Corporate Governance and Governance of Innovation: The Case of Public Further Education and Training Colleges in South Africa

Manager M. Muswaba

Faculty of Management Sciences: Tshwane University of Technology, Pretoria: South Africa

A survey was conducted in the public Further Education and Training (FET) Colleges of South Africa. Two logistic regression models were fitted based on the data set used for the analysis. Model 1 showed that good corporate governance was influenced by transparency, responsibility, integrity, audit activities and college council boards' ability to hold regular meetings. Model 2 showed that good corporate sustainability was influenced by social concerns, stakeholders' involvement and economic issues. Findings of the study were used to make recommendations to the Ministry of Higher Education and Training for the development of innovative governance framework for the sector.

Key words: *Good corporate governance, Accountability, Transparency, Stakeholder involvement, Sustainability, Odds ratio*

This paper is an empirically grounded critical exploration of conflict between good corporate governance and governance of innovation of public Further Education and Training (FET) colleges in South Africa. Feeding into a discourse of corporate transparency and accountability the paper considers how far prevailing economic models of FET education accountability might promote the long-term success of other aspects of the quality agenda, such as innovation. The research focused on corporate governance initiatives in South Africa, given its considerable potential leadership role on the African continent and also its notable corporate governance reform since 1992.

South African government is the predominant provider of funds for Further Education and Training (FET) education and also the principal provider of the education itself. The research innovators' experiences of constraint in FET institutions is used to interrogate the whole agenda about how meaningful governance innovation has been promoted, managed and accounted in these public institutions since their establishment. Drawing on this case, the paper explores a central dynamic innovative approach to FET governance known as the 'e-governance planning and implementation systems' in FET colleges as a way of promoting a more networked environment in the sector.

OBJECTIVES OF THE STUDY

The paper has the following specific objectives:

- To identify key factors that affects best practices and enforces effective sustainable and good corporate governance in the public FET Colleges in South Africa.
- To assess the impact of good corporate governance in the public FET institutions in South Africa.

- To identify and recommend suitable models for ensuring good corporate governance and governance of innovation in the Further Education and Training Colleges of South Africa.

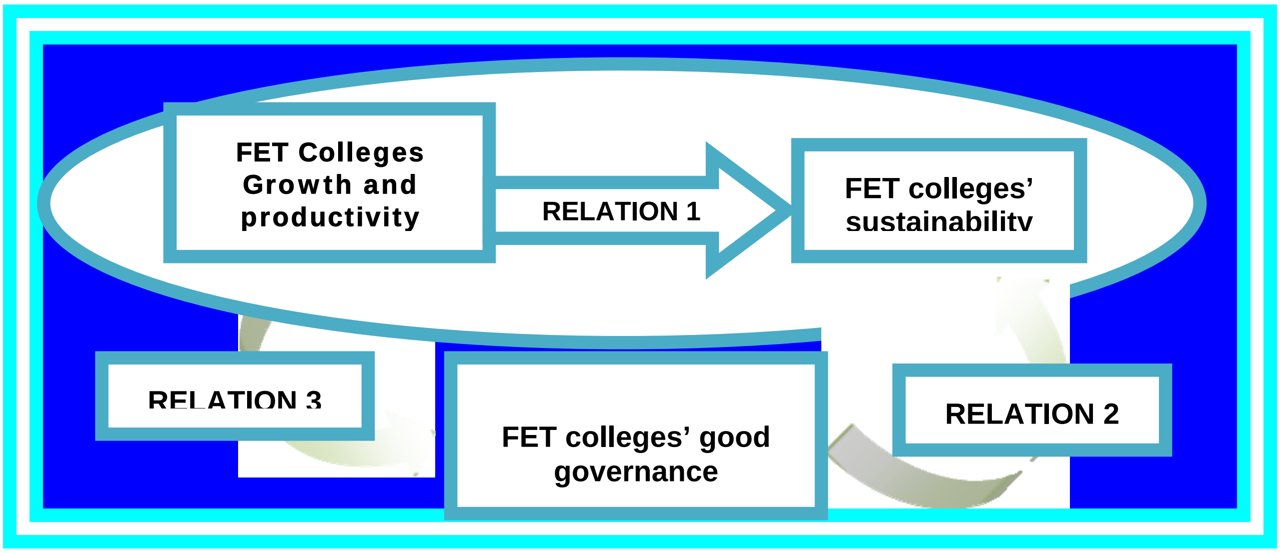
LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Defining good corporate governance

The term 'governance' is a rather old one. It has its root in the Greek word kubernaein meaning steering wrote Davies, (1999, p. 312) and its Latin root is 'gubernare' with the meaning to steer as written by the Cadbury report (2002, p.17). In French the word governance referred to a royal officer as indicated by Pierre & Peters (2000, p. 313-323). The word seems to have lacked a universal definition and for a long time it was largely ignored by the public. However, in the last two decades, according to some researchers and scholars, governance has witnessed a resurgence of interest, particularly in the fields of economics and political studies Pierre (2000, p.313); Cornforth (2003, p.721). Two recent developments which have contributed to this have been market failure and failure of governments. As a result, it is being considered as the solution for improving corporate performance and government efficiency, hence, the attention to corporate governance and governance of innovation in the political domain.

A theoretical conceptual framework has been proposed for the FET Colleges' corporate governance and corporate sustainability. The proposed framework seeks to link good corporate governance mechanisms and corporate sustainability with productivity and growth in FET Colleges of South Africa. The agency theory has been the usual framework in analysing internal good corporate governance mechanisms while a popular framework touted by many management scholars the stakeholder theory was also considered. According to Donaldson and Preston, (1995, p 123) the stakeholder theory approach continues to receive a great deal of attention in recent times as this is evidenced by the publication of many books and articles in journals supporting the theory. The stakeholder perspective takes a broader view and implies that FET Colleges should consider the needs of all its stakeholders when dealing with sustainable governance. These two frameworks are adequate in explaining why FET Colleges with similar characteristics and similar governance mechanisms perform and utilise growth opportunities differently as shown on figure 1 below.

Figure 1 Integrative relation amongst the central concepts



The above mentioned research objectives were intercepted with the following synthesised principles of good corporate governance for corporate sustainability:

- accountability;
- integrity;
- efficiency; and
- transparency
- Sound Strategic Management

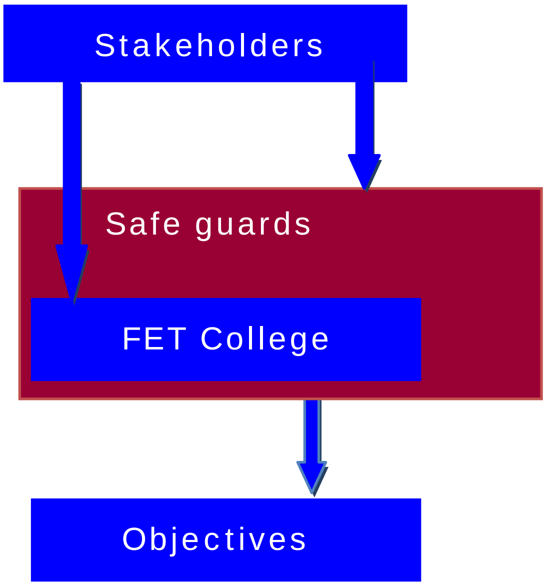
To apply these principles in the public FET Colleges, the author constructed the scoring for each of the principles, denoting a score of (1) for existence of each principle and score of (0) for non-existence of each of the principle.

The governance concept

In both the private and the public sector, there is a trend towards ever increasing demand for accountability and transparency as well as an increase of the awareness of the necessity for having checks and balances in governance of public institutions. Good governance and corporate sustainability have become, both explicitly and implicitly important issues for business, government departments, politics, and for the general public. This section sets out the concept of good and sustainable governance, the differences between governance in the public sector and governance in the FET sector, and the importance of performing a corporate governance and corporate sustainability scan. Good governance should focus on the organisation's stakeholders, the associated objectives, and the responsibility of the organisation's board of directors to achieve these objectives. It is therefore important to develop a governance concept as far as public FET college sector is concerned.

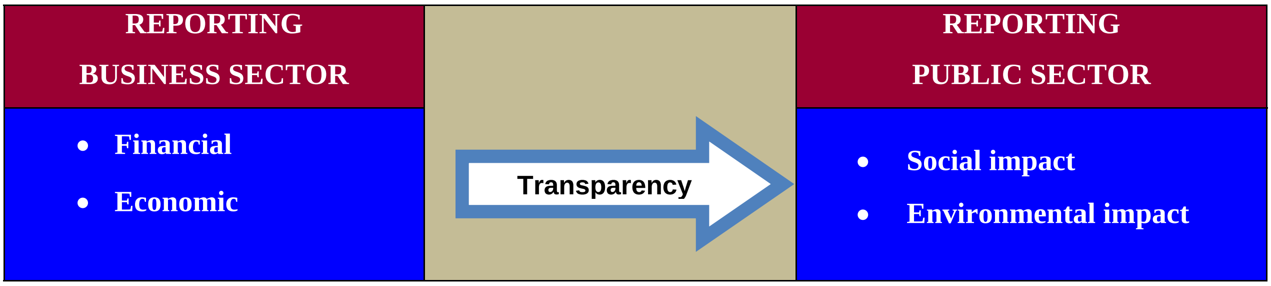
Like any other organisation, FET College's basis for existence is to achieve certain objectives on behalf of its stakeholders. The goal of governance is to create policy structures which enable objectives to be achieved, in view of management's responsibility in this respect. For this purpose, the colleges should be managed and controlled, and governing boards should be accountable for their activities to their stakeholders. This is done through a council board appointed on behalf of the stakeholders. Consequently, FET college governance model should include among other factors management, control, supervision and accountability.

Figure 2 The governance concept



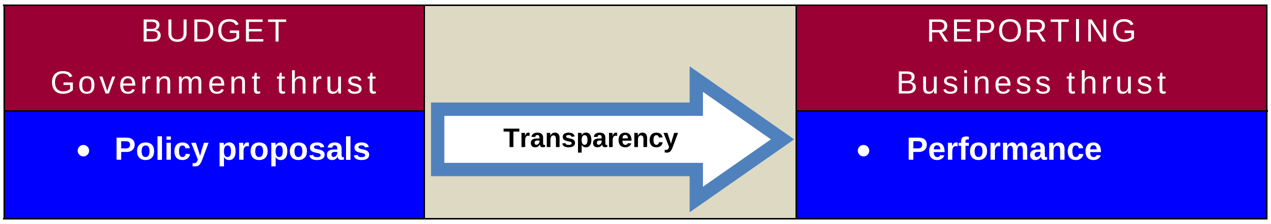
The difference between the business sector and the government sector is best exemplified by the published documents attracting public attention. Companies publish their financial statements, on the basis of which the profit is appropriated and the directors are held accountable to the stakeholders. Government publishes its budget, whereby the discussion focuses on policy proposals. In both the government and business sectors, there is a trend towards increasing transparency, the business sector focusing more and more on sustainable development in its reporting while the government focuses on fiscus transparency.

Fig 3 Sustainable reporting Model



In addition to financial and economic information, such as safeguarded continuity and growth, FET Colleges need to report on the organisation's social impact as well as environmental impact. A trend has now developed within the government sector of placing more emphasis on the reporting of performance as well. The electorate need to see value for money for every fiscus transaction done. The associated transparency makes the case for sound governance stronger in the public FET college sector as well. This is diagrammatically shown below.

Figure 4 Performance Reporting in organisations

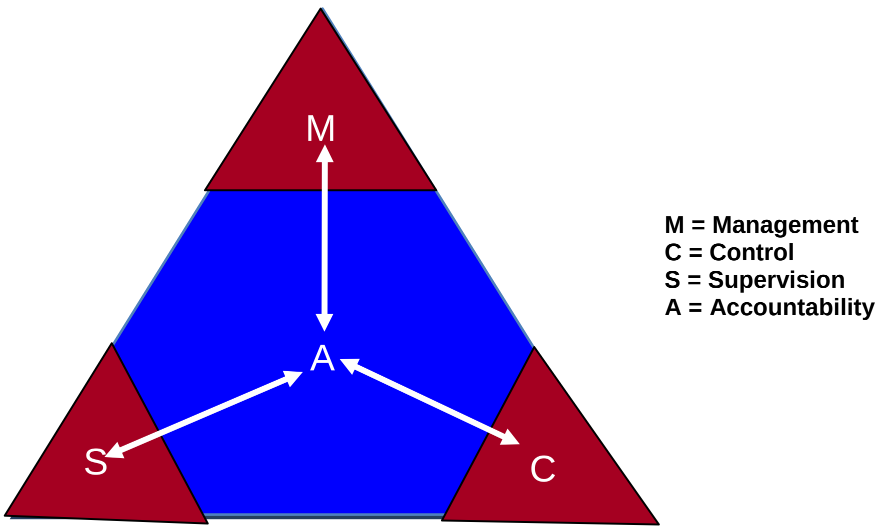


The government-governance concept in public organisations

The objective of government-governance is to create policies for achieving strategic governance objectives. The design and operation of governance is important at various levels, from government minister to implementing organisations. Central government is concerned with policy objectives set by parliament. The council is responsible and also accountable for achieving these objectives. The essence of good governance, from the perspective of the council responsibility is that, there are enough safeguards enabling the council to bear governance responsibility. These safeguards should exist within a policy area, which may extend over an entire policy chain, through a well designed cycle of the management, control, supervision and accountability processes. Hence, college governance is defined as safeguarding the interrelationship between management, control and supervision by FET colleges set up by governing structures which aim at realising policy objectives efficiently and effectively, as well as communicating openly thereon and providing an account thereof for the benefit of the stakeholders. The framework shows that college governance consists of four elements, which can be illustrated in the following triangular diagram.

Council responsibility concerns both the nature of the relationship with the, participants in a particular policy area and achieving policy objectives. That is why the council board should have a management vision on the policy areas for any council structure that may be held accountable for, clearly defined policy objectives and clearly defined preconditions such as quality, efficiency, compliance with relevant laws and regulations and financial control.

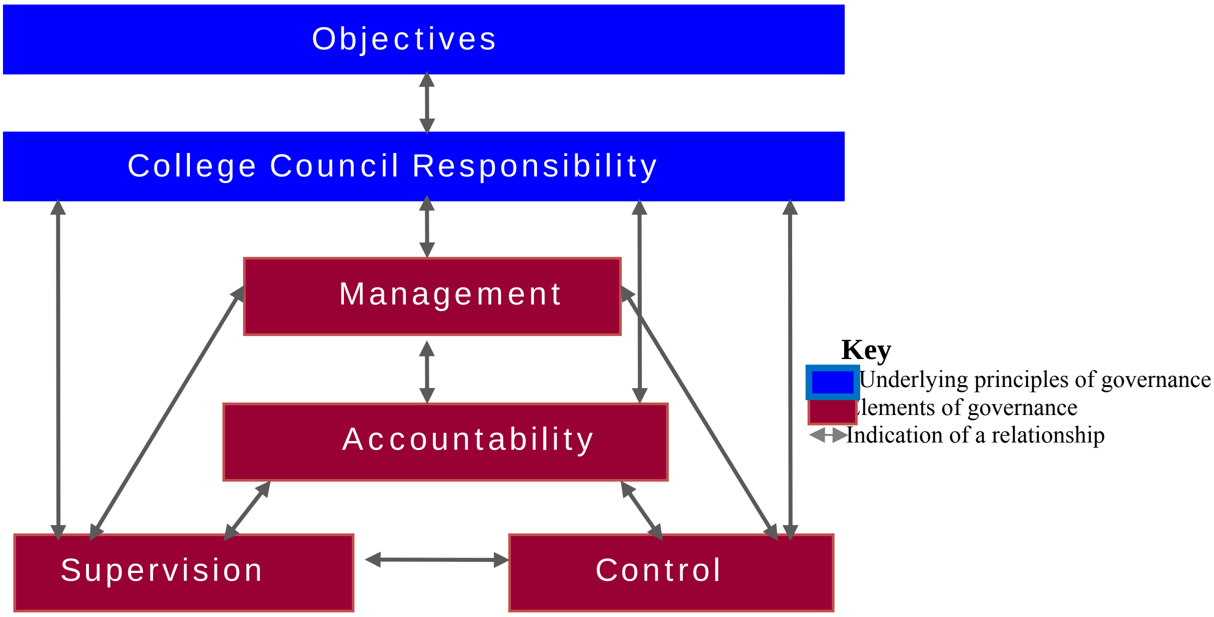
Figure 5 Four elements of Government-governance in public organisations



This whole package forms the starting point for further structuring of governance in FET Colleges sector as shown in figure 5 above.

The college council has to provide information on all tasks assigned and powers delegated to it, to which the right of discharge is attached. At the macro level, this means that the council is accountable to government for management, control and supervision, in addition to the results of the implementation of policy. The next essential aspect is the inter-relationship between management, control, supervision and accountability, aimed at realising policy objectives, and the required transparency. When the various elements are not fully linked, there are exposed areas. It is important that councils recognise any exposed areas in their governance which means that they are aware of any risks and know in which areas measures are necessary. A governance scan would support the council in obtaining assurance as to whether there is sound governance, or assists in bringing to light any governance deficiencies or inefficiencies, thereby enhancing the bearing of service responsibility.

Figure 6 Interrelationship between management, control, supervision and accountability



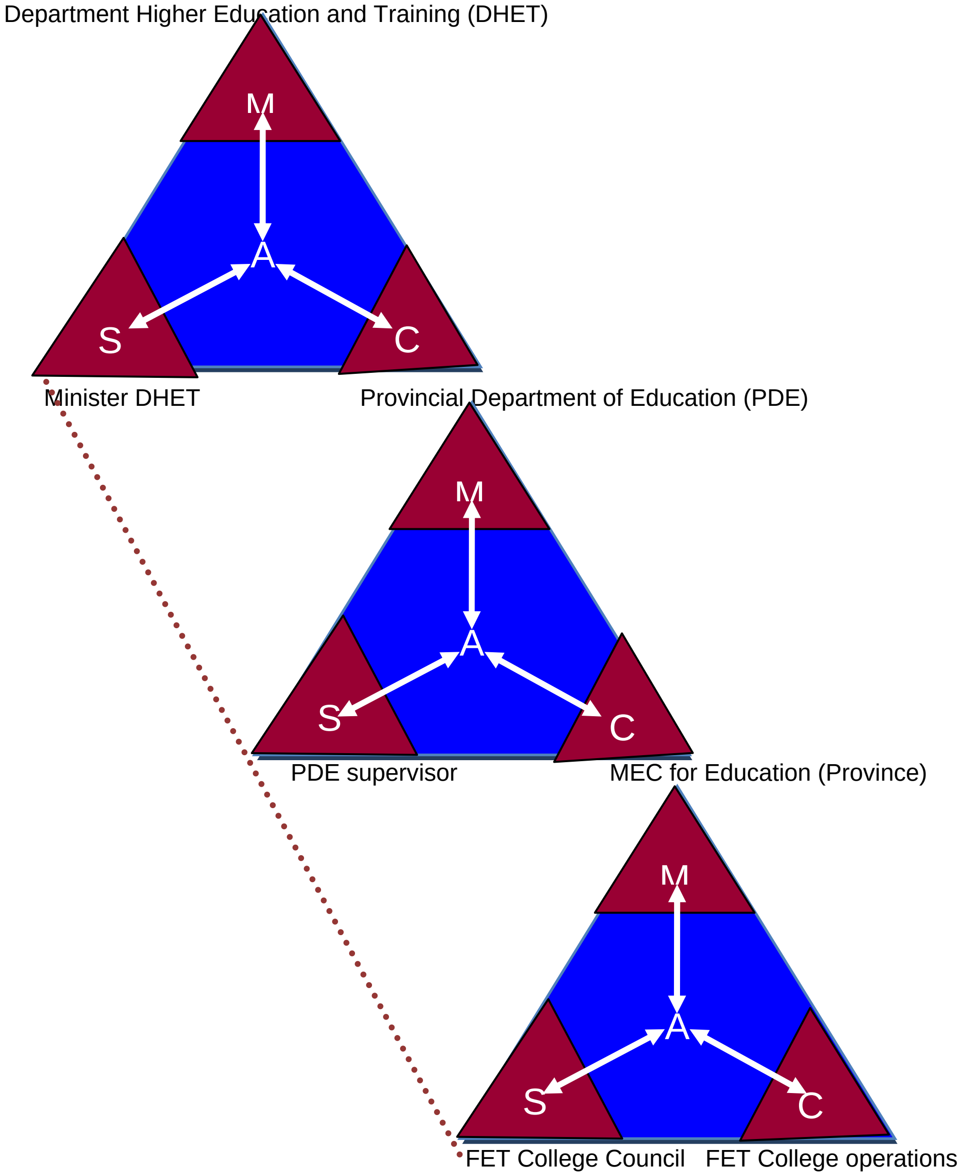
Relationship amongst FET college governing partners

The analysis covers the whole FET governance chain from ministry to provincial authority and finally to the college as part of the implementing body. Gaining an understanding of this governance chain for the FET sector is a complex matter since there are many participants involved in a tiered implementation process. The participants also form various relationships with each other. For instance in respect of accountability the process and structure causes a lot of trade-off among the major governance structures. College council boards account for their management and control to either the minister, and again to the provincial Member of the Executive Council (MEC).

MECs acting as supervisors on behalf of the minister should be accountable for their supervisory role as well. The minister himself or herself provides an account of his or her management and supervision to parliament. Given these relationships between the major stakeholders in the college governance process, analysis requires that these major stakeholders should be identified and described, including their mutual relationships, and their roles in respect of management, control, supervision and accountability within the college. If all major stakeholders in the governance process play their roles in the chain responsibly, ideally, the minister could rely on the sound governance of these major stakeholders.

The information above shows that evaluating a governance process is often very complex. The council, which represents the public, is the theoretical owner of the college. It is accountable to the public and the government for decision making as well as monitoring college performance.

Figure 7 Relationship amongst FET college governing partners



In the simplest assumption, when there are only two parties, the government and the public, it is simple to describe the process. The control and use of the colleges and its funds is not complicated as it is guided by the government statutes. Because the public needs an agency to help manage the college and its own funds, a management is normally set up for this purpose. The management team usually consists of a principal and the college senior management staff.

Agency theory and governance of FET Colleges

In order to explain the basic concepts upon which the foundations of agency theory are built, it is important to start with a definition of principal-agent relationships. According to Jensen and Meckling (1976:308), a principal-agent relationship can be defined *as '...a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent.*' Meckling's definitions points that a client the government do hire an (agent) the College council board members to represent them in the FET colleges.

Agency theory therefore assumes that the principal-agent relationship is characterised by a conflict between the interests of the principal and those of the agent, and that the agent is motivated to pursue their own goals as stated by (Pontes, 1995; Sundaramurthy and Lewis, 2003). So when the agent's (College Council) behaviour is not controlled or restrained, the goals of the principal (government) are unlikely to be attained. As a solution to the agency conflicts that principal-agent relationships may bring about, research has focused on mechanisms that may help the principal to control his agent. It distinguishes between two frameworks that start from different assumptions regarding the level of informational known as symmetry between the principal and the agent.

Agency theory holistically distinguishes between the symmetric information model and the asymmetric information model Levinthal, (1988:153). Both models assume that the principal is able to observe a certain outcome, produced by the combination of the level of effort exerted by the agent and the occurrence of a certain state of nature referring to some exogenous variables that influence productivity levels but lie beyond the control of the agent.

Stewardship theory complementing Agency theory a special case

Stewardship theory differs from the agency theory in that it questions the assumption that a principal-agent relationship will always be characterised by agency conflicts. The theory embodies two branches. The first branch depicts a relationship in which the goals of the agent conflict with those of the principal. Unlike traditional agency theory, however, the first branch assumes that the agent will be motivated to act within the interests of the principal and that the agent will not pursue their own goals as written by Davis, Schoorman, and Donaldson, (1997:20-47). This implies that the agent values the effect of their actions on the utility of the principal and that pursuing her own objectives generates higher costs than benefits bringing the reputation model as rewards in terms of college council members. In such case, the agent can attain a higher utility level when they cooperate with the principal. The second branch extends the theory by assuming that the agent's goals are perfectly aligned with those of the principal as stated by Sundaramurthy and Lewis, (2003:397-415).

Principal-Agent theory relationships: Council Board and College Management

The first internal principal-agent relationship concerns the interactions between the council board of directors (the principal) and the college Principal (the agent). There is little consensus about how both actors relate to each other in this relationship because of the fact that the theoretical and empirical agency literature remain fairly thin. However, literature does exist regarding board behaviour. While external principal-agent relationships between stakeholders or the government and the council board and between students and employees are beyond the scope of this study, there is need to briefly consider the nature of college council boards.

In the first external principal-agent relationship, the council board of directors takes the role of the agent who is asked to perform services on behalf of the college's stakeholders. However in the first internal principal-agent relationship, the College Board takes the role of principal, acting as the prime defender of the mission statement and as a champion of its achievement. Although strong board control is considered important or even vital in normative (agency) literature, Ostrowski (1990, p.413) showed that well-functioning boards do exist within the public sector such as FET colleges. Empirical research suggests that many public boards often exercise only weak control over the behaviour of their agents. Glaeser (2003, p.127) also believes that corporate control is weak within public organisations and that the availability of control instruments is limited as well. According to Glaeser,(2003, p. 131) public sector boards find it difficult to monitor the nature of services provided by the organisation. This however limits their control to visible issues. In such case, room for managerial discretion and agency problems might be seriously increased within the public sector and raise the probability that the organisation is bound to pursue the eccentric preferences of its manager. In order to survive, public services that are obliged to enter the product market from public sector must also attempt to retain their customers through building and maintaining a good reputation.

Although agency theory is generally accepted as the main framework within profit making organisations, literature on public sector such as FET college activity is not completely clear on which of the theories should be applied to the college council.

Power balance

Another recent problem in the governance of national colleges is the balance of power between the principal and the College Council. The principal is responsible for the execution of policies and management of the college, while the college council has to steer the management performance and to agree on policies. However, if the two parties have arguments, which party should be dominant? This study has discovered that different colleges dealt with this power issue in different ways. In some cases, a college principal has resigned while in other cases, a chairman of the board has left.

Transparency and Accountability

The governance system in colleges has been influenced by the corporate governance experience, particularly in providing information for the public. Public FET colleges, because of their accountability to the public, are required to provide information to the public. They need have free information on their websites or send it through request by mail and emails. Anyone can request annual reports and annual reviews if they are interested in the governance of the organisation. However, some of these public colleges are still operating in a traditional system and cannot provide such information. This has resulted in the loss of public confidence towards the colleges and consequently has affected public support for them in the future.

Public FET Colleges in South Africa have several opportunities in their environments. Almost all national FET Colleges do not have a highly respected reputation. Their lack of good reputation may be as result of non involvement in research and expertise, or poor quality of services the society perceives them to be providing.

Good reputation attracts public attention. In governance, it does not only contribute to the public being more willing to sit on the boards but it also helps to attract resources such as sponsorship, partnership and donations. People also prefer to enrol at a public college with high profile and to spend their time and money during their studies. It is a strong incentive to attract good staff as well. For example, the public FET colleges should have the best opportunities to attract more resources than any other colleges in South Africa. Meanwhile, private companies and individuals would also have more confidence in supporting and co-operating with these highest profiled institutions.

Stakeholder theory and corporate sustainability of FET colleges

As earlier on mentioned in the previous sections, the research relied much on the Agents theory, the stakeholder theory and the steward ship theory in developing its research framework. These other two theories have been discussed under the corporate governance framework and the stakeholder theory will now be discussed in the impending sections with a view to fully complete the picture created in terms of the theoretical framework of the research.

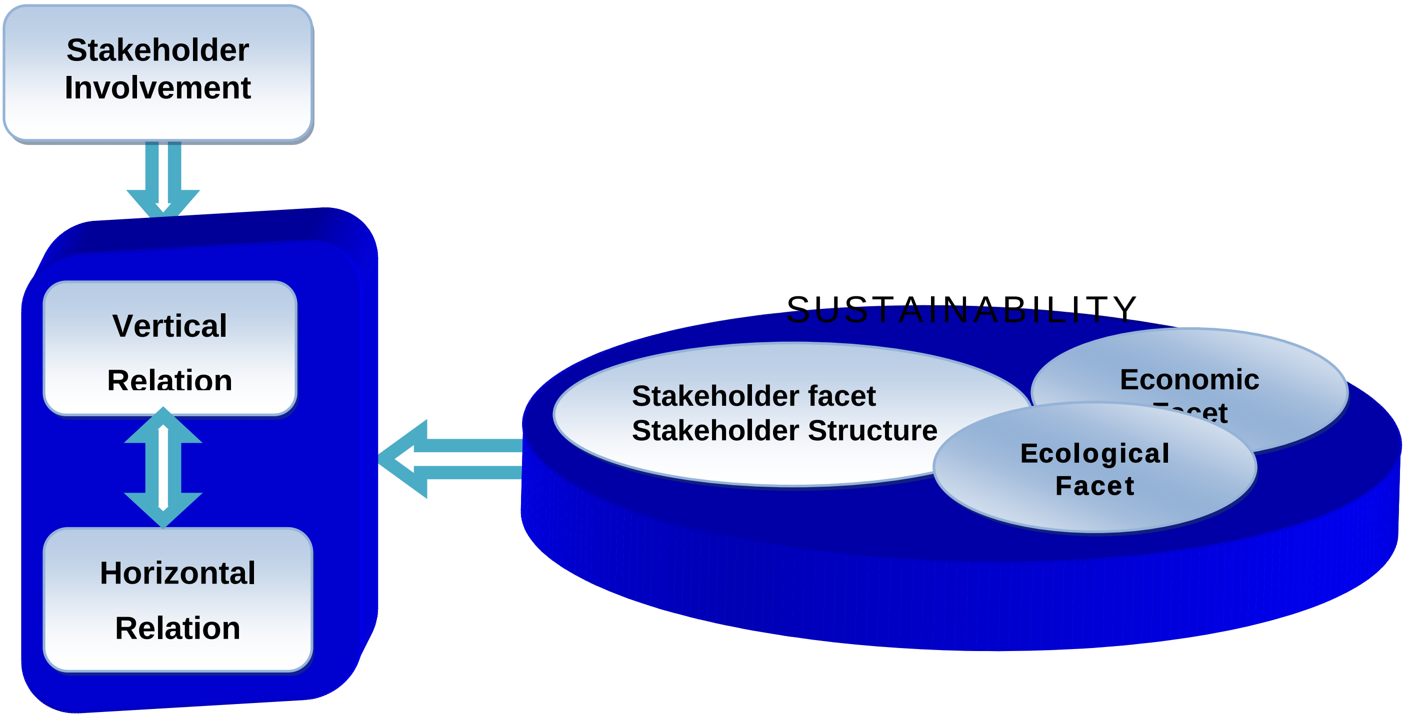
This use of stakeholder involvement as a model takes into account characteristics of sustainability that are very important for this research and these are:

- some non-monetary costs and benefits of human activity,
- inequality between present and future generations,
- participation of all stakeholders at grass-roots level, professional, technical and social groups so as to ensure recognition of diverse and changing values,
- addressing the needs of all sets of end-users such as the production and manufacturing, industry, academic industry and self employment

In this research corporate sustainable model refers to the stakeholder facets of sustainability. Sustainable development is defined as a development that meets the needs of the present without compromising the ability of future generations to meet their own. In this classic definition, sustainability refers to its economic and ecological dimensions although it implies the necessity of including the whole system and its social, ecological, and economic sub-systems into any sustainability policy making framework. The term 'sustainability' should then include the social conditions that are needed for the survival of a social system which has a contagion effect to the perpetual survival of FET colleges as well.

The concept is explained in the figure below:

Figure 8 Stakeholder facets of corporate sustainability



RESEARCH METHODOLOGY

Research Design

The central part of this study was based upon an exploration of the relationship between governance and sustainability, and investigating FET Colleges as public institutions and their corporate governance systems and structures. The researcher adopted descriptive and cross-sectional research design. The study was descriptive as the purpose of the study was to explore and describe factors that affect good governance and sustainability. The study was also cross-sectional data was gathered from respondents only once. An array of existing theories and prior academic findings on corporate governance and corporate sustainability published were compared and contrasted, to fit with empirical evidence of what was happening in the FET Colleges sector.

Sample

The sample of this study consists of 300 council members, college principals and senior managers of FET colleges. The study employed stratified random sampling technique cutting across all council members and managers in the colleges. A total of 300 questionnaires were distributed while 250 were found usable and were analysed. The subjects were made up of 91 males and 159 females with age ranging from 18 to 55.

Instruments

Data collection was done by means of a structured, self-completion questionnaire, where respondents were required to select their responses from alternatives provided. The researcher also used face to face interviews to collect data from college principals.

DATA ANALYSIS

Results from Pearson's Chi-Square tests of associations

One of the questions of the research was to find out whether there was a statistical significant association among pairs of factors that significantly affected good governance and sustainability in the public Further Education and Training sector. Pearson's chi-square tests of associations were used. At the 5% level of significance, if $P < 0.05$, the association is said to be statistically significant at the 5% level, while at the 5% level of significance, if $P \geq 0.05$, the association is said to be insignificant at the 5% level.

Table 1 Results obtained from the Pearson chi-square test of associations model 1

Variable of study associated with factors affecting good corporate governance	P-Value
Audit committee principles being practiced	0.000
Evidence of effective and transparent systems	0.000
Fairness concerns being addressed	0.000
Integrity systems in place	0.000
Accountability systems and structures available and effective	0.000
Four or more meetings held per year	0.000
Council committees available and functional	0.000
Strategic planning available and being implemented	0.008

Table 1 of Model 1 above shows that corporate governance is influenced by lack of Audit committee principles being practiced, Lack of effective transparency systems, Fairness concerns not being addressed, Integrity systems not in place, Accountability systems and structures not available, Four or more meetings not being held per year and Council committees not being available shown in a decreasing order of strength.

Table 2 Results obtained from the Pearson chi-square of associations model 2

Variable of study associated with factors affecting corporate governance sustainability	P-Value
Evidence of stakeholder involvement	0.000
Social, concerns being addressed	0.000
Environmental concerns being addressed	0.000
Organizational cultural concerns being addressed	0.000
Economic issues being addressed	0.000

Table 2 of Model 2 above shows that viability of corporate sustainability is influenced by no evidence of stakeholder involvement, Social concerns not being addressed, Environmental concerns not being addressed, Cultural concerns not addressed, Economic issues not being addressed, in a decreasing order of strength.

Results obtained from binary logistic regression analysis (model 1)

Adjustment was done for five well known potential confounding variables in the FET college sector of Gauteng Province. These confounding variables were level of education, age category, race, gender and the status of council membership (internal or external). Adjusted and unadjusted odds ratios were similar in magnitude and significance. This shows that none of the five potential confounding variables was a confounding variable. Thus, the estimated results were not affected by confounding variables.

Significant odds ratios are characterised by odds ratios that are significantly different from 1, P-values that are smaller than 0.05, and 95% confidence intervals of odds ratios that do not contain 1.

Table 3 (Model 1) shows that the odds ratio of the variable "Lack of Audit committee principles being practiced is 7.98. This shows that an FET college council with no audit committee principles is 7.98 times as likely to have no good corporate governance in comparison with another FET college council with adequate audit committee principles.

Table 3 Odds ratios obtained from logistic regression analysis (Model 1)

Factors that affect good corporate governance	Odds Ratio	P-Value	95% Conf. Interval
Lack of Audit committee principles being practiced	7.98	0.005	[2.37, 46.39]
Lack of effective and transparent systems	5.88	0.001	[2.19, 37.84]
Fairness concerns not being addressed	11.15	0.001	[3.82, 51.86]
Integrity systems not in place	4.14	0.001	[1.69, 20.31]
Accountability systems and structures not available	4.01	0.005	[1.47, 19.86]
Four or more meetings not being held per year	6.85	0.001	[2.12, 39.55]
Council committees not being available	2.00	0.001	[1.16, 25.30]

At the 5% level, significant odds rations have P-values that are smaller than 0.05.

The results on table 3 indicate that there is statistically significant relationship between council boards' effectiveness and efficiency and the Environment, Society, Organisation Culture, and Economic variables. The table further indicates that there is statistically significant relationship between council boards' effectiveness and efficiency and the environmental concerns in the area where the colleges are operating (chi-square with four degrees of freedom=44.522526, pr=0.001), with social concerns results of the community where the Colleges are operating (chi-square with four degrees of freedom=40.4483, pr=0.001) and the organisation culture of the College (chi-square with four degrees of freedom=21.4667, pr=0.001). The statistical significant relationship between council boards' effectiveness and efficiency and the economical concerns to be addressed by the council boards were (chi-square with four degrees of freedom=27.1652, pr=0.001).

Goodness-of-fit test for Model 1

The P-value obtained from the Hosmer-Lemeshow goodness-of-fit test for Model 1 was equal to 0.4353 > 0.05. The fact that the P-value is greater than 5% shows that there is no reason to doubt the reliability of the fitted model at the 5% level

Table 4 Goodness-of-fit test for Model 1

Number of observations	**128**
Number of covariate patterns	**29**
Pearson chi2 (22)	**22.42**
Prob > chi2	**0.4353**

Results obtained from binary logistic regression analysis (model 2)

Table 5 Odds ratios obtained from logistic regression analysis

Factors that affect sustainability	Odds Ratio	P-Value	(95% Conf. Interval)
No evidence of stakeholder involvement	9.04	0.005	[1.69, 45.42]
Social, concerns not being addressed	15.51	0.005	[2.15, 42.45]
Environmental concerns not being addressed	8.99	0.001	[1.11, 22.59]
Cultural concerns not addressed	11.58	0.002	[1.11; 25.60]
Economic issues not being addressed	12.83	0.003	[1.10; 89.71]

At the 5% level, significant odds rations have P-values that are smaller than 0.05.

Table 5 (Model 2) shows that the odds ratio of the variable "Environmental concerns not being addressed is 8.99." This shows that an FET college that does not address environmental concerns of the area in which it operates is 8.99 times as likely to lack corporate sustainability in comparison with another college that addresses environmental concerns of the area in which the college operates.

The results on table 5 indicate that there is statistically significant relationship between council boards' effectiveness and efficiency and Accountability, Stakeholder involvement, board meetings held and Statutory board Committees variables. The results also indicate that there is statistically significant relationship between the council boards' effectiveness and efficiency and their stakeholder involvement in the community where the Colleges are operating (chi-square with four degrees of freedom=20.2416, pr=0.001).

The table further indicates that there is statistically significant relationship between council boards' effectiveness and efficiency and accountability systems and procedures set up council boards (chi-square with four degrees of freedom=56.2503, pr=0.001), with board committees at the colleges (chi-square with four degrees of freedom=45.9805, pr=0.001) and number of council board meetings held per year (chi-square with four degrees of freedom=23.1085, pr=0.001).

Goodness-of-fit test for Model 2

Table 6 shows that the P-value obtained from the Hosmer-Lemeshow goodness-of-fit test was equal to 0.3209 > 0.05. This shows that Model 2 is reliable at the 5% level.

Table 6 Goodness-of-fit test for Model 2

Number of observations	**128**
Number of covariate patterns	29
Pearson chi2 (22)	22.42
Prob > chi2	0.3209

Results from qualitative research

In-depth interviews showed that no college had a sustainability policy and strategy or even sustainability plans as a guiding policy to accountability. In order to achieve success, ownership of sustainability must extend beyond senior management team and become a way of thinking throughout the organisation this has not been evident in the interviews carried out with the College Principals. Each college council in Gauteng province agreed that it is their responsibility to execute and develop sustainability goals and plans as part of the annual business planning process although that was not evident.

Of the 50 institutions visited as part of the survey, only three had well functioning Councils that meet governing criteria. Two of the institutions had well functioning Councils that show tensions in their governance arrangements while in three there were more cases of tensions which were the cause for more serious concern.

Finally, three Councils were either deadlocked by endemic crises at the time of the visits that were part of the survey with indicators of collapsed structures and systems as a result of such crises.

The research also identified three clusters of Council functioning which fell along the spectrum of implementation capacity. These comprised of three institutions with soundly-functioning Councils all scoring 3 or above for implementation capacity. This indicates that their Council documentation showed high levels of consistency in the various aspects of governance such as some concordance between the formal record of Council minutes and agendas, and the descriptions of the governance process by key players across the full range of governance sectors, frequent attention to a broad range of governance issues, and a governance process in which there was progression, with issues being raised, debated and decided upon, and decisions implemented.

The socio-economic background of the college Councillors varied considerably from institution to institution, leading business and corporate figures at a national level, people influential in political and cultural fields at the municipal level, senior members of professional and business organisations, and leaders of local communities with strong roots in populations traditionally served by their institutions. Whatever their background, Councillors identified strongly with their institution, were enthusiastic about its goals and ambitions, and supportive of its Executive.

As far as establishing and implementing key procedures is concerned, three institutions had a clear delimitation of the role of Council with respect to that of the college executive management. Council authority was delegated to key committees, allowing plenary Council to meet only to consider high-level policy, planning and oversight issues, with four or five meetings each year. However there was lack of a defined process flow and formalised delegation of authority, in some cases with inadequate documentation of systems and procedures, and with no principle of transparency.

With regard to public accountability in areas of financial resources, institutional assets, student access and success and the quality of their campuses, most of the institutions easily failed to meet the standard requirements of trusteeship. Their responsiveness to the national agenda of FET education varied with the representativeness of their composition as explored in the results and analysis. Thus, while it could be mentioned that meeting the general goals of public FET education is greatly facilitated by strong governance at the Council level, it does not follow that developed Council capacity ensures benefit to the public good.

The second group of Councils is similar to the first, but with structural tensions that were cause for some concern. They scored average for implementation capacity (with a score of 2) and their Councils share many of the characteristics of the above group. However they are experiencing difficulties in Council-level governance which, while not destabilising the institution, are cause for concern. Most of the problems were aligned to shallow levels of delegated authority at the Council level, and could be seen as the consequence of the trade-off between hierarchical forms of organisation and flat structures which strived for inclusiveness.

Problems at the Council level in the institutions centre on the design and implementation of key procedures. In one case, the institution had been run in an autocratic manner, with governance largely in the hands of the Executive and little reference up to Council, or downwards to include staff and students. In consequence, setting up Council committees and processes for governance in accordance with new policy and legislation was from scratch, and against the grain of a conservative tradition. There was a fledgling system of delegated authorities, with mostly ad hoc arrangements, and rather ponderous documentation that was weighted towards formalities rather than reflecting attentiveness to opportunities and threats to the institution.

In another case, three institutions were run largely as an extension of the homeland administration, with a Council dominated by homeland officials. While the new Council was committed to change and the practices set out in new policy, this was proving to be a difficult transition because of extensive entrenched interests. Thus while the committee system was responsible to Council, it incorporated committee membership from all levels of the institution with the consequent pursuit of diverse agendas. Council's task was made additionally difficult by a weak management information system, making it difficult to meet reporting obligations to the Department of Education. Thus, while members of Council interviewed had a clear sense of their fiduciary responsibilities, as well as confidence in their institution, they were finding it difficult to establish the systems and procedures necessary to meet the institution's new role.

The circumstances of the third case were somewhat different from the once above. In these cases, there was a well-designed system of delegations from Council to its major committees. However, earlier democratic reforms within the apartheid era had resulted in the marginalisation of Council, which lacked legitimacy, and a shift of the centre of gravity of governance to the management. The reforms necessitated by the 1997 policy and legislation had not yet succeeded in reversing this change in the locus of power, and Council members felt themselves still to be marginalised. This marginalisation was given practical expression in Council's committee system, with confused and often overlapping roles, responsibilities and authorities, and circumstances in which Councils were bound by decisions of Council committees on which Council members were in the minority.

All those problems also affected this Council's ability to exercise oversight for major internal processes. Thus while documentation was detailed and procedural, revealing developed capacity for the formalities of governance and a sense of due process, there was a sense among Council members that they were never really in control, and were therefore limited in their ability to meet their responsibilities as trustees. Indeed, several members of Council expressed this as a personal concern about the legal implications, should there to be serious irregularities in reporting procedures.

While difficulties with Council-level governance clearly impacted on these institutions' ability to set policy plan strategically and address the public interest, their Councils were all strongly committed to these objectives. This commitment was strengthened by characteristics that gave each institution its particular sense of identity, whether this was pride in early participation in social and political transformation, a commitment to local and regional economic development, or a determination to establish a new role in a changed political and social environment.

Council level governance in the last three of institutions can only be described as catastrophic. In one case, the collapse of governance made it impossible to carry out a detailed analysis of Council documentation. In the other two cases, the rating for implementation capacity was lowest in the sample set (score of 0-1).

Councils in these institutions failed to meet any of the qualities required for an acceptable standard of governance. There were, however, differing reasons for this circumstance, sometimes the result of particular histories and sometimes because of lack of resources. There was also no reason to believe that their situations are irrecoverable, since site visits conducted as part of the survey, two of the three institutions had made some considerable progress towards the reconstruction of their key governance processes.

Council's key role in setting the mission and purpose of the institution and developing strategic plans was, in all three cases, hijacked by sustained internal crises. In one case, the Chair of Council had a clear sense of purpose for the institution, but this vision was disabled through conflict with the Principal, who refused to accept the authority of Council in determining policy for the institution as a whole. Because the Principal had no clear alternative policies, no planning or policy determination was determined at Council level. In a second case, a prolonged dispute between Council and the Management left no space in the Council's agenda for any consideration of high-level policy and planning. In the third case, a similar dispute had completely disabled Council prior to the research visit to the college.

In the second case, members of Council felt that they should be involved in the day-to-day running of the institution, resulting in a continual undermining of the management. In this instance members of the management were required to report directly to Council rather than through the Principal, making Council in effect the management committee for the institution. The absence of key procedures meant, in turn, that Councils in this group could not exercise appropriate oversight over major internal processes. There was a collapse in audit functions, leading in two cases to persistent allegations of financial impropriety.

In a third case, external members of Council felt that their fiduciary responsibilities were undermined by the control of Council agendas by the Principal and by the practice of co-opting additional internal staff to Council. Control of Council was perceived to be in the hands of a political faction, with the complicity of the Chair of Council. A contesting view was that the management was making financial decisions without proper accountability to Council. It was clear that the key role of Council in auditing the affairs of the institution in the public interest could not be fulfilled in such circumstances. It was also evident, in all three cases that Councils in endemic crisis states such as these addressed the public interest in FET education.

Conclusions

Integrity, transparency, and accountability are among the factors which influence corporations and corporate stakeholders hence they require effective corporate governance attention. The advent of a new autonomy of college governing boards offered a timely opportunity to change the system of governing FET colleges, however the system was perceived as confusing and devoid of clear accountability lines between the council, college principals and the government. At the root of the problem was a lack of clarity around the roles and responsibilities of the college council which was elected by many stakeholders including the government, but essentially stripped of its governing powers as a result of legislation enacted which gave the department of education the authority not only to establish educational policies but to oversee the strategic planning, monitoring and implementation of the institutions.

The study finally evidenced that a clear pathway for accountability and leadership in FET colleges needed to be developed. Colleges currently recognise multiple governances with mandates coming from all corners such as provincial departments of education, political institutions and also from college council boards. The results provided a stronger argument for FET colleges to promote greater external accountability, coupled with a larger role for transparency mechanisms and for governments to consider use of incentive-driven approaches which will provide checks and balances on these public institutions.

Recommendations

FET college councils should be assisted by a qualified and competent company secretary. The chairperson of council and the entire council may consult the company secretary for guidance on their responsibilities.

The Company Secretary should ensure that the council statute and the terms of reference of council board committees are developed and subsequently updated. The Company Secretary should be a central source of guidance and advice to the college council. Compilation of board agendas and papers should be a responsibility of the Company Secretary, as should be the preparation of minutes. The Company Secretary would then ensure that procedures for the appointment of council members are followed and that induction and development courses are held as well. Under the direction of the council chairperson, the company secretary's responsibilities include ensuring good information flows within the council and its committees and between senior management and external council members, as well as facilitating induction and assisting with professional development as required. All council members should have access to the advice and services of the company secretary, who is responsible to the council board for ensuring that council procedures are complied with.

Colleges should develop governance and sustainability reporting framework which should focus on substance over form and should transparently disclose information that is material, relevant, accessible, understandable and comparable with past performance of the college. Transparent reporting should enable stakeholders to understand the key issues and the standing of the company, with regard to economic, social and environmental issues. Honest and open engagement should result in the exchange of information on a trust basis between the college and the stakeholders. Good communicating should result in obtaining support from stakeholders. This should be evident when obtaining the approval of authorities and in obtaining the confidence and loyalty of all college clients.

College councils should develop and implement effective governance and sustainability compliance framework and processes. These processes should include compliance policy and procedures for management and approved by the council board. A culture of compliance amongst employees should be encouraged by the college adopting codes of practice which should ensure corporate compliance. Key performance indicators should concentrate on the risk of non-compliance factors.

The council should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual council members. Individual evaluation must show whether each council member continues to contribute effectively and demonstrate commitment to the role which should include commitment of time for council and committee meetings and any other duties. The council chairperson should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the entire council board and, suggest new members to be appointed to the board. All directors should receive induction on joining the college council and should on a regular basis update and refresh their skills and knowledge.

The council should ensure that council members, especially external council members, have access to independent professional advice at the college's expense where they judge it necessary to discharge their responsibilities as council members. Committees should be provided with sufficient resources to undertake their duties as well.

King code III dedicated a full section on governance of information technology in organisations. This has however seen IT as being part of the success story in organisations as well. FET Colleges need to have sound corporate governance frameworks which will enhance the development of suitable networks and partnerships and facilitate risk management so that opportunities can be taken to be more responsive and improve performance while minimising risk.

Fundamentally, e-governance systems would among others increase participation, strengthens accountability mechanisms and open channels of communication within, and across, the colleges. In this way colleges would be more confident about delivering defined outcomes and being accountable for the way in which results are achieved.

While FET colleges need to recognise performance obligations to stakeholders and the negative aspects of being risk averse, they also have to be aware of the necessity for leadership and control, the confidence and assurance that they create for all stakeholders and the reputation of the institutions involved, particularly in any e-governed arrangement.

References

BRICKLEY, J & VAN HORN, RL 2002 Managerial Incentives in Non-profit Organizations: Evidence from Hospitals, Journal *of Law and Economics, 45* (1):227–249.

BUELENS, A., PEPERMANS, R., FLION, I.,& MENTENS, C. 1999. *Differences in Motivation to Manage Between the Profit and Non-profit Sector. In R. Pepermans, I. Flion, and J.C.A. Ardts (eds.), Managerial Behaviour: Empirical Studies on Management Development and Socialisation.* Leuven, Belgium.

CALLEN, JL & FALK, H 1993 Agency and efficiency in non-profit Organizations: The Case of Specific Health Focus Charities. *The Accounting Review Journal, 68* (1):48–65.

CORNFORTH, C. 2003. The governance of public and Non-profit organisations. London and New York.

DAVIES A. 1999. *A strategic approach to corporate governance*, Alershot: Gower

DAVIS, JH SCHOORMAN, FD & DONALDSON, L 1997 Toward a Stewardship Theory of Management. Journal of *Academy of Management Review*, 22 (1): 20–47.

DONALDSON, L & PRESTON, M 1995 The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Journal of Academy of management review, 20*(1):65-91

GLAESER EL. (ed.) 2003. The Governance of Non-for-profit Organisations. Chicago: University of Chicago Press.

JENSEN, MC & MECKLING, WH 1976 Theory of the firm: managerial behaviour, agency Cost and ownership Structure. *Journal of Financial Economics, (* 3):305–360.

HIRST, P. 2000. *Democracy and governance. In Pierre, J. (Ed.) Debating governance: Authority, steering and democracy*, Oxford & New York: Oxford University Press.

LEVINTHAL, D. 1988 A Survey of Agency models of Organizations. *Journal of economic behaviour and Organization,* (9):153–185.

MERVYN. K. S. (2009). King report on corporate governance for South Africa. Institute Of Directors in Southern Africa: Johannesburg.

MERVYN. K. S. (2002). King report on corporate governance for South Africa. Institute of directors in Southern Africa: Johannesburg.

OSTROWSKI, M. R. 1990 Non-profit boards of directors. In D. L. Gies, J. S. Ott, and J. M. Shafritz (eds.), *The Non-profit Organization: Essential Readings.* Pacific Grove, Calif.: Brooks.

PIERRE, J. & PETERS, B. G. 2000. Governance, politics and the state, Basingstoke: Macmillan.

PONTES, M. C. 1995 Agency Theory: A Framework for Analyzing Physician Services. *Health*

SUNDARAMURTHY, C & LEWIS, M 2003 Control and Collaboration: Paradoxes of governance. *Journal of Academy of Management Review, 28* (3):397–415.

WITTMER, D 1991 Serving the people or serving for pay: Reward preferences among government, hybrid sector and business managers, *Journal of Public Productivity and Management Review,* (4):369–383.