THE INFLUENCE OF THE BOARD ON CORPORATE PERFORMANCE: THE CASE STUDY OF ZIMBABWE ELECTRICITY SUPPLY AUTHORITY HOLDINGS (2009-2013)

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Declaration

I, Victor Kufahakutane, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the acknowledged sources in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university or college.

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Approval

I certify that Mr. Victor Kufahakutane carried out this research under my supervision and the dissertation is submitted with my approval.

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Abstract
The aim of the study was to examine the influence of the board of directors on corporate performance at ZESA holdings. The specific objectives of the study included establishing the influence of compensation of the board on corporate performance of ZESA holdings, establishing the relationship between gender diversity and company performance as well as establishing the association between board skills diversity and company performance. The study also analysed relevant extant literature pertaining to corporate governance, theories, variables and corporate performance. Self-administered questionnaires were distributed to members of the board and management. The study adopted a quantitative approach for collecting and analysing primary data. All collected data was entered into SPSS for analysis. The findings revealed that there is no gender diversity in the board. Regression and correlations analysis showed that there is a significant positive relationship between skills and corporate performance. In addition a positive relationship was also found between gender diversity and corporate performance. However, a negative relationship was found between board compensation and corporate performance. The study recommends for efforts to improve corporate governance by focusing on gender diversity and skills diversity since these are positively related to future operating performance of the organisation. In addition, the study recommends for steps to be taken for mandatory gender mainstreaming in the organisation. In addition, an effective legal framework should be developed that specifies the need for gender diversity in the organisation and other state enterprises. It is suggested that future research should consider some of these factors in exploring the impact of corporate governance on corporate performance.
# Contents

Declaration .............................................................................................................................................. ii  
Approval ................................................................................................................................................. iii  
Acknowledgements ............................................................................................................................. iv  
Abstract ................................................................................................................................................. iv  

CHAPTER I ........................................................................................................................................... 1  
1.1 Background to the study ..................................................................................................... 1  
1.2 Statement of the Problem .................................................................................................. 4  
1.3 Research Objectives ........................................................................................................... 5  
   1.3.1 Primary Objectives ...................................................................................................... 5  
   1.3.2 Sub Objectives .............................................................................................................. 5  
1.4 Research Questions ........................................................................................................... 6  
   1.4.1 Primary Research Questions ...................................................................................... 6  
   1.4.2 Secondary Research Questions ................................................................................ 6  
1.5 Research Hypothesis ............................................................................................................ 6  
1.6 Significance of the study ..................................................................................................... 6  
1.7 Assumptions of the Study ................................................................................................... 8  
1.8 Scope of the Study ............................................................................................................... 8  
1.9 Limitations ............................................................................................................................. 8  
1.10 Theoretical Framework ..................................................................................................... 8  
1.11 Organisation of the Remaining Chapters .................................................................... 9  

LITERATURE REVIEW ..................................................................................................................... 11  
2.1 Introduction .......................................................................................................................... 11  
2.2 The Agency Theory of Corporate Governance .................................................................. 11  
2.3 Board compensation .......................................................................................................... 14  
2.4 Gender Diversity .................................................................................................................. 15  
2.5 Board Skill Diversity .......................................................................................................... 17  
2.6 Corporate governance and corporate performance .......................................................... 18  
2.7 Conceptual model and hypothesis development ................................................................. 20  
2.8 Impact of director compensation in corporate performance .............................................. 21  
2.9 Impact of gender diversity on corporate performance ......................................................... 23  
2.11 Impact of board skills diversity and business performance ............................................ 26  
2.12 Chapter summary .............................................................................................................. 27
RESEARCH METHODOLOGY

3.1 Introduction ........................................................................................................... 28
3.2 Research Philosophy .......................................................................................... 28
3.3 Research Approach ............................................................................................ 30
3.4 Research Strategy ............................................................................................... 33
3.5 Data Collection Techniques and Research Instruments ............................................. 35
   3.5.1 Scale Development ...................................................................................... 35
3.6 Study Population .................................................................................................. 36
3.7 Sample size and sampling techniques ...................................................................... 37
3.8 Data Finding and Analysis .................................................................................. 38
3.9 Validity and Reliability ...................................................................................... 39
3.10 Ethical Considerations ...................................................................................... 39
3.11 Chapter Summary ............................................................................................... 40

DATA FINDINGS AND ANALYSIS

4.1 Introduction .......................................................................................................... 41
4.2 Response Rate ...................................................................................................... 41
4.3 Gender of Respondents ...................................................................................... 43
4.4 Educational Qualifications .................................................................................. 43
4.5 Length of service with the organisation ................................................................. 45
4.6 Board compensation descriptive statistics ......................................................... 46
4.7 Skills diversity descriptive statistics ................................................................... 47
4.8 Gender Diversity Descriptive Statistics ............................................................. 49
4.9 Corporate performance descriptive statistics .................................................... 50
4.10 Pearson Coefficient Analysis ............................................................................ 51
4.12 Regression analysis ........................................................................................... 53
4.13 Hypothesis Testing ............................................................................................ 54
4.14 Chapter Summary ............................................................................................... 56

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction ......................................................................................................... 57
5.2. Summary ............................................................................................................. 57
      5.2.1 Theoretical Findings .................................................................................. 58
      5.2.2 Empirical findings ..................................................................................... 59
      5.2.3 Evaluation of research objectives .............................................................. 60
      5.2.4 Evaluation of research hypothesis ............................................................ 61
5.3 Conclusion........................................................................................................................................62
5.4 Recommendations................................................................................................................................63
  5.4.1 Recommendation regarding directors’ compensation........................................................................63
  5.4.2 Recommendations regarding board gender diversity........................................................................63
  5.4.3 Recommendations regarding board skills diversity..........................................................................64
5.5 Suggestions for Further Research........................................................................................................64
APPENDIX 1: Introductory letter.............................................................................................................78
APPENDIX 2: Questionnaire ..................................................................................................................79
LIST OF TABLES

Table 3.1  Research Strategy ..................................................................................33
Table 3.2  Target Population ..................................................................................36
Table 4.1  Response rate ..........................................................................................42
Table 4.2  Reliability Statistics ................................................................................42
Table 4.3  Board compensation ................................................................................46
Table 4.4  Skills diversity descriptive statistics .......................................................48
Table 4.5  Gender Diversity descriptive statistics ....................................................49
Table 4.6  Corporate performance descriptive statistics .........................................50
Table 4.7  Coefficient analysis ..................................................................................51
Table 4.8  Regression analysis ..................................................................................54
Table 5.1  Hypothesis testing ....................................................................................62
LIST OF FIGURES

Fig 2.7 Conceptual model .................................................................21
Fig 3.1 Deductive approach process ..............................................30
Fig 3.2 Inductive research process .................................................32
Fig 4.1 Gender of respondents ......................................................43
Fig 4.2 Educational qualifications ..................................................44
Fig 4.3 Length of service with the organisation .........................45
CHAPTER I

INTRODUCTION

There are many empirical studies that have been conducted over the past years to investigate the influence of the board of Directors on corporate performance in the world (Barkema and Gomez-Mejia, 1998). However, similar studies in the context of Zimbabwe are very rare. In Zimbabwe studies on this topic have been mainly in a qualitative form by referencing to the history of corporate governance in Zimbabwe using only legal documents. The influence of the board of directors on corporate performance is one of the most debated issues in corporate governance. Past studies actually yielded inconclusive arguments about influence of board of directors and corporate performance. The other limitation of the previous studies is that they focused on a few notables factors such as board size, structure of the board and board committees and they ignored other factors or moderators such as gender diversity, board skills diversity and board compensation. Thus, the study aims to provide a quantification of the influence of the board of directors on corporate performance with ZESA holdings as the case study.

1.1 Background to the study

Corporate governance issues attracted public interest because of their significance for the economic growth of companies and the society in general. The United States of America, Canada, the United Kingdom and other European countries witnessed the collapse of various companies due to corporate governance issues (Daily and Dalton, 2003). There has been a rise in empirical research in corporate governance following the accounting scandals of Enron and WorldCom in 2002. The scandal resulted in the reduction of Enron’s market value from US$ 80 billion in August 2000 to less than US$ 1 billion in 2001, when the financial scandal was revealed (Gompers, Ishii and Metrick, 2003).
In addition, the 2007/2008 subprime mortgages scandals and the resultant bank failures in the United States of America reignited the debates on the importance of corporate governance in general (Mohd, Rashidah, and Sakthi, 2010). According to OECD (2009) and Gompers et al., (2003) the poor performance of most public enterprises in developing nations is largely due to the low level of good corporate governance practices. Several studies conducted in the developed countries have confirmed the positive relationship between good corporate governance and organisational performance, (Vishny and Shleifer, 1997 and OECD, 2009).

Since the turn of the century, Zimbabwe has experienced corporate failures attributed to poor corporate governance (Tennyson, 2010). In particular, the country witnessed a corporate crisis which resulted in the liquidation or massive restructuring of a number of companies. The banking crisis of 2003 which caused so much panic to depositors was triggered by poor corporate governance practices which undermined investor confidence and affected overall market stability (Chagwiza, 2013). In 2011 Renaissance bank went under curatorship whilst Genesis bank and Interfin bank also closed during the same period. The closures of these banks were blamed on a lack of liquidity, poor corporate governance, looting and brazen theft by its executives (Bloch, 2012).

Furthermore, there has been no shortage of examples of serious failures of governance in the public sector in Zimbabwe. Large scale corporate failures attributed to poor governance included parastatals such as Air Zimbabwe, ZUPCO, ZESA holdings and NRZ (Njanike, 2010). In particular, the boards of the respective state enterprises have been accused of lacking the required level of independence, expertise and more often than not, solely serve the purpose of rubberstamping the executive management’s views. As a result, sufficient attention has not been given to the broader needs of other stakeholders, who then suffer the consequences of lack of adequate fiduciary oversight over the state enterprise affairs. Interestingly, some state enterprises such as ZESA Holdings and ZBC even operated without substantive boards, some for a period as long as 3 years (RBZ, 2012). According to the Standard (24 June 2012), some subsidiaries of ZESA Holdings were being run like a football club with the state of accounts looking like that of a drug addict, sometimes without even the board. For instance, the state enterprise’s board
sometimes did not meet *(The Standard, 24 June 2012)*. It was not surprising that the senior management and the CEO could award themselves high salaries when the workers were struggling for a living.

According to the *Daily News* (11 December 2013), commentary, the obscene salaries reflected the absence of director appraisal, a dysfunctional board, director emolument or lack of essential information by the directors. This was at a time when the institutions were reeling under massive debts and salary backlogs for employees *(The Herald 31 January 2014)*. For instance, the ZBC and PSMAS high salaries and allowances offered to senior management showed that prudent corporate governance practices had been relegated to the dustbin *(Newsday 31 January 2014)*. Most surprising, the chief executive officers earned up to US $ 500, 000 per month which were approved by the board *(The Herald 31 January 2014)*. In the presence of the board, the respective parastatals suffered cannibalisation at the hands of individuals entrusted by law to play a stewardship role.

In 2014, ZESA Holdings was rocked by allegations of corruption, improper tender floating and other underhand dealings by both the board and management *(The Herald, 11 February 2014)*. The corrupt tender floating at the state enterprises have exposed a number of poor corporate governance practices that would have an impact on the profitability of the public enterprise *(Liew, 2006)*. All these failures raise some important questions on management style, audit independence, the nefarious practices of board members, ethics, professionalism and conflict of interests. According to Bies (2004), the level of fraud and embezzlement in the state parastatals has brought into question the influence of the board on the performance of the state enterprises.

ZESA Holdings has struggled to constantly provide power to stakeholders such as the public and companies and this has led to the erosion of confidence from all stakeholders. Thus, the research seeks to ascertain if it is the influence of the board which has affected the performance of the state enterprise. It is no exaggeration that good corporate governance can help Zesa holdings to deliver the services expected of them. The presence of an effective board will undoubtedly result in meaningful use of taxpayers’ money and that could help the Zimbabwe economy reach its full
potential. It is against this background that the research seeks to understand the influence of the board on corporate governance performances at ZESA Holdings. Given this untidy experience, the research aims to ascertain how gender diversity, skills diversity and board compensation, affect board efficacy and corporate performance. There had been deafening silence of the respective board of directors in the presence of perpetual non-performance by Zesa Holdings.

1.2 Statement of the Problem

The Zimbabwe Agenda for Sustainable Social Economic Transformation (ZIM-ASSET (2013 to 2018) blueprint has as one of its strategies the need to boost economic recovery and growth with mining and agriculture at the center, and availability of electricity has been identified as one of the enablers of Zimbabwe’s economic recovery. ZESA falls under the infrastructure and utilities cluster tasked with provision of electricity. However the performance of ZESA has often been brought into question, creating anxiety over its ability to provide electricity for the recovery of the economy. The non-performance of ZESA is evidenced by incessant load shedding, inability to match supply and demand, a chaotic billing system which has seen some customers remaining unbilled billed for months whilst the firm is plagued by cash flows challenges, antiquated equipment which results in an unreliable service at high operational cost, inability to access domestic and foreign loans due to a legacy debt in the region of USD$ 800 million which it is unable to service. Various interventions have been made by the government to try and change the fortunes of ZESA but so far with no success. Interventions such as the purchase of an integrated information management system (SAP) have not addressed the IT challenges affecting ZESA. The controversies regarding the tendering system at ZESA are perennially in the press. The roll out of a prepaid metering system which aims to improve the cash flows at ZESA is fraught with allegations of tender flouting.

According to Sanusi (2010), the current economic challenges facing state enterprises in Zimbabwe could be linked with corporate governance malpractices within the organisations which then become a way of life in these state enterprises. ZESA Holdings and other state enterprises have been suffering from poor corporate governance and consequently there have been mismanagement and
misappropriation of resources (IMF Report 2009). Given the failure of the management interventions that have been put in place so far it may be necessary to evaluate the corporate governance systems at ZESA.

Empirical researches by Yermack (1996) showed that the boards do have a positive influence on firm performance. Hence, the research seeks to analyse the influence of the board on corporate governance at ZESA Holdings. The success of ZimAsset is strongly anchored on the ability of ZESA to provide adequate power for the resuscitation of industries and all efforts have to be made to try and find out the reason for the perennial non performance. Thus, the research seeks to offer an empirical and theoretical examination of the influence of the board on corporate performance of the organisation. Whilst there are many other factors that are involved in ascertaining the influence of the board of directors the study zeroed in on three aspects of the board namely board members’ compensation, skills diversity, and gender diversity and their influence on company performance.

1.3 Research Objectives

The study had both primary and secondary objectives and these are illustrated below:

1.3.1 Primary Objectives
The main objective of the study was to establish the influence of Board of directors on corporate performance on ZESA Holdings for the period 2009 to 2013.

1.3.2 Sub Objectives
The research sought to achieve the following secondary objectives:

1 Establish the influence of compensation of the board on corporate performance of ZESA holdings.
2 To establish the relationship between gender diversity and corporate performance.
3 To establish the association between board skills diversity and corporate performance.
1.4 Research Questions

1.4.1 Primary Research Questions
The following main research question was developed: What is the influence of the board of directors on corporate performance of ZESA Holdings?

1.4.2 Secondary Research Questions

1. What is the influence of board compensation on corporate performance of ZESA holdings?
2. What is the relationship between gender diversity and company performance?
3. What is the association between board skills diversity and company performance?

1.5 Research Hypothesis

The following hypotheses were tested:

**H1:** There is positive association between board compensation and corporate performance

**H2:** There is positive relationship between board gender diversity and corporate performance.

**H3:** There is positive association between board skills diversity and corporate performance

1.6 Significance of the study

There are many empirical studies which have been conducted to investigate the influence of the board on corporate performance in the world (Geletcanycz and Sanders, 2004; Pye and Pettigrew, 2005). However, similar studies in the context of
Zimbabwe are very rare as many of these studies were mainly conducted in western countries. Thus, the research offered a quantitative contribution of how corporate governance variables such as gender diversity, skills diversity and compensation of the board do affect the performance of public enterprises such as ZESA in terms of return on assets and service delivery in Zimbabwe.

The study would be of utmost importance in contributing to the existing body of knowledge concerning corporate governance practices and organisational performance by state enterprises. The research would immensely contribute to agency theory and stakeholder theory in relation to accountability of the board, shareholders and other stakeholders of companies operating in an illiquid economic environment such as Zimbabwe. Although researches by Chin, Mahajan and Sharma, (2004) extensively examined the impact of the gender diversity and board skills diversity on corporate performance, their findings remain inconclusive. Thus, the research aimed to add empirical evidence for the influence of the board on corporate performance with quite recent data. Moreover, the research would cater for nonlinearity making it more robust than previous researches. The researcher also expected that the uniqueness of the research could increase the understanding of board governance practice in Zimbabwean state enterprises.

Additionally, the study would not only benefit the public enterprises of Zimbabwe, but it would also be of significance to other African countries that are culturally and economically similar to Zimbabwe. Findings would also benefit investors, decision makers, regulators as well as policy makers to set new standards for best practices in terms of board compensation, gender diversity, and skills diversity.

Many empirical investigations involving the influence of the board of directors on corporate performance are usually troubled with the need to account adequately for the inherent heterogeneity in the sample. Consequently, it is difficult to draw statistical inferences from the findings. Thus, by focusing on a single case study the study could abstract from the organisation the effects of corporate governance variables and focus purely on variable differences. A similar organisation specific study has been adopted by Collins and Neal (2000) for Namibian state enterprises.
1.7 Assumptions of the Study

The study assumed that:

- Respondents would answer the questions accurately
- The research instrument was valid and reliable.

1.8 Scope of the Study

The study did not focus on all state enterprises in Zimbabwe but was a case study of ZESA Holdings. Thus, the scope of the study covered ZESA holdings board of directors, senior and low level management from all its subsidiaries and strategic business units namely ZESA Enterprises, Zimbabwe Power Company, Powertel and Zimbabwe Electricity, Transmission and Distribution Company of Zimbabwe. The company was chosen on the basis that it is continuously experiencing operational challenges, and has had to be bailed out by the government on a perennial basis. The targeted population was done within the framework of analyzing the influence of the board directors on company performance for the period 2009 to 2013. Hence, the theoretical scope of the study covered the influence of the board of directors on corporate performance.

1.9 Limitations

Limitations to the study include access to information due to the high sensitivity and confidentiality of the subject matter. In addition, research participants may not provide the required information due to confidentiality rules of the company. However, the respondents will be assured that the research is entirely for academic purposes only and that confidentiality will be maintained.

1.10 Theoretical Framework

The theoretical framework of the study was based on the agency theory advanced by Jensen and Meckling (1976), Fama (1980) and Fama and Jensen (1983), with
the principal agent problem. The theory offers a framework to explain how to create effective monitoring of companies and enterprises. Furthermore, the theory suggests that a better governed enterprise is expected to have better performance due to lower agency costs. This is supported by many empirical studies such as Gompers et al., (2003) which found that an effective board is associated with higher return on equity and higher return on assets. Hence, the study’s theoretical underpinnings of the board’s monitoring function was largely derived from the agency theory which views the primary function of the board as monitoring the actions of agents. The monitoring function by the board is significant since it seeks to reduce the potential costs which are incurred when management pursue self interests.

1.11 Organisation of the Remaining Chapters

The study has five chapters where chapter one gives the historical background of the study with specific reference to corporate governance and the organisation of the study. The problem statement was also discussed of which research objectives and questions were derived. The significance of the study, research assumptions, scope and delimitation of the study were also discussed.

Chapter two offers a discussion of corporate governance and corporate performance literature relevant to the study. The chapter covers, corporate governance theories, and also discusses in detail variables such as gender diversity, skills diversity, board compensation using both theoretical and empirical literature. From the literature review, both the conceptual framework and hypothesis for the study are developed.

Chapter three of the study offers the frame of reference needed to create a solid foundation for the study. The chapter focuses on research philosophy, research strategy and data collection methods that are relevant to the study. In addition, the chapter also discuss issues such as sample population, research instrument, data analysis procedure as well as reliability and validity of the study.

Chapter four presents the data findings and this is discussed in reference with previous studies. The findings are presented in tabular and graphical format.
Hypothesis testing is also done in the chapter using both regression and correlation analysis.

Finally, chapter five summarises, the findings and provides the conclusions and recommendations for the study. Corporate governance Areas for further study are also suggested.
CHAPTER II

LITERATURE REVIEW

2.1 Introduction

The chapter discusses corporate governance literature related to the research questions stated in chapter 1. The chapter presents literature related to the influence of the board of directors on corporate performance. It starts by elaborating one theoretical perspectives, namely, the agency theory that is important in board effectiveness and corporate performance. The first section will discuss the agency theory of corporate governance and how it is related to corporate performance. The next section discusses the board of director variables which influence corporate performance. The chapter will also identify the board characteristics such as, gender diversity, board compensation and board skills diversity. The reviewed literature forms the basis for investigating the corporate governance practices in state enterprises in Zimbabwe.

2.2 The Agency Theory of Corporate Governance

There are a number of theoretical principles which underline the issue of corporate governance and one of them is the agency theory which was developed by Jensen and Meckling (1976). The theory has its origins in economic theory and it dominates most of the literature in corporate governance. It presents an important way of understanding the links where the parties' expectations are at loggerheads and can be brought into alignment through proper monitoring and a well laid out compensation system (Davis, Duchin, Matsusaka. and Ozbas, 2003).

Alchian and Damaetz (2003) defines the agency theory as the study of the unavoidable conflict of interests that happen when persons engage in corporate behaviour. The theory is drawn primarily from the property rights literature, and transaction costs economics (Barney and Hesterly 2009). Thus, the agency theory basically discusses the problems of incentives for management which came out as a result of the separation of decision making and ownership.
One of the assumptions of the agency theory is that human beings are bounded rationally, egocentric and prone to opportunism (Williamson, 2005). According to Barney and Hesterly (2009), other agency theory assumptions include a partial goal conflict in which the principal and agency do have different goals and risks choices and there is information asymmetry between the agent and the principal. It is of paramount importance to note that information is seen as a purchasable commodity. The main point here is that the association between the agent and the principal should show the effective form of risk bearing costs in order to reduce uncertainty as well as information asymmetry.

According to the agency theory, all control functions of a corporate are exercised primarily by the board of directors (Biserka, 2007). The theory is also based on the idea that in a company there is the separation of ownership and management. Its fundamental premise is that the managers act out of self-interests and are self-centered thereby giving less attention to shareholder interests. For instance, managers maybe interested in consuming perquisites like luxurious offices, company cars and other benefits because the costs is borne by the owners (Fama, 1980). Thus, the pursuit of personal interests increases the costs for the company and shareholder interests can be compromised. Similarly, Bowen (2008) believes that board members should be competent, reliable, independent, and dedicated to the cause. Furthermore, Carpenter and Westpal (2001) concur that the agency theory can be applied by boards of state enterprises so as to align the interest of management with those of customers, stakeholders and shareholders.

Donaldson and Preston (2005), agree that the demands of state enterprises require ethical and moral actions. According to Jensen and Meckling (1976), the agency problem arises because management do not always pursue the interests of the financiers and some of their actions are detrimental to the fortunes of shareholders. As a result, the agency problem is explained by Jensen and Meckling (1976) as focusing on the consumption requirements by managers and other types of empire building. It should be noted that management usually tends to entrench themselves in power. Thus, the cornerstone of the agency theory is that both shareholders and stakeholders through the board of directors would delegate responsibility of managing a company to the top senior management (Fama, 1980).
According to Arrow (2005), agency relationships are formed when the principals delegate authority to the agents and the welfare of the former is affected by the choices of the latter. Usually, the interests of the agent and principal are diverged as a result of the separation of control in the company and ownership (Godfrey and Hill 2005). In addition, the principal does not perfectly monitor and supervise the agent without incurring costs. The above explained factors do constitute the classical agency problem. Thus, the scope of the agency theory includes the risk sharing attitudes, that is, the agent and principal prefer different actions.

Eisenhardt (2005) analysed the preference between the commission and salary costs of employees in the retail sector. Hoskisson et al., (2003) elucidate that the agency theory is important in swinging the pendulum in business strategic management research by moving the focus from sectoral level to organisational analysis level. As explained by Lubatkin (2005), the agency theory enters the “black box” to comprehend the cause and effects of agency conflict between management and shareholders as well as the effectiveness of various corporate governance instruments to alleviate the conflict.

However, the agency theory has received a barrage of criticism in its quest to enhance an understanding of the organisation. Donaldson (2000), blames the theory as based on a micro economic model with simplified assumptions about nature of individuals and companies. In the same vein, Davis et al., (1997), bemoan that the assumptions of the agency theory are extreme and suggest that there are other theories on what motivates human behaviour and that there is no inherent challenges of managerial motivation. The theory is also criticized as being individualistic and predicated on the notion that there is a conflict of interest between management and owners (Shleifer and Vishny 2004). Moreover, the model involves the calculating of costs and benefits and thus it seeks to achieve rewards and avoids punishments. Kirwan and Brenan (2006), have dismissed the model as synonymous with theory X type of organisations.

With regard to the research questions, the study adopted the agency theory since it focuses more on board of directors as an instrument which dominates the corporate governance literature. In addition the theory discusses the relationship between
providers of corporate finance and management which is entrusted to manage the affairs of an organisation. This is also in concurrence with the works of Anderson and Tennyson, (2006). The separation of management and owners implies that the board acts on behalf of the owners. As observed by Eisenhardt (2004), the agency theory tries to resolve the problems which occur in the link between principals and their agency or board of directors. At the same time, the agency theory has as its main premise the assumption that the organisation function to maximize the wealth of both owner and shareholders. Other proponents of the agency theory such as Mallin (2010), do agree that board of directors become powerful when a company’s stocks are held.

2.3 Board compensation

Usually remuneration is one area where the chief executive officer exercises their power over the board. The boards usually concern themselves with executive remuneration, they favor high remuneration because it enhances the status of directors (Finkelstein and Mooney, 2003). According to Booth and Deli (1996), outside directors more often than not are also chief executive officers of other companies and thus may support CEO pay recommendation and from the linkage between CEO pay and director pay. As noted by Ezzamel and Watson (2002) inside directors directly benefit from executive remuneration because of the proportional scaling of remuneration across hierarchal levels. A majority of literature show that there is no relationship between corporate performance and director remuneration for a sample of large UK companies.

According to Hill and Phan (1991), the long tenure of directors influence the board through director selection processes. Thus, through increased tenure, the directors may have control over pay setting processes. Moreover, Brickly, Coles and Jarell, (2006) believe that directors with longer tenure are usually rewarded with higher pay for possessing more valuable human capital. As such Hambrick (2009) believes that there is a curve-linear relationship between CEO pay and tenure.

Literature suggests a variety of factors that potentially relate to director power, board size, firm size and board ownership (Espstein, Farell and Hersch, 2004). However,
the agency theory addresses the issue of the interests of less informed owners and that they can be aligned with that of powerful and sometimes opportunistic executives through pay performance (Fama and Jensen, 2003). Pay-for-performance remedy as suggested by agency theory has been challenged in recent years due to exorbitant amount of compensation packages paid to corporate executives (Friedrichs, 2009). Moreover, there is little knowledge about directors pay in developing countries. Similarly, Brick et al., (2006), also find that there is a negative relationship between excess director compensation and firm performance. The negative association between excess compensation and firm performance is consistent with rent extraction and managerial power argument (Bebchuk and Friend, 2003). Other studies such as by Firth, Shin and Shaari, (1995), do not find any link between pay and performance for Norwegian and Portuguese firms respectively. Randoy and Nielsen (2002), find a positive and significant correlation between accounting performance and CEO compensation. However, when examined in a multivariate setting, the positive significance disappears.

2.4 Gender Diversity

Gender diversity is part of a robust concept of board diversity. Gender diversity in company boards is also supported by different theoretical perspectives. As elucidated by Milliken and Martins (2005), the subject of gender diversity assumes that a corporate board should show the anatomy of the society and shows the gender as well as professional background. As explained by Keasey Güner, Malmendier and Tate (2008), board gender diversity shows the social fabric as it offers egalitarian representation and allows access to a broader pool of talent. Keasey et al., (2008), also believe that the board of directors should have the correct composition to offer diverse opinions. According to Carver (2002), gender diversity should be seen as a moral obligation to shareholders, stakeholders and it should also ensure that there is the broadening of the principle of merit. As postulated by Robinson and Dechant (2007), diversity promotes a good understanding of the marketplace, increase creativity, and produces more effective problem solving techniques. Additionally, Singh and Vinicombe (2008), agree that gender diversity
allows a robust perspective by individual members. Usually such diversity is shown through innovativeness and effective decision making (Milliken and Martins, 2006).

According to Robinson and Dechant (2008), the representation of women on boards in the US and United Kingdom range from 6.4% to 12%. Since many women face glass ceilings in the corporate sector, there are very few women in the boards of companies (Daily, Dalton and Cannella, 2000). Many women don’t have the opportunity for extensive experience in the corporate world and hence they are likely to be non-executive directors. Further, Daily et al., (2005) argue that it makes good business sense to have women on board as 60% of all purchases are made by women. According to Jamali (2007), women representation in boards is very limited. A Catalyst census in the United States of America showed that women directorship constituted only 12.4% and in the UK only 6.4% (Singh and Vinnicombe, 2008). Studies of the Canadian boards also showed that women representation was only 5%. Other prior researches by Hillman, Canella and Harris (2002), do show that most women directors are usually outsiders and from one corporate field.

There are many theoretical perspectives which support gender diversity in the board. Firstly, the agency theory believes that representation from diverse groups will offer a balanced board so that no individual or small group can dominate the decision making of the board (Hampel, 2008). In addition, diversity also offers representation of different stakeholders of the company for equity and fairness (Keasey et al., 2008). From a resource dependency perspective this can only be facilitated by diversity (Ingley and van der Walt, 2001). Thus, many scholars such as Pearce and Zahra (2001), Burke, (2004), Daily et al., (2008), and Singh and Vinnicombe (2008), concur that an increase in the gender diversity of the board will lead to better boards and governance on the foundation that gender diversity allows boards to tap on broader talent pools for the role of directors.

Many scholars now believe that an increase in board gender diversity leads to better boards and governance on the ground that diversity allows boards to tap on broader talent pools for the role of directors. Recently, there has been much research on inclusion of women in the corporate boards (Huse and Solberg, 2006). Hillman et al., (2002), posit that since majority of women have non-corporate background, they are
far more likely to provide valuable and rare information in a different perspective during board discussions. Zelechowski and Bilimoria (2004), also believe that even women directors who come from the corporate sector do have special skills in human resources, public relations, legal and communications. This is by far in good contrast with the skills men do have such as marketing, operations and accounting. Thus, the different range of the skills brought by women is believed to be good for governance (Fondas and Sassalos, 2010).

Corporate governance scholars concur that women in the board would benefit the company governance through a huge influx of abilities, fresh thinking and skills and this weaves a new dynamic to board of directors’ deliberations (Jamali et al., 2007). Gender diversity in the board would mean diverse strategic skills and competencies which are significant elements of good corporate governance (Biggins, 2006). Women also have staff support or managerial skills such as legal, human resources, public relations rather than functions of operations compared to men (Zelechowski and Bilimoria, 2004).

According to Bilimoria and Wheeler (2009), women, on average, are usually younger than their male counterparts. Thus, the board would benefit from the blending of new ideas and approaches to decision making. In addition, women also differ in expressing opinions and values and this usually result in the questioning of conventional wisdom and have open discussions (Huse and Solberg, 2006). Such robust and diverse opinions by women directors usually ignite a lively boardroom discussion. As noted by Letendre (2004), this would enhance the quality of decision making for a corporate organisation. In brief, it can be argued that the presence of women directors lead to a better board dynamics and improved performance in contrast with companies with boards composed of mainly one gender.

2.5. Board Skill Diversity

Skill diversity includes the total input of the board to the performance of an organisation (Van der Walt and Ingley, 2001). As explained by Jackson and Holland (2008), the skills of a board are related with individual experiences and expertise.
David (2001), argues that the performance of the board of directors is measured by the dimensions of its capacity to execute basic functions. Thus, the most important dimension of board effectiveness is the availability of skills and knowledge.

Espstein, Farrell, and Hersch (2004) believes that the board members should have the right blend of both skills and knowledge. For instance, they should have the functional knowledge which includes marketing, finance, accounting, and or legal including the business sector specific knowledge. Furthermore, Van Der Walt, Eisenberg, Sundgren, and Wells (2001), suggests that board members should possess sufficient general information to offer good quality input on all topics under discussion. Equally important, the board should be composed in a manner that enhances the presence of skills and knowledge (Namisi, 2002).

According to Carpenter and Westphal (2005), board member’s educational qualifications are imperative for decision making processes. From point of view of resource dependency, board members with diverse qualifications and skills are an invaluable strategic resource for an organisation because they provide strategic connection to external resources (Ingley and van der Walt, 2007). Additionally, Hilmer (2008) postulates that members of the board with educational and professional qualifications have high level of intellectual integrity, judgment and ability.

2.6 Corporate governance and corporate performance

There are varieties of performance indicators which can be selected for measuring the performance of companies and this usually depend on the interest as well as justification of the analyst. According to Bourne and Franco (2003), corporate performance indicators usually include efficiency, leverage, profitability and liquidity. According to Bourne and Franco (2003), a good performance measure must have the fundamental characteristic of being a broad based measure, structured understanding of strategy, provide feedback and take action on results. This study was focused on these measures that are of strategic importance to the company.

Imam (2006), states that better corporate governance would lead to good corporate performance as it prevents the expropriation of controlling shareholders and ensures
better decision making. However, quantitative data in support of the presence of the link between corporate governance and corporate performance is moderately scarce (Imam, 2006).

Important to note is that many investors and lenders would want to invest in companies with good governance. According to Iskander, Magdi and Chamlou (2007) companies with good corporate governance would have lower costs of capital and this would be another source of better corporate performance. Additionally, other stakeholders such as customers, suppliers and employees would love to be linked and enter into business associations with such companies.

The economic implications are also obvious as good corporate governance would mean that the company would be less vulnerable to systemic risks. At the same time, a company with good corporate governance will assists in the establishment of a corruption-free society. According to Adams and Mehran (2003) poor corporate governance in companies is a fertile ground for corruption symbiosis between politicians and business. A survey by the McKinsey and Company (2007), in Malaysia showed that investors would be willing to pay a premium for good governed companies.

Past studies by Rajan and Zingale (2006), and Brickly et al., (2005) showed a positive association between corporate governance and company performance. However, other studies by Bathalaand Rao, (2003) and Hutchinson (2009), found a negative relationship and studies by Park and Shin (2005) could not establish any relationship between the two. Despite the conflicting inconsistencies in the findings, literature generally confirm the importance of corporate governance in improving cooperate performance. According to OECD (2009), the global financial crises brought about the corporate lessons which showed that weaknesses and failures in corporate governance largely led to excessive risks in financial institutions.
2.7. Conceptual model and hypothesis development

Studies on corporate governance and firm performance identified a number of board of directors’ characteristics which influence corporate performance. As shown in the preceding discussion, much of the literature on the influence of the board of directors on corporate performance has been both normative and prescriptive (for example Fama and Jensen 1983 and Lorsch and Maclver, 2009). A number of scholars such as Bonn (2004), and Kiel and Nicholson (2008), have carried out empirical investigations on the influence of the board of directors characteristics on the performance of a company. These studies examined the direct relationships between board variables and the performance of a firm. However, scholars such as Finkelstein and Mooney (2003), and Pye and Pettigrew (2005) state that there is need for more investigations on the link between board of directors characteristics and the performance of a firm. Along the same line of argument, Hillman and Dalziel (2003), and Hendry and Kiel (2004) suggest theoretical models for considering the moderating variables on board of directors performance.

Meta analysis studies nudge to the conclusion there are a number of variables that affect the link between the board characteristics and company performance. The figure below shows the conceptual framework of this study. The left hand shows the board characteristics which consist of three variables board compensation, gender diversity, and skills diversity. All these are linked to the company performance variables such as efficient service delivery and return on assets. As such, the hypotheses are developed basing on the board characteristics.

The independent variables for the study included directors’ compensation, skills diversity and gender diversity of the board. Likewise the dependent variables in this research included efficient service delivery and return on assets. The study’s conceptual framework is summarised below:
Independent variables

- Director compensation
- Board Gender Diversity
- Board skills Diversity

Dependent variables

- Corporate Performance
  - ROA
  - Service delivery

Fig 2.7 Conceptual model

2.8 Impact of director compensation in corporate performance

There are extant conflicting empirical studies regarding the impact of director’s remuneration on corporate performance. From an agency theory point of view, the association between corporate performance and the pay of directors offers an important incentive mechanism for company successes. However, the researches of the topic have harvested conflicting and inconsistent results. For instance, Dogan and Smyth (2004) found no relationship between board remuneration and performance of publicly listed companies in Malaysia.

Studies by Crispi-Dadera and Gispert (2003) found a positive association between changes in company performance and board remuneration within Spanish listed companies. However, studies by Izanet et al., (2009) found no association between director pay and corporate performance in Australian companies. In line with the
foregoing, Evans and Stromback (2013) also found similar results for the period 2001 to 2010. Studies by Conyon and Schwalbach (2000) in both the United Kingdom and Germany showed a positive and significant relationship between executive pay and corporate performance. For the United Kingdom, the correlation was 0.05 and for Germany was 0.023. In addition, Hall and Liebman (2008) suggested that there is a strong relationship between corporate performance and directors’ compensation. The association is generated by changes in stock value and stock options plans for directors.

In their studies in Nederland, Duffhues and Kabir (2008) used cash based compensation and concluded that cash based compensation is not related with corporate performance. Usually, directors of big companies receive higher compensation than directors of small companies. As noted by Tosi, Miyajima, Omi, and Saito (2000) the size of the company constitutes more than 40% of the variance of the directors pay in United States of America companies. One explanation of the relation is the fact that directors of larger companies have more difficulty job responsibilities. However, Murphy (2009) concludes that earning higher compensation does not necessarily lead to higher pay per performance sensitivities. Other studies by Ozkan (2007) did not find a significant relationship between company performance and director compensation for a sample of large United Kingdom companies.

Other Empirical studies by Yermack (2006) on 450 large companies from the period 1994 to 2001 found that companies which awarded stock options to their directors realised superior stock market returns. Furthermore, Mehran (1995) studied 200 manufacturing companies and found evidence that firm performance is positively related with the percentage of equity held by managers. A strong association between corporate performance and stock compensation was also found by Abowd and Kaplan (2009). Murphy (2009) also elucidated that stock options offers an association between executive rewards and share price.

In terms of cash compensation, Kerr and Kren (2006) revealed a significant association between cash compensation and return on assets and stock returns. Lambert et al., (2008) discovered that executives who are paid fixed salaries lack
direct incentives to promote the performance of a company. On the other hand, Berger, and Butler (2007), suggests that salary and bonus compensation do have low sensitivity to changes in the value of the company. Indeed, Leone, Macey and O’Hara (2006) concur that cash compensation is twice as sensitive to negative stock returns as it is to positive stock returns.

Empirical evidence such as Jensen and Murphy (2000) and Core et al., (2009) do show a weak but positive significant relationship between profitability and director compensation. For example, Merhebi et al., (2006) and Kato and Kubo (2006), studies on Australian and Japan’s data confirmed the positive pay per performance association. Similarly, Brick et al., (2006), found a negative association between excess director compensation and corporate performance. The negative relationship between excess compensation and company performance is in line with managerial power argument by Bebchuk and Fried, (2003) Other meta-analysis studies by Firth, Mayes, Halme and Aarno (2005), and Fernandes (2009) did not show any association between pay and performance for both Norwegian and Portuguese companies. In fact, when examined in multivariate settings, the positive significance vanishes. Based on the standard agency theory model of corporate governance that there is a positive link between firm performance and pay, the study proposes the following hypothesis:

**Hypothesis 1: There is positive relationship between director compensation and corporate performance.**

### 2.9 Impact of gender diversity on corporate performance

The issue of board gender diversity is one of the most important corporate governance issues affecting most companies. As noted by Rose (2007), many organisations do reflect the disparity of diversity in boards and top management. Overall gender diversity results in improved monitoring management largely due to board independence; more complex and exhaustive decision making processes. At the same time, gender diversity will help in the increase of innovation, and this would imply quicker solutions. As noted by Carter, Metrick and Ishii (2003) and Campbell
and Mínguez-Vera (2008) gender diversity in the board would increase the organisation ability to penetrate markets. In addition, Campbell and Mínguez-Vera (2008) believe that quality of directors may improve if they are selected from both genders without prejudice.

According to the agency theory, a more diverse board may mean better monitoring of managers since board diversity increases board independence (Randöy, Mercieca, Schaeck and Wolfe, 2006) More so, board members from a diverse gender origin usually avoid earnings smoothing and management, thus providing shareholders with more reliable figures for corporate performance. Moreover, gender diversity also lead to an increase in its effectiveness which can lead to good corporate governance (Mirfazli, 2008).

Studies by Adler (2010), in United States of America corporations found that the proportion of women on boards of directors do have a positive effect on corporate performance as measured by Tobin’s Q. thus, it can be concluded that diversity is related with greater financial performance of an organisation. For Carter et al. (2007), the positive association of gender diversity and corporate performance mainly comes from the audit function of the board. Other studies such as Erhardt, Werbel and Shrader (2003), and Jurkus, Park and Woodard, (2007) have also found the positive impact of gender diversity on accounting measures such as margins and returns. Along these lines, Jurkus et al., (2007) believe that there is a positive association between gender diversity and corporate performance. Studies by Smith et al., (2006), also revealed that women on board of directors do have considerable positive effect on corporate performance. Fondas and Sassalos (2007) believe that even if gender diversity might cause disagreement in the board of directors, such disagreements are important to the board as they lead good board dynamics.

There are a number of empirical studies which have examined the impact of female board members on corporate performance. According to Duttavà Bose (2006) the female board members do show diversified characteristics of the board. Additionally, Smith et al., (2006), considers female board members to have a better understanding of the market in contrast with male board members. More so, female board members bring good image in the perception of the community for the
company and that would positively contribute to corporate performance. Milliken and Martins (2005), agree that the presence of female board members in the board of directors enhances a better understanding of the operating business environment. Studies in Belgium have examined the effect of women on board committees and found a positive effect on firm performance. Researches by Carter et al., (2003), found a positive relationship between gender diversity and firm performance. Bonn (2004), also found a positive relationship between the ratio of women directors and firm performance. Ding and Charoenwong (2004) also found a positive significant relationship between women directors and shareholder returns in a company.

Studies by Smith et al., (2006), revealed that women on board of directors have significant positive effect on firm performance. Meta-analysis studies by Bilimoria and Wheeler (2007), also suggest that female board members would bring diverse view points to the boardroom and will provoke lively discussions. At the same time, Huse and Solberg (2006) assert that on average a female board member is younger than her male counterpart and so the board benefits from the infusion of new ideas and approaches to business deliberations. It should also be noted that women do have different views, values and opinions. Consequently, they are likely to question the conventional wisdom and speak up when concerned about an issue or particular managerial decision (Fondas and Sassalos, 2000).

Studies by Bonn (2004), also revealed a positive association between the ratio of women directors and corporate performance. Findings by Bilimoria and Piderit, (2004) on board committees showed a positive effect of women on corporate performance. Thus, it is important to further explore the impact of gender diversity in the board on corporate performance. Moreover, the research study also showed that those female board members have the capability to positively influence the professional development of female staff in a business. Consequently, a company’s performance can be improved indirectly or directly with the availability of female board members. This would lead to the following research hypotheses.

\[ H2: \text{there is a positive relationship between board gender diversity and corporate performance.} \]
2.11 Impact of board skills diversity and business performance

Empirical research linking educational qualifications of directors to firm performance is scanty (Bilimoria and Piderit, 2004). As elucidated by Hilmer (2008) an effective board needs personalities with high intellectual experience, ability, integrity and soundness of judgement. Thus, selecting people with higher educational qualifications on board of directors would show skills and competencies of a company and this would help in improving organisational performance and effectiveness. Milliken and Martins (2008) believes that board members with higher educational qualifications widens the base of wisdom and also offers expertise necessary for efficient and effective decision making processes. Cox and Blake (2007), note that boards of directors with qualified people do have the ability and expertise needed for effective decision making processes. In contrast, the absence of diversity and qualified members on the board of directors would lead to a lack of critical thinking and creativeness. Mattis (2007) found that share prices tend to be sensitive to the qualifications of the directors especially in the area of finance and accounting. This can be the reason why educational qualifications are included in the index for the evaluation of companies’ adherence to corporate governance (Hanifa and Cooke, 2004).

Thus, educational qualifications for members of the board have an essential effect on the performance of a firm. This is because board members are involved in the formulation, and implementation of organisational corporate strategy. Interestingly, these functions have a direct effect on the long-term survival of the company. According to Lybaert (2007) better corporate performance is as a result of proven positive relationship of higher levels of education among entrepreneurs and their willingness to use external information, develop networks, make use of consultants or develop more detailed accounting and monitoring. Another view expressed by Powell (1991), suggested that, there may be negative relationship between skill levels and firm performance due to the occupational and professional affiliations of highly qualified managers which may increase agency behaviour.

Other studies have also revealed a positive association between competencies and corporate performance (Dumpy et al., 2007). According to Carver (2002), board
members with higher qualifications benefit the company through a mix of competencies and capabilities. This will help the company in creation of a diverse perspective on decision making. According to Cox and Blake (2004), boards of directors with more qualified members would add a robust knowledge base and this would enhance more thoughtful solving of challenges. Board members with higher educational qualifications in general and research and analysis intensive qualification like PhDs in particular will provide a rich source of innovative ideas to develop policy initiatives with analytical depth and rigour that will provide for unique perspectives on strategic issues (Westphal and Milton, 2000).

Studies by Haniffa and Cooke (2008) revealed a positive link between general business and accounting education of board of directors. Additionally, according to Yermack (2006) empirical studies in Canada showed that price reactions are sensitive to directors’ professional qualifications. On the ground of the above analysis, a research hypothesis is developed as below:

H3: there is a positive association between board skills diversity and company performance

2.12 Chapter summary

The chapter discussed the critical influence of the board in affecting corporate performance. It also discussed the theoretical perspective particularly the agency theory that is paramount in the study of board characteristics and corporate performance association. The chapter identified the board characteristics and these included gender diversity, board compensation and board skills diversity. There is substantial literature on the impact of director compensation and performance of corporate companies (Main et al., 2006, Wan et al., 2009 and Stathopoulos, et al., 2005).
CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

The previous chapter discussed the literature review pertaining to corporate governance and corporate performance and that formed a frame of reference to the study. The following chapter provides the research philosophy, research design, research strategy and data collection procedures of the investigation. The chapter discusses the methods used for the study and it also enumerates the stages followed in the research. The research adopted a causal relationship approach to determine the influence of the board on corporate performance. The chapter presents the methods used for the study and also enumerates the procedures used for conducting the research. The purpose of this chapter is to present the philosophical assumptions underpinning this research, as well as to introduce the research strategy and the empirical techniques applied.

3.2 Research Philosophy

It is important to first understand the research philosophical perspective of the study with which to carry out the objectives (Holden and Lynch, 2004). Henderson (2004), identifies a lacuna of models which best describes research philosophies paradigms in business research and social sciences. Basically, business research can be classified in terms of its epistemological orientations. According to Bryman and Bell (2003), there are two types of research philosophies which include positivism and phenomenology.

Positivism assumes that the relationship between humans and social reality is objective and there is cause-effect relationship. As noted by Crossan (2003) positivism is largely quantitative based research where as phenomenology examines situations from a qualitative perspective (Crossan, 2003). Denscombe (2003), postulates that positivism seeks to apply natural sciences model of research to investigate social world. At the same time, the philosophical framework is
established on the assumption that the study will be independent of and is not influenced by the study setting (Remenyi, Williams, Money and Swartz, 2008). Other assumptions of positivism which include the fact that the researcher is external and objective and the observer is independent. It is hypothetically tested using quantitative methods on large samples in order to increase objectivity (Easterby-Smith, Thorpe and Jackson, 2009). In addition, positivism is based on values of reason, truth, validity, and the focus is purely on facts collected through surveys, or statistical calculations. This is also in line with studies by Yin (2009), who argues that positivism makes the investigator independent of the study. Thus, positivism is not only impartial of social reality but it is also objective.

At the other end of the spectrum is the interpretivism research paradigm. According to Cohen and Manion (2008) phenomenology emphasize the study of direct experience rather than external reality. Unlike positivism, phenomenology looks at the world from a subjective biased point of view (Remenyi et al., 2009). As noted by Remenyi et al., (2008) phenomenology views the researcher as the member of a social group in which he/she is a social actor. Thus, it favors an approach which allows an in-depth inquiry into human behaviour which is able to generate important insights into social dimensions. According to Reed (2003), this method of analysis is suitable for social scientists rather than natural scientists. An interpretivism approach enables participants to express their own minds, thoughts and opinions without manipulation or interference (Dooley, 2009). Positivism is more inclined in the collection of quantitative data and this involves rigorous statistical analysis to answer research questions (Creswell, 2009). The power of positivism is that it can be generalized and replicated since it is based on theoretical underpinnings.

Given the study’s research objectives and research questions and the literature review in chapter 1, the best fit to follow in this study was a positivist research paradigm. This was in line with the studies by Hussey and Hussey (2003) who recognizes that findings from a positivist paradigm produces not only rich and objective data and but also the gathering process is objective. Thus, positivism was adopted in this study since the researcher needed objective results (Ericksson and Kolaiven, 2008).
Positivism also involves the use of questionnaires as was done in this study and this helped in maintaining an objective study detached from what is being researched (Baxter and Tight, 2006). However, critics of positivism are concerned with problems for a researcher to undertake a research project and still remain objective (Patel and Tebelius, 2007). However, this problem affects all researchers and thus cannot be solely for this study.

### 3.3 Research Approach

There are two main research approaches namely inductive and deductive. Saunders (2003), recognises another research design which combines both and this is called mixed approach. It should be noted that a quantitative deductive approach recognises the positivist epistemological orientation (Yin, 2009).

As elucidated by Wilson (2010), a deductive approach is mainly concerned with developing a research hypothesis. Monette et al., (2005) further elucidates that a deductive approach is known by means of hypothesis, which would be derived from propositions of the theory. Thus, deductive approach is mainly concerned with deducting conclusions from premises and propositions. As posited by Babbie (2010) deduction starts with an expected pattern that is tested against observations, but inductions starts with observations and would seek to find a pattern within them.

It should be noted that deductive means involves reasoning from the particular to the general. In addition, it also tests to see whether a link or association can be obtained in more general circumstances (Gulati, 2009). Furthermore Snieder and Larner (2009) believe that through deductive approach reasoning begin with theory and then leads to a new hypothesis which would be confirmed or rejected as a result of the research. The diagram below summarizes a deductive approach process:

![Deductive Approach Diagram](image)

**Figure 3.1** deductive approach processes

**Source:** Beiske (2007).
Bryman (2004) believes that deductive approach is significant for deciphering a lacuna of different causes within given research context. In addition, researches by Saunders, Lewis and Thornhill (2007) reveals that the findings produced through deductive approaches are usually precise and offer greater analysis. It should also be noted that deductive approach is not only impartial but also objective (Cassel and Symon, 2007). In this study, a deductive research methodology was used to test hypothesis with measurement in terms of interval, ordinal data and numerical.

 Furthermore, deductive research approach identifies the research questions and sampling techniques with a strong theoretical framework. In addition, research questions are expressed in terms of hypothesis and estimation models in the form of derived equations. These can be tested using mathematical equations and econometric measurements where the researcher is able to find the answers. Robson (2004), also elucidates that a deduction involves the following steps: hypothesis testing, examination of outcome of inquiry and theory modification.

 Furthermore, a quantitative research design deduces previous knowledge and background knowledge which is readily available. Thus, hypothesis testing is an indicative of a quantitative research design (Domegan and Fleming, 2009). In addition, a quantitative research design is analyzed through basic statistics such as means, percentages, and frequencies as well as multivariate statistical techniques such as multi regression, and perceptual mapping (Strauss and Corbin 2010).

 On the other hand, inductive approach involves the capturing of social dynamics of business, its internal constituencies and stakeholders. It also involves the use of data collection and analysis techniques which are considered to be most suitable for investigating a social setting (Creswell, 2007). Wainwright (2003), describes a deductive approach as an attempt to have the in-depth understanding of both meanings and definitions. As elucidated by Leedy and Ormrod (2007), the main purpose of induction is to understand an experience from the participant’s point of view. According to Zikmund (2003), an inductive approach involves the use of in-depth interviews, observations, focus groups and action research among others. Thus, it offers the chance to make meanings of both spoken and unspoken responses and this provides first hand experiences and interactions with the subject.
of investigation. In other words, induction moves data from theory or from the specific to the general. The figure below summarises, the steps involved with an inductive approach to research:

![Inductive Research Steps Diagram]

**Figure 3.2 inductive research steps**

Studies which have used inductive approaches include Allen, *et al.*, (2011) on how young men learn about menstruation. Another inductive study by *Ferguson et al.*, (2011) looked at the data to understand how best to meet the needs of young men who are homeless. However, the major disadvantage is accessibility to respondents, especially where the research questions do relate to sensitive areas and possibility of biases coming from the researcher’s own values, culture and perceptions. In addition, ethical considerations are more important with inductive research approach.

An analysis of corporate governance literature suggests a strong bias towards deductive research approach (Turley and Zaman, 2007). Firstly, it was found that a deduction will be necessary for the investigation of current corporate governance experiences from the perspective of management. Additionally, a deductive approach was important in order to examine the variables of corporate governance. Consequently, the researcher believed that by utilising quantitative methods, the objectives of the research would be achieved. Thus, the study adopted a positivist epistemological paradigm with the agency theory as the main theoretical framework. In addition, a deductive research design was also appropriate considering the
availability of data, and challenges with access to participants such as members of 
the board.

3.4 Research Strategy

Research strategy is a general plan of how to answer the research questions and 
this is guided by the research questions and research objectives, among other 
things. These strategies can be combined in a single study for a particular purpose 
(Saunders et al., 2007). These research strategies include, experiment, survey, 
archival analysis, history, and case study (Saunders et al., 2007; Malhotra and Birks 
2007). From the aforementioned strategies, an alternative is chosen based on not 
only the form of the research and the requirement of control over behavioral events 
but also whether there is focus on contemporary events. The table below illustrates 
the different alternatives based on the conditions to be fulfilled.

Table 3.1 Research Strategy

<table>
<thead>
<tr>
<th>Research strategy</th>
<th>Form of research</th>
<th>Requires control over behavioral events</th>
<th>Focuses on contemporary events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey</td>
<td>Ho, what, where, how many, how much</td>
<td>No</td>
<td>Yes/no</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>History</td>
<td>How, why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where,</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Experiment</td>
<td>How, why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin (2009)

In order to investigate the influence of the board on corporate performance, a case 
study research strategy was developed. As noted by Fontana and Frey (2000), 
through the case study technique, the researcher would be able to extrapolate the
‘what’ and also the ‘how’ of the research focus. Hence, the research was basically a case study strategy of ZESA holdings and it involved an empirical investigation of a particular contemporary phenomenon within its context using multiple sources of evidence (Saunders et al., 2007). The strategy helped in gaining a rich and in-depth understanding of the context of the research and the processes being enacted (Saunders et al., 2007). It therefore used descriptive data collection sources. Mostly, it was related to descriptive research that sought to find out ‘who’, ‘why’, ‘what’ and ‘how’ issues in the case context.

According to Walshman (2006), research strategies such as a case study can be positivist or interpretive. Usually case studies are associated with qualitative research but can also be used as an enquiry method using positivism. Examples of case studies done from the positivist point of view are found in Benbasat, Alpin, Forth, Bryson, Bewley, Dix and Oxenbridge (2007) and Yin (2009). Indeed, Yin (2009), warns against confusing case studies with qualitative research designs using ethnographic method. The main advantage of case study is that the research does not necessary need to visit the organisation under study but could collect data using secondary sources or interviewing respondents by email or telephonically (Yin, 2009).

Creswell (2007) defines a case study as an empirical inquiry that investigates current phenomena within its real life context. A case study helps the researcher in retaining the holistic and meaningful characteristics of real life events such as life cycles and managerial processes. Hence, case study approach is important in situations where contextual conditions of the events being studied are important. It should be noted that the study used a causal case study which looked for cause and effect relationships and search for explanatory theories of the phenomena. According to Yin (2009), this offers the most appropriate conditions for using the case study as the research strategy of choice. A descriptive case study usually requires a theory to guide data collection.
3.5 Data Collection Techniques and Research Instruments

The choice of the research technique was influenced by the nature of the investigation and resource availability (Saunders, 2003). The study also made use of secondary information data available from annual reports of the organization. The questionnaire included closed ended questions (Rea and Parker, 2005). According to Fox and Bayat (2007) the confidentiality nature of the questionnaire meant that participants could answer without the assistance of the researcher. In addition, that would also mean that respondents would provide more truthful answers. The other advantage of the questionnaires was that they could be used to discover the experiences currently taking place.

3.5.1 Scale Development

A five point Likert type scale is used to elicit attitudinal information from respondents (Collis and Hussey, 2003). For this study the measurement of corporate governance variables, was achieved through use of a five point Likert scale and it had a range which started from 1 (strongly disagree) to 5 (strongly agree). According to Yin (2009), a Likert scale offers a greater range of answers to participants. The questionnaire also included the demographics profile of the respondents and items to measure the corporate governance constructs. According to Page, Stevens, Smart, and Hawes (2007), the scale is the most frequently used in order to find both favorable and unfavorable variables toward the object of interest. Usually each response would be given a numerical scale to reflect its degree of conformity and these were summated at the end. The main advantage of the Likert scale was that it is reasonably easy to construct and administer (Malhotra and Birks, 2002).

A pilot study was conducted for the research study in order to determine if the research instrument yielded the information needed by the questionnaires. According to Bryman (2003) a pilot test should be done before conducting the real research and that would make sure the whole questionnaire functions well. Respondents were required to provide feedback and structure and ambiguity of the questions. The pilot study also helped the researcher in actual wording of questions and also
with the ordering of questions sequence and reduction of non-response rate (Dumisa, 2003). A total of 10 members of ZESA comprising management and directors was recruited to participate in the pilot run. All the respondents were selected according to the same criteria used in the main study and the respondents were also part of the main study. Thus, the pilot test was important to test if the respondents were interpreting the questions correctly (Maree and Pietersen, 2007). After the pilot test, the final questionnaire was drafted.

3.6 Study Population

According to Zikmund (2003), a population is an absolute group of companies, individuals, or companies which have the same set of characteristics. For this study, the population included senior management, executive and non executive director of ZESA Holdings as well as those of the four subsidiary companies namely ZESA Enterprises, Zimbabwe Power Company, Powertel and Zimbabwe Electricity Transmission and Distribution Company. The table below summarizes target population used for this research.

Table 3.2 Target Population

<table>
<thead>
<tr>
<th>Name of respondents</th>
<th>Target population</th>
</tr>
</thead>
<tbody>
<tr>
<td>management</td>
<td>80</td>
</tr>
<tr>
<td>Directors</td>
<td>20</td>
</tr>
<tr>
<td>Non executive directors</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
</tr>
</tbody>
</table>

Source: Field Research
3.7 Sample size and sampling techniques

According to Hair et al. (2006) in most researches sampling is used so as to save time and cut costs for surveying the entire population. There are two sampling methods which are probability and non-probability sampling methods. Probability sampling involves sampling completely random and objective where each individual has an equal chance of being selected in the sampling process. The study involved the selection of a manageable group of population. The research used probability sampling so as to ensure generalizability of the findings to the target population under study (Siegel, 2002). According to Neuman (2006), the method involves the use of number samples and each element did have an equal chance to be selected. In particular, simple random sampling method was used. The method was adopted because it was considered a fair way of choosing a sample from a given population since every respondent was given an equal chance of being selected. Thus, unbiased random selection and a representative sample was paramount in drawing conclusions from the results of the study. Due to the representativeness of the sample obtained by the simple random sampling, it was possible to make generalisations from the results of the sample back to the population.

The sample size was limited to ZESA Holdings directors and management. Specifically, the sample unit of analysis for the research study will be ZESA Holdings subsidiaries and branches. The sample was taken from management of Powertel, ZESA Enterprises, Zimbabwe Electricity and Distribution Company and Zimbabwe Power Company as well as the executive of directors. The sample size of the study was calculated in line with other studies on corporate governance such as Siddiqi (2011), and Kulkarni (2012. The following formula was used:
\[
SS = (Z^2) \times (p)(1-P)
\]

Where:
- \(SS\) = Sample Size
- \(Z\) = Z-value
- \(p\) = Percentage of population.
- \(C\) = Confidence interval.

The targeted sample of the study was 120 and where the \(p\) value was set at 0.5 and the \(C\)-value was at 0.05. The \(Z\)-value was at 1.96 for a 95% confidence interval. After the calculations the expected sample size for the study was 92 respondents. However for the study, all the possible participants in the population were chosen as the sample size since all the questionnaires were sent electronically thus at no significant extra cost or effort.

### 3.8 Data Finding and Analysis

After retrieving the questionnaires from the respective companies, the data was collated into a database for further analysis. Before the analysis, data cleaning was done as required by Tabachnick and Fidell (2006). This was done to determine the reliability of the collected data and it also ensured that the collected data was correctly entered and free from errors. SPSS was used for analyzing responses because it could effectively analyse the issues raised. The software package helped in statistical analysis, text analytics and collaboration and deployment. Since the research sought to understand the relationships between variables, a correlation analysis test was conducted.

The correlations served as empirical indications of possible associations between variables under study. The strength of the linear relationships could be measured for quantitative variables by using the Pearson correlation coefficient. The values of the correlation coefficient ranged from -1 to +1. Regression analysis was based on many strong assumptions on the relationships between board compensation and corporate performance, association between gender diversity and corporate
performance as well as the association between board skills diversity and corporate performance. The study used key tests to ensure that the findings would be valid including the hypothesis tests.

3.9 Validity and Reliability

Kerlinger (2003) describes reliability as the extent to which a measuring procedure leads to same result when repeated and validity involves the relationship between concept and the indicator. To ensure reliability for the study, the study checked for consistency by using the Cronbach Coefficient alpha. The method measures squared correlations between observed scores and true scores. The method helped in estimating internal consistency of corporate governance variables under study. Thus, alpha values ranged from coefficient of 0.7 or higher for them to be acceptable (Nunnally, 2008).

The other forms of validity included face and factorial validity. Under face validity there was the systematic and subjective assessment of the scales capacity to measure what it was supposed to measure based on judgment of potential respondents. The study’s content validity involved the use of the Likert scale. To ensure validity and reliability, the research utilized the questionnaire instrument with scales that could be tested. Usually questionnaires are highly structured data collection vehicles and this allows for reproduction and this in turn increases validity and reliability. Reliability helped in measuring consistency of participants under certain situations (Hair, Monks, and Minow, 2003). For this study, the reliability of measurements items was done by running a reliability analysis using SPSS software package.

3.10 Ethical Considerations

The researcher took into account the following ethical considerations, approval, confidentiality, anonymity as well as informed consent. The study achieved informed consent by providing participants with explanations of the study and the chance to terminate their participation at any given time with no penalty (McMillan and
Schumacher, 2003). The consent was obtained by asking the respondents to sign a form that indicated an understanding of the research and the consent to participate. All the information obtained from the respondents was kept confidential and the researcher ensured that no one would be able to identify the participants once the research was terminated. Permission to carry out the study was requested from the company’s senior management.

### 3.11 Chapter Summary

This chapter has presented a full description of the research design, methodology, data collection and the research instrument that was employed in the study. The description was done with explicit explanations on sampling techniques. Chapter 4 discusses the data findings.
CHAPTER IV

DATA FINDINGS AND ANALYSIS

4.1 Introduction

The study analysed the influence of the board of directors on corporate performance. The chapter presents the findings from the primary data collected. The data is depicted using tables, charts as well as descriptive statistics. The chapter also provides two types of data analysis such as descriptive analysis and inferential analysis. The descriptive analysis helps in the understanding of the relevant aspects of the phenomena under investigation and offers detailed information about each relevant variable. The study also uses the Pearson correlation to measure the degree of association between the variables under consideration. The regression estimates are also used to measure the impact of corporate governance variables on corporate profitability such as return on assets and service delivery.

4.2 Response Rate

The questionnaires responses were collected from directors and management of ZESA holdings including its subsidiaries namely ZESA Enterprises, Zimbabwe Power Company, Powertel and Zimbabwe Transmission and Distribution Company. The data collection process consisted of the analysis of the company’s annual reports as well as the distribution of questionnaires to selected participants from the organisation. For the survey part of the study, a total of 120 questionnaires were distributed to respondents. After data cleaning a total of 58 questionnaires were found to be appropriate for further analysis. Thus, the study had a response rate of 48.33%. The response rate is summarised below:
Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Distributed Questionnaires</th>
<th>Received Questionnaires</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>70</td>
<td>35</td>
<td>50%</td>
</tr>
<tr>
<td>Directors</td>
<td>50</td>
<td>23</td>
<td>46%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>58</td>
<td>48.33</td>
</tr>
</tbody>
</table>

The above response rate was not the anticipated one because some of the respondents could not respond due to work commitments. However, a response rate of 48.33% was considered appropriate to make meaningful deductions and conclusions. This was done in line with recommendations by Yin (2009), which posits that a response rate should fall between 20% and 94% to be considered acceptable. Additionally, the response rate was in connivance with studies by Creswell (2007), who states that a response rate should be above 20% so as to have accurate results. Thus, the sample was large enough to claim with a high degree of confidence and that the findings would be representative of the entire population under investigation.

4.2.1 Reliability Test

The study used the Cronbach alpha to measure the internal consistency that is, the closeness of the related set of items in a group. The findings are tabulated below:

Table 4.2 Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.765</td>
<td>.613</td>
<td>24</td>
</tr>
</tbody>
</table>

The Alpha coefficient for the 24 items showed 0.765 suggesting that the items had relatively high consistency. According to Creswell (2007), a reliability coefficient of 0.70 or higher is considered acceptable in most business research.
4.3 Gender of Respondents

Regarding the gender of the respondents, the majority of them (67%) were males and the remaining 33% were females. The findings are summarised below:

Figure 4.1 Gender of Respondents

From the above findings it can be deduced that both management and board of directors of the organisation was largely male dominated. The findings do agree with studies by Carli (2010) in New Zealand that found that women constituted only 3% of the management and board of directors in state enterprises. In addition, empirical studies by Omar (2010) revealed that only 2% of Fortune 500 companies directors are women and only 4% sits on boards of directors. Additionally, survey studies by Gumbi (2010) in South Africa show that in 2008 women in senior management was approximately 18% across 20 state institutions. Studies in Australia also showed that women in executive leadership in 2009 were 34% compared to 66% men (Gumbi, 2006).

4.4 Educational Qualifications

The study also sought analyse the educational qualifications of the respondents. The academic qualifications were grouped into four categories. According to the findings, 17% of the respondents had diplomas, 33% had undergraduate degrees, 38% had masters degrees and only 12% were holders of doctorate degrees. The findings are illustrated diagrammatically below:
The above diagram shows that the majority of the respondents (83%) had at least university qualifications. Hence, most of the members of the board and management were highly educated. The higher qualifications do imply that members of the board do have the necessary academic qualifications needed for the formulation of organisational corporate strategy (Lybaert, 2007). As elucidated by Carver (2006), members of the board with high academic qualifications benefit the company through a mixture of both capabilities and competencies. At the same time that would also mean that the state enterprise would have a diverse perspective on decision making. The findings are also in congruence with studies by Lybaert (2007), which showed that higher educational qualifications are important for companies which would need to use external influences and more detailed monitoring. Along the same line of argument Cox and Blake (2004), concur that members of the board with more qualified members would add a robust knowledge base and this would help in enhancing more thoughtful solving of organisational challenges.

According to Carpenter and Westphal (2005), board member’s educational qualifications are imperative for decision making processes. From point of view of resource dependency, board members with diverse qualifications and skills are an invaluable strategic resource for an organisation because they provide strategic connection to external resources (Ingley and van der Walt, 2007). Additionally, Hilmer (2008) postulates that members of the board with educational and
professional qualifications have a higher level of intellectual integrity, judgment and ability. Members with higher educational qualifications in general and research and analysis intensive qualification like PhDs in particular will also provide a rich source of innovative ideas to develop policy initiatives with analytical depth and rigour that will provide for unique perspectives on strategic issues (Westphal and Milton, 2000).

4.5 Length of service with the organisation

According to the findings, 13% of the respondents had been with the organisation for a period of between 2 and 4 years, 33% had been with the organisation for a period of between 5 and 7 years, 29% had been with the organisation for between 8 and 10 years and a total of 24% had been with the organisation for a period of more than 10 years. The findings are summarised below:

![Diagram showing length of service with the organisation]

Figure 4.3 Length of service with the organisation

From the above findings, it can be inferred that the bulk of both management and members of the board (88%) have been with organisation for a period of at least 5 five years. Thus, the findings offer an additional stratum of assurance that the majority of the respondents were aware of corporate governance issues, business culture as well as corporate philosophy of the organisation under study. Accordingly, the respondents generally had an understanding of corporate governance operations within the organisation. Thus, it can be deduced that the primary data gathered was from participants who have seen the organization’s performance trends and
trajectories for some time and thus the findings could be relied upon. At the same time, the fact that the employees have been with the organisation for a long time do reflect their level of emotional attachment to the organisation.

4.6 Board compensation descriptive statistics

Table 4.2 below shows the number of responses, mean and standard deviations of the questionnaire items on board compensation. As rated by the respondents item 1 “board compensation of directors is in the form of stock returns” scored the lowest mean score of 1.8793, the highest mean score of 4.2241 was against item 2 “compensation comes in the form of cash” with a lowest standard deviation of 0.83861. The second highest mean score of 3.8621 was item 4 “the organization appreciates their board with higher levels of compensation” with a standard deviation of 0.92619. Overly, the responses of the mean scores were more than 3 and this means that the distribution of the scores was slanted towards agreement. However, the responses of the participants were largely distinct (-1.456). The findings are tabulated below:

<table>
<thead>
<tr>
<th>Item</th>
<th>N</th>
<th>Mean</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. board compensation of directors is in the form of stock returns</td>
<td>58</td>
<td>1.8793</td>
<td>1.01008</td>
</tr>
<tr>
<td>2. compensation comes in the form of cash</td>
<td>58</td>
<td>4.2241</td>
<td>0.83861</td>
</tr>
<tr>
<td>3. compensation is in the form of fringe benefits</td>
<td>58</td>
<td>3.4310</td>
<td>1.09404</td>
</tr>
<tr>
<td>4. the organization appreciates their board with higher levels of compensation</td>
<td>58</td>
<td>3.8621</td>
<td>0.92619</td>
</tr>
<tr>
<td>5. director’s pay provide an important incentive mechanism for corporate success</td>
<td>58</td>
<td>3.6207</td>
<td>1.07324</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>58</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the above table it can be seen that the board members do get their compensation in the form of cash. However, the board members were not paid in the form of stock options but cash and the respondents were uncertain in terms of compensation in the form of fringe benefits, and whether directors’ pay provide an
important incentive mechanism for corporate success. The above findings are in contrast with other empirical studies by Yermack (2005) on 450 successful companies from the period 1994 to 2001 which found that companies which awarded stock options to their directors realised superior stock market returns. Furthermore, Mehran (1995) studied 200 manufacturing companies and found evidence that firm performance is positively related with the percentage of equity held by managers. A strong association between corporate performance and stock compensation was also found by Abowd and Kaplan (2009). Murphy (2009), also elucidated that stock options offers an association between executive rewards and organisational share price.

4.7 Skills diversity descriptive statistics

Table 4.3 below summarises the means and standard deviations of the responses against items for skills diversity. According to the ratings by the respondents, item 1 and 2 had the highest mean scores of 4.1207 and 4.0172 respectively. Thus, the statements that “all board members have at least a first degree” and “board members possess diverse qualifications” had most of the responses in the positive. The standard deviations of .91915 for item 1 and .94575 mean that the responses were largely indistinct. Items 3, 4 and 5 had responses which had mean scores of above 3 as well which mean that most of the respondents generally agreed. However, item 6 “there is a skills audit process that accompanies each new appointment” had a mean score of 2.5517 which showed that the responses were slanted towards disagreement. Generally, a high overall standard deviation of (1.145) showed that there were greater differences amongst the respondents. The findings are shown below:

Table 4.4 Skills diversity Descriptive Statistics
From the above findings, it can be deduced that the board has members learned enough to propel the organisation to profitability. Although the organisation does not take skills auditing, the findings did reveal that all board members have general knowledge about the energy sector as well as different skills which complement each other. In addition, the findings showed that the majority of board members have strategic connections to external resources. The findings are in agreement with Espstein et al., (2004) who believe that the board members should have the right blend of both skills and knowledge. For instance, they should have the functional knowledge which includes marketing, finance, accounting, and legal as well as business sector specific knowledge. Furthermore, Van der Walt et al., (2001) findings in Malaysia listed companies suggest that board members should possess sufficient general information to offer good quality input on all topics under discussion. Empirical Studies by Cox and Blake (2004), revealed that board of directors with more diverse skills would add a robust knowledge base and hence more thoughtful solving of challenges. In addition, Westphal and Milton (2005) studies in France and Spain showed that board members with broad skills provide wealthy basis of creative ideas to formulate policy initiatives with rigour and depth.
4.8 Gender Diversity Descriptive Statistics

The study also gathered gender diversity responses from participants and the mean scores and standard deviations were calculated. As rated by the respondent’s item 3 “the board is dominated by men” had the highest mean score of 3.5172 and a standard deviation of 1.30103. This implies that the respondents generally concurred that the board was largely dominated by men. In addition, items 1, 2 and 4 had mean scores which were less than 3 and that implies that the responses were in the negative and slanted towards disagreement. The lowest score was item 4 “the board is dominated by women” followed by item 2 “the board is composed of only men”. The findings are shown on the table below:

Table 4.5 Gender Diversity Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. the company has a formal policy on gender mainstreaming</td>
<td>58</td>
<td>2.9310</td>
<td>1.19740</td>
</tr>
<tr>
<td>2. the board is composed of only men</td>
<td>58</td>
<td>2.6724</td>
<td>1.09845</td>
</tr>
<tr>
<td>3. the board is dominated by men</td>
<td>58</td>
<td>3.5172</td>
<td>1.30103</td>
</tr>
<tr>
<td>4. the board is dominated by women</td>
<td>58</td>
<td>2.3966</td>
<td>1.13848</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>58</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above findings do reflect the low female presence in both management and board of directors. In particular, majority of the respondents believed that there is no gender mainstreaming in the organisation as the board and management are largely dominated by men. This extent of the presence of female in the boards is in line with many European countries like Italy (2%), Belgium (3%) and Portugal (0.9%) which remain low (Campbell and Mínguez-Vera, 2008). It is important to note that only Norway is one of the most developed countries with regard to female representation in the boards (Carrasco et al., 2006).

Many scholars now believe that an increase in board gender diversity leads to better boards and governance on the ground that diversity allows boards to tap on broader
talent pools for directors. Recently, there has been much research on inclusion of women in the corporate boards (Huse and Solberg, 2006). Hillman et al., (2002) posit that since majority of women have non-corporate background, they are far more likely to provide valuable and rare information in a different perspective during board discussions. Zelechowski and Bilimoria, (2004) also believe that women directors who come from the corporate sector do have special skills in human resources, public relations, legal and communications. This is by far in good contrast with the skills men do have such as marketing, operations and accounting. Thus, the different range of the skills brought by women is believed to be good for governance (Fondas and Sassalos, 2010).

4.9 Corporate performance descriptive statistics

According to the findings concerning corporate performance item 1 “ROA has improved” had the lowest mean score of 2.7931 and standard deviation of 1.07211. The second lowest question was item 2 “customer satisfaction has improved” with a mean score of 3.0690 and standard deviation of 1.10600. Since the overall responses of most of the items were slightly above 3 the distribution of the scores was slanted toward neutrality that is neither disagreed nor agreed. Nevertheless, the degree of response among the respondents differed greatly (SD= 1.4023). The findings are shown below:

Table 4.6 Corporate performance descriptive statistics

<table>
<thead>
<tr>
<th>Item</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA has improved</td>
<td>58</td>
<td>2.7931</td>
<td>1.07211</td>
</tr>
<tr>
<td>customer satisfaction has improved</td>
<td>58</td>
<td>3.0690</td>
<td>1.10600</td>
</tr>
<tr>
<td>employee satisfaction has improved</td>
<td>58</td>
<td>3.1379</td>
<td>.88750</td>
</tr>
<tr>
<td>the business has introduced new products</td>
<td>58</td>
<td>3.3966</td>
<td>.95402</td>
</tr>
<tr>
<td>the rate of new connections has improved</td>
<td>58</td>
<td>3.5172</td>
<td>1.17341</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>58</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the above findings, it can be inferred that the return on assets did not generally improve during the period under study. In addition, the findings do show that the rate
of employee satisfaction and customer satisfaction did not really improve much for the period under review.

4.10 Pearson Coefficient Analysis

The table below shows the correlation analysis that existed between the corporate governance variables such as board gender diversity, board compensation and board skills diversity.

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>Gender Diversity</th>
<th>Board Compensation</th>
<th>Skills Diversity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROA</strong></td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>0.521</td>
<td>-0.312</td>
<td>0.769</td>
</tr>
<tr>
<td>2 sig. tailed</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>58</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td><strong>Gender Diversity</strong></td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.521</td>
<td>1</td>
<td>-0.403</td>
<td>0.754</td>
</tr>
<tr>
<td>2 sig. tailed</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>58</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td><strong>Board Compensation</strong></td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-0.312</td>
<td>-0.403</td>
<td>1</td>
<td>-0.409</td>
</tr>
<tr>
<td>2 sig. tailed</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>58</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td><strong>Skills Diversity</strong></td>
<td>Pearson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>correlation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.769</td>
<td>0.754</td>
<td>-0.409</td>
<td>1</td>
</tr>
<tr>
<td>2 sig. tailed</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>58</td>
<td>58</td>
<td>58</td>
</tr>
</tbody>
</table>

From the correlation findings it was also observed that high compensation of the board also has a negative correlation of -0.312 with return on assets at 5% level of significance. The above findings imply that high compensation for directors and management does not have a positive effect on the level of performance of the
organisation. This also implies that an increase in the salaries of the directors will lead to a decrease in the return on assets for the company. The outcome from the findings are consistent with earlier studies by Jensen (2001), and Bennedsen et al., (2006) who argued that there is no positive association between board compensation and corporate performance. Thus, the findings imply that high salaries for directors do not have a positive effect on the level of profitability of the organisation but rather a negative effect.

The skills diversity is another corporate governance variable which recorded a positive correlation coefficient \((r)\) of 0.769 for return on assets with a p-value of 0.000 which is significant at 5%. This invariably imply that the more skilled the board of directors the more financial performance of the company in terms of return on assets and service delivery. The findings were consistent with Yermack (2006) and Bhagat and Black (2005).

Additionally, board skills diversity showed a positive association with return on assets with a positive correlation of 0.769 at 5% level of significance. From the findings it can be implied that more skills diversity result in effective problem solving as it provides a variety of perspectives and consequently a high number of alternatives to evaluate (Rose, 2007).

The results also showed a positive significant relationship between gender diversity and corporate performance. The gender diversity recorded a positive correlation coefficient \((r)\) of 0.521 for the model with a p value of 0.000 which is significant at 5% level of significance. Findings by Campbell and Mínguez-Vera (2008) showed that quality of directors and managers do change if they are selected from both genders without prejudice. Studies by Carter et al., (2007), also showed that gender diversity offers a greater degree of legitimacy to organisations and improves reputation. This invariably means that the more the gender diversity of directors sitting on the board, the higher the level of business performance of the organisation in terms of service delivery and return on assets. These findings would be consistent with Holthausen et al., (2009) who stated that companies with lower gender diversity do suffer from greater agency problems and worse performance. Thus, the presence of female directors on boards has a positive effect on corporate performance. The finding is
also in congruence with Yermack (2006), and Bhagat (2009), in their studies where they found that there is a positive correlation between gender diversity and corporate performance. Additionally, studies in United Kingdom by Vegas and Theodorou (2008) found a positive association between gender diversity and corporate performance. The correlation is also consistent with Makhija and Patton (2007) but however not consistent with Raffournier (2005), studies in Switzerland and France.

The study also used bivariate correlations among the variables. In particular, the findings showed that gender diversity and skills diversity strongly correlate between each other with a figure of 0.754. However, there was negative relationship between gender diversity and board compensation. The lack of effect is also found in Rose (2000), for Denmark, Norway and Spain.

4.12 Regression analysis

The study used panel data regression analysis to investigate the influence of the board of directors on corporate performance of ZESA holdings and this was proxied by return on assets and service delivery. Thus, the study used models developed in chapter 3 to guide the analysis. The findings from the regression analysis is summarised below:

Table 4.8 Regression Analysis
The equation used return on assets and service delivery as the dependent variables whilst board compensation, gender diversity and skills diversity were the independent variables.

For the model the p-values were significant at 5% level and that showed that the model did not suffer from specification bias. The corporate governance variables of gender diversity, board compensation and skills diversity revealed their capacity to predict corporate performance. The findings indicated, as shown by the coefficient determination ($R^2$), that about 25.9% of service delivery of change in return on assets is accounted for by the explanatory variables while the adjusted r-squared of 23.5% further justifies this effect.

### 4.13 Hypothesis Testing

In chapter 1, three principal testable hypotheses were formulated on the influence of board of directors on corporate performance. In this section, we subject these propositions to empirical testing drawing from the results of descriptive and inferential statistical analysis.

**Hypothesis 1:** There is positive association between board compensation and corporate performance.
In the first hypothesis, it was assumed that there is a significant positive association between board compensation and corporate performance. From the analysis, the correlation between board compensation and return on assets has a coefficient \( r \) of -0.312, with a p-value of 0.053 significant at 5% level of significant. On the premise of these findings, since the negative effect is significant, we therefore reject the null hypotheses and accept the alternative hypothesis which states that there is no positive association between board compensation and corporate performance. This invariably means that board compensation must be considered when taking financial decisions for the organisation. Thus, the findings support the agency theory as board members being the agents tend to look after their own interests. The negative association between board compensation and corporate performance is consistent with the conclusions drawn by Eisenberg et al., (2007) and Conyon and Peck (2008) who reported a significant negative relationship between board compensation and corporate performance.

**Hypothesis 2: there is positive relationship between board gender diversity and corporate performance.**

The correlation analysis from the study showed a value of 0.521 which is positively significant. This was in line with Hoschi., et al., (2001) and Fich (2004), but however not in agreement with Chibber and Majumdar (1999) and Djankov and Hoekman (2000) in their studies in which they opined that gender diversity does not lead to better corporate performance. Based on the above the null hypothesis is accepted at the expense of the alternate.

**Hypothesis 3: there is positive association between board skills diversity and corporate performance**

From the above hypothesis, it was assumed that there is a significant association between board skills diversity and corporate performance. The correlation results of 0.769 showed a positive correlation of which showed that more skills from the board of directors lead to higher financial performance of the organisation under study. In addition, the regression result also showed a positive association between the variables at 5% level of significance with a p-value of 0.667. This also confirms that
board skills have significant but positive impact upon organisational performance in terms of return on assets and service delivery. Based on the above, the association is significant, we therefore accept the null hypothesis at the expense of the alternate hypothesis. The positive effect is likely to be because directors are involved in strategy formulation and decision making. According to Carter and Lorsch (2010), since the directors are involved in much of decision making they need skills to understand much more than rudimentary understanding of their company’s workings. This is also in tune with studies by Pi and Timme (2004); Bosch (2007) and Staikouras et al., (2007) who found a positive but significant relation between the tested variables.

4.14 Chapter Summary

This chapter analyzed the study samples under consideration. It started by analyzing the response rate, the demographic variables and all the responses were analyzed in both tabular and graphical forms. Correlation and regression analysis of both independent and dependent variables under study were conducted using SPSS software package. The study gave a comprehensive account of the responses in terms of study variables and the corresponding statistical analysis.
CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The chapter discusses the findings, reaches conclusion and makes recommendations from all quantitative analysis presented in chapter 4. The chapter begins by summarizing the previous chapters and brings out the main aspects and how they helped in achieving the objectives of the study. The conclusions and recommendations are also discussed in the context of the immediate investigation and then in a broader view of corporate governance. The chapter also suggests pathways for future researches based on the given recommendations.

5.2. Summary

The study investigated the influence of the board of directors on corporate performance at ZESA holdings for the period 2009 to 2013. Specifically, the study established the influence of compensation of the board on corporate performance of ZESA holdings, established the relationship between gender diversity and corporate performance and also identified the association between board skills diversity and company performance. The study’s theoretical framework was rooted on a labyrinth of corporate governance literature. In particular, the literature looked at various components of corporate governance which included gender diversity, board skills diversity and compensation of the board. The literature also discussed the corporate governance theories and corporate performance measures. The literature review acted as a guideline for the research methodology which was adopted.

The study adopted a case study approach since it did not aim to generalize the findings. In order to answer the research questions, the study used a quantitative research approach where survey questionnaires were distributed to members of the board and management of ZESA holdings and its four subsidiary companies. The questionnaires were important in the aggregation of the findings and a total of 120
questionnaires were distributed of which 58 were returned fully completed for further analysis. The findings were entered into SPSS software package. The study used Pearson correlation and multiple regression analysis to find out the relationship between the variables to be measured (that is corporate governance and the performance of the state enterprise) and also to find out if the relationship is significant or not. The proxies that were used for corporate governance are skills diversity, gender diversity and board compensation. The study used both accounting (return on assets) and market (service delivery) measures of performance and these were the dependent variables. The summary of the findings are in two sections where the first discusses the theoretical findings under past studies whilst the second section discusses the empirical findings from the study which was carried out on the association that exists between corporate governance and corporate performance.

5.2.1 Theoretical Findings

The study showed that gender diversity and skills diversity are positively and significantly related to corporate performance of state enterprises. However, board compensation was negatively related with corporate performance. It is unequivocal that many studies have been done on the relationship between the influence of the board of directors and corporate performance. The findings were in line with studies by Staikouras et al., (2007) who examined state enterprises in Europe for the period 2002 and 2004. The findings inferred that corporate performance measured in terms of return on assets and service delivery is positively related with gender diversity and skills diversity. Pathan et al., (2007) used a dataset in Thai state enterprises and obtained a positive relationship between gender diversity, board skills and corporate performance.

This is also in congruent with studies seen in Eisenberg et al., (2008), where similar patterns for a sample of Finnish companies emerged. Finally, the findings also agree with Zulkafl and Samad (2007) in their study of 110 listed banks in nine emerging countries such as Thailand, Malaysia, Philippines, Singapore, and Hong Kong. They deduced that both gender diversity and skills diversity are significantly correlated with performance measures such as service delivery and return on assets. However,
the study’s findings differ from Kyereboah-Coleman and Biekpe (2005), who concluded that there is a negative relationship between a company’s value and gender diversity. The findings also differ from Zahra and Pearce (2009), who argued that skills diversity offers more management skills and but makes it difficult for the chief executive officer to manipulate the board. Furthermore, findings by Andres and Vallelado (2008) showed an inverted U-shaped association between board compensation and corporate performance.

5.2.2 Empirical findings

From the descriptive analysis it was shown that the board was dominated largely by men. The findings mean that on average women constitute the minority both in the board and management of the organisation. This is in line with findings by Kyereboah-Coleman and Biekpe (2006), which revealed boards within New Zealand with only 3% women. From the regression result for the relationship between gender diversity and performance the coefficient of the model was positive at 5% level of significant. The positive relationship is also seen as important for the organisation performance. Thus, a gender diverse organisation indicates a positive effect on organisational performance.

The findings also revealed a negative significant relationship between board compensation and firm performance. The findings imply that the organisation is likely to be less effective if the salaries for the directors are increased. The regression result also shows that a significant negative association exists between the compensation of directors and performance of the organisation. One of the reasons why increasing board compensation does not improve organisational performance is that it does not add value. A support of this view is the suggestions by Baysinger and Butler (2009) that board compensation does not lead to corporate performance.

The findings also showed a positive relationship between the board skills diversity band corporate performance. The more diverse the skills in the board the better the ability of the board to drive towards profitability as supported by Pi and Timme (2004); Bosch (2007 and Staikouras et al., (2007) who found a positive, significant relation between the tested variables.
5.2.3 Evaluation of research objectives

The study had three objectives which were formulated in chapter 1 and these are summarised below:

1. Establish the influence of compensation of the board on corporate performance of ZESA holdings.
2. To establish the relationship between gender diversity and corporate performance.
3. To establish the association between board skills diversity and corporate performance.

With regard to objective 1, conclusions were derived based on the findings obtained from both Pearson correlation, descriptive and regression analyses were used to establish the relationship between the variables of board compensation and corporate performance. From the analysis, the correlation between board compensation and return on assets showed a negative coefficient and from the premise of these findings, it was concluded that there was no association between board compensation and corporate performance. This invariably means that board compensation must be carefully considered when taking financial decisions for the organisation. Thus, the findings support the agency theory in that board members being the agents tend to look after their own interests. The negative association between board compensation and corporate performance is consistent with the conclusions drawn by Eisenberg *et al.,* (2007) and Conyon and Peck (2008) who reported a significant negative relationship between board compensation and company performance. Therefore, the high compensation leads to negative levels of business performance.

With regard to objective 2, both the regression and correlation showed a value of 0.521 which is positively significant. This was in line with Hoschi *et al.,* (2001) and Fich (2004) but however not in agreement with Chibber and Majumdar (1999), and Djankov and Hoekman (2000) in their studies in which they opined that gender diversity does not lead to better corporate performance. The findings imply that skills diversity is a predictor of financial performance of an organisation.
Regarding research **objective 3**, statistical findings showed that there is an association between board skills diversity and corporate performance. The correlation results of 0.769 showed a positive correlation of which showed that more skills from the board of directors lead to higher financial performance of the organization under study. In addition, the regression result also showed a positive association between the variables at 5% level of significance with a p-value of 0.667. This also confirms that board skills have significant positive impact upon organisational performance in terms of return on assets and service delivery. The positive effect is likely to be because directors are key in strategy formulation and decision making. According to Carter and Lorsch (2010), since the directors are involved in most of decision making they need skills to understand a lot more than rudimentary understanding of their company’s workings. This is also in tune with studies by Pi and Timme (2004); Bosch (2007 and Staikouras *et al.*, 2007) who found a positive but significant relation between the tested variables.

5.2.4 Evaluation of research hypothesis

The study had three research hypotheses which were tested using both Pearson correlation and regression analysis and the outcomes are summarised below: The hypotheses as proposed in Section are as follows:

- **H1**: there is positive association between board compensation and corporate performance
- **H2**: there is positive relationship between board gender diversity and corporate performance.
- **H3**: there is positive association between board skills diversity and corporate performance
Table 5.1 hypotheses testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: There is positive association between board compensation and corporate performance</td>
<td>Hypothesis rejected</td>
</tr>
<tr>
<td>H2: there is positive relationship between board gender diversity and corporate performance</td>
<td>Hypothesis accepted</td>
</tr>
<tr>
<td>H3: there is positive association between board skills diversity and corporate performance</td>
<td>Hypothesis accepted</td>
</tr>
</tbody>
</table>

The findings from the above table revealed that there is no relationship between board compensation and corporate performance hence hypothesis 1 was rejected. The results also showed that there exists a positive relationship between board gender diversity and corporate performance, hence Hypothesis 2 was accepted. Finally, hypothesis 3 was also accepted implying that there is a positive association between board skills diversity and company performance.

5.3 Conclusion

From the findings the following conclusions can be made:

- From the study it can be concluded that there exists a negative relationship between board compensation and corporate performance of the organisation. In other words, no correlation exists between board compensation and subsequent performance of the organisation.

- It can be concluded that Board compensation is significantly and negatively related to firm performance and this means that higher compensation for members of the board would be detrimental to firm performance.

- The study found a negative non-significant relationship between directors’ compensation and performance of the organisation and this appears to suggest the need to cap director’s compensation to ensure maximisation of returns to stakeholders.
• Gender diversity showed a positive correlation with organisational performance. In particular, the study showed that female board members do represent a diversification of the board membership and this diversification does contribute to organisational performance. Gender diversity presents a different perspective of doing business and approaching issues.

• Board skills diversity is positively and significantly related to firm performance and this suggests that more members with diverse skills would lead to a better firm performance. The varied experiences and skills of the board members can make a positive contribution to performance.

5.4 Recommendations

Based on the findings, the following recommendations will be useful to both stakeholders and the organisation:

5.4.1 Recommendation regarding directors’ compensation

• The outcomes of the study showed that board’s compensation does not positively contribute to organisational performance. Consequently, it is necessary for the company to consider appropriate salary caps so as to maximise stakeholder value.

• Further, there is the need to sensitize the directors of state enterprises on the need to align their payment to accounting performance measures as these measures are directly linked to shareholder wealth maximisation

5.4.2 Recommendations regarding board gender diversity

• Any efforts to improve corporate governance should focus on gender diversity since these are positively related to future operating performance of the organisation

• Steps should be taken for mandatory gender mainstreaming in the organisation. In addition, an effective legal framework should be
developed that specifies the need for gender diversity in the organisation and other state enterprises

- The board should appoint more female board members because these will make a significant contribution to organisational performance. By the same reasoning more women in the management positions might improve performance

5.4.3 Recommendations regarding board skills diversity

- Skills diversity in the board can provide broader knowledge base, creativity and innovation since skills diversity is positively related to performance of the organisation. A more diverse work team and board enables better decision making and problem solving.

5.5 Suggestions for Further Research

Whilst the results emanating from this study explained the influence of the board on corporate performance for ZESA Holdings for the period 2009 to 2013, there are more areas that need further research.

- In this study a quantitative approach was used to explore the influence of the board of directors on corporate performance, but it would be of interest to research on the same variables using a qualitative approach. This would enable use of open ended questions which would extract more in depth knowledge regarding the variables.
- The study focused on just three variables namely board compensation, gender diversity and skills diversity but it would be of interest to consider how other board variables affect corporate performance at ZESA and other organisations.
- The study was a case study of ZESA Holdings but could be done at other parastatals to find if the results would be similar or not. Whilst acknowledging that ZESA Holdings and its subsidiaries constitute a large enterprise it would be key to know how the results would come out for a small to medium sized parastatal.
• The study also focused on a specific organisation and it would be beneficial to have a clearer understanding of corporate governance roles in other types of organisations such as non profit organisations or even family businesses.
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APPENDICES

APPENDIX 1: Introductory letter

University of Zimbabwe

Letter of Consent

Dear Respondent,

I am a student in the Masters in Business Administration program through University of Zimbabwe and I am currently working on my dissertation. My topic is focused on the investigation on the influence of the board of directors on corporate performance at ZESA Holdings.

Your input to this research will be of paramount importance in coming up with corporate governance strategies that would assist state enterprises to become competitive, profitable and efficient. It should take no more than 20 minutes of your time to complete the attached questionnaire.

Please note that the information that will be collected from the questionnaire will be used purely for academic purposes and shall be kept confidential. Your participation is voluntary and you can withdraw at any time without penalty. By completing the questionnaire, you indicate that you voluntarily participate in this research. If you have any concerns, please contact me, my details are provided below.

Thank you very much for your time and consideration. Your participation would be greatly appreciated and your responses will be highly valued.

Yours faithfully

V. Kufahakutane

Cell: 0779 395 300
Email: vkufa@yahoo.com
APPENDIX 2: Questionnaire

INFLUENCE OF THE BOARD OF DIRECTORS ON CORPORATE PERFORMANCE

The purpose of this study is to investigate the influence of the board of directors on corporate performance at Zimbabwe Electricity Supply Authority Holdings (2009 - 2013)

SECTION A
GENERAL INFORMATION

The section is asking your background information. Please indicate your answer by ticking (√/x) on the appropriate box.

A1 Please indicate your gender

| Male | Female |

A2 Please indicate your highest academic qualification

| Diploma | Degree | Masters | Doctorate |

A3 Indicate your current position in the organisation

| Board Member | Management |

A4 Please indicate your working experience

| 1 year and below | | 2-4 years | | 5-7 years | | 8-10 years | | Above 10 years |
SECTION B
CORPORATE GOVERNANCE PRACTICES

Below are statements about corporate governance practices. Please indicate the extent to which you agree or disagree with the statement by ticking the corresponding number in the 5 point scale below:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly disagree</td>
<td>disagree</td>
<td>moderately agree</td>
<td>agree</td>
<td>strongly agree</td>
</tr>
</tbody>
</table>

*Please tick only one number for each statement*

To what extent do you agree with the following statement?

<table>
<thead>
<tr>
<th>COMPENSATION OF DIRECTORS</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1 Compensation of directors is in the form of stock returns.</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B2 Compensation comes in the form of cash compensation.</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B3 Compensation for directors is in the form of fringe benefits.</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B4 The organisation appreciates their board members with higher level of compensation</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B5 directors’ pay provide an important incentive mechanism for corporate success</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SKILLS DIVERSITY</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>B5 All board members have at least a first degree</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B6 Board members possess diverse qualifications</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B7 All board members have general knowledge about the energy sector</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B8 Board members have different skills which complement each other</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B9 All board members have strategic connections to external resources</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B10 There is a skills audit process that accompanies each new appointment</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GENDER DIVERSITY</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>B11 The company has a formal policy on gender mainstreaming</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B12 The Board is composed of only men</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B13 The board is dominated by men</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>B14 There is equal representation between male and female</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
</tbody>
</table>
SECTION C

CORPORATE PERFORMANCE

Below are statements about the effect of the board of directors on corporate performance where you are required to indicate the extent to which you agree or disagree with the statement by ticking the appropriate number where:

1=strongly disagree 2= disagree 3= moderately agree 4= agree 5= strongly disagree

*Tick only one number for each statement.*

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>strongly disagree</td>
<td>disagree</td>
<td>moderately agree</td>
<td>agree</td>
<td>strongly agree</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CORPORATE PERFORMANCE</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1 ROA has improved</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>C2 Customer satisfaction has improved</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>C3 Employee satisfaction has improved</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>C4 The business has introduced new products</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
<tr>
<td>C5 The rate of new connections has increased</td>
<td>Strongly disagree</td>
<td></td>
<td></td>
<td></td>
<td>Strongly agree</td>
</tr>
</tbody>
</table>

THE END
### Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.765</td>
<td>.613</td>
<td>24</td>
</tr>
</tbody>
</table>

### Summary Item Statistics

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Min</th>
<th>Max</th>
<th>Range</th>
<th>Maxi / Min</th>
<th>Variance</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item Means</td>
<td>2.988</td>
<td>1.100</td>
<td>4.700</td>
<td>3.600</td>
<td>4.273</td>
<td>1.243</td>
<td>24</td>
</tr>
<tr>
<td>Item Variances</td>
<td>.848</td>
<td>.100</td>
<td>1.956</td>
<td>1.856</td>
<td>19.556</td>
<td>.323</td>
<td>24</td>
</tr>
<tr>
<td>Inter-Item Covariances</td>
<td>.101</td>
<td>-.778</td>
<td>1.400</td>
<td>2.178</td>
<td>-1.800</td>
<td>.129</td>
<td>24</td>
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FREQUENCIES VARIABLES=GEN ED POS WKEXP
/PIECHART FREQ
/ORDER=ANALYSIS.

Frequencies

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<tbody>
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<td>Weight</td>
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<tr>
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<td>Definition of Missing</td>
<td>User-defined missing values are treated as missing.</td>
</tr>
<tr>
<td>Cases Used</td>
<td>Statistics are based on all cases with valid data.</td>
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| Syntax         | FREQ VARIABLES=GEN ED POS WKEXP
|                | /PIECHART FREQ
|                | /ORDER=ANALYSIS. |

| Resources      | Processor Time 00:00:07.05 |
|                | Elapsed Time 00:00:04.91 |

[DataSet0] D:\2014\kufa\kufa final chapters\kufa spss.sav

Statistics

<table>
<thead>
<tr>
<th></th>
<th>gender of respondents</th>
<th>educational qualifications</th>
<th>position</th>
<th>working experience</th>
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### Frequency Table

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<tr>
<th></th>
<th>Frequency</th>
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<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>male</td>
<td>7</td>
<td>70.0</td>
<td>70.0</td>
<td>70.0</td>
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<tr>
<td>Valid</td>
<td>female</td>
<td>3</td>
<td>30.0</td>
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<tr>
<td>total</td>
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</tbody>
</table>

#### educational qualifications

<table>
<thead>
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<th>Frequency</th>
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<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>diploma</td>
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<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>degree</td>
<td>3</td>
<td>30.0</td>
<td>30.0</td>
<td>40.0</td>
</tr>
<tr>
<td>masters</td>
<td>5</td>
<td>50.0</td>
<td>50.0</td>
<td>90.0</td>
</tr>
<tr>
<td>doctorate</td>
<td>1</td>
<td>10.0</td>
<td>10.0</td>
<td>100.0</td>
</tr>
<tr>
<td>total</td>
<td></td>
<td>10</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

#### position

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>board member</td>
<td>4</td>
<td>40.0</td>
<td>40.0</td>
<td>40.0</td>
</tr>
<tr>
<td>management</td>
<td>6</td>
<td>60.0</td>
<td>60.0</td>
<td>100.0</td>
</tr>
<tr>
<td>total</td>
<td></td>
<td>10</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

#### working experience

<table>
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<tr>
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<th>Frequency</th>
<th>Percent</th>
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<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-4 years</td>
<td>1</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>5-7 years</td>
<td>3</td>
<td>30.0</td>
<td>30.0</td>
<td>40.0</td>
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<tr>
<td>8-10 years</td>
<td>1</td>
<td>10.0</td>
<td>10.0</td>
<td>50.0</td>
</tr>
<tr>
<td>above 10 years</td>
<td>5</td>
<td>50.0</td>
<td>50.0</td>
<td>100.0</td>
</tr>
<tr>
<td>total</td>
<td></td>
<td>10</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Pie Charts

- Gender of respondents
  - Male: large portion
  - Female: smaller portion

- Educational qualifications
  - Diploma
  - Bachelor's
  - Master's
  - Doctorate
  - Secondary School: largest portion
<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>board compensation of directors is in the form of stock returns</td>
<td>58</td>
<td>1.00</td>
<td>4.00</td>
<td>1.8793</td>
<td>1.01008</td>
</tr>
<tr>
<td>compensation comes in the form of cash</td>
<td>58</td>
<td>2.00</td>
<td>5.00</td>
<td>4.2241</td>
<td>.83861</td>
</tr>
<tr>
<td>compensation is in the form of fringe benefits</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4310</td>
<td>1.09404</td>
</tr>
<tr>
<td>the organization appreciates their board with higher levels of compensation</td>
<td>58</td>
<td>2.00</td>
<td>5.00</td>
<td>3.8621</td>
<td>.92619</td>
</tr>
<tr>
<td>director's pay provide an important incentive mechanism for corporate success</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.6207</td>
<td>1.07324</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>58</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>the company has a formal policy on gender mainstreaming</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>2.9310</td>
<td>1.19740</td>
</tr>
<tr>
<td>the board is composed of only men</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>2.6724</td>
<td>1.09845</td>
</tr>
<tr>
<td>the board is dominated by men</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5172</td>
<td>1.30103</td>
</tr>
<tr>
<td>the board is dominated by women</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
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<td>1.13848</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>58</td>
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</tbody>
</table>
### Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
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<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA has improved</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>2.7931</td>
<td>1.07211</td>
</tr>
<tr>
<td>customer satisfaction has improved</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.0690</td>
<td>1.10600</td>
</tr>
<tr>
<td>employee satisfaction has improved</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.1379</td>
<td>.88750</td>
</tr>
<tr>
<td>the business has introduced new</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3966</td>
<td>.95402</td>
</tr>
<tr>
<td>products the rate of new connections</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5172</td>
<td>1.17341</td>
</tr>
</tbody>
</table>

| Valid N (listwise)                   | 58 |         |         |         |                |

### gender of respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>male</td>
<td>39</td>
<td>67.2</td>
<td>67.2</td>
<td>67.2</td>
</tr>
<tr>
<td>female</td>
<td>19</td>
<td>32.8</td>
<td>32.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
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<td></td>
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## Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
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<td>58</td>
<td>1.00</td>
<td>5.00</td>
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<td>1.10600</td>
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<tr>
<td>employee satisfaction</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.1739</td>
<td>0.88750</td>
</tr>
<tr>
<td>the business has</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3966</td>
<td>0.95402</td>
</tr>
<tr>
<td>introduced new products</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
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<td>1.17341</td>
</tr>
<tr>
<td>the rate of new</td>
<td>58</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5172</td>
<td>1.17341</td>
</tr>
<tr>
<td>connections has improved</td>
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<td>1.00</td>
<td>5.00</td>
<td>3.5172</td>
<td>1.17341</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
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<td></td>
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