PERCEPTIONS REGARDING THE IMPLEMENTATION OF CORPORATE GOVERNANCE PRACTICES WITHIN SELECTED ORGANISATIONS

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Abstract: This article sets out to investigate the perceptions regarding the implementation of corporate governance practices in selected organisations within the Nelson Mandela Bay region of South Africa. Research literature on corporate governance has recently attracted a lot of attention due to governance scandals in major corporations across the globe. To be able to achieve the research objectives of this research project, both a literature study and an empirical investigation were conducted. The comprehensive literature study, mainly based on journal articles, formed the theoretical framework for collecting the primary data. One hundred and seventy five self-administered questionnaires were returned from organisations in the selected population. A total of 80 null-hypotheses were formulated and tested as to investigate the relationship between the 10 dependent variables (perceptions regarding corporate governance practices) and eight independent variables (demographical data). Only six null-hypotheses indicated statistically significant relationships between these variables and are reported in this article. With the increased responsibility and accountability of organisations to its stakeholders, there is a need to develop a code of corporate governance as to guide organisations towards appropriate stakeholder relations. Practical guidelines are provided as to ensure more effective implementation of corporate governance practices in the workplace of today.

Key phrases: *corporate governance; demographical influences; King III Report; practices; stakeholder relations*

"Greater market globalisation, ever-increasing competition and greater global interdependence and more profound shareholder activism pose demands for improved corporate governance … aimed at higher shareholder return … South Africa's unique socio-political context requires careful navigation and balance … efforts to adhere to international best practices on corporate governance through the King Report …" (Kakabadse & Korac-Kakabadse 2001:305).

1 INTRODUCTION

The main purpose of this article is to investigate the perceptions regarding the implementation of corporate governance practices within selected organisations. According to Hussey (1999:190), corporate governance refers to the manner in which organisations are managed and the nature of accountability of managers to owners. Brajesh and Sara (2010:7) are of the opinion that corporate governance has succeeded in attracting a great deal of public interest as it is important for the economic health of an organisation and society. Chau (2011:7) concurs that there has been a remarkable increase among researchers and practitioners to study corporate governance.

The two main reasons for the upsurge in interest in corporate governance are: the economic liberation and deregulation of industries and the demand for a new corporate ethos (Joyner & Payne 2002:297). These assumptions are also supported by Michael and Gross (2004:32) who allege that world-wide concern has been expressed about the shortcomings in systems of corporate governance. This new paradigm for corporate governance is based on the demand for greater accountability of organisations to their shareholders and customers (Bushman & Smith 2001:237). Sethi (2002:20) concludes that corporate governance is aimed at creating a balance between economic, social and environmental goals of an organisation as to ensure efficient use of resources and accountability in the use of power.

The first aspects to be highlighted are the problem statement and research objectives to be achieved. Thereafter, a theoretical overview of corporate governance practices is provided. The next section outlines the research methodology followed in this research project and the results of the empirical investigation. Lastly, the main conclusions and recommendations of the study are presented.

2 PROBLEM STATEMENT

According to the Organization for Economic Cooperation and Development, OECD (2004), corporate governance involves a set of relationships between an organisation's management, board, shareholders and other role players as to set objectives and to monitor performance. Hendrickse and Hendrickse (2004) concur that it is a "partnership of shareholders, directors and management to provide wealth creation and economic well-being to the wider community of stakeholders and society." Recent emphasis on corporate governance stems mainly from two reasons: failure of governance mechanisms to effectively control top management decisions resulting in fraud and corruption and evidence that well-functioning governance and control systems can be a source of competitive advantage for an organisation (Le Breton-Miller & Miller 2006:731).

Keasey, Thompson and Wright (2005) further argue that there has been an explosion in both policy and academic research devoted to corporate governance which impact on a variety of disciplines such as economics, finance, accounting and management. Although various researchers (see for example Aguilera & Cuervo-Cazurra 2009:376; Harris 2009:191; Malhotra & McDonald 2011:201 and Yoshikawa & Rasheed 2009:388) attempted to investigate different aspects and dimensions of corporate governance, Filatotchev and Boyd (2009:257), on the other hand, argue that effective corporate governance practices are dependent on specific organisational context factors which require a more holistic and open systems approach.

Aras and Crowther (2008:433) concede that with the increased responsibility and accountability of organisations to its stakeholders, there is a need to develop a code of corporate governance as to guide them towards appropriate stakeholder relations. It also appears that although abundant international literature exists on corporate governance, limited studies have been conducted on corporate governance practices within South African organisations. This led to the following research question to be addressed in this article: "*What are the perceptions regarding the implementation of ten corporate governance practices within selected organisations in the Nelson Mandela Bay region?"*

3 OBJECTIVES

The primary objective of this article is to investigate the perceptions regarding the implementation of corporate governance practices in selected organisations. To help achieve this primary objective, the following secondary goals are identified:

- To clarify and contextualise the concept of corporate governance.
- To provide a comprehensive theoretical overview of corporate governance practices.
- To empirically investigate the perceptions regarding the implementation of corporate governance practices in selected organisations.
- To provide general guidelines for implementing corporate governance practices in organisations.

4 THEORETICAL OVERVIEW OF CORPORATE GOVERNANCE PRACTICES

4.1 Concept clarification

According to Hough, Thompson, Strickland and Gamble (2011:325), the word "governance" is derived from the Latin word "gubernare" which means to steer, thus referring to the process of running a government or an organisation. Aguilera, Filatotchev, Gospel and

Jackson (2007:475) define corporate governance as "mechanisms to ensure that executives respect the rights and interests of stakeholders, as well as making those stakeholders accountable for acting responsibly with regard to the protection, generation and distribution of wealth."

An international standard created to guide governance of information technology (IT), specifically, is termed ISO-IEC 38500. It provides guiding principles for directors of organisations on the effective, efficient and acceptable use of IT within an organisation and include the following principles: establish responsibilities; providing supporting mechanisms; acquiring validity; ensuring conformance with rules; and ensuring respect for human factors (IT Governance 2012:1)

4.2 Nature of corporate governance practices

Kim and Nofsinger (2004) state that corporate governance originate as a result of corporate ownership and control being divided between two parties, namely stakeholders and management. Ireland, Hoskisson and Hitt (2011:252) concur that this separation and specialisation of ownership and managerial control should lead to the highest return for its owners. A result of good governance is that disclosure of information related to the organisation's financial-, social- and environmental performance is provided to all relevant stakeholders (Zahra, Gedajlovic, Neubaum & Shulman 2009:519). Banerjee (2008:51) argues that there is a definite shift from reporting only on financial matters to also include reporting on the organisation's social responsibility efforts and initiatives to preserve the environment (triple bottom line).

Various researchers (see for example Filatotchev & Boyd 2009:257; Hambrick, Werder & Zajac 2008:381 and Shipilov, Greve & Rowley 2010:846) attempted to investigate various corporate governance practices within different organsiational settings. For the purpose of this article, the following 10 corporate governance practices will be highlighted: King III Report, ethics, corporate citizenship, board of directors, internal auditing and audit committee, risk management, governance of IT, stakeholder relations, integrated sustainable reporting and disclosure and compliance procedures and standards. These practices, as indicated in Table 1, will also form the theoretical framework for conducting the empirical study.

TABLE 1: ASPECTS OF CORPORATE GOVERNANCE PRACTICES

Aspects of corporate governance	Authors
KING III REPORT	
• Emphasis should be on an inclusive approach, not only focusing on the financial aspects of governance, but also addressing social and environmental aspects (integrated reporting) • Primary characteristics of good governance include: discipline; transparency; independence; accountability; responsibility; fairness and social responsibility • The principles and best practices recommended in the King III report should be applied throughout the organisation. • More emphasis should be placed on sustainability and its inseparable interface with strategy and control. • There should be a separartion of ownership and control in an organisation as to avoid conflict of interests.	Hough *et al.*, (2011:327) Malin (2011:390) Maritz, Pretorius & Plant (2010) Marx & Els (2009:5) Rossouw (2011: 327)
ETHICS	
• Ethical leaders should articulate and embody the purpose and desired values of the organisation. • Ethics and values should be communicated to all employees. • Unethical behavior must quickly be disciplined at all levels. • Comliance with an ethics code should be practiced. • There is a need for transparency of information which allows organisations to be held accountable for actions taken.	Ghillyer (2010:84) Gowdy (2008:Internet) Pae & Choi (2011:323) Pietersen (2009:152) West (2009:10) Windsor (2009:306)
CORPORATE CITIZENSHIP	
• Good corporate citizenship results in having comprehensive policies and practices in respect of society and the environment. • Interests of all stakeholders are incorporated into the organisation's strategies. • The triple bottom line enables the organisation to be relevant to the society and natural environment in which it operates. • Organisations should give something back to the community which will ultimately help to improve their economic performance. • Corporate citizenship is about a new contract between organisations and society which aligns profitable organisations with healthy communities.	Birch (2001) Crane, Matten & Moon (2011: 64) Matten & Crane (2003:Internet) Maxfield (2008:367) Morgan, Ryu and Mirvis (2009:39)
BOARD AND DIRECTORS	
• The board of directors should determine the purpose/values and oversees the implementation of strategies and desired values. • The board should be led by an independent non-executive Chairman and is not the CEO of the organisation. • Directors should be held personally liable for failing to exercise their duties. • Directors have must have courage to take responsible decisions	Adams, Hermalin & Weisbach (2008:Internet) De Andres & Vallelado (2008:2570) Ertimur, Ferri & Stubben (2010:53) Hambrick *et.al* (2008:381)

Aspects of corporate governance	Authors
regardless of the risks involved. • The board must have the right mix of skills and experience and the time to do the job.	
INTERNAL AUDIT & AUDIT COMMITTEE	
• Internal auditing should be a source of information with regard to fraud, corruption and unethical behavior. • Audit committee members are independent non-executive directors who are finacial literate. • The audit committee reviews reliability and accuracy of financial statements. • Audit committee responsible for appointment, compensation and oversight of external auditors. • There should be disclosure requirements with the committee's terms of reference and membership.	Abbott, Parker & Peters (2010:1) Beasley, Carcello, Hermanson & Neal (2009:65) Hoitash, Hoitash & Bedard (2009:839) Krishnan (2005:649)
RISK MANAGEMENT	
• Risk management should be inseparable from the organisation's strategic and business procedures. • The board of directors must ensure that risk assessments are performed on a continued basis. • Risk should be managed proactively by recognising the opportunities and downside aspects of risk. • Risk management performance is monitored, reviewed and reported annually. • The board should ensure that adequate internal and external risk reporting mechanisms are in place.	Aven & Renn (2010) Castello & Lozano (2009:373) Laeven & Levine (2009:259) Subramaniam, McManus & Zhang (2009:316)
GOVERNANCE OF IT	
• There should be a Chief Information Officer responsible for IT governance. • IT's strategy should be integrated with all strategic and business processes. • An IT governance framework should be developed and implemented throughout the organisation. • The organisation must have structures and processes that ensure that the organisation's IT sustains and extends the organisation's strategies and objectives. • Primary goals for IT governance are: to assure that the investments in IT generate business value and mitigate the risks that are associated with IT.	Ko & Fink (2010:662) Petersen (2006:1) Van Grembergen (2004) Van Grembergen & De Haes (2009) Wilken & Chenhall (2010:107)
STAKEHOLDER RELATIONS	
• A balance is maintained between individual interests of stakeholders and collective good of the organisation. • Stakeholders can easily assess the organisation and its performnace as it is transparent. • Oganisations to operate as good corporate citizens, due to the influence organisations have on the lives of stakeholders such as customers, employees, suppliers and communities, and on the environment. • An inclusive approach requires that the purpose of the organisation be	Ansell & Gash (2008:543) Bingham, Nabatchi & O'Leary (2005:547) Carney, Gedajlovic & Sur (2011:483) Mason, Kirkbridge & Bryde (2007:284) Renneboog, Ter Horst & Zhang

Aspects of corporate governance	Authors
defined; the values by which the organisation will carry out its activities be identified and it be communicated to all stakeholders. • Stakeholder engagement is all about by providing strategies, processes and infrastructure to enable the organisation to: discover what really matters to key stakeholders; involve them in providing feedback on corporate strategies and performance and monitor and manage stakeholder contributions and satisfaction levels.	(2008:302)
INTEGRATED SUSTAINABLE REPORTING AND DISCLOSURE	
• Environmental, social and economic issues are considered important in the organisation (triple bottom line). • A useful framework for green reporting focused on four issues: use of scarce resources, pollution, social impact and global warming. • Sustainability reporting and disclosure is indepedently verified. • Integrated reporting on economic, social and environmental issues should be forward-looking so that stakeholders can make more informed assessments of the economic value of an organisation as opposed to its book value. • Integrated reporting provides greater context for performance data, clarifies how sustainability fits into operations and may help embed sustainability into decision-making.	Adams & McNicholas (2007:382) Bebbington, Higgins & Frame (2009:588) Daub (2007:75) Schaltegger & Wagner (2006:1)
COMPLIANCE PROCEDURES AND STANDARDS	
• Compliance policies and procedures should be developed by management and approved by the board. • Compliance is part of the risk management process. • The board should ensure that there is compliance with all the principles of the King III Report. • Organisations must comply with the law and regulations (Acts promulgated by Parliament, subordinate legislation and applicable binding industry requirements, such as JSE listings requirements). • Compliance with laws and regulations should be proactively managed and compliance should be a standing item on the agenda of the board.	Camm, Blount, Boston, Camm, Cirabisi, Cooper, Datskovsky, Fox, Handal, & McCraken (2010:73) Filippakou, Salter & Tapper (2010:543) Humphreys (2008:247) Rajkumar & Dorfman (2010)

Source: Own compilation

5 INFLUENCE OF DEMOGRAPHICS ON IMPLEMENTING CORPORATE GOVERNANCE PRACTICES

In analysing the literature on the influence of demographic factors on corporate governance practices in organisations, it appears that various authors (see for example Kakabadse & Kakabadse 2007:169; Kiel & Nicholson 2003:189; Murphy & McIntyre 2007:209 and Zimmermann & Stevens 2008:189) have divergent viewpoints on the effect of these factors on corporate governance. Brammer, Millington, Pavelin (2009:17) and Shropshire (2010:246) specifically investigated the role of organisational characteristics on the effectiveness of boards of directors. Authors (such as Dhir 2010:569; Ruigrok, Peck and Tacheva 2007:546 and Terjesen, Sealy and Singh 2009:320) focused on the role of gender, race and nationality and its influence on corporate governance practices and also identified conflicting results.

Cheng, Chan and Leung (2010:261), on the other hand, allege that various management demographic characteristics (such as education level, title, age and tenure) could influence corporate governance. Despite these notions, Minichilli, Zattoni and Zona (2009:55) postulate that there is often an over reliance on the use of demographic data.

Based on the abovementioned reasoning, 80 null-hypotheses were formulated as to test the relationship between the 10 dependent variables/factors (corporate governance practices) and the eight independent variables (classification data). Only those hypotheses that indicate a significant relationship between the dependent and independent variables are reported here.

The following null-hypotheses were thus formulated for this article:

$H0_1$: There is no relationship between the perceptions regarding the *King III Report* and the *educational level* of respondents.

$H0_2$: There is no relationship between the perceptions regarding the *King III Report* and the *position of respondents* in an organisation.

$H0_3$: There is no relationship between the perceptions regarding *corporate citizenship* and the *educational level* of respondents.

$H0_4$: There is no relationship between the perceptions regarding the role of *internal auditing and the audit committee* and the *employment size* of an organisation.

$H0_5$: There is no relationship between the perceptions regarding *integrated sustainable reporting and disclosure* practices and the *educational level* of respondents.

$H0_6$: There is no relationship between the perceptions regarding *integrated sustainable reporting and disclosure* practices and the *industry type* of respondents' organisations.

The research hypotheses (H_1 to H_6) can be stated as the exact opposite of these stated null-hypotheses.

6 RESEARCH METHODOLOGY

The following section provides an outline of the research methodology followed in this research project.

6.1 Research paradigm

The positivistic or quantitative research method is used in this study which is a form of conclusive research involving a large representative sample and structured data collection procedures and emphasising the quantification of constructs (Babbie & Mouton 2003:49). This is ensured by means of exploratory and descriptive research, aimed at describing the perceptions regarding the implementation of corporate governance practices in selected organisations.

6.2 Population

The unit of analysis will be CEO's and mangers of organisations. For the purpose of this research project, the target population consists of all medium-sized organisations (employing 51 to 200 employees) and large-sized organisations (employing more than 200 employees) mainly in the Nelson Mandela Bay region of the Eastern Cape in South Africa. The reason for the selection of this population is that these organisations are more likely inclined to implement corporate governance practices on a larger scale as compared to smaller organisations which might not implement these practices to the same extent.

6.3 Time horizon

The research project studied a particular phenomenon at a particular point in time thus making it a cross-sectional study (Collis & Hussey 2003:61). The study obtained information on variables in different contexts but at the same time.

6.4 Sampling

From this population a non-probability convenience sample of 200 organisations were drawn, based on accessibility and availability (Saunders, Lewis & Thornhill 2007:234). Clear instructions were given to fieldworkers as to ensure that the condition under which the empirical study was conducted, such as the time, place and manner is conducive for effective research.

6.5 Questionnaire design

A self-administered questionnaire was design and used during the survey. The statements in the questionnaire were developed and based on an extensive literature study. The questionnaire consists of two sections:

- Section A deals with statements regarding the perceptions of implementing corporate governance practices in the selected organisations. Ten factors (corporate governance practices) were tested, namely: King III report; ethics; corporate citizenship; board and directors; internal audit and audit committee; risk management; governance of IT; stakeholder relations; integrated sustainable reporting and disclosure and compliance procedures. A total of 50 statements were tested in this section. The type of ordinal scale used is by means of semantic differential scaled-response questions according to a five-point Likert-type scale (ranging from strongly agree to strongly disagree).
- Section B provides classification data (demographic characteristics) of respondents and contains a nominal scale of measurement, using categorical variables. Eight classification data variables were tested, namely: gender; highest education qualification; ethnic grouping; position in organisation; length of current employment; employment size; employment sector and industry type.

6.6 Pilot study

The questionnaire has been distributed to 10 organisations in the designated region and also to academics in the fields of management, ethics and statistics. Some problem areas were identified and suggestions for improvement were provided which ensure face validity of the questionnaire.

6.7 Data collection

A comprehensive literature study was conducted whereby secondary data was collected by means of text books, journal articles and the Internet. Primary data were collected by means of a survey during which 200 self-administered questionnaires were distributed. A total of 175 correct completed questionnaires were obtained, giving an effective response rate of 88%. Various measures were undertaken as to increase the response rate of this study, such as: prior appointments or arrangements were made with the respondents for taking part in the survey; an official cover letter was designed to make the survey more legitimate; the questionnaire was printed and presented in an attractive booklet format and some follow-up was done and reminders were sent to respondents to return questionnaires.

6.8 Data processing and analysis

Completed questionnaires were inspected, edited and coded. The data was transferred to an Excel spreadsheet and analysed by means of the SPSS statistical software package. The techniques used during the data analysis stage of the research project included: descriptive statistics (e.g. mean and standard deviation), frequency distributions (percentages), reliability testing (Cronbach's alpha), correlation coefficients and analysis of variance.

7 EMPIRICAL RESULTS

The main empirical results are outlined in this section.

7.1 Descriptive statistics

Table 2 provides a summary of the descriptive statistics for Section A of the questionnaire (perceptions regarding corporate governance practices).

TABLE 2: A SUMMARY OF THE DESCRIPTIVE STATISTICS FOR SECTION A OF THE QUESTIONNAIRE

Statements	Factor (Corporate governance practice)	Mean	Standard Deviation
1-5	King III Report	3.87	0.64
6-10	Ethics	4.02	0.72
11-15	Corporate citizenship	3.98	0.68
16-20	Board and directors	3.91	0.63
21-25	Internal audit and audit committee	3.97	0.82
26-30	Risk management	4.07	0.67
31-35	Governance of IT	3.99	0.72
36-40	Stakeholder relations	3.90	0.67
41-45	Integrated sustainable reporting and disclosure	3.96	0.65
46-50	Compliance procedures and standards	4.16	0.64

Source: Own compilation

With regard to the descriptive statistics of the 10 factors, no in-depth discussion is provided, as it falls beyond the scope of this article. Regarding the measure of central tendency (mean values) of the 10 factors, it appears that the values cluster around point four (agree) on the instrument scale. The highest mean value was obtained for the factor regarding compliance procedures and standards (4.16). None of the mean scores lies on the disagreement side of the scale (point one and two), indicating that most of the respondents agree with these statements related to corporate governance practices. The measure of dispersion used is the standard deviation. Al the scores are below one, indicating that responses did not vary much around the mean scores.

7.2 Demographic profile of respondents

Table 3 provides a profile of the respondents of this study by indicating the frequency distribution results of the demographical data.

TABLE 3: FREQUENCY DISTRIBUTION RESULTS: A RESPONDENT PROFILE

Characteristic	Category	Amount	(%)
Gender	Male	120	69
	Female	55	31
Highest educational level	Grade 12 or equivalent	30	17
	Diploma or National Certificate	43	25
	Bachelor's degree	36	20
	Postgraduate degree/diploma	65	37
	Other	1	1

Characteristic	Category	Amount	(%)
Ethnic group	Black	46	26
	Coloured	27	16
	White	90	51
	Asian	12	7
Position on business	CEO	14	8
	Manager	132	75
	Other	29	17
Length of current employment	1-5 years	62	35
	6-10 years	50	29
	11-15 years	30	17
	16 years +	33	19
Employment size	Medium (51-200 employees)	66	38
	Large (201+ employees)	109	62
Employment sector	Public	54	31
	Private	121	69
Industry	Manufacturing	42	24
	Retailing/Wholesaling	45	26
	Financial, insurance, real estate	39	22
	Architecture	1	1
	Agriculture, forestry, fishing	4	2
	Catering and accommodation	9	5
	Construction and engineering	2	1
	Mining	9	5
	Transport/Travelling	9	5
	Communication	3	2
	Medical	3	1
	Leisure and entertainment	8	5
	Other	1	1

Source: Own compilation

From Table 3, it is evident that the majority of respondents (69%) are males and 31% females. In terms of highest educational level, 45% of the respondents have a diploma, certificate or bachelor's degree, whilst 37% has a postgraduate degree/diploma. Based on ethnic classification, 51% of the respondents are white and 26% are black, respectively. Eighty three percent of the respondents indicated that they are owner/managers or CEO's. The majority of the respondents (46%) are employed in their current position for between six and 15 years. It also appears that the majority of the respondents are employed in large organisations (62%) and in the private sector (69%). Most of them are also employed in the manufacturing industry (24%), wholesaling and retailing (26%) and finance, insurance and real estate (22%) industries.

7.3 Reliability and validity of the measuring instrument

External validity refers to the generalisation of research results to other population groups and has been ensured by means of clear guidelines regarding the place, time and conditions in which the research was to be conducted. The internal validity of the instrument's scores is ensured through both face validity and content validity. Expert judgement by researchers in business management, ethics and statistics and a pilot study among 10 organisations in the designated region were undertaken.

The statistical software package, SPSS, was used to determine Cronbach's alpha values for the 10 predetermined factors (perceptions regarding corporate governance practices) to confirm the internal reliability of these 10 factors (refer to Table 4). Cronbach's alpha is a measure of internal consistency indicating how closely related a set of items are as a group – it is a coefficient of reliability (or consistency) and can be written as a function of the number of test items and the average inter-correlation among the items (Gwet 2012:246).

TABLE 4: CRONBACH'S ALPHA VALUES FOR SECTION A OF THE QUESTIONNAIRE

Statements	Factor	Cronbach's Alpha
1-5	King III Report	0.86
6-10	Ethics	0.85
11-15	Corporate citizenship	0.88
16-20	Board and directors	0.74
21-25	Internal audit and audit committee	0.90
26-30	Risk management	0.87
31-35	Governance of IT	0.86
36-40	Stakeholder relations	0.88
41-45	Integrated sustainable reporting and disclosure	0.88
46-50	Compliance procedures and standards	0.88

Source: Own compilation

To establish the reliability of the 10 factors, Cronbach's alpha values were calculated (indicating internal consistency). The reliability coefficients of Cronbach's alpha values for the 10 factors are all above 0.7. It can therefore be concluded that all 10 factors are internally reliable.

7.4 Correlation

Regarding the correlation between the variables which constitute each factor, an inter-item correlation exercise was conducted using the Pearson product-moment correlation coefficient. It appears that all the variables in each factor show strong positive relationships with each other. A positive correlation coefficient (*r*-value) indicates a strong or positive relationship among the variables. The full correlation matrix of these variables is not presented here as it falls beyond the scope of this article. None of the variables showed a negative/reverse relationship. All variables indicated strong inter-item correlation. The variable with the highest positive *r*-value (strongest positive relationship) were found in the stakeholder relations factor (0.7202), while the variable with the lowest positive *r*-value (weakest positive relationship) were found in the board and directors' factor (0.2167).

7.5 ANOVA

The purpose of this analysis is to investigate the relationship between the independent variables (classification data) and dependent variables (corporate governance practices) and to test the stated null-hypotheses. The ANOVA exercise was therefore done on the 10 predetermined factors and not on the 50 individual statements as stated in the measuring instrument. Eighty null-hypotheses were originally formulated, but only those six hypotheses indicating statistically significant relationships are elaborated on. The results of the analysis of variance tests are given in Table 5.

TABLE 5: ANALYSIS OF VARIANCE FOR THE PREDETERMINED FACTORS AND THE CLASSIFICATION DATA

Independent variables	Dependent variables	Df	F-test	P-value	Hypotheses
King III Report	Educational level	4	4.135	0.003	$H0_1$
King III Report	Position in organisation	2	6.829	0.001	$H0_2$
Corporate citizenship	Educational level	4	4.648	0.001	$H0_3$
Internal auditing and audit committee	Employment size	2	13.721	0.000*	$H0_4$
Integrated sustainable reporting and disclosure	Educational level	4	5.158	0.001	$H0_5$
Integrated sustainable reporting and disclosure	Industry type	12	3.126	0.001	$H0_6$

* $p < 0.01$

Source: Own compilation

The ANOVA results clearly indicate the relationships between the independent variables (classification data) and dependent variables (corporate governance practices). The null-hypotheses, H01 to $H0_2$, can be rejected (p-value <0.05), indicating that there are significant relationships between perceptions regarding the King III Report and the educational level and position of respondents in an organisation. It also appears that there is a significant relationship between perceptions regarding corporate citizenship and the educational level of respondents and thus can $H0_3$ be rejected (p-value < 0.05).

There appears to be a highly significant relationship between perceptions regarding internal auditing and the audit committee and the employment size of an organisation ($H0_4$ rejected at significance level of 0.01). Both null-hypotheses, $H0_5$ and $H0_6$, can be rejected (p-values < 0.05), indicating that there is a significant relationship between perceptions regarding integrated sustainable reporting and disclosure and the educational level of respondents and industry type, respectively. The alternative hypotheses, H_1 to H_6, can in all cases be accepted. Further post-hoc tests (e.g. Scheffé's test) were conducted as to establish where the differences are, but not reported, as it falls beyond the scope of this article.

8 CONCLUSIONS AND RECOMMENDATIONS

Corporate governance has succeeded in attracting a great deal of public interest as it is important for the economic health of an organisation and society. World-wide concern has been expressed about the shortcomings in systems of corporate governance. This new paradigm for corporate governance is based on the demand for greater accountability of organisations to their shareholders and customers, aimed at creating a balance between economic, social and environmental goals of an organisation as to ensure efficient use of resources and accountability in the use of power. Recent emphasis on corporate governance stems mainly from two reasons: failure of governance mechanisms to effectively control top management decisions resulting in fraud and corruption and evidence that well-functioning governance and control systems can be a source of competitive advantage for an organisation.

Based on the analysis of variance results, the following conclusions and recommendations can be identified:

- There appears to be a significant relationship between perceptions regarding *the King III Report* and the *educational level* of respondents in an organisation ($H0_1$ rejected). Respondents with higher educational levels differ in their perceptions regarding the King III Report, as compared to respondents with lower levels of education. Organisations should thus endeavour to ensure that all employees, regardless of educational level, are being exposed and properly educated regarding the role and function of the King III Report in corporate governance.
- There appears to be a significant relationship between perceptions regarding the *King III Report* and *position of respondents* in an organisation ($H0_2$ rejected). It was found that owners, managers and employees have different views regarding the role and function of the King III Report in the governance of an organisation. Especially lower level managers and employees need to be educated regarding the important role of the King III Report in corporate governance.
- Perceptions regarding *corporate citizenship* and the *educational level* of respondents also appears to be significantly related ($H0_3$ rejected). Lower educated respondents might not be that familiar with the nature and practice of corporate citizenship. Organisations should thus ensure that all employees are being introduced to the nature of being a good corporate citizen.
- There appears to be a highly significant relationship between the perceptions regarding *internal auditing and audit committees* and the *employment size* of an organisation ($H0_4$ rejected). Larger organisations are more likely to have extensive internal auditing practices and an audit committee as compared to smaller organisations. The ideal scenario would be that all organisations, regardless of employment size, have proper internal auditing practices in place and a proper constituted audit committee.
- It was further indicated that there is a significant relationship between the perceptions regarding *integrated sustainable reporting and disclosure* and the

educational level of respondents ($H0_5$ rejected). Employees and managers with lower levels of education might not have been exposed to the fairly new concept of integrated sustainable reporting and are thus unfamiliar with this practice. Proper training is thus required as to ensure that all employees in the organisation are being introduced to this practice.

- Results also shown that there is a significant relationship between the perceptions regarding *integrated sustainable reporting and disclosure* and *industry type* ($H0_6$ rejected). Respondents employed in financial and insurance industries are more likely to be exposed to the nature of integrated sustainable reporting and disclosure as compared to respondents in, for example, a catering or accommodation business. Organisations across industries should thus strive as to introduce employees to the nature of this practice.

Some general guidelines for implementing corporate governance practices in an organisation are outlined in Table 6 below:

TABLE 6: GENERAL GUIDELINES FOR IMPLEMENTING CORPORATE GOVERNANCE PRACTICES

General guidelines	
More emphasis should be placed on sustainability and its inseparable interface with strategy and control.	The principles of fairness, accountability, responsibility and transparency should be adhered to.
Ethical leaders should articulate and embody the purpose and desired values of the organisation.	Ensure that compliance with an ethics code is practiced throughout the organisation.
Good corporate citizenship should result in having comprehensive policies and practices in respect of the society and environment.	Economic, social and environmental issues should carefully be considered during strategy implementation.
The board of directors should determine the purpose and values of the organisation and oversee the implementation of strategies.	The board should be led by an independent non-executive Chairman and is not the CEO of the organisation.
Internal auditing should be a source of information with regard to fraud, corruption and unethical behaviour.	There should be an audit committee with at least three members who are independent non-executive directors.
The board of directors must ensure that risk assessments are performed on a continued basis.	Risk management performance should be monitored, reviewed and reported annually.
Information technology should be an integral part of the organisation and is fundamental to sustain and grow the organisation.	There should a Chief Information Officer responsible for IT governance and an IT governance framework should be developed and implemented.
A balance should be maintained between individual interests of stakeholders and collective good of the organisation.	Stakeholders should easily assess the organisation and its performance in a transparent manner.
Environmental, social and economic issues should be	Sustainability reporting and disclosure should be

General guidelines	
considered important in the organisation (triple bottom line).	independently verified.
Compliance policies and procedures should be developed by management and approved by the board.	Compliance should be part of the risk management process.

Source: Own compilation

In conclusion, "… recent onslaught of corporate scandals has compelled the world to acknowledge the profound impact of corporate governance practices on the global economy … and is of particular concern in developing economies, where the infusion of international investor capital and foreign aid is essential to economic stability and growth …" (Vaughn & Ryan, 2006:504).

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