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# EVALUATING THE ROLE OF THE BOARD OF DIRECTORS ON EFFECTIVE CORPORATE GOVERNANCE AT A SOUTH AFRICAN STATE-OWNED BROADCASTER

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Keywords

Effective corporate governance, roles of boards, state broadcaster , South Africa

ABSTRACT

The roles of corporate boards are often difficult to observe by the public daily, but boards abruptly become the centre of attention when corporate problems or scandals arise. This study was aimed at examining how the board of directors carry out their fiduciary, monitoring, advisory and strategic roles to achieve effective corporate governance at a state broadcaster. The research method used was an archival method and secondary data analysis to review the Board roles using publicly available reports. It was found that the state broadcaster board is using a unitary system to monitor and provide effective oversight and corporate governance as led by most non-executive directors to ensure independence, functional and demographical diversity with no single individual domination. The state broadcaster board uses well-attended, sized, and independent-driven nine functional committees regularly that fulfil regulation requirements to effectively monitor the Chief Executive Officer (CEO) and the management team to fulfil their fiduciary role, accountability and responsibility to the shareholder. The board provides an inherent strategic and advisory service to the organisation that serves the CEO and management with expertise through active involvement in strategic decision-making, formulation and

implementation of strategy whilst seeking external professional advisors where it lacks specific expertise to effectively carry out their advisory role. The research recommends a dual advisory approach with a stand-alone advisory committee, streamlining or removal of director appointment regulations, balancing the number of executive and non-executive directors, and reducing member overload.

## INTRODUCTION

The public often asks if corporate boards matter daily as what they do is difficult to observe. However, when scandals or corporate problems arise, the public is also quick to place the board as the centre of attention. This is true for global and South African past corporate scandals such as Parmalat, Worldcom, Enron, Denel, Steinhoff, Klynveld, Peat, Marwick, Goerdeler (KPMG), Venda Building Society (VBS) Bank, South African Airways (SAA), Transnet and Eskom.  In some of the cases such as Worldcom, the directors were held liable for fraud resulting in continued interest on boards of public sector governing bodies of state enterprises. The increasing prevalence of incidents of abuse of authority, collapse, fraud, corporate failure and environmental irresponsibility in the past four decades has made corporate governance a major matter of public concern globally.
According to Kloviene, Gimzauskiene and Misiunas [1], corporate governance provides the means to monitor and determine how an objective structure is set and is to be attained. This definition emphasizes the need to entrench corporate governance as an enabling tool within an organisational culture used to set, monitor and attain the organisational goals.

Corporate governance has become economists' household term with potential macroeconomic costs of weak corporate governance systems [2]. Of particular interest is the role of boards as the core mechanism of good corporate governance for state-owned enterprises (SOEs) [3]. The Board of directors can influence the effectiveness and efficient delivery of products and services in an organisation [4]. Therefore, Abramov, Tadygin, Entov and Chernova [5] argue that when SOEs are professionally managed, they operate profitably without having to borrow from capital markets with government guarantees. The aim of this study was thus to critically evaluate the role of the board of directors at one state broadcaster, to understand whether they are doing enough to ensure corporate governance practices are effective and used to add value, and also for the benefit of the public. The state broadcaster has been troubled with management problems and allegations that include an extraordinary increase in staff remuneration costs and irregular appointments [6]. Allegations of numerous corporate governance problems by the state broadcaster managers and its directors have been rampant including mismanagement of finances, and the spiralling of operational costs [6]. The financial problems led to state intervention, with the state finding an R1.4 billion bank-guaranteed loan for the state broadcaster to sustain its operations [7].

Besides the financial challenges, the broadcaster continues to lose listeners and viewers to competitors in South Africa's broadcasting platforms [8]. Platforms such as Digital Satellite Television (DSTV), are offering various international news channels that include Russia Today, Al Jazeera, Cable News Network (CNN), and British Broadcasting Corporation (BBC). Additionally, local news channels such as ENCA and ETV have grown in viewership and given intense competition to the state broadcaster's news channels. The emergence of online broadcasting platforms has also changed individual's attitudes towards broadcasting, presenting challenges to traditional broadcasting of television and radio [9]. In the last decade, the state broadcaster has been encountering editorial and financial challenges manifesting as financial and leadership difficulties resulting in the state having to intervene [7]. Yet, at the helm of the state broadcaster is a Board of Directors, and the Board is the Accounting Authority of the state broadcaster in terms of the PFMA of 1999 [10], constituting the important source of corporate governance in the state broadcaster. Accordingly, concerning the King IV code of governance, the state broadcaster must be controlled and headed by an efficient and effective board of directors, consisting of non-executive directors and executive directors, with the bulk of the directors being Non-Executive Directors (NEDs) to make sure there is objectivity and independence in decision-making (Institute of Directors South Africa [11].



Yet, some SOE boards are perceived to lack independence due to political interference. The South African parliament reported that there is prima facie evidence of corporate governance compromises at the state broadcaster [12]. However, not much research has been done on the role of boards of directors of SOEs in discharging their duties. Hence the focus in this study is on how the board of directors carry out its monitoring, advisory and strategic roles to achieve effective corporate governance at the state broadcaster.

## Theoretical framework

The study is underpinned by the agency theory which gives a broader view of the agency costs that arise because of divergent interests between shareholders and managers [13]. According to Tan [14], the relationship between management and shareholders is that of a principal and an agent to carry out company responsibilities on behalf of the principal. However, according to Murphy [15], conflicts and differences in interest between shareholders and managers lead to agency problems. Ghejan and Gal [16] argue that the delegated authority minimises the value maximisation in decisions made by management. However, Khan [17] argues that the principal-agent problems differ by culture, industry or company and can be reduced with effective corporate governance techniques. Aras and Crowther [18], critique the agency theory assumption of one agent and one principal because there are as many agents as many directors on a board and as many principals as in many shareholders. This is a problem in reality since theory depends on the shared understanding and the relationship between agent and principal [19]. This means in reality the principals and agents do not know each other as in a large organisation [18]. In SOEs too, the government acts as the main shareholder/principal and the directors of an SOE are its agents. The board of directors is likely to play both principal and agent roles [18]. The board acts as agents through their role by managing the firm with the executive and acts as principals by being representative of shareholders' interests. Thus, making it difficult to divide between an agent and a principal role [19]. However, management alignment of interest to shareholders is achieved by management remuneration schemes such as performance bonuses [20].

According to OECD [21] usage of non-executive directors is one way of ensuring interests are aligned from impartial and objective guidance. Non-executive directors (NEDs) are usually individuals of excellence and varied professional expertise. NEDs are chosen through a nomination and formal process that involve the board to serve for a fixed term and without automatic reappointment [22]. These NEDs are expected to bring independent judgments to issues on resourcing, performance, and strategy that includes standard of conduct and key appointments [21]. According to Banda [23], NEDs acts as the ears and eyes of the chairperson, conveying expert viewpoints to protect the interests of stakeholders.

## Monitoring roles of a board of directors

According to Alshareef and Sandhu [24], a board's monitoring role also known as oversight or control, comprises the control of management behaviour to avoid shareholder wealth misappropriation. Additionally, the board's monitoring role is to provide oversight with sufficient care and loyalty as a legal duty [21]. In essence, the monitoring role is a fiduciary duty to monitor executive performance and to oversee the firm's operations, as a means of protecting shareholder interests [25]. Therefore, the board has a critical function to monitor, especially against the backdrop of several global company governance scandals [26]. However, Starovic and Cole [27] have asserted that a board that effectively carries out its monitoring role is usually more independent and larger. According to OECD [21], the most vital monitoring mechanisms are the evaluation, selection and removal of incompetent top managers and the CEO, assessment of the company performance and management remuneration. As such, board monitoring is mainly driven by the board's responsibility to make sure management is acting within the company's interests through regulation, evaluation, and scrutiny of executive managers' actions [24]. Starovic and Cole [27] assert that a more independent and large board performs a more effective monitoring role. This relationship is more important in SOEs where the realised benefits of a large board of directors exceed the costs of political influence [21].

Similarly, Muchemwa, Padia and Callaghan [28], argue that boards that have more independence have more performance effectiveness without the influence of executive management. In addition, Khan and Wang [29] contend that boards led by an independent chairman can lead to superior monitoring. However, Fotoh, Wong and Bongbee [30] argue that when a board monitors excessively, it leads to poor strategic advice emanating from too many monitoring responsibilities and excessive compliance burden. This can leave the board members with poor strategic advice focus, inadequate information, and inadequate time to perform effective monitoring. Rashid [31] also argues that managers tend to give less strategic information to a board that excessively monitors them and end up participating less in terms of strategic input and strategic decision-making. Therefore, increased monitoring, especially by many independent directors, can also lead to a significant retardation to board effective advice.

However, within SOEs, the government wields its power by being involved in approving major capital and financial expenditures, board and executive remuneration, and dismissal and appointment of the CEO and board members [22]. This means SOE boards have more complexities than private company boards that affect the execution and power dynamics impacting its monitoring effectiveness. According to Banda [23], SOE governance has the challenge of government undermining the need for more independence in a public entity and reduction in political interference. Thus, Abramov et al. [5] argue that this government undermining impacts transparency and causes control systems to be evaded making the board less accountable with little to account for. Coetzee and Van Tonder [32] argue against the conformity mentality as an approach that leads to a neglect of the fiduciary duties by boards through neglecting the overall business strategy effectiveness.

Various studies on board monitoring and its effect on organisation performance have been conducted arguing for the need for board effective monitoring. A study by Muchemwa et al. [28], considered board size, structure, and composition as critical in influencing a board's monitoring ability. Consequently, Alshareef and Sandhu [24] placed more emphasis on the board of directors' composition in terms of independent directors' proposition as the most critical variable influencing board monitoring capacity. Thus, Banda [23] found board independence is the most critical corporate governance variable that influences the value of a corporation. Yet, other researchers such as Muchemwa et al. [28] argue that a small board rather than a big one, has more effectiveness in controlling management, making quick decisions and promoting candid discussion. This means the issue of board size is not a straitjacket but depends on the nature and particular circumstances of an organisation. This argument does not take away, the fact that effective monitoring in small or large boards emanates from having a bigger portion of independent directors that take managers to task and align them with shareholders' interests [33]. Independent directors have a higher likelihood of removing non-performing management than executive directors [25].

Specific board monitoring aspects as found in literature include board composition [28, 33], board size [34, 31], board diversity [30, 35], board meeting frequency [36, 37], and board committees [30, 33]. However, no agreed empirical evidence exists to confirm a positive link between board composition and organisation performance [38]. Some research found a negative relationship [39] whilst another research found no significant organisation performance and board composition [40]. This means no agreed position exists in the literature, leading to the current study's enquiry on the role of directors for effectiveness within an SOE context. From a resource dependency perspective, a large board can attain more access to resources and more opportunities for an organisation [28]. Yet, other researchers argue that a board can be too small to lack expert advice and diversity of opinion found in large boards leading to overconcentration of small boards in decision-making and less involvement in monitoring activities [30]. Thus, Fotoh et al. [30] recommend a board size of 7-8 people and the Cadbury Report (1992), and Palaniappan [33] recommends 8- 10 as a good board size. This means an ideal board size ranges from 7-10 members based on all this literature.

Researchers such as Fauzi and Locke [34] highlight the importance of board size for improved organisational performance. The researchers further note no acceptable ideal board size. In another research by Fotoh et al. [30], it was concluded that CEO influence is reduced by a big board size as they effectively monitor executive management leading to better performance. Similarly, Wellalage and Locke [35] regard big boards as enhancers of diversification with the potential of pooling a wide range of expertise at the disposal of management to increase resource dependence and more business network links. Boards must not be too large to negatively impact their effectiveness in coordinating and sharing information. According to Starovic and Cole [27], too big boards become less cohesive, with low participation and difficulty to coordinate. Conflict is rife and more difficult to manage in too large boards with more likelihood of factionalism that affects timeous decision-making, and social loafing permitting individuals to put in little or no effort [42].

According to Fauzi and Locke [34], additional resources for executive managers are obtained through board diversity. This is important from a resource dependency perspective when more resources are provided to management such as customers, suppliers, corporate partners, and capital. Accordingly, board diversity provides a company with value-add that influences performance positively [28]. The frequency to which a board meets is a characteristic that affects board members' group relations dynamics. Al-Najjar [43] uses board meeting frequency as an increased monitoring proxy. Vafeas and Vlittis's [45] study shows that organisation performance has a negative relationship with board meeting frequency. A less cohesive decision-making board meets infrequently. Thus, according to Alsharqawi and Alsharqawi [22], more frequent interaction developed into more cohesion and positive sentiments amongst board members. According to Fotoh et al. [30], corporate governance practises and board effectiveness is achieved with good highly organised board structures. As such board committees are an important structure that can enhance monitoring and productivity of a board [33]. To be effective, the committees must be comprised of skilled and competent individuals able to handle the monitoring roles of the board. According to Fotoh et al. [30], most organisations have nomination, compensation, audit, investment, strategy, and finance committees as the common ones.

### Advisory roles of a board of directors

According to the OECD [21], a board's advisory role also known as its service role is executed more effectively by more independent and larger boards, in providing critical expertise, knowledge and information to executive management. However, studies by Rohrbeck and Kum [45] concluded that a board's advisory role positively varies with a company's complexity and size. Thus, Liff [46] argues that the directors need to be more knowledgeable about the industry and business to carry out the advisory role effectively. They must be up to date with industry and company developments by regularly receiving quality and timely information. However, according to Alshareef and Sandhu [24], some organisations create a board advisory function separately when faced with specific subject areas that require external expertise. Such expertise is sought to augment the strategic thinking, understanding and knowledge of the management and the board of directors [24]. Moreover, board members who are more experienced offer specialist or technical advisory services to management [47].
According to Block and Gerstner [25], when a company is putting in place a separate advisory board, a balance must be struck to include individuals who are experienced and skilled. In addition, Aras and Crowther [18] argue that such a board must have a chairperson who sets advisory discussions tone. The effectiveness of this board is achieved when the chairperson fosters and establishes a good working relationship with management and board members [24].
The unitary system comprises one system aimed at providing the executive management and the CEO, providing them with resources information success and expert counsel [33]. Based on the resource view, a board is an important external co-opting vehicle or influencer that the organisation is dependent on to succeed [48]. These influencers are involved in amongst other things, giving counsel and advice to the CEO and manage-

ment, enhancing the company's reputation, and raising funds for the company [31]. Based on the stewardship view, the advisory role comes out of strategic engagement by the board as stewards of an organisation's assets [47]. Managers have non-financial incentives such as recognition, achievement, and performance achievement intrinsic satisfaction [49]. However, the success of this approach is the extent to which the firm is structured to facilitate a high-performance culture in management [50]. The board is regarded as a strategic device serving the management and the CEO using their expertise to implement, formulate and initiate strategy [46]. However, this approach blurs the advisory and the strategic role of the board.

A dual system board advisory role is when a specific advisory sub-committee is set up to provide advisory expertise to the board. According to Alshareef and Sandhu [24], advisory boards are created to bring outside experts to augment existing strategic thinking, understanding and knowledge when faced with more demanding situations. These outside experts provide a range of understanding and skills to the board and management beyond their day-to-day competencies [47]. Hence, the composition of an advisory board ought to take into consideration the present skills set in the main board and bring in experience and skills lacking in the board and management [25]. Advisory board meetings are run differently from normal boards and the chairperson has a responsibility to set up the right tone for advisory board deliberations and foster the right working relationship between the management team, main board, and the advisory board members [18].



## Strategic roles of a board of directors

Rashid [31] argue that the board of directors' strategic role is subject to many arguments and school of thought. The school of thought emanating from literature is the passive perspective and the active perspective [33]. Thus, Wellalage and Locke [35] contend that the passive school regards a board as a management's rubber-stamping tool with very minimal impact on the firm's strategic process. Contrary to the passive school, the active school regards a board as important to shaping and contributing to a firm's strategic direction and independently guiding management to attain the objectives and mission [30].

The board of directors' strategic role takes place in various ways through counsel and advice to executive management, strategic direction agreements, managerial assumptions probing, strategic alternatives suggestions or the initiation of strategic alternatives [31]. The board has an opportunity to showcase its strategic role and according to Wellalage and Locke [35], strategic change must be initiated by the board when the company is going through crises such as company performance decline or environmental turbulence. Thus, the active school has a growing attention in the literature than the passive school [24].

According to Gwanyama [51], a board's strategic role consists of strategic formulation oversight such as evaluation, ratification, and review of proposed strategy. The environment has become so competitive for most industries. In addition, the highly competitive nature of many industries is making boards participate more in their strategic role [24]. According to OECD [21], the board of directors' approval of strategy and monitoring its implementation has become a best practice. For most state-owned organisations, the iterative process of strategic development is carried out by the board in response to proposals to develop strategy [51]. However, most of the strategic expectations or outcomes are defined by the state and the board's responsibility is to develop the strategy and the management must attain the strategic outcomes [18]. According to Banda [23], SOEs have a board of directors as the core and main governing body with a mediating role between the state as the owner and the CEO, the representative of senior management. The responsibility of controlling the performance of senior management lies with the board of directors and guiding and overseeing strategy and the business [22]. Thus, the long-term benefits arising out of strategic decisions originate from the conduct of the board of directors. However, SOE boards have a role that relies on the enterprise's categorisation such as social, political, and economic objectives by the government, aiming to attain as a company owner within its scope.

However, confusion is often encountered for directors to understand operational decisions and strategic decision-making since they all occur at the board level. Boards must ensure they are less involved in day-to-day and more focused on strategic decision-making [30]. In this way, more value-added is achieved from the conduct of a board and the usage of its time and talent. Yet, within SOEs, impediments exist that hinder boards from fulfilling and demonstrating their strategic roles in light of the government's role in defining outcomes.
In light of the reviewed literature, to address the primary objective, the following secondary objectives guided the study:

- To investigate the extent to which the board of directors at a state enterprise conduct its monitoring roles.
- To investigate how a state broadcaster board conduct its advisory role.
- To assess how a state broadcaster board fulfils their strategic roles for effective corporate governance.

## Methods

### Research approach

This study adopts an interpretivism paradigm whereby the role of the board is analysed on how it affects the corporate governance of a state broadcaster. Yin [52] contended that reason, observation, and experimentation based on one's knowledge should be rooted in human behaviour understanding, hence the single legitimate means of human understanding and extended knowledge. The research method used was an archival method and secondary data analysis to review the board roles using financial reports, annual performance plan (APP), parliamentary documents and audit reports. These reports were analysed to determine how the state broadcaster board fulfils its strategic, monitoring and advisory roles to be effective. Bryman and Bell [53] contend that the qualitative approach makes a vital link between the case study research and the theoretical perspective. In addition, the qualitative approach is an enabler to a deeper and more holistic view and understanding of the state broadcaster case study. The advantage of a single case study design is the enhancement of understanding the occurrence of the observed phenomenon to form an interpretation of reality that is reliable [52]. In addition, according to Creswell [54], a case study can be utilised to explain a phenomenon or pattern or to generate a theory.

An exploratory in-depth approach is adopted to enable an enhanced understanding of how the board fulfils its role towards effective corporate governance of a state broadcaster. Secondary information from the annual reports of the board, auditor reports, and parliamentary reports of a state-owned enterprise is the main source of data. Search engine was utilised to obtain relevant journals, and reports to build the theoretical foundation of this research. Data interpretive and analytical process was used [55]. Furthermore, the content analysis procedure is used for labelling, coding and analysing data. A textual analytical method was used to obtain an enhanced and deeper understanding of how the board of directors' roles affect a state broadcaster's corporate governance. Prior knowledge about board roles and corporate governance contributed to form the interpretation regardless of the theoretical framework originating from the analysis.

According to Smith [56], secondary analysis has the advantage of convenience and cost-effectiveness. When using secondary analysis, there is no need to spend resources on new data collection since data is already collected. This depends on the goodness of the available secondary data that can be accessed. The usage of data sets already in existence speeds up the research process by eliminating data collection and measurement development processes [57]. The research scope is restricted to secondary information extracted from the board's corporate governance reports, parliamentary reports, auditors' reports, and annual reports. Additionally, the literature review is the analysis' basis whereby mostly peer-reviewed articles and government reports are which served as the basis of the analysis were mainly peer-reviewed articles and government reports found from dependable sources. The choice to utilise secondary data analysis and an archival method is encouraged by the need to avoid interviewing data limitations of lack of detail, obstruction, and contingency. As held by Bryman and Bell [53], an archival method is more detailed less obstructive and less contingent. Additionally, an archival method provides additional detailed data on the study subject as compared to data from an interview which can be greatly reliant on an individual's flawed memory [58]. The study was able to achieve unobstructed and non-reactive data that is free from distortion that usually emanates from interviews. Interview distortion of data is through the role selection, guinea pig and the response set effect [54]. The archival method permitted the reassessment of records to confirm facts of the subject matter [52].

## Data collection method

The research method proposed is an archival method to review the board roles using financial reports, APP, parliamentary documents, and audit reports. These reports enabled the researcher to analyse how a state broadcaster fulfils its strategic, monitoring, and advisory roles. The archival data collection method is synonymous with economic and business history, though it is useful in other disciplines which are more focused on contemporary development and problems. However, Creswell [54] argues that secondary data should not be used exclusively because of its historical nature. Nevertheless, the secondary data analysis allows existing theories and results to be challenged to achieve empirical depth [52].

Table 1 reflects the common stages in the archival methodical approach used in this study.



**Table 1: Archival Method Stages**

| Stage | Strategy Used |
|---|---|
| 1. Discovery | Annual reports, parliament reports, audit reports, governance reports, academic research reports, government reports, international archives, court case archives, legislative records |
| 2. Access | Obtain access to databases and records |
| 3. Assessment | Application of measures of meaning, credibility and quality, credibility |
| 4. Sifting | Data sequencing and reduction |
| 5. Cross Section | Multiple data sources triangulation |

**Source**: Yin [52]

By going through the cross-section, sifting, assessment, access and discovery stage, the process becomes meticulous permitting and very thorough deep in-depth process to be carried out about the role of directors in effective governance at a state-owned enterprise. This is achieved by making sure quality, credibility and meaning are observed when assessing the archival sources whilst regarding triangulation to enable conclusions.

The following measures were applied when gathering data from the secondary data review (Table 2):

**Table 2: Director Roles/Characteristics' Measurement Proxies**

| ROLE/CHARACTERISTICS | MEASURING PROXY/LEVEL OF DISCLOSURE |
|---|---|
| **CHARACTERISTICS** | Qualification of a director<br>Experience of a director<br>Age of a director<br>Other directorship |
| **MONITORING** | Meetings frequency<br>No board meetings attended by independent directors<br>Board size<br>CEO power/chairman duality<br>Reporting of audited accounts<br>External auditor appointment<br>Committees<br>Chairman of committees<br>No independent directors/composition of the board<br>Categories of remuneration<br>Increase/decrease/unchanged in remuneration |
| **ADVISORY** | The existence of a dual system with a separate advisory committee<br>The existence of a unitary board system |
| **STRATEGIC** | CEO appointment<br>CEO firing<br>Strategic direction |

**Source**: Adapted from Johl, Kaur and Cooper [59]



## Data analysis method

This study used a combination of secondary data analysis and archival methods to analyse data. According to Johnson [57], secondary data analysis is a new analysis carried out on current data sets to present new discussions, analyses, interpretations, and conclusions that are different and additional to the existing results. A lot of studies start by investigating to understand what is known already by reviewing secondary data. Consequently, a further enquiry is undertaken through secondary data analysis by reviewing past data collected which is of interest. In this way, flexibility was achieved with secondary data analysis using data already in existence [54]. Therefore, this research investigated what was previously collected using the archival method and proceeded to examine further through secondary analysis to reveal what is not known about effective director roles within the state broadcasting context.

An evaluative and procedural approach was utilised to collect and analyse data [57]. The data analysis method used ensures an alternative perspective is provided by relying on existing data to contribute new scientific knowledge about board effectiveness within the state broadcaster context. The researcher took greater advantage of the publicly available high-quality data and considered the value added from the secondary data analysis to gain more insights and knowledge on a broader range of issues. The study mostly used only publicly available parliamentary reports, financial reports, statutes, regulations, governance reports, audit reports and academic journals. Any non-public information that was inaccessible was not used in the analysis and interpretations.

## RESULTS AND DISCUSSIONS

### Data collection and analysis procedure

The publicly available reports on the state broadcaster's annual reports, performance plans, parliamentary reports, and journals were analysed for the years 2016-2021 financial years. The data collection method was led by the archival method stages of discovering the main reports, court case archives and legal records that relate to the board of director activities. Access was then sought for these publicly available records and databases. The reports and records were assessed and sifted using a data sequence of the key terms that depicted the proxies of the director's roles and characteristics. The main reports that include annual reports, performance reports, and audit reports used in this study were obtained from the public broadcaster's website, the parliamentary reports website, and the auditor general website. A cross-section approach meant that multiple data source triangulation was adopted to ensure the credibility and meaning of the analysed information.

### Board of directors' characteristics

The state broadcaster uses a unitary board system limited to 12 non-executive directors and three executive directors as stipulated by the Broadcasting Act No. 4 of 1999 since 2018 when a permanent board was established. In April 2016, the organisation faced a board exodus that led to a lack of quorum and failure to lead the organisation as a going concern. Without a competent board, the executive members could not execute their responsibilities actively as important decisions affecting the organisation emanates from the board. There were effectively no governance structures and the organisation had poor performance and lacked controls.

For the period under review, the state broadcaster was led by 15 board members for 3 financial years except the 2016/2017 Financial Year (FY) when it was led by 8 members and in the 2020/21 FY, it was led by 14 members with a five-year mandate. The board's characteristics include more males than females, an age range of 39 years to 71 years, a majority that is qualified with at least a Masters' degree, and well-diversified and experienced members.

This board has managed to institute a great turnaround strategy restore the organisation into a going concern and restore the governance structure necessary for compliance and performance. However, the organisation has not achieved a profit and continues to be in a loss-making position. The organisation has managed to recover from its cashflow challenges to maintain a positive cash position and moved from an adverse audit position in the 2016/17 FY to a qualified audit position in the 2020/21 FY. Thus, the state broadcaster's board is structured for effectiveness such that there is no single individual domination in the board decision. The board is structured for diversity demographically in terms of age, gender, qualifications, and experience to ensure a balanced board. In this way, the board diversity serves as an added value that impacts the organisation's performance [28]. The experience and qualifications of the board members show functional diversity in terms of having members with reputation, functional background, knowledge, and specific experiences in broadcasting, communication, print media, information publicity and others. Thus, functional diversity brings job-related diversity necessary for the effectiveness of the board [51].

**Monitoring roles of a board of directors**

The board exercises its monitoring roles by attending board meetings and having more meetings. For the period under review, the board met frequently with over 10 meetings and as high as 33 meetings except in 2016/17 FY. Attendance of board meetings was above 50%. Effective monitoring is achieved when these board members attend meetings regularly and have more involvement in the organisation's business activities. Thus, according to Alsharqawi and Alshalrqawi [22], there is more cohesiveness in decision-making when directors meet frequently. Boards that meet relatively infrequently or infrequently interact may inhibit the ability of the board to develop into a cohesive decision-making body. In addition, the frequency of the meetings is important in developing more cohesion required to monitor business activities more effectively. The state broadcaster shows more cohesiveness and trust with more frequent meetings and high attendance that brings more effective monitoring to the organisation's activities promptly. However, there is a need to strike a balance between board meetings and economies of scale by ensuring there are not too many meetings that result in a waste of managerial time and excessive meeting expenses [33]. Adequate meetings can effectively monitor, advice, and control management.

The size of the Board is stipulated by the Broadcasting Act, to ensure that there are sufficient directors to monitor the entity's activities. The Act also stipulates a higher number of non-executive directors than executive directors to ensure sufficient independent monitoring of the executive. This is under the agency theory which lends credibility to the argument in favour of having independent directors on the board [28]. The high number of non-executive directors in the state broadcaster board are thus providing expertise, resources, oversight, and monitoring to curb executive management excesses. Its adequacy is found in its ability to focus on the agency problem and monitor the alignment of management interests with the shareholders' (government) interests. However, the number is limited by regulation and at any given moment, the board must meet the stipulated number to make a quorum that provides adequate oversight.

The board is further mandated through the PFMA (1999) to provide internal audit oversight that brings a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. For the period under review, the organisation showed its effectiveness in ensuring internal and external audit issues are followed up and resolved with executive management with over 58% reported issues under the control and direction of the Audit and Risk Committee. Furthermore, for at least three financial years, the organisation has received qualified external (AGSA) audit opinions. Increased monitoring is also ensured with separated CEO and Chairman roles under good governance and compliance with SOE regulations. The CEO and management team are independently monitored whilst providing adequate oversight. As per requirements of the organisation's Charter, the entire board is regarded as the accounting authority accountable and responsible to the Shareholder (government) for the performance of the organisation, hence have a fiduciary role under the Companies Act (2008), Broadcast Act (2008) and the PFMA (1999).

## Advisory roles of a board of directors

The state broadcaster board does not have a standing advisory or service function responsible for providing independent advisory services to the Board. The organisation does not use this system of creating a separate board function that is specifically created to make the advisory board function separately. Instead, it uses the unitary system where the board of directors is regarded as an important strategic device that both provides advisory and strategic service to the organization. This perspective is from the stewardship theory, that the board of directors can serve the CEO and management with their expertise through their active involvement in the strategic decision-making process, particularly by advising top management on the initiation, formulation, and implementation of the strategy [46]. Therefore, in this way, the board of directors has an inherent advisory function that is not specifically carried out using a separate system. The state broadcaster does not have a sitting and separate advisory committee to provide ongoing advisory services. Instead, the Board has committees that handle various business functions and is empowered by the Charter to seek independent advisory services when in need of professional advice on specific issues the business is facing.

About nine functional board committees exist to assist the Board in fulfilling its various roles including monitoring and oversight, and effective governance. The state broadcaster has committees that are highly independent and mandated to manage specific issues of audit and risk management, digital technology, finance, investment, procurement, governance, nomination, human resources and remuneration, public broadcasting services, public commercial services, news, and editorial content, social and ethics. The organisation showed good attendance and participation in these board committees.

To ensure there is effective monitoring, the board committees are structured to always have an independent chairperson and most independent non-executive directors. These committees are more effective when the board members are attending and participating for effectiveness. This aligns with the King IV principle on SOEs that SOE boards should delegate through committees to promote independent judgement, effective discharge, and balance of power [11]. However, at the state broadcaster, constant problems are rife with interference of the board on the organisation's day-to-day activities. The CEO and his or her team must be allowed to drive the organisation forward with the minimum of interference, yet the line between setting and monitoring strategic direction, and executing strategies at an operational level, sometimes becomes increasingly blurred [47].

## Strategic role of a board of directors

The appointment and dismissal of executive directors, non-executive directors, CEO and Chairman to provide strategic direction to the organisation is overly regulated and often leads to confusion and disputes within the state broadcaster's space. The Broadcast Act (1999), the PFMA (1999), and The Companies Act (2008) all provide for the appointment and removal of directors. The registered MOI and the Broadcast Act have similar provisions which vest the power to appoint or remove the President on the advice of the Board or National Assembly. However, in terms of the PFMA (1999) and the Companies Act (2008), the power to appoint or remove a director rests with the shareholder Minister on the advice of the board. Therefore, there is a regulatory challenge which has led to various board appointments and dismissal challenges over the period reviewed.

The permanent board appointed in 2017 was able to set and implement a turnaround strategy geared to transform the organisation's financial and operational challenges. The stated broadcaster's board is therefore operating in line with King IV Part 6.6 Principle addresses the development of the strategy of an SOE as prioritised by the government, cabinet, and the Minister. Additionally, the strategic role is of particular importance in critical cases such as periods of environmental turbulence or decline in a company's performance because such events provide the opportunity for a board to initiate strategic change such as firing and hiring a CEO [35].

## CONCLUSION, RECOMMENDATIONS AND LIMITATIONS

In conclusion, the study found that the state broadcaster board is using a unitary system to monitor and provide effective oversight and corporate governance. The board is led by a majority of non-executive directors to ensure independence, functional and demographical diversity with no single individual domination. The state broadcaster board uses well-attended, sized, and independently driven nine functional committees regularly that fulfil regulation requirements to effectively monitor the CEO and the management team to fulfil the fiduciary role, accountability and responsibility to the Shareholder and to meet regulatory requirements. The board has an inherent strategic and advisory service to the organisation that serves the CEO and management with expertise through active involvement in strategic decision-making, formulation and implementation of strategy whilst seeking external professional advisors where it lacks specific expertise to effectively carry out its advisory role. Regulatory misalignment exists regarding the appointment and removal of directors at the state broadcaster with at least three regulations in conflict with the procedure to appoint or remove directors to allow the board to fulfil its strategic role.

Therefore, this study is important in understanding how boards execute their roles effectively within state-owned enterprises that have both a commercial and public good mandate. The study sought to understand how board characteristics influence state-owned enterprises. The study unmasked the importance of demographic and functional diversity in ensuring board effectiveness in SOEs. The research has also revealed the importance of CEO and Chairman separation in ensuring independence within the board that brings more effectiveness in oversight, monitoring and strategy. The study revealed that the advisory role is carried out inherently and is not regarded as a main functional area that can be administered by a standalone committee. The advisory service is a very critical role as board members from time to time must advise the CEO and management on an ongoing basis. The study has revealed the over-legislation and misalignment of legislation that affects the appointment and removal of directors in a state-owned enterprise. This an important issue to ensure efficiency in the manner SOEs are governed and to avoid governance failure.

It is recommended that a balance between executive and non-executive members be maintained. The current nine non-executive members versus three executive members' means, there is more outsider view at the expense of insider viewpoint to board effectiveness. Regulators can consider setting a balanced number of executive and non-executive board members but with the awareness that having more non-executive members brings a more independent view to the board and having too many non-executive members who are not hands-on to the organisation's activities can also bring ineffectiveness. To achieve more effectiveness in their roles, board members must not chair more than one committee. This can further ensure more diversity and eliminate role overload especially when a single member is involved in too many board committees. To ensure more effective advisory support is given to the board and the executive, the creation of an independent committee with a specific mandate to provide ongoing advisory services to the board, CEO and management is necessary. The committee can bring a pool of all the lacking expertise in the board that is occasionally outsourced or required by the members to effectively execute their roles.

There is a need for policymakers to ensure legislative streamlining to ensure consistent regulation that facilitates the appointment or removal of directors in state-owned enterprises. This can be done through amendments to the conflicting sections of regulations or the creation of overarching legislation that guides the appointment or removal of directors. Independent board members are more effective when executing strategic roles than when interfering in the day-to-day activities of the business. When independent board members focus on strategic roles rather than day-to-day operational issues, corporate governance disputes are eliminated. The board needs a more balanced diversity in terms of local and international broadcasting experience. This is progressive in bringing more insightful thinking into the board roles to enhance the broadcaster's global competitiveness.

This study is limited to a secondary review of publicly available information and the SOE case is governed by specific legislation such as the Broadcasting Act (1999) which does not apply to other SOEs operating outside of the broadcasting industry. Future studies are recommended to include other SOE boards of organisations operating in South Africa, and operating in other developing and developed countries.

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