

AN EVALUATION OF THE EFFECTIVENESS OF GOVERNANCE BOARDS OF SELECTED NOT – FOR – PROFIT ORGANIZATIONS (NPO’S) IN NAMIBIA

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ABSTRACT

Governance is defined as “the act of establishing and monitoring the long-term direction of an organisation through policy” (Alberta Culture and Community Spirit, 2008: 31). Consequently, good governance and code of good practices have become topical issues in organisations. Besides, good governance entails a thorough knowledge of all factors, both internal and external, which dictate the success of an organisation. It is consequently that the legal implications of establishing and maintaining an organisation are the responsibilities of the board. If a not-for-profit organisation (NPO) is not complying with legal provisions, the directors of the board are accountable. However, boards or trustees in the NPOs are largely volunteers. Unlike their counterparts in the private sectors and state-owned enterprises (SOE) in Namibia, NPO boards are not readily paid sitting allowances or preparation and retention fees. However, most NPOs reimburse travel, accommodation and lodging costs, while others do not pay at all. Despite this difference in remunerations, all boards/trustees are expected to discharge their functions and fiduciary responsibility; making decisions in the best interest of their respective organisations and ensure them to be good corporate citizens.

INTRODUCTION

Kramer (2009:1) argues that in countries, such as Namibia, where the King Report is accepted as a code of best practice, the provisions of King Report III “applies to all entities regardless of the manner and form of incorporation or establishment or whether in the private, public or no-profit sector.” Section 21 of the Namibia Companies Act (2004: 27) define not-for-profit incorporated companies as “any association having its object the promotion of religion, arts, science, education, charity, recreation, or any other cultural or social activity or communal or group interest.” In Namibia and other countries too, NPOs are included in civil society organisations (CSOs), but not all are established in terms of the Companies Act. However, in South Africa, many of these voluntary associations operate in terms of common law (Hendricks and Wyngaard, 2010: 3).

Although there are a number of formal functions that a board is required to perform, in the case of NPOs, the effectiveness of a board is often dictated by many different factors (Ball, 2011: 2), of which some are covered in this study. Additionally, while most NPOs in Namibia have governance structures in place, it is assumed that these boards are not effectively conducting their duties and responsibilities hence boards are sometimes seen as a financial burden to both the organisation and management. With the above in mind, this study investigated the extent to which Namibian NPO boards satisfy their roles in steering their organisations.

Research Objectives

The objectives of this research are:

- To assess the effectiveness of decision making within Namibian NPO boards/trustees;
- To determine the value added by Namibian NPO boards/trustees;
- To assess the extent to which the Namibian NPO boards/trustees execute their fiduciary responsibilities; and
- To make recommendations to NPO boards/trustees and other relevant stakeholders

LITERATURE REVIEW

This section reviews extant literature since literature review is an important part of a research as it seeks to describe, summarize, evaluate, clarify, and integrate the content of primary reports (Leedy and Ormrod, 2010:66). Literature review also helps the study to establish the status quo of theories, formulate the research problem, defend the values of pursuing the line of enquiry established, and compare the findings and ideas with this study (Leedy and Ormrod, 2010:66). Key concepts of governance; the roles and responsibilities of the board/trustees; legal obligations of boards/trustees and the essentials for effective boards are explored.

Definition of Concepts

A governance board is a title given to those that have legal responsibility for governing their organisations, (Worth, 2006: 61) or a group of individuals, usually on behalf of other people, that exercise authority over an enterprise and are therefore accountable for that enterprise (Carver, 2010: 149). Additionally, governance is defined as “the act of establishing and monitoring the long-term direction of an organisation through policy” (Alberta Culture and Community Spirit, 2008: 31) or a “decision making authority” (Carver, 2010: 150). Berthelot, Francoeur and Labelle (2003: 333) explain in Picou and Rubach (2006) that corporate governance refers to construction of rules, practices, and incentives to effectively align the interest of the agents (board and managers) with those of the principals (capital suppliers). Carver (2010:150) citing Denis and McConnell (2003) argue that the governance in corporate entity refers to the entire external and internal structure of major actors and influences on those actors involving the legal system, the market for corporate control, ownership patterns, or the board of directors.

From the above definitions, it is clear that a board is not an individual but a collective body with specific duties, authority, powers, and control within a particular institution. While boards are overseeing organisations, governing boards are concerned with the body that control not-for-profit. The Society of Corporate Secretaries and Governance Professionals (2008: 5) opines that not-for-profit organisation can be organised as not-profit corporations with boards of directors while others organised as foundations or trusts with the boards of trustees. They also argue that the differences in the names mean very little as all governing bodies have similar functions. In affirmation of this idea, the workbook on board development from Alberta City advances that the governing board of an independently incorporated organisation is the body responsible for the organisation's highest level of decision making and is legitimately and democratically elected by its members (Alberta Culture and Community Spirit, 2008: 10). For the purpose of this study, the word governance board will be used largely to designate board of directors or board of trustees of NPOs, and boards and trustees will also be used interchangeably.

Section 21 of the Namibia Companies Act (2004: 27 – 28) defines not-for-profit incorporated companies as “any association having its object the promotion of religion, arts, science, education, charity, recreation, or any other cultural or social activity or communal or group interest.” In Namibia and other countries too, NPOs are included in civil society organisations (CSOs), but not all are established in terms of the Companies Act. In this regard, Hendricks and Wyngaard (2010: 3) observe that in South Africa many of these voluntary associations operate in terms of the common law. While noting the different enabling legislation, this study will be limited to Namibian NPOs registered under Section 21 or otherwise.

Although there are a number of formal functions that a board is required to perform, the effectiveness of a board is often dictated by many different factors (Ball, 2011: 2), which are discussed in this study. This study also assumes the premise that most NPO boards are not effectively discharging their duties and responsibilities, despite having the requisite governance structures in place. As highlighted by Carver (2001: 1), some authors such as Drucker (1974) observed that corporate boards have one thing in common, namely they do not function or are largely irrelevant through most of the twentieth century (Galies, 1992) or are ornaments (Mace, 1971), pawns rather than potentates (Lorch, 1989).

Role of the Governing Board

The roles of the governing boards vary greatly, with some being an operating body with or without little paid staff assistance, known as administrative board or some performing the general oversight role with the operational day-to-day activities conducted by paid staff. The latter type is known as a policy governance board (Society of Corporate Secretaries and Governance Professionals, 2008: 3). Nonetheless, all boards have the function of determining and communicating the purpose and scope of their organisation (vision) to define the boundaries within which the organisation operates (Alberta Culture and Community Spirit, 2008: 10). In addition, governing boards are responsible for four important aspects of any organisation namely, purpose, progress, continuity and identity (Alberta Culture and Community Spirit, 2008: 10). Leblanc and Lindsay (2010: 3) concur with this assertion and argue that the board is responsible for establishing the strategic and ethical direction of the organisation. They further elaborate that the board is responsible for the oversight of strategy, risk management, internal controls, reporting and communication. Thompson, Strickland, and

Gamble (2005: 2) add that governing boards ensure executive actions are not only proper, but are also aligned with the interests of stakeholders. Sussland (2005: 66) contributes that the board of directors is a body that mainly acts as a referee and who approves or disapproves major decisions and the final report.

The importance of the board, in particular for NPOs is highlighted by Leblanc and Lindsay (2010: 3) with the assertion that such organisations must be trusted by its stakeholders and communities, both in the delivery of services and in the stewardship of the organisation's assets, which include the funding the organisation receives from members, donors, governments and other sources. To earn their trust, Leblanc and Lindsay (2010: 3) opine that organisations must be well governed by an effective board of directors. Ball (2011: 3) supports this notion and comments that donors gain confidence in the ability of the organisation to manage the donated funds effectively, by the mere knowledge that the organisation has an effective board. With this understanding, and the fact that most NPOs are operating with donated funds, it is important that they instill confidence in the donors.

Golensky (2005: 10) illustrates four focus areas of the governance model namely: 1) the ends or outcomes to be achieved by the organisations; 2) the means, or how the ends are achieved (setting limits to the executive to ensure staff conduct business in a prudent and ethical manner; 3) the board-staff relationship, (clarifies the link between the two halves of the leadership core and includes both delegation of authority and meaningful oversight of executive performance; and 4) the process of governance, the manner in which it manages its own time and actions as set forth in the job description. This policy governance model is evident in many NPOs and the relationship between the board and staff has been seen to be a problem in many organisations. This model attempts at clarifying this relationship and Carver (2001: 3) posits that the board needs the Chief Executive Officer (CEO) for business to proceed successfully, and reiterate that the role of the CEO is an important ingredient in the board's fidelity to shareholders, to whom it is ultimately responsible.

Leblanc and Lindsay (2010: 3) argue that the directors of NPOs must collectively have the knowledge, skills and experience necessary to appoint, oversee and advice management of the organisation, who are implementing the board policies and manage the day-to-day business of the organisation. They argue that this will result in the board fulfilling its responsibilities and steer the organisation in the right direction. Conversely, it can be argued that a board that does not possess the requisite knowledge, skills and experiences will be ineffective in its role. It is evident that the board plays an important role in the functioning of an organisation and that the failure of the board in executing its mandate will negatively impact the operations of the organisation. With reference to specific duties, powers, roles and responsibilities for the effective steering by a board are stipulated in the organisation's memorandum of understanding (Society of Corporate Secretariat and Governance Professionals in America, 2008:4) and also in various corporate governance literatures, such in the King Report II. It is further evident that the role of the board does not differ for profit or not-for-profit organisations and that the principle of governance remains the same.

Responsibilities of the Governing Board

As indicated earlier, all governing boards are referred to as the board of directors or board of trustees and have the same responsibilities as any other board. This sentiment is echoed in King Report III (2009), where it is emphasised that the principles of the report are applicable to both profit and not-for-profit organisations (Hendricks and Wyngaard, 2010: 1). In Carver's (2001:3) view, boards are accountable to the shareholders and board members therefore share the responsibility to all shareholders (Thomsen, 2004:31). Leblanc and Lindsay (2010: 6) illuminate the responsibility of the board by stating that it should focus on the following areas:

- the vision, mission, strategy and operational plans for achieving the organisation's goals and objectives;
- the establishment (and disestablishment) of standing and ad hoc committees;
- the assets, resource allocation, program delivery and other activities of the organisation;
- the identification of principal risks to the organisation and the implementation of appropriate systems to manage those risks;
- the organisation's financial performance, budgets, investment, management information and record keeping systems;
- compliance with rules regarding tax receipting and the annual minimum charitable disbursement quota, if applicable;
- the appointment, training, monitoring, compensation and succession of the CEO;
- the division of responsibilities and allocation of authority between the board and staff;
- the values, ethics, reputation and integrity of the organisation and its directors, staff and volunteers;
- donor stewardship, including fundraising oversight, donor privacy and intent compliance;
- key policies and procedures such as the code of conduct and policies relating to conflict of interest, whistle-blowing, expense and gift acceptance;
- communication and accountability to members and stakeholders such as donors, government, partner organisations, beneficiaries and communities; and
- The organisation's overall approach to governance and the expectations and succession of its directors.

Naidoo (2009: 60) has outlined similar roles and responsibilities for boards. The similarity across the different authors is the directing of the organisation through vision and mission and oversight functions. In policy governance, boards/trustees ensure that the organisation is a sound corporate citizen by devising policies and making sure there is a competent person in charge to implement these policies, directives and strategies while the board monitors the progress. It is also important to mention that boards have responsibilities to guide the institutions in an ethical direction by making sure they adhere to relevant legal frameworks and the organisations operate with integrity. In this regard, Leblanc and Lindsay (2010: 6) allude to the accountability, transparency and fairness responsibilities of the board. It can therefore be argued that the board which does not fulfill these requirements will not be able to effectively discharge its responsibilities and it is in this context that this study evaluated Namibian NPOs on their effectiveness.

RESEARCH METHODOLOGY

Target Population

Welman et al. (2005:126) assert that a target population is the population to which the researcher would ideally like to generalize the findings of the study. This aim of this study was to evaluate the effectiveness of governance boards of selected NPOs in Namibia. Therefore, population of this study was the NPOs in Namibia. The list of NPOs was compiled from two directories, one from Namibia Institute of Democracy (NID) and one from Namibia National Network of Organisations for Aids (NANASO). A total of 200 organisations were listed, however some of these organisations are no longer operational and had to be eliminated from the list.

Limitations of the Research

The study was conducted in Namibia and focused only on Namibian-based NPOs. It was a challenge to have all the identified respondents participate in the study and the low response rate makes generalization of the findings impossible. The challenges facing NPOs pertaining to the effectiveness of the NPO boards in Namibia are many, but this study was limited to decision making, value addition and executions of fiduciary responsibilities. Majority of the organisations were not from Windhoek and received their questionnaire through e-mail and this limited the prospective personal interaction with the respondents. Another limitation was also time and financial resources available to conduct the study.

RESULTS, DISCUSSION AND INTERPRETATION OF FINDINGS

Presentation of Results

The findings are presented in five parts relative to the parts of the questionnaire. Part I deals with demographic data of both the participants and their organisations; Part II deals with profiles of the individual board members, Part III presents the information profiling their current board, Part IV deals with the relationship between the board and management, Part V, presents findings on the performance of the board as rated by the participants and Part VI deals with the findings from the board committees.

Part I – Demographic Information

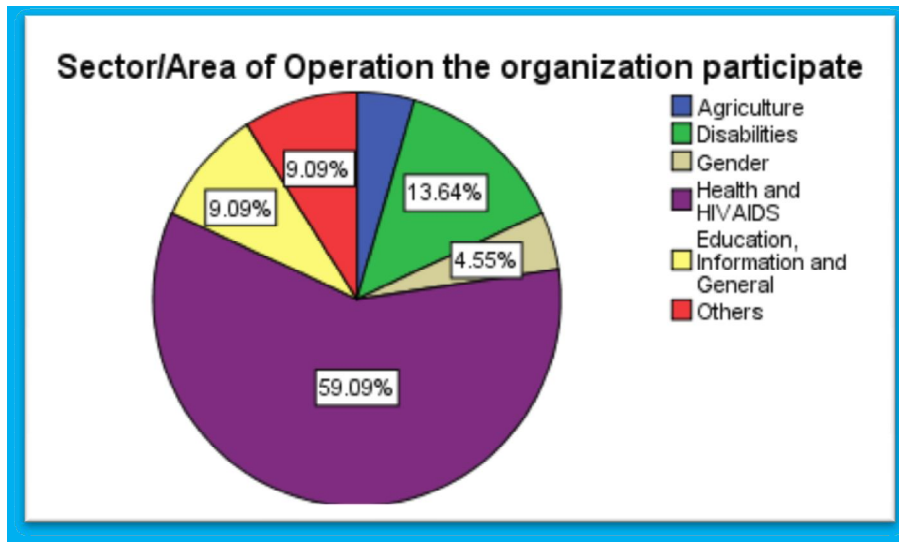
These findings present the demographic information of both the individual participants and the organisations they represent. The demographic information is elaborated under the following sections:

Areas of Operation

NPOs in Namibia address different issues, which (Keulder and Hishoono, 2009: ii-v) divided into various categories. The following categories obtained from the study shows the organisational profiles. As NPOs are operating in different sectors/areas, it is important to know such sectors since

challenges and opportunities facing organisations are determined by the industry and sector they operate in. In this regard, the task environment identifies the opportunities and threats relevant to the various industries or sectors (Morrison, 2006:1). The sector or areas of operations of the respondents in the study are presented in Figure 4.1.

Figure 4.1 Areas of Operations

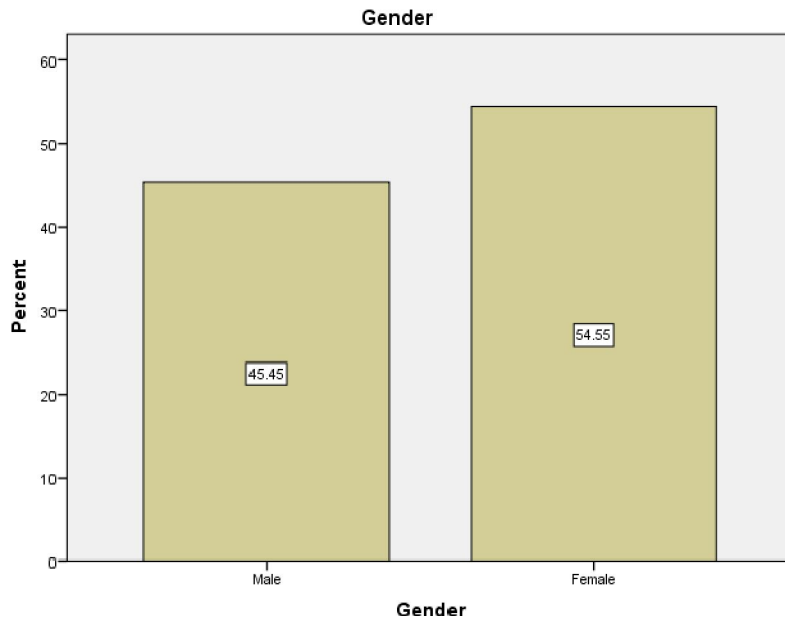


In Figure 4.1, 59.1% of the respondents are from the health and HIV/AIDS sector; 4.5% respectively from the agriculture and gender sectors; 13.6% are from the disabilities sector; 9.1% from education, information and general sector and the remaining 9.1% from other sectors, which include humanitarian activities. The high number of respondents from health and HIV/AIDS sector was expected since most NPOs in Namibia operate in this area. Also, 62.5% of the research sample consisted of health and HIV/AIDS NPOs. In spite of the different sectors of operations, Kramer (2009:3) is of the opinion that NPOs and corporates must be good corporate citizens and be governed according to sound corporate governance principles. The lack of effective governance among health sector NPOs was recently amplified in the media (The Namibian, 2012: 2) and the findings and recommendations of the study are important in addressing the alleged shortcomings.

Gender

The leadership of many organisations in Namibia is dominated by men, especially in private and SOEs sectors. Hence, this question looked at the issues of gender representation in the leadership of NPOs in Namibia. The findings are presented in Figure 4.2.

Figure 4.2 Gender



In Figure 4.2, the majority of respondents are female (54.55%) while 45.45% are male. While it is a reality that leadership positions in SOEs and private sector organisations are dominated by males, the findings of this study suggest that females dominate NPO leadership positions. This may have a positive implication for the NPOs in Namibia as Pfaff and Associates (2003: 1) suggests that female leaders are better at leading than their male counterparts. The fact that most NPO leaders are female points to a change in the trend in Namibia, where a sector is mostly led by females.

Age

Maturity and leadership capacity can be linked to the age of the incumbent, with the suggestion that the older and mature incumbents will have experience in governance and may therefore result in better leadership outcomes. This question wanted to determine the age profiles of the respondents. The findings are presented in Table 4.1.

Table 4.1: Age

Age		
	Number	Percent
Below 35 years	4	18.2%
35-44 years	10	45.5%
45-54 years	4	18.2%
55-64 years	3	13.6%
65 years and above	1	4.5%
Total	22	100%

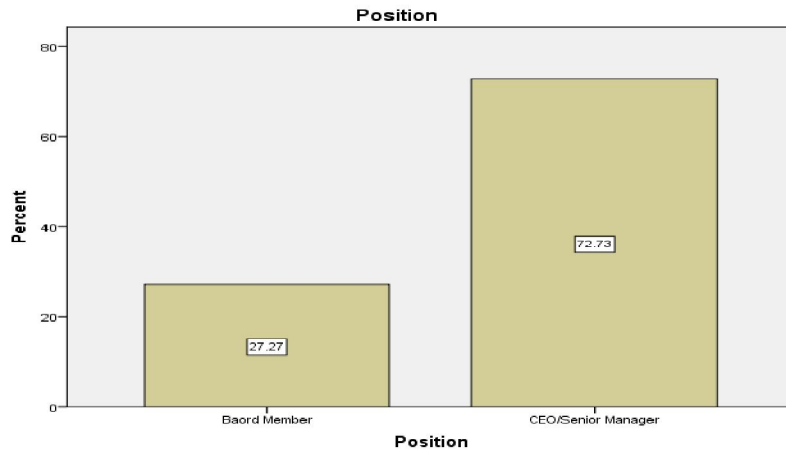
In Table 4.1, 63.7% of the respondents are 44 years and younger while 31.8% are between 45 and 64 years and only 4.5% respondents are 65 years and over. These findings resemble the country's

national profile, where majority of the population is below 50 years of age. The CIA World Fact Book (2012: 9) writes that the Namibian population has a median age of only 22.1 years. While the findings may suggest that NPOs leaders do not have many years of governance experience, it is positive in the sense that they will have many productive years in their organisations before retirement and can therefore grow within their organisations and sectors.

Position in the Organisation

The sample of this study consists of senior management and board members and it was important to determine the ratio of these respondents to the study. While both senior management and board members play an important role in the management of the NPO, each has a distinct yet complementary role in governance. The findings to this question are represented in Figure 4.3.

Figure 4.3 Positions in Organisation



In Figure 4.3, 72.73% of the respondents are from senior management level and 27.27% are from board. While the study aimed to obtain equal representation from senior management and board, the findings indicate that more senior managers participated in the study. The cause of the poor response rate from the board members is not known. However various attempts have been employed to enhance their participation, such as reminders. The fact that NPO board members are not remunerated and are volunteers may have contributed to their poor participation.

Length of Service in NPO

The objective of this question was to determine how long the respondents have been with their organisations. The assumption is that the longer the respondent has been with the organisation, the more knowledgeable he/she would be with the organisations, its operations and the surrounding environment and that this will result in leadership effectiveness. The findings are presented in Figure 4.4.

Figure 4.4 Length of Service

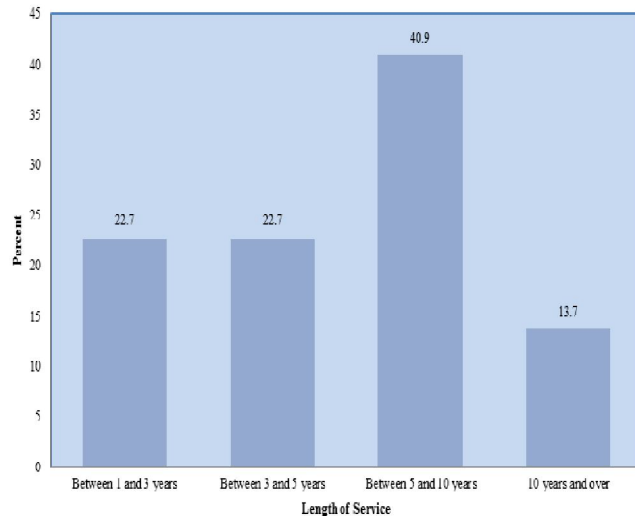
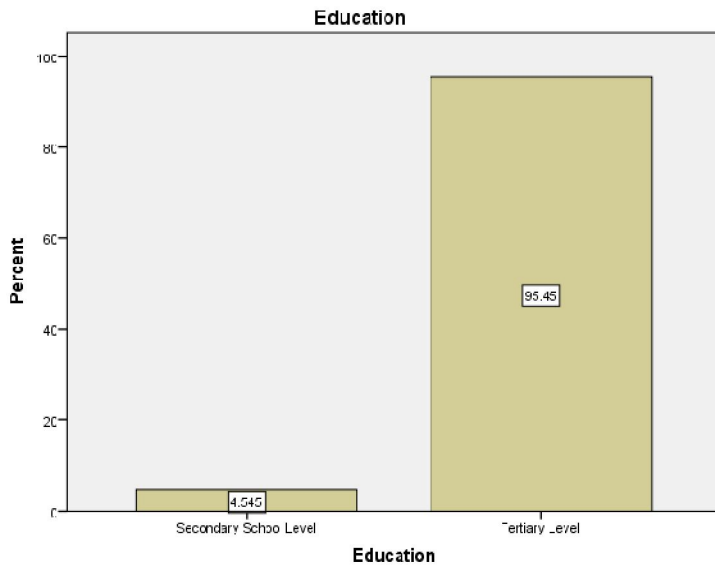


Figure 4.4 indicates that none of the respondents had less than one year of service with their organisations, while 22.7% had between one and three years' service, 22.7% had between three and five years' service, 40.9% had between five and ten years' service and 13.7% had more than 10 years' service with their NPOs. The majority of respondents (54.6%) had more than five years' service with their organisations and this is encouraging in the era when staff turnover is extremely high in the Namibian NPO sector. The staff turnover has been increased by the recent economic crisis and its aftermath, where funding for NPOs have been diverted to other causes or have been reduced (UNAIDS, 2009:4). The quality of leadership can be positively influenced by the length of stay at an organisation or it can conversely be negative when leadership is poor. Leblanc and Lindsay (2010: 3) argue that directors of NPOs must collectively have knowledge, skills and experience. The fact that over 50% of the respondents have been with their NPOs for longer than five years can imply that they have the requisite experience and skills to steer their organisations with effective leadership.

Level of Education

Effective leadership is not only brought about by experience but also by skills, behaviours and attitudes that are acquired through education. Hence the objective of this question was to assess the professional qualification of the respondents as these may enhance the ability of the board members to aid their leadership skills and consequently discharge their duties effectively. Findings are presented in Figure 4.5.

Figure 4.5 Level of Education



In Figure 4.5, 95.45% of the respondents have tertiary qualifications with a mere 4.55% who have secondary level education. While higher level education may not necessarily guarantee effective leadership, it is a fact that various leadership concepts are introduced at post-secondary school level of education. It is encouraging that overwhelming majority of Namibian NPO leaders have tertiary education and have the potential to employ such for the benefit of their organisations. As stewards of their organisations (Leblanc and Lindsay, 2006:6) effective boards instill donor confidence (Ball, 2011:3).

Type of Registration of Organisation and Founding Documents

The governance structures, powers and sometimes rules and procedures for many NPOs are enshrined in the founding documents which guide the organisation. The type of registration can thus play an enabling or an impending role. The findings to these questions are reflected in Figures 4.6 and 4.7.

Figure 4.6 Registration Type

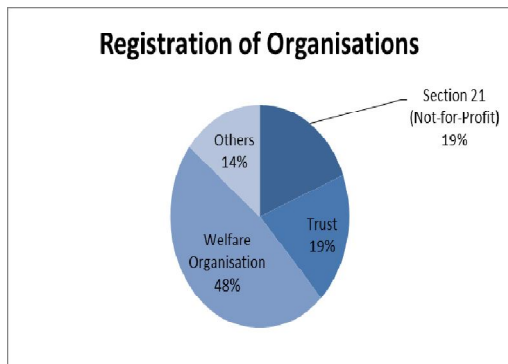
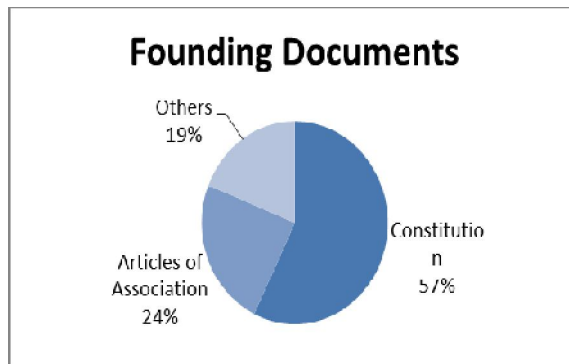


Figure 4.7 Founding Documents



Findings in Figures 4.6 and 4.7 shows that the 48% of the organisations are registered as welfare organisations and that 57% use their constitution as their foundation document. Further analysis

indicates that some 19% of the organisations have registered as Section 21 companies, 19% as trusts and that 24 % use articles of association as a founding document. These findings point to a disparity between the companies that have indicating that they are registered as Section 21 corporations and those who have indicated that they are using articles of association. In practices, these percentages should be equal. The implication is that some of the respondents may not fully conversant with their foundation and this may result in using an incorrect governance set-up (Ball, 2011:4).

Funding Sources of the Organisation

NPOs are known to rely on donors and other types of funders for their income and ability to conduct their mandates. In return for funding, donors expect NPOs to have effective leadership that will bolster in the organisation. The objectives of this question was thus to assess the source of NPOs income. Findings are presented in Table 4.3.

Table 4.2 Sources of Funding

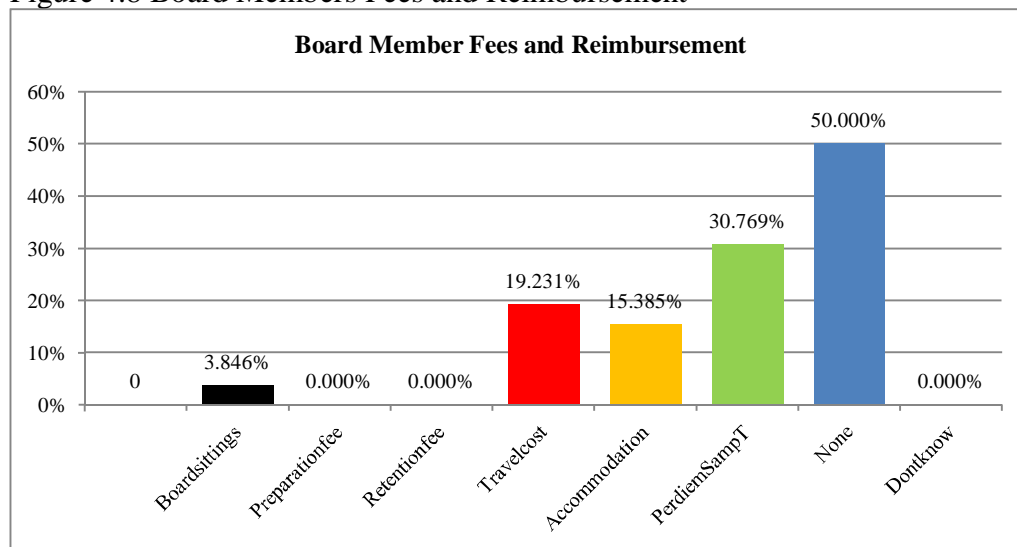
% of Funding	Donor Funding	Government Funding	Membership Funding	Others
90 - 100	61.9			
80 – 89	28.6			
70 -79				
60 – 69	4.8			14.3
50 – 59			16.7	14.3
40 – 49	4.8	50.0		14.3
39 and less		50.0	83.3	57.1
Total	100.0	100.0	100.0	100.0

In Table 4.2, 61.90% of the respondents indicated that between 90 and 100 of their funding is derived from donors, 28.60% indicated that 80 to 89% of funding comes from donor funding, 4.8% indicated 60 to 69% of funding comes from donor funding and another 4.80% indicated that 40 to 49% of their funding comes from donors. All respondents indicated that they receive government funding which can range up to 49% of their total income. Some organisation receive funding from their members and 16.70% indicated that between 50 and 59% and 83.30% indicated that less than 39% of their income is derived from members. Leblanc and Lindsay (2010: 3) opine that NPOs must be trusted by their stakeholders and communities, both in the delivery of services and in the stewardship of the organisation’s assets, which include the funding they receive from members, donors, governments and other sources. Donor bill of right requires donors to be informed of the identity of those serving on the organisation's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities (Association of Fundraising Professionals, 2013:1). The Global Fund claimed that some of the NPOs they support in Namibia did not observe control over their expenditures between 2005 and 2010 (The Namibian, 2012: 2). The results in Table 4.3 suggest that Namibian NPOs are donor depended and that governance boards must effective in the discharging their duties.

Board Members Remuneration and Reimbursement

Board members are incurring expenses in doing work for the NPOs and may have an expectation of compensation or at least to be reimbursed. Failure in this regard can discourage board members to give their best. However, board members in NPO are largely volunteers and are mostly reimbursed for out-of-pocket expenses. This is different from the treatment accorded to board members of profit-oriented organisations. The findings are presented in Figure 4.8.

Figure 4.8 Board Members Fees and Reimbursement

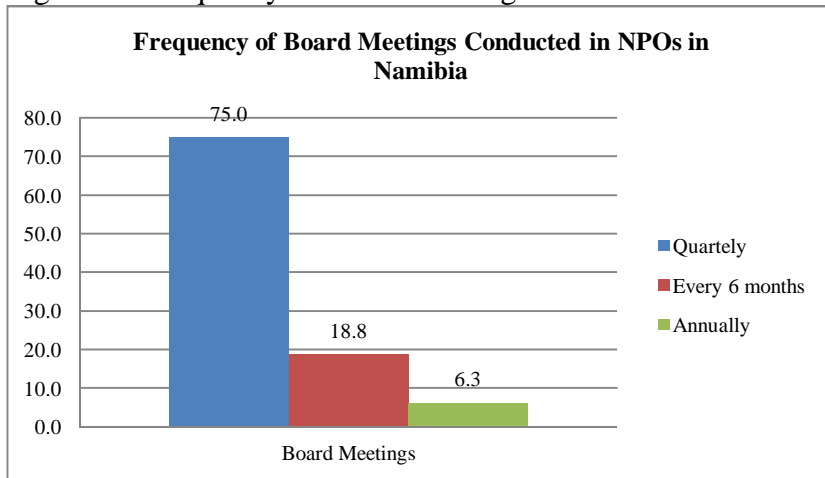


The findings in Figure 4.8 indicate that 50% of the respondents indicated that their board members do not receive any payment at all, while 30% pay per diem, 19% travel costs, 15% accommodation and 3.80% pay board sittings fees. No NPO pays for retention and preparation fees. The costs related to travel are justifiable because the board members are representative and draw their membership from various regions across the country. They largely represent their members and beneficiaries at these boards (Bradshaw, 2007:9). NPOs draw many volunteers to their boards and their board members are largely not paid (Kramer, 2009:6), however, the findings show that 3.80% respondents indicated that their organisations pay board sitting fees. King Report III does not exclude NPO directors from being remunerated and there may be a fair expectation from NPO board members to be remunerated (Institute of Directors in Southern Africa, 2002:67).

Frequency of Board Meetings

The board discharges its responsibilities during board meetings and this could be the only time they meet as a board and make decisions. Ball (2011: 5) submits that board meetings should ideally take place four times a year, which is in line with the requirements of the Companies Act of 2004. The findings are presented in Figure 4.9.

Figure 4.9 Frequency of Board Meetings in Namibia NPO



The findings in Figure 4.9 indicated that majority (75%) of NPOs in Namibia hold their board meetings on quarterly basis, 18.30% indicated every six months and 6.30% indicated annually. These results suggest that the majority Namibian NPO boards meet regularly. However, such meeting come with a cost to both the individual board members and organisation, in terms of time, skills and in some instances money and it is important that such meetings must be effective.

Part II Board Directors Profile

Part II deals with the evaluation of the profiles of the participating board of directors/senior managers. As the majority of respondents (72.70%) are senior managers; findings in this section mostly pertain to the profile of senior managers operating the NPOs in Namibia. However, most senior management is often part of the governance, for example the CEO often acts as ex-officio to governance structures and this profiling is still relevant.

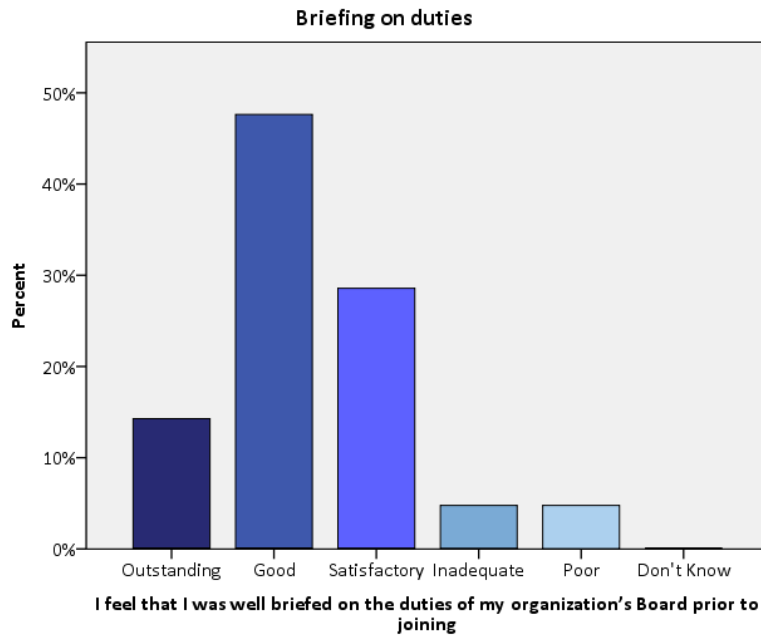
The essence of this part is that members of boards are first individuals before they become board members, and they do not only bring certain skills to the board but also their personal commitment and diligence. Society of Corporate Secretaries and Governance Professionals (2008:3) comments that it takes a lot of efforts to make a board effective and this process includes knowledge and willingness to become familiar with the mission and vision and how the organisation actually conduct its mission. Board of directors are often expected to perform well despite the lack of induction, however, the fact remains that proper selection and induction can enhance the performance of individual members and the board as a collective.

Duties of Organisation's Board Prior to Joining

Lack of clarity on the roles of individual directors and role ambiguity slows decision-making and causes unnecessary director conflicts (Dutra, 2012:2). The objective of the question was to determine how board induction occurs within organisations. The findings presented in Figure 4.10, show that 4.80% of respondents feel they were inadequately briefed about the organisation before

they joined, another 4.80% think that the briefing was poor, 14.30% think that it was outstanding, the majority (47.60%) think that the briefing was good and 28.60% are satisfied. With insufficient induction board members are likely to perform poorly and will be ineffective in the discharge of their responsibilities.

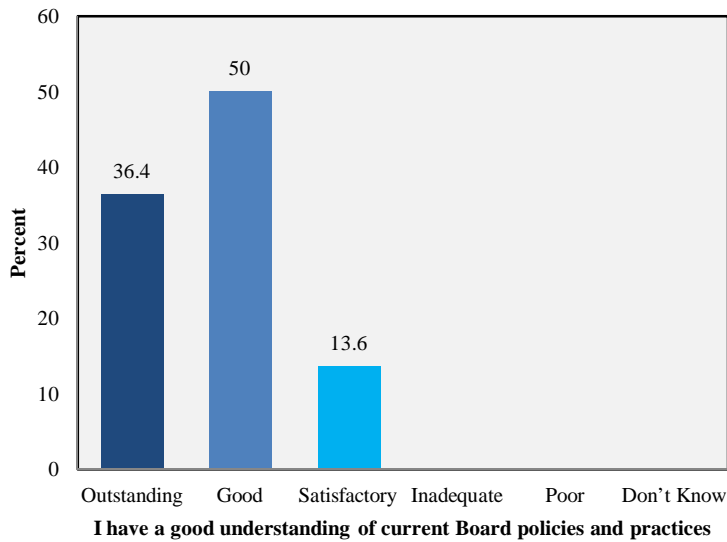
Figure 4.10 Level of Briefing on the Board



Understanding of Current Board Policies and Practices

The policy board model expects boards to formulate policies to direct their organisations. Such policies form the basis for monitoring performance of the organisation through that of the CEO. The findings in Figure 4.11 indicate that the majority (50%) of respondents has a good understanding of board policies and practices, 36.40% have outstanding understanding and 13.60% have satisfactory understanding. Effective boards understand and operate in accordance with legal and fiduciary responsibility (Society of Corporate Secretaries and Governance Professionals, 2008:14). It is ideal that NPO boards should not only have a good grasp of policies and procedures, but must have an excellent understanding as they are the custodians of such. Sussland (2005:66) amplifies the importance of policies and procedures by advancing the 3 Ps (procedures, processes and psychology) for effective governance.

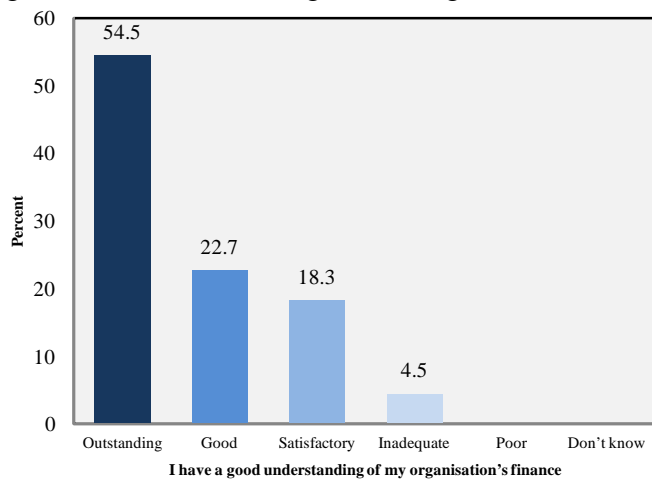
Figure 4.11 Level of Briefing on the Board Policies and Practices



Understanding of Organisation’s Finances

Board members must have good understanding of the finances of the organisation as one of their key responsibilities is to oversee while management manages. This is especially the case as Namibian NPOs rely heavily on donor funding which requires a high level of financial competence. Results are presented in Figure 4.12.

Figure 4.12 Understanding of the Organisation’s Finances



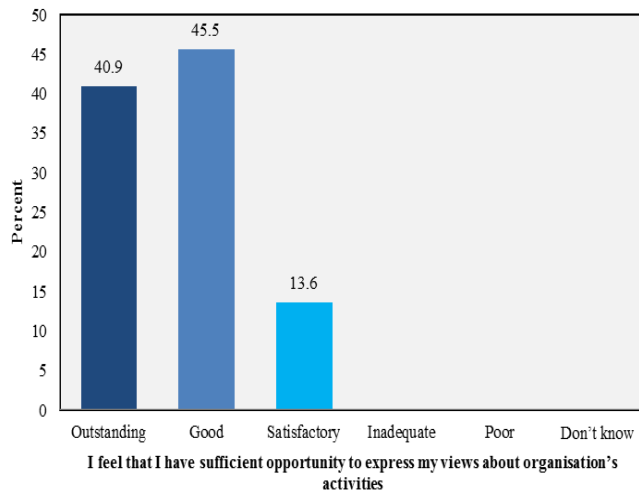
Findings in Figure 4.12 show that 54.50% of the respondents indicated that they have an outstanding understanding of their organizations’ finances, 22.70% indicate that they have a good understanding, 18.30% indicated that they have a satisfactory understanding and 4.50% have an inadequate understanding. While it may not be possible for all board members to have outstanding or good understanding of finances, it is important that the board as a collective must have skills in functional areas, which include finance. While majority respondents have indicated an

understanding of finances, there is still a need to improve, namely from inadequate to good and from good to outstanding. One of the mandates of the board is the organisation’s financial performance, budgets and investment (Leblanc and Lindsay, 2010:3).

Opportunity to Express Views about Organisation’s Activities

Ability to express views about the organisation does not only allow the board members/manager to learn more about the organisation, but also shows the relationship between the board and management and the ability to make sound decisions stemming from good discussions. The objective of the question was to determine whether board member/managers can freely express their views on matters pertaining to the organisation. The findings in Figure 4.13 show that 40.90% of the respondents rated this item outstanding, 45.50% rated it good, while 13.60% rated it as satisfactory. The Society of Corporate Secretaries and Governance Professionals (2008: 10) assert that organisations may sometimes go through period where there is a disconnection between board and management. Rationale descending voices are necessary to avoid “groupthink” and challenge depth and the width of thinking and thereby enrich decision making. While all respondents have indicated that they can express their views freely, the failure to use such right when required or the abuse of such right can equally lead to ineffective discharge of responsibilities.

Figure 4.13: Opportunity to Express Views about Organisation’s Activities



Understanding of Organisation’s By-laws

The Society of Corporate Secretaries and Governance Professionals (2008: 4) note that by-laws in NPOs outline the basic operating rules for such organisations. By-laws reflects how the board is structured and governed, rules pertaining to directors, board committees, meetings, voting and

indemnification. As such, Namibian NPOs can only benefit if they understand such documents. The results are presented in Figure 4.14.

Figure 4.14: Understanding Organisation’s By-laws

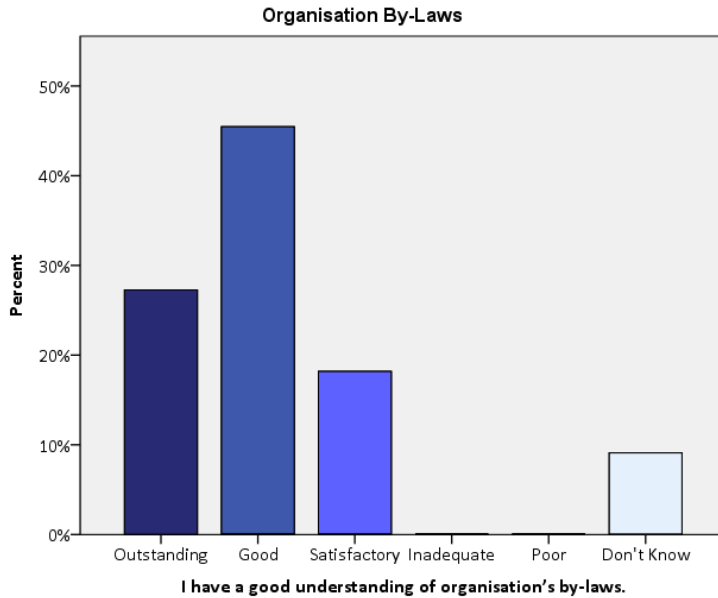
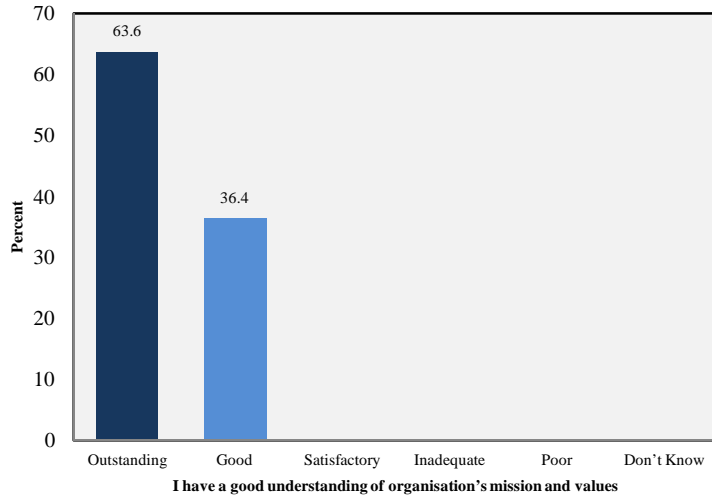


Figure 4.14 shows that 27.30% of the respondents believe that they have an outstanding understanding of their organisation’s by-laws, 45.50% indicated good understanding, 18.20% indicated satisfactory understanding and 9.00% indicated that they do not know the by-laws of their organisations. As indicated earlier, confusion may have arisen due to the terminology pertaining to governance and the meaning of by-laws. In some instances, foundation documents may be referred to as by-laws. Nonetheless, there is a need for NPOs to be familiar with the by-laws as such is the basis of how the board is structured and governed and they include rules pertaining to directors, officers, board committees, meetings, voting, and indemnification (Society of Corporate Secretaries and Governance Professionals, 2008: 4).

Understanding of Organisation’s Mission and Values

One of the mandates of the board is to be focused on vision, mission. Leblanc and Lindsay (2010:6) opine that boards direct the organisation through mission, vision, and strategy. Results are presented in Figure 4.15.

Figure 4.15: Understanding of Organisation’s Mission and Values

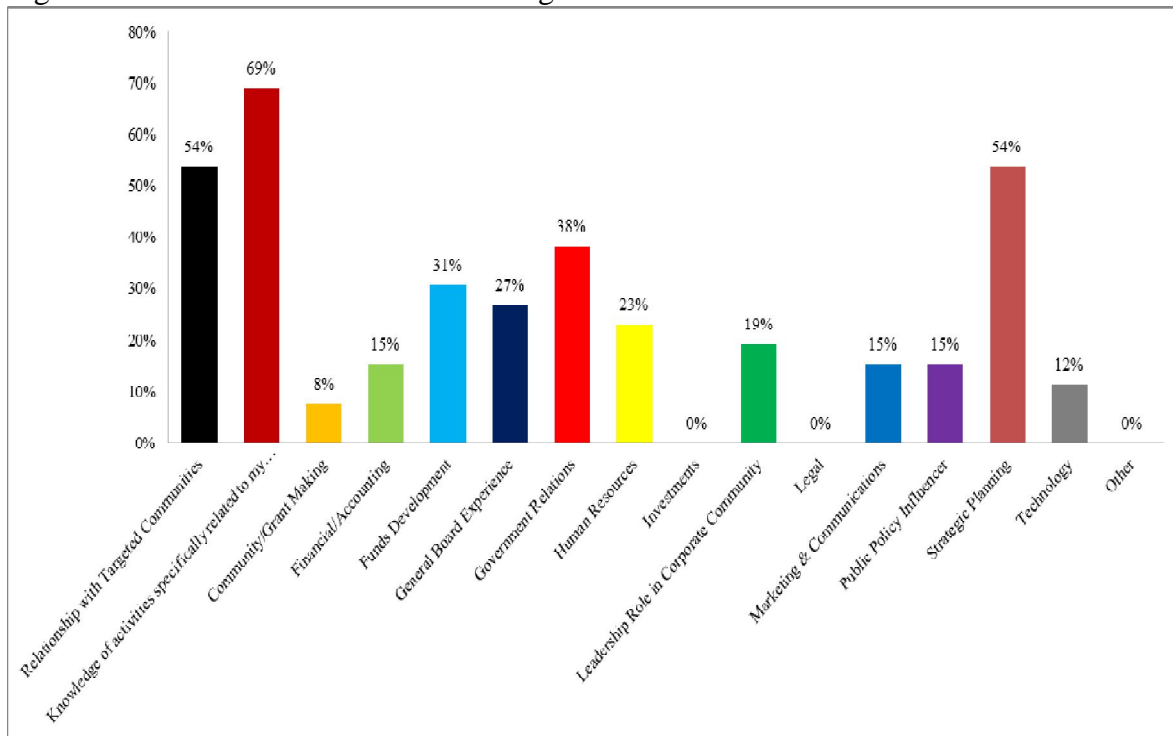


Findings in Figure 4.15 show that 63.40% of the respondents indicated that their understanding of the organisation's mission and values is outstanding and 36.60% indicate it to be good. The mission indicates the purpose of the organisation (Singh, 2005: 7). These results illustrate a strong understanding of their organizations' vision and mission and values among participants. The results therefore suggest that NPO boards in Namibia are well prepared to direct their organisation in this regard.

Skills Contribution to the Organisation's Board

The objective of this question was to determine the current skills respondents bring to their NPO boards. According to Society of Corporate Secretaries and Governance Professionals (2008: 9) NPO boards seek directors with particular background (similar to their organisational objectives), or types of expertise, financial capacity, positions in the community or access to key constituents or professionals that can be helpful to the organisation. Findings are presented in Figure 4.16.

Figure 4.16: Skills Contribution to the Organisation's Board



Findings in Figure 4.16 show that the skills respondents bring to the board and organisation are varied. On closer look, it shows a significant gap in skills that are prescribed for boards. Leblanc and Lindsay (2010:3) argue that directors of NPOs must collectively have knowledge, skills and experience necessary to appoint, oversee, and advice management who implements board policies and manage the day-to-day business. None of the respondents indicated legal or investment expertise and very few (8%) indicated grant making (fundraising) skills, 12% indicated possession of technology skills, 15% indicated financial accounting skills, and 15% indicated marketing skills and 15% indicated public policy influencing skills. The highest skill identified by the respondents is the knowledge of activities to be conducted in the communities (69%), followed by knowledge of targeted communities (54%) and strategic planning (54%). These are followed by Government relations (38%), funds development (31%), general board expert (27%) and human resources (23%). Board members must bring core skills to the organisation to add value. However, these findings suggest that Namibian NPOs lack skills in some critical areas and this may hamper their effectiveness. Respondents were asked to choose more than one area of skills.

Part III: Evaluation of the Board

This section looks at the qualities of the board as perceived by those leaders participated. The objective of questions 3.1 – 3.7 were to look at the effectiveness of board processes. There are many aspects of effective board assessment however, this section focused on board meetings, skills available to conduct their role and how well roles and responsibilities were carried out.

Conduct of Board Meetings

Board meetings are crucial to effective functioning of the board and maybe the only time boards make decisions. The questions 3.1 – 3.5 considered open communication, meaningful discussions, timely resolution of issues, and independence from management as elements of effective board meetings which can contribute to overall board effectiveness. Findings are presented in Figures 4.17 to 4.20.

Figure 4.17 Open Communication

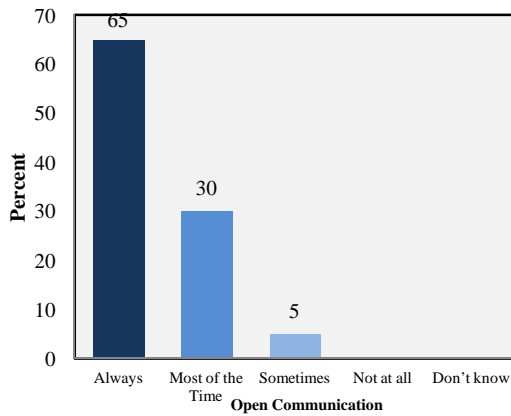


Figure 4.18 Meaningful Discussions

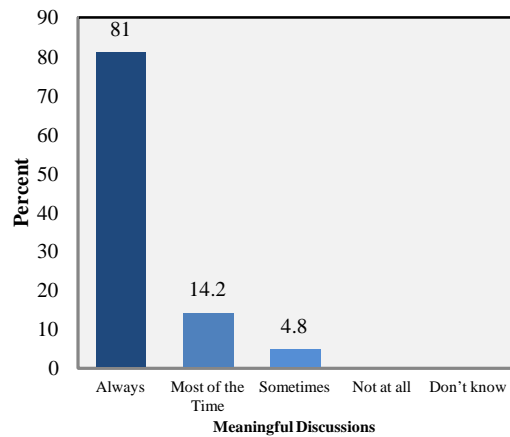


Figure 4.19 Timely Resolutions

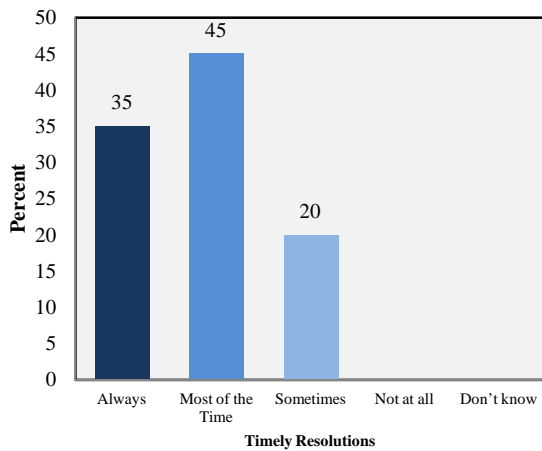
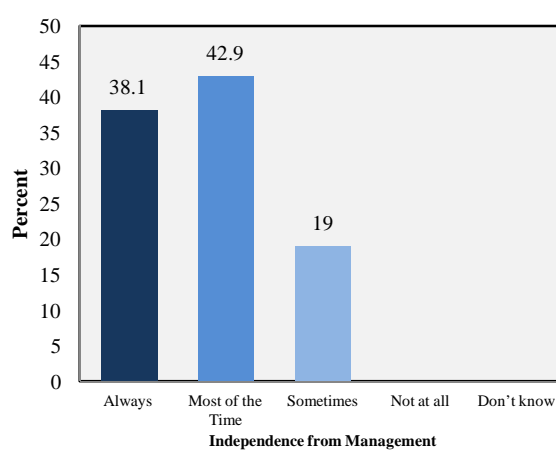


Figure 4.20 Independence from Management



The results in Figures 4.17 and 4.18 shows that open communication and meaningful discussions are highly rated while ratings for timely resolutions and independence (Figures 4.19 and 4.20) are

rated slightly lower. In Figure 4.17, 65% of respondents reported that open communication is always present, 30% indicated most of the time and 5% indicated sometimes. Communication is the source of information and when it is not open, information required for decision making and effective discharge of duties suffer.

The results of meaningful discussion in Figure 4.18 indicated that 81% of respondents indicated always, 14.20% indicated most of the time and 4.80% indicated sometimes. As discussed earlier, both donors and beneficiaries require effectiveness from NPO boards and when discussions are not meaningful, such will result in wastage of time and resources. These are the very commodities boards of directors must drive in inculcating a performance culture. In Figure 4.19 only 35% of the respondents reported that resolutions are always timely, while 45% indicated most of the time and 20% sometimes. Both boards and management operate on the basis of resolutions and when such are not taken or implemented timely there is great chance of important decisions not implemented. The rating for independence from management (Figure 4.20) has not also received good ratings as a mere 38.10% of respondents indicated always, 42.90% most of the time and 19% sometimes. It is imperative that boards must operate independently from management to ensure oversight (Naidoo, 2009:6).

Appropriateness of Board Meetings

Providing regular opportunities for discussion of the work of the organisation offers directors' key insights into substantive issues and allows them to learn more and feel more connected to the organisation. Figures 14.21 – 14.24 present the results for the board meetings appropriateness in terms of number of meetings, length of presentations, time available for discussion and the content.

Figures 4.21 Number of Meetings

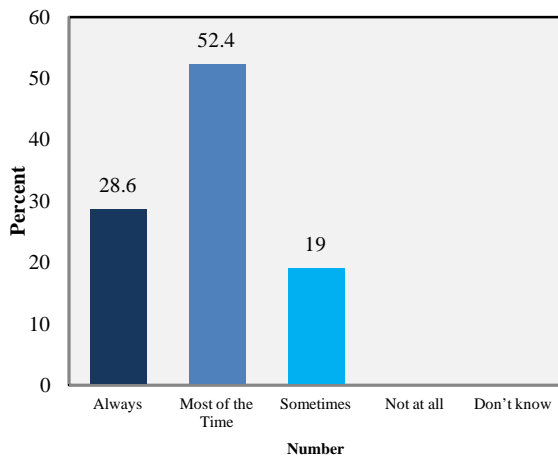


Figure 4.22 Lengths of Presentations

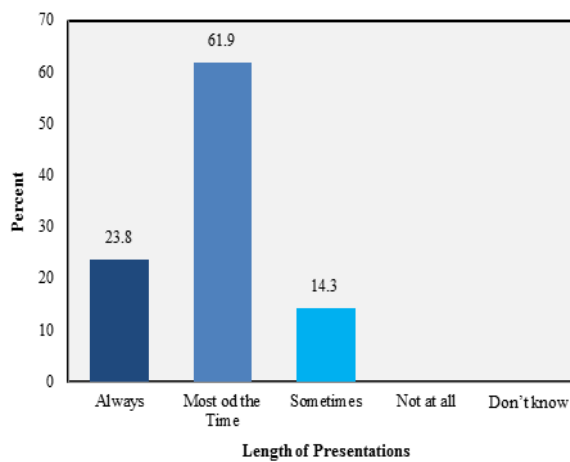


Figure 4.23 Time Available for Discussions

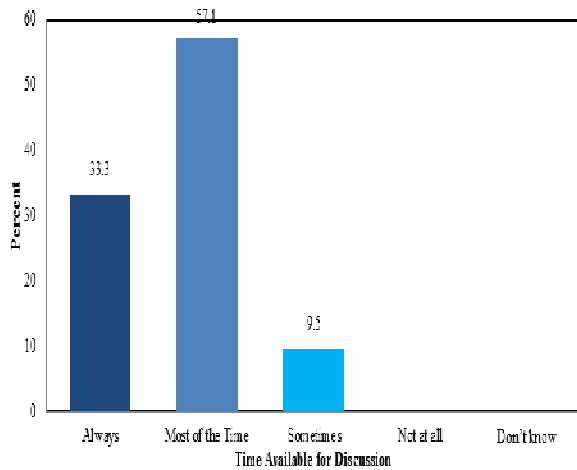
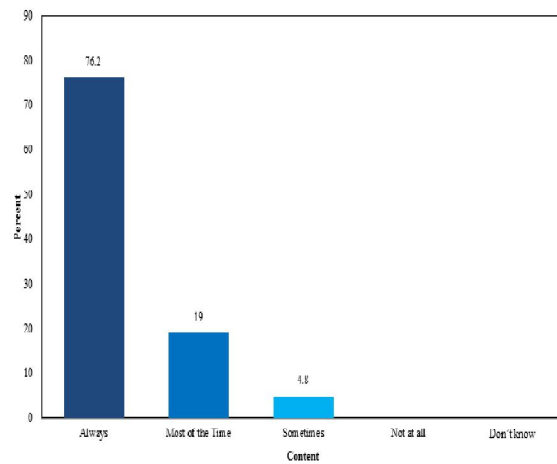


Figure 4.24 Content of Meetings



The results on number of meetings held in Figure 4.21 reveal that 28.60% of the respondents indicated always, 52.40% indicated most of the time and 19% indicated sometimes. In Figure 4.22 findings on the appropriate length of presentations at board meetings are shown and 23.80% of the respondents indicated always, 61.90% indicated most of the time and 14.30% indicated sometimes. Figure 4.23 shows the findings for time available for discussion and 33.30% of the respondents indicated always, 57.10% indicated most of the time and 9.50% indicated sometimes. The findings for the appropriateness of the content of board meetings are reflected in Figure 4.24, where 76.20% of the respondents indicated always, 19% indicated most of the time and 4.50% indicated sometimes.

The Society of Corporate Secretaries and Governance Professionals (2008: 13) submits that effective board meetings enhance board effectiveness and it is important that Namibian NPOs consider the number of meetings, length of presentations, time available for discussions and content of meetings. The manner in which these aspects are dealt with during NPO board meetings can enhance the board's effectiveness. The basics for enhancing effective board meetings are among others, instilling a culture of open discussion, respect for all views and free exchange of information (Society of Corporate Secretaries and Governance Professionals, 2008: 13). Ball (2011:5) opines that board members are updated about the activities of the organisation and are given opportunity to make decisions.

4.2.3.3 Suitability of Pre-meeting Materials

The quality of decisions taken for and on behalf of organisations by boards determines the effectiveness of these boards. However, the decision making is a process which starts long before the meeting and involves largely the quality of information provided. Therefore, it is important that the preparation of board meetings of the highest quality. Some aspects of the preparation entail setting and sharing the written agendas well ahead of time, using written reports, executive summaries and cover memos to guide directors (Society of Corporate Secretaries and Governance Professionals, 2008:13). This section tested usefulness, timeliness, format efficiency and amount of

detail contained in the pre-meeting material given to the board. The findings are depicted in Figures 4.25 – 4.28.

Figure 4.25: Usefulness of Material

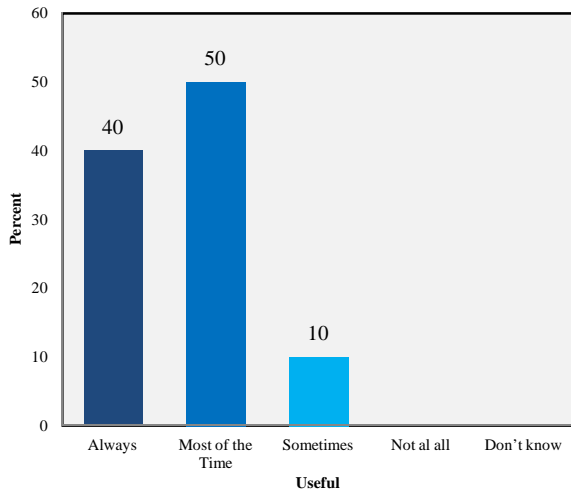


Figure 4.26: Timeliness of Material

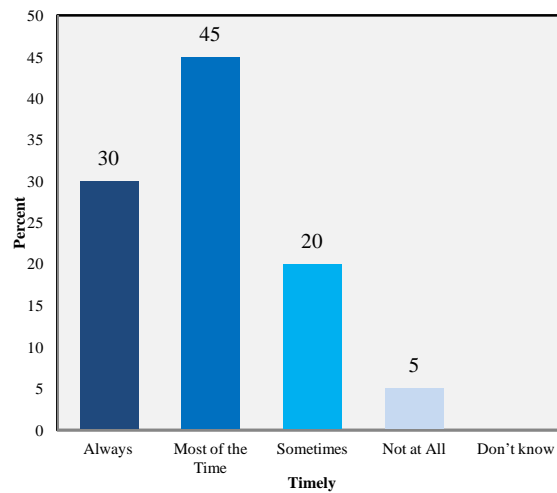


Figure 4.27 Efficient Format of Material

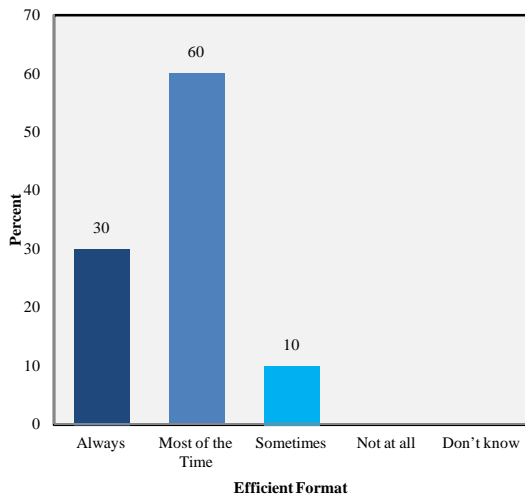
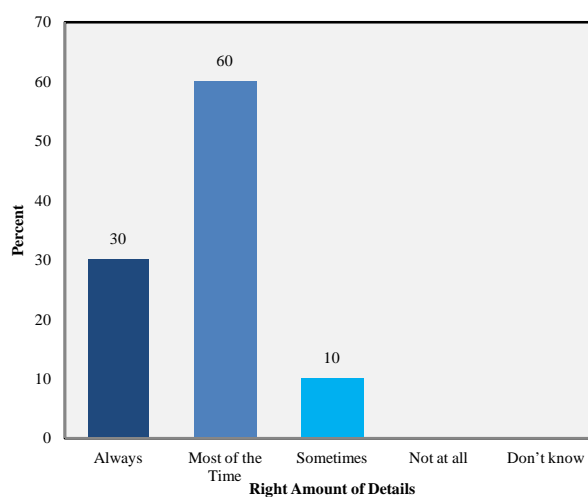


Figure 4.28 Right Amount of Detail of Material

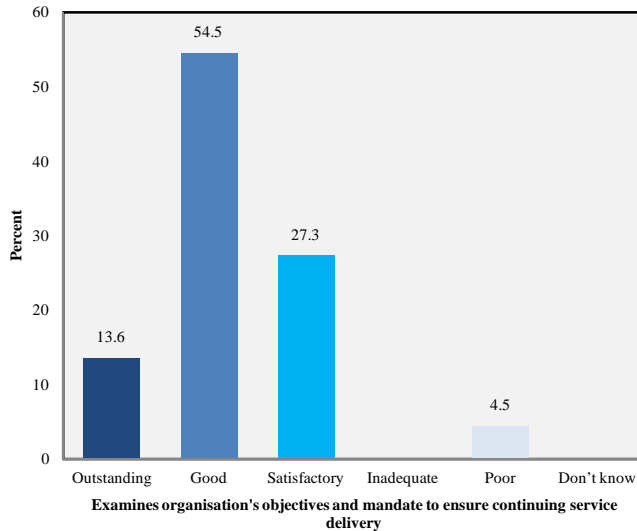


In Figure 4.25, results of usefulness of pre-meeting materials, 40% of respondents indicated always, 50% most of the time and 10% sometimes. The results show that majority are finding the pre-meeting board materials useful. In Figure 4.26, results of timely pre-meeting materials, 30% of the respondents indicated always, 45% most of the time, 20% sometimes and 5% not at all. There results of time is almost consistent throughout the board meetings process and there is an indication that time management, both from management to send pre-board meeting materials and during board meetings such as time available for discussions and timely resolutions are rated poorly. Pre-meeting materials efficient format results as presented in Figure 4.27, 30% of respondents indicated always, 60% indicated most of the time, and 10% sometimes, while Figure 4.28 presents results of right amount of detail, 30% of respondents indicated always, 60% most of the time, and 10% sometimes. The last two items obtained exactly the same score and have shown consistency but still differ from usefulness of pre-meeting materials and content of board meetings.

Examination of Organisation's Objectives and Mandate

Naidoo (2009:4) submits that the corporate board has the responsibility of ensuring that the organisation operates effectively. Boards are given a mandate to govern organisations and by setting objectives which must be achieved jointly with management, employees and contractors of the organisation. Changing environments and self-interest by management, employees and contractors can at times result that organisations fail to meet their objectives and thus the boards fail in their given mandates. The findings are presented in Figure 4.29.

Figure 4.29: Examination of Organisation's Objectives and Mandate

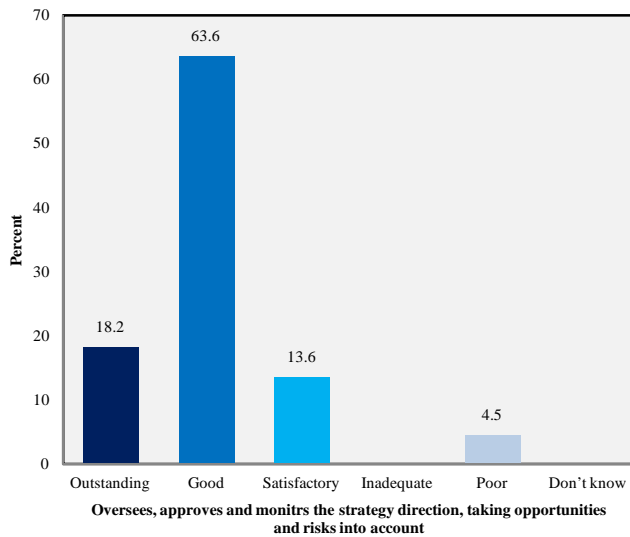


The findings in Figure 4.29 show that 13.60% of respondents indicated that their examination of the organisation's objectives and mandate to ensure continuing service delivery is outstanding, 54.50% indicated good, 27.30% indicated it as satisfactory and 4.50% rated it as poor. Alberta Culture and Community Spirit (2008:10) argue that governing boards are responsible for four important aspects of any particular organisation, namely purpose, progress, continuity and identity. The results indicate that the majority of Namibia NPOs boards are doing well on this aspect, but there is room for improvement as some are not performing this important function.

Oversees, Approves and Monitors Strategic Direction

One of the prominent mandates of the board is to establish strategic direction for the organisation and have oversight over it, hence this question was trying to determine the extent, to which Namibian NPOs oversees, approves and monitors the strategic direction of their organisations. The findings presented in Figure 4.30 show that the majority (63.60%) of the respondents rated this aspect good, 18.20% rated it outstanding, 13.60% rated it satisfactory and 4.50% rated it poor.

Figure 4.30: Oversees, Approves and Monitors Strategic Direction

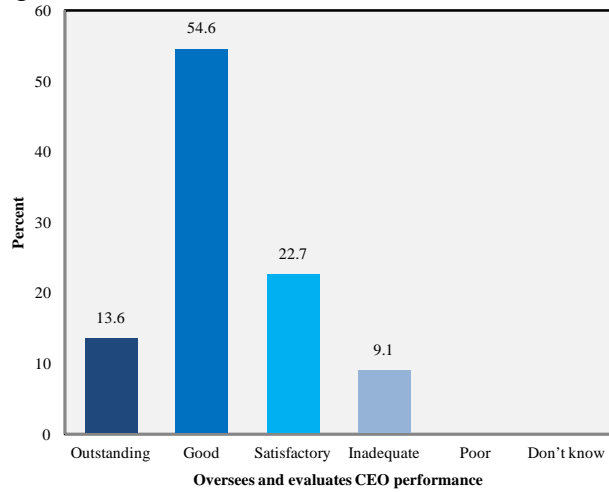


Leblanc and Lindsay (2010:6) write that the mandate of NPO boards includes the development of the vision, mission, strategy and operational plans for achieving the organisation's goals and objectives and the identification of principal risks. Sussland (2005: 66) also reasons that the board is a body which must mainly act as a referee approving or disapproving major decisions. The fact that 63.60% of the respondents rated this item good implies that Namibian NPO boards do indeed fulfill this responsibility, albeit not effectively.

Oversees and Evaluates CEO Performance

In the policy board model, the board appoints the CEO to conduct day- to-day activities. Leblanc and Lindsay (2010:6) points out that the board has the mandate of appointing, training, monitoring, compensating and managing the succession of the CEO hence, this question wanted establish the performance of Namibian NPO boards on their ability to oversee and evaluate CEO performance. Findings are presented in Figure 4.31.

Figure 4.31: Oversees and Evaluates CEO Performance

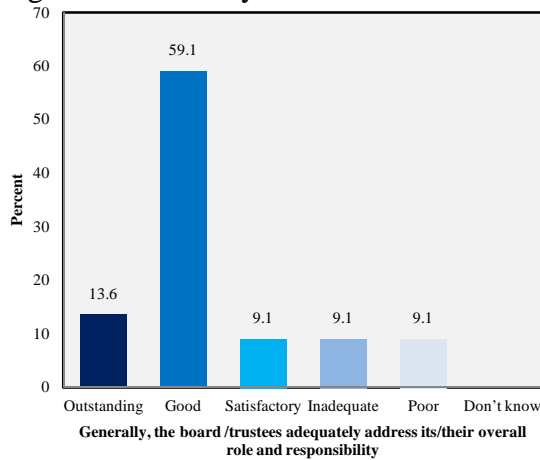


The findings in Figure 4.31 indicate that 54.6% of respondents rated the performance of their boards as good on this aspect, 13.60% rated it as outstanding, 22.70% rated it as satisfactory and 9.10% rated it as inadequate. Naidoo (2009:7) opines that the board delegates authority to the CEO and must hold him/her accountable for performance. However, the findings in Figure 4.31 suggest that this aspect is not rigorously complied with and this can give rise to ineffective NPO boards and organisations.

Ability of Trustees to Fulfill Overall Role and Responsibility

Owners appoint boards to take care of their interest and the board is ultimately accountable to shareholders for proper exercise of power within the organisation (Naidoo, 2009:6). The objective of this question was to assess the ability of Namibian NPO boards’ to fulfill their overall role and responsibility. Findings are presented in Figure 4.32.

Figure 4.32: Ability of Trustees to Fulfill Overall Role and Responsibility



Findings show that 59.10% of the respondents rated their organisation as good performing, 13.60% rated them as performing outstanding, 9.10% rated them as being satisfactory, further 9.10% rated

them as being inadequate and 9.10% as being poor. Ball (2011:2) asserts that an effective board will oversee the activities of the organisation and make sure that it is fulfilling its mandate. Therefore, the expectation would have been that most NPOs would receive ratings ranging between outstanding and good. The fact that a combined 27.10% of the respondents rated the performance of their organisations between satisfactory and poor is an indication that some NPO boards are failing in exercising control over their organisations. Such failures can be basis of recent negative media reports of NPO performance.

Part IV: Relations with Management

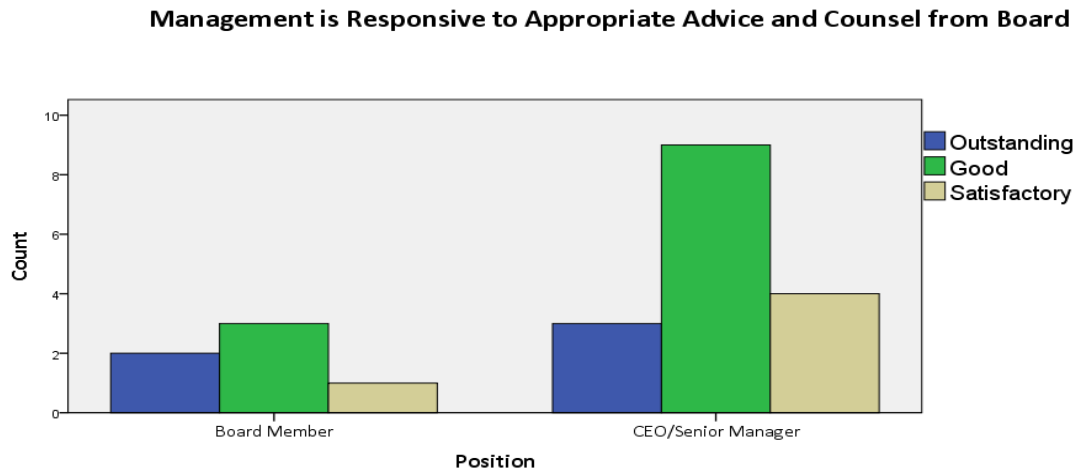
Part IV measures the relationship between management and the board of trustees. The sample of this study consisted of managers and board members of different NPOs in Namibia. Therefore, the results in this section will be presented showing the contrast between these two groups. T-tests were conducted to determine if there were significant differences between the groups at the $p < .05$ level, however due to the small sample size and the few categories on the rating scale no differences reached statistical significance, so are not reported. According to Carver (2001: 3) the board needs the CEO for the business to proceed successfully, and reiterate that the CEO roles are important ingredients in a board's fidelity to shareholders.

There are allegations that boards are not leading their organisations, but are being reactive to staff initiative (Worth, 2008:76). Ideally, the boards should set the organisations agenda and priorities and specify the most important problems and opportunities that management should pursue. However, Bhardwaj and Vuyyuri, (2005:29) opine that the governance of voluntary and non-profit organisations has been perceived problematic, with unsatisfactory performance and boards accused of meddling in the affairs of management. The test items under this section were designed to focus on the prevalence and extent of these challenges in Namibian NPOs in their quest for effective discharge of their responsibilities.

Management's Responsiveness to Advice and Counsel from Board

The authority flows from shareholders to the board and the board is charged with setting the organisation's agenda, priorities and to specify the course (Naidoo, 2009:6). Consequently, the board has the responsibility to guide and counsel management in its operations. Findings are presented in Figure 4.33.

Figure 4.33: Management’s Responsiveness to Advice and Counsel from Board

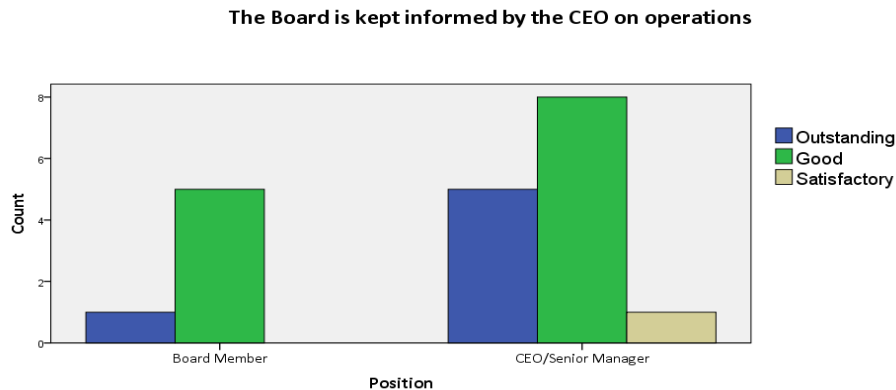


Findings in Figure 4.33 show that 33% of board respondents rated it outstanding, 50% good and 17% satisfactory. The group of senior managers and CEO 18.85% of respondents rated it outstanding, 56.30% good and the remaining 25% satisfactory. While the ratings by board members were slightly higher than for the senior manager group, this difference was not statistically significant. The boards have the responsibility to guide the organisations in an ethical direction by making sure they adhere to the relevant legal frameworks and run the organisations with integrity (Alberta Culture and Community Spirit, 2008: 10). Although both groups rated that management is responsive to boards’ counsel, the findings suggest that there is room for improvement. Board members are supposed to be appointed on the basis of their expertise, but it sometimes happens that they lack depth and are not respected by management.

Board Kept Informed by CEO on Operations

Most board members of NPOs are operating in a non-executive manner and are not privy to the daily activities in and around the organisation and must therefore rely on updates from the CEO. The objective of this question was to determine whether the board is kept abreast by the CEO. The findings are presented in Figure 4.34.

Figure 4.34: Board Kept Informed by CEO on Operations



As is often said “information is power” and board members will be empowered by being kept abreast of developments pertaining to the NPOs over which they have oversight. Findings in Figure 4.34 indicate that 16.70% of board respondents rated this outstanding and 83.30% rated it as good. While 35.70% of the CEO/senior management group rated it as outstanding, 57.10% rated it as good and 7.10% rated it as satisfactory. The difference between the ratings of the previous question and this question is notable in that management rating was higher for the previous question, whereas board’s rating is higher for the current question. The CEO is linked between the organisation and the board and it is important that he/she keeps the board abreast of developments affecting the NPO. Failure in this regard will result in the board making ineffective decisions or even failure to make any decisions and this will lead to ineffective organisations in which donors and beneficiaries will not have confidence. One of the main causes of conflict within organisations is said to be the lack of information or varying interpretation of available information (Non-Profit Sector Leadership Program, 2006:1). However, the findings imply that Namibian NPO boards are kept informed by their CEO on operations.

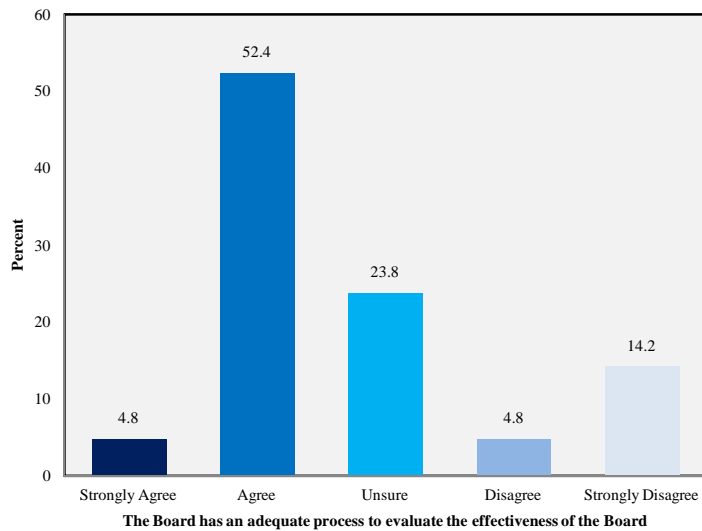
Part V: Board Governance

This section looked at the effectiveness of board processes. King III report submits that one of the principles of good governance is that boards measure their performance at least annually (Institute of Directors in Southern Africa, 2002:67). This section evaluates some of the board process necessary for their effectiveness.

Process to Evaluate Effectiveness of Board

The owners appoint board members and delegate authority to them so that they act on their interest (Naidoo, 2009:6). As most board members are not familiar with the operations of the organisation, they are inducted and are at times subjected to a dedicated board development program to make them function effectively. The objective of this question was to assess if Namibian NPO boards do have processes in place to evaluate their effectiveness. The findings are presented in Figure 4.35.

Figure 4.35: Process to Evaluate Effectiveness of the Board

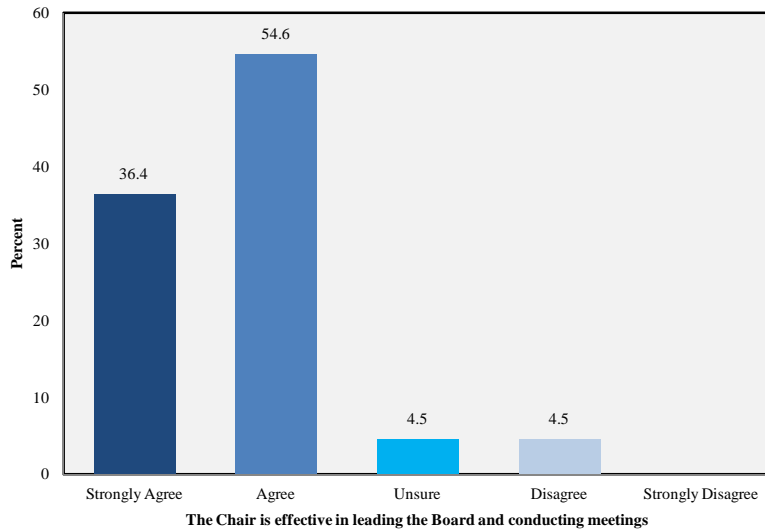


The findings in Figure 4.35 show that 4.80% of the respondents strongly agreed, 52.4% agreed, 23.80% were unsure, 4.80% disagreed and 14.20% strongly disagreed that Namibian NPO board do have processes in place to evaluate their effectiveness. While a slight majority (54.50%) may have agreed to this statement, those who were unsure or disagreed remain very high. This finding suggests that the view expressed by Leblanc and Lindsay (2010:15), namely that directors will avoid candid criticism of peers in order to preserve working relations and will avoid any processes which may lead to such. It is therefore not surprising that many respondents have indicated that their organisations do not have processes in place to evaluate board effectiveness. When the boards are unable to measure their performance, the question is how do they know that they effective in the discharge of their mandates.

Effectiveness of Chairperson in Leading the Board and Conducting Meetings

Leading the board and conducting effective meetings is the role of the chairman. Naidoo (2009:68) opines that the chairman is expected to demonstrate effective leadership of the board hence, the objective of this question was to assess the effectiveness of Namibian NPO Chairpersons in leading the board and conducting meetings. The findings are presented in Figure 4.36.

Figure 4.36: Effectiveness of Chair in Leading the Board and Conducting Meetings

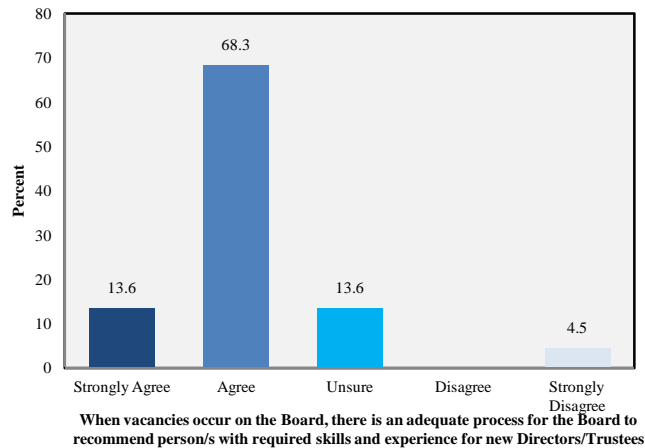


In Figure 4.36 findings show that 36.40% of the respondents strongly agree, 54.60% agree, 4.50% disagree and 4.50% were unsure that the chairperson of their board is effectiveness in in leading the board and conducting meetings. Khoza and Adam (2005:66) comment that the board’s effectiveness is the main responsibility of the board chairperson. The chairperson must consistently evaluate the effectiveness of the board’s decision-making process and be able to move beyond details (Ward, 2003:2). The chairperson plays a greater role in making sure the board meetings are effective, hence leading to effective decision making process (Ward 2003:2). The findings show a high satisfaction with the effective leadership and conducting of meetings by Namibian NPO chairpersons.

Processes of Filling Board Vacancies

From time to time, NPO boards have vacancies for new directors as a result of death, retirement, relocation or resolution of the board on legal or other grounds. Some factors which may be considered in filling these vacancies can include representation of membership, skills and knowledge. This often results in diversity of skills and geographical representation. The objective of this question was to assess the process followed by Namibian NPO boards to fill vacant positions on the boards. Findings are shown in Figure 4.37.

Figure 4.37: Processes of Filling Board Vacancies

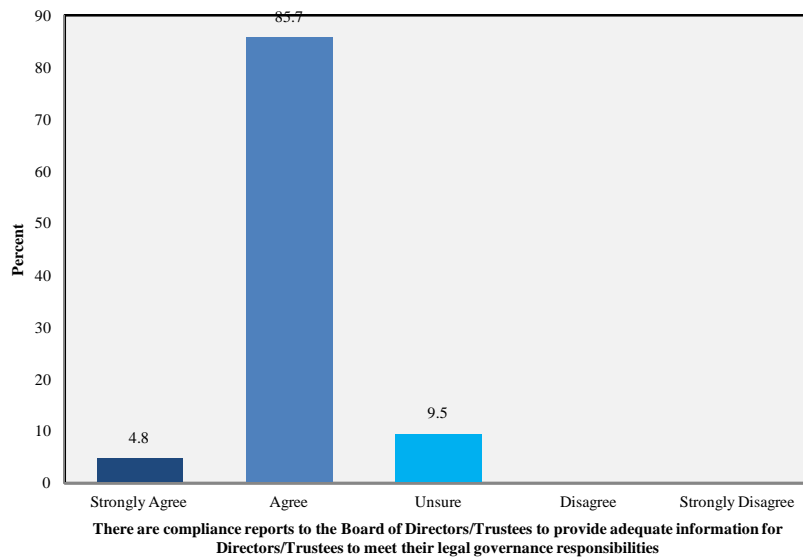


The findings in Figure 4.37 indicate that 13.60% of respondents strongly agree, 68.30% agree, 13.60% were unsure and 4.50% strongly disagree. The chairman is considered a better equal amongst equals and this implies that he/she must have outstanding leadership qualities to ensure board effectiveness. It is the responsibility of the board to propose candidates for election (Leblanc and Lindsay, 2010: 4) while Khoza and Adam (2005:154) suggest, among others, that the board chairperson is best placed to know the needs of board and can identify the suitable candidates to address shortcomings in the board’s skills, experience and diversity. The results thus suggest that while most boards in Namibian NPOs have processes for filling vacancies, some do not have any processes in place or that the processes are not known to the respondents.

Meeting of Legal Governance Responsibilities

Boards are fiduciaries and are expected to act in the interest of the organisation and not that of their own. By law the governing board is accountable for and has authority over the affairs of the organisation. In terms of their registration requirements, Namibian NPO boards must comply with legal governance responsibilities and this question wanted to tests if this is indeed the case. Findings are presented in Figure 4.38.

Figure 4.38: Meeting of Legal Governance Responsibilities

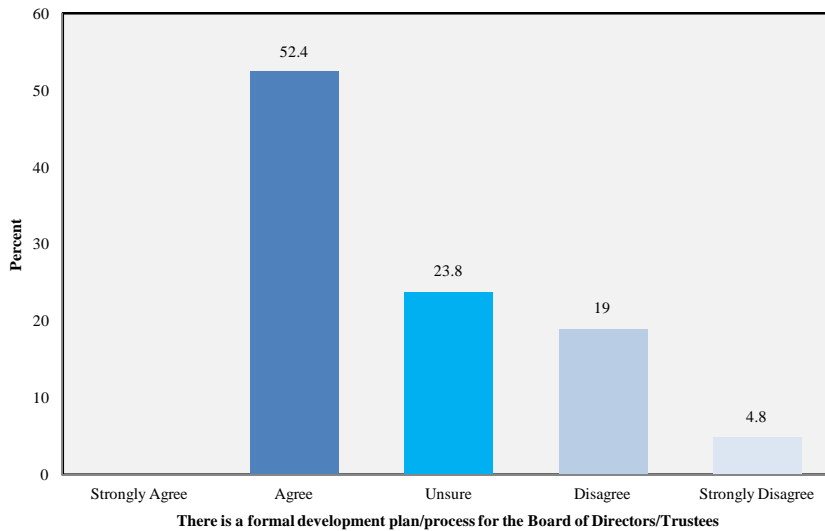


Findings in Figure 4.38 show that 4.80% of respondents strongly agree, 85.70% agree and 9.50% were unsure. The fact that there were unsure respondents is concerning as legal compliance is not optional. Failure will lead to deregistration of the NPO and loss of donor support and denying beneficiaries goods or services they were receiving. Naidoo (2009:28) is emphatic that compliance with all applicable legislation remains the foremost accountability of the board.

Development Plan/Process for Board

For the boards to perform effectively organisations must invest resources in their development. Leblanc and Lindsay (2010:14) suggest that the formal board development program include orientation, structured learning, experience and mentoring. The objective of this question was to assess whether board development plans/programs exist within Namibian NPOs. Results presented in Figure 4.39.

Figure 4.39: Development Plan/Process for Board

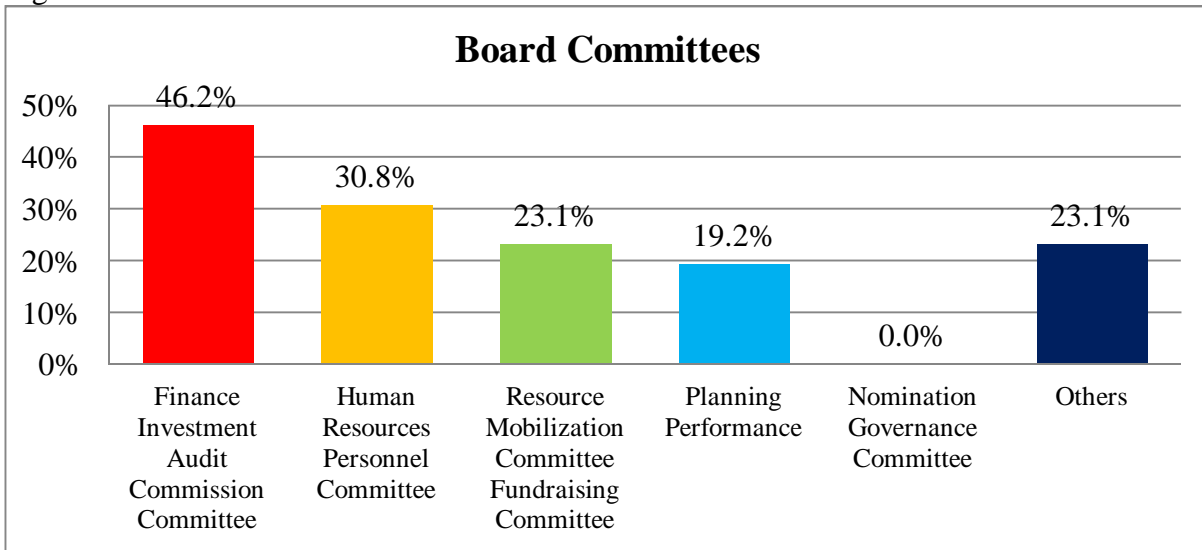


Considering the important role that boards have to play in the ever-changing environment, the findings in Figure 4.39 are not that encouraging. While, more respondents (52.40%) have agreed, the combined number of those that are unsure and disagreed (47.60%) is the highest under this section. It is also important to note that no respondent has strongly agreed to this statement. Directors, like employees and volunteers will benefit from the development plans to understand the organisation and their responsibilities before they can be fully effective (Leblanc and Lindsay, 2010:14). These findings can point to a reality as NPOs are mostly dependent on funding from donors and government and the funds allocated to them are mostly for the implementation of programmes. This may result in organisations not having enough resources to cater for board development, which can render the boards irrelevant and ineffective in the changing times and requirements.

Part VI: Board Committees

Part VI focuses on the types of board committees that are prevalent in Namibian NPOs. A board may act as a committee of the whole on all issues for which it is responsible or delegate responsibility for a specific issues to a committee (Leblanc and Lindsay, 2010: 7). This question wanted to establish the types of committees that exist in Namibian NPOs. The findings are indicated in Figure 4.40.

Figure 4.40: Breakdown of Board Committees



The findings in Figure 4.40 show that Namibian NPOs have established a number of critical board committees. Those that have established committees for finance, investment and audit are (46.20%), human resources/personnel (30.80%), resource mobilization/fundraising (23.10%), planning/performance (19.20%) and other types of committees (23.10%). None of the respondents indicated that they have a nomination/governance committee. The latter committee deals with the appointment of directors and board compliance and its absence can have an implication that the appointment of new directors can be flawed and that there is no entity ensuring governance compliance. Naidoo (2009:74) notes that board committees are appointed to assist the board in the execution of its functions and adds that some committees may be legally required. The above findings suggest that the Namibian NPOs have most of the required board subcommittee, aside for the nomination/governance committee. However, it is important to contextualize these findings to the reality of Namibian NPOs, i.e. they are small in size and it is not possible to have so many board subcommittees. Another important factor is that NPO board positions are mostly occupied by volunteers and requiring more of their time may be too much to ask.

Conclusion

This chapter presented and discussed the findings of the empirical study. The findings indicate that Namibian NPOs performed relatively well on the test items and it can be concluded that they are conduct their roles and responsibilities pertaining to the organisations they lead. However, there are there are some concerns as respondents have been less than convinced in some critical areas of board performance. While NPO boards in Namibia may be challenged by resources which can impede their performance, it is evident that they are required to comply with all requirements of a legal board, such as those required by law, donors and communities. Board effectiveness requires boards to perform in diverse areas.

CONCLUSIONS AND RECOMMENDATION

Findings

Findings from this study are discussed under findings from the literature review and findings from the empirical study to enable comparison and to make conclusions:

Finding from Literature Review

Namibia had a large and a vibrant NPO community, but only a few remain after the country gained independence and the effects of the recent economic crises. NPOs are playing an important role in addressing a number of community based needs and contribute to the welfare of their communities. However, the effectiveness of NPO boards has come under scrutiny over the past number of years. Boards are answerable to their shareholders foremost, but also to their stakeholders at large. Effective boards are important for any organisation, but it is also true that it is hard to maintain the requirements for an effective board. The following sections highlight the key literature review findings:

Role of the Governing Board

The roles of the governing boards vary greatly, with some being an operating body without or little paid staff assistance, known as administrative board or some performing the general oversight role with the operational day-to-day activities done by paid staff, known as a policy governance board (Society of Corporate Secretaries and Governance Professionals, 2008: 3). Nonetheless, all boards have the function of determining and communicating the purpose and scope of the organisation (vision), which defines the boundaries within which the organisation operates (Alberta Culture and Community Spirit, 2008: 10). Accordingly, governing boards are responsible for four important aspects of any particular organisation namely, purpose, progress, continuity and identity. Leblanc and Lindsay (2010: 3) argue that the board is responsible for establishing the strategic and ethical direction of the organisation, responsible for the oversight of strategy, risk management, internal controls, reporting and communication, making sure executive actions are not only proper but also aligned with interests of stakeholders (Thompson et al., 2005: 2-37). Sussland (2005: 66) reasons that board of directors is a body which mainly acts as a referee who approves or disapproves major decisions and the final report.

Carver (2001:1) notes that corporate boards have one thing in common, “they do not function”, or largely irrelevant through most of the twentieth century. Leblanc and Lindsay (2010: 3) opine that organisations must be well governed by an effective board of directors and increase donor confidence (Ball, 2011: 3). The board needs the CEO for the business to proceed successfully, and the role of the CEO is an important ingredient in the board’s fidelity to shareholders (Carver, 2001: 3). To fulfill their responsibilities, the directors of NPOs must collectively have the knowledge, skills and experience necessary to appoint, oversee and advice management of the organisation,

who implement the board policies and manage the day-to-day business of the organisation (Leblanc and Lindsay, 2010: 3).

Responsibilities of the Governing Board

Boards are accountable to the shareholders (Carver, 2001:3) and therefore board members share the responsibility to all shareholders, (Thomsen, 2004:31). The boards have responsibilities to guide the institutions in an ethical direction by making sure they adhere to relevant legal frameworks and run the organisations with integrity. Leblanc and Lindsay (2010: 6) allude to the accountability, transparency and fairness responsibilities of the board.

Execution of Board's Roles and Responsibilities

A board that fails to execute its functions will be ineffective, hence the value added to organisation by governance board is found in the discharge of these roles and responsibilities and the decisions they make. Ghaya (2011: 9) opines that the effectiveness of the board requires deliberation, communication, engagement, trust in their judgment, emphasizing the importance of having high level of expertise, experience and knowledge.

Legal Obligation of Board Members (Fiduciary Duties)

Payette (2001:13) argues that the governing board is the legal owner of the institution and has final authority. Burke and Cooper (2004:173) add that directors are fiduciaries, implying that they must act in the best interest of the organisation and not in their own interest. The Society of Corporate Secretaries and Governance Professionals (2008: 5) illuminates that there is no distinction in the legal obligations for the for-profit and not-for-profit organisations. Therefore, individual directors can be sued when they fail to observe such obligations towards their organisations and it is a great mistake to assume that volunteer directors cannot be sued (Society of Corporate Secretaries and Governance Professionals, 2008: 5).

Effective Board of Directors/Trustees

Effective boards are characterized by governing the organisation as good corporate citizen. Society of Corporate Secretaries and Governance Professionals (2008: 14) highlights that effective boards come in many forms and can be characterized by the following:

- a) they understand the business or mission of the organization;
- b) they help move the organisation's business or mission forward; and
- c) They understand and operate in accordance with legal and fiduciary responsibilities.

Dutra (2012:2-3) argues that weak or foundational (ineffective) boards can be moved along the continuum by eliminating the following five disrupters:

- Lack of clarity on the roles of individual directors and the board as a whole. Role ambiguity slows decision-making and causes unnecessary director conflicts;
- Poor process management hinders effective board preparation, meeting management, and communications. This results in indecisiveness and a lack of urgency on critical challenges facing the organisation;

- Lack of alignment and agreement on company strategy causes disinterest among board members, who then simply default to tackling regulatory and compliance issues. Poor strategic alignment also hampers a board's ability to prioritize issues and set their near-term agendas. This often causes board disruption and sends damaging signals to financial markets;
- Poor team dynamics fracture boards and lead to power struggles. Like any effective working group, a board should be comprised of professional peers who respect and work well with each other; and
- Board composition is a serious impediment, if not done right. Today's challenges require new perspectives and skills, but boards often lack the ability to objectively evaluate their makeup to determine if they have the right people and skills at the table.

Berthelot et al. (2003: 333) consider the objective of corporate governance is to minimize agency costs by reducing the adverse selection and moral hazards problems, thus effecting corporate value. Hermalin and Weisbach (2003:12) assert that board composition and size have an impact on performance. Boards of Namibian NPOs are found wanting in executing their oversight duties and making decision (The Namibian, 2012: 2).

Essentials for Board to be Effective

To maximize their contributions, all board members even those with previous board experience will need to become familiar with the organisation they are joining, while new directors would need an orientation to the sector, knowledge of how things are done in the particular organisation and understanding of the extent to which they are expected to participate in operating activities in addition to the governance role (Leblanc and Lindsay, 2010: 7). An effective, strong board can be critical to the successful pursuit of the mission of the NPO (Society of Corporate Secretaries and Governance Professionals, 2008: 3). Accordingly, the following guidelines are recommended to contribute to the effectiveness of governance boards (Leblanc and Lindsay, 2010: 3):

- selection of members of governance board;
- effective board meetings;
- creation of board committees;
- board leadership from the chair;
- board development plan; and
- Board assessment.

Since board members share joint responsibilities to shareholder (Thomsen, 2004: 31), decisions they make are expected to shape the organisation and make it a sound corporate citizen with the capacity to yield for shareholder. Since the board is elected by owners, they represent the interest of the owners, since the owners strive for increased value for their investment; this value is then often obtained through board members, when making their decisions. Therefore, it is critical for the organisations to have effective boards who will serve to add value.

Findings from the Primary Research

The findings from the empirical study are summarised under the following subheadings:

Part I – Basic Information

- The highest number of respondents is from the health and HIV/AIDS sector;
- Majority of respondents were female;
- Most respondents were younger than 44 years;
- Senior managers accounted for majority of the respondents;
- The respondents' years of service with their organisations ranged between 3 years and more than ten years;
- Majority respondents have tertiary qualifications;
- NPOs are either registered as welfare organisations or use their constitution as their foundation document;
- All respondents are reliant on donor and government funding, while some NPOs receive funding from their members;
- Half of the NPOs do not pay their board members any money, but some pay per diem and refund travel and accommodation expenses, while a minority pay board sitting fees; and
- Most NPOs hold their board meetings on a quarterly basis, but there are also those who hold them bi-annually and annually.

Part II Board Directors Profile (include percentage)

- Majority respondents (47.60%) indicated that they were adequately briefed on the duties of the organisation's board prior to joining however a minority who have not been adequately briefed is a concern and must be addressed;
- Most board members (50%) had a good understanding of board policies and practices;
- While most board members (54.50%) indicated an outstanding understanding of the organisation's finances, some (4.50%) indicated inadequate understanding;
- All respondents indicated that they have opportunities to express their views on organisation's activities;
- Most respondents (45.50%) understand the organisation's by-laws, however there is a concern with the few that indicated that they do not know;
- All respondents understand their organisation's vision and mission statements; and
- Findings indicate a gap in the skills prescribed for boards and the skills possess by respondents.

Part III: Evaluation of the Board

- Under the conduct of board meetings, open communication and meaningful discussions are highly rated, timely resolutions and independence is also rated high, but slightly lower open communication and meaningful discussions;
- The evaluation of the appropriateness of board meetings revealed that most respondents consider the number of meetings, length of presentations, time available for discussion and the content of discussions as appropriate;
- Most respondents consider the usefulness, timeliness, efficient format and right amount of detail in pre-meeting materials as suitable;
- Majority respondents (54.50%) showed contentment with their examination of the organisation's objectives and mandate to ensure continuing service delivery;
- Majority respondents (63.60%) indicated that they are happy with the extent to which they oversee, approve and monitor the strategic direction of their organisation;
- Most respondents (90.90%) are also happy with the extent to which they oversee and evaluate CEO performance;
- While most respondents (81.80%) are satisfied with the trustees ability to fulfill their overall role and responsibility, there is a concerning number (18.20%) who indicated dissatisfaction;
- Both board members and senior management respondents are satisfied with the manner in which senior management responds to the advice and counsel from board; and
- All respondents agreed that the board is kept informed by the NPOs CEO on its operations to enable them to perform their duties.

Part V: Board Governance

- Most respondents (57.20%) agreed that their boards have processes in place to evaluate their effectiveness, however a high number have indicated uncertainty or disagreed;
- Most respondents (90.90%) indicated that the chairperson of their board is effectiveness in leading the board and conducting meetings;
- Majority respondents (81.90%) agreed that their boards have adequate processes in place to fill board vacancies;
- Most respondents (90.50%) agreed that their boards are meeting legal governance responsibilities;
- While more respondents (52.40%) agreed that there are development plans/processes for boards, the number of those that are unsure and disagreed is also highest; and
- Namibian NPOs have established some critical board committees, however, there is still a lack for some and requires innovation in ensuring that the activities related to these are performed.

Conclusions of Findings

The empirical findings show consistency with the literature and it can be concluded that Namibian NPOs are relatively effective in discharging their board responsibilities. Literature reveals that volunteer boards need the same skills, knowledge and expertise and govern their organisations in

the same manner as profit-making organisations are governed. While most responses agreed with theory, some disagreed and there is a need that such are addressed to increase board efficiency.

Recommendations

The following recommendations stem from the findings and are aimed at enhancing the efficiency of Namibian NPO boards:

- Namibian NPO boards must strive to standardize remuneration and allowances of board members to ensure equitable performance and commitment;
- Since NPOs are to be governed in terms of corporate governance, it is necessary for Namibian NPOs to comply with the meeting schedule, namely having quarterly board meetings;
- Board orientation is required before board members assume responsibility and must be provided continuously to keep them abreast of changes in the operating environments. This will enable them to make meaningful contributions from the start and continuously.
- The board orientation must not only be limited to the immediate operations of the NPO, but must be adequately broad to create a proper understanding of the board and its larger environments;
- There is a need to standardize the registration requirements for Namibian NPOs and to have a charter prescribing minimum standards and code of conduct;
- When recruiting new board members or filling vacancies, it is important to ensure that experts with diverse skills are recruited to ensure that the board possesses a diversity of skills in all key areas. Boards can also source in expertise from outside should there be no skills available among the members;
- Formalized development programs are required to ensure that board members have requisite skills to discharge their responsibilities; and
- Boards must manage financial risk by putting policies and procedures in place and ensure adherence thereto.

Action Plan

The following action is suggested for the implementation to aid NPOs in achieving effectiveness:

Objective	Activity	Person	Time frame	Budget
Enhance the capacity of the board	Selection of quality board members	Chairpersons	5 years	N\$0
	Development of board development programs	CEOs	1 year	N\$12 000
	Institute board assessment tools and action on it	CEOs/Chair	Immediately	N\$0
	Identification of committees to help NPO to become financially self-reliant	Chairpersons/CEO	6 months	N\$0

Areas for Further Research

This study had limitations in terms of the topic, research design, approach, sample and the instruments used. In view of these limitations it was not possible to cover the subject under investigation in detail and the following areas are recommended for further research:

- A comparative study measuring board performance between NPOs and profit organisations;
- A case study of a selected NPO measuring board performance to be able to understand other dynamics that can enable or impede performance;
- A study on the relationship between board and CEO as an important factor in board performance; and
- A qualitative study with board members to unravel factor important for board effectiveness.

Conclusion

This study is significant in that it offers practical recommendations for NPO boards and management for implementation to enhance board effectiveness. NPOs play an important role in helping governments, corporates and donors to implement programmes that is essential for communities. Effective NPO boards can raise confidence in their ability and will ensure ongoing support. NPOs are legal entities and their boards are required to comply with all legal requirements and to this end capable and dedicated board members are required.

The research objectives of this study were to assess the effectiveness of decision making within Namibian NPO boards/trustees; to determine the value added by Namibian NPO boards/trustees; to assess the extent to which Namibian NPO boards/trustees execute their fiduciary responsibilities and to make recommendations to NPO boards/trustees on how to improve the governance frameworks in terms of decision making, value addition and execution of fiduciary responsibility. A questionnaire covering these aspects were designed and distributed for data collection. The collected data was analyzed and this shows that Namibian NPO board are relatively effective in the discharge of their fiduciary responsibilities and it can be concluded that they are effective in decision making and are adding value to their organisations. Practical recommendations have been offered and it can therefore be concluded that this study has succeeded in answering all the research questions and meeting the aim. This study has contributed to the existing literature on corporate governance, in particular to the effective governance of Namibian NPOs.

NOTE:

This article was extracted and compiled by the principal author who submitted a dissertation for the requirements for the award of the Masters Degree in Business Administration in 2013 to the Regent Business School, Durban, South Africa.

The dissertation was supervised by Simon Hoabeb who is an external examiner and supervisor at the Regent Business School.

The manuscript was edited by Professor Anis Mahomed Karodia for purposes of publication as a journal article.

The full bibliography of the dissertation is cited and references used in this article are contained in the full bibliography.

In the event that the reader requires a full copy of the dissertation, kindly request from the Email provided, furnishing reasons for wanting the full dissertation. Email: akarodia@regent.ac.za

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