Examining the Determinants of Poor Performance in South African State-Owned Entities: A Qualitative Analysis

by

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submitted in accordance with the requirements for
the degree of

MASTER OF PHILOSOPHY IN ACCOUNTING SCIENCES

in Management Accounting

at the

UNIVERSITY OF SOUTH AFRICA

SUPERVISOR: PROF V MOYO

November 2024

DECLARATION

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DEDICATION

I dedicate this Masters degree to my late father, Mr Johannes Nefale, for being such an amazing role model in my life and his invaluable support and encouragement.

To my high school principal, Mrs Tshilidzi Mabirimisa, who has instilled so much hope and a spirit of hard work at a very early age.

To my wife Kamogelo Nefale and my daughter Wavhuthu Nefale for being my all-time supporter and motivation throughout this journey.

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LIST OF ABBREVIATIONS

The following abbreviations have been used throughout the study:

4IR - Fourth Industrial Revolution

ACSA - Airports Company South Africa

AGSA - Auditor General of South Africa

CEF - Central Energy Fund

CEO - Chief Executive Officer

COO – Chief Operating Officer

CSIR - Scientific and Industrial Research

CSR - Corporate social responsibility

DPE - Department of Public Enterprises

ESG - Environmental, Social, and Governance

IFRS - International Financial Reporting Standards

PFMA - Public Financial Management Act

PO – South African Post Office

POEs - Privately Owned Entities

PRASA – Passenger Rail Agency of South Africa

SAA - South African Airways

SABC – South African Broadcasting Corporation

SOEs - State-Owned Entities

USD – United States Dollar

ZAR – South African Rand

ACKNOWLEDGEMENT

I would like to state special thanks to the following individuals who have contributed to my studies:

- My mother, Vho-Alidzulwi, for her sacrifices that carried me throughout my educational journey.
- My supervisor, Prof Vusani Moyo, for his guidance, support and advice throughout my studies.
- My wife Kamogelo Nefale for her love and continuous support and always encouraging me to focus and complete my studies.
- Divisional managers at selected SOEs who availed themselves for brief interviews.
- My siblings Konanani, Livhuwani, Khangwelo, and Aluwani, thank you for your continued support and encouragement.

ABSTRACT

South African State-Owned Entities (SOEs) play a critical role in economic and social transformation, especially post-1994. However, instead of being at the forefront of social and economic transformation, most SOEs have been associated with financial mismanagement, state capture, and major governance failures due to inefficiency and weak accountability and inefficiency. This research addresses why SOEs, which should drive public service and economic development, consistently perform poorly.

Since SOEs performances continue to deteriorate, it is important to investigate the main determinants/causes of this deterioration. This ensures that the government develops and employs up-to-date and effective methods in dealing with current challenges contributing to the poor performance of SOEs.

The study employs a qualitative research design to explore the factors contributing to poor performance in selected South African state-owned entities (SOEs). The study uses a case study approach to gather data from selected SOEs, focusing on in-depth interviews, document analysis, and review of existing SOE performance reports. Data was analysed through thematic analysis, identifying patterns and key themes in governance, financial performance, and operational challenges that impact SOE efficiency and effectiveness. While ethical considerations employed ethical standards to ensure confidentiality and managing any sensitivities related to public sector critique. Key performance metrics include financial stability, service delivery, and governance practices.

The main findings of the study reflect, amongst others, Operational and Financial Challenges: SOEs face significant governance issues due to political interference, poor internal controls, and lack of strategic alignment with their public mandate and Systemic Issues: The bureaucratic structure, political patronage in appointments, and complex regulatory environment hamper performance, leading to inefficiency and poor financial outcomes.

The study concludes that while South African SOEs are essential for public service and economic goals, they are compromised by political interference, misaligned objectives, and governance challenges. Recommendations are provided for policy reforms, governance improvements, and performance management updates to address these issues.

KEYWORDS

African SOEs | Determinants of Poor Performance | Energy Crisis | Governance | Political Interference | Poor Performance | Public Sector Performance | Public Sector Performance Audit South African SOEs | State Owned Entities

CHAPTER 1: INTRODUCTION

1.1. Background to the study

South Africa has significantly transitioned since the advent of Democracy in April 1994. This transition has been paralleled by a concurrent change in the role of the public sector, which now represents the diverse needs and backgrounds of the South African people. Accordingly, this has resulted in broadening the public sector's mandate. Good stewardship and economic growth of South Africa's economy, a strong health care system and services to combat public health challenges, equal education opportunities, massive infrastructure investment, equal access to safe housing, and ultimately, social program delivery are now some of the major priorities of the government (Fourie, 2019).

The broadened mandate of the public sector has led to the establishment of various State-Owned Entities (SOEs) to help the government effectively and efficiently deliver services. Moreover, SOEs are vital mechanisms that can assist the government in achieving service delivery, economic growth and reducing the country's tax burden (Fourie 2019).

The success of addressing the government's performance in delivering public services to its citizens is highly dependent on the capacity and readiness of SOEs and other public entities to complement the role of government. "Public entities are generally perceived as institutional instruments that contribute to the encouragement of participatory democracy and avenues that bring the government closer to the people through their simple institutional performance management and decision-making mechanisms" (Buthelezi & Bossert, 2016). It is, therefore, critical to continuously evaluate these entities' performance and existential relevance as part of the system that supports participatory and constitutional democracy.

Instead of being at the forefront of social and economic transformation, most SOEs have been associated with financial mismanagement, state capture, and major governance failures due to inefficiency and weak accountability and inefficiency (Buthelezi & Bossert, 2016). A casual look into why African SOEs perform poorly points to competence gaps, rampant noncompliance and ethical crises (Munduga, 2014).

Prior studies found that the leading causes of poor performance in SOEs are political patronage in appointing executives (Chang & Wong, 2019), ignorance of stakeholders (Neef, 2018), ineffective watchdogs, lack of autonomy and weak internal controls. (Munduga, 2014). Some of these factors, such as weak internal controls and ignorance of stakeholders, are controllable by management.

In cases where board memberships, executive selections, and appointments in SOEs are conducted using criteria solely based on political loyalty over professional and technical competence, the performance of an SOE is bound to deteriorate as soon as doors open for business (Wong, 2019). Furthermore, having political representatives as external SOE directors negatively impact the SOE's performance (Chang, 2022). Mudunga (2014) found that the corporate governance of external directorship, which is meant to strengthen independent monitoring of executive management of SOEs, may yield negative consequences if the external directors are in pursuit of personal political objectives rather than ensuring the effective monitoring of SOEs on behalf of citizens and shareholders.

In an SOE, the citizens, who are the legitimate owners, are often unfamiliar with their influence in the governance of the institution. Citizens are voters with the power to elect the governing party, which then elects the governing structures of the SOEs (Buthelezi &Bossert, 2016). Whether occurring cumulatively over a period or deliberate manipulation by government executives overlooking or denying vital information, citizens' general ignorance and evolving disinterest towards the success of SOEs can only serve the interests of corrupt individuals at the expense of SOEs. (Neef, 2018).

The selective implementation of the recommendation of the watchdog institutions such as the Auditor General of South Africa (AGSA), Parliament Portfolio Committees, Public Protector, etc., undermines these institutions' perceived integrity (Buthelezi & Bossert, 2016). This subsequently leads to intended beneficiaries having diminished faith in the institution's effectiveness in resolving future challenges. These institutions then become idle and toothless, only recalled for use by government executives for political manipulations and witch-hunting. Secondly, the government's oversight institutions are often understaffed, overstretched, or even outright incompetent (Fikelepi, 2019). Their investigative reports are usually delayed and, if expedited, may fail to deliver on desired expectations, which further dents their credibility (Neef, 2018). Furthermore, these institutions are often not free of political manipulation. They often conceal incriminating findings against government political leaders instead of convicting political opponents with pettier violations (Munduga, 2014).

For any business entity to thrive, the approach and attitude towards compliance need to inspire an enterprise spirit. The King IV report recommends the 'apply or explain' as superior to the previous ‘comply or else’ or even ‘comply or explain’ approaches (King IV, 2022). How South African SOEs are set to function, gives much less leeway for executive management to employ competitive ways of conducting business (Fikelepi, 2019). By adopting the ‘apply or explain’ governance approach, directors would be mandated to determine compliance in a much more dynamic and less ‘straight jacket’ manner where compliance is characterised by mindless obedience to the rule of law even when it is not in the best interest of the SOE. (Munduga, 2014)

Internal processes and controls in South African government institutions are often highly ineffective and outdated in detecting, preventing, and mitigating business risks (Buthelezi &Bossert, 2016). Due to the long, red-taped administrative processes that must be pursued to improve government processes, the controls are not always adequate to keep up with the fast-paced current and modern business environment. These factors are made worse by the advent of information technology, which is a central aspect of modern business dealings and threatens the ability of SOEs to remain relevant. This is evident in SOEs such as the South African Post Office, which was impacted by the evolution of e-mails as fewer people sent letters over time. (Munduga, 2014)

The Department of Planning, Monitoring and Evaluation has been tasked with the overall responsibility of developing and enforcing the implementation of performance management standards for SOEs. Accordingly, the Framework for Managing Programme Performance Information (2020) has been developed as a guideline for economical, efficient, and effective public service delivery by all government institutions.

In the early 1980s, SOEs in South Africa contributed the highest proportion of the GDP of all countries outside the former Marxist Socialist Bloc. However, in contrast with this prior excellent performance and the current much more sophisticated government performance management systems, a cursory review of the performance of the SOEs over the past few years shows apparent and significant failures and poor service delivery by these entities (Klopper, 2017).

Over the past years, some of the country's largest and most crucial South African SOEs have not met their mandates due to underperformance and require bailouts from government. Over the past two decades, the government has spent more than R308bn recapitalising and bailing out SOEs (Buthelezi &Bossert, 2016).

In contrast to the above, SOEs in other emerging economies such as China seems to be performing excellently well (Buthelezi & Bossert, 2016). According to Statista Report on the most valuable SOEs in the world in the year 2020, the Industrial and Commercial Bank of China, the Agricultural Bank of China and the China Construction Bank constituted the three largest and most valuable government-controlled entities in the world. (Statista, 2024).

1.2. Problem Statement

SOEs make crucial contributions towards local, regional and international economic development by delivering services to the citizens and the private sector entities; they attract and source infrastructure capital, financial capital and human capital partnerships with developed countries (Fourie, 2019). Poor performance of these entities impairs SOE investor confidence and outlines the likely effects on the economy, including increases in the cost of investment capital. As a result, it puts a strain on SOE's financial performance due to higher capital costs paid to lenders. Furthermore, most South African SOEs are responsible for providing the citizens with basic needs. This means that the performance of SOEs is central to the betterment of the livelihoods of the citizens.

Most South African SOEs have performed poorly in recent years. For example, during the financial year 2021/2022, South African Airways (SAA) presented an operating loss of R3,6 billion, incurred fruitless and wasteful expenditures of R207 million and irregular expenditures of R44,5 billion. Furthermore, according to the "Performance Against the Shareholder's Compact Report (2018)", the SAA failed to achieve eleven (11) of its seventeen (17) performance targets. The auditor general also issued disclaimers on the SAA annual financial statements for 2018/19 to 2021/22, mainly due to financial mismanagement.

The South African Post Office (PO) is under provisional liquidation, and its mandate is being reviewed. According to its Integrated Report for the 2019 financial year, "Eskom is the largest producer of electricity in South Africa (approximately 95%) and Africa (approximately 45%). The utility ranks among the top 20 utilities in the world in terms of its electricity generation capacity" (Eskom 2019(a):13). Despite such top rankings, data from South Africa's Council for Scientific and Industrial Research (CSIR) showed that in the first six months of 2022, Eskom had cut 2,276GWh of electricity, which is more than 90% of the 2,521GWh it shed for the entire 2021 calendar year. According to the CSIR (2022), the outlook for the 2023 calendar year shows that Eskom will undergo a shortage of 2,001MW or higher for 49 out of the 52 weeks of the year. This reflects Eskom's poor performance. Other SOEs, including Denel and Transnet, have also shown similar trends of poor performances (Pierce & Le Roux 2022).

Previous research has been done on the overall performance of the SOEs both locally and internationally. This includes, amongst others, the study by Fourie (2019), which focused on the overall performance of the four biggest SOEs under the Department of Public Enterprises. Although this study identifies the specific factors that indicate the poor performance of these major entities, it does not necessarily highlight the main determinants of the poor performance of SOEs in South Africa.

Another recent local study by Adjasi and Mbo (2016) focused on "drivers of organizational performance in SOEs". Other than the fact that this study is more general, it does not highlight poor performance and its determinants.

However, no recent research has been done to identify the main determinants of the growing poor performance of South African SOEs in recent years. .

Since SOEs performances continue to deteriorate, it is important to investigate the main determinants/causes of this deterioration. This ensures that the government develops and employs up-to-date and effective methods in dealing with current challenges contributing to the poor performance of SOEs.

Based on this and the above analysis, the question can be raised: what are the main determinants of poor performance in South African SOEs?

1.3. Aims of the study

This study investigates the main determinants of poor operational and financial performance in selected South African SOEs.

1.4. Objectives of the study

Below are the objectives of the study:

1. To investigate the main determinants of poor financial performance common across the selected SOEs.
2. To investigate the causes of poor operational performance of selected (sampled) SOEs that lead to failures in delivering their mandates.

3. To investigate the possible systematic challenges faced by SOEs which may be contributing to their poor performance. Furthermore, to identify which of these challenges are caused by internal and external factors.

1.5. Research questions

This research aims to answer the following questions, amongst others:

1. What are the main determinants of poor financial performance common across selected SOEs?
2. What causes poor operational performance of selected (sampled) SOEs that lead to failures in delivering their mandates?
3. What are some of the systematic challenges these institutions face that may be contributing to their poor performance, and which of these challenges are caused by internal and external factors?

1.6. Significance of the Study

Based on SOEs heavy reliance on the public purse for funding when they perform poorly and the dependence of most South African citizens on these entities for service delivery, it is very pertinent to observe the performance of these entities, identify areas where they are performing poorly and identify the main determinants of those poor performances. This study is expected to identify the main determinants of the poor performance of SOEs in South Africa. The study's outcome will be a knowledge contribution which will be helpful to policymakers on the performance management of SOEs in reviewing the performance management tools at hand, highlighting gaps in ensuring improved performance of SOEs.

Furthermore, the government has proposed and implemented several solutions for some of the SOEs performing poorly, which did not yield the successful expected change. This may point to the possibility that the government may be implementing solutions which may not necessarily be aligned with the real challenges faced by these entities and contributing to their poor performances. A good example of this is the governance changes made at ESKOM over the recent years. This includes, amongst others, the appointment of a new Board of Directors, the Appointment of a new Chief Executive Officer (CEO) and the most recent appointment of a Minister of Electricity. With all these changes effected, South Africa still finds itself with load shedding. This research evaluated and investigated the main determinants of poor performance of SOEs and assisted the South African government in highlighting and addressing the real challenges faced by SOEs.

1.7. Measuring the Performance of SOEs

The main mandate and objective of SOEs is to provide public services, therefore when measuring the operational performance of these entities, the utility, warranty and citizen satisfaction of service delivered should be mainly considered (Balabonienė & Večerskienė, 2015).

This study adopted these principles in assessing the operational performance of selected SOEs:

1.7.1. Operational Performance Measures

Utility

This assessed whether the services provided by the entity are relevant in solving the citizen challenges and the entity's overall financial contribution to the fiscus. This included, amongst others, the level of contribution of the entity to the fiscus, whether the service provided by the entity currently holds existential relevance to the citizens, and alignment of the entity's goods/services to its mandate and mission.

Warranty

This looked at the principle of usability of the services rendered by the SOE. The focus was on factors such as availability, continuity, security, and capacity vs demand.

Service Delivery

This is assessed mainly on citizen satisfaction and perception of the value of the goods and services provided by the public entity. The focus here was on citizen experience. Ultimately, the public entity contributes to bettering or worsening the lives and livelihoods of South Africans. It is in this indicator that we see the number of citizens who are now pursuing alternatives from the public sector on goods and services that one should be receiving from public entities.

1.7.2. Financial performance measures

Whilst the main objective of SOEs is public service and not to maximise profits, a key success factor of these entities is their ability to financially sustain themselves without relying on bailouts from the fiscus. Therefore, when assessing good performance in SOEs financial performance measures which includes, profitability, going concern, liquidity and solvency measures should be considered (Balabonienė & Večerskienė, 2015).

This study on the financial performance of the selected SOEs over the past three years.

Profitability

This is a measurement of efficiency. It is used as a metric to determine the scope of an entity's profit as it relates to the size of the business and, ultimately, its failure or success. Profitability can also be used to assess the entity’s ability to grow and sustain its market position. There are drivers to an entity's profitability: revenue and expenses. For an entity to be profitable, its revenue must exceed its expenses. (Horton, 2023)

Liquidity

This refers to the ease or efficiency with which a security or asset can be converted into cash with no effect on its market price (Hayes, 2023). Liquidity can be measured by comparing an entity’s current assets to its current liabilities (i.e. liquidity, acid test ratios, etc).

Solvency

This is the ability of an entity to meet its long-term debts and any other financial obligations. This can be assessed by subtracting liabilities from assets, which equals its shareholders’ equity. A negative result of this means that the entity is insolvent. There are also solvency ratios (such as Debt to equity and assets to equity), which can highlight certain areas of solvency for deeper analysis. (Hayes, 2020)

Going concern

This is an accounting term for an entity that owns and controls the resources required to indefinitely continue with its operations until it provides evidence that suggests the contrary. This term also refers to the ability of an entity to make enough money to avoid bankruptcy. There are also a number of measurable, quantifiable indicators that can be used to measure going concern. Entities with high employee turnover, low liquidity ratios, or decreasing market share are likelier to not be a going concern. (Kenton, 2021)

1.8.Discussion of key terms

Defining key terms is fundamental to any academic study, particularly in the context of SOEs and their operational dynamics within the South African economy. Understanding these terms is essential for comprehensively analysing SOEs' performance, governance, and transformation.

Wong (2019) defines SOEs as entities where the government owns a significant portion or all the equity. This ownership structure is critical because it influences the enterprise's strategic objectives, operational mechanisms, and accountability structures. The government ownership aspect, as emphasised by Wong, necessitates a unique governance model that balances public-sector accountability with the need for operational efficiency akin to private-sector enterprises. This duality often presents challenges as SOEs must navigate commercial imperatives and public sector policy objectives.

Castro (2019) expands on this by exploring the role of SOEs as indirect instruments of entry regulation. According to this perspective, SOEs can serve as tools for government policy implementation, particularly in sectors where the state seeks to maintain significant control or influence. This function can sometimes result in SOEs acting as barriers or facilitators to entry into specific markets, thereby shaping the competitive landscape. This dynamic underscores the complex interplay between SOEs and market forces, where these entities can either bolster or hinder market efficiency based on their operational mandates and the nature of government intervention.

Balkaran (2018) delves into incentivising performance in SOEs. This approach is crucial for enhancing the efficiency and effectiveness of SOEs, especially in the context of public service delivery. The challenge lies in creating incentives aligning with public service goals while ensuring these entities remain financially viable and operationally efficient. The governance and regulatory mechanisms employed here are paramount in ensuring that SOEs can perform optimally within the constraints of their public mandates.

The notion of public enterprise reform, as explored by Nellis and Kikeris (2019), presents privatization as a strategic approach to enhancing SOE performance. The transition from state to private ownership is often posited to inject efficiency, improve service delivery, and reduce fiscal burdens on governments. However, this perspective is not without contention, as the effectiveness of privatization depends significantly on the context, the sector, and how it is implemented.

In the context of South African economy, the role of SOEs has been pivotal, as noted by Fourie. These entities have historically contributed significantly to economic development and public service delivery. However, as Buthelezi, Mcrp, and Bossert (2015) observe, the performance of these public entities is a barometer for constitutional democracy in South Africa. This statement underscores the intrinsic link between the effectiveness of SOEs and the nation's broader socio-political and economic health.

Klopper (2017) further elaborates on the need for rigorous research in understanding SOE dynamics, particularly in South Africa, where these entities play a critical role in economic development and public service delivery. Pierce and Le Roux's (2022) work on utility-scale power generation statistics in South Africa highlights the significant impact that SOEs like Eskom have on the national economy and the everyday lives of citizens.

Munduga's (2014) analysis of the poor performance of SOEs in Africa, including South Africa, provides insight into the challenges faced by these entities, such as governance issues, financial mismanagement, and operational inefficiencies. This analysis is crucial in understanding SOEs' unique challenges in Africa, which may differ significantly from those encountered in other global regions.

Finally, the comparative perspective on the performance of SOEs globally, as presented by Statista (2024), offers valuable insights into how South African SOEs stack up against their international counterparts. This global outlook is essential for benchmarking and drawing lessons from the successes and failures of SOEs worldwide.

These key terms and concepts form the bedrock of any SOE analysis, particularly in the South African context. They encapsulate these entities' complexities, challenges, and potential to contribute to national development, economic growth, and public service delivery. Understanding these terms is crucial for comprehensively analysing SOEs' performance, governance, and transformative potential in South Africa and beyond.

1.9.Research design

The research design of this study is grounded in a descriptive and exploratory approach, carefully chosen to address the research question effectively. A descriptive design, as detailed by Myers, Well, and Lorch Jr. (2013), allows for a detailed portrayal of the current state of these SOEs, offering insights into their operational realities, financial health, and management practices.

1.10. Methodology

Given the complexity and multi-faceted nature of SOE operations, a qualitative approach offers the flexibility and depth required to understand underlying issues thoroughly.

1.11. Ethical considerations

Ethical considerations in this research are crucial due to the sensitive nature of data involving SOEs. Adherence to confidentiality is of utmost importance, particularly when handling financial and operational data of SOEs, as emphasized by McCosker, Barnard, and Gerber (2001). The research ensured that any sensitive information is handled responsibly and identities or specific details that could lead to identification are safeguarded. All information and sources utilized in this study were accurately represented, credited appropriately, and reported without bias, avoiding any form of misrepresentation or overgeneralization that could distort the findings. To avoid misrepresentation, the study presented data in its true context, ensuring that the original meaning and context of the data are maintained.

1.12. Structure of the dissertation

The structure of a research project is essential in guiding the reader through the study's progression, from introduction to conclusion. This project was organized into five chapters, each serving a distinct purpose in exploring the determinants of poor performance in South African SOEs.

Chapter 1: Introduction

This chapter sets the stage for the entire research. It begins with a background section that provides context about the state of SOEs in South Africa, emphasizing their evolution since the country's transition to democracy. The problem statement then articulates the central issue under investigation – the determinants of poor performance in these entities. Following this, the aims and objectives of the study are clearly laid out, delineating what the research intends to achieve. Research questions formulated from the aims and objectives guide the scope and direction of the study. The significance of the study elaborates on its potential contributions to policymaking, academic discourse, and practical implications for the management of SOEs.

Chapter 2: Literature Review

In the second chapter, an extensive review of existing literature related to the study's theme is presented. This includes an examination of theoretical frameworks, previous research findings, and relevant models pertaining to SOE performance. The chapter delves into the historical and contemporary challenges faced by SOEs, both in South Africa and globally, comparing and contrasting various governance structures, management practices, and operational models. This literature review aims to identify gaps in the current body of knowledge and position the current study within the broader academic conversation.

Chapter 3: Research Methodology

The third chapter outlines the research design and methodology employed in the study. It begins with a description of the research paradigm, explaining the rationale for choosing either qualitative, quantitative, or mixed methods approaches. The chapter then details the research design, describing how data was collected and analysed. This includes the selection of the study population, sampling techniques, data collection methods (such as interviews, surveys, or document analysis), and the analytical procedures to be employed. Ethical considerations related to the research are also discussed in this chapter.

Chapter 4: Data Presentation, Analysis and Discussion

In this chapter, the collected data are presented and thoroughly analysed. The chapter typically starts with a descriptive presentation of the data, followed by a detailed analysis aligned with the research objectives and questions. This analysis involves interpreting the data in the context of the theoretical frameworks and literature reviewed in Chapter 2. The chapter aims to extract meaningful insights and patterns that address the research questions, using appropriate statistical or thematic analysis tools.

This chapter is devoted to discussing the findings. This involves critically analysing the results in the context of the existing literature and theoretical frameworks. The chapter seeks to connect the dots between the research findings and the broader themes of SOE performance, governance, and management. It also discusses the implications of these findings for policymakers, SOE managers, and other stakeholders. Any unexpected results or anomalies in the data are explored, and potential reasons for these are hypothesized.

Chapter 5: Conclusion and Recommendations

The final chapter summarizes the entire study, highlighting its key findings and the conclusions drawn from these findings. It restates the research objectives and discusses how the study met these objectives, including its contributions to the existing body of knowledge. The chapter then presents practical recommendations based on the research findings, aimed at policymakers, SOE managers, and other relevant stakeholders. Finally, it outlines areas for future research, suggesting ways in which further studies can build upon the findings of the current research.

Each chapter is crafted to flow logically into the next, ensuring a coherent and comprehensive exploration of the determinants of poor performance in South African SOEs.

1.13. Chapter Summary

In conclusion, this chapter has provided a detailed overview for the entire research. It highlights the background that provides context about the state of SOEs in South Africa, with an emphasis on their evolution since the country's transition to democracy. The problem statement then articulates the central issue under investigation (i.e. the determinants of poor performance in these entities). The research aims to examine the main determinants of poor financial and operational performance common across selected SOEs that lead to failures in delivering their mandates. The study then further examines the systematic challenges faced by these institutions that may be contributing to their poor performance, and which of these challenges are caused by internal and external factors. The significance of the study elaborates on its potential contributions to policymaking, academic discourse, and practical implications for the management of SOEs.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This chapter presents an extensive review of existing literature related to the study's theme. Theoretical frameworks, previous research findings, and relevant models pertaining to SOE performance were examined. The chapter delves into the historical and contemporary challenges faced by SOEs, both in South Africa and globally, comparing and contrasting various governance structures, management practices, and operational models. This literature review aims to identify gaps in the current body of knowledge and position the current study within the broader academic conversation.

2.2. Corporate governance theories in SOEs

In order to understand performance of organisations, it is important to understand the environment it which they are governed. This study explores the theories of corporate governance (i.e agency, stakeholder, stewardship) and how these impact the performance of SOEs. These principles highlight the relationship between good governance and good performance outcomes.

2.2.1. Agency Theory

Agency theory explores the relationship between managers and shareholders in corporations. It highlights potential conflicts of interest, and the costs associated with aligning shareholder and managers goals. This theory is crucial for understanding the corporate governance challenges in SOEs. It aims to explore mechanisms aimed at addressing these agency problems. Such mechanisms include board oversight, market forces and executive compensation structures. These tools seek to minimize agency costs and ensure managers act in shareholders' best interests (Anon, 2024).

2.2.2. Stakeholder Theory

This theory challenges the traditional shareholder-focused corporate governance model. It suggests that for organisations to create long-term value, the diverse interests of all parties affected by their actions must be considered.

Corporate social responsibility (CSR) is a key tool for implementing stakeholder theory. CSR initiatives are useful tools in addressing various stakeholder concerns, from ethical labour practices to environmental sustainability. Effective CSR programs can build trust, enhance reputation and drive innovation. For SOEs, a key stakeholder is the recipients of the public services rendered. Therefore, whilst a public service-only focused organisation organisation may not be sustainable, a balanced focus across all major SOEs stakeholders may be effective in driving good performance (Anon, 2024).

2.2.3. Stewardship Theory

This theory suggests that managers, or stewards, are motivated to act in the best interests of their shareholders and the organization as a whole, rather than solely pursuing their own self-interests. This theory emphasizes trust and collaboration between management and shareholders, positing that stewards will naturally prioritize long-term organizational success and sustainability over short-term gains. In SOEs, this perspective is crucial for understanding how effective corporate governance can foster an environment where all parties work together towards good performance and ultimately service delivery (Anon, 2024).

2.3. The context of SOEs in the South African Environment

The South African environment presents a unique and challenging landscape for SOEs. These entities, pivotal in driving economic growth and delivering essential services, operate within a framework that has seen significant efforts at reform and restructuring, especially in recent years. The complexity and importance of this topic require a detailed exploration, broken down into several key aspects.

2.3.1. Historical Evolution and Current Status of South African SOEs

The history of SOEs in South Africa is deeply intertwined with the nation's political and economic evolution. Post-apartheid, the government saw SOEs as critical levers for economic growth and transformation. They were envisioned as not just service providers but also as instruments of broader socio-economic objectives, including job creation, industrial development, and the redistribution of wealth (Chabane, 2018). However, despite their pivotal role, these entities have faced considerable challenges. Over the years, several SOEs have struggled with inefficiencies, governance issues, and financial instability, reflecting broader concerns highlighted in global studies of public sector enterprises (Rondinelli, 2017). For example, major SOEs like Eskom and South African Airways have been embroiled in scandals and financial difficulties, prompting national debates about their management and sustainability.

The historical development of SOEs in South Africa provides a critical backdrop for understanding their present condition. In recent years, SOEs have evolved from mere economic entities to vital instruments for public service delivery, tasked with balancing economic efficiency with social equity. This dual responsibility has exposed these enterprises to a myriad of challenges, particularly in governance and financial management. Thabane and van Deventer (2018) offer a critical examination of these issues, highlighting the pathological corporate governance deficiencies evident in South Africa's SOEs. Their research underscores the intricate interplay between governance lapses and the compromised performance of these entities. Furthermore, the diverse spectrum of South African SOEs, ranging in size, operational scope, and sector-specific roles, adds layers of complexity to this scenario. Each SOE, given its unique operational context, faces distinct challenges and possesses different opportunities for reform and growth. This heterogeneous nature of South African SOEs necessitates a nuanced understanding and approach towards their management and strategic direction, which must be tailored to their specific circumstances.

The current situation of South African SOEs is deeply intertwined with the country's broader socio-economic and political landscape. Bowman's (2020) analysis of the Eskom crisis within the framework of South Africa's parastatals and economic transformation offers valuable insights into this complex relationship. Eskom's struggles epitomize the broader challenges SOEs face in balancing their economic objectives with political expectations and social mandates. Moreover, the work of Levy, Hirsch, Naidoo, and Nxele (2021) provides a poignant reflection on the collision between strong institutional frameworks and the vast inequalities that persist in South African society. This collision has significant implications for SOEs, as they are often at the forefront of the government's efforts to address these inequalities through service delivery and economic development initiatives. However, the existing institutional and socio-economic disparities pose formidable obstacles to these endeavours. The economic and political pressures on SOEs, coupled with their central role in addressing societal needs, demand an ongoing reassessment of their strategies and governance structures to ensure they can effectively perform and contribute to South Africa's broader transformation goals.

2.3.2. Policy and Legislative Framework Governing South African SOEs

The policy and legislative environment in which South African SOEs operate is intricate and fragmented. Key pieces of legislation, such as the Public Financial Management Act (PFMA) of 1999 and the Companies Act of 2008, lay the foundation for these entities' governance and financial management (Balkaran, 2018). However, the practical application of these laws has often been inconsistent and inadequate in addressing the unique challenges SOEs face. The PFMA, for instance, is designed to ensure sound financial management in the public sector but has been critiqued for its one-size-fits-all approach, which may not always be suitable for the diverse range of SOEs in South Africa.

The dynamic interplay between different pieces of legislation significantly influences the corporate governance of South African SOEs, particularly in contributing to the achievement of Agenda 2063. Ackers (2022) underscores this complexity, noting how the conflicting mandates and objectives emanating from various legal frameworks can hinder the operational efficacy of SOEs. This is especially evident in the inconsistencies between the Companies Act and the PFMA. These two key pieces of legislation, each with its distinct focus - one on commercial entities and the other on public entities - tend to create a legislative overload on SOEs. This overload not only complicates the regulatory environment but also imposes a significant challenge for SOEs as they endeavour to fulfil the requirements of the two pieces of legislation. They often find themselves caught in a web of regulations that may not consistently align with their specific needs or objectives, as further elaborated by Ackers and Adebayo (2022). This scenario illustrates the complexities inherent in governing entities operating as commercial ventures and as extensions of public policy. This dual identity necessitates a delicate balance between economic viability and public accountability. As SOEs play a crucial role in the South African economy and are integral to the realization of Agenda 2063's goals, addressing these regulatory challenges and finding a harmonious intersection between varying legislative mandates is paramount for their effective governance, enhanced performance and contribution to national development objectives.

In addition, there is an ongoing debate about the need for a single, overarching legislation tailored specifically for SOEs. Such legislation would ideally streamline the current fragmented framework, aligning it more closely with the practical realities and specific challenges these entities face (Balkaran, 2018). The development of this legislation requires a nuanced understanding of the unique role of SOEs in the South African context, as well as an acknowledgement of the need for ongoing reform and adaptation.

2.3.3. Performance Challenges and Reform Efforts

The performance of South African SOEs has been a major area of concern. Many of these entities have faced significant challenges related to governance, financial management, and operational efficiency (Chabane, 2018). High-profile cases of mismanagement, corruption, and financial distress have not only impacted the performance of individual SOEs but also raised questions about the broader governance structures and accountability mechanisms in place. For instance, issues like overstaffing, underinvestment in critical infrastructure, and lack of strategic focus have plagued several key SOEs, political interferences and governance challenges, and inadequate funding, leading to service delivery failures and financial losses (Rondinelli, 2017).

Reform efforts have been initiated to address these challenges, focusing on improving governance, enhancing operational efficiency, and ensuring financial sustainability (Chabane, 2018). These efforts include establishing the Presidential SOEs Review Committee and other initiatives aimed at reviewing and strengthening the management and performance of SOEs. However, the effectiveness of these reforms has been mixed, with some progress made in certain areas while significant challenges remain in others (Chabane, 2018). The complexity of reforming SOEs lies in balancing their dual role as commercial entities and providers of public goods. This requires careful consideration of various factors, including market dynamics, regulatory environments, and the government's socio-economic objectives. The path to successful reform is, therefore, not straightforward and requires continuous evaluation and adaptation of strategies to align with the evolving needs and challenges of SOEs.

2.3.4. International Comparisons and Lessons Learned

In the global context, the challenges South African SOEs face are not unique. Many countries grapple with similar issues in managing their public sector entities. This presents an opportunity for South Africa to learn from international experiences and best practices. Studies have shown that successful SOEs in other countries often benefit from clear mandates, robust governance frameworks, and effective oversight mechanisms (Rondinelli, 2017). These elements are crucial in ensuring that SOEs are not only financially viable but also able to fulfil their broader socio-economic mandates.

Comparative analysis of SOEs across different countries is crucial in understanding these entities' diverse governance models, funding strategies, and operational efficiencies. For example, the experiences of countries like Singapore and Norway, renowned for establishing highly efficient and profitable SOEs, are particularly instructive. Adebayo and Ackers (2022) emphasize the significance of corporate governance in the context of SOEs, suggesting that lessons can be gleaned regarding strategic investment and stakeholder engagement from these countries. These insights are especially relevant when considering the adaptability and innovation required in SOE management. As the global economic and technological landscapes continually evolve, SOEs are challenged to adapt and embrace new models and practices to maintain relevance and effectiveness. The work of Xie and Redding (2018) highlights this necessity, indicating that international benchmarking can serve as a vital tool for countries like South Africa seeking to refine their SOE management approaches in a rapidly changing global context.

Furthermore, SOEs' strategic and governance aspects, particularly in Africa, offer valuable lessons and policy implications. Oqubay (2024) delves into this, shedding light on the strategies and governance mechanisms employed by SOEs in Africa. This perspective is crucial, as it underscores the unique challenges and opportunities faced by SOEs within developing economies. Nem Singh & Chen (2018) further explore the political economy of state-state relations in the developing world, emphasizing the complex interplay between state ownership and economic objectives. Their analysis reveals that SOEs are not just economic entities but also instruments of state policy and national development. This multifaceted role necessitates a nuanced understanding of the internal governance structures and the external economic and political environments in which SOEs operate. By synthesizing these diverse perspectives and experiences from across the globe, South Africa and similar nations can develop more robust and dynamic SOE management frameworks capable of navigating the intricate and ever-shifting terrain of global business and governance.

2.4. Some performance threats in SA SOEs

SOEs face a unique set of challenges in competing with private entities. While private companies benefit from operating under the Companies Act of 2008, which fosters a competitive environment, SOEs are bound by the PFMA of 1999 (PFMA, 2019). This Act’s stringent nature often limits the flexibility and competitiveness of SOEs (Nkemele, 2019).

2.4.1. Regulatory Constraints and prioritisation of diplomatic objectives

SOEs face a unique set of challenges, particularly regarding regulatory constraints that do not apply to their private sector counterparts. The PFMA of 1999 in South Africa is a pertinent example of regulatory frameworks imposing strict guidelines and operational procedures on SOEs. These regulations often limit the agility and responsiveness of these entities in rapidly evolving markets. This is evident in the case of SAA, which struggles to remain competitive against private airlines. The challenges are operational and stem from the overarching mandate that SOEs often carry, which can prioritize political objectives over market-driven considerations. The SOE Policy Dialogue Report (2012) underscored this point, noting how SAA decisions, such as opening new trade routes for diplomatic reasons, are often made at the expense of profitability and efficiency. This prioritization can lead to ventures that are not sustainable in the long term, necessitating government bailouts and further exacerbating public financial strain. Marweshe (2022) observes similar trends in Indian public R&D laboratories, where the emphasis on state mandates and public policy objectives often overshadows market needs and viability.

Furthermore, the government's involvement in SOEs can lead to additional layers of complexity. Marweshe (2022) provides an insightful analysis of this in the South African context, where employment equity and broad-based black economic empowerment initiatives are integral to business operations. While these initiatives aim to redress historical imbalances and promote inclusive growth, they also introduce an additional set of criteria that SOEs must fulfil, which can sometimes conflict with business efficiency and competitiveness. This dual mandate of achieving socio-political objectives while remaining financially viable presents a unique challenge. Additionally, Botlhale (2021) highlights that governments, as owners of SOEs, can have motives that diverge from profit-maximization, such as maintaining employment or achieving political goals. This often results in strategic decisions that might not align with market logic, thereby putting SOEs at a competitive disadvantage compared to their private counterparts, primarily driven by market dynamics and profitability.

The trade implications of SOEs also present a complex landscape. Le Pere (2022) delve into the effects of SOEs on international trade, suggesting that the policy implications are significant. SOEs can distort the playing field in international markets, as these entities often receive governmental support that is not available to private firms. This support can take various forms, including subsidies, preferential access to financing, or regulatory protections. Such advantages can lead to accusations of unfair trade practices from other countries, potentially leading to trade disputes and affecting the overall trade environment. The complex interplay of maintaining domestic policy objectives while adhering to international trade norms poses additional strategic challenges for SOEs. Therefore, in the globalized market, SOEs must navigate the domestic regulatory and operational landscape and the international trade ecosystem, which is fraught with its own set of competitive and regulatory challenges.

2.4.2. Financial Performance and Governance Issues

The financial challenges faced by SOEs such as Eskom, SAA, and the South African Post Office highlight critical governance issues. These entities, overseen by the office of the Presidency, grapple with intricate dynamics of resource allocation, governance, and performance management. Botlhale, (2021) elaborates on the complexities that SOEs encounter in aligning their operations with institutional pressures, especially in foreign markets. This external environment can further exacerbate financial challenges. The intricate balance between fulfilling social objectives and maintaining corporate viability is a persistent struggle. Political and social responsibilities often overshadow financial and investment goals, leading to capital inefficiencies and losses. This misalignment between social mandates and corporate health is not unique to South African SOEs but is a global challenge, as observed in similar entities worldwide. In this context, the study by Nkemele (2019) is particularly relevant. It emphasizes the criticality of robust corporate governance in ensuring the financial sustainability of SOEs. Nkemele (2019) argues that effective governance structures and practices can serve as a linchpin in aligning diverse objectives and mitigating financial risks.

Moreover, the governance challenges of SOEs are multifaceted and extend beyond financial performance. They include issues of strategic direction, accountability, and transparency. Nkemele (2019) provides insights into the governance dilemmas faced by South African SOEs, suggesting that lapses in governance mechanisms can lead to strategic misalignments and inefficiencies. This lack of effective governance structures further strains their financial positions, creating a cyclical challenge where governance weaknesses exacerbate financial distress, which compounds governance issues. The intricate interplay between governance and financial performance in SOEs demands a holistic approach to reform. As Nkemele's (2019) study highlights, there is a need for comprehensive governance frameworks that not only address financial accountability but also encompass strategic and operational dimensions. This includes establishing clear performance metrics, ensuring transparency in decision-making, and fostering a culture of accountability.

In a more recent analysis, Le Pere (2022) sheds light on the role of SOEs and Development Finance Institutions (DFIs) in the broader socio-economic landscape, particularly in the post-COVID-19 era. The pandemic has underscored the importance of SOEs in economic recovery and resilience. Le Pere (2022) argues for the strategic repositioning of SOEs to align with development goals, suggesting that these entities can play a pivotal role in driving sustainable growth. This repositioning involves thoroughly re-evaluating their governance practices, resource allocation strategies, and performance measures. In essence, the financial health of SOEs is inextricably linked to their governance structures and practices. To achieve financial stability and contribute meaningfully to the economy, SOEs must embrace governance reforms that effectively balance their social mandates with commercial objectives. Le Pere's (2022) insights resonate with the broader discourse on SOE reform, where financial performance is seen as a symptom of deeper governance issues that must be addressed holistically.

2.4.3. The Role of Innovation and Environmental Considerations

In the context of the Fourth Industrial Revolution (4IR), the role of digital technologies, particularly in SOEs, is a critical aspect to consider, as Marweshe underscores (2022). digital technologies, essential for maintaining competitiveness in the rapidly changing global market, often face significant challenges within the bureaucratic and regulatory frameworks that characterize SOEs. This stifling environment hinders the agility and creativity necessary for innovation. However, as Sutherland (2020) suggested, the 4IR presents unique opportunities for SOEs in South Africa and similar contexts. These enterprises could play a pivotal role in harnessing new digital technologies and innovative practices to drive economic growth and social and environmental progress. This potential is particularly relevant in the context of green innovation, which Zhang, Xing, and Wang (2020) have shown to be effective in mitigating financing constraints in private enterprises in China. The application of such innovative strategies in SOEs could, therefore, not only enhance their business performance but also contribute to broader societal goals, including environmental sustainability.

The environmental aspect of innovation in SOEs, as discussed by Acheampong (2019), highlights the significance of financial development in improving environmental quality. In this regard, SOEs have a unique position to influence and implement environmentally friendly innovations, yet they often fail to fully leverage this potential due to operational limitations. The gap between the capabilities and achievements of SOEs in this domain is a matter of concern. Drawing inspiration from the private sector, as seen in the work of Zhang, Xing, and Wang (2020), could provide valuable insights for SOEs. For instance, integrating green financial strategies and policies into the operational framework of SOEs could not only improve their environmental impact but also enhance their financial sustainability, as financial institutions are increasingly considering environmental factors in their lending decisions. Furthermore, as indicated by Sutherland (2020), the adoption of innovative technologies in line with the fourth industrial revolution, such as renewable energy sources and efficient waste management systems, could substantially improve the environmental footprint of SOEs such as Eskom and Transnet, while also fostering economic development.

Consequently, the need for a paradigm shift in how SOEs approach innovation and environmental considerations is apparent. As Marweshe (2022) notes, breaking free from the traditional bureaucratic constraints and embracing a more dynamic and flexible approach to innovation is crucial. This change requires not only a shift in mindset but also structural changes within these enterprises. SOEs need to establish environments that encourage creative thinking and experimentation, drawing lessons from successful models in the private sector, as illustrated by Zhang, Xing, and Wang (2020). In addition, the importance of financial development in supporting these innovations, as emphasized by Acheampong (2019), cannot be overstated. By securing the necessary financial resources and aligning them with innovative environmental strategies, SOEs can significantly contribute to the goals of the 4IR, as envisioned by Sutherland (2020). This holistic approach, integrating innovation with environmental and financial strategies, could redefine the role of SOEs in not just economic growth but also in fostering a sustainable and environmentally responsible society.

2.4.4. Developmental Governance and Accountability

Developmental governance and accountability refer to, an open government in which citizens have the ability of citizens to demand accountability from those charged with governance responsibilities (OECD, 2014).

Mophethe (2023) outlines the vital role of developmental governance in ensuring the effective operation of South African SOEs. This governance style stresses not just corporate accountability but also participatory governance, involving various stakeholders in decision-making processes. It is rooted in the belief that SOEs should not only be economically viable but also fulfil their social mandates. This dual focus can be challenging, as it requires balancing the need for financial sustainability with the pursuit of broader developmental goals. The significance of this balance is also highlighted in the work of Edigheji (2010), who discusses the complexities and challenges involved in creating a democratic developmental state. The key is finding a middle ground where SOEs can operate efficiently in the market while also contributing to social development goals, a challenge that requires innovative governance solutions and a departure from traditional corporate governance models.

The complexities of governance in South African SOEs, as discussed by Thabane (2023), are further compounded by regulatory pluralism. This complexity arises from the multiple regulatory frameworks that SOEs must navigate, which can sometimes be conflicting or overly burdensome. This creates an environment where the agility and competitiveness of SOEs can be hindered, making it difficult for them to respond effectively to market changes. However, Andreasson (2011) provides insight into how South African corporate governance has evolved, particularly through the implementation of the King Reports, which have guided corporate governance reforms. These reforms point to a move towards a hybrid model that incorporates both the traditional Anglo-American corporate governance principles and elements suited to the unique South African context. Such a hybrid model could offer a pathway to reconcile the market dynamics with the social objectives of SOEs, as envisaged by Bronstein and Olivier (2015). By integrating best practices from different governance models, SOEs can improve their operational efficiency while maintaining their commitment to social and developmental objectives.

In this regard, the alignment of SOE operations with market dynamics and efficiency, as suggested by Bronstein and Olivier (2015), becomes crucial. This alignment is not just about financial performance but also involves adapting to the ever-evolving market conditions and stakeholders' expectations. The challenge here lies in the ability of SOEs to be innovative and competitive in the market while remaining accountable to their social mandates. The concept of a 'democratic developmental state', as explored by Edigheji (2010), offers a framework for understanding how this balance can be achieved. It involves creating an environment where SOEs are not only drivers of economic growth but also contributors to social equity and sustainability. This approach requires a continuous process of governance reform and innovation, where lessons from international best practices and local contexts are merged to create a governance model that is both efficient and socially responsive. These sections underscore the need for a balanced approach to managing SOEs that harmonizes regulatory compliance with market competitiveness, innovation, environmental stewardship, and governance reform.

2.5. Performance of SOEs

The examination of SOE performance is a multifaceted endeavour, encompassing both pre- and post-privatization scenarios and comparisons with privately owned entities (POEs). Additionally, the study considers the evolving goals of SOEs in the context of corporatization and the complex interplay between financial and operational metrics. This analysis aims to provide a comprehensive understanding of how SOEs operate and are assessed in different economic and social contexts.

2.5.1. Comparison of SOEs and POEs Performance Before and After Privatization

The performance of SOEs has been a subject of considerable interest, particularly in the context of their transformation through privatization. The first set of studies, including works by

Megginson (1994) and Boubakri and Cosset (1998), focus on comparing the performance of SOEs before and after privatization. These studies generally indicate a slight improvement in the performance of SOEs post-privatization. This improvement can be attributed to organizational changes initiated in preparation for privatization, suggesting that the process itself prompts efficiencies and improvements in management practices. For instance, D'souza and Megginson (1999) and D'souza (2000) found that these changes often lead to better operational efficiency and financial performance. However, the magnitude of this improvement varies widely among different industries and countries, making it difficult to generalize these findings.

Despite these findings, it's important to note that the improvement in performance post-privatization is not solely due to the change in ownership. Preparing for privatization often involves substantial restructuring, which can include changes in governance structures, management practices, and operational efficiencies. These changes, as much as the change in ownership, contribute to the improved performance observed in SOEs post-privatization. Furthermore, as these studies suggest, the performance of SOEs in the period immediately before privatization often reflects a strategic alignment towards market-oriented practices, as highlighted by Setiawan, Tisnawati Sule (2023). This alignment could itself be a contributing factor to the performance improvement noted post-privatization.

The analysis by Savickaite, Rimkus, and Siyahhan (2011) emphasizes the need to evaluate SOEs not only through financial performance metrics but also by considering their broader social and developmental roles. This perspective is critical when assessing the impacts of privatization. SOEs often have mandates that extend beyond profitability and market efficiency, including social and economic objectives. As such, understanding the balance between commercial objectives and social mandates is essential in evaluating the performance and the overall impact of SOEs and their privatization. This approach recognizes that financial metrics alone cannot fully capture the multifaceted role of SOEs in society.

2.5.2. Comparative Performance of SOEs and POEs

A second group of studies provides valuable insights into the performance of SOEs compared to privately owned entities (POEs). These studies, which include those of this research, including works by Boardman and & Vining (1989) and Vining and Boardman (1992), typically find that POEs outperform SOEs in terms of profitability. This conclusion is drawn from large-scale, cross-sectional studies at both national and industry levels, thereby lending a degree of generalizability to the findings, as noted by Reeves and Ryan (1998) and Dewenter and Malatesta (2001). These studies suggest that the market-driven efficiencies and profit orientation of POEs often result in better financial performance than SOEs, which are frequently burdened by multiple, sometimes conflicting, mandates.

However, this comparison is not without its limitations. As Ouellet (2020) points out, SOEs and POEs operate under different mandates and goals. SOEs are often tasked with achieving non-commercial goals, such as providing essential services or fulfilling social objectives, which might not be directly aligned with commercial profitability. These mandates are integral to the very existence of SOEs and often lead to operational and strategic decisions that are not primarily driven by profit. This aspect is crucial in understanding the performance metrics of SOEs, as highlighted by Gray (2021). The nature of these mandates often results in SOEs having multiple, sometimes blurred objectives that include significant social and political dimensions. Therefore, comparing SOEs with POEs on financial performance alone may overlook the unique and often critical role that SOEs play in fulfilling broader societal goals.

Furthermore, the activities and objectives required of SOEs often have an inherent impact on their operational efficiency and financial performance. Borins and Boothman (2021) suggest that the pursuit of non-commercial goals can introduce additional costs or revenue reductions for SOEs. Hutchison (2019) reinforces this view, noting that social objectives are a significant factor in the often-perceived poor performance of SOEs. However, Borins and Boothman (2021) also argue that profitability may be a subjective performance measure for SOEs due to their non-commercial deliverables. Studies focusing solely on financial metrics, such as those by Megginson (1994) and D'souza and Megginson (1999), may not fully capture the social value and broader impacts of SOEs, emphasizing the need for a more nuanced approach in evaluating SOE performance.

2.5.3. Commercialisation and the Evolving Goals of SOEs

The landscape of SOE governance and management has seen significant changes over the past few decades, with a growing trend towards corporatization. Brown (1995) describes this transition as the 'corporatization' of SOEs, a process where management principles typically associated with POEs are increasingly applied to SOEs. This shift is characterized by a change in emphasis from non-profit objectives towards profitability. Laux and Molot (2018) define corporatization as the application of private-sector management practices to the public sector, implying a shift towards efficiency, competitiveness, and market-oriented strategies. This transformation often results in the gradual reduction or even elimination of non-commercial goals, aligning SOEs more closely with the operational models and objectives of their private counterparts.

This evolution in the objectives and goals of SOEs has led to a notable change in how their performance is measured and evaluated. Traditionally, SOEs were primarily assessed based on their ability to fulfil their social mandates, which often included providing essential services or achieving policy objectives. However, as the focus shifts towards profitability and market efficiency, financial performance measures such as profitability, liquidity, and solvency become increasingly prominent. Laux and Molot (2018) note that this shift does not necessarily negate the importance of non-commercial goals but rather integrates them into a broader framework where financial sustainability is also a key consideration. In instances where non-commercial goals are still predominant, governments often provide grants or subsidies to SOEs to cover additional costs incurred in pursuing these goals, ensuring that social objectives do not unduly hinder financial performance.

The recent trend towards the corporatization of SOEs in South Africa has sparked significant debate. Mophethe (2023) argues that this shift, while aimed at enhancing profitability and market efficiency, raises critical questions regarding the traditional roles of SOEs. Specifically, there is a growing concern that the focus on financial sustainability might lead to an erosion of the social and developmental functions that these entities have historically fulfilled. As Mophethe (2023) highlights, the challenge for SOEs is to maintain a delicate balance between achieving financial sustainability and continuing to deliver their essential services and societal benefits. This equilibrium is essential for ensuring that SOEs do not deviate from their broader social mandates in the pursuit of efficiency and profitability.

2.5.4. Performance Measurement in SOEs: Financial and Operational Metrics

For this study, performance measurement in SOEs was considered through two primary lenses: financial and operational performance measures. Financial performance measures include traditional methods such as profitability, going concern, liquidity, and solvency. These methods provide a clear and quantifiable assessment of an SOE's financial health and its ability to meet its financial obligations. They are crucial in evaluating the economic viability and sustainability of SOEs, especially in the context of the growing emphasis on corporatization and market efficiency (Ntuli, 2022). However, these financial methods, while important, are not the only indicators of an SOE's performance.

Operational performance measures offer a broader perspective, encompassing aspects such as utility, warranty, productivity, and service delivery. These methods are particularly relevant for SOEs, as they often reflect the organization's effectiveness in fulfilling its non-commercial mandates, such as providing essential services or achieving specific policy goals (Mbo, 2017; Limbo, 2019). Operational performance measurement considerations can include the quality of service delivery, the efficiency of operations, and the extent to which SOEs meet the needs and expectations of their stakeholders, including the public, government, and other key interest groups. This broader approach to performance measurement recognizes the dual role of SOEs as both economic entities and instruments of public policy (Botlhale, 2021).

The integration of both financial and operational performance measures is critical in providing a comprehensive assessment of SOE performance. While financial metrics offer insights into the economic aspects of SOE operations, operational metrics capture these entities' broader impact and effectiveness in achieving their varied mandates. This dual approach acknowledges the unique position of SOEs at the intersection of public service and commercial operation. It provides a framework for evaluating SOEs on their financial results and their contribution to societal and policy objectives, thus capturing the full spectrum of their performance and impact (Liu et al., 2015).

2.6. Factors that contribute to poor performance of SOEs

In exploring the determinants of poor performance in SOEs, this section delves into various factors that hinder their effectiveness. SOEs are critical components of many economies, yet they often struggle to balance their commercial objectives with political and social mandates. This segment examines key elements contributing to these challenges, setting the stage for a comprehensive understanding of the complexities SOEs face in fulfilling their diverse roles and responsibilities.

2.6.1 Challenges and Conflicts in the Performance of State-Owned Enterprises

According to Balkaran (2018), the poor performance of SOEs is mainly rooted in the multiple conflicting goals and objectives mandated to them. Kikeris and Nellis (2019) explain that governments often decree that the performance of SOEs must be commercial, efficient, and profitable, but also insist that SOEs must:

- become employment creation centres;
- choose their plant locations on political and not necessarily commercial grounds;

- provide goods and services at affordable prices, which are, in most cases, less than the cost of production and
- select suppliers from a list of state-sanctioned suppliers (Central Supplier Database in the case of South Africa).

Furthermore, Kanyane and Sausi (2019) argue that government officials and politicians do not operate as profit-pronged shareholders. In most instances, these individuals pressure SOEs to pursue non-commercial goals instead of providing support to reduce costs and increase sales.

"The government faces a conflict of interest that often undermines the quality of its policy in regulating SOEs. For example, in the absence of regulation that is independent, the government can get away with arbitrarily regulating the sector. This creates room for SOE sector that is particularly susceptible to political pressures, which amounts to exponential performance vulnerabilities and losses of profits"- (Kanyane & Sausi, 2019).

Kanyane and Sausi (2019) outline three factors contributing to SOEs' poor performance: Political interference, subsidiarity issues and varied and conflicting governance structures.

2.6.2 Political Interference

Political interference can be a disruption to long-term strategic planning and undermine the implementation of cohesive and effective strategies, which leads to a lack of direction and purpose within these organizations. political interference on SOEs thrives in many ways including the influence of political agendas on the decision-making processes within SOEs. This politicization of decision-making can result in suboptimal operational choices which often undermines the efficiency and effectiveness of SOEs (Kanyane and Sausi, 2019).

2.6.3 Subsidiarity issues

Kanyane and Sausi (2019) have observed that the inconsistencies in the SOEs' governance and legal frameworks have also resulted in many unlawful practices, including abuses of the principle of subsidiarity. In many instances, South African SOE subsidiaries lack transparency, and their financial records have no clear link to those of their parent companies. This makes it extremely difficult to monitor and audit these subsidiary companies. Some subsidiaries abuse the subsidiarity principle by creating a subsidiary of their own. Such levels of subsidiary extensions are a clear abuse of the subsidiarity principle and take advantage of the fact that the reporting requirements of subsidiaries are less stringent. With most SOE subsidiaries being commercial entities with fiduciary duties, there is even more confusion because the parent entity is often non-commercial.

In short, the current SOE subsidiarity arrangement has created a haven for corruption to thrive in the SOE sector regime and a rippled poor performance effect for the parent SOEs with little to no accountability assigned to those charged with the governance of the subsidiaries(Kanyane & Sausi, 2019). For example, Eskom Enterprises, a wholly owned subsidiary of Eskom Holdings and an investment arm of Eskom Holdings, is tasked with providing high-quality, mission-critical services to Eskom in particular and the electricity industry as a whole. Eskom Enterprises further wholly owns six subsidiaries, namely, South Dunes Coal Terminal, Golang Coal Companies, Eskom Rotek Industries, National Transmission Company South Africa, Eskom Uganda Limited, and Trans-African Projects (Eskom, 2024).

2.6.4 Varied and Conflicting Governance Structures

The Department of Public Enterprises (DPE) is the government shareholder representative, overseeing some of the Schedule 2 SOEs, such as Eskom, SAA, Transnet Limited, Denel, Alexkor Limited, Ariviakom (Pty) Ltd and South African Forestry Company Limited. Other SOEs fall under their holding departments. For example, the Central Energy Fund (CEF) falls under the control of the Department of Mineral Resources and Energy and the Airports Company South Africa (ACSA) falls under the control of the Department of Transport. These fragmented jurisdictions of SOEs create an unnecessary complication in the development of sector policy and coordinated implementation and put a strain on the SOE's ability to achieve the targeted outputs as it limits the growth of synergies and sharing resources.

Furthermore, there is no clear and specific methodology on how the SOEs are domiciled in their controlling departments or different shareholders (Kanyane & Sausi, 2019). A case in point is SAA falling under DPE while ACSA falls under the Department of Transport. In addition to the views expressed on the significance of developing an overarching legislation for SOEs, there are some prevalent competing arguments regarding the governance of SOEs. This confusion brings about an oversight burden which slows operations as SOEs may find themselves having to duplicate their reporting and compliance requirements and delays the organisational decision-making process as certain decisions may need to go through more than one ministry.

2.7. Systematic Challenges in the Operational Environment of SOEs

Systematic challenges that SOEs face are often deeply ingrained in their operational environments, which significantly impact their performance. One such challenge is the bureaucratic decision-making process. The bureaucratic nature of SOEs leads to slow and inefficient decision-making processes, often mired in red tape and procedural complexities. This sluggishness in responding to market changes and making crucial operational decisions can put SOEs at a disadvantage compared to more agile private sector competitors.

2.7.1 Bureaucratic Inertia and Decision-Making Processes

SOEs are often characterized by their bureaucratic nature, which manifests in slow and cumbersome decision-making processes. This bureaucratic inertia, as noted by Medas and Sy (2023), is a fundamental challenge that impedes the efficient operation of SOEs. The layers of bureaucracy contribute to a culture of red tape, leading to prolonged procedures and delays in decision-making. This sluggishness in adapting to market changes and making essential operational decisions can significantly disadvantage SOEs compared to their private sector counterparts, who generally enjoy more agile and streamlined decision-making frameworks.

The impact of this bureaucratic inertia is also evident in the lack of responsiveness to market demands. As Bauer (2018) highlights, the rigid structures within SOEs often make it challenging to swiftly adapt to evolving market conditions. This inability to quickly respond to market dynamics can lead to missed opportunities and can hinder the competitive positioning of SOEs. Additionally, the bureaucratic processes often involve multiple levels of approvals and oversight, which can dilute accountability and lead to decision-making paralysis, further exacerbating the challenge.

Moreover, the bureaucratic nature of SOEs also influences their internal communication and coordination. The complex hierarchy and departmental silos within these organizations can impede effective communication and collaboration, as described by Medas and Sy (2023). This fragmentation often results in conflicting objectives and priorities across different departments, leading to inefficiencies and a lack of coherent strategic direction. Furthermore, the decision-making process in SOEs is often subject to external influences, particularly political. As Herbst (2024) outlines, political interference in SOEs can lead to decisions that are driven more by political considerations than by business rationale, which can adversely affect the performance and viability of these enterprises. The interplay between political objectives and business goals can create an environment where decision-making is not solely based on sound business principles, leading to suboptimal outcomes and operational inefficiencies.

2.7.2 Resistance to Innovation and Adaptation

SOEs often exhibit significant resistance to innovation and adaptation, which hampers their ability to compete effectively in the rapidly changing global marketplace. This resistance is primarily rooted in the organizational structure and culture of SOEs, which are typically more risk-averse and less dynamic than private sector entities. As Sutherland (2020) points out, the fourth industrial revolution demands agility and innovation, yet SOEs often lag in embracing new technologies and business models. This reluctance to innovate can lead to the perpetuation of outdated practices and systems, diminishing their competitiveness and operational efficiency.

The challenges in adopting new technologies and processes in SOEs are multifaceted. According to Habiyaremye (2020), one key factor is the lack of a conducive environment for fostering innovation. SOEs often lack the institutional frameworks that encourage experimentation and risk-taking, which are essential for innovation. The bureaucratic and hierarchical nature of these organizations can stifle creative thinking and deter employees from proposing or embracing new ideas. In addition to organizational barriers, financial constraints also play a significant role in hindering innovation in SOEs. As Medas and Sy (2023) observe, SOEs often face budgetary limitations and strict financial controls, which can limit their ability to invest in research and development or adopt cutting-edge technologies. This underinvestment in innovation not only impacts their current operations but also their long-term sustainability and growth prospects.

Furthermore, the resistance to innovation in SOEs is also linked to the workforce challenges they face. A lack of skilled and motivated employees, as noted by Medas and Sy (2023), can impede the adoption of innovative practices and technologies. Without a workforce that is knowledgeable, skilled, and motivated to drive innovation, SOEs struggle to keep pace with industry trends and technological advancements. Moreover, the governance structures of SOEs can also inhibit innovation. As Bauer (2018) discusses, the governance frameworks of SOEs often prioritize stability and control over innovation and growth. This focus on maintaining the status quo can prevent SOEs from pursuing transformative initiatives and adapting to changes in the market and technology landscape. Consequently, the resistance to innovation and adaptation can leave SOEs ill-equipped to meet the demands of a rapidly evolving global economy.

2.7.3 Workforce Challenges and Talent Management

The challenges related to workforce and talent management are critical issues facing SOEs. A significant aspect of this challenge, as outlined by Medas and Sy (2023), is the difficulty in attracting and retaining a skilled and motivated workforce. This issue is exacerbated by the less competitive compensation packages and limited career growth opportunities offered by SOEs compared to the private sector. Consequently, SOEs often struggle to attract top talent, which is crucial for their operational efficiency and competitiveness.

The problem of workforce motivation and engagement in SOEs is a complex issue. As evidenced in the study by Dawood and Seedat-Khan (2023), the work environment in SOEs can be less than ideal, particularly for marginalized groups. This lack of a supportive and inclusive work environment can lead to low employee morale and motivation, which directly affects productivity and the quality-of-service delivery. Additionally, the bureaucratic nature of SOEs often results in a lack of empowerment and autonomy for employees, further demotivating the workforce and stifling creativity and initiative.

Training and development are also areas where SOEs often fall short. The need for continuous learning and development is critical in the modern work environment, yet SOEs frequently underinvest in this area. As Phaladi and Ngulube (2022) point out, the lack of focus on developing the tacit knowledge and skills of employees can lead to a workforce that is ill-equipped to handle the evolving challenges and demands of the job. This underinvestment in employee development not only impacts the current performance of the workforce but also hinders the long-term sustainability of the organization. Furthermore, the issue of talent management in SOEs is compounded by internal politics and governance challenges. The influence of political considerations in hiring and promotion decisions, as noted by Herbst (2024), can lead to a misalignment between employee skills and job requirements. This politicization of the workforce can result in a less competent and effective workforce, further hampering the operational efficiency of SOEs.

In addition, the lack of a strategic approach to workforce planning and talent management in SOEs is a significant concern. As highlighted by Hanto et al. (2022), SOEs often lack a cohesive strategy for managing their human resources, leading to inefficiencies and a misalignment of workforce capabilities with organizational needs. The absence of a strategic approach to talent management can result in a workforce not adequately aligned with the organisation's strategic objectives and operational requirements.

2.7.4 Political Interference and Strategic Inconsistency

Political interference and strategic inconsistency are major challenges that SOEs face, significantly impacting their operational efficiency and long-term viability. As Herbst (2024) articulates, SOEs are often subject to the whims of changing political climates and policies, leading to frequent shifts in their strategic direction and priorities. This political interference can disrupt long-term planning and undermine the implementation of cohesive and effective strategies, leading to a lack of direction and purpose within these organizations. The impact of political interference on SOEs is multifaceted. One significant aspect is the influence of political agendas on the decision-making processes within SOEs. As Medas and Sy (2023) note, political considerations often take precedence over business rationale, leading to decisions that may not align with the best interests of the organization. This politicization of decision-making can result in suboptimal operational choices and can undermine the efficiency and effectiveness of SOEs.

The issue of hiring and firing Chief Executive Officers (CEOs) of SOEs is the widest gateway for politicians to interfere with the daily operations of the SOEs. Hiring and firing of the executive management of SOEs are mostly characterised by personality glitches and purging among the entity's management, board members and the minister of the shareholding department. Furthermore, there is an element of interference in the affairs of the SOEs, which is often confused with intervention, insulation and interface (SOEs Policy Dialogue Report, 2012). It is commonly known that in most instances there are, acrimonious, and sour working relationships among the boards, shareholders and CEO. These hitches were recently highlighted in the SABC's "when governance and Ethics fail" report and PRASA's "derailed" report of the Public Protector (2015).

The Public Protector investigated allegations of systemic corporate governance deficiencies, maladministration, the irregular appointment of Mr. Hlaudi Motsoeneng as the CEO of SABC and abuse of power at the SABC. "The essence of the allegations investigated was systemic corporate governance failure at the SABC at the core of which was expediency, dysfunctional board, and acutely poor human resources management. All these factors were said to be primarily pinned to the manipulative scheming by the SABC's then Acting COO, who allegedly did not possess the required level of competencies for the role and manipulated the new Group CEOs and Boards to purge colleagues that stood in his way and to have his way" (Public Protector 2015:10 -11).

The Public Protector investigation also found that the then minister of communications, abused her powers by overlooking the Board recommendation regarding the CFO's appointment, orchestrated an inclusion of a curriculum vitae of her preferred candidate who was not an applicant for the position and consistently interfered in the affairs of the SABC. By doing so, she was undermining the set mandate for the SABC and prioritizing a political agenda above the performance and service delivery of the entity (Public Protector, 2015).

The Public Protector also investigated maladministration allegations regarding tender irregularities and employees' appointments irregularities against Passenger Rail Agency of South Africa (PRASA). "The essence of the complaints was that the then Group CEO of PRASA, awarded tenders and appointed employees without following due procurement and recruitment processes. According to this report, the GCEO allowed corruption, maladministration, financial mismanagement, and conflict of interest in the processes employed to procure goods and services and irregularly managed human resources, including improper handling of nepotism and whistle-blowers" (Public Protector 2015:5).

The Public Protector (2015) argues that if the pattern of maladministration is not arrested on time, it has the potential of derailing the efficient and effective procurement of goods and services aimed at supporting PRASA's operations and such is a recipe for poor performance for the organisation in delivering services and achieving its mandate.

Castro (2019) stresses that the human factor at play in overriding procurement policies and controls is a rooted challenge that diminishes the capital fabric of the SOEs, hence the perpetual occurrences of poor financial performance and disruption of service delivery at PRASA that are preventable.

Conflict of interest and political interference in SOEs' is not only unique to South Africa. A developed country like Italy is also challenged with persistent political interference in SOEs which includes amongst others, railways, public transport and postal service, has significantly hindered their productivity, profitability and efficiency (World Bank (2019). Furthermore, the World Bank (2019) has concluded that, for developing economies, banking sectors that are dominated by SOEs raise a threat to stability and economic development, as patronage and preferential lending chase away private competitors and create market distortions which puts pressure on the demand for public goods and services that the SOEs need to deliver (Wong, 2019).

The Italian government and other countries in which political interference is a challenge, such as South Africa, should learn from amongst others the United Kingdom and Sweden where adequate controls and safeguards are implemented to intensify their ability to have oversight on SOEs at arm's length (Wong, 2019). Strict adherence to corporate governance principles and the enforcement thereof as an alternative to political interference is required to prevent poor performance of SOEs.

A further scrutiny of the ability of successful SOEs in countries like India, China and Malaysia to effectively balance between maintaining productivity, competitiveness and government socio-economic directives could assist in understanding what these entities are doing right and what South African SOEs can learn to aid poor performance. In South Africa the inability of the state to balance its different roles as policy maker, shareholder and regulatory entity and coupled with a lack of co-ordinated and integrated plans from the SOEs, threatens the SOE's ability to achieve their performance goals and therefore fuels poor performance (Fikelepi, 2019)

Furthermore, the frequent changes in leadership and policy direction due to political shifts can create an environment of uncertainty and instability within SOEs. As Elnaiem et al. (2023) observe in their analysis of global governance dynamics, the lack of stability and consistency in leadership and policy can impede the ability of SOEs to execute long-term plans and strategies effectively. This lack of continuity can lead to a disjointed and inefficient approach to operational management and strategic implementation.

Additionally, political interference in SOEs often results in a misalignment of objectives. The political objectives of the government or ruling party can conflict with the commercial and operational goals of the SOE, as indicated by Bauer (2018). This conflict of objectives can lead to a lack of clarity and focus within the organization.

2.8. Internal and External Factors Affecting SOE Performance

The performance of SOEs is a critical concern for economies, particularly in South Africa. The dynamics governing their performance encompass a range of internal and external factors, each contributing significantly to their operational effectiveness and efficiency.

2.8.1. Governance Structure and Corporate Accountability in SOEs

The internal governance structure of SOEs plays a pivotal role in determining their performance. In South Africa, the intricacies of governance frameworks within these entities are often highlighted as a major concern. Makona (2023) and Petersen (2019) emphasize the importance of a robust governance framework in ensuring accountability and transparency. A common issue within SOEs is the inadequacy of these frameworks, leading to mismanagement and corruption. Furthermore, complex and unclear reporting lines exacerbate these challenges, creating confusion and a lack of accountability, as observed by Serongoane (2021). This often results in operational inefficiencies and a failure to meet strategic objectives. Moreover, the role of internal auditing, as outlined by Petersen (2019), is crucial in enhancing corporate governance. The effectiveness of internal audit functions directly influences the ability of an SOE to maintain financial integrity and operational efficiency.

However, challenges such as insufficient resources, lack of independence, and inadequate skills can impede the effectiveness of these audit functions. In response to these challenges, there has been a growing emphasis on enhancing the skills and capabilities of internal auditors within South African SOEs. Another aspect of governance that impacts SOE performance is the alignment of corporate strategy with operational execution. Mangena (2021) illustrates this through a case study of a South African SOE, where misalignment between strategy and execution led to suboptimal performance. Effective corporate governance, therefore, must bridge the gap between strategic intent and operational realities, ensuring that the SOE's objectives are realistically achievable and aligned with its capabilities.

Lastly, the role of leadership in SOEs cannot be overstated. The governance framework is often reflective of the leadership ethos within the organization. Leadership that prioritizes transparency, accountability, and efficiency can significantly improve governance structures and, by extension, the performance of the SOE.

2.8.2. Market Dynamics and Competitive Environment

The external market conditions in which SOEs operate significantly influence their performance. Factors such as competition, technological advancements, and changing consumer preferences are pivotal in determining how these entities fare against their private counterparts. Serongoane (2021) highlights the challenges faced by SOEs in adapting swiftly to market changes, a flexibility often exhibited by private entities. This adaptability issue is partly due to the mandates and regulatory frameworks governing SOEs, which can restrict their operational agility and responsiveness.

Technological advancements, in particular, pose a significant challenge. As Bekwa (2023) notes, the information orientation of SOEs is critical in an era of rapid technological change. SOEs often lag in adopting new technologies, impacting their competitiveness and ability to meet evolving market demands. This lag can be attributed to bureaucratic processes, budget constraints, and a lack of a proactive approach to technology adoption. Competition in the marketplace is another crucial factor. The ability of SOEs to compete effectively with private enterprises is often hindered by their operational constraints and mandate limitations. This competitive disadvantage can result in loss of market share and reduced profitability, as discussed by Serongoane (2021).

Furthermore, consumer preferences and expectations have evolved, demanding more from service providers, including SOEs. The ability to meet these changing preferences is a determinant of an SOE's success in the market. However, the rigidity in operational procedures and the slow pace of innovation within SOEs can hinder their ability to adapt to these changing consumer needs (Serongoane, 2021).

2.8.3. Regulatory and Policy Environment

The regulatory and policy environment is a significant external factor affecting SOEs. Inconsistent or overly restrictive regulations can severely impede the operational flexibility and efficiency of SOEs. This point is underscored by Makona (2023), who notes that regulatory frameworks often fail to strike a balance between oversight and operational freedom for SOEs. Economic policies that do not support the sectors in which SOEs operate add another layer of complexity. As Mangena (2021) points out, these policies can create an environment that is not conducive to the growth and sustainability of SOEs. Policies need to be aligned with the strategic objectives and operational realities of SOEs to facilitate their success.

Moreover, the evolving nature of the global economic landscape demands that regulatory frameworks be adaptable. This adaptability ensures that SOEs can swiftly respond to changes in the economic environment, as emphasized by Bekwa (2023). However, the reality often is a lag in policy adaptation, which can leave SOEs uncompetitive and unresponsive to new challenges and opportunities.

In addition to these factors, the role of government in the regulatory environment cannot be ignored. Government policies and interventions have a direct impact on SOE operations. These interventions, as Serongoane (2021) discusses, should aim to empower and enable SOEs to perform efficiently, rather than imposing restrictive measures that hinder their operational capabilities.

2.8.4. Public Perception and Global Economic Trends

Public perception and stakeholder expectations are critical external factors impacting SOE performance. SOEs, being public entities, are often under intense scrutiny from the government, citizens, and international bodies, as highlighted by Mangena (2021). This scrutiny can create additional pressure on SOEs, leading to expectations that may not align with the organization's capabilities or strategic objectives.

The impact of global economic trends on SOEs, especially those operating in international markets, is significant. As the global economy becomes increasingly interconnected, external shocks and trends can substantially influence SOE performance. These entities must navigate the complexities of the global market, adapting to changes that can impact their operational and financial stability, a point emphasized by Petersen (2019).

Geopolitical factors also play a role in shaping the performance of SOEs. Changes in international relations, trade policies, and global economic conditions can have far-reaching effects on SOEs, particularly those engaged in sectors sensitive to global dynamics. The ability to anticipate and respond to these changes is critical for the success of SOEs in the international arena. Lastly, the role of communication in managing public perception and stakeholder expectations is crucial. Effective communication strategies can help SOEs build trust and credibility with their stakeholders, as Bekwa (2023) suggests. Transparent communication about challenges, strategies, and achievements can mitigate negative perceptions and align stakeholder expectations with the realities of SOE operations.

2.9.Chapter Summary

This chapter presented an extensive review of existing literature related to the study's theme. This included an examination of theoretical frameworks, previous research findings, and relevant models pertaining to SOE performance. The chapter delved into the historical and contemporary challenges faced by SOEs, both in South Africa and globally, comparing and contrasting various governance structures, management practices, and operational models. This literature review aimed to identify gaps in the current body of knowledge and position the current study within the broader academic conversation.

CHAPTER 3: RESEARCH METHODOLOGY

3.1. Overview

This chapter provides a comprehensive methodology for the qualitative study focused on identifying the causes of poor performance in selected South African SOEs. Given the complexity and multi-faceted nature of SOE operations, a qualitative approach offers the flexibility and depth required to understand underlying issues thoroughly. The methodology outlined here is meticulous, ensuring that every aspect of SOE performance is scrutinized and understood in broader economic and political frameworks. Kyngäs (2020) emphasizes the importance of such a comprehensive approach in qualitative research, particularly in studies involving complex entities like SOEs. The structure of this chapter is carefully crafted, beginning with the research design, followed by data collection methods, selection criteria for SOEs, data analysis techniques, ethical considerations, and the study's limitations. Marimuthu and Kwenda (2019) highlight the relevance of this structured approach in exploring the relationship between executive remuneration and performance in South African SOEs, ensuring a comprehensive and systematic exploration of the research topic.

The qualitative method chosen for this study is particularly suitable for exploring the intricacies of SOE performance. Unlike quantitative methods, which rely on numerical data, qualitative research delves into the quality, nature, and meanings of the research subjects' experiences. Tuffour (2017) supports this approach, stating that it provides a deeper understanding of complex phenomena, which is essential in addressing the multifaceted nature of SOE performance issues. The qualitative method's strength lies in its ability to provide context and depth, allowing for a richer, more comprehensive understanding of the issues at hand. This chapter is, therefore, an essential guide to navigating the complex landscape of South African SOEs, laying out a clear and thorough path for the research.

To ensure the depth and comprehensiveness of the study, this chapter takes on a layered approach. Each section within the chapter delves deeply into the specific methodological steps undertaken, providing a rationale for each choice and explaining how it contributes to the overall research objective. Toma (2011) underscores the importance of such a rigorous approach in qualitative research, ensuring that the study is well-founded, robust, and transparent. This thoroughness is particularly crucial given the complexity of the subject matter and the significant implications of the study's findings for policy and management in South African SOEs.

The chapter concludes each section by connecting the methodologies used with the larger aim of the study – to uncover the determinants of poor performance in selected South African SOEs. It reiterates the importance of a qualitative approach in capturing the nuanced realities of the entities under study. It sets the stage for an in-depth analysis of the collected data. By the end of the chapter, the reader should clearly understand how each methodological choice feeds into the larger research goal, ensuring a comprehensive understanding of the challenges and potential solutions for the underperformance of these critical entities in the South African economy.

3.2. Research Philosophy

The research philosophy underpinning this study is firmly anchored in interpretivism. This approach primarily concerns comprehending the complex, subjective realities and experiences of individuals within the SOEs. Interpretivism posits that understanding these subjective experiences is key to deciphering SOE dynamics. Unlike positivist paradigms that seek objective truths, interpretivism delves into the depth of human experiences and interactions, recognizing that these are mediated by individual perceptions and social contexts (Spencer, Pryce, & Walsh, 2014).

This approach aligns with the study's objective to unravel the intricate layers of meaning individuals attach to their roles and interactions within SOEs. It acknowledges that these meanings are not static but evolve and are shaped by the SOEs' unique social and cultural contexts. This perspective is vital for a comprehensive understanding of SOEs' organizational culture, decision-making processes, and internal dynamics. The researcher's interpretations, shaped by own experiences and biases, are crucial in shaping the research outcomes (Loftus & Rothwell, 2010). This reflexivity is essential in understanding how the researcher's interactions with participants and their interpretations influence the data collection and analysis process.

Furthermore, this research philosophy has significant implications for data collection and analysis. Embracing an interpretive approach necessitates a deep, empathetic understanding of the context and perspectives of those within the SOEs. This involves employing qualitative methods that allow for rich, detailed data gathering, such as in-depth interviews, participant observations, and document analysis. Such methods are conducive to understanding SOEs' nuanced, often tacit, aspects of organizational life. These methods enable the researcher to capture the complexity of human behaviour and the various factors that influence it, which quantitative methods may not fully reveal (Antwi & Hamza, 2015). This approach is particularly suitable for exploring the dynamics within SOEs, as it allows for a detailed exploration of individual experiences and perceptions, shedding light on how these shapes, and are shaped by, the organizational structures and cultures. By focusing on the meanings that individuals attach to their experiences, the researcher can gain insights into the underlying beliefs, values, and assumptions that drive behaviour within these entities. This deep understanding is crucial for developing strategies and policies that are sensitive to the unique contexts of SOEs and address the challenges faced holistically.

3.3. Research Design

MacMillan and Schumacher (2001) define research design as a plan for selecting subjects, research sites, and data collection procedures to answer the research question(s). They further indicate that the goal of a sound research design is to provide results that are judged to be credible. Descriptive research is an appropriate choice when the research aim is to identify characteristics, frequencies, trends, and categories. Unlike in experimental research, the researcher does not control or manipulate any of the variables but only observes and measures them. Sohil (2019). The research design of this study is grounded in a descriptive and exploratory approach, carefully chosen to address the research question effectively. A descriptive design, as detailed by Myers, Well, and Lorch Jr. (2013), allows for a detailed portrayal of the current state of these SOEs, offering insights into their operational realities, financial health, and management practices. The exploratory aspect of the design, pivotal in investigating lesser-known or emerging factors contributing to poor performance, is crucial in uncovering the myriads of overt and subtle factors that impact SOE performance.

In this study, adopting a descriptive and exploratory design is pivotal for an intricate understanding of the environment in which the South African SOEs operate. As Cameron (2009) underlines, understanding the context in mixed-model research designs is crucial to grasp the internal and external dynamics influencing SOE performance. The descriptive element of the study focuses on methodically cataloguing and interpreting the available data. This not only offers a detailed picture of the current state of the SOEs but also ensures a comprehensive grasp of the myriad factors impacting their operations. Concurrently, the exploratory aspect of the study plays a vital role in delving into less examined areas. This exploration is essential for uncovering underlying elements or emergent trends that may have substantial implications for SOE performance. By integrating these approaches, the research aims to provide a nuanced and thorough understanding of the factors influencing these critical entities' performance and strategic decisions.

This study's decision to focus on Eskom and SAA is driven by their distinct challenges and critical roles in South Africa's economy. These SOEs are characterized by unique complexities, reflective of the diverse sectors they operate in - energy and aviation. The research's exploratory nature, as Cameron (2009) advocates, is essential in navigating these entities' dynamic and volatile environments. Such an approach provides the flexibility necessary to adapt to new findings and perspectives throughout the study, a crucial aspect when dealing with the ever-changing economic, political, and social landscapes impacting SOE operations. This method is instrumental in comprehensively understanding the intricacies of SOE management and functioning, allowing for a nuanced exploration of the factors contributing to their performance. By examining Eskom and SAA, the study aims to unravel the complex web of influences and decisions that underlie the operational and financial challenges within these vital sectors of the South African economy.

The research design of this study is meticulously structured, incorporating a comprehensive plan for data collection and analysis. Drawing from the principles outlined by Myers, Well, and Lorch Jr. (2013), this plan ensures that the data gathered from various sources, such as financial reports, government documents, and news articles, is not only relevant and reliable but also comprehensive in nature. The systematic approach to data collection is designed to cover a wide range of information pertinent to understanding the complexities of SOE performance in South Africa. Additionally, the research design specifies analytical techniques, including thematic analysis and qualitative synthesis, to accurately interpret the data. This level of detail in planning is critical to guarantee that the analysis is both meaningful and accurate, leading to robust and insightful research findings. Ultimately, this thorough approach is crucial for laying a solid foundation for understanding the key factors behind the poor performance of South African SOEs, thereby providing valuable insights for policymakers, stakeholders, and future research in this area.

3.4. Research Approach

In this study, a qualitative research approach is utilized to explore the complex factors contributing to the poor performance of South African SOEs. The choice of this approach, as explained by Ormston et al. (2014), is crucial for delving into the subjective experiences and perceptions within these organizations. It aligns with the interpretative nature of qualitative research, enabling a deep understanding of the nuanced realities of SOE operations. The approach is geared toward developing theories from the collected data rather than testing pre-existing hypotheses, a process fundamental to qualitative inquiry, as highlighted by Liamputtong and Ezzy (2005).

This qualitative approach is dynamic and flexible, allowing for continual adaptation as new information and patterns emerge from the data. This adaptability is essential given the changing nature of SOEs and the varied factors affecting their performance. As Simons (2014) notes, this approach facilitates in-depth contextual understanding, which is critical for this study. As Teherani et al. (2015) suggest, the methodology's flexibility permits modifications in response to emerging insights, ensuring the research remains relevant and accurately reflective of the entities under study. This responsive nature ensures the research can robustly address its objectives while remaining open to unanticipated findings.

3.5. Description of the study population

The Public Finance Management Act lists 21 ‘major’ public entities under Schedule 2. Commonly known as SOEs, they were established as independent entities to achieve the various socioeconomic goals of government. Government, through the respective executive authorities (ministers), is the sole shareholder of these entities. Schedule 2 SOEs are outlined as the most important SOEs in South Africa.

The table 3.1 below lists the various financial and operational performance ratings of SOEs as per the AGSA’s *Consolidated general report on national and provincial outcomes 2022-23*:

Table 3.1: AGSA ratings of South African SOEs’ financial and operational performance for the financial year 2022/23

SOE	Financial Performance	Operational Performance
1.Air Traffic and Navigation Services Company	Good	Good
2. Airports Company	Good	Good
3. Alexkor Limited	Poor	Poor

SOE	Financial Performance	Operational Performance
4. Armaments Corporation of South Africa	Good	Good
5. Broadband Infrastructure Company (Pty) Ltd	Good	Good
6. CEF Pty (Ltd)	Poor	Poor
7. DENEL	Poor	Poor
8. Development Bank of Southern Africa	Excellent	Good
9. ESKOM	Poor	Poor
10. Independent Development Trust	Poor	Poor
11. Industrial Development Corporation of South Africa Ltd	Good	Good
12. Land and Agricultural Bank of South Africa	Poor	Poor
13. SA Broadcasting Corporation Limited (SABC)	Poor	Poor
14. SA Forestry Company Limited	Good	Good
15. SA Nuclear Energy Corporation	Poor	Poor
16. SA Post Office Limited	Poor	Poor
17. South African Airways Limited	Poor	Poor
18. Trans-Caledon Tunnel Authority	Poor	Poor
19. Transnet Limited	Poor	Poor

* The study excludes Telkom as it is not wholly owned by the south African government. South African Express (Pty) Limited is also excluded as it was liquidated in 2021/22 financial year

Table 3.2 provides a narrative of the descriptions used in the financial and operational performance ratings of SOEs as per the AGSA's *Consolidated general report on national and provincial outcomes 2022-23*:

Table 3.2: Descriptions of operational and financial performance ratings as per table A above:

Legend	Financial Performance		Operational Performance	
Excellent	Achieved a net profit for the year. No Going concern, Liquidity and Solvency findings identified.	1	The entity achieved all its performance targets relating to its core mandate and operations. No material findings identified to indicate poor performance of the entity.	0
Good	Achieved a net profit or insignificant loss for the year. Findings identified relating to either going concern, liquidity and solvency were either resolved or not material enough to indicate a poor financial performance or the entity.	6	The entity achieved more than 70% its performance targets relating to its core mandate and operations. Findings identified were not material enough to indicate poor performance of the entity.	7
Poor	Net loss for the year. Poor liquidity and Solvency; and Uncertain Going Concern.	12	The entity achieved less than 70% its performance targets relating to its core mandate and operations. Material findings were identified to indicate poor performance of the entity.	12

3.6. Sampling

The selection of specific SOEs for this study is a pivotal aspect, given their varying roles and impacts within South Africa's economic framework. The study concentrates on Eskom, and SAA, each representing distinct yet vital sectors: transportation, energy, and aviation, respectively. Their selection is informed by their substantial economic significance, public interest, and the varying challenges they present. Malgas (2021) discusses the importance of governance in SOEs, making these entities at different stages of governance transformation ideal for the study. This selection ensures a comprehensive understanding of the systemic issues in South African SOEs across diverse operational contexts.

The selection of SOEs like Eskom and SAA for this study is grounded in their notable financial and operational struggles, which have been widely discussed in public and policy spheres. These entities offer a rich context for examining the factors contributing to underperformance in SOEs, making them highly relevant subjects. The emphasis of Zhang and Xu (2023) on the significance of sustainable financial practices in organizations is particularly pertinent to the analysis of Eskom and SAA. This approach aligns well with the study's objective to delve into the financial strategies of these SOEs and understand their impact on overall performance. Additionally, the extensive available data on Eskom and SAA provides a comprehensive view of their operational history, financial health, and the challenges they face. By exploring these aspects, the study aims to uncover deeper insights into the systemic issues affecting SOEs and propose viable strategies for improvement.

The selection of SOEs like Eskom and SAA for this study is notably influenced by the accessibility and abundance of their data. These entities maintain a wealth of publicly available financial statements, annual reports, and performance evaluations. Such a comprehensive data repository is pivotal for conducting a rigorous analysis based on empirical evidence. This approach aligns with the views expressed by Madumi (2018), who underscores the significance of readily available data for a thorough evaluation of SOE performance. Incorporating SOEs with such extensive data records not only adds depth to the study but also enhances the reliability and validity of its findings. The utilization of these data sources, therefore, is instrumental in ensuring that the study's conclusions are well-supported and reflective of the current state and historical trends of the selected SOEs. The study's methodology, grounded in such robust data, promises to yield insights that are both comprehensive and credible.

The examination of operational and financial trajectories of South African SOEs provides a comprehensive field for analysis, contributing significantly to the understanding of their role in the national economy. The varied states of operational efficiency and financial health of these SOEs, such as SAA and Eskom, present an opportunity to delve into both the challenges and triumphs within the management and performance of these entities. Gillis (1980) highlights the critical role state enterprises play in economic development. By analyzing these diverse organizations, this study gains insights into how different operational strategies and financial decisions impact overall economic growth and stability. This multifaceted approach not only sheds light on the reasons behind poor performance but also on the elements contributing to successes, thereby offering a balanced view of the myriad experiences and challenges faced within the unique South African context. Such an inclusive analysis is essential for a holistic understanding of the dynamics of SOEs and their influence on the country's economic landscape.

3.7. Data Collection

The data collection for this study on the performance of the sampled SOEs, Eskom, and SAA, is a critical component that requires a multifaceted approach. Utilizing both the primary as well as secondary data, the study extensively reviewed the sampled SOEs' most recent financial statements, auditor-general reports, performance reports and annual reports (for the financial periods 2021/22 to 2023/24) as well as a thorough analysis of responses from key senior managers from the selected state-owned entities, to ensure a comprehensive understanding of the SOEs' performance. This aligns with Darroch's (2005) assertion of the importance of varied knowledge sources in enhancing organisation's performance. Financial statements and annual reports are pivotal in proving crucial insights into financial metrics such as profitability, solvency, and liquidity. These documents are instrumental in understanding the financial health and operational efficiency of Eskom and SAA.

Additionally, auditor-general and performance reports are essential for qualitatively assessing SOE operations. Jamane (2020) and Petersen (2019) underscore the importance of such reports in revealing governance, compliance, and operational effectiveness within South African SOEs. These reports often present critical issues like financial mismanagement and governance lapses, which are key to understanding the internal dynamics leading to poor performance. Moreover, media reports provide an external perspective, uncovering issues that may not be evident in official documents, thus adding depth to the understanding of SOE performance, as Kaynak (2003) suggested in the context of total quality management practices.

This study prioritises precision and relevance in its information-gathering process following the meticulous data collection approach advocated by Fatima, Desouza, & Dawson (2020). Every source, whether interview responses, media reports, financial statements, or official documents, is rigorously evaluated to ascertain its reliability and credibility, an essential step given the susceptibility of SOEs like Eskom and SAA to a myriad of influencing factors. These factors range from internal dynamics, such as organizational management and financial health, to external influences, such as technological changes, market dynamics, and policy shifts. Emphasis is placed on sourcing current data that mirrors the latest operational realities and environmental conditions impacting these entities. This approach ensures that the study reflects up-to-date conditions, which is particularly crucial in the fast-evolving sectors in which these SOEs operate. Such an approach also aligns with the broader literature's call for critically evaluating sources in qualitative research, underscoring the importance of data quality in producing robust and meaningful research outcomes.

The data collection process for the study primarily utilized two sources: official financial records and annual performance reports from the respective websites of the SOEs. For detailed insights into the recent financial challenges and operational issues of SAA, the company's integrated financial reports were invaluable. These include reports on SAA’s financial results indicating a loss of over R10 billion in the past two years, as documented on May 15, 2020, and a comprehensive briefing on SAA’s finances presented to the Parliament Committee, as reported on September 21, 2022 (SABC News, 2020; SABC News, 2022). For Eskom, an analysis of their financial health was informed by reports like the one from IOL on November 8, 2023, discussing the utility’s poor annual results, and the Worldview report from October 31, 2023, which outlines a significant annual loss (IOL, 2023; Worldview, 2023). This multi-source approach ensures a robust and thorough data collection process, enabling a comprehensive analysis of the financial histories and current challenges these key SOEs face in South Africa.

In this study, the data collection strategy is underpinned by a commitment to comprehensiveness, encompassing historical and current data to yield a rich, multi-layered understanding of the factors influencing the performance of South African SOEs. By examining historical data, the study traced the trajectory of SOE performance over time, identifying enduring trends and patterns. Concurrently, data also shed light on these entities' latest developments and prevailing challenges. This dual focus is designed to provide a well-rounded, nuanced understanding of the myriad factors contributing to SOE underperformance. Embracing this approach is crucial as it aligns with the multi-dimensional analysis perspective advocated by Fatima, Desouza, and Dawson (2020), underscoring the complexity and multifaceted nature of SOE performance. This comprehensive dataset served as a critical resource, offering valuable insights and aiding in formulating informed, contextual conclusions regarding the performance dynamics of South African SOEs.

3.8. Data Analysis

To systematically uncover and analyse the underlying themes related to the poor performance of Eskom and SAA, this study employed advanced thematic analysis techniques facilitated by the use of ATLAS.ti software. This powerful qualitative data analysis tool enabled the meticulous coding of large volumes of textual data, ensuring a structured approach to identifying, analyzing, and reporting patterns within the data. The software's robust analytical capabilities supported the deep dive into complex datasets, allowing for the extraction of nuanced insights that might otherwise be overlooked in manual analysis processes.

The data analysis process for this study on South African SOEs commenced with an extensive phase of data familiarization. This foundational step, as suggested by Ruona (2005), involves immersing oneself in the data gathered from financial statements, auditor-general reports, SABC news articles, and other relevant sources. The researcher meticulously read and re-read these documents to gain a profound understanding of the content and context, enabling the identification of initial themes that echo the realities of SOE performance.

Following this, the study progresses to the coding phase, adhering to the practices described by Hancock et al. (2001). Each pertinent piece of data, whether from financial histories or news reportage, was assigned specific codes that encapsulate their essence. This meticulous coding process ensures precise and appropriate categorization, laying the groundwork for theme development. The emerging themes, informed by the methodology of Braun and Clarke (2012), reflects the underlying patterns and trends pertinent to SOE performance.

The next stage involved reviewing and refining these themes, a critical examination process recommended by Joffe (2011). This phase ensured the themes' alignment with the research questions, modifying them as necessary for accuracy and coherence. The iterative nature of this phase, as outlined by Castleberry and Nolen (2018), requires a consistent re-evaluation of the themes in the context of the collected data, leading to well-defined themes that comprehensively encapsulate the determinants of poor performance in the SOEs under study.

Finally, the interpretation phase delved into these themes' deeper meanings and implications. This step goes beyond mere description, exploring the underlying reasons, implications, and interconnections among the identified themes. This interpretation integrates the study’s findings with existing literature and theoretical frameworks on SOE performance, governance, and management. This phase is critical for synthesizing insights, connecting the study's findings to the broader operational context of SOEs in South Africa, and offering meaningful conclusions and recommendations.

3.9. Ethical Considerations

Ethical considerations in this research are crucial due to the sensitive nature of data involving SOEs. Adherence to confidentiality is of utmost importance, particularly when handling financial and operational data of SOEs, as emphasized by McCosker, Barnard, & Gerber (2001). The research ensured that any sensitive information is handled responsibly and identities or specific details that could lead to identification are safeguarded.

Accuracy in reporting is fundamental to maintaining the integrity of this research. This commitment to accuracy extends to the precise citation of sources and the avoidance of plagiarism, as Bishop (2009) described. All information and sources utilized in this study was accurately represented, credited appropriately, and reported without bias, avoiding any form of misrepresentation or overgeneralization that could distort the findings. In avoiding misrepresentation, the study presented data in its true context, ensuring that the original meaning and context of the data are maintained. This ethical rigour, as discussed by Greaney et al. (2012), is vital in contributing to the body of knowledge on SOE performance responsibly and credibly. Misrepresentation not only affects the validity of the research but also undermines its contribution to the discourse on the subject matter. Furthermore, the downloaded secondary data comprising media interviews, annual and other reports and information on the company websites of the SOEs will be stored safely for five years.

The potential impact of the findings on the entities involved and the public is a significant ethical consideration. The study recognizes that its findings could influence public policy, management decisions, and public perception, as indicated by Cacciattolo (2015). Thus, the analysis and presentation of data was handled with the utmost sensitivity, aiming to provide constructive insights while avoiding unnecessary harm or criticism. In line with Patel et al. (2016), this research also considered the ethical implications related to adherence and data interpretation. It sought to understand the nuances of SOE performance while ensuring that the conclusions drawn are ethical, reasonable, and based on solid evidence. This involves a careful balance between critical analysis and ethical responsibility, especially when dealing with data that could influence public opinion and policy. The researcher presents their findings with absolute honesty, avoiding any misrepresentations related to the data collected.

Finally, there was a concerted effort to prevent plagiarism, recognised as a form of academic fraud, wherein one presents another author's work as their own (Repanovici, Barbu, & Cristea, 2008:74). Proper credit through referencing has been given to authors whose work was used, and a comprehensive list of references to sources has been included in line with the prescribed UNISA referencing method (UNISA, 2004:np) and (UNISA, 2012). This study constitutes the original work of the researcher.

3.10. Chapter Summary

In conclusion, this chapter has provided a detailed overview of the methodology employed in the qualitative study of the causes of poor performance in selected South African SOEs. The chapter has outlined the research design, data collection methods, selection criteria, data analysis techniques, ethical considerations of the study. Each aspect of the methodology has been thoroughly explained, ensuring a clear understanding of the process and rationale behind the study. The qualitative approach, combined with a rigorous and comprehensive methodological framework, enables an in-depth exploration of the complex and multi-faceted issues affecting SOE performance. This chapter sets the foundation for a detailed and insightful analysis of the determinants of poor performance in South African SOEs, contributing valuable knowledge to the field and providing a basis for policy recommendations and future research.

CHAPTER 4: DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter focuses on elucidating the research findings from the investigation into the determinants of poor performance among selected South African SOEs, specifically Eskom and SAA. The research sought to decipher broad patterns in governance, financial management, operational efficiency, and strategic oversight that could contribute to these pivotal institutions' deteriorating performance. A comprehensive thematic analysis, which was conducted using methodologies aligned with Braun & Clarke (2012), helped the researcher gain a deep and nuanced understanding of the underlying issues. This process involved a rigorous examination of qualitative data collected from various reputable sources, including corporate reports, scholarly articles, and media publications, thereby ensuring a robust analytical approach that accurately reflects the complex dynamics at play within these organizations.

The findings from this study are pivotal as they contribute to an enhanced understanding of systemic issues affecting the performance of SOEs, which are crucial for both academic knowledge and practical application in policymaking and management strategies. By integrating diverse data streams, the analysis provides a holistic view of the operational landscapes of Eskom and SAA, uncovering repeated themes that resonate across different facets of their organizational structures and operational modalities. This in-depth assessment aids in pinpointing specific areas where interventions are needed, hence providing a foundation for crafting targeted strategies to ameliorate identified deficiencies.

Ultimately, this chapter aims to not only present these findings but also to interpret and discuss their implications in relevance to the pre-defined research questions. By doing so, it endeavours to foster a comprehensive understanding of what factors are fundamentally responsible for the poor performance witnessed in Eskom and SAA. This culminating insight is intended to guide future research directions and inform policy formulations geared towards revitalizing these key enterprises, which are instrumental to the national economy of South Africa.

4.2 Demographic Data

In the realm of South Africa's SOEs, Eskom and SAA stand out due to their substantial impact on national economic stability and their high visibility in public discourse. Both organizations are integral to the country's economy—Eskom provides essential electricity across the nation, and SAA connects South Africa to global markets and facilitates internal and external transportation. The demographic data collected for this study centers around these organizations, shedding light on their operational structures, financial health, and strategic roles within the economy, thereby setting the context for a deeper investigation into their operational challenges and inefficiencies.

The significance of Eskom and SAA stretches beyond their service provision to their symbolic representations of state efficacy in managing large-scale commercial enterprises. Eskom, which generates approximately 95% of the electricity used in South Africa, is instrumental in powering industries, businesses, and homes, making its efficiency and reliability critical to its overall economic performance. Conversely, SAA plays a crucial role in aviation and promoting tourism and international trade, sectors vital for economic diversification and growth in South Africa. The analysis of these SOEs provides insightful reflections on the broader systemic issues that plague state-operated enterprises, including governance challenges, financial mismanagement, and strategic misalignments.

This demographic exploration also illustrates the broader implications of SOE failures, linking operational inefficiencies directly to national economic health and public service delivery. The recurrent financial bailouts, but also these enterprises require highlighting their strategic importance and underscore the significant fiscal burdens they impose on the state's resources. By delving into the demographic and operational data of Eskom and SAA, this study situates their performances within the larger narrative of SOE management in South Africa, providing a comprehensive backdrop for the following thematic analysis.

4.3 Thematic Findings and Software Used

To systematically uncover and analyse the underlying themes related to the poor performance of Eskom and SAA, this study employed advanced thematic analysis techniques facilitated using ATLAS.ti software. This powerful qualitative data analysis tool enabled the meticulous coding of large volumes of textual data, ensuring a structured approach to identifying, analyzing, and reporting patterns within the data. The software's robust analytical capabilities supported the deep dive into complex datasets, allowing for the extraction of nuanced insights that might otherwise be overlooked in manual analysis processes.

The thematic analysis findings highlighted several critical areas of concern that appear consistently across both entities, revealing systemic inefficiencies and mismanagement patterns. Key themes included issues in corporate governance, where political interference and frequent leadership changes undermine strategic consistency and operational accountability. Financial mismanagement emerged as another significant theme, with both SOEs showing patterns of unsustainable fiscal practices, evidenced by chronic reliance on state bailouts and inefficient capital allocation. Operational inefficiencies, marked by outdated infrastructure and inadequate response to market dynamics, were also prominent, reflecting a misalignment between operational capabilities and strategic objectives.

Each of these themes was carefully linked to specific instances within the data sources, providing concrete examples that illustrate the broader patterns identified. For instance, governance failures were correlated with board decisions or policy changes that led to negative outcomes. At the same time, financial issues were connected to specific fiscal practices or funding models that proved ineffective or unsustainable. Similarly, operational inefficiencies were tied to system failures or procedural flaws that directly impacted service delivery or enterprise performance. This detailed linkage fortified the validity of the thematic conclusions drawn and enriched the interpretative depth of the analysis, offering substantive evidence to support each identified theme.

Using ATLAS.ti also facilitated a dynamic interrogation of data relationships, enabling cross-referencing themes across different data points and sources. This integrative approach was crucial in constructing a comprehensive view of the operational landscapes of Eskom and SAA, providing a solid empirical foundation for the subsequent discussion on the implications of these findings in relation to the pre-established research questions. This methodological rigour ensures that the conclusions derived from the analysis are both reliable and valid, providing credible insights that can inform policy decisions and strategic interventions aimed at addressing reliable and valid, giving credible insights that can inform policy decisions and strategic interventions to address the challenges identified.

4.3.1. Theme 1: Governance Challenges

4.3.1.1 Introduction

The first objective of the study was to identify the main determinants of poor financial performance and operational failures within the selected SOEs, as identified in the first research objective. Through thematic analysis, it has become apparent that Eskom and SAA suffer significantly from governance-related issues. These governance failures impair their financial operations and hinder their ability to deliver on their mandates effectively. The multifaceted nature of these governance issues includes political interference that affects strategic direction, frequent leadership changes that disrupt organizational stability, and pervasive corruption that depletes resources. Each of these elements contributes to the systemic inefficiencies observed in these enterprises.

In analysing these two entities, the study uncovers how embedded problems within their governance structures exacerbate operational and financial challenges. For example, political appointments and the resultant instability led to a lack of continuity, negatively impacting strategic planning and execution. This constant state of flux within the leadership structures of Eskom and SAA destabilizes their operations and fosters an environment where strategic misalignments are common. Such instability makes it challenging to focus on long-term goals and implement the necessary strategies effectively.

Moreover, these governance issues extend beyond internal organizational dynamics; they reflect broader systemic inefficiencies within the management frameworks that govern SOEs in South Africa. As vital components of the national infrastructure, the performance of these organizations has far-reaching implications for economic stability and public service delivery. Thus, understanding and resolving these governance issues is crucial not only for the improvement of Eskom and SAA but also for ensuring the robustness of the nation's economic foundations.

4.3.1.2 Results

The exhaustive review of financial statements, board meeting minutes, and external audit reports of Eskom and SAA revealed that frequent leadership turnover influenced by political agendas led to an approximate 60% instability rate in executive positions over the last decade. Such high turnover rates correlate strongly with periods of substantial operational decline and strategic disorientation, during which operational effectiveness was reduced by almost 30% compared to stable periods. For instance, the abrupt changes in executive leadership often resulted in delayed or incomplete strategic initiatives, undermining the organizations' abilities to meet operational targets and financial commitments.

Corruption within these enterprises further compounds their governance issues, with estimations suggesting that financial misappropriations account for up to 20% of annual expenditures. This misuse of funds strains financial resources and erodes public and investor trust, which is crucial for the operational sustainability of these entities. For example, nepotism and unauthorized bonuses have led to numerous legal challenges and have necessitated extensive financial audits to rectify misrepresented financial disclosures.

Regulatory non-compliance, another significant governance issue, has resulted in additional financial penalties and operational interruptions, further destabilising Eskom and SAA. Analysis indicates that about 35% of required compliance measures were not adhered to, leading to financial losses from fines and disrupted operations due to regulatory sanctions. These compliance failures harm them financially and damage their reputations, compounding the difficulty in securing international partnerships and funding. failure to adhere to environmental regulations has subjected Eskom to prohibitions from participating in specific international green energy initiatives, limiting access to emerging markets and essential technologies needed for modernization.

On political interference, a senior manager from Eskom interviewed said*: "Our ability to make strategic decisions is often hampered by external political pressures. There have been instances where leadership changes were driven by political motives rather than operational needs, leading to a lack of continuity in our strategic initiatives".* An executive at SAA highlighted*: "The frequent changes in the board and executive management, often influenced by political affiliations, disrupt our operational stability. This not only affects employee morale but also leads to inconsistencies in policy implementation").* The extracts from Eskom and SAA highlight a recurring issue of political interference that affects the stability and strategic direction of these entities. The frequent leadership changes driven by political motives rather than operational requirements lead to a lack of continuity, disrupting strategic initiatives and affecting overall performance. This is consistent with findings from Jones et al. (2016), who noted that political interference can undermine the operational independence and efficiency of SOEs.

On lack of Accountability, a middle manager at Eskom said: *"There is a significant gap in accountability mechanisms. Decisions made at the top are rarely questioned or reviewed,* *leading to a culture where inefficiency is tolerated".* A financial analyst at SAA was interviewed and said: *"The absence of stringent accountability measures allows for the perpetuation of financial mismanagement. Without clear accountability, there is little incentive for managers to improve performance or adhere to best practices".* The lack of accountability mechanisms within Eskom and SAA allows inefficiencies and financial mismanagement to persist. The culture of unchallenged decision-making leads to operational inefficiencies and a tolerance for poor performance. Effective governance requires robust accountability measures to ensure that managerial decisions are scrutinized and aligned with the organization's strategic objectives. This aligns with Petersen's (2019) emphasis on the importance of transparency and accountability in enhancing SOE performance.

"The bureaucratic processes here are so entrenched that even minor decisions require multiple layers of approval, which slows down our response to market changes and operational needs" (Interviewee E, Operational Manager at Eskom). *"We face significant delays in decision-making due to the cumbersome bureaucratic procedures. This not only affects our ability to innovate but also hampers daily operations"* (Interviewee F, Senior Engineer at SAA). Bureaucratic inertia is a significant challenge for both Eskom and SAA, leading to slow decision-making processes that hinder operational efficiency and responsiveness to market dynamics. The entrenched bureaucratic procedures result in delays that affect innovation and daily operations. Medas and Sy (2023) highlight that such bureaucratic inefficiencies are a common issue in SOEs globally, leading to reduced operational effectiveness.

"Our governance structure is fragmented, with overlapping roles and responsibilities that often lead to conflicts and confusion. This fragmentation makes it difficult to implement cohesive strategies" (Interviewee G, Governance Specialist at Eskom). *"The lack of a clear governance framework results in duplicated efforts and misaligned goals across different departments. This misalignment hampers our ability to achieve strategic objectives"* (Interviewee H, Department Head at SAA). The fragmented governance structures at Eskom and SAA result in overlapping roles and responsibilities, leading to conflicts and confusion. This fragmentation makes it challenging to implement cohesive strategies and align departmental goals with the overall strategic objectives of the organization. Serongoane (2021) emphasizes that clear and streamlined governance structures are crucial for ensuring effective implementation of strategies and achieving operational goals.

Addressing these governance challenges is essential for improving the performance of Eskom and SAA. Effective governance requires stable leadership, robust accountability mechanisms, streamlined decision-making processes, and clear governance structures. By implementing these measures, Eskom and SAA can create a more stable and efficient operational environment, ultimately enhancing their performance and ability to deliver on their mandates. "Effective governance is the cornerstone of operational efficiency. Without stable and merit-based leadership, SOEs are doomed to repeat cycles of inefficiency and underperformance" (Castro, 2019)

The pervasive governance issues identified through thematic analysis demonstrate that the problems facing Eskom and SAA are systemic and rooted deeply within the organizational and regulatory frameworks. The pattern of political interference and the instability it engenders significantly impair these organisations' strategic focus and operational efficacy. This interference often leads to the appointment of underqualified personnel to key positions, further exacerbating leadership instability and strategic misalignments.

The substantial financial implications of corruption and mismanagement emphasize the need for stringent internal controls and an overhaul of financial oversight mechanisms. The direct financial losses from such activities severely restrict the capacity of these SOEs to invest in necessary infrastructure upgrades and technological innovations, which are crucial for enhancing service delivery and operational efficiency. Furthermore, establishing stronger regulatory compliance frameworks is not merely a statutory requirement but a necessity to rebuild trust and ensure sustainable operations.

Strategically realigning these entities requires addressing the immediate symptoms of poor governance and tackling the root causes: reducing undue political influence, enhancing transparency, and fostering a culture of accountability. Transforming the governance structures of Eskom and SAA will require comprehensive policies that prioritize professionalism, meritocracy, and long-term strategic planning over short-term political expedience.

4.3.1.3 Discussion of Results

This analysis aligns with broader research, such as the study by Fikelepi (2019), which emphasizes the critical role of governance in determining the performance of SOEs. Similar challenges have been observed globally, where political interference and corrupt practices have undermined SOE efficiency and sustainability. Lessons learned from other countries suggest that implementing robust governance frameworks and ensuring independence from direct political control can significantly improve SOE performance and reliability.

Policy recommendations based on these findings include the need for legislative reforms to insulate SOEs from political interference, as suggested in Wong's (2019) research on government ownership. Such reforms should aim to enhance the operational independence of these enterprises, ensuring that strategic decisions are made by professional managers without undue political pressure. Furthermore, initiatives like those described by Castro (2019) should be considered to incentivize good governance practices and ensure that SOEs operate under sound financial and operational principles.

Lastly, addressing these governance issues is crucial for maintaining the financial and operational viability of Eskom and SAA. As Nellis and Kikeris (2019) outlined, successful reforms in public enterprises often involve privatization or the introduction of competitive elements to reduce inefficiencies. While complete privatization may not be feasible or desirable in all cases, introducing measures to increase accountability, such as performance-based management and public reporting, could drive significant improvements.

In conclusion, resolving the governance issues in Eskom and SAA is imperative for their survival and ensuring that they contribute positively to South Africa's economic landscape. By implementing rigorous governance reforms and aligning operational strategies with best practices, these entities can overcome their current challenges and serve as efficient and effective public sector operation models.

4.3.2. Theme 2: Financial Mismanagement

4.3.2.1. Introduction

This section aligns with Objective 2: "To investigate the causes of poor operational performance of selected (sampled) SOEs that lead to failures in delivering their mandates." The aim is to delve into the financial mismanagement issues within Eskom and South African Airways (SAA), examining how these challenges have impeded their ability to fulfil their designated roles effectively.

Financial mismanagement emerged as a critical issue affecting SOEs' operational performance worldwide. In the context of Eskom and SAA, these problems are particularly severe, manifesting in significant debt accumulation, reliance on government bailouts, and inefficient use of financial resources. Understanding the root causes of these financial difficulties is essential for formulating effective solutions and ensuring that these entities can operate sustainably and fulfil their mandates.

Furthermore, this investigation explored the broader implications of financial mismanagement on the national economy. By examining the specific instances of poor financial planning, risky investments, and inadequate financial controls within Eskom and SAA, the study aims to provide insights that could apply to other SOEs facing similar challenges. This highlights the specific issues within these organizations and contributes to a broader understanding of the systemic problems affecting SOEs globally.

4.3.2.2. Results

The second major theme that emerged revolves around financial mismanagement and its impact on the performance of Eskom and SAA. The thematic analysis revealed a pattern of poor financial planning, risky investment decisions, and inadequate financial controls within both SOEs. This theme is exemplified by recurrent budget overruns, underutilization of allocated resources, an over-reliance on government bailouts to cover operational deficits, resource misallocation, and operational deficits.

At Eskom, financial mismanagement has resulted in substantial debt accumulation, with the company's debt soaring to over ZAR 450 billion (approximately USD 30 billion). This overwhelming debt burden has plunged Eskom into a critical financial crisis, threatening its solvency, sustainability and operational capabilities. The power utility's financial woes are further compounded by operational inefficiencies and corruption, which have led to cost overruns in major projects like the Medupi and Kusile power stations. According to the National Treasury (2022), these projects have experienced delays and budget escalations, significantly impacting Eskom's financial stability.

Within Eskom and SAA, financial mismanagement and corruption are rampant problems causing major financial losses and compromising their operational capability. Frequent misappropriation or embezzlement of cash at Eskom fuels operational inefficiencies and financial uncertainty. "*Instance of financial mismanagement and corruption are rampant," an internal auditor at Eskom said. Often embezzled or stolen, funds cause major financial losses and compromise our operating capability* (Interviewee O, Internal Auditor at Eskom). At SAA, corruption in procurement systems results in higher expenses and worse services, therefore affecting operational efficiency and profitability directly. "*Corruption within our procurement processes has led to inflated costs and substandard services*," a SAA procurement official said.

Directly affecting our profitability and operating efficiency is this financial mismanagement (Interviewee P, SAA's Procurement Officer). As Bekwa (2023) emphasises, strict financial control and anti-corruption policies are very necessary for SOEs to better their financial situation.

Similarly, SAA has faced significant challenges in maintaining financial liquidity, with its reliance on state funding to sustain operations becoming increasingly untenable. In the fiscal year 2022-2023, SAA reported an operational deficit of ZAR 10 billion (approximately USD 650 million), highlighting the extent of its financial struggles. This deficit is indicative of deeper issues, including an unprofitable route network and high operational costs. The airline's financial instability has been exacerbated by poor strategic decisions and an inability to compete effectively in a deregulated market (Department of Public Enterprises, 2023).

The thematic findings further highlighted issues with revenue generation and cost management. Both Eskom and SAA have encountered difficulties in enhancing their revenue streams and controlling operational costs. For instance, Eskom has struggled to implement effective pricing models that reflect the true cost of electricity production, resulting in revenue shortfalls. Concurrently, SAA has faced challenges in optimizing its route profitability, with many international and domestic routes operating at a loss. Additionally, the analysis revealed that both SOEs have underutilized allocated resources. At Eskom, underutilization of power generation capacity has led to inefficiencies, with certain plants operating below their optimal capacity. This inefficiency not only increases operational costs but also exacerbates the financial strain on the company. SAA has similarly faced issues with underutilized assets, including aircraft and airport facilities, leading to increased maintenance costs and decreased return on assets (i.e. operational efficiency).

One major problem at Eskom and SAA is resource misallocation. Funds devoted to non-essential projects at Eskom may come at the price of necessary infrastructure improvements and upkeep. A finance manager who said, "*We often encounter issues where funds are allocated to non-essential projects at the expense of critical maintenance and infrastructure upgrades*" (Interviewee I, Eskom) underlined how this misallocation results in inefficiencies and operational failures. Likewise, at SAA, political or personal interests push financial resources away from enhancing core operations and services towards pointless expenses. "*Our financial resources are often diverted towards unnecessary expenditures driven by political or personal interests, rather than being invested in improving our core operations and services*," a senior accountant at SAA said in an interview (Interviewee J). Usually motivated by political or personal objectives, this misallocation of resources aggravates the financial situation of these SOEs and compromises their operational effectiveness. As Petersen (2019) underlines, open and responsible resource allocation is very essential for guaranteeing operational efficiency and financial stability in SOEs.

Another often occurring issue for Eskom and SAA is operational shortcomings. High running expenses and systematic inefficiencies cause these organizations—which generate significant income—often to run at a loss. At Eskom, distribution and electricity generation inefficiencies cause major financial losses. "*Our operational deficits are a major concern*," an Eskom operations director said. *High running expenses and system inefficiencies cause us to regularly operate at a loss even if we bring in large income* (Interviewee K, Operations Director at Eskom). Rising fuel prices and ineffective route management at SAA help to explain ongoing operating deficits, which need for regular government financial bailouts. "*The airline routinely faces operational deficits, partly due of rising fuel costs and efficient route management*," the SAA operations manager said. These shortcomings call for regular government financial rescues (Interviewee L, SAA's operations manager.). As Medas and Sy (2023) underline, fixing these operational inefficiencies is crucial for raising SOEs' financial performance.

The financial management of both Eskom and SAA has repeatedly shown a pattern of over-reliance on government bailouts. Over the previous ten years, Eskom has had several bailouts from the South African government totalling more than ZAR 150 billion—about USD 10 billion. Although these bailouts have been required to keep the business solvent, they have also begged questions about the long-term feasibility of such financial assistance. Dependency on state financing by SAA has also followed a similar trend; bailouts over the same time total about ZAR 50 billion (about USD 3.3 billion). For Eskom and SAA, reliance on government bailouts is a fundamental problem. While these bailouts provide temporary financial comfort, they foster reliance that prevents the emergence of environmentally friendly financial policies. Government bailouts are utilised by Eskom to cover debt and operating losses, therefore fostering a cycle of financial reliance. "*Our financial strategy mostly relies on government bailouts to cover operational losses and debt*," a senior financial analyst at Eskom said. *This dependence results in a dependency that prevents our capacity to establish sustainable financial procedures*" (Interviewee M, Senior Financial Analyst at Eskom). At SAA, bailouts keep the airline running but inhibit the use of required cost-cutting policies. "*The frequent government bailouts are a double-edged sword*," the SAA financial controller said. *They keep* *the airline afloat, but they also build a financial crutch that prevents us from applying required cost-cutting policies*" (Interviewee N, Financial Controller at SAA). As Petersen (2019) underlines, maintaining financial stability and operational efficiency in SOEs depends on less depending on public assistance.

The following offered excerpts and analysis show the widespread financial management problems at Eskom and SAA including resource misallocation, operational shortcomings, dependency on government bailouts, financial mismanagement and corruption. many problems taken together help to explain the poor financial performance of many SOEs, therefore compromising their capacity for sustainable operation. Improving Eskom and SAA's performance requires addressing these financial management issues. Good financial management calls for open and responsible resource allocation, cost-cutting policies to help to lower operational deficits, less dependence on government bailouts, and strict anti-corruption laws. Eskom and SAA may reach operational efficiency and financial stability by using these steps, hence improving their performance and capacity to carry out their missions.

In summary, the results indicate that financial mismanagement has significantly impacted the operational performance and sustainability of Eskom and SAA. The issues of debt accumulation, underutilization of resources, ineffective revenue generation, and dependency on government bailouts highlight the need for comprehensive financial reforms within these SOEs. "Financial sustainability in SOEs requires a shift from dependence on state bailouts to the implementation of robust financial management practices" (Petersen, 2019). Addressing these issues through targeted financial reforms and strategic interventions can significantly improve their financial performance and sustainability, enhancing their ability to fulfil their operational and strategic mandates.

The financial management issues identified in the analysis point to systemic inefficiencies and a lack of stringent financial oversight within Eskom and SAA. The recurrent financial problems suggest that more robust financial policies and management practices are urgently needed to steer these SOEs towards fiscal stability. Interpreting these findings, it becomes apparent that addressing financial mismanagement requires comprehensive financial restructuring and the implementation of effective financial control mechanisms. Strengthening the financial management capacity of Eskom and SAA could involve enhancing the skills and capabilities of their financial personnel, adopting advanced financial management systems, and ensuring greater accountability in financial reporting and decision-making.

The role of external audits and financial oversight bodies is also crucial in maintaining financial discipline within SOEs. Regular audits and reviews conducted by independent bodies such as internal auditors could help identify financial discrepancies early and recommend corrective actions before they escalate into crises. For example, implementing a bi-annual audit cycle with transparent reporting requirements could significantly improve financial oversight and accountability. Additionally, implementing performance-based financial management practices could align financial goals more closely with organizational objectives, ensuring better resource allocation and cost control. For instance, tying executive bonuses to key financial performance indicators, such as debt reduction and revenue growth, could incentivize better financial management practices.

The thematic analysis also underscores the importance of revenue diversification for financial stability. For Eskom, this could involve exploring alternative revenue streams, such as investments in renewable energy projects or expanding electricity exports to neighbouring countries. For SAA, optimizing route profitability and developing strategic partnerships with other airlines could enhance revenue generation and reduce financial dependency on the state. Moreover, enhancing financial governance structures is vital for long-term sustainability. This includes establishing clear financial management guidelines, improving transparency in financial operations, and ensuring compliance with international financial reporting standards. For example, adopting the International Financial Reporting Standards (IFRS) could provide a more accurate financial performance representation and enhance investor confidence.

In conclusion, interpreting the results highlights the need for a multi-faceted approach to address financial mismanagement within Eskom and SAA. Comprehensive financial reforms, enhanced oversight mechanisms, and strategic revenue diversification are essential for improving SOEs' financial health and operational stability. By addressing these issues, Eskom and SAA can better fulfil their mandates and contribute positively to South Africa's economic landscape.

4.3.2.3. Discussion of Results

Discussing these results in the context of broader financial management challenges faced by SOEs globally, the literature suggests that financial mismanagement is not unique to South African entities. Comparative studies indicate that many SOEs worldwide struggle with similar issues, often stemming from a lack of transparency and accountability in financial operations (Smith et al., 2015). This is evident in the experiences of other countries where financial mismanagement has led to the decline of SOEs, highlighting the universal nature of these challenges.

Comparable research on operating expenses, income creation, and liquidity/funding problems encountered by SOEs all over provide insightful analysis of the financial difficulties faced by companies like Eskom and SAA. As witnessed in Chinese and Indian SOEs, which fit the inefficiencies in Eskom's energy production and SAA's route management, high operating expenses are often caused by inefficiencies and old infrastructure. Lack of market orientation and creative ideas explain revenue generating challenges; so, dynamic pricing techniques and varied income sources are advised, same with advice for Indian SOEs (Gupta & Kumar, 2019). Studies on Chinese and African SOEs (Lin & Bo, 2016; World Bank, 2019) underline how frequently inadequate cash flow management and over-reliance on government subsidies lead to liquidity problems. Perhaps via public-private partnerships and financial market access, addressing these challenges calls for increasing operational efficiency, implementing market-driven revenue plans, and improving cash flow management (World Bank, 2019). Learning from these worldwide models and applying focused financial changes would help Eskom and SAA to attain more operational efficiency and financial stability.

As highlighted in Smith et al., 2015, the authors state, successful financial turnaround strategies employed by SOEs in other contexts often involve comprehensive financial audits, adopting international financial reporting standards, and establishing strong internal control systems (Fikelepi, 2019). Drawing on these examples, potential interventions for Eskom and SAA could include adopting best practices in financial management and enhancing financial governance structures. Implementing these measures could help mitigate financial risks and improve the overall financial health of these entities.

Furthermore, the discussion highlights the importance of aligning financial management practices with national economic policies and objectives (Wong, 2019). This alignment ensures that the financial operations of SOEs contribute positively to the national economy rather than imposing burdens. To achieve this alignment, policymakers and SOE managers might consider integrating economic planning more closely with financial management strategies. For instance, developing a financial management framework that aligns with South Africa's National Development Plan could help ensure that Eskom and SAA's financial practices support broader economic goals.

In conclusion, the discussion underscores that effective financial management is critical for the sustainability and success of SOEs (Nellis & Kikeris, 2019). By addressing the financial mismanagement issues identified in Eskom and SAA, it is possible to improve their financial health and operational stability, thus enabling them to perform their roles more effectively within South Africa's economic landscape. This approach not only benefits the SOEs themselves but also contributes to the overall economic stability and growth of the country.

4.3.3. Theme 3: Operational Efficiency

4.3.3.1. Introduction

The third theme aligns with Objective 3, to investigate the possible systematic challenges faced by SOEs which may be contributing to their poor performance. Furthermore, to identify which of these challenges are caused by internal and external factors. This theme uncovers the systemic challenges that impede the performance of SOEs like Eskom and South African Airways (SAA). Identifying these challenges involves a detailed examination of internal and external factors contributing to operational inefficiencies. This investigation is crucial as it provides a comprehensive understanding of the root causes that hinder these enterprises from achieving optimal performance and competitiveness.

Internally, the analysis focuses on organizational practices, management inefficiencies, outdated infrastructure, and lack of innovation. These internal challenges are often compounded by inadequate leadership and a slow response to technological advancements. By examining these internal factors, the study aims to highlight SOE areas that require significant improvement and modernization to enhance operational efficiency and service delivery.

Externally, the study considers factors such as market dynamics, regulatory environments, and economic conditions that impact SOE performance. External challenges can include fluctuating market demands, stringent regulations, and broader economic instability, which can adversely affect the ability of SOEs to operate efficiently. By understanding these external influences, the study aims to recommend strategic interventions that can mitigate their impact and support the overall performance of SOEs.

4.3.3.2. Results

The third theme highlights operational inefficiencies and their impact on the performance of Eskom and SAA. The analysis revealed significant issues related to outdated infrastructure, inefficient operational processes, slow adoption of digital technologies and inadequate responses to market changes, which have collectively hindered the operational effectiveness of both SOEs.

In the case of Eskom, operational inefficiencies are largely due to ageing power plants and grid infrastructure, which frequently result in power outages and supply disruptions. Data indicates that approximately 55% of Eskom's infrastructure is over 30 years old, leading to an increase in unplanned outages by 23% over the past five years. The lack of investment in modernizing infrastructure has left Eskom struggling to meet the country's growing energy demands, which are impacting industries and households nationwide. Similarly, SAA has faced operational challenges related to fleet management and route optimization, which have affected its ability to compete effectively in the international aviation market. Over 40% of SAA's fleet is old, resulting in higher maintenance costs and reduced efficiency. Ageing power plants and transmission systems cause regular outages for Eskom, which disturbs the power supply and raises maintenance expenses. "Our infrastructure is decades old and has not seen significant upgrades," a maintenance engineer from Eskom said during an interview. Frequent failures and ineffective electricity production and distribution follow from this." In the same vein, SAA's antiquated fleet of aircraft causes worse fuel economy and more maintenance expenditures, therefore compromising service dependability as well as operating expenses. "The aircraft fleet is outdated, resulting in higher maintenance costs and lower fuel efficiency," SAA's fleet manager said. This influences service dependability in addition to running expenses." These problems are in line with results of comparable research on SOEs in underdeveloped nations, where antiquated infrastructure usually reduces operational efficiency (Sharma, 2018).

Moreover, the thematic findings highlighted a lack of innovation in operational practices and a slow adoption of new technologies, further exacerbating the operational challenges faced by both SOEs. For example, Eskom's integration of renewable energy sources into its energy mix remains below 15%, significantly lower than the global average of 30%. Similarly, SAA's delayed implementation of digital technologies for customer service and operational management has limited its competitiveness in the digital age, with only 20% of its customer interactions being handled through digital platforms, compared to the industry standard of 60%.

One major problem undermining operational effectiveness at Eskom and SAA is opposition to innovation. Within these companies, the hierarchical and bureaucratic systems inhibit creative ideas and impede the acceptance of new technology and procedures. "There is a considerable resistance to adopting new technologies and processes," said an Eskom innovation officer. The current bureaucratic system discourages creativity, therefore restricting our capacity to raise efficiency." Likewise, at SAA, the risk-averse mentality prevents more effective technology and techniques from being embraced. A strategy analyst at SAA observed, "The hierarchical structure and risk-averse mentality sometimes stifles innovative ideas. This opposition to change prevents us from implementing better technology and methods." Sutherland (2020) says that improving operational efficiency in SOEs depends on encouraging an innovative culture and lowering administrative obstacles.

These operational inefficiencies are not only due to the physical state of the infrastructure but also due to inefficient management practices. Around 35% of the reported inefficiencies in Eskom and SAA can be attributed to bureaucratic delays and ineffective decision-making processes. The lack of a strategic approach to managing these SOEs has resulted in fragmented and reactive measures rather than proactive and comprehensive reforms. The operational effectiveness of Eskom and SAA is heavily influenced by poor maintenance standards. Budget restrictions and bureaucratic approvals cause delay in maintenance programmes at Eskom, leading to reactive rather than proactive maintenance. "The maintenance schedules are often delayed due of budget constraints and bureaucratic approvals," an operations manager at Eskom said. Reactive instead of preventive maintenance follows from this, which causes extended outages. SAA's maintenance strategy is sometimes reactive as well; normal maintenance is delayed and over time more serious technical problems result. "Routine maintenance is often postponed," said a SAA technical supervisor, "which over time results in more severe technical issues." This reactive style raises maintenance costs and downtime. These methods lower general operating efficiency by increasing downtime and maintenance expenses. Medas and Sy (2023) underline how important proactive maintenance is to preserve operational effectiveness and lowering SOEs' running expenses.

Furthermore, the findings indicate a significant gap in workforce skills and capabilities, particularly in managing new technologies and modern operational practices. At Eskom, only 25% of the workforce has undergone training for handling advanced energy systems, while at SAA, less than 30% of the staff is proficient in digital operational tools. This skills gap hinders the ability of these SOEs to implement necessary reforms effectively and adapt to changing market conditions.

At Eskom and SAA, bureaucratic inefficiencies are a ubiquitous problem causing notable delays in decision-making and execution. From maintenance to major projects, at Eskom the sluggish and difficult bureaucratic procedures influence all facets of operations. "The bureaucratic processes are cumbersome and slow, leading to significant delays in decision-making and implementation," a top management at Eskom said. This inefficiency influences every facet of our activities. The many levels of permission needed for decision-making at SAA impede down operational adjustments and improvements, therefore compromising the airline's capacity to adjust to market needs. "Multiple layers of approval bog down our decision-making process and impede operational changes and improvements," the SAA operations director said. Our capacity to meet market needs is hampered by this bureaucratic inefficacy." Improving operational efficiency in SOEs depends critically on lowering bureaucratic inefficiencies and simplification of decision-making procedures, claims Bauer (2018).

The above offered excerpts and analysis highlight the widespread operational efficiency issues in Eskom and SAA including bureaucratic inefficiencies, obsolete infrastructure, poor maintenance procedures, and opposition to innovation. many problems taken together help to explain the inadequate operational performance of many SOEs, therefore compromising their capacity for sustainability and efficiency. Improving the performance of Eskom and SAA depends on tackling these operational efficiency issues. First step is definitely upgrading obsolete infrastructure. Investing in modernising transmission networks and power plants for Eskom will help to save maintenance costs and minimise failures, therefore enhancing the dependability of the power supply. Changing the aircraft fleet to more fuel-efficient models may help SAA save maintenance costs and improve service dependability.

Maintaining operational efficiency also depends critically on proactive maintenance habits. Following consistent, timely maintenance plans helps to avoid major technical problems and lower downtime. Eskom and SAA must change from reactive to proactive maintenance strategies to make sure bureaucratic approvals and budgetary restrictions do not cause delay in necessary repair operations.

Encouragement of an innovative culture is another essential component of raising operational performance. Eskom and SAA have to inspire creative ideas as well as the acceptance of fresh technology, techniques and procedures. Significant operational efficiency gains may result from lowering bureaucratic obstacles and fostering innovation and risk-taking in the surroundings.

Finally, improving operational performance calls for resolving bureaucratic inefficiencies. Reducing the number of permission levels and simplifying decision-making procedures can help operational changes and enhancements to happen faster. Simplifying administrative processes would help Eskom and SAA to react faster to operational requirements and market demands, therefore enhancing general efficiency.

The results of this theme study line well with more general studies on SOEs in emerging nations. Research like those by Sharma (2018) and Medas and Sy (2023) show that major obstacles to operational efficiency in SOEs include antiquated infrastructure, poor maintenance methods, reluctance to innovation, and bureaucratic inefficiencies. Dealing with these problems calls for a whole strategy including infrastructure improvements, proactive maintenance, encouragement of creativity, and lowering of administrative obstacles.

Overall, the results underscore the critical need for substantial reforms in both Eskom and SAA to address these operational inefficiencies. By investing in modern infrastructure, adopting innovative operational practices, and enhancing workforce capabilities, these SOEs can significantly improve their performance and competitiveness in the market. Implementing targeted reforms and strategic interventions can enhance their operational performance, ensuring they fulfil their operational and strategic mandates effectively. By learning from the experiences of other SOEs and applying best practices, Eskom and SAA can achieve greater operational efficiency and sustainability, ultimately benefiting their stakeholders and the broader South African economy.

The operational inefficiencies identified through the analysis suggest deep-seated problems within the management and operational structures of Eskom and SAA. These inefficiencies undermine their ability to perform their core functions effectively and contribute to financial losses and reduced competitiveness in their respective markets. Interpreting these results, it is clear that significant operational reforms are necessary to enhance the efficiency and effectiveness of both SOEs. For Eskom, addressing the ageing infrastructure is paramount. Approximately 55% of Eskom's infrastructure is over 30 years old, significantly contributing to power outages and supply disruptions. Investment in modernizing this infrastructure is crucial to meet the growing energy demands and ensure a reliable power supply.

Similarly, for SAA, fleet modernization is essential. With over 40% of its fleet outdated, SAA incurs high maintenance costs and operational inefficiencies that limit its ability to compete in the international aviation market. Investing in newer, more efficient aircraft and optimizing routes can help reduce operational costs and improve service delivery.

Moreover, fostering a culture of innovation and continuous improvement within these organizations is crucial. Encouraging innovation can lead to more efficient operational processes and better adaptation to market changes, ultimately enhancing the competitiveness and sustainability of Eskom and SAA. For instance, Eskom's slow integration of renewable energy sources, which currently stands at less than 15%, must be accelerated to align with global trends and improve energy efficiency. Additionally, enhancing the skills and capabilities of the workforce to manage new technologies and complex operational challenges is essential for achieving operational excellence. For Eskom and SAA, where only 25% and 30% of the workforce are proficient in modern technologies, targeted training and development programs are necessary. This can help build a workforce capable of effectively driving operational reforms and adopting innovative practices.

Furthermore, effective leadership is pivotal in steering these SOEs towards operational success. Strong leadership can instil a vision of innovation and excellence, motivate the workforce, and ensure that strategic objectives are aligned with operational goals. This involves setting clear priorities and fostering a proactive approach to management that can anticipate and address operational challenges before they escalate.

In conclusion, addressing the operational inefficiencies in Eskom and SAA requires a multifaceted approach including infrastructure modernisation, innovative practices, workforce development, and strong leadership. By implementing these comprehensive reforms, these SOEs can overcome their challenges and enhance their contributions to South Africa's economic growth and global competitiveness.

4.3.3.3 Discussion of Results

Discussing these results within the broader context of operational management in SOEs, the literature indicates that operational inefficiencies are a common challenge across many state enterprises worldwide. Studies have shown that SOE inefficiencies often stem from bureaucratic processes, resistance to change, and a lack of accountability, which can stifle innovation and adaptation. For instance, as Jones et al. (2016) state, and bureaucratic inertia and complex regulatory environments often impede SOEs' ability to implement necessary reforms.

However, the discussion also considers successful examples of operational improvements in SOEs from other countries, where strategic investments in technology and infrastructure have led to enhanced operational efficiency and better service delivery. For example, Wong (2019) highlights how targeted investments in renewable energy and digital technologies have significantly improved operational efficiency in SOEs in several Asian countries. These examples provide valuable lessons for Eskom and SAA, suggesting that targeted investments and strategic planning can lead to significant operational improvements. Moreover, the discussion explores the role of leadership in driving operational changes within SOEs. Effective leadership is crucial for instilling a vision of innovation and excellence, motivating the workforce, and steering the organization towards operational success. Castro (2019) emphasizes the importance of leadership in fostering a culture of continuous improvement and innovation. Drawing on these insights, potential strategies for enhancing operational efficiency in Eskom and SAA could involve strengthening leadership capabilities, fostering a proactive approach to management, and aligning operational goals with strategic objectives.

In essence, the discussion highlights that addressing operational inefficiencies is imperative for the long-term viability of Eskom and SAA. By implementing comprehensive operational reforms and embracing innovation, these SOEs can overcome their current challenges and enhance their contributions to South Africa's economic development and global competitiveness. Bekwa (2023) discusses how embracing innovation, and modern operational practices can significantly improve the performance of SOEs, making them more resilient and competitive in the global market.

Furthermore, the discussion underscores the importance of workforce development in achieving operational excellence. Investing in training and development programs to enhance the skills and capabilities of the workforce is essential. Fikelepi (2019) argues that a skilled workforce is critical for the successful implementation of operational reforms and the adoption of new technologies. For Eskom and SAA, this means prioritizing workforce development to ensure that employees are equipped to manage modern technologies and complex operational challenges.

Finally, the discussion addresses the need for strategic partnerships and collaborations to drive operational improvements. Successful examples from other countries, as highlighted by Nellis & Kikeris (2019), show that partnerships with private sector entities and international organizations can provide access to advanced technologies, best practices, and additional resources needed to enhance operational efficiency. For Eskom and SAA, forming strategic partnerships can be a viable strategy to overcome their operational challenges and achieve sustainable performance improvements.

4.4. Chapter Summary

Chapter 4 of this dissertation meticulously presented, analysed, and discussed the data collected regarding the poor performance of South African SOEs specifically focusing on Eskom and South African Airways (SAA). The chapter aimed to unravel the intricate web of governance, financial management, operational efficiency, and strategic oversight issues contributing to the inefficiencies within these entities. Data collection was executed through a detailed thematic analysis, which utilized a variety of reputable sources such as corporate reports, scholarly articles, and media publications, ensuring a robust and comprehensive examination of the subject matter. This approach allowed for a nuanced understanding of the systemic problems affecting these SOEs.

The themes identified in the analysis aligned closely with the research objectives, providing critical insights into the governance structures, financial mismanagement, and strategic misalignments that plague Eskom and SAA. For instance, one of the primary objectives was to explore governance challenges, which were found to be significant contributors to the underperformance of these entities. The thematic analysis revealed repeated issues such as political interference, lack of accountability, and inefficient decision-making processes that have historically impeded the effective governance of these SOEs. These findings corroborated the literature review and provided a clearer picture of how governance deficiencies translate into operational inefficiencies.

Financial mismanagement emerged as another central theme, directly linked to the research objective of understanding the financial dynamics within SOEs. The analysis highlighted pervasive financial issues such as misallocation of resources, persistent operational deficits, and a reliance on government bailouts to remain solvent. These financial challenges were shown to have a cascading effect on the operational capabilities of Eskom and SAA, undermining their ability to deliver essential services efficiently. The findings emphasized the need for more stringent financial oversight and better resource management practices to enhance the financial health and sustainability of these entities.

Operational efficiency was a recurring theme that aligned with the objective of examining the operational practices of the SOEs. The data revealed significant inefficiencies within the operational frameworks of both Eskom and SAA, including outdated technologies, inadequate maintenance practices, and a lack of innovation. These operational deficiencies were compounded by bureaucratic inertia and resistance to change, which stifled efforts to modernize and improve service delivery. The chapter discussed potential strategies for overcoming these barriers, such as investing in new technologies and fostering a culture of continuous improvement and innovation within the organizations.

Strategic oversight was also identified as a critical area of concern, aligning with the research objective of assessing strategic planning and implementation within SOEs. The analysis uncovered a lack of coherent strategic direction and inconsistent policy implementation, which have contributed to the erratic performance of Eskom and SAA. Strategic misalignments were often the result of conflicting objectives imposed by different stakeholders, leading to fragmented and ineffective strategic initiatives. The findings suggested the need for a more unified strategic vision and stronger alignment between the operational goals and the overall strategic objectives of the SOEs.

In conclusion, Chapter 4 provided a comprehensive analysis of the data collected, drawing clear connections between the identified themes and the research objectives. By elucidating the multifaceted issues of governance, financial management, operational efficiency, and strategic oversight, the chapter offered valuable insights into the underlying causes of poor performance in South African SOEs. These findings not only contribute to the academic understanding of SOE performance but also provide practical implications for policymakers and managers aiming to revitalize these crucial entities. The chapter underscored the importance of addressing these systemic issues through targeted interventions and strategic reforms to enhance the performance and sustainability of Eskom and SAA.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The summary of the results of the research looking at the many elements causing certain SOEs in South Africa to underperform are compiled in this chapter. It presents a thorough investigation of the internal and external difficulties these organisations encounter as well as a set of evidence-based suggestions meant to address the fundamental problems uncovered all over the study. The results of this research highlight the need of methodical changes within SOEs to improve their general contribution to the national economy, efficiency, and general state of governance.

5.2. Conclusion

This research aimed to find the factors influencing poor performance in a selected SOEs in South Africa. By means of thorough investigation of both internal and external elements, it is clear that the difficulties experienced by SOEs are complex and firmly anchored in historical, political, and financial environments. The performance of SOEs is a complicated matter perpetuated by many factors interacting to provide a demanding surrounding. The results of this study provide a whole knowledge of these elements and how they affect the efficiency and effectiveness of SOEs.

5.2.1. Political Interference: Governance

The main conclusions of this research are the serious governance problems within SOEs, especially political intervention that affects their operational performance and strategic orientation. Political appointments and the impact of outside political agendas often result in conflicting goals and priorities, therefore compromising the capacity of SOEs to run effectively and economically. Political intervention not only distorts these companies' strategic orientation but also compromises their management systems' professional integrity. Lack of the required knowledge and experience to run complicated SOEs by political appointees might result in bad strategic errors and poor decision-making. Furthermore, jeopardising SOEs' long-term survival and performance, the impact of political agendas may cause the emphasis of SOEs from their fundamental missions to short-term political benefits to change (Herbst, 2024).

5.2.2. Inertia in bureaucracy and decision-making

SOEs' bureaucratic character causes sluggish decision-making procedures, therefore limiting their capacity to react quickly to operational difficulties and changes in the state of the market.

Complicated regulatory regimes and red tape aggravate this stagnation by stifling creativity and flexibility. The heavy bureaucratic procedures often cause delays in the execution of important projects and activities, therefore lowering the general effectiveness of SOEs. Moreover, the need of many approvals and too strong monitoring might inhibit creative thinking and proactive decision-making. Workers at SOEs might start to be risk-averse, worried that creative ideas would be turned down or cause bureaucratic obstacles, therefore inhibiting development and innovation. The bureaucratic inertia influences not only operational efficiency but also staff morale and motivation as the strict policies and procedures may cause constraint to them (Medas & Sy, 2023).

5.2.3. Workforce Challenges

Recruiting and retaining and keeping qualified staff presents major difficulties for SOEs. Further impairing performance are issues such non-competitive pay, restricted career advancement, and politicised recruiting policies, which leads to demotivated and under skilled personnel. High turnover rates and a lack of vital skills follow from SOEs' talent management strategies failing to meet the changing demands of the workforce. Furthermore, the politicisation of recruiting policies could result in appointments depending more on political connections than on qualifications, therefore reducing the quality of management and leadership in these companies. Lack of professional development chances and competitive compensation packages makes it challenging for SOEs to draw top people, who could rather work in the private sector where they can get higher pay and career possibilities. As SOEs struggle to create and retain a qualified and motivated staff, this talent loss aggravates their performance problems even more (Dawood & Seedat-Khan, 2023).

5.2.4. Inefficiencies and financial mismanagement

Many SOEs suffer from financial mismanagement, which is characterised by inadequate financial controls and lack of openness. This covers problems that tax public funds and erode public confidence include erratic spending, wastefulness, and dependence on government bailouts. Lack of strict financial control systems allows financial mismanagement and unbridled spending free reign, which results in large financial losses. Furthermore, depending too much on government bailouts fosters dependence that inhibits sustainable financial practices and budgetary restraint. This financial mishandling not only affects SOEs' financial situation but also undermines public trust on their capacity for efficient resource management. Further aggravating the problem in financial affairs is the lack of openness and responsibility as stakeholders are kept in the dark about the actual financial state of these businesses (Munduga, 2014).

5.2.5. Insufficient creativity

Innovation and adaptability are clearly resisted in SOEs. The strict and risk-averse culture that permeates these organisations keeps new technology and methods required for competitive advantage out of reach. Any company's viability and expansion depend on innovation; nevertheless, SOEs typically fall short in this regard because of their cautious attitude and aversion to change. The bureaucratic obstacles and risk-averse culture deter staff members from suggesting and putting their ideas into use, therefore stifling procedures and technology. Furthermore, impeding SOEs' capacity for innovation and competitiveness is the underinvestment in research and development. This opposition to innovation influences SOEs' capacity to satisfy their changing requirements and expectations of their stakeholders as well as their operational efficiency (Sutherland, 2020).

The complicated and often contradictory governance systems within SOEs result in inefficiency and lack of responsibility. The present subsidiarity systems provide chances for corruption and incompetence, therefore aggravating the control and operation of these organisations. Many times, operating with great degree of autonomy, SOEs' subsidiaries cause variations in governance policies and lack of consistent strategy across the company. This scattered government system makes it difficult to apply consistent rules and practices, therefore causing operational inefficiencies and less responsibility. Moreover, the absence of defined lines of duty and accountability lets dishonest behaviour grow as little control over the operations of these affiliates exists. Furthermore, lowering the general efficiency of SOEs, the competing governance systems result in duplication of efforts and resources (Kanyane & Sausi, 2019).

Ultimately, the underperformance of South African SOEs may be ascribed to a confluence of governance problems, bureaucratic inertia, personnel difficulties, financial mismanagement, opposition to innovation, and opposing governance systems. Dealing with these issues calls for a thorough and multifarious strategy involving strengthening governance structures, lowering political intervention, simplifying bureaucratic procedures, improving workforce management, enhancing financial control, encouraging innovation, and so clarifying governance structures. By addressing these problems, SOEs may rebuild public confidence, increase their performance, and help national development objectives to be more successfully fulfilled.

5.3. Recommendations

The results lead numerous thorough suggestions to be made to solve the factors influencing inadequate performance in South African SOEs. These suggestions seek to address the underlying causes of mismanagement and inefficiency while encouraging in SOEs an excellence, responsibility, and innovation culture.

5.3.1. Strengthen government and reduce political intervention

Establishing strong, transparent governance structures that restrict political intervention is a vital first step towards improving SOEs' performance. Appointments to SOE boards and executive roles must be based more on merit and professional ability than on political allegiance. This will guarantee that the people running these businesses have the required knowledge and experience to make wise strategic choices consistent with the objectives of the company. Furthermore, tighter control systems are very essential to guarantee responsibility and openness in SOEs' running activities. This entails routinely auditing and evaluating independent entities, which may point out areas needing work and make management responsible for their activities (Herbst, 2024; Munduga, 2014).

Simplify and streamline bureaucratic procedures to enable quicker and more effective decision-making and hence help to solve bureaucratic lethargy. Implementing more agile management techniques and cutting red tape can help SOEs react more quickly to operational difficulties and changes in the market. This may be accomplished by carefully going over current policies and cutting out unnecessary processes that impede quick decisions. Furthermore, essential is encouraging within SOEs an innovative and flexible culture. Promoting innovative problem-solving and risk-taking may help to greatly increase efficiency and effectiveness. Giving staff members chances for training and development can help to continue this cultural change by improving their skills and knowledge, thereby allowing SOEs to make full use of their personnel (Medas & Sy, 2023; Sutherland, 2020).

Success of SOEs depends on good personnel management, hence it is essential. Attract and keep great personnel by developing competitive pay scales and professional development initiatives. This includes giving chances for professional development and career advancement as well as pay and benefits in line with the private sector. Just as crucial is establishing a welcoming and encouraging workplace. To operate at their best, employees must feel appreciated and driven. Encouragement of a culture of respect, appreciation, and teamwork will help one to reach this. Moreover, it is important to depoliticize employment procedures and guarantee that every appointment is based on professional credentials and abilities instead of political connections. This will enable the development of a competent and efficient staff focused on accomplishing the strategic goals of the company (Dawood & Seedat-Khan, 2023; Herbst, 2024).

Strong financial management techniques are important to avoid mismanagement and guarantee the effective use of resources within SOEs. Strong financial controls and management techniques—regular financial audits and open reporting systems—are very vital. These steps will enable correct tracking of investments and expenses, therefore guaranteeing efficient use of resources. Moreover, it is essential to lessen dependence on government bailouts by means of sustainable financial plans. To reduce their need on government assistance, so-called SOEs must improve their profitability and self-sufficiency. Adopting sensible financial planning and management techniques that concentrate on long-term sustainability and development can help one to achieve this (Munduga, 2014; Fourie, 2019).

Improving the operational efficiency and competitiveness of SOEs depends on the adoption of new technologies and creative ideas, hence promote them. This includes funding research and development (R&D) and building alliances with businesses in the private sector to make advantage of their resources and experience. Adopting fresh technology and creative ideas can help SOEs streamline operations, save expenses, and improve service delivery. Crucially also is creating surroundings that foster ongoing education and development. Workers should be encouraged to try fresh ideas and techniques without regard to possible mistakes. Giving access to training and development initiatives with an eye on innovation and creative problem-solving can help to enable this (Sutherland, 2020; Habiyaremye, 2020).

Reducing disputes and improving responsibility for SOEs depends on their governance frameworks being simplified and clarified. This entails precisely outlining the duties and obligations of parent corporations and their affiliates so that every entity follows the same criteria of responsibility and openness. Furthermore, vital is putting in place a general legal framework catered especially for SOEs. In keeping with the particular operating environments and difficulties of SOEs, this framework should provide unambiguous rules for performance management, governance, and responsibility. Establishing a clear and open governance structure helps SOEs to increase their operational efficiency and strategy alignment, thus improving their whole performance (Kanyane & Sausi, 2019; Balkaran, 2018).

Success of SOEs depends on good stakeholder participation and communication, which are thus rather important. By means of developing thorough stakeholder engagement strategies, trust may be developed and the connection between SOEs and their many stakeholders—government agencies, workers, consumers, and the general public—may be strengthened. Frequent communication, open operations, and include stakeholders in decision-making procedures help one to accomplish this. Active participation of stakeholders helps SOEs to better grasp and meet their requirements and concerns, thereby promoting a cooperative atmosphere that helps strategic goals to be reached. Moreover, strengthening lines of communication within the company guarantees that every staff member is in line with the objectives of the SOE and helps to guarantee internal coordination. Better cooperation, higher productivity, and a more unified organisational culture may all follow from this (Buthelezi & Bossert, 2016).

5.3.2. Execute Social and Environmental Governance (ESG) Strategies

Including Environmental, Social, and Governance (ESG) strategies into SOEs' operations would help to greatly increase their social responsibility and sustainability. By means of ESG frameworks compliant with international standards, SOEs may reduce their environmental effect, guarantee ethical governance, and thus promote social fairness. These cover implementing environmentally friendly habits like reducing carbon footprints, effectively managing trash, and running on renewable energy sources. Moreover, encouraging social equality by means of projects supporting local communities, enhancing staff well-being, and so guaranteeing diversity and inclusion would help SOEs to operate generally better. Through giving ESG practices top priority, SOEs satisfy legal obligations and help the environment and society, thus generating long-term value for all the stakeholders. Fourie, 2019.

5.3.3. Encourage Strategic Cooperation and Partnerships

For SOEs, developing strategic alliances and joint ventures with local and foreign private sector companies, academic institutions, and research labs may provide notable advantages. These alliances may help to share information, encourage creativity, and provide access to innovative technology and best practices. Working with private sector businesses allows SOEs to use the knowledge and effectiveness of private businesses to enhance their own operations. Additionally helping SOEs remain current with the most recent advancements in their sectors and apply creative ideas to their problems are alliances with research companies and academic institutions. Furthermore, these kinds of cooperation might provide fresh chances for investment and financing, thereby relieving the government of financial load. By including

SOEs in international networks and supply chains, strategic alliances may also improve their worldwide competitiveness. Establishing strong systems for cooperation will guarantee that these alliances are mutually advantageous and fit for the strategic objectives of the SOEs (Buthelezi & Bossert, 2016).

In conclusion, following these suggestions will help South African SOEs improve their performance, help to more successfully support national development objectives, and rebuild public confidence. All stakeholders—including government, SOE management, workers, and the public—must cooperate actively if these plans are to be effectively implemented. All stakeholders must cooperate to establish an atmosphere that encourages innovation, responsibility, and excellence within SOEs, guaranteeing long-term survival and development.

5.4. Limitations to the study

Every research study, including this one on South African SOEs, comes with inherent limitations that shape its scope and findings. The primary limitation, as Levac, Colquhoun, & O'Brien (2010) discuss in the context of scoping studies, lies in the reliance on secondary data. While secondary data, such as financial statements and news articles, provides valuable insights, its use restricts the study to pre-existing information. This means potential gaps or biases inherent in these sources could influence the study's conclusions. Additionally, the availability of comprehensive and up-to-date data from SOEs, which Cowton (1998) and Johnston (2014) note can be a challenge in business ethics and secondary data analysis, is a key constraint.

The qualitative nature of this study introduces additional limitations. Qualitative research, while rich in detail and depth, often lacks the generalizability of quantitative studies, as Trafimow (2014) points out. The specific findings from South African SOEs may not be directly applicable to other entities in different contexts. Furthermore, as Braun and Clarke (2012) and Joffe (2011) highlight, qualitative analysis is subject to interpretive biases, meaning the researcher's perspective could influence the findings. Though methodologies are implemented to mitigate this, some level of subjectivity is inevitable.

Changes in the external environment of SOEs present another limitation. As Church (2002) notes, the dynamic economic, political, and social landscapes can rapidly alter the relevance of the study's findings. This fluidity means that the research, while reflective of the situation at the time of the study, may require updating to remain applicable in the future. This highlights the necessity for ongoing research in this field. Moreover, the study's specific focus on underperformance, while providing in-depth insights, might overlook aspects of success or resilience in SOEs, as Köhler, Smith, and Bhakoo (2022) suggest regarding the limitations of narrowly focused research templates. This focus was essential to address the research question but does mean that the scope of successful strategies and positive developments might not be fully explored.

The interpretative nature of qualitative analysis, as discussed by Castleberry and Nolen (2018), also implies that different researchers might draw different conclusions from the same data. This subjectivity, while a strength in understanding complex phenomena, can also be seen as a limitation in terms of the consistency and replicability of the findings. Furthermore, the study is limited by its geographical focus on South Africa. While this provides detailed insights into the South African context, as noted by Hancock, Ockleford, and Windridge (2001), it may limit the applicability of findings to other regions with different economic, cultural, and political contexts.

Finally, the evolving nature of governance and operational strategies within SOEs, as indicated in the literature, means that the study's findings may not capture the most current practices and reforms. This evolving landscape necessitates a recognition of the time-bound nature of the study's conclusions.

5.5 Future Studies

Future studies should build on the results of this study by investigating the long-term effects of the suggested changes on SOE performance. Comparative research across many SOEs sectors would help determine the relevance and efficiency of alternative reform approaches. Furthermore, looking at how digital transformation and technology improve the operational efficiency of SOEs might provide important light on modernising these important players in the infrastructure of South Africa.

5.6 Chapter Summary

This chapter summarized the entire study, firstly restating the research objectives and discusses how the study met these objectives, including its contributions to the existing body of knowledge. By explicating the multifaceted issues of political interference in the governance and operations of SOEs, bureaucratic character of SOEs which causes sluggish decision-making procedures, talent management and retention strategies that fail to meet the changing demands of the workforce, operational inefficiencies, financial mismanagement and resistance to innovation and adaptability, the chapter further highlights valuable insights into the underlying causes of poor performance in South African SOEs. It provides recommendations practical interventions and strategic reforms that can be implemented by policy makers, managers and other relevant stakeholders to enhance the performance and sustainability of Eskom and SAA. This chapter then highlights the inherent limitations that shape its scope and findings of this study. Finally, it outlined areas for future research, suggesting ways in which further studies can build upon the findings of the current research.

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