives. Another somewhat similar sentiment was obtained from an interviewee from a listed corporation:

“It’s not about competitive edge but deriving benefit and effectiveness thereof”.

The foregoing sentiment highlights that in the implementation of combined assurance in the organisation of the interviewee’s employment, there was no deliberate intention to create competitive advantage through combined assurance application, although the benefits of combined assurance application were acknowledged. The interviewee’s sentiments were similar to some survey respondents’ views that were expressed as a simple dismissal of the fact that combined assurance could lead to competitive advantage, without further elaborations provided.

From the qualitative survey responses and insights from the interviews, it can be summarily concluded that the majority of governance practitioners that participated in the study viewed combined assurance as a competitive advantage tool for organisations, although in the diversity of South African organisational forms such competitive advantage potential was untapped. The explanations provided by each of the survey respondents and interviewees on how competitive advantage could arise from combined assurance application could not paint a clear pathway for competitive advantage through combined assurance. The attempts made by survey respondents and interview participants highlighted that compliance, alignment of assurance processes, Agency risk minimisation through efficient as well as effective

risk management, and corporate ethics culture driven by leadership were elements that related to corporate reputation, reduction of wasteful expenditure and competitive advantage in organisations.

5.3.5 Qualitative Findings Pertaining to Research Objective 4

Research objective 4 was a secondary objective relating to research objective 1. The aim of research objective 1 was to explore the TLDM of combined assurance in order to identify theoretical gaps in the model that could have a bearing on its effectiveness in dealing with the Agency problem. The findings relating to research objective 1 have been discussed in section 5.6.3 of this report in detail. The findings highlighted some inadequacies of the TLDM. Research objective 4 sought to explore how the TLDM of combined assurance could be improved from an ethics theoretical perspective and application viewpoint to enhance the effectiveness of boards' oversight on organisations and minimisation of the Agency problem for the sustainability of organisations. In this section, some qualitative perspectives relating to research objective 4 obtained through the survey and interviews conducted will be discussed.

In the survey, respondents were asked to provide a list of things that organisations needed to start, continue and stop doing, as far as combined assurance practice and corporate governance failure avoidance were concerned. This question was posed in order to identify what was good and bad in the prevailing combined assurance practice in organisations. It was also intended to establish what was and was not in place in relation to combined assurance in organisations. Table 5.18 below summarises some of the recommended start, continue and stop doing sentiments expressed by the respondents.

Table 5.18: Recommendations on TLDM implementation

Start doing
Develop a road map for combined assurance implementation that will foster alignment, collaboration and efficiency of combined assurance application, including feedback mechanisms to enhance application.
Leadership and the board to drive ethical culture in the organisation to make ethical and moral behaviour a must-have rather than a nice-to-have. This includes investing in the development of ethical culture in the organisations and holding people evidently accountable for their misconduct.
Combined assurance must start embracing technology offered by 4IR. Professionals must be encouraged to pursue multiple skills, which will assist combined assurance to become leaner, faster and more agile. A flat reporting structure must be introduced to minimize red tape in raising red flags or inefficiencies.
Training of individuals and performance reviews (peer, regulatory and professional bodies' appraisals) to enhance and improve the competencies of those involved in assurance processes.
Continue doing
Adoption of combined assurance and application of the TLDM.
Monitoring compliance.
Finding the right balance between defence and offence in risk management for the creation of competitive advantage.

Stop doing
Misalignment and duplication of assurance processes arising from unco-ordinated implementation of combined assurance.
Compliance mind set-implementing combined assurance as a ' <i>malicious compliance exercise</i> ' characterised by ' <i>box-ticking</i> .' Ignoring audit outcomes or shelving audit reports must be stopped.
Lack of accountability, particularly of senior management for unethical behaviour. Stop inconsistent consequence management.
Using assurance processes outcomes for driving political agendas.
Blaming the first line of defence for poor audit outcomes, which leads to animosity with the audit function and thus lack of collaboration in risk management.
Working in silos and collaborate assurance processes.
Passive involvement of the board in assurance processes and ' <i>thinking combined assurance is a blue pill to replace adequate oversight by the board.</i> '
Appointment of directors based on friendships instead of competency (old-boys-club). Boards should not delegate the recruitment of NEDs to the CEO as this compromises independence.
Career NEDs practice as this reduces directors to employees. Limit the number of boards an NED can serve in at any given time.
The monopoly of Big 4 audit firms. Smaller players must be allowed to be involved in the audit space.

Source: Researcher's own compilation

From the sentiments presented in the Table 5.18 above, it can be noted that most of the suggestions made on what organisations needed to either start and/or stop doing, revolved around combined assurance application or implementation issues. These points highlighted that the improvements that need to be done as far as TLDM is concerned related to implementation practice. Organisations appear to be grappling with combined assurance implementation, which made governance practitioners to perceive improvement in implementation practice as an imperative for TLDM success than an improvement in the theory and foundational constructs of the model.

Further insights were obtained from survey respondents' answers to a question requiring them to provide justifications for their rating of the adequacy of the TLDM as well as the other probing them to identify some inadequacies of the TLDM. The responses to these questions painted a largely similar picture of an implementation inadequacy of the model than there were attempts to review the theoretical constructs of the model. The survey respondents did not appraise the TLDM from a compliance vs morality dichotomy, as such, their recommendations were essentially implementation practice-related than they were to do with ethics theoretical constructs of the model. A few respondents though, did criticise compliance fixation (in the implementation) without legitimate commitment by senior leadership and the board to create an ethical culture in the organisation.

The 11 interview participants also appraised and recommended improvements on the TLDM more from an implementation practice perspective than they focused on the ethics constructs of the model. During the interviews, the researcher probed through follow-up questions directing the interviewees to apply their thinking towards reviewing the model itself, beyond just the apparent implementation shortcomings observed in the organisations. Through these follow-up questions, it could be established that governance practitioners had embraced the TLDM as a model to be applied in South African organisations without critiquing its ethics theory constructs (*vis a vis* compliance and morality). There was an assumption that through application of the TLDM its intended outcomes would be realised. However, the failure of the model was widely acknowledged. It would appear that failures

were mostly attributed to implementation failures than failure of the model per se. This observation was supported by the expressed reluctance by governance practitioners in having more levels added to the TLDM. A question was asked to survey respondents and interviewees on whether more levels needed to be added to the TLDM. A follow-up question sought to establish how many levels or lines of defence were considered adequate in assurance provisions by governance practitioners. Figure 5.21 below shows the responses obtained to the latter question.

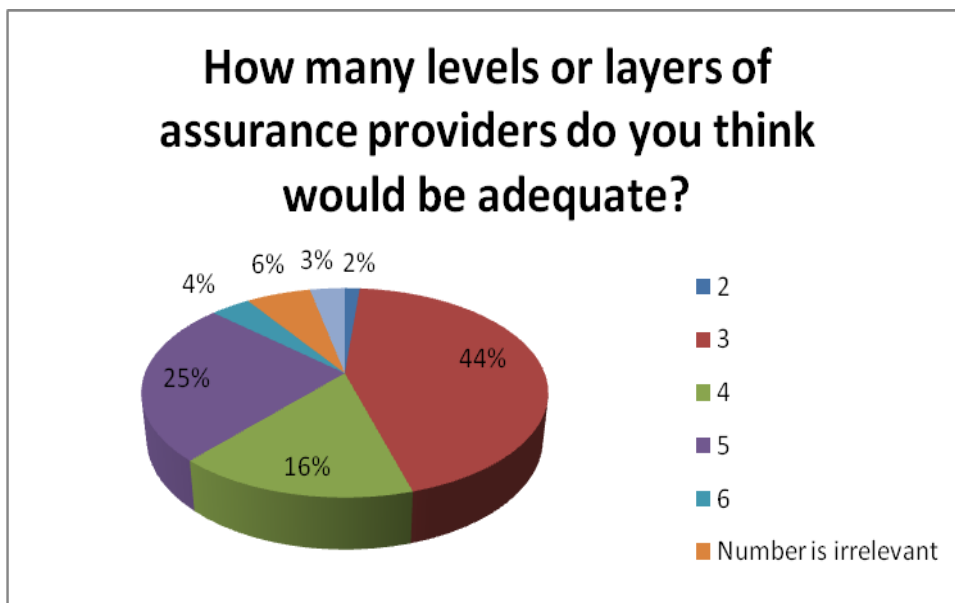


Figure 5.21: Survey Respondents' on TLDM improvements

Source: Researcher's own compilation

An overwhelming support for the three lines of defence emerged with a considerable support for five lines, then four lines – in that order. The lines of defence suggested ranged from two to six while some governance practitioners deemed the number irrelevant. The argument presented for the irrelevance of the number of lines of defence was that these needed to take organisational size, maturity of ERM and maturity of implementation into account. Some governance practitioners from the SMMEs and NPOs supported fewer lines of defence citing cost implications of a multi-tiered combined assurance model for such organisations. Even some governance practitioners cited the diminishing returns of

more levels of assurance provision beyond three lines. The other emergent sentiment from some governance practitioners' perspectives was that organisations needed to implement combined assurance progressively from fewer lines to more lines as the maturity of implementation increased. During the literature review study conducted as part of this research, it had been identified that the TLDM had inadequacies in its ethics theoretical constructs in that it leaned towards deontological ethics than virtue ethics, which led to compliance fixation in its application.

A Five Level of Assurance Model had been suggested as an improvement of the TLDM. The support for the FLAM was inferior to the vote given to TLDM. It was established that the support for the TLDM was underlain by the thinking that in its theoretical architecture it provided what the FLAM intends to. Governance practitioners perceived the board and the shareholders as being part of assurance providers under the TLDM. An apparent misunderstanding of what actually constitutes the TLDM emerged. A number of governance practitioners thus deemed the TLDM adequate from this understanding that the board and its subcommittees were part of the assurance providers. While the theoretical anchors of the proposed FLAM in this study were largely supported implicitly, an explicit support for a five tiered assurance model could not be obtained convincingly from the findings of this study. One interviewee from a listed corporation provided support for a change in perception of the assurance provision from being lines of defence (reactive) to lines of assurance (proactive) as contemplated in the FLAM.

“It must be viewed as lines of assurance not defence. The objective should be that of hiding nothing from no-one, thus, it shouldn't be about defending but proactive identification and communication of identified risks”.

Another interviewee from an SOE expressed the following:

“It does not incorporate that external providers that are providing assurance in the second line are not actually there to provide the operational support and guidance required. It assumes that the second line of defence is always an in

house function. Management then does not have the advisory or guidance required from the second line of defence”.

Some governance practitioners highlighted the existence of a residual risk due to human involvement in spite of combined assurance implementation, regardless of the number of lines employed. These sentiments expressed that no number of lines of defence or assurance would ever completely eliminate the risk of Agency. Some of the sentiments along these lines expressed were as follows:

“Subject to human manipulation”.

“Human factor”.

“The various lines can be captured”.

“Individual propensity to pursue self-serving interest”.

“Greed cannot be policed”.

The challenge of the human factor in the Agency problem was explored further through a question in the survey and during interviews. These questions asked governance practitioners what they thought could be done to ensure that the parties in the assurance processes adhered to moral standards to avoid pursuit of self-serving interest. A number of suggestions were made on how Agency could be minimised. The suggestions from the interviewees can be categorised under recruitment practice, leadership practice, functional ethics programme, consequence management, reviews and appraisals, as well as training and development (Figure 5.22).

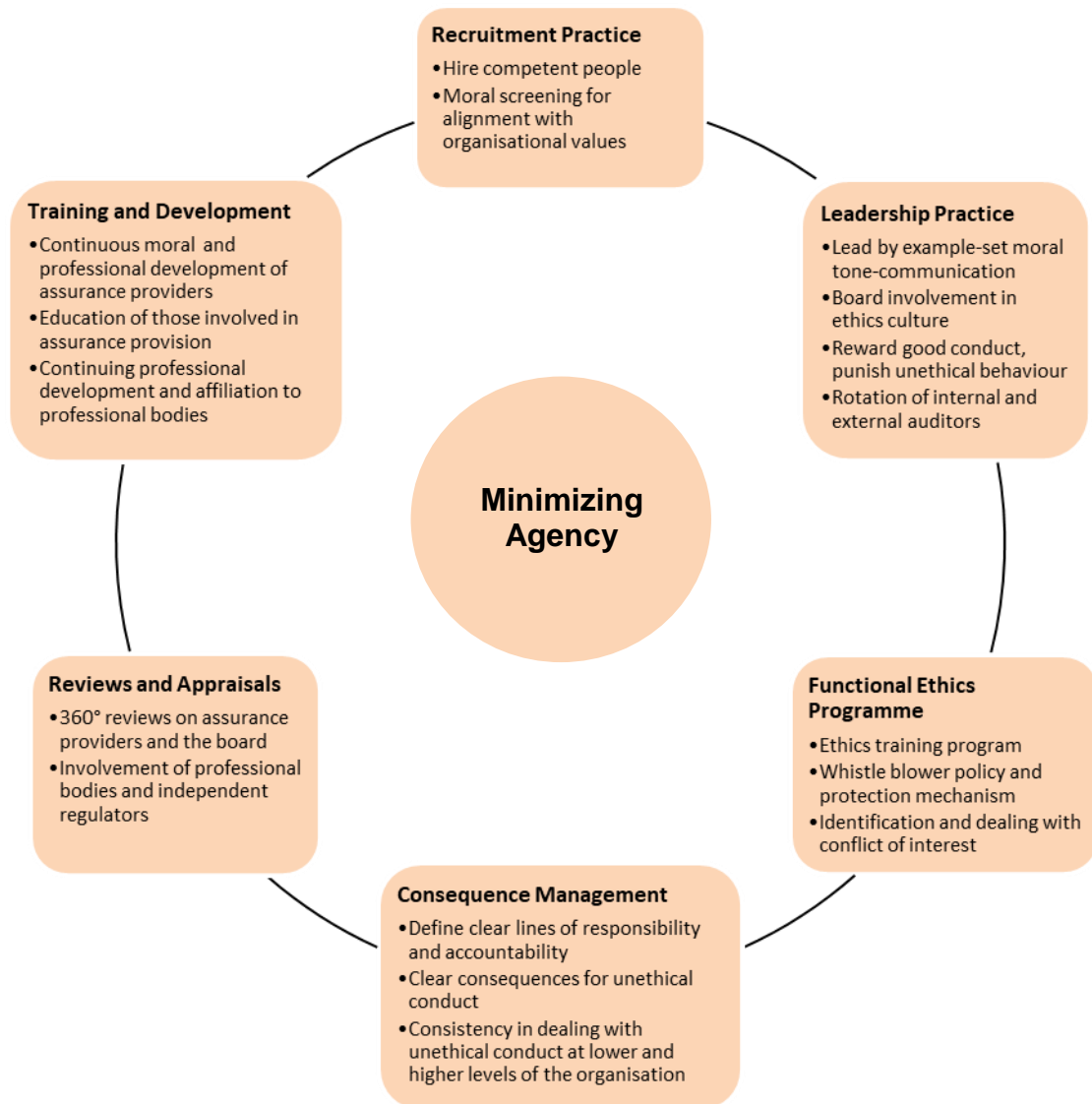


Figure 5.22: Interview participants’ suggestions on Agency minimisation

Source: Researcher’s own compilation

While suggestions for minimising Agency were made as, captured in Figure 5.22, there was acknowledgement that the possibility of Agency can never be completely eliminated as long as humans are involved in assurance processes.

Thus, the conclusion made regarding research objective 4 is that there is a requirement for improvement in the implementation of the TLDM in organisations. The implementation challenge experienced by organisations has led to a focus on

combined assurance applications improvement solutions as recommendations for Agency problem resolution, without consideration of the ethics constructs of the TLDM. Governance practitioners did not explicitly and convincingly support the five levels of assurance as suggested in the FLAM, although there was support for its ethics foundation constructs.

5.4 CHAPTER CONCLUSION

In this chapter, the research findings were discussed. Moreover, the research findings were presented separately as quantitative and qualitative findings, with respect to each research objective. From the research findings obtained, TLDM implementation challenges across all organisation forms in South Africa represented in the study were emergent. Due to the implementation challenge, most of the thinking by the governance practitioners revolved around improving TLDM implementation than a critical review of the model's adequacy in its theoretical foundations. The findings from both qualitative and quantitative studies support that competitive advantage can be derived from combined assurance application in South African organisations although the organisations represented in the study had not fully exploited the potential of such competitive advantage.

CHAPTER 6: ANALYSIS OF RESEARCH FINDINGS

6.1 CHAPTER INTRODUCTION

In this chapter, a discussion of the research findings presented in Chapter 5 will be done, relative to the research aims and objectives. The findings obtained will be reviewed in consideration of the existing body of knowledge on the subject of combined assurance and the TLDM. This will enable the research findings to be positioned in the body of knowledge, for ease of identification of the contribution of the study. This chapter begins with a recap of the research problem and objectives, which are the subject of the next sub-section.

6.1.1 Recapping Research Problem

The research problem identified and informing the study is that: South Africa has tacitly and/or explicitly, institutionalised the implementation of the TLDM, despite lack of empirical evidence on the adequacy of the model (in its theoretical constructs) to deal with the Agency problem. Moreover, corporate governance failures have been documented in spite of the TLDM application in South African organisations, which raises questions on the adequacy and effectiveness of the model in dealing with Agency. The study thus set out to ascertain if and how competitive advantage can be derived through TLDM. Four research objectives were set to guide the scope of the study.

6.1.2 Recapping Research Objectives

Research objective 1 was to explore the TLDM of combined assurance in order to identify theoretical gaps in the model that could have a bearing on its effectiveness in dealing with the Agency problem. Related to this objective was a secondary objective (research objective 4), which sought to explore how the TLDM of combined assurance could be improved from an ethics theoretical perspective and application viewpoint, to enhance the effectiveness of boards' oversight on organisations and minimisation of the Agency problem for the sustainability of organisations.

Research objective 2 sought to acquire an understanding, through quantitative and qualitative data from governance practitioners on application of the TLDM of combined assurance in organisations to achieve compliance as well as moral character development. Research objective 3 aimed to establish if combined assurance is perceived by governance professionals as a competitive tool that can be applied with a strategic intent to create competitive advantage.

6.2 OUTCOMES PERTAINING TO RESEARCH OBJECTIVES

In this section, a presentation of the research outcomes relative to each research objective will be discussed.

6.2.1 Research objective 1 outcomes

6.2.1.1 Adequacy of the TLDM in its theoretical underpinnings (AD_ETHICS)

The quantitative findings on the adequacy of the TLDM in its theoretical foundations were obtained through the perspectives of 204 survey respondents. The survey respondents expressed that the TLDM is inadequate in its theoretical foundations (Mean=2.65; SD=0.76). These findings were also supported by the qualitative perspectives of 11 interviewees and the survey respondents. The qualitative study revealed that as much as survey respondents and interview participants cited inadequacies of the TLDM, their criticisms were more underlain by a review of the model's implementation than its ethics theoretical underpinnings. It emerged that there was a general acceptance and belief that the TLDM when implemented properly, would reduce Agency, as such, a critique of the model from a theory perspective had not yet been conceived by most governance practitioners. The findings to the effect that the TLDM is inadequate in dealing with Agency support the criticism by Tim Leech,²¹ who has written extensively on the shortcomings of the TLDM. The inadequacies established in the study support earlier authors (e.g., Alles, Kogan & Vasarhelyi, 2003; Chiu, Liu & Vasarhelyi, 2018), who have cited failure of combined assurance. The third and fourth editions of the King Code advocate for implementation of combined assurance in South African organisations, however the findings of this study suggest limitations in the adequacy of the model

²¹ Managing director of Objective Centric Risk and Certainty Management.

in its ethics theoretical underpinnings in dealing with Agency. The study further supports the IIA, which identified failure of the TLDM at many levels (IIA, 2013). Using the quantitative findings, it could be established that the TLDM is summarily inadequate in dealing with Agency; however, these inadequacies could be lying in the poor implementation of the model in organisations than in its ethics theoretical constructs.

The qualitative findings on the adequacy of the TLDM revealed that the TLDM was adequate with respect to:

- Structural and design adequacy: its tiered architecture enables effective risk coverage.
- Provision of risk coverage: i.e., it provides a holistic view on risk management and the nature of assurance provided for the risks.
- Driving compliance: enables organisational compliance with regulations as there are laws and regulations guiding the establishment of structures and functions of the levels or lines of defence.
- Reduction of Agency: through there being checks and balances in organisational governance so that people act in stewardship and good faith.

Furthermore, the survey respondents and interview participants expressed reluctance towards addition of more levels to the TLDM in a bid to improve the model. These findings highlighted that there was some adequacy in the TLDM that render the model a useful tool in assurance provision.

On other hand, qualitative views were obtained from survey respondents and interviewees, which also highlighted a range of inadequacies of the TLDM, that is:

- Adequacy is conditional: a number of organisational environmental factors can affect the outcomes of TLDM implementation, e.g., leadership, skills levels of role players, inter alia.
- Challenge in implementation: e.g., the cost of assurance processes affects model adoption by SMMEs.

- The Agency problem: as long as humans are involved in the process, there will always exist the 'human-element' that compromises the effectiveness of controls.
- Governance failures in spite of TLDM: there are documented cases highlighting the failure of the model at various levels of assurance.
- Excludes some critical assurance levels: i.e., the role of the board and its subcommittees are excluded in the TLDM.
- Does not incorporate ethics management: the management of ethics is a process that is considered external of assurance processes.

The qualitative perspectives on the adequacy of the TLDM supported the findings of the quantitative part of the study in that; the TLDM is summarily inadequate in dealing with Agency in South African organisations. However, some adequacies were also established from the qualitative study.

Consequently, taking into account both quantitative and qualitative findings with regards to TLDM adequacy, it can be concluded that the inadequacies of the TLDM require improvement of the model particularly with regards to organisational implementation practice, than doing away with the model completely. The answer to research question 2 (How adequate is the TLDM in providing assurance to South African directors that employees will do the right thing even when no-one is watching?) associated with research objective 1 is that, the TLDM does mitigate Agency albeit, it has inadequacies in that, it does not incorporate ethics management as part of assurance processes. Additionally, there are implementation challenges faced by organisations and there is the existence of the human factor (inclination towards pursuit of self-serving interest). In spite of the limitations of the model in its adequacy, arguably, its adoption would be beneficial for an organisation.

6.2.1.2 Ineffectiveness of the TLDM in dealing with Agency (EFF_AGENCY)

While AD_ETHICS assessed the adequacy of TLDM in ethics theoretical underpinnings, EFF_AGENCY investigated the ineffectiveness of the model in dealing with the Agency and realisation of assurance objectives. Research question

2 had two implicit elements, i.e., assessment of the model adequacy and its effectiveness. As such, it was warranted to have EFF_AGENCY as a variable in this study (which was measured in the negative sense, i.e., ineffectiveness).

From the quantitative study, the 204 survey respondents on average agreed with greater consensus that the TLDM is ineffective in dealing with Agency in South African organisations (Mean=4.15; SD=0.59). EFF_AGENCY was significantly positively correlated with IMPL_COMP ($r=0.296$) and weakly negatively correlated with IMPL_TLDM_MDF (-0.058). However, a significant negative correlation between IMPL_COMP and IMPL_TLDM_MDF ($r=-0.269$) was established. That is, with increased compliance fixation in the implementation of TLDM, the ineffectiveness of the model in dealing with Agency increases, while this ineffectiveness decreases with increased moral development focus during TLDM assurance processes via a path mediated by IMPL_COMP. From these quantitative research findings, it could be determined that the EFF_AGENCY is a direct dependent variable of IMPL_COMP and indirect dependent variable of IMPL_TLDM_MDF (with IMPL_COMP mediating). These findings provided empirical support for part of this research study's thesis that:

Combined assurance needs to combine assessment of adherence to rules and laws as well as measurement of ethical moral development at organisational and individual level. The researcher posits that the failure of the TLDM of combined assurance in curbing corporate governance scandals lies in the ethical pre-dispositions informing the model that place more emphasis on one ethical dimension than the other (i.e., acts vs. agent focus).²²

The respondents' average rating of the TLDM as implemented with a compliance fixation (IMPL_COMP Mean=4.14; SD=0.65) and without moral development focus (IMPL_TLDM_MDF) in South African organisations explains why the TLDM would be perceived as ineffective in dealing with Agency (EFF_AGENCY), in light of the correlation relationships of these variables established through regression analyses. The findings on the ineffectiveness of the TLDM in dealing with Agency are supported by the IIA's Exposure Document (Three Lines of Defence, 2019), in

²² Refer to section 1.6 of this research report.

which it is stated that an analysis of the model is done and proposals for strengthening and improvement of the model are made.²³ This highlights that there is an acknowledgement within the professional spheres of the audit function that there is a need to improve the TLDM, which stems arguably, from its observed ineffectiveness. The conclusion based on the quantitative findings is that, the in/effectiveness of the TLDM depends on whether the model is implemented with a compliance fixation or moral development focus. Given the mediating role played by implementation of TLDM with a compliance fixation on the in/effectiveness of TLDM, the extent of moral development focus in TLDM (given its negative correlation with IMPL_COMP) becomes a moderating factor on the in/effectiveness of TLDM in dealing with Agency.

The qualitative research findings on whether implementation of TLDM is from a compliance fixation or moral development focus in South African organisations supported the findings obtained in the quantitative part of the study. The qualitative study revealed that there is more compliance fixation than moral development focus in the implementation of the TLDM in South African organisations. Furthermore, none of the 11 interviewees confirmed that moral development was assessed as part of assurance processes (like did 43% of survey respondents that answered the question). The role of leadership in setting the organisational moral tone emerged as a central factor in achieving moral development in organisations. Perspectives from the interviewees and survey respondents from SOEs highlighted the importance of the moral example set by the governing political party in the municipality and provinces. The importance of the role of the board and executive management in setting the moral tone in organisations was expressed by interviewees and the survey respondents from all organisational forms. In the case of the survey respondents' that expressed that there was assessment of moral development during TLDM processes, it could be obtained how moral development assessment was incorporated into assurance processes. The moral development efforts in TLDM could be categorised into two broad categories: organisational and individual focused, each with sub-categories of proactive and reactive measures.²⁴

23 IIA EXPOSURE DOCUMENT Three Lines of Defense, June 2019, p 1.

24 See section of this report.

On the basis of the qualitative and quantitative research findings, it can be concluded that the TLDM is ineffective in dealing with Agency under the prevalent TLDM implementation practice, which has a bias towards compliance fixation than moral development focus in South African organisations. However, the ineffectiveness can be attributed to the model implementation practice than the ethics theoretical constructs of the model (based on the findings of this study). This conclusion provided answers to research question 2.²⁵ The findings of this study support the observation made by van Rensburg, Venter and Kriek (2013) that corporate governance failures have occurred in spite of combined assurance and its institutionalisation in South Africa. The findings also provide insights into why corporate governance failures have continued to occur in spite of TLDM, as there are currently challenges in TLDM implementation at both strategic and operational levels in South African organisations. While some authors have suggested that the focus of monitoring and control functions must move from assuring the effectiveness of internal controls to assuring the effectiveness of risk management processes (e.g., Spira & Page, 2003; Sarens & De Beelde, 2006; Fraser & Henry, 2007; Shortreed et al., 2012), the findings of this study still find the effectiveness of assurance processes a subject deserving attention given the ineffectiveness of the TLDM in dealing with Agency.

6.2.2 Research objective 2 outcomes

In consideration of the foregoing discussion in preceding section 6.2.1.2, it can be established that there is more compliance fixation than moral development focus in the implementation of the TLDM in South African organisations. These findings give support to part of the thesis of this report that:

“...Moreover, the TLDM of combined assurance has been applied with a compliance fixation than moral development intent.....”²⁶

These findings did not support the findings of the study by Dzomira (2016) who concluded in an investigation of the espousal of combined assurance in the South

²⁵ How adequate is the TLDM in providing assurance to South African directors that employees will do the right thing even when no-one is watching?

²⁶ Refer to section 1.6 of this research report.

African public sector that, for eight of the nine South African provinces, the implementation of TLDM was commendable. These findings provide a possible explanation as to why a widespread failure of state institutions (state capture) has occurred in spite of the conclusion by Dzumira (2016) that, the TLDM was generally applied in municipalities commendably (in eight out of the nine provinces of South Africa). It becomes apparent that not only is it an imperative to apply the TLDM, it is also important how the model is applied (i.e., compliance fixation vs moral development focus). In the absence of moral development focus, TLDM application becomes a compliance exercise, which renders the model ineffective in dealing with Agency. The findings of this study also affirmed the assertion by Masegare (2018) that boards are struggling to effectively and efficiently manage risks despite having the combined assurance model, a support tool that seeks to manage risks holistically, without duplication of effort.

6.2.3 Research objective 3 outcomes

The quantitative research findings revealed that the governance practitioners on average agreed that competitive advantage can be created through TLDM in South African organisations (Mean=3.87; SD=0.62). However, South African organisations had yet to apply the model with a strategic intent to create competitive advantage. The prevailing TLDM application in South African organisations is from a compliance objective, without sight of the competitive advantage that could arise if a moral development focus was incorporated in assurance processes, and a deliberate differentiation through a morals-based culture was pursued as a strategy. In light of the compliance bias in the TLDM implementation in South African organisations and hence the ineffectiveness of the model in dealing with Agency, there is scope to create competitive advantage and the scope is big (refer to Figure 5.16).

Through CFA and path analysis, a statistically valid model for creation of competitive advantage through TLDM²⁷ was determined. The path that explains creation of competitive advantage more strongly considering the obtained (R and p-values) is that which involves adequacy of the TLDM in its ethics theoretical

²⁷ See Figure 5.16.

underpinnings, the moral development focus, the implementation of and TLDM with compliance fixation, the in/effectiveness of TLDM, as well as ultimately the creation of competitive advantage and the scope there of. That is, with increased adequacy of TLDM's ethics underpinnings, moral development focus in its implementation increases. With increased moral development focus in TLDM implementation, compliance fixation decreases and so does the ineffectiveness of TLDM in dealing with Agency. With increased TLDM effectiveness, the creation of competitive advantage in South African organisations and the scope there of decrease. Thus, IMPL_TLDM_MDF plays a moderating role on the influence of AD_ETHICS on EFF_AGENCY, while in turn IMPL_COMP plays a mediating role between IMPL_TLDM_MDF and EFF_AGENCY. These findings do not only confirm statistically that competitive advantage can be created through implementation of the TLDM in South African organisations but also provide a pathway of creation of this competitive advantage. This is profound in that it provides further support for part of the thesis of this research study, i.e.:

“Moreover, the TLDM of combined assurance has been applied with a compliance fixation than moral development intent and competitive advantage objective thus, there is scope to create competitive advantage by applying combined assurance, based on a combination of virtue and acts-based ethics, in South African organisations”.

The empirical backing for the thesis on creation of competitive advantage through TLDM and the model for creation of competitive advantage through TLDM in South African organisations constitutes this study's contribution to the body of knowledge at theoretical and practical business practice levels.

The qualitative part of the study provided further insights on the mechanism for competitive advantage creation through TLDM. While the quantitative study seemed to suggest that competitive advantage increases with increased 'ineffectiveness of the TLDM', the qualitative results provided an alternative mechanism, which has been synthesised into a framework for creation of competitive advantage (Figure 6.1). The creation of competitive advantage, as explained by the model for creation of competitive advantage (Figure 5.16) through TLDM, is interpreted by the

researcher as explaining a macro level mechanism for competitive advantage creation through TLDM. When all competing organisations are taken into account, arguably, there needs to be a widespread ineffectiveness of the TLDM in dealing with Agency, arising from industry-wide compliance fixation bias than moral development focus in the implementation of the TLDM. This would create an opportunity for that organisation that decides to incorporate moral development focus in its assurance efforts to set itself apart from its peers and thus create competitive advantage.

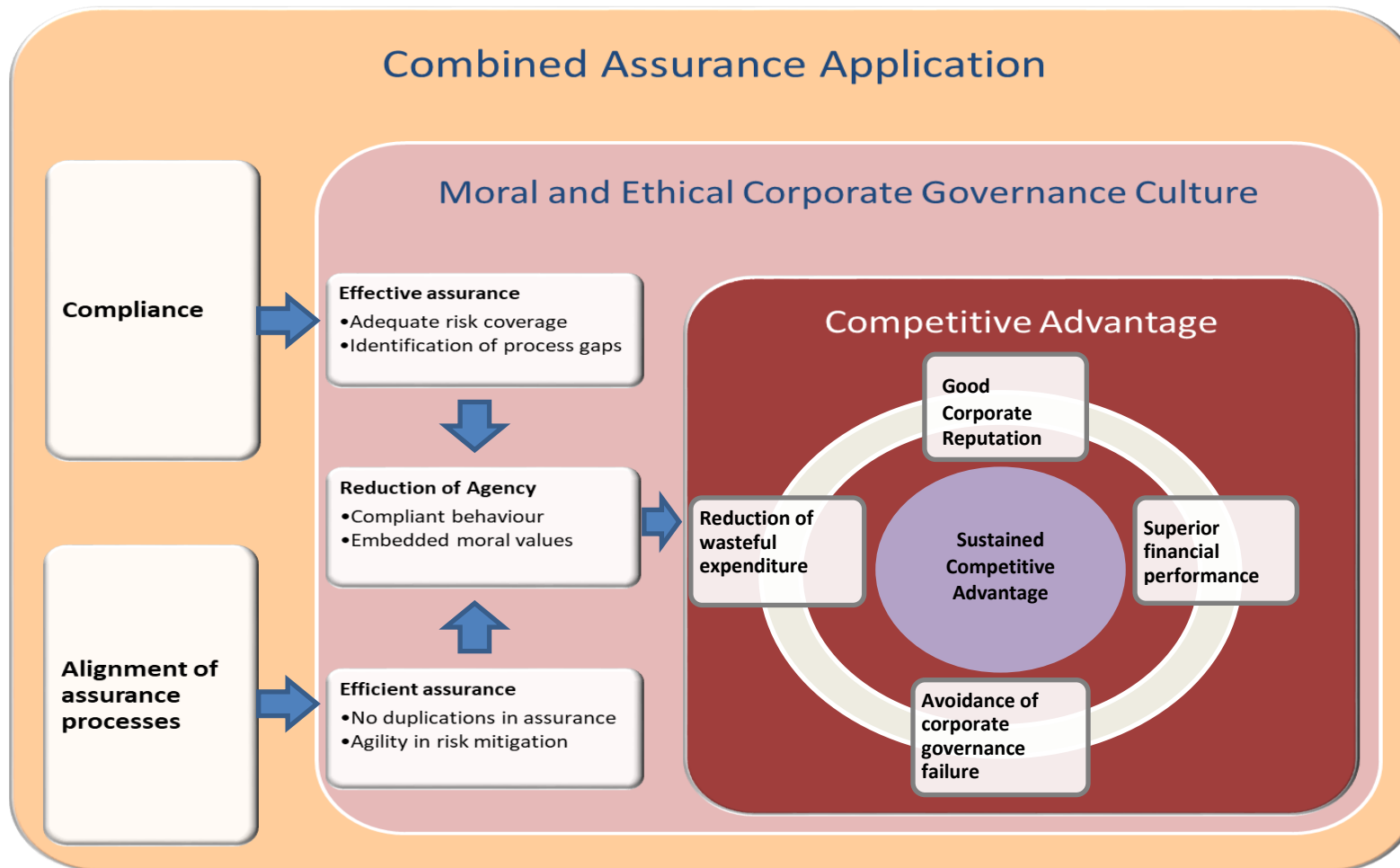


Figure 6.1: A framework for creation of competitive advantage through combined assurance

Source: Researcher's own compilation

Where there is widespread application of TLDM with moral development focus among competing firms, moral development focus becomes commoditised,²⁸ and ceases to be a source of competitive advantage for any organisation. As such, the ineffectiveness of TLDM (due to compliance fixation) is an important factor at macro level in determining if competitive advantage can be created through TLDM application in South African organisations.

At micro (organisational) level, the mechanism for creation of competitive advantage is better explained by the framework for creation of competitive advantage (Figure 6.1). According to the framework, the application of combined assurance in an organisation leads to compliance, which brings about effectiveness of assurance, through adequate risk coverage and identification of process gaps. The application of combined assurance also brings about alignment of assurance processes thus, leading to efficiency in assurance provision (through agility in risk mitigation and elimination of duplications). Effectiveness and efficiency of assurance processes reduce Agency by inculcating a compliance culture as well as through embedded moral values. Compliance and alignment of assurance processes attained through combined assurance application influence the organisational moral and ethical corporate governance culture. An organisational moral and ethical governance culture attained through minimised or eliminated Agency, leads to the creation of competitive advantage by reducing wasteful expenditure and hence superior financial performance; avoidance of corporate governance failure; and good corporate reputation, which attract investors and top skills.

This framework supports the assertion by Nicolaidis (2017) that ethical behaviour can be a differentiation mechanism for a business that can lead to gaining strategic competitive advantage in a market place, through communication and actual practice of organisational values. Nicolaidis (2018) argues (in favour of the framework for creating competitive advantage through TLDM) that a business practice that goes beyond merely ticking the boxes of compliance and profit fixation into the realms of the spirit of the law could develop a new outlook for organisations,

28 A situation where goods and services or organisational practices among competing firms become relatively indistinguishable. <https://www.investopedia.com/terms/c/commoditize.asp>.

which is characterised by an organisational culture-based legitimate welfare and sustainability of society. The framework for creation of competitive advantage through TLDM constitutes contribution to the body of knowledge at theoretical and practical business practice levels.

The conclusion regarding creation of competitive advantage through TLDM from the qualitative and quantitative parts of this research work is that, competitive advantage can be derived from TLDM implementation in South African organisations and the scope for competitive advantage through TLDM is huge. The mechanism for creation of competitive advantage through TLDM is arguably not necessarily the same at macro and micro levels. At macro level, the TLDM practice environment determines if competitive advantage can be created through TLDM and the size of the scope for creation of this competitive advantage. Widespread ineffectiveness of the TLDM underlain by more compliance fixation than moral development focus makes it possible for competitive advantage to be created, and the scope for competitive advantage creation increases with increased industry ineffectiveness of TLDM in dealing with Agency. At micro level, the mechanism for creation of competitive advantage follows a different path. It is deduced and elucidated that as compliance fixation increase; competitive advantage is derived through an organisational-culture-based mechanism, in which compliance and moral development focus complement than counteract each other's effect in competitive advantage creation.

6.2.4 Research objective 4 outcomes

The primary objectives of this study were to explore the TLDM from an ethics theoretical foundations perspective by conducting a literature review on the adequacy and to appraise its effectiveness in dealing with Agency on the basis of the perspectives obtained from the governance practitioners. It was further set to establish if, and how, competitive advantage can be created through TLDM application in South African organisations. Objective 4 was a secondary objective, which subject to the findings of the 3 main objectives, sought to explore how the TLDM of combined assurance could be improved from an ethics theoretical perspective and application viewpoint, to enhance the effectiveness of boards'

oversight on organisations and minimisation of the Agency problem, for the sustainability of organisations. This objective would be met by answering the research question 4 (How can the existing TLDM of combined assurance be improved to enhance the effectiveness of combined assurance and creation of competitive advantage through its application in South African organisations?).

In view of the findings and conclusions on the adequacy and effectiveness of the TLDM in dealing with Agency, it was established in this study that the TLDM has inadequacies in its ethics theoretical foundations. The inadequacies lie in the model's compliance bias than moral development focus. However, these inadequacies are diffused by the ethics theory debates on deontology, teleology, utilitarianism and virtue ethics. The arguments by Nussbaum (1999) that virtue ethics (morals based) is implied in deontology ethics make it difficult to conclude that the TLDM has inadequacies of more compliance bias than moral focus, as the two ethics branches are implicit of each other. The perspectives obtained from the survey respondents and interview participants indicate that virtues do not necessarily get developed by legalism. As such, the compliance fixation in the TLDM does not compensate for the model's inadequacies in achieving moral development in individuals. Statistically, it was established (Figure 5.16) that a significant positive correlation between the adequacy of the TLDM, its ethics underpinnings (AD_ETHICS) and moral development focus in TLDM implementation (IMPL_TLDM_MDF) exists, while on the other hand, a negative correlation between implementation of the TLDM with a compliance fixation (IMPL_COMP) and IMPL_TLDM_MDF emerged. It was also established that IMPL_COMP correlates positively with ineffectiveness of the TLDM in dealing with Agency. In view of the foregoing, the findings and conclusions on research question 4 become pertinent as there is empirically supported inadequacy and ineffectiveness of the TLDM in dealing with Agency.

Arising from the literature review conducted, a FLAM²⁹ was conceptualised. This model was suggested as an improvement to the TLDM in order to address the inadequacies and ineffectiveness of the latter. The quantitative and qualitative data

29 FLAM – Five Levels of Assurance Model.

gathered in this study provided some insights on the improvement of the TLDM. As shown in Figure 5.16, a negative correlation between AD_ETHICS and Improvement of the TLDM (IMPR_TLDM) exists. A positive correlation between IMPR_TLDM and IMPL_COMP (albeit weak) also emerged. These, coupled with the negative correlation between IMPR_TLDM and IMPL-TLDM_MDF, highlight that with increased adequacy of the TLDM in its theoretical underpinnings, the need to improve the model decreases. The need to improve the TLDM increases with increased compliance fixation and decreased moral development focus in implementing the TLDM. The quantitative findings show that improvement of the TLDM requires increased moral development focus and decreased compliance fixation if the model is to be effective in dealing with Agency.

Further empirical evidence from the quantitative part of the study highlights that while there is acknowledged inadequacy and ineffectiveness of the TLDM in dealing with Agency, no outright support for additional lines of defence, i.e., the FLAM emerged. Further insights from the qualitative study established that the interview participants were reluctant to have additional levels or lines of defence to the existing TLDM while admitting that the model is inadequate (Figure 5.21). Much of the inadequacies highlighted pointed to implementation related issues than the theoretical constructs of the model. As such, the suggestions for improvement of the model were on implementation practices than TLDM design and theoretical foundations related (Figure 5.22). These findings do not support the criticism of the TLDM documented by Tim Leech. Thus, the study concluded that improving of the TLDM in view of South African organisations should be focused on improvement organisational TLDM implementation practices than on the model theory or its architecture. The best outcomes of TLDM implementation would be attainable where an organisation purposed to achieve moral development in employees than implemented the model as a compliance and box-ticking exercise.

6.3 CHAPTER CONCLUSION

In this chapter, a discussion of the findings of the study was done by conducting a within cases analysis and cross case analysis (referring to existing literature). The quantitative and qualitative research findings pertaining to each of the four objectives were discussed and triangulation done to draw conclusions in answering the research questions. In the next chapter, a conclusion of the study will be presented as well as the recommendations made based on triangulation outcomes.

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

7.1 CHAPTER INTRODUCTION

Recapping on the preceding chapters: Chapter 1 provided an introduction to the study, painting a background and creating a context of the study. The research problem was introduced and the scope of the study defined and delineated. Assumptions and hypotheses were explained, together with the envisaged limitations of the study. In Chapter 2 a review of the theoretical paradigms applicable to the study was done. Chapter 3 reviewed the literature on combined assurance, competitive advantage and the corporate governance-competitive advantage relationship. Cases of South Africa's recent corporate governance scandals were discussed in relation to the research problem, to provide anecdotal support for the study. In Chapter 4 the methodology was explained and the rationale for its choice provided, to clarify the research philosophy used in the research. The population and sample were defined in that chapter, with justification for the sampling design, size and representativeness made. The data analysis followed was also explained, including how findings would be integrated. The research findings were presented in Chapter 5 and a within-the-case analysis done. In Chapter 6, a discussion of cross-case analysis of the findings was done. In this Chapter 7, some main conclusions of this study and its recommendations will be presented as it marks the conclusion of this research report.

7.2 STUDY CONCLUSIONS

This research study set out to achieve four objectives, namely to:

1. Explore the TLDM of combined assurance in order to identify theoretical gaps in the model that could have a bearing on its effectiveness in dealing with the Agency problem.
2. Acquire understanding, through quantitative and qualitative data from governance practitioners, on the application of TLDM of combined assurance in organisations to achieve compliance as well as moral character development.

3. Establish if combined assurance is perceived as a competitive tool that can be applied with a strategic intent to create competitive advantage.
4. Explore how the TLDM of combined assurance could be improved from an ethics theoretical perspective and application viewpoint, to enhance the effectiveness of boards' oversight on organisations and minimisation of the Agency problem for the sustainability of organisations.

These objective were related (in the same order) to the research questions:

1. What are the theoretical underpinnings of the TLDM of combined assurance found in the existing body of knowledge?
2. How adequate is the TLDM in providing assurance to South African directors that employees will do the right thing even when no-one is watching?
3. To what extent is the TLDM of combined assurance perceived by governance practitioners as a strategic tool through which competitive advantage could be derived in South African organisations?
4. How can the existing TLDM of combined assurance be improved to enhance the effectiveness of combined assurance and creation of competitive advantage through its application in South African organisations?

In the following sub-sections, the conclusions of the study in relation to the research objectives and research questions will be presented.

7.2.1 Conclusions on TLDM adequacy and effectiveness

The following conclusions are drawn relating to research objectives 1 & 2 and research questions 1 & 2:

- From the literature review, it was established that the TLDM leans more on deontological ethics than it does on virtue ethics, hence its inadequacy and ineffectiveness in dealing with Agency (Alles, Kogan & Vasarhelyi, 2003; Chiu, Liu & Vasarhelyi, 2018);

- The TLDM is summarily ineffective (mean rating of 4.15 by survey respondents on scale of 1 to 5 signifying strongly disagree to strongly agree respectively, that the TLDM is ineffective) in dealing with Agency, as it inculcates a compliance culture than individuals' moral development in South African organisations.
- The adequacy of the TLDM lies its tiered architecture (have more than one line of defence), which provides back-up lines of defence in the event that one of them fails (Dobie & Plant, 2014).
- The adequacy of the model increases with increased moral development focus than compliance fixation in the implementation of the model in South African organisations ($R=0.58$ and $p<0.000$ values were obtained, where $R>0.5$ and $p<0.05$ signified large relationship effect).
- With increased compliance fixation, the effectiveness of the TLDM in dealing with Agency decreases ($r=-0.141$).
- Implementation of the TLDM with a compliance fixation (IMPL_COMP) mediates the effect of the adequacy of the model in its ethics underpinnings (AD_ETHICS) and that of moral development focus at implementation (IMPL_TLDM_MDF), on the in/effectiveness of the model (EFF_AGENCY) as shown in Figure 5.16.
- The IMPL_TLDM_MDF moderates the effect of IMPL_COMP on the EFF_AGENCY. That is, with increased IMPL_TLDM_MDF, the impact of IMPL_COMP on decreases (Figure 5.16).
- The perspectives from the survey respondents and interviewees highlight that appraisals of the TLDM were directed towards implementation practice than reviewing the model in its ethics theoretical foundations.
- The inadequacies and ineffectiveness of the TLDM emergent from this study's findings are underlain by the prevailing model implementation practice in South African organisations, which the governance practitioners had experienced.
- As long as humans are involved, there will always be a 'human factor' (i.e. the freedom possessed by each individual to exercise choice) that renders any system ineffective.

- In spite of the notable inadequacies of the TLDM, implementation of the model is beneficial to organisations, particularly if there is more moral development focus than just compliance fixation; and
- The inadequacies of the TLDM do not warrant doing away with the model altogether, but instead, require improvement on the model implementation practice in organisations without necessarily adding more levels (i.e. 4th, 5th or 6th levels of defence).

7.2.2 Conclusions on creation of competitive through TLDM

The investigation of creation of competitive advantage through TLDM was related to research objective 3 and research question 3. The following conclusions are made in consideration of qualitative and quantitative research findings of this study, relating to research objectives 3 and research question 3:

- Competitive advantage can be derived from TLDM implementation in South African organisations (Ahmad, 2009; Ndung'u, 2015; Turyakira, 2018).
- There is scope for creation of competitive advantage through TLDM implementation in South African organisations at both theoretical and business practice levels of analysis.
- In light of the prevailing TLDM implementation practice in South African organisations, the scope for creating competitive advantage through TLDM is considerable.
- While the governance practitioners believed that competitive advantage can arise from TLDM application, they could not explain the mechanism or pathway of competitive advantage creation through TLDM at both strategic and operational levels.
- The mechanism for creation of competitive advantage through TLDM is arguably – not necessarily – the same at macro and micro levels.
- At macro level, TLDM implementation practice environment determines if competitive advantage can be created through TLDM and the size of the scope for creation of this competitive advantage:
 - Widespread ineffectiveness of the TLDM underlain by more compliance fixation than moral development focus in TLDM implementation makes it

- possible for competitive advantage to be created and the scope for competitive advantage creation increases with increased industry-wide ineffectiveness of TLDM in dealing with Agency.
- The implementation of TLDM with compliance fixation (IMPL_COMP) *mediates* the impact of TLDM adequacy (AD_ETHICS) and implementation of TDLM with moral development focus (IMPL_TLDM_MDF) on the effectiveness of the model in dealing with Agency (EFF_AGENCY) and ultimately the creation (as well as the size of scope) of competitive advantage in South African organisations (Figure 5.16).
 - The implementation of TDLM with moral development focus (IMPL_TLDM_MDF) *moderates* the effect of implementation of TLDM with compliance fixation (IMPL_COMP) on the ineffectiveness of the model in dealing with Agency (EFF_AGENCY) and ultimately creation of competitive advantage through TDLM, i.e., CR_CA_TLDM and the size thereof of scope (SCOPE_CR_CA).
 - The implementation of TDLM with moral development focus (IMPL_TLDM_MDF) becomes an intangible asset (a capability) from which competitive advantage can be derived in implementing TLDM in South African organisations.
 - The more widespread the practice of implementation of TDLM with moral development focus (IMPL_TLDM_MDF) among competing organisations, the more the scope for competitive advantage through TLDM diminishes (due to commoditisation).
- At micro level, the mechanism for creation of competitive advantage follows a different path:
 - As compliance fixation increases, competitive advantage is derived through an organisational-culture-based mechanism, whereby compliance and moral development focus complement each other, than counteract each other's effect in competitive advantage creation (Figure 6.1).
 - The application of combined assurance in an organisation leads to compliance, which brings about effectiveness of assurance, through adequate risk coverage and identification of process gaps.

- The application of combined assurance also brings about alignment of assurance processes thus, leading to efficiency in assurance provision (through agility in risk mitigation and elimination of duplications).
- Effectiveness and efficiency of assurance processes reduce Agency by inculcating a compliance culture as well as through embedded moral values.
- Compliance and alignment of assurance processes attained through combined assurance application influence the organisational moral and ethical corporate governance culture. An organisational moral and ethical governance culture attained through minimised or eliminated Agency, leads to creation of competitive advantage by reducing wasteful expenditure hence leading to superior financial performance; avoidance of corporate governance failure; and good corporate reputation, which attract investors and top skills.

7.2.3 Conclusions on improvement of the TLDM

Research objective 4 and its associated research question 4 investigated how the TDLM could be improved for enhanced adequacy in dealing with Agency and creation of competitive advantage through its implementation. The following conclusions are drawn with respect to research objective 4 and research question 4:

- Based on the literature review conducted, it was concluded that the TLDM has inadequacies in its ethics theoretical foundations due to the model's more compliance bias than moral development focus thus a FLAM was conceptualised.
- However, these inadequacies are diffused by the ethics theory debates on deontology, teleology, utilitarianism and virtue ethics. The arguments by Nussbaum (1999) that virtue ethics (morals based) is implied in deontology ethics make it difficult to conclude that the TLDM has inadequacies of more compliance bias than moral focus difficult, as the two ethics branches are arguably implicit of each other.
- The perspectives obtained from the survey respondents and interview participants indicate that virtues do not necessarily get developed by legalism

(compliance fixation). As such, the compliance fixation in the TLDM does not compensate for the model's inadequacies in achieving moral development in individuals.

- Further insights from both quantitative and qualitative parts of the study highlight that, while there is acknowledged inadequacy and ineffectiveness of the TLDM in dealing with Agency, no outright support for additional lines of defence, i.e., the FLAM, emerged. There was no overwhelming support for additional levels to be introduced to the TLDM (Figure 5.21).
- With reference to Figure 5.16:
 - There is a statistically significant positive correlation between the adequacy of the TLDM in its ethics underpinnings (AD_ETHICS) and moral development focus in TLDM implementation (IMPL_TLDM_MDF) while on the other hand, there is a negative correlation between implementation of the TLDM with a compliance fixation (IMPL_COMP) and IMPL_TLDM_MDF.
 - Implementation of TLDM with a compliance fixation (IMPL_COMP) correlates positively with ineffectiveness of the TLDM in dealing with Agency (EFF_AGENCY). In view of the foregoing, the findings and conclusions on the research question 4 become pertinent, as there is empirically supported inadequacy and ineffectiveness of the TLDM in dealing with Agency.
 - A negative correlation between TLDM ethics theory underpinnings (AD_ETHICS) and Improvement of the TLDM (IMPR_TLDM) exists. A positive correlation between IMPR_TLDM and IMPL_COMP (albeit weak) also emerged. These, coupled with the negative correlation between IMPR_TLDM and IMPL-TLDM_MDF, highlight that with increased adequacy of the TLDM in its theoretical underpinnings, the need to improve the model decreases.
 - The need to improve the TLDM increases with increased compliance fixation and decreased moral development focus in implementing the TLDM.

- The quantitative findings show that improvement of the TLDM requires increased moral development focus and decreased compliance fixation if the model is to be effective in dealing with Agency.
- Much of the inadequacies highlighted, pointed to implementation-related issues than the theoretical constructs of the model. As such, the suggestions for improvement of the model were on implementation practices than TLDM design and theoretical foundations related (Figure 5.22).
- Improvement of the TLDM in view of South African organisations should be focused on improving organisational TLDM implementation practices than the model theory or its architecture.
 - The best outcomes of TLDM implementation would be attainable when an organisation purposed to achieve moral development in employees than when implementing the model as a compliance and box-ticking exercise.

7.2.4 Conclusions on the research thesis

The findings provide support for this research study's thesis³⁰ in that, through exploring the theoretical foundations of the TLDM from an ethics perspective, a model and framework for creation of competitive advantage through TLDM were developed. At the core of the study was the Agency Theory that forms the pillars of the ethics discipline. In evaluating the TLDM using ethics theories, the limitation of the TLDM was identified through a literature review, which is that, the model has compliance bias and under emphasis of moral development. However, the perspectives obtained from governance practitioners pointed to compliance bias during the implementation of the TLDM than in the model's theoretical foundations. The governance practitioners could not appraise the TLDM ethics foundations but instead defaulted to critiquing implementation of the model when asked about the model's ethics theory underpinnings. Further support for the thesis was obtained in the conclusions made in the study that, using the framework for creating competitive advantage through TLDM in organisations, both compliance and moral development are imperatives for competitive advantage, i.e., is at organisational level. The

³⁰ See section 1.6 of this report.

findings of this study thus provide a theoretical and empirical backing for the thesis and thus it can be argued that this research study's thesis was soundly formulated.

7.3 CONTRIBUTION TO THE BODY OF KNOWLEDGE

The study contributes to the body of knowledge at theoretical, practical business practice and societal levels. Further contributions are made at research practice level through the application of a mixed research methodology. At theoretical level, the study brings competitive advantage (a theory in the strategy discipline) and combined assurance (a model for corporate governance) together, by exploring the relationship there is between the two. By establishing that competitive advantage can be derived through TLDM implementation in organisations, this study gives support to the systems theory, which states that an organisation is a system of interconnected sub-systems in which what happens in one sub-system affects the entire system. In this regard, combined assurance practice has a bearing on organisational competitiveness. It further contributes to theory by providing evidence that governance practitioners perceive deontology and virtue as distinct branches of ethics than as unitary and implicit of each other, as argued by Nussbaum (1999).

By exploring the adequacy of the TLDM, the study contributes to theory by suggesting a FLAM as an improvement to the TLDM. Although there was no outright support for the FLAM, i.e., governance practitioners in slight majority still favoured the TLDM than revision of the model by addition of more levels. Through consideration of TLDM beyond just governance and compliance objectives, the study is arguably ground-breaking in conceptualising and investigating combined assurance in the light of competitive advantage creation. As a result, contribution to the body of knowledge was made through formulation of a statistically valid model for macro-level³¹ creation of competitive advantage through TLDM implementation in South African organisations (Figure 5.16). From the qualitative part of the study, further theoretical contributions are made through the framework (micro-level)³² for creating competitive advantage through TLDM (Figure 6.1) formulated from the

³¹ Industry level.

³² Organisational level.

perspectives of governance practitioners. These contributions are profound in the development of 'strategic corporate governance', a view of corporate governance from a competitiveness perspective than mere compliance and box-ticking.

At practical business practice level, the study contributes by providing insights into the TLDM implementation practice and challenges in the South African organisations. The study highlights that, in spite of combined assurance introduction with the King III Code in 2009, organisations are still grappling with implementation more than a decade later. Through this study's findings, insights into how Agency can be minimised in organisations were obtained, which are useful in enhancing the TLDM effectiveness in organisations. The model for creating competitive advantage demonstrates that competitive advantage can be created through TLDM implementation and that the scope for competitive advantage creation is huge in South African organisations. These insights can enhance business practice resulting in TLDM application beyond just compliance but extending to competitive advantage intent. The study does not only highlight the existence of an opportunity to create competitive advantage through TLDM, but provides a blueprint for TLDM implementation for competitive advantage. As such, it provides market intelligence on the TLDM implementation practice, which is valuable information for those organisations that seek to compete through effective corporate governance. It is apparent that while the TLDM seeks to consolidate assurance processes, organisations still have a duplication of assurance provision and working in silos, resulting in assurance fatigue, which the TLDM seeks to avoid.

At societal level, the study is a barometer of TLDM implementation in South African organisations, thus highlighting the progress or lack thereof, in the implementation of the TLDM since 2009. This information is useful for lobby groups and investors to demand traction in the implementation of the TLDM, in order to minimise Agency and cost to society arising from corporate governance failures. It also highlights that, although most organisations report in their integrated annual reports that they apply the King IV Code, the implementation of the TLDM has not exactly taken off in most of these organisations. These insights bring to the fore the risk of corporate governance failures that exist as a result of ineffective combined assurance

implementation in organisations. This information on the TLDM implementation is useful for society in making the decision to invest, do business or get employment with organisations taking corporate governance practices in organisations (in this case TLDM implementation) into account.

From a methodology perspective, the complementary use of qualitative and quantitative survey data in a mixed methods research study provided rich information that may inform the development of similar research initiatives. The application of largely non-contact data collection techniques used in this study may inform future research studies conducted post the outbreak of Covid-19.

7.4 RESEARCH LIMITATIONS

The research findings have a contextual limitation to generalisation. The perspectives of governance practitioners in South Africa were obtained and analysed, as a result, these findings cannot be generalised beyond the jurisdiction and population that was sampled. The unit of analysis was the perspectives of the governance practitioners' and not the organisations. The perspectives of governance practitioners could have been shaped by experiences obtained from a number of organisations with different TLDM application practices, which may have complicated the study's participants' and/or respondents' appraisal of the model implementation practices in the organisations. Since non-probability sampling was applied, the survey respondents were not equally distributed (group sizes) to the organisational forms they represented. This caused the resolution on the subtle group differences to be missed, since comparison of unequal group sizes could potentially have caused some statistical conclusion errors (type 1 error). However, through the qualitative part of the study, the nuances of TLDM implementation practices in different organisation forms emerged. The research questionnaire did not cater for respondents from organisations that had not implemented TLDM. As such, a number of failed attempts to complete the questionnaire were registered. However, the overall response rate of 35% was within acceptable rates for questionnaires.

7.5 IMPERATIVES FOR FUTURE STUDIES

Against the backdrop of this study, its findings and limitations, some imperatives for future studies emerged. Future studies need to put to further investigation, the need to improve the TLDM through introduction of new levels or lines. This is necessitated by a sizeable proportion of survey respondents that suggested that more than three lines of defence are required to enhance the TLDM model's effectiveness. The FLAM was suggested by the researcher but insufficient support for it was obtained from the governance practitioners. The reluctance of governance practitioners to have additional lines of defence added in spite of their acknowledgement that the TLDM model is inadequate needs to be probed further as the cost implications were cited. An investigation of the organisations' cost of combined assurance adoption and sustenance is an area for future investigation. A market research study using the Boston Consulting Group's (BCG) matrix to quantify the size of the market for competing through the implementation of the TLDM is suggested. This would inform an organisation intending to create competitive advantage through TLDM implementation of the industry nuances that were not investigated in this study.

7.6 RECOMMENDATIONS

In consideration of this study's research thesis, objectives, findings and conclusions, the following recommendations are made:

- Organisations need to implement the TLDM with a strategic intent to create competitive advantage, beyond the compliance agenda. This is achievable through an integrated approach to combined assurance and strategy to realise both goals.
- A moral development focus in the implementation of the TLDM can be a source of competitive advantage for South African organisations as there is evidently widespread implementation of the model from a compliance perspective without moral development focus.
- An organisation seeking to create competitive advantage through implementation of the TLDM needs to understand the industry implementation practice to assess the scope for creation of competitive advantage by following

a moral development focus agenda beyond mere compliance. This is attainable through a leadership-driven culture transformation towards embedded virtues in members of an organisation. This would typically result in doing what is right even when no one is watching, because it is the right thing to do.

- Organisations should apply project management principles in the implementation of the TLDM to enhance the effectiveness and success of TLDM implementation. This requires identifying corporate governance champions for optimising development and implementation of corporate governance initiatives.
- The leadership of an organisation should take a lead in setting the moral tone through leading by example and clear consequence management for unethical behaviour. This requires creation of an organisational culture that embraces positive leadership mental models and behaviour.
- The training of assurance role players is recommended, to enhance knowledge levels and bring about alignment of various assurance processes. A continuous improvement of the synergistic relationships among the professional bodies and corporate would go a long way in advancing corporate governance and strategy practice.

7.7 CHAPTER AND RESEARCH STUDY REPORT CONCLUSION

In this chapter, conclusions and recommendations were made based on the research study findings. The research study thesis was backed by the findings and conclusions with respect to each study objective and research question(s) presented. The contribution of the study to the body of knowledge, the imperatives for future studies, and the limitations of the research study's findings were presented. The conclusion of this chapter also marks the end of this research report with appendices attached hereafter.

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APPENDIX A- BEN AFRICA AUTHORISATION

20/01/2019

Research participants required for Combined-Assurance TLDM study

Research participants required for Combined-Assurance TLDM study

Thu 11/22/2018 10:04 AM

From: BEN-Africa

To: lancelotm@kudenga.co.za



[View this email in your browser](#)



Creating Competitive Advantage through Combined Assurance in South African Organisations

One of our BEN-Africa members is doing research towards a Doctor of Business Leadership degree at the University of South Africa's School of Business Leadership. His study intends to obtain BEN Africa members' perspectives on Combined Assurance-Three Levels of Defence Model (TLDM), its present application in organisations and how competitive advantage could be derived through its application. We would like to reach out to any BEN-Africa members and extend an invitation to participate in the study. If you would be interested in assisting in this, please reply to this newsletter whereupon I can put you in touch with the researcher.

Thanking you in advance
Dr Julio A. Andrade
Secretary-General BEN-Africa



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<http://webmail.kudenga.co.za/Main/fmMessagePrint.aspx?popup=true&messageid=198561&folder=Inbox&user=lancelotm&domain=kudenga.co...> 1.

APPENDIX B-IIASA AUTHORISATION



GRANTING OF INSTITUTIONAL PERMISSION FOR RESEARCH

Dear Lancelot

I, Moshe Kola, in my capacity as the Department Head Communications and Business Development for the Institute of Internal Auditors South Africa, grant permission to collect data at this site for your research project titled *CREATING COMPETITIVE ADVANTAGE THROUGH COMBINED ASSURANCE IN SOUTH AFRICAN ORGANISATIONS*.

I grant this permission as the authorized person to do so in this company and I am aware of the following,

1. The study is conducted as a UNISA researcher and remains the property of UNISA
2. You can use the name of the company in your research project
3. All data and information collected will be solely in the possession of the researcher
4. I will not require feedback of the research.
5. The research may be published in the public domain under the supervision of the supervisor

I wish u the best and success with your research

Signature:

Date: 13 November 2018

Name: Moshe Kola

Organisational Title: Department Head Communications and Business Development

Tel: 011 450 1040 (ext 274)

Moshe@iiasa.org.za

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Directors: VJ Chauke CIA (Chairman), LS Machaba CCSA CRMA, KJ Mazzocco, Dr CF von Eck (CEO), F Bunn CIA, UB Duiker CIA CCSA, JJ Gourrah, PAH Lalla CIA CCSA CRMA, T Mofokeng, RM Newsome CIA CRMA, MD Nkhabu, S Nyangintsimbi CIA CCSA CGAP, JPC Opperman CIA CRMA, L Padayachee CIA CCSA CFSa, K Singh CIA, A Vorster.

Company Secretary: P Sogoni • **Affiliated to:** Institute of Internal Auditors, Inc. International Headquarters, Altamonte Springs, Florida, USA

Registration No.: 1985/003686/08 - Association incorporated under the Companies Act 2008 as a Non Profit Company.

"Guardians of Governance"

APPENDIX C-IODSA AUTHORISATION



Mr Lancelot Madondo
Director (Business Development & Projects)
Kudenga Investments (Pty) Ltd

3 December 2018

144 Katherine Street
Grayston Ridge
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Block B 1st floor
Sandown Sandton
2196
PO Box 521372
Saxonwold
2132

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E iodsa@iodsa.co.za
www.iodsa.co.za

Dear Mr Madondo,

RE: Institutional permission for research

I, Parmi Natesan, the Executive for the Centre of Corporate Governance at the Institute of Directors in Southern Africa (IoDSA), grant permission to collect data at this site for your research project titled *Creating competitive advantage through good corporate governance: Towards a South African Framework*.

I grant this permission as the authorized person in this company and am aware of the following,

1. The study is conducted as a UNISA researcher and remains the property of UNISA.
2. You cannot use the name of the IoDSA in your research project.
3. All data and information collected will be solely in the possession of the researcher.
4. I will require feedback of the research in the form of high level findings in an executive summary issued to IoDSA members and/or an article in Directorship magazine within 6 months of submission of their final thesis.
5. The research may be published in the public domain under the supervision of the supervisor.

We wish you success in this research.



Parmi Natesan
IoDSA -Executive Centre for Corporate Governance

APPENDIX D-CONFIDENTIALITY AGREEMENT



GRADUATE SCHOOL OF BUSINESS LEADERSHIP (SBL)

Confidentiality Agreement: Statistician

This is to certify that I, Dion van Zyl, the statistician of the research project Creating competitive advantage through combined assurance in South African organisations, agree to the responsibilities of the statistical analysis of the data obtained from participants (and additional tasks the researcher(s) may require in my capacity as statistician).

I acknowledge that the research project is conducted by Mr Lancelot Nyaradzai Madondo of the Graduate School of Business Leadership (SBL), University of South Africa.

I understand that any information (written, verbal or any other form) obtained during the performance of my duties must remain confidential and in line with the UNISA Policy on Research Ethics.

This includes all information about participants, their employees/their employers/their organisation, as well as any other information.

I understand that any unauthorised release or carelessness in the handling of this confidential information is considered a breach of the duty to maintain confidentiality.

I further understand that any breach of the duty to maintain confidentiality could be grounds for immediate dismissal and/or possible liability in any legal action arising from such breach.

Full name of statistician: Dr. Dion van Zyl

Signature of statistician:

Date: 2018/12/18

Address of statistician: 888 29TH Avenue, Rietfontein, Pretoria

Statistical Company: PRIVATE

Full Name of Primary Researcher: Lancelot Nyaradzai
Madondo



Signature of Primary Researcher: _____ Date:

14/12/2018

APPENDIX E- ETHICS CLEARANCE

Graduate School of Business Leadership, University of South Africa, PO Box 392, Unisa, 0003, South Africa
Cnr Janadel and Alexandra Avenues, Midrand, 1685, Tel: +27 11 652 0000. Fax: +27 11 652 0299
E-mail: sbl@unisa.ac.za Website: www.unisa.ac.za/sbl

SCHOOL OF BUSINESS LEADERSHIP RESEARCH ETHICS REVIEW COMMITTEE (GSBL CRERC)

13 September 2019

Ref #: 2019_SBL_DBL_013_FA

Name of applicant: Mr LN
Madondo

Student #: 64076628

Dear Mr Madondo

Decision: Ethics Approval

Student: Mr LN Madondo, lanyamad@gmail.com, 082 042 8086

Supervisor: Dr D de Villiers, daandevilliers@icloud.com, 083 626 0753

Project Title: Creating competitive advantage through combined assurance in South African organisations.

Qualification: Doctorate in Business Leadership (DBL)

Expiry Date: August 2023

Thank you for applying for research ethics clearance, SBL Research Ethics Review Committee reviewed your application in compliance with the Unisa Policy on Research Ethics.

Outcome of the SBL Research Committee:

Approval is granted for the duration of the Project

The application was reviewed in compliance with the Unisa Policy on Research Ethics by the SBL Research Ethics Review Committee on the 05/09/2019.

The proposed research may now commence with the proviso 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

45 years Building leaders who go beyond



relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to the SBL Research Ethics Review Committee.

- 3) An amended application could be requested if there are substantial changes from the existing proposal, especially if those changes affect any of the study-related risks for the research participants.
- 4) 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.

Kind regards,



Prof R Ramphal

Chairperson: SBL Research Ethics Committee

011 – 652 0363 or ramphrr@unisa.ac.za



Prof RT Mpofu

Executive Dean (Acting): Graduate School of Business Leadership

011- 652 0256/mpofurt@unisa.ac.za

APPENDIX F-INFORMATION SHEET

RESEARCH INFORMATION SHEET.

TITLE OF STUDY: Creating Competitive advantage through combined assurance in South African organisations

PRINCIPAL INVESTIGATOR: Lancelot N Madondo

Graduate School of Business Leadership,

University of South Africa

PO Box 392 UNISA 0003 South Africa

Cnr Smuts and First Avenue

Midrand 1685

UNISA School of Business Leadership

lanyamad@gmail.com or 64076628@mylife.unisa.ac.za

PURPOSE OF STUDY

You are requested to take part in a doctorate research study. Before you decide to participate in this study, it is important that you understand why the research is being done and what it will involve. Please read the following information carefully and ask the researcher if there are any clarifications or more information needed.

This study is conducted under the auspices of UNISA's Graduate School of Business Leadership (SBL) as part of a Doctor of Business Leadership program. It is intended to obtain directors', auditors' and accounting professionals' perspectives on Combined Assurance Three Levels of Defence Model (TLDM) adequacy and application in South African organizations. These perspectives will assist in understanding "Creating competitive advantage through combined assurance in South African organizations".

STUDY PROCEDURES

You are requested to complete the attached questionnaire on your perceptions TLDM, its application and adequacy in dealing with self-serving interest and provision of effective assurance in South African organizations. Your responses to

the questionnaire will be kept confidential. There is no requirement to provide your name in this research.

Kindly provide your honest opinions on the subject to enable the study to make useful findings on the subject of Combined Assurance and Competitive Advantage. The questionnaire will not require more than 20 minutes of your time to complete.

RISKS

The risk identified is that potential conflict of interest or breach of confidentiality could arise when participants disclose practices of organizations in which they have rendered and/or still render services. This risk has been mitigated by keeping the responses anonymous (not requesting participant organization of employment). It is envisaged that it will not be possible to associate responses obtained with any organization to which they apply.

You may decline to answer any or all questions and you may terminate your involvement at any time if you choose.

BENEFITS

The benefits of the study will be that, contribution to the academic body of knowledge on the challenging subject of strategy and corporate governance. It will provide insights on combined assurance, its application in organizations and how it could be a source of competitive advantage. The information obtained from this study may enhance the understanding on the combined assurance and how it could be applied effectively to avoid corporate governance failures and create competitive advantage in South African organizations.

CONFIDENTIALITY

Your responses to this research will be anonymous. Please do not write any identifying information on your questionnaire response.

COMPENSATION

There will be no remuneration or gifts offered for your participation in this study. However, your involvement in the study will be acknowledged in the final research report, which may be published by the academic institution.

CONTACT INFORMATION

If you have questions at any time about this study, or you experience adverse effects as the result of participating in this study, you may contact the researcher whose contact information is provided on the first page. If you have questions regarding your rights as a research participant, or if problems arise which you do not feel you can discuss with the Primary Investigator, please contact the research supervisor, Dr D de Villiers at daan.devilliers@outlook.com

VOLUNTARY PARTICIPATION

Your participation in this study is voluntary. If you decide to take part in this study, you will be asked to sign a consent form. Having signed the consent form, you are still free to withdraw at any time and without giving a reason. Withdrawing from this study will not affect the relationship you have, if any, with the researcher. Should you withdraw from the study before data collection is completed, your data will be returned to you or destroyed.

Accept conditions

I accept the conditions	
Decline	

APPENDIX G-SURVEY QUESTIONNAIRE

Creating Competitive advantage through combined assurance in South African organisations

Introduction and Background

This research is conducted as a Doctor of Business Leadership study at the University of South Africa's Graduate School of Business Leadership. You are invited to participate in this survey which should not require more than 30 minutes of your time.

The research study: Creating Competitive advantage through combined assurance in South African organisations, seeks to obtain governance practitioners' perspectives on the theory and application of the Three Lines of Defence Model (TLDM) of combined assurance, in the context of gaining competitive advantage in South African organisations. The failure of TLDM has been cited in many corporate governance scandals (IIA, 2013).

While your participation in this survey is on voluntary basis, you are encouraged to take part in this study as your insights are considered valuable in the development of the body of knowledge and general governance practice.

Your responses will be kept confidential, and will be used for academic purposes which may include publishing of the findings. By continuing with this survey you consent to the general conditions of participation. You have the right to withdraw this consent at any stage of the survey process. For any further questions on the study please contact the research supervisor Dr D de Villiers at daan.devilliers@outlook.com.

Please provide responses to the following questions to the best of your knowledge. Kindly respond to the questions provided and provide explanations as you may deem necessary even beyond the scope of the questions.

1. I have read and accept the conditions for participation in this survey.

Yes	No

(N/B: if no-then online survey navigates go to thank you page)

Part A-Respondent details

2. Your Industry and Sector.....

3. Your Organisational Form.....

SMME	SOE	Listed Corporation	NPO	Family Owned	Other (Specify)

4. Your Institution of professional affiliation.....

IoDSA	IIA	SAIPA	SAICA	IRMSA	CIMA	BEN Africa	Other (Specify)

5. Gender.....

Male	Female	Prefer not to disclose

6. Highest Qualification.....

7. Race (For Demographics Only)

African	White	Asian	Mixed Race	Indian	Other (Specify)

With reference to the South African organisations of your current or previous employment or contractual involvement, please answer the following questions.

Part B

8. How adequate is the Three Levels of Defence Model (TLDM) in dealing with self-serving interest (Agency) in South African organisations?

Very Inadequate	Inadequate	Somewhat Adequate	Adequate	Very Adequate

9. Provide some justification for your selection above.

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10. What are the inadequacies of the Three Levels of Defence Model (TLDM) you can identify?

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11. What is your assessment of the adequacy of the Three Levels of Defence Model (TLDM) in achieving moral development in South African organisations?

Very Inadequate	Inadequate	Somewhat Adequate	Adequate	Very Adequate

12. How adequate is the Three Levels of Defence Model (TLDM) in developing a compliance culture in South African organisations?

Very Inadequate	Inadequate	Somewhat Adequate	Adequate	Very Adequate

13. What would you say about the adequacy of the TLDM in its ethics theoretical foundations?

Very Inadequate	Inadequate	Somewhat Adequate	Adequate	Very Adequate

Indicate the extent to which you agree with the following statements and elaborate where required.

14. The Three Levels of Defence Model (TLDM) is effective in dealing with pursuit of self-serving interest in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

15. Corporate governance scandals can be minimized by implementing the Three Levels of Defence Model (TLDM) in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

16. In most cases of corporate governance failures, the pursuit of self-serving interest by individuals involved at some level of the Three Levels of Defence Model (TLDM) is evident (i.e., their management, internal and/or external auditors as well as directors).

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

17. Corporate governance failures in South African organisations could be attributed to the failure at some level of the Three Levels of Defence Model (TLDM).

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

18. What are your suggested improvements to the Three Levels of Defence Model (TLDM) to enhance its effectiveness in minimizing self-serving interest (Agency)?

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19. How best do you think the Three Levels of Defence Model (TLDM) can be applied to enhance its effectiveness in minimizing self-serving interest (Agency)?

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20. The Three Levels of Defence Model (TLDM) is implemented with an intention to derive competitive advantage in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

21. In implementing the Three Levels of Defence Model (TLDM) in South African organisations, the emphasis has been on achieving compliance within the organisation.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

22. The Three Levels of Defence Model (TLDM) has been implemented in South African organisations with a goal of achieving the development of individuals' moral sense and stewardship.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

23. Through the application of the Three Levels of Defence Model (TLDM) in South African organisations, some measurement of individuals' moral development is incorporated as part of the combined assurance efforts.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

24. How is moral development in individuals assessed during assurance processes?

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25. There is more compliance fixation than moral development intent in the application of the Three Levels of Defence Model (TLDM) of combined assurance in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

26. Competitive advantage can be derived through the application of Three Levels of Defence Model (TLDM) in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

27. How can competitive advantage be derived through the application of the Three Levels of Defence Model (TLDM) in organisations?

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28. The application of the Three Levels of Defence Model (TLDM) in South African organisations involves assessment of individuals' moral development.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

Part C

With reference to your current and/or previous organisational experience answer the following questions:

29. Compliance fixation in the application of the Three Levels of Defence Model (TLDM) leads to creation of competitive advantage in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

30. The application of the Three Levels of Defence Model (TLDM) with intention of moral development in individuals in South African organisations leads to creation of competitive advantage.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

31. With increased moral development focus in the application of the Three Levels of Defence Model (TLDM), competitive advantage increases in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

32. Increased compliance fixation in the application of the Three Levels of Defence Model (TLDM) reduces competitive advantage in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

33. In light of the current Three Levels of Defence Model (TLDM) practice, there is scope to create competitive advantage in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

34. Given the prevailing Three Levels of Defence Model (TLDM) application, the scope for creating competitive advantage through implementing TLDM practice in South African organisations is narrow.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

35. In my opinion, there is no relationship between the applications of the Three Levels of Defence Model (TLDM) and creation of competitive advantage in South African organisations.

Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

Part D

36. The application of the Three Levels of Defence Model (TLDM) focuses on organisational employees and management without extending to assessing director or owner/principal conduct.

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree

37. Assurance provision through application of the Three Levels of Defence Model (TLDM) is intended on providing assurance to directors than the broader stakeholder community.

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree

38. There is a need to improve the Three Levels of Defence Model (TLDM) to enhance its effectiveness in dealing with self-serving interest (Agency)?

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree

39. The Three Levels of Defence Model (TLDM) encourages the development of a compliance culture in organisations.

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree

40. The application of the Three Levels of Defence Model (TLDM) leads to development of virtues and personal values that are internalised to model behaviour in South African organisations.

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree

41. Corporate governance failures involve failure of some level or all of the Three Levels of Defence Model (TLDM).

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree

42. The objective of combined assurance needs to extend beyond being a convenience tool for reducing director information overload to providing assurance to the broader stakeholder community.

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree

43. What should be done to ensure that the parties in the Three Levels of Defence Model (TLDM) adhere to their professional and moral obligations?

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44. I think that more levels need to be added onto the current Three Levels of Defence Model (TLDM) in order to enhance its effectiveness.

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree

45. How many levels or layers of assurance providers do you think would be adequate? Which assurance providers should be at those additional levels if any?

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APPENDIX H-INTERVIEW SCHEDULE

Interview Schedule: *Creating competitive advantage through combined assurance in South African organisations*

Research Background

This research is conducted as a Doctor of Business Leadership study at the University of South Africa's Graduate School of Business Leadership. You are invited to participate in this interview which should not require more than 30 minutes of your time. The research study: ***Creating Competitive advantage through combined assurance in South African organisations*** seeks to obtain governance practitioners' perspectives on the theory and application of the Three Lines of Defence Model (TLDM) of combined assurance in the context of gaining competitive advantage in South African organisations. The failure of TLDM has been cited in many corporate governance scandals (IIA, 2013). While your participation in this interview is on voluntary basis, you are encouraged to partake in this study as your insights are considered valuable in the development of the body of knowledge and general governance practise. Your responses will be kept confidential, and will be used for academic purposes which may include publishing of the findings. By continuing with this interview you consent to the general conditions of participation. You have the right to withdraw this consent at any stage of the interview process. For any further questions on the study please contact the research supervisor Dr D de Villiers at daan.devilliers@outlook.com.

Please provide responses to the following questions to the best of your knowledge. Kindly respond to the questions provided and provide explanations as you may deem necessary even beyond the scope of the questions.

Interviewee Signature Date

Date:

Interviewer:Lancelot Madondo (Researcher)

Interview Schedule: Creating competitive advantage through combined assurance in South African organisations

Candidate Occupation: _____

Enterprise Type: SOE PVT listed Pvt Not Listed NPO Other

No of Years of TLDM experience: _____

Gender: Male

Female

Prefer not to disclose

Age: _____

Race: African Black

White

Indian

Asian

Coloured

Other

Interview Topics

TLDM Theory

A 1: How would you rate your understanding of the TLDM of combined assurance?

None

Basic

Average

Advanced

Expert

A2: Based your knowledge of TLDM, do you think the model is adequate in dealing with self-serving interest in organisations if it were implemented effectively? Explain-adequacies and/or inadequacies.

A3: What are your suggested improvements on the TLDM to enhance its effectiveness?

A4: Would you suggest addition of lines of defence to the TLDM to enhance its effectiveness? Elaborate.

A5: Based on your experience with the TLDM, at what level in the organisation do you think the pursuit of self-serving interests is most evident?

A6: In your opinion, what causes individuals to pursue self-serving interest at the expense of the organisation and other stakeholders?

A7: How best can the pursuit of self-serving interest be minimized in organisations?

Interview Schedule: Creating competitive advantage through combined assurance in South African organisations

TLDM Application in South African Organisations

B1: In light of the recent corporate governance scandals that have made headlines in South Africa and the ongoing inquiry into the state capture by the Zondo Commission, what stands out for you in those scandals as far as TLDM application is concerned?

B2: Based on your experience, if TLDM was to be applied effectively in South African organisations, would corporate governance scandals be eradicated?

Yes No Maybe

What are the challenges encountered in the implementation of TLDM by the organisations that you are familiar? How can these challenges be overcome?

B3: What constitutes effective implementation of combined assurance in an organisation?

B4: Based on your experience of combined assurance implementation in the organisations that you have been involved with, would you say combined assurance is applied for compliance (box ticking) or moral development (with focus on being and individual set of values) or both?

Compliance Moral development Both

Neither compliance nor Moral development

B5: How should TLDM implementation be approached for effective Agency reduction? (Compliance vs moral development)

TLDM Application for competitive advantage in South African Organisations

C1: Do you think South African organisations can derive competitive advantage through combined assurance application? Yes No Somewhat

Explain how competitive advantage can be derived through TLDM implementation in South African organisations?

C2: How prevalent is the combined assurance application for competitive advantage creation in South African organisations?

C3: Based on current practise, is there scope for creating competitive advantage through combined assurance application in South African organisations?

Interview Schedule: Creating competitive advantage through combined assurance in South African organisations

How big is the scope to create competitive advantage through TLDM in south African organisations?

General Remarks

D1: Do you have any other comments or remarks on combined assurance, its application and competitive advantage?

D2: Do you have any other remarks in general about the research study or the interview?

D3 Would you like to receive the final report and its findings?

Thank You

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To Whom It May Concern,

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