

UNIVERSITY OF KWAZULU-NATAL

THE KEY FACTORS DETERMINING BOARD EFFECTIVENESS IN
INDEPENDENT SCHOOLS.

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A dissertation submitted in partial fulfilment of the requirements for the degree of
Master of Business Administration.

College of Law and Management Studies
Graduate School of Business & Leadership

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29 June 2015

Declaration

I, Melissa Kate van Rooyen, declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Graduate School of Business and Leadership, University of KwaZulu-Natal. It has not been submitted before for any degree or examination at any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.



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29 June 2015

Acknowledgements

I wish to express my sincere appreciation and gratitude to the following individuals, without whose assistance this study would not have been possible:

- ❖ The Board of Governors of Highbury Preparatory School for sponsoring and supporting my studies.
- ❖ The Independent Schools Association of Southern Africa for supporting this study and assisting with gaining support from schools.
- ❖ The Heads and Bursars of the many independent schools who promoted this study to their boards.
- ❖ The many board members who responded to the questionnaire and made this research possible.
- ❖ My Supervisor, Dr Abdul Kader for his guidance and encouragement.
- ❖ My husband Ron who tolerated my social absence with such grace and to my children Tayla and Tristan for keeping me company while we all studied together.
- ❖ To my heavenly Father from Whom all blessings flow.

Abstract

The role of boards and the topic of good governance in companies both for profit and non-profit has increased in significance in recent years. This is primarily due to the many corporate downfalls which left stakeholders questioning what boards had done wrong. South Africa in particular has introduced the new Companies Act No. 71 of 2008 and been proactive with the King Reports to legislate and guide companies into governing well. Independent schools are also governed by boards with similar attributes to corporate boards. Education plays a vital role in the future growth of any economy and therefore school boards need to be effective bodies in order to ensure the schools they govern are sustainable and able to positively contribute to the future growth of the economy. The aim of this study is to investigate the key determinants of board effectiveness in independent schools. Five components of board effectiveness were selected for study, these were board demographic composition, selection procedures, scope of decision making, competence of board members and their behavioural characteristics. Information on the sustainability of the school was also collected and used as the effectiveness measure of the board. The five key determinants were then each correlated to this final variable. A quantitative study was adopted with a sample taken from the 164 independent schools in KwaZulu-Natal. All these schools were invited to participate of which 145 board members agreed to take part. A questionnaire comprising fourteen questions was distributed via an electronic survey tool and 81 board members responded, which equalled a 73% response rate. Descriptive statistics and correlation statistical operations were used to analyse the data which revealed that the majority of boards presented the positive aspects of the components of effectiveness. Boards still showed weaknesses in the selection processes used, the involvement in the operational aspect of the school and the lack of interest in board evaluation. These same boards also all indicated strong sustainable outcomes showing that the boards have been effective in their purpose. The bivariate relationships, although mostly positively correlated, were not statistically significant. This study can benefit both independent and government schools by increasing awareness of the key determinants of board effectiveness and applying this knowledge to evaluating their boards annually.

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CHAPTER ONE

Introduction

1.1 Introduction

The role of boards in companies has increased in significance since the new Companies Act No 71 of 2008 and the various King Reports. Boards have greater responsibilities in their role of governing and leading an organisation. There is also more emphasis now on board members being independent and much debate around the perfect mix of expertise, age, gender, and race on a board. The topic of good governance has received renewed attention in the past decade with the many financial downfalls of large companies and stakeholders now questioning what went wrong. Much research has been undertaken to prove the existence of a relationship between the mix of board members and the effectiveness of a board.

School boards have many similarities to corporate boards as they are essentially affected by the same social dynamics and demographic composition. However, schools are primarily non-profit and for this reason have been neglected in receiving attention at board level to improve the effectiveness of these boards and ultimately the schools.

1.2 Motivation for the Study

Research on board effectiveness in the school context has been sparse and with schools playing a key role in the development of future generations, it is vital that they are governed effectively. Education is a key determinant in the growth of the economy and school boards have the potential to change the future of the country. In conducting research into this new territory, a unique contribution is made into board effectiveness in the independent school sector with far reaching benefits. The benefits will directly impact on the board members, the pupils and employees of the schools as well as the parents and communities attached to those schools. In the long term the indirect, but positive impact on the economy through growth will also be a long lasting benefit.

1.3 Focus of the Study

This study aims to build on from previous research on board effectiveness, but in the context of independent schools. The particular focus of this study was on the key determinants of board effectiveness in independent schools as this is a field where limited research has occurred on the subject. Board effectiveness is a broad topic with many variables determining the outcome of effectiveness. It is difficult to isolate one variable as more important than another as they are interconnected and all form part of the complex equation calculating board effectiveness. This study therefore focused on the most common variables; that of demographic composition, competence, scope of decision making and recruitment procedures. A fifth determinant was added which has only in recent years been considered a serious factor in board effectiveness; that being the behavioural characteristics of board members.

Many factors have been excluded from this study which do affect the functioning of a board, were not necessarily less important, but were left out in order to simplify this study. These factors included the relationship between the head of the school and board members especially the chairperson; the culture of a board; detailed analysis of the succession plan for the chairperson; board agendas and the limited time available to meet.

1.4 Problem Statement

Independent schools as with a company are also governed by boards, but do not have as much choice in selecting members as in companies where these members are paid to join the board and so must rely on parents of the schools' pupils to fulfil the role. As a result members are not always independent and board members often struggle to make objective decisions that are not aimed at benefitting only their children. Independent schools attempt to run their schools like businesses, but because they are not public companies their board structure and functioning is not as stringent and has room for improvement in terms of effectiveness. School boards can get caught up in operational issues, appoint like-minded members without following the correct selection procedures and function cumbersomely with large boards and no executive committee making decision making slow and ineffective.

The selection process often ignores the behavioural aspects of board members focusing too much on the form of the board. The chemistry of the board members and how they make decisions plays an important role in the intangible aspect of an effective board.

Independent schools are relatively expensive to attend and boards need to be responsible in adding value for money to the educational outcome of its pupils. Furthermore, the role of education in South Africa is critical in creating the necessary skills for the future generation of employees and entrepreneurs in order to ensure the sustainability of the country's economy and for these reasons independent school boards need to be more effective.

This complex scenario of a school board led to the objective of this study in order to attempt to solve the problem of ineffective school boards in independent schools and aim to identify the five key determinants of board effectiveness in independent schools.

1.5 Objectives

The objective of this research was to extract the experiences and opinions of existing board members in independent schools in order to develop an understanding of what determines effectiveness in a board in this sector. It provides an opportunity to get first hand insight into the key determinants of board performance. The five objectives of this research are as follows:

- To investigate the relationship between board composition and board effectiveness in order to determine whether board demographics such as age, race, gender, expertise and independence have an impact on board effectiveness.
- To determine the level of competence of the board and the effect this has on board effectiveness.
- To investigate the recruitment process of board members and their reason for remaining on the board and how this impacts on board effectiveness.
- To investigate the relationship between the scope of decision-making and board effectiveness.

- To investigate the behavioural characteristics of board members and how this impacts on effectiveness.

1.6 Limitations of the Study

This research relied on the response of board members via an electronic survey tool. Since board members are assumed to be in high profile positions their available time to complete surveys is limited. There is a limit to the number of times the researcher could remind the potential respondent to complete the survey without becoming invasive and therefore this could be a factor in the lower than expected response rate. A related limitation is that the researcher was unknown to most of the board members and although they had been forewarned of the survey, when it arrived in the respondents inbox it may have been ignored for this reason.

Although all 164 independent schools were invited to participate by the Director of the Independent Schools Association of Southern Africa (ISASA), the invitation was directed to the heads of schools and relied on them to invite the board members of their particular school and motivate them to participate. The email addresses were submitted to the researcher once the board member agreed to take part. There may have been a break in the chain of communication if the head was not interested in the board participating. An underlying limitation was the perception that the researcher, being the bursar at an independent school, was treading on territory that the head was normally only privy to and this could have been perceived as a threat and lowered the level of participation.

From the schools that agreed to participate, most were perceived to be successful with few of the smaller or developing schools taking part. This would result in a homogeneous sample being studied that was not a true representation of the population.

The scope of the study was broad in that it covered five factors, each being complex in itself which made it difficult to design the questionnaire in a concise manner. Each section could only investigate the factor at hand at a superficial level which affects the validity of the study. This is especially relevant to the section on the behavioural characteristics of board members which is the most complex aspect, but had to be limited to twenty-five statements.

1.7 Summary

Board effectiveness whether in the corporate or non-profit sectors is paramount to the success of the organisation in which the board governs. Literature on the subject has revealed the complex nature of boards with the many variables at play in determining their effectiveness. Recent legislation both nationally and globally has focused on improving good governance in organisations to prevent the alarming failures that have occurred in the past decade and to protect the various stakeholders from the impact of these mistakes.

School boards are no different from corporate boards in their purpose of guiding and governing an organisation. The key role they play in the future of the economy demands attention in the attempt to improve the governance of schools through research on school board effectiveness.

This study has investigated past research on both corporate and non-profit boards and applied these findings to the independent school context. From the literature review undertaken, five key determinants of board effectiveness were identified as being the most critical. Within the limitations of the study this information was then applied to this research.

CHAPTER TWO

Literature Review

2.1 Introduction

Boards of directors and the topic of good governance have received more attention in the last seven years than ever before. This is a direct result of the many global financial crises where boards have made poor decisions that have ruined both companies and nations. Where did they go wrong and what can be done to improve their effectiveness is a question both for-profit and non-profit companies and their various stakeholders are interested in knowing the answer to and expecting swift, remedial action to ensure the past atrocities will never be repeated.

Boards, whether in the corporate environment or the non-profit context, essentially are made up of a group of mostly elite people who meet infrequently to make big decisions. Their measure of output is primarily cognitive and are vulnerable to “process losses” (Van der Walt, Ingley, Shergill & Townsend, 2006) and will never reach their full potential due to this episodic nature of their interaction. Boards then become an interesting target for research as they represent a microcosm of society in need of attention as to what determines their effectiveness as the success of the board in turn affects the performance of the organisation and hence society.

Research on board effectiveness has until recently focused solely on the demographic structure of the board and searched tirelessly for the ideal composition (Burmeister, 2015); (Cloyd, 2013); (Dagsson & Larsson, 2011). The demographics of age, race and gender together with independence of board members and the leadership structure of the board has occupied the content of literature, but with modest findings. This singular focus was a result of the role of the board being perceived to be purely one of monitoring. A board exists to act as an agent between protecting the shareholders’ investment in the business and the self-serving managers (Sur, 2014). There appears to be little consensus in the literature on the relationship between board efficiency and company performance (Minichilli, 2012) as the research findings remain inconsistent. More recently research has moved its focus to include board dynamics and decision-making processes with more conclusive findings (Leblanc & Gillies, 2005); (Sur, 2014); (Trower, 2013). The

literature includes viewing boards as a crucial resource to provide counsel and social capital to an organisation and the role of the board as a team with sense-making ability is seen to strongly influence the success of the board and consequently the success of the organisation. This chapter will review the literature through the process from demographics to decision-making processes to determine the more effective intervening factors at play.

2.2 Board Composition

The composition of the board comprises the bulk of prior research on boards and their effectiveness and has primarily focused on demographics and less so on behavioural characteristics or board chemistry. Composing a board with the perfect mix is a combination of art and science and is seldom perfected. The demographic composition of the board is important as factors such as age, race, gender and expertise all mould the character of the board as an entity and each demographic brings a different dimension to the boardroom table.

Diversity refers to the meaningful differences in the characteristics of people and is defined according to its context and is not a universal expression (Ewijk, 2011). Therefore it is important to define the components of a board that are relevant to this investigation and review whether diversity across these components is important. In South Africa the requirement for diversity across all categories has largely been legislated into the workplace through the Employment Equity Act No. 55 of 1998 Section 15. The focus has been on employees from executive management right down to the lowest level worker, but has excluded the highest level stakeholder in the organisation, that of the board of directors. The purpose of enforcing diversity in the workplace has been to prevent any form of discrimination and to create equal opportunities for all by having representation from all components. However, a further advantage and one especially fitting to boards is the assumption that diversity has to lead to more effective decision making through the diverse contributions which results in improved competitive advantage. Van der Waal et al (2006) report on two types of diversity applicable to boards. They label them “visible” and “less visible” types of diversity. The former pertains to the physical attributes of age, race and gender with the less visible pertaining to level of

education, tenure on the board, expertise and behavioural characteristics. They also state that at a board level diversity is less about “tokenism” and targets and more about the benefits of bringing different, less visible attributes to the table. According to Durbin (2011) it is more of a challenge for the chairperson to lead a diverse board, but if done well will reveal the boards full potential.

In order to understand the impact of the various components of a board on its effectiveness it is important to review the literature on each aspect. This review includes age, tenure, race, gender, independence, the balance between non-executive and executive members and finally the size of the board.

2.2.1 Age and Tenure

The reason age is an important factor can be explained by the Generation Theory developed by Karl Mannheim, a German sociologist in the 1920s (Mannheim, 1952). The theory explains that people from the same generation develop similar values and this impacts on how they interact with others. Age is also important as with increased age comes greater experience, knowledge and wisdom with the negative effects of aging on brain functionality coming into effect at a certain tipping point which has no defined, agreed upon age.

Directors on boards are getting older with the average age being 68 years and the retirement age having increased to 75 years (Cloyd, 2013), according to the 2012 Spencer Stuart US Board Index. In South Africa the age profile is younger as found in the PWC 2013 Annual Corporate Directors’ Survey. The report found the average age of the chairperson to be 56 years and the non-executive director to be 50 years. One of the reasons proposed for this general increased age is that companies are reluctant to lose the valuable and irreplaceable knowledge that comes with age, fearing it cannot be easily replaced by a younger generation.

In research conducted on the OMX Stockholm Exchange between 2005 and 2009 age diversity was found to have a positive effect on the performance of a company, but these findings were only applicable to small companies (Dagsson & Larsson, 2011). Further findings from this same study show that age heterogeneity assists

with solving complex problems, but has little benefit to simple tasks and that there is no optimal level of age diversity.

Tenure is a related factor to age and is important as it affects the board's ability to prevent insular thought by allowing new members with fresh approaches to enter the boardroom. Huang (2013) found the optimal tenure to be nine years from a sample of S&P 1500 companies. The study found an inverted U-shape relationship between tenure and firm performance which implies a trade-off between knowledge from experience and entrenchment from being there too long, which must be considered when structuring an effective board.

2.2.2 Race

Race as a component of diversity is a sensitive subject as it assumes people of different races have unique contributions to make. If the pool from which one draws the person is from the same country and a developed one at that where the experience and education offered has been equal for all races, and cultures have merged then why should there be a difference in experience or thinking based on skin colour? In the South African context homogeneous experience was not the case with lack of education, poverty and strong cultural differences creating different experiences and attitudes which then add value to the diversity pool of people in the workplace.

The racial component of board composition on South African boards provides for a unique topic in the context of the country's history with Apartheid legislation and the subsequent development of a democracy. Studies on board diversity in South Africa are rare and mostly take the form of dissertation research. Kruger in his research on the impact of board diversity on corporate governance found that his respondents were not willing to practise "window dressing" regardless of legislation compelling them to do so, but attached more weight to skills and qualifications than skin colour in selecting board members (Kruger, 2012). Although the boards of Johannesburg Stock Exchange (JSE) Top 100 companies are comprised of up to 70 % white males they remain ahead of the United Kingdom, which according to recent research is at 98 % (Burmeister, 2015).

Recent research undertaken by Green Park, a board recruitment agency in the United Kingdom, has found that more than half of the FTSE 100 companies do not have any non-white directors either in the executive or non-executive role (Phillips & Webber, 2014). The Financial Times Stock Exchange (FTSE) 100 lists the top 100 performing companies on the London Stock Exchange. The findings are felt to have placed the competitiveness of the United Kingdom companies at risk.

Research on the top 500 Australian companies which set out to investigate the relationship between gender and minority groups with financial performance of the companies found that neither demographic had an effect on the financial performance (Wang & Clift, 2009). Further analysis in this study shows that increased diversity does not have a negative effect on performance which implies that in striving for racial diversity companies will not be better or worse off financially.

2.2.3 Gender

Men and women are different in the way they think and behave which results in one gender performing certain tasks more effectively than the other. Men are known to be more assertive, aggressive and ambitious in nature and women more nurturing, sympathetic and gentle in nature. These behaviour traits are then assumed to extrapolate into their leadership styles. However, contrasting research (Nielson & Morten, 2010) finds that in management positions the differences between men and women are reduced and women do not take on the obvious “feminine stereotypes”, but rather act in a similar way to men. However the majority of research still acknowledges that boards with more women are no less effective in general, but are better at dealing with tasks of a strategic nature than male dominated boards.

Women in management positions and especially board positions are globally less represented than men and countries are at varying stages of the journey towards gender equality in the boardroom. According to the Women on Boards survey 2013 11 % of board seats are held by women globally, but in South Africa 17.9 % of seats are occupied by women, which placed the country in 5th position out of the 59 countries included in the research (Institute of Directors Southern Africa, 2013). The two primary reasons for this are firstly the King III recommendation for boards to “consider whether size, diversity and demographics make it effective” (Cliff, Dekker,

Hofmeyr, 2011) and secondly the Employment Equity Act No. 55 of 1988 which enforces quotas for gender representation with penalties for non-compliance.

Quotas are perceived by women to be demeaning and provide the opportunity for men to say women were not selected for merit (Durbin, 2011). This results in women feeling unworthy of the role and less likely to contribute to discussion. Quotas also assume all women think exactly the same and by ticking the box the board is guaranteed a certain insight where the focus should rather be on selecting the best fit for the role. Voluntary change without the threat of penalties is the preferred method of choice to increase the representation of women and requires companies to be made aware of the business benefits for having more women on boards according to Parmi Nateson, an executive at the institute of Directors in Southern Africa (Masote, 2015). According to Nateson groups with gender diversity will naturally avoid “group think” and solve complex problems more effectively. Research shows that by having at least three women on the board, the tone and responsibility improves, especially the focus on risk management (Durbin, 2011).

2.2.4 The Executive vs. Non-executive Balance and Independence.

King III which was released on 1 September 2009 recommends that in order to achieve good governance a board should comprise a balance of power between the executive and the non-executive members of the board with the majority of directors being the latter. It elaborates further to say a minimum of two executive directors should be appointed to the board and these positions would be the Chief Executive Officer (CEO) and the person responsible for the finances. In public listed companies it is legislated that the financial director is appointed to the board.

Asymmetric Information in a board scenario is the situation where the executive directors have more and or superior information than the non-executive directors. This is a natural consequence of the executive directors working in and managing the business with the non-executives connecting with the executives possibly only four times a year. This creates a paradox situation as it is the non-executives who then depend on management in order to fulfil their role of monitoring that same management (Brennan & Redmond, 2013).

Boards also need to manage the information they receive from management. Charan (2009) calls this “information architecture” and boards must “re-architect” the information that flows from management. Dashboards which are consistent in nature and disseminated monthly (if that is the frequency best suited to the board) should cover the key areas of the business. These areas include finance, human resources, leading indicators (non-financial) or performance drivers, external indicators such as the competition, measurement of marketing campaigns and macro trends in the industry, and finally milestones in strategy should be identified and monitored (Charan, 2009).

It is generally accepted that boards with more independent directors are more effective and King III along with other reports on corporate governance recommend this type of board director be appointed in the majority. An independent, non-executive director is a person with no contractual or statutory relationship with the organisation. Research conducted by Ajina et al (2013) shows that there is an inverse relationship between the degree of asymmetric information and the number of independent directors. This is because these directors are mostly specifically targeted for their expertise in making decisions and have proven ability to work in situations with imbalanced information (Ajina, et al., 2013).

In the school environment the independent factor is a difficult one to achieve for the sole reason that board members volunteer their services on school boards, the majority of which are non-profit organisations and do not have the funds to afford paid directors. This narrows the pool of candidates to being from the parent body. This can be further narrowed to be from the current parent body which becomes a risk as parents tend to “vote from their children’s desks” and be concerned with short term issues which will benefit their children (ISASA, 2013). Pat Bassett, President of the National Association of Independent Schools (NAIS) in the USA recalls a school where board members had to be past parents and it was considered an honour to be selected once your child had left the school (Bassett, 2009). This requirement would increase the level of independence while still having an arm’s length connection to the school from past experience which would add value to the board. There are further examples which Bassett recalls of another board where the board members were all best friends of the CEO/Head of School, none of them

current parents and with no intention of ever leaving the board. This board was effective by proof that the school many years later had prospered. This supports the hypothesis that there is no one-size-fits-all formula for board composition and it possibly is more about the board dynamic than composition that determines effectiveness (ISASA, 2013).

2.2.5 Size of the Board

In the past boards have been known to include as many as fifty directors as it was an extremely prestigious honour to be elected as a board member, but were often not perceived to be functional and as Irving Olds describes them “like parsley on fish – decorative, but useless” (Leblanc & Gillies, 2005). Boards have slowly decreased in size with the optimum size now being between ten and fifteen. The reason for this downsizing is that boards have become more functional and less about showmanship. The responsibilities of boards has also increased through changes in legislation and people are more wary about joining boards. Large boards have a higher ability to solve problems with access to more expertise, but as the size increases co-ordination problems manifest themselves and override the advantages of the increased expertise on hand. A large board that is diversely composed initially counter balances the negative effects of a cumbersome board, but eventually a tipping point is reached and the benefits are overwhelmed by the negative impacts (Clarke & Branson, 2012) of size.

Large boards that do still exist often have an executive committee made up of a smaller group which meet before the main board meeting, make decisions and then present them for ratification at the bigger meeting. This system does create conflict as the executive committee is perceived to be made up of the elite members and the excluded members then tend to reduce their level of participation at meetings (Trower, 2013), making the main board ineffective. For the executive committee to be effective it needs to compliment the main board and assist it in performing more effectively. The primary role of the executive is to act in an emergency when it is difficult to mobilise the entire board and serve as a smaller sounding board for the CEO.

Social loafing or the free rider principle is a theory that individuals make more effort on a task when on their own than in a group. The reason being that in a group and more so in a large group, reliance on others is possible and individual contributions in a group are not measurable and board members are less visible. A large board is therefore more at risk of having members contribute less than in a small board and as such deems the larger board less effective. This will explain why sub-committees of boards which are much smaller in size tend to be more effective (Leblanc & Gillies, 2005).

2.3 The Role of the Board and Scope of Decision Making

To determine the effectiveness of a board it is necessary to know exactly what the board must be effective in, namely what is their role or function. Traditionally boards have had the role of monitoring management in order to protect the shareholders' investment. This is referred to as the agency role. It focuses on controls and ensuring the fiduciary role of protecting the organisation's assets is met as prescribed by law. A second role of the board is a more passive role of providing counsel to management through their expertise and connections in the world beyond the boardroom. In the journal "Making Sense of Board Effectiveness" Sur (2014) states that to measure board effectiveness it is important to know how a board perceives their role, he elaborates to say that a continuum exists between the agency role and the counselling role and that different decisions might require a different mix of both roles.

A second theory presented by Richard Chait (Bader & Associates, 2005) includes three roles of a board. The first is similar to the agency role of protecting the organisation's assets, the second is a strategic role whereby the board gets involved in decisions about the future performance of the organisation. The third role is the generative role (ISASA, 2013) whereby board members interrogate the status quo and approach problems in an innovative manner. This is also referred to as sense-making which involves robust discussion to identify the real problems before rushing into solutions. Good governance involves framing the correct problem with the purpose being to understand, shed light and gain insight into problems rather than produce decisions (Bader & Associates, 2005). An advantage to this generative role is that board members do not have to be experts in the organisation's field of work,

they only need to know enough to consider the repercussions of their decisions. This is supported by Standard Chartered Bank, a financial services company with headquarters in London who require only 40 % of their board members to have knowledge about banking (Durbin, 2011). This reduces the risk of groupthink occurring and promotes better decision making. This generative role is not always appropriate to all organisations. A start-up business or a business in crises is advised to first focus on the fiduciary responsibilities and getting the basics right before progressing onto innovative ways to develop the business. It is also not advisable to remain in the fiduciary role forever as this can only result in a fully compliant company with “no social purpose” (Bader & Associates, 2005). Chait believes that boards must operate in each role to completely fulfil their purpose and that effective boards are those that achieve this balance and have a “tri-focal” perspective. This third role can be linked to the role of counsellor mentioned previously as board members can provide a wealth of insight from their expertise.

Research undertaken by Northcott & Smith (2011) suggests that the Balanced Scorecard tool which was designed by Kaplan and Norton in 1992 to measure holistic organisational performance should be adopted specifically by boards and customised to achieve their objectives. The Balanced Scorecard looks at driving the vision and mission of an organisation from four perspectives. These four perspectives are the financial performance, customer satisfaction, internal processes and learning and growth. The latter perspective is the starting point and feeds into the prior perspective to ultimately achieve the financial goals which then feed back down through the channels creating a cycle of growth. In applying the Balanced Scorecard to boards the Financial perspective would be equivalent to the fiduciary role of the board. The Customer or Stakeholder perspective would relate to the board behaving ethically and being accountable for corporate governance (Ling, et al., 2009). The Internal Processes perspective would cover the monitoring of attendance at meetings, the format and content of the agenda, composition of the board in terms of the number of independent members and demographic diversity and selection procedures for board members as well as the succession plan for the chairperson and CEO. The Learning and Growth perspective then underpins the other three perspectives in that training is required in order to perform the others effectively. According to Ling et al (2009) it also requires monitoring the

“financial literacy” of board members and training those who fall short of the required standard.

Boards have limited time available sometimes meeting only four at most six times a year for a few hours, which means the time at hand has to be used efficiently to attend to the critical matters at hand. The starting point to this efficiency is a well-designed agenda which directs the dialogue and also attaches time constraints to each item. The chairperson should manage this time effectively, and board members will eventually get used to the “rhythm of the meeting” (Charan, 2009) . A twelve month priority list is important to ensure continuity from one meeting to the next and to ensure the board meets its objectives in the year. Critical items should be dealt with first and the CEO is advised by Charan (2009) not to provide detailed information in the report as this is an open invitation for the board to drill down into the detail of the operation and start to micromanage. Management then feel obliged to answer the questions and valuable time is then lost on the ineffective topics.

2.4 Competence of Board Members

Expertise in board members cover a range of attributes from industry and financial expertise as the primary attributes to expertise such as information technology, risk and operational management etc. Since the recent global financial crashes many have questioned whether the boards really knew what they were doing which has brought the competence of board members as a topic under the spotlight.

In the Pricewaterhouse Coopers (PwC) survey (PwC, 2013) it was found that industry expertise was ranked by 48 % of the 934 respondents to be the most desirable attribute in a board member, followed by financial expertise at 41 % and operational expertise at 37 %. The report also found that 35 % of board members felt that “someone on the board should be replaced” which is an increase from the prior year from 31 %. The reasons for the lack of faith in fellow board members was due to decreased performance as a result of increased age, a lack of expertise and poor preparation for meetings.

Industry expertise, although considered to be the most important attribute of a board member, has not always been present on boards. When the biggest insurance company in the world AIG had to close in the 2008 collapse, a look at the board

expertise showed that the latest experience any member had with insurance was seven years prior (Garratt, 2010). This is in conflict with the Standard Chartered Bank example previously mentioned where only 40 % of members are expected to have banking experience as this is believed to encourage diverse thinking.

Board member competence is especially relevant in non-profit organisations such as schools where the executive members are expected to multi task and take on many diverse responsibilities as they do not have the luxury of employing individual specialists as is the case in the corporate environment. They therefore need to rely heavily on the non-executives for their specialised knowledge, although this would not be industry knowledge, but rather financial, legal and IT expertise.

Hau et al (2010) investigated the demographic background of 593 board members in 29 of the largest banks in Germany to find that most of the board members were financially illiterate and did not fully understand the “ins and outs” of investments (Hau & Thum, 2010). In the qualitative research undertaken by Leblanc and Gillies (2005) 200 board members were interviewed on the financial literacy of their boards with the general opinion being that too often board members are embarrassed to admit they do not understand what they have read in the financials and that they trust management to deal with the finances. A further comment was that fraud and corruption were difficult enough to detect by experts and was therefore impossible for the semi-literate board member to detect. This can be supported by the fact that many companies which succumbed to the financial crisis of 2008 had sophisticated financial experts on the board or had access to expert financial advice (Leblanc & Gillies, 2005). Bob Garratt in his book “The Fish Rots from the Head”, states that regardless of the advancements in financial reporting requirements, many directors still remain blind to the fact that a business will fail when its cash flows dry up.

2.5 Behavioural Characteristics of Board Members

Boards are essentially a team with group decisions being made with a majority consensus with no individual member being able to make a decision. The dynamics of the board are therefore an essential factor in determining the effectiveness of a board (Charan, 2009). Boards are at the core of decision making in companies and yet the process of decision making as a selection criteria is often neglected when

compiling boards or recruiting new members. Boards can be perfectly composed of the right mix of people, selected following rigorous methods and spend their time only focused on strategic, generative issues and yet still make poor decisions.

A board is a social entity made up of individuals with different capabilities, cultures, attitudes and behavioural characteristics. They do not necessarily function naturally as a team (Pitcher, 2012) and unless effort is applied to establishing strong team dynamics to enable effective decision making even boards which meet all the other criteria of highly competent members, ideal composition, effective recruitment processes and the perfect level of decision making will fail at being effective. This cohesive team requirement is especially challenging in a board application where boards meet only four to six times a year to cover an extensive amount of work, an insufficient frequency to develop cohesiveness. These conditions make a board a special type of team where the dynamics will not be similar to a typical workgroup (Sur, 2014) .

The most notorious example of a board perfectly comprised structurally is the Enron board and supports the many research findings that conclude there is no relationship between board composition and the financial performance of a company (Dalton 2005). The Enron board ticked all the right boxes in terms of demographic composition and levels of independence, board members attended meetings regularly, discussing the strategic issues, yet were completely oblivious to the fraudulent activities happening in the company. Where they missed the mark was in their cultural structure. Enron was a natural gas company which ranked by Fortune Magazine as “Americas most innovative company” for six consecutive years. Their accounting methods which were questionable, complex and unorthodox, lead to their bankruptcy in December 2001 and were approved by the charismatic CEO. The Chairman of the board had adopted a hands-off approach and the non-executive directors on the board were ostensibly compliant. Essentially no one was challenging the status quo.

Most research on board effectiveness has focused on the diversity of demographic variables. This is an important element of composition, and ensures the fiduciary responsibilities of the board are adequately met. Having the right demographics ensures that the basic issues of boards will be dealt with; however it does not uplift

the board to the next higher levels of strategic and generative type thinking. This can only be achieved by ensuring boards are composed of diverse minds and that a balanced mix of approaches to thinking is included on the board.

The way a board member thinks and subsequently behaves or presents thoughts in a meeting is a critical component of board success and is a topic receiving increased attention. Diversity is also an appropriate goal when considering the thought processes and behavioural characteristics of board members. Nomination committees either neglect to test this component of a potential board member or choose to go with the safe option and select people who are like-minded and fit the mould of the majority of other members (Durbin, 2011).

Rookmin and Maharaj (2009) in their journal article propose that there is more to effective boards than their composition and of ticking the boxes in terms of the rules and regulations of boards. They propose that “informal” elements are at play and are a far more significant determinant of effectiveness. The paper looks at three key characteristics of boards as being the “director’s depth and breadth of knowledge”; the motivation and level of questioning of board members and finally, the board members ability to interact (Rookmin, 2009). The first characteristic refers to the ability of the board to critically evaluate information presented at the meeting. It does not imply composing a board full of experts in a range of fields. It is better to rather have members with some knowledge in a range of areas and be able to ask the right, tough questions. This implies that the breadth of knowledge is preferable to the depth.

The second key characteristic is the motivation of members to serve on a board and their level of questioning. Groupthink or homogenous thought can act as a limiting factor in effective decision making and the paper states that board members need to be honest and open with each other and with management and not conform to the pressure of the group. Group think results from group members preferring to keep the peace and not be disruptive in meetings which results in independent thought being quelled and the group begins to agree constantly in order to avoid conflict. This is prevalent in boards with strong chairpersons or when a crisis situation is at hand and the quick, group solution is the easier option. An effective chairperson would help prevent this dysfunctional behaviour but many are not

trained to chair and therefore will not be aware of the dynamics at play (Garratt, 2010).

The third characteristic is the transmission channels which refers to the way members interact with all the stakeholders including each other. If they are able to communicate easily then it is assumed they will have less time to focus on personal agendas.

Boards are perceived as collective entities and referred to constantly as “the Board of Governors” by the stakeholders. Rarely is a particular board member isolated and referred to individually regarding board activity. The only differentiating element in a board is perceived to be between the executive and the non-executive members with all other traits assumed to be homogenous (Leblanc & Gillies, 2005). This impersonal perception also occurs in school boards and stems directly from the requirement of independent school boards to function as a whole and to speak with one voice (National Association of Independent Schools, 2013). It is further emphasised that individual board members are not to take issues into their own hands or to respond to the parent or staff body individually. However, the negative connotation to this perception is that the capabilities and behavioural characteristics of board members are seen to be irrelevant and yet according to Leblanc & Gillies (2005) are the most significant factors determining board effectiveness.

Boards are a microcosm of the real world and therefore all boards will have the same group dynamics affecting their behaviour as any social system in the bigger world. According to Schultz (2010) the one issue plaguing the human race is that everyone always wants to be right and will naturally want to defend their beliefs (Schultz, 2010). This especially applies to board members whose primary purpose for being on the board is decision making and reaching the perfect solution will require robust debate. Dialogue is the “lifeblood” of a board (Charan, 2011) as it is through discussions with one another that they achieve their purpose and dissent should be encouraged in order to find the right questions and then the right solutions. If group dynamics are not taken into account and critical thinking not understood then the person who speaks the loudest will always get their way and an ineffective board will result.

Trower (2013) states that “Boards are bored” as members are passive for 67 % of their time at board meetings. This is because during this time they are either listening to report backs or presentations by the executive members or carrying on with regulatory business which does not involve sense-making or debate. This ratio needs to shift to a much lower percentage, but even within the balance of 33 % of supposed critical thinking time certain “human- nature” factors prevent this time from being truly effective. These factors are unconscious and inconspicuous and are therefore uncontrollable and unless boards become aware of them they will always block the path to true effectiveness in board performance. For these factors to become conscious, boards need to “think about thinking”, a process known as metacognition (Trower, 2013). Board members need to be aware of the argument inside their head and monitor and analyse those thoughts for excessive closed or open-mindedness. This requires practice and dedication and is easily abandoned especially if a board member is aware that no one else in the room is giving it as much attention. It is human nature to want to find a solution to a problem as fast as possible and hence the mind takes shortcuts to achieve this. In the process cognitive mistakes are made which damage the quality of the final decision.

The aversion to being wrong and the desire to always be right adversely influences the decision making process. According to neurologist Robert A. Burton, belief “comes from involuntary brain mechanisms that function independently from reason” (Burton, 2009), the certainty of being right therefore has nothing to do with how right a person actually is. People are emotionally attached to their belief system and are not able nor willing to see them as anything but the truth. Being confident in your beliefs is a comfortable state to be in as it means a person does not have to be “worried about being wrong” (Lehrer, 2009). Being shown to be wrong is to have lost and people have a strong aversion to losing and prefer to “avoid losses than to acquire gains” (Schultz, 2010). Therefore it is important for board members to frame problems in the positive to avoid irrational decisions being made in order to “avoid the negative”. Schultz explains three types of assumptions people make about others who disagree with their beliefs. The first is the Ignorance Assumption where a person will assume the disagreeing party is not aware of all the facts and once they are enlightened will come around to their way of thinking. If the attempt to enlighten the opposing party fails then it is assumed the person lacks the

intelligence to comprehend the idea – the Idiocy Assumption. The final assumption is the Evil Assumption where if the person is proven not to be ignorant or unintelligent then the backup rationale is that they are evil (Schultz, 2010). Never in this process does the person look inward and consider the possibility of themselves being wrong. This process is a threat to good governance as board members should be framing and sense-making issues before applying dogmatic solutions. This process involves especially considering other points of view as well as considering the thinking process inside their head.

Everyone has a perception of how the world works, it helps them make sense of the clutter and creates order in their thoughts and people naturally take cognitive short cuts to simplify a scenario. These short cuts are efficient but not always effective as they can lead to errors in judgement and incorrect decision making. It is not possible to always avoid these shortcuts but the more board members are aware of the existence of one of the biases they can attempt to avoid it. The following are the most common biases in boardrooms according to Trower (2013):

- Anchoring is the process whereby the first topic presented forms the reference point for further discussion, it sets the tone and directs the conversation towards the anchor topic. This can be dangerous in a board setting if one person dominates and their ideas are presented confidently and upfront. It is then very difficult for others to adjust their thoughts away from this starting point. This can also occur if the chairperson is the first to present an issue along with a personal opinion. Since the chairperson is a highly respected member of the board this opinion holds much weight and tends to “stick”.
- Framing is related to how the topic is defined or presented initially and is linked to loss aversion. If a topic is presented as a threat it will be approached differently from a topic presented as an opportunity as people naturally want to avoid threats.
- Confirmation bias occurs when people are inclined to hear only the information that supports their beliefs and do not deliberately search for

contradictory information. The latter does not occur as the brain likes to take short cuts and reconsidering ones thoughts takes time and is therefore avoided. Research (Schultz, 2010) shows that when contradictory information is presented it is not given nearly as much attention as information that supports a perception. Since boards meet only five times a year for a few hours, the restricted time encourages quick thinking which then forces this bias into action.

- The False Consensus bias occurs when members of a board assume that others think the same as them especially when no one challenges the outcome. In very formal board settings, speaking out is not as common as in a more informal setting and board members might disagree with another opinion, but not feel comfortable expressing it and this silence is taken as consensus. The result is a decision made without the full capacity of the board being tapped and therefore may be an efficient decision, but cannot be the most effective one.

- Bounded awareness – is when expectations drive perceptions. What a person expects to see either from being asked to focus on a particular aspect or from not being aware of subtle changes in the aspect is exactly what they will see. Boards are prone to focus on “shared information” because they are a group and will not consider information that is unique to this or that has not been presented by the group. This is where the board member with a challenging attitude is beneficial to questioning the shared information.

It is essential to have a balance of diverse thinkers on the board in order to bring about robust dialogue. Leblanc and Gillies (2005) have identified four functional types of thinkers. These are the Challenger, Counsellor, Change agent and Consensus builder. The Challengers are there to ask the questions which no one else is prepared to bring to the table and can be mistaken for being critical. Their desire for detailed information is essential to ensuring the right questions are being asked. The Counsellor role is there to mentor other board members and have one-on-one meetings outside the normal board meeting to gain insightful information not normally available at board meetings. The Change Agents are persuasive people,

open-minded and often promote alternative angles to problems. The Consensus Builder has good relationships with everyone on the board and is effective in resolving conflict between disparaging parties. The key to effective performance is that although each type is functional in its own right, too many of one type creates an imbalance and the board performance reverts back to being dysfunctional.

Furthermore, there are certain types of dysfunctional directors which should not be present on a board even in the minority. These are labelled by Leblanc and Gillies (2005) as the Controller, Conformist, Cheerleader and Critic. The Controller has a negative attitude to all discussion and is disruptive in meetings by regularly interrupting others. The Conformist encourages the status quo, is often unprepared for meetings and is a free-rider who does not contribute to discussions. The Cheerleader tends to exaggerate, breach confidentiality and constantly praise other members. They are known to be the “non-performers” on the board (Leblanc & Gillies, 2005). Finally the Critic is confrontational and “abrasive” in manner and often expected to apologize for certain behaviour and can be a difficult member to remove from the board.

2.6 Recruitment of Board Members

Recruiting board members with the perfect mix of expertise, demographics and behavioural characteristics is similar to solving a “simultaneous equation” (Leblanc & Gillies, 2005) and is a process that requires time and effort. Out of desperation boards which are overwhelmed by the process resort to the common approach of “friend finding” (ISASA, 2013) based on a skills shortage criteria with little thought to matching the boards needs with the attributes of the candidates. This can create a perception of desperation on the board’s part. Since boards have continual turnover it is important to establish a clear procedure in board recruitment rather than a “stop-gap measure” (Wild Apricot, 2012). The recruitment process should be no different from the one used to recruit paid employees which would involve submitting an application form and being subjected to an interview. However, many boards give less attention to these top positions of governance than they do to employing the lowest position in an organisation (Bader, 2010).

Boards should start the process by creating a matrix of characteristics required by the board. Besides the basic component of demographics and essential competencies, behavioural characteristics present in the existing board members should also be plotted on the matrix and gaps identified in all the variables. This will also assist with the goal of having at least one of each of the functional behavioural types included in the board mix. If this is performed in advance of board members retiring then the board is well prepared and can begin the process of searching for the perfect fit ahead of time. This process can also assist the board in removing dysfunctional members who can then be counselled off the board (Leblanc & Gillies, 2005).

Once the needs of the board have been identified the board moves into the next step of finding more than one candidate to fill the position. In a non-profit context where board members are volunteers and mostly drawn from the parent body in the case of a school, the potential pool is not as big and boards tend to appoint the first person who accepts the role. A more effective method for boards would be to maintain a data base of potential candidates to draw from as the need arises. From this data base the candidates that can fill the gaps on the matrix should then be interviewed by an executive committee.

Re-election of board members should also not be automatic or run their term without evaluation of the performance of the member (Bader, 2010). The board as a whole along with each board member should undergo a performance evaluation process. Attendance records and significant contributions should also be a factor in determining the value of extending the member's term.

2.7 Summary

Corporate governance as a subject has grown rapidly in recent years as a result of the numerous unethical behaviours of senior executives all over the world. The question on everyone's minds is where the board of directors was during this time and were they not capable of preventing such acts which had disastrous, far reaching consequences to all stakeholders? The effectiveness of boards has moved into the spotlight with many countries developing codes of conduct for

governance with South Africa being in the forefront with the King III report which applies to all organisations including private, public and non-profit.

Research on the subject of board effectiveness has increased with various aspects of this broad topic being covered. Initially it was the composition of boards that received the most attention with the demographic variables of age, race, gender and expertise being analysed along with the size of the board and the independence of directors. These were all correlated to the company's performance especially the financial performance. Modest findings were the result.

Research also investigated the scope of decision making at board level to find that boards which focused more on the strategic and generative roles as well as the fiduciary role were more effective than those that micro managed and interfered with management's operational role. The competence of board members has also received much attention with numerous examples of board members having minimal financial knowledge and not having sufficient industry knowledge although on the latter point there is conflicting findings on whether this is essential for board effectiveness.

The research then expanded into the more inconspicuous characteristics of board members, that being their thinking and behavioural styles. Boards were recognised as being a team with a unique set of characteristics. All the dynamics affecting groups now became a factor affecting the performance of the board from groupthink to social loafing. The many thinking styles were identified as functional or dysfunctional and a diverse mix of the functional type was found to be the most significant factor driving board effectiveness over and above any other factor.

Finally the selection of board members has also been researched as a key determinant of board effectiveness. The results showing that in order to get the balance right with all the components at play, boards need to be aware of the needs of the organisation and have a plan to recruit the right board members to create the perfect blend for an effective board.

CHAPTER THREE

Research Methodology

3.1 Introduction

The methodology which is appropriate to the aim and objectives of this research project is a quantitative method using a questionnaire designed to link certain variables of the composition of a board to a particular outcome, that being board effectiveness.

The specifically designed survey collects information around the five objectives which are the five components selected within the research scope. These components are then linked to the penultimate question in the survey regarding the perceived sustainability of the school and a relationship is then observed between the two.

3.2 Aim and Objectives of the Study

The aim of this study is to establish the key determinants of board effectiveness in Independent schools. The five objectives of the research are as follows:

- 3.2.1 To investigate the relationship between board composition and board effectiveness in order to determine whether board demographics such as age, gender, race, tenure, expertise and independence have an impact on board effectiveness.
- 3.2.2 To determine the level of competence of boards and the effect this has on board effectiveness.
- 3.2.3 To investigate the recruitment process of board members and their reason for serving on the board and how this impacts on board effectiveness.
- 3.2.4 To investigate the relationship between the scope of decision-making and board effectiveness.
- 3.2.5 To investigate the behavioural characteristics of board members resulting from the thought processes and how this impacts on board effectiveness.

3.3 Participants and Location of the Study

The independent schools which are registered with the Independent Schools Association of Southern Africa amount to 700 nationally of which 164 operate in KwaZulu-Natal. All schools under this umbrella are non-profit organisations and are run by a Board of Governors or Trustees. The unit of analysis is the non-executive governors of these boards and they will be the participants for this study. The executive directors will be excluded as they are employed by the schools and hold less authority with no voting rights.

3.4 Data Collection Strategies

Quantitative research requires a large number of respondents relative to a qualitative study and a questionnaire accommodates this need by being an efficient data collection tool. Questionnaires are less time-consuming and therefore less expensive and enable large quantities of data to be collected in a short space of time. The subjects recruited for this study are scattered throughout Kwazulu-Natal, therefore personal administration of this questionnaire would be expensive and time-consuming and an electronic version is considered more appropriate. Furthermore, the subjects are not based at the schools, but are mostly people occupying professional positions in business who have little free time to be interviewed and would prefer to answer a questionnaire in their own time. An electronic questionnaire is therefore more suitable to this sample. Since the subjects in the sample are all professional, educated people they all have access to email and are computer literate so the electronic version is not considered limiting in that regard.

3.5 Research Design and Methods

3.5.1 Description and Purpose

The questionnaire uses a mix of nominal and ordinal scales in the first section which relates to demographic data of the respondents. The Likert rating scale is used in the subsequent sections where respondents are asked to indicate the extent to

which they agree or disagree with the range of statements. The Likert scale is a four point scale from Strongly Agree to Strongly Disagree. In designing the questions cognisance was taken of the limitations of questions that were leading and loaded and were rephrased to avoid this. Questions were phrased both positively and negatively to avoid respondents habitually marking on the same side of the scale. This ensures the respondents remain alert during the process. Double negatives were avoided to prevent confusion and double-barrelled questions asking more than one question were also avoided. Certain questions could illicit socially desirable answers. However, it was assumed that the participants who are all professionals in their fields would view this as an opportunity to be assessed as a board member and therefore would answer truthfully and not be influenced by what appears to be the correct answer.

3.5.1.1 Construction of the Instrument

The questionnaire is composed of two sections and fourteen questions. The first section pertains to the demographic data of the respondents and contains seven questions regarding gender, race, age, qualification, relationship to the school, field of expertise and length of service as a board member. The questions were designed using a nominal scale and for one question on educational qualification it is an ordinal scale. The answers to these questions are discrete in nature and respondents select an answer from a prescribed list of options. Three of the seven questions have "other" as a possible answer, with the opportunity to specify the alternative in the space provided. The questions are all marked as required as this section is linked to the objective of establishing board composition and each component is essential for this.

The second section contains a further seven questions each linked to a specific objective. The questions are designed using the Likert scale which is an interval scale. The first question focuses on the selection procedure of new recruitments onto the board and the reason board members choose to serve on the board. This includes nine statements for which the respondents must indicate the extent to which they agree or disagree. The second question pertains to the scope of discussion at board meetings and contains twelve statements. The purpose of these

statements is to determine whether time allocation is split between the fiduciary, strategic and generative functions of the board and less time spent on the operational role of the management of the school.

The third question contains nine statements focusing on the competence of board members including specific statements related to the performance of the chairperson. The fourth question contains seven statements which build on the questions asked in Section A relating to board composition. Where Section A obtained specific demographic data, these statements evoke an opinion on whether those demographics are sufficient as they stand. The next question has twenty-five statements relating to the objective of diversity of thought that occurs in the board room. This is a large section as there are four types of positive thought and hence behaviours that this study focuses on and also four negative styles of thought and at least two questions in each style need to be asked to establish the true style of thought. It is also necessary to establish from a particular respondent the entire snapshot of the board in order to link it to its performance and then determine its effectiveness. In order to achieve this, certain statements in this question refer to the behaviour of other board members and not always to the respondents' behaviour.

The final Likert style question relates to the sustainability of the school and includes seven statements. These statements cover the concept of the triple bottom line of people, profit and planet. The boards that score high in this question will be considered effective and a correlation will then be established with the five objectives to determine the key determinants of board effectiveness.

The final question is an open-ended question which is a positive way to end a quantitative questionnaire as it allows respondents to have the opportunity to express an opinion beyond merely agreeing or disagreeing. In requesting this specific opinion on what their board would like to be remembered for, will cover a range of the objectives. It could indicate their level of operation, strategic thought and way of thinking. Although this question will not be able to be analysed scientifically it will provide the researcher with added information about how boards think.

3.5.1.2 Recruitment of Study Participants

A directory exists of all ISASA schools listing the name, province, contact details and capacity of each school in alphabetical order. All 164 schools in KwaZulu- Natal were invited to participate in this study by an email sent by the researcher to all the Heads and Bursars of the schools. Prior to this the Director of ISASA sent a memo to the same schools informing them of the study and supporting their participation. This memo along with the ethical clearance from the university was forwarded by the Heads of each school to their respective board members. Those schools who agreed to participate then submitted the contact details of the non-executive board members, who had given their consent to participate, to the researcher. The board members were then sent the electronic questionnaire to complete. Included in the covering letter of the questionnaire was assurance that participation is voluntary and anonymous and that respondents may change their minds at any time without any negative consequence. It also stated that by completing and submitting the data they were agreeing to be respondents and hence have granted permission to participate. A total of thirteen (13) schools responded with 145 board members agreeing to participate. Of this amount eighty one (81) members completed the survey which equals a 73% response rate. This is considered to be sufficiently representative of the 145 board members enlisted for a quantitative study.

3.5.2 Pretesting and Validation

Reliability in a research study measures the ability of the study to generate the same results when repeated. This consistency implies the measuring instrument was without bias or free of error. To remove possible bias from the questionnaire a pre-test was conducted. Five (5) respondents were selected to pre-test the questionnaire in terms of its comprehension and appropriateness. The five candidates were past governors of the Highbury Preparatory School Board who were available for participation and known to the researcher. The selection was not random as this population is small, however it does represent a wide selection of members over a timeframe of two to eight years since these respondents were board members. The respondents were asked to complete the questionnaire and then to provide feedback regarding questions that were ambiguous or appeared not

to achieve a clear purpose as well as to add questions they felt would add value to the objectives. Two of the five respondents identified five questions in total that they found to be ambiguous or inappropriate to the objectives. Cognisance of this was taken and the questions were changed. The pre-test ensures inadequacies are rectified before distributing the questionnaire to the full sample.

Validity of an instrument tests whether the concept or relationship that is intended to be measured is what is actually measured and not something else. Validity has two components, internal and external validity. Internal validity measures the degree of confidence that is placed between the independent and dependent variables. In this study there would be internal validity if there was a high level of confidence in the relationship between the elements of the five objectives and board effectiveness. Since boards can be comprised of diverse people with boards functioning differently from one another and all these variable not being controlled, the certainty of relating one variable alone to board effectiveness cannot be done with confidence.

External validity is higher in field experiments and therefore would be higher than the internal validity in this study. External validity measures the extent to which the results can be generalised or applied to a different setting. In the case of this study it would measure the extent to which the result could be applied to independent schools outside of KwaZulu-Natal, to government schools and even to for-profit boards. The only threat applicable to the external validity of this study is the effect of selection bias. Since only school boards were selected which tend to contain a majority of parents as non-executive directors, these directors are therefore not independent as is the case in private and public for-profit boards. This implies that the results could not be applied to this latter type of board. Since the entire population was invited to participate in the study no bias was evident in the selection of the sample.

3.5.3 Administration of the Questionnaire

It is essential in a quantitative study to maximise the response rate from the sample as this tends to be lower than in qualitative studies. In order to do this, the

questionnaire needs to reach the target group of participants. To ensure that the questionnaire reached the appropriate person, each school was asked to submit the email addresses of the non-executive board members who had agreed to participate. These specific email addresses were then captured in batches onto the survey tool and dispatched accordingly.

The cover page of the questionnaire included information on the university to which the researcher was aligned. It further stated that the research project had been subject to an ethical clearance based on the procedures specified by the Ethics Committee of the university which had granted a favourable ethical approval. Assurance of anonymity and confidentiality was provided and that no monetary gain would be attained from participating in the survey. The cover page also clarified that by completing the questionnaire the respondent was thereby consenting to be a respondent. The researcher and the supervisor's contact details were provided to enable respondents to clarify any matters if necessary.

The response rate was recorded by the survey tool which was able to show the number of participants who completed the survey and those who viewed only without completing or pulled out after starting the survey and did not complete.

The questionnaire was resent weekly to those participants in the sample who had not yet completed it. It was resent on a different day and time in order to attempt to attain a more suitable time for the participant to respond. This was attempted for three consecutive weeks. A three week break was then allowed for those who still had not responded as the researcher did not want the survey to become annoying to the participants. A final attempt was then made to capture those still interested and the survey was sent one final time in which a further 10% of participants responded.

The primary disadvantage to administering the questionnaire in this manner is that the respondents themselves had not had any direct communication with the researcher prior to receiving the questionnaire in the inbox of their email. Therefore, there could have been a missing link or lost communication between being informed by the Head of their school regarding this research and then associating the email

they received from the researcher (an unknown source) with the research topic. This could have negatively influenced the response rate.

The advantages to this form of administration include the efficiency of the response, no undue influence from the researcher and that the respondents could complete the questionnaire in a time most suitable to them.

3.6 Analysis of the Data

Section A collected the nominal type data of the socio-demographic responses and analysed this using frequency distribution and percentage of the total. In sections B to G where a Likert scale was applied, descriptive statistics were used to analyse the data from each section separately. The frequency distribution was observed using the mean scores and standard deviations. This established the prevalence of the five key determinants of board effectiveness on the boards and measured the level of sustainability of the schools.

The Spearman's rho correlation test was then used to measure whether these five determinants were positively correlated to the sustainability of the schools. To use this statistical test a monotonic relationship needs to exist between the two variables under analysis. It is important to recognize the assumption of a monotonic relationship is less restrictive than a linear relationship in that it only requires that as the value of one variable increases or decreases so does the value of the other variable. It is used to measure an association between two variables, but does not identify a dependent relationship. This is exactly the purpose of this study: to determine the association between each of the five key determinants of board effectiveness and the resultant outcome of board performance.

3.7 Summary

The research methodology selected for this study was considered appropriate to a quantitative approach in which the sample population was geographically widespread and there were time and cost limitations to this research study.

Data on the five objectives was collected using a mix of nominal, ordinal and interval scales and sub questions were grouped together around a specific objective which then linked to the penultimate question on school performance which ultimately measures board effectiveness.

All 164 independent schools in KwaZulu-Natal were invited to participate and express permission was granted from the board members so as not to violate their privacy by using their email addresses without permission. A total of 149 board members agreed to participate and this group then became the sample of the population. Of this group 73% actually completed the questionnaire.

To ensure reliability and validity of the survey, a pre-test was conducted on a small group of retired board members from one particular board and constructive changes were made to the questionnaire prior to it being administered to avoid error and bias. The Spearman's rho correlation test was used to measure these five correlations. The results from this analysis will be presented in the following chapter.

CHAPTER FOUR

Presentation of Results

4.1 Introduction

The questionnaire was designed with nominal, rank and interval scale type questions with the latter type comprising the bulk of the questions. The data which was collected on the Question Pro survey tool was then analysed using a combination of statistical operations. Different statistical operations were used depending on the level at which the variable was measured. Descriptive statistics were used to examine all three scales of data to determine the frequency, measures of central tendency and dispersion of the single variables. Since this research included five variables measured on an interval scale it was necessary to go beyond descriptive statistics in order to know how the five variables of board composition were related to board effectiveness. Since the data was found not to be normally distributed, a non-parametric test was used to determine whether a statistically significant relationship existed between each of the five variables and board effectiveness measured in the final section. The direction, strength and significance of each of the bivariate relationships was presented for analysis.

4.2 Section A – The Socio-demographic Composition of Board Members

Table 4.1 summarizes participants' socio-demographic information. It was found that more than half of the respondents were male (61%), 89% were White, and 69% were between the ages of 40 years and 59 years. Results also showed that about two-thirds (64%) of the participants had post-graduate qualifications. With regards to relationship to the school, 42% mentioned that they were parents followed by past parents (21%). This question measures the level of independence of the board members to the school and the graphical result is reflected in Figure 4.1 below. Half of the participants indicated that they had been board members between 1–5 years.

Table 4.1 Socio-demographic information of the respondents

Variables	Frequency	Percentage
Gender		
Male	55	61.11%

Female	35	38.89%
Race		
Asian	1	1.11%
Black	4	4.44%
Coloured	5	5.56%
White	80	88.89%
Age group in years		
20 – 29	1	1.11%
30 – 39	5	5.56%
40 – 49	36	40.00%
50 – 59	26	28.89%
60 – 69	16	17.78%
70	6	6.67%
Highest qualification		
Matric	7	7.95%
Diploma	7	7.95%
Degree	18	20.45%
Honours	28	31.82%
Masters	23	26.14%
PhD	5	5.68%
Relationship to the school (Select Many):		
Parent	48	41.74%
Supplier	1	0.87%
Past parent	24	20.87%
Past pupil	19	16.52%
Other	23	20.00%
6.State your primary field of expertise (Select One):		

Business Management	21	23.86%
Education	12	13.64%
Engineering	1	1.14%
Financial	13	14.77%
Human Relations	10	11.36%
Information Technology	1	1.14%
Law	8	9.09%
Marketing	7	7.95%
Project Management	2	2.27%
Risk Management	2	2.27%
Other	11	12.50%
Number of years been a board member at this school		
Less than 1 year	12	13.64%
1-5 years	44	50.00%
6-10 years	16	18.18%
More than 10 years	16	18.18%

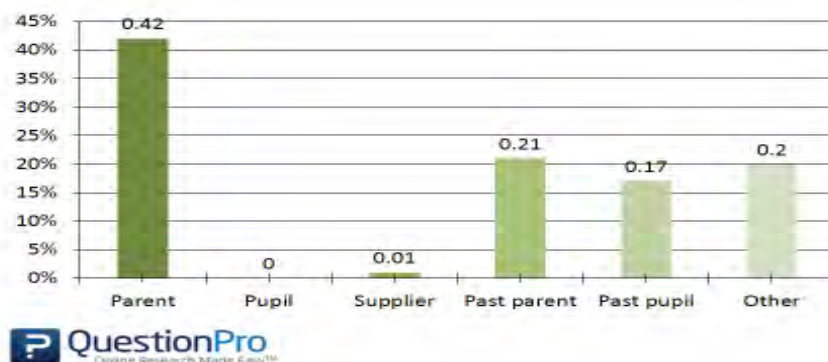


Figure 4.1 Level of Independence

4.3 Section B – The Selection Process of Board Members

With regards to the selection process onto the board, there were nine statements reflected in Table 4.2 below. All the statements were four-point Likert type scale statements (strongly agree = 1, strongly disagree = 4 points). Those statements having a mean score of 2.5 or below indicated that more participants agreed to the statements. It was found that almost all the respondents (93%) positively indicated that they were selected to fill a specific role on the board. All the respondents reported that they aim to contribute to the long term sustainability of the school, and 83% highlighted that they would like to affect changes to the operation of the school (Figure 4.2 below). The overall mean score was 2.16 indicating that respondents were positive about the selection process onto the board.

Table 4.2 Frequency distribution of statements regarding the selection process onto the board.

Statements	SA	A	D	SD	Mean	SD
I was selected to fill a specific role on the board.	53.41%	39.77%	5.68%	1.14%	1.55	0.66
I was asked to submit my CV before being appointed.	19.32%	31.82%	30.68%	18.18%	2.48	1.01
When recruiting new members, the common approach of “friend finding” is used.	4.55%	38.64%	37.50%	19.32%	2.72	0.83
I received orientation material defining the role and responsibilities of the board.	12.50%	43.18%	34.09%	10.23%	2.42	0.84
I have attended an ISASA presentation on school governance.	26.14%	19.32%	39.77%	14.77%	2.43	1.04
I find the discussions at board meetings stimulating.	36.36%	57.95%	5.68%	0.00%	1.69	0.57
The prestige of being a board member is important to me.	2.27%	18.18%	56.82%	22.73%	3.00	0.71

I aim to contribute to the long term sustainability of the school.	75.00%	25.00%	0.00%	0.00%	1.25	0.44
I would like to affect changes to the operation of the school.	29.55%	53.41%	13.64%	3.41%	1.91	0.75
Aggregate mean (SD)	2.16 (0.59)					



Figure 4.2 Bar graph reflecting the response to the statement: Board members would like to affect changes to the operation of the school.

4.4 Section C – The Scope of Discussion at Board Meetings

Table 4.3 shows the frequency distribution of the statements regarding the discussion at board meetings. It could be seen that most of the statements having a mean score of less than 2.5 indicating that more respondents agreed to those statements. For example, more than eighty of the respondents positively mentioned that they were aware of the assumptions behind the annual budget, they were well informed on the capital budget of the school, the board collaborated with the executive members on most issues, and they regularly assessed the risks the school is exposed to. Overall, the mean score was 2.5 indicating that the discussion at the board meeting was positive. Statement eight however, produced a strong

“agree” response of 68.61% (reflected in Figure 4.3 below) to the board discussing the sporting performance of the school at meetings. This indicates ineffective board discussion as it delves deep into the operational functioning of the school. Figure 4.4 below also illustrates an extreme result with a 70.93% “disagree” response to the statement “board meetings are tedious”. This is a positive sign that board members are engaged in and stimulated by the discussion and because we know from the demographic profile of the respondents, board members are educated and skilled people we can make the assumption that the level of discussion must be high for them not to find the discussion tedious.

Table 4.3 Statements regarding the discussion at board meetings

Statements	SA	A	D	SD	Mean	SD
1. We spend a large portion of time discussing new opportunities for the school.	10.47%	56.98%	30.23%	2.33%	2.24	0.67
2. A large portion of time is spent on the operational report backs of the term.	13.95%	65.12%	20.93%	0.00%	2.07	0.59
3. Dissent is encouraged in discussions.	3.49%	67.44%	23.26%	5.81%	2.31	0.64
4. I am aware of the assumptions behind the annual budget.	37.21%	51.16%	9.30%	2.33%	1.77	0.71
5. I am well informed on the capital budget of the school.	44.19%	46.51%	6.98%	2.33%	1.67	0.71
6. The board collaborates with the executive members on most issues.	30.23%	61.63%	8.14%	0.00%	1.78	0.58

7. We regularly assess the risks the school is exposed to.	29.07%	55.81%	15.12%	0.00%	1.86	0.65
8. We discuss the sporting performance of the school.	8.14%	60.47%	30.23%	1.16%	2.24	0.61
9. The agenda contains very specific, forward-looking topics.	10.47%	66.28%	22.09%	1.16%	2.14	0.60
10. Great minds think alike.	6.98%	34.88%	53.49%	4.65%	2.56	0.70
11. Board meetings are tedious.	0.00%	11.63%	70.93%	17.44%	3.06	0.54
12. At the end of the meeting the action plan is very clear.	9.30%	76.74%	11.63%	2.33%	2.07	0.55
Aggregate mean (SD)	2.15 (0.39)					

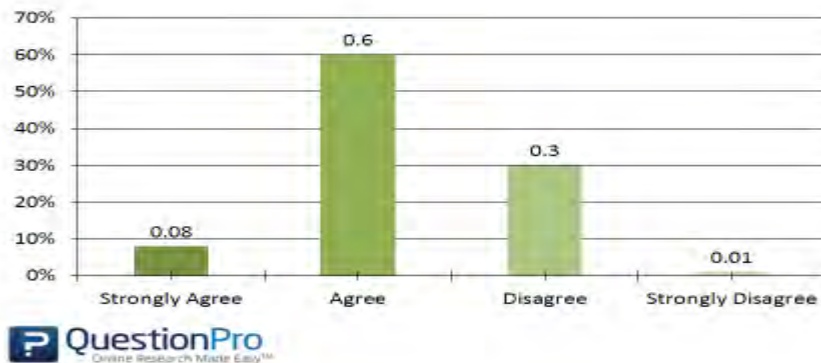


Figure 4.3 Bar graph reflecting the response to the statement: We discuss the sporting performance of the school at board meetings.

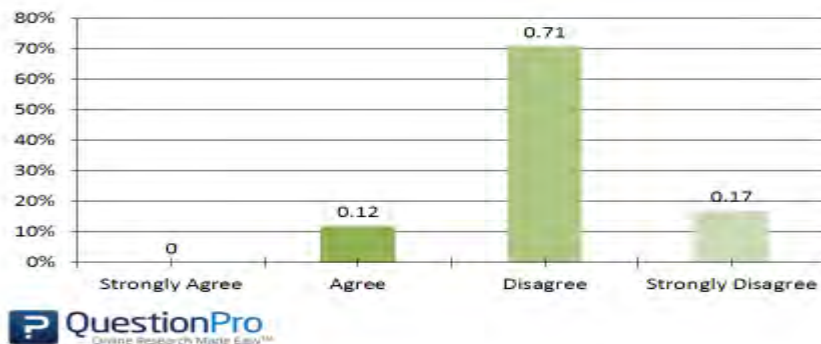


Figure 4.4 Bar graph reflecting the response to the statement: Board meetings are tedious

4.5 Section D – Competence of Board Members

The competence of board members was measured using nine statements reflected in Table 4.4 below. Seven of the statements produced positive responses with only one statement on the relationship between the head and the chairperson inducing a “strongly agree” majority. Statements 4 and 5 related to the financial competence of board members which research shows can be a weak aspect in boards, but the response showed a strong positive response. In particular (and reflected in Figure 4.5 below) the response to the Enron statement produced a mean score of 2.25. The last two statements had negative responses with 50.59% disagreeing with there being a succession plan in place for the chairperson and 67.71% disagreeing with the board performance being evaluated on an annual basis. The overall mean score was 2.09 indicating a high level of competence of the board members and the chairperson.

Table 4.4 Frequency distribution of statements regarding the competence of board members and the chairperson.

Statement	SA	A	D	SD	Mean	SD
1. The relationship between the head and chairperson appears healthy.	54.12%	43.53%	2.35%	0.00%	1.48	0.55
2. The chairperson is good at intervening at the appropriate time in a discussion.	38.82%	54.12%	7.06%	0.00%	1.68	0.60
3. The chairperson takes a neutral stance at the start of a discussion.	22.35%	65.88%	11.76%	0.00%	1.89	0.58
4. I was able to understand the Enron case without assistance.	18.82%	42.35%	34.12%	4.71%	2.25	0.82
5. I fully understand the accounting issues presented in the financial statements.	38.82%	47.06%	14.12%	0.00%	1.75	0.69
6. The board evaluates the head's performance annually.	8.24%	49.41%	37.65%	4.71%	2.39	0.71
7. Our board members are all experts in their field.	11.76%	67.06%	18.82%	2.35%	2.12	0.63
8. The succession plan for the chairperson is in place.	9.41%	38.82%	50.59%	1.18%	2.44	0.68
9. The board performance is evaluated annually.	2.35%	24.71%	64.71%	8.24%	2.79	0.62
Aggregate mean (SD)	2.09 (0.42)					



Figure 4.5 Bar graph reflecting the response to the statement: I was able to understand the Enron case without assistance.

4.6 Section E –Composition of the Board

This section supports Section A in that it builds on the detail around the composition of the board with seven statements as shown in Table 4.5 below. The strongest response in the negative was to the first statement of preferring a smaller board, 73.49% disagreed with this. The next two statements also produced a majority negative response, but with the mean response being 2.51 and 2.55 respectively implying a balance between the positive and negative responses. These two statements related to particular seats on the board being occupied only by the head and bursar of the school and secondly to having more women on the board. Although the majority came in at 42.17% with a “disagree” response to the first statement, 46.98% strongly agreed or agreed with the statement, resulting in an inconclusive result. Figure 4.6 below reflects the graphic representation of the statement relating to more women on the board. The fourth statement relating to the existence of an executive committee produced a mean score of 2.17 showing that the majority agreed with this statement. The strongest positive statement was to the board sub-committees being where the real work gets done and this is shown in Figure 4.7 below. This produced a 62.65% selection of the “agree” option and a

mean score of 1.95, the lowest mean score in this section which indicates a strong majority of 84.34% agreed with this. The selection options to the statement on racial diversity were in the majority negative responses with the mean score being 1.95. The final statement produced a mostly positive response with a mean of 2.35 which indicates a balance between the positive and negative responses which results in an inconclusive result to this important statement.

Table 4.5 Frequency distribution of statements regarding the composition of the board.

Statement	SA	A	D	SD	Mean	SD
1. I would prefer our board to be smaller.	6.02%	18.07%	73.49%	2.41%	2.72	0.61
2. The head and bursar should be the only executive members on the board.	13.25%	33.73%	42.17%	10.84%	2.51	0.86
3. We need more women on our board.	8.43%	31.33%	56.63%	3.61%	2.55	0.70
4. The board has an executive committee.	18.07%	54.22%	20.48%	7.23%	2.17	0.81
5. The board sub-committees are where the "real work" gets done.	21.69%	62.65%	14.46%	1.20%	1.95	0.64
6. The board has sufficient racial diversity.	3.61%	21.69%	57.83%	16.87%	2.88	0.72
7. To add value members need to understand the education sector.	8.43%	49.40%	40.96%	1.20%	2.35	0.65
Aggregate mean (SD)	2.45 (0.32)					



Figure 4.6 Bar graph reflecting the response to the statement: We need more women on our board.



Figure 4.7 Bar graph reflecting the response to the statement: The sub-committees are where the “real work” gets done.

4.7 Section F –Behavioural Characteristics of Board Members

This forms the biggest section of the questionnaire with twenty five statements as shown in Table 4.6 below. The objective of this section was to test for the four functional and four dysfunctional types of board members. This section requires a normal distribution in the responses in order to facilitate an effective board as it

indicates a balance of all types and therefore no dominant type is present to skew the thinking process.

Nine of the twenty five statements should have produced a negative response as they were measuring the presence of dysfunctional members on the board. These statements were numbers 3,4,5,12,16,19 and 23 to 25. Only two of these nine statements (number 3 and 25) produced a positive response. The first of these statements was that there are board members who seldom voice their opinion. Although a positive response, the mean score is 2.36 which is close to a balance between positive and negative responses. The second positive response statement number 25 was a blatant statement of “we have some non-performers on our board”. The mean score for this was 2.46 with 51.80% of the board members agreeing with this which as with the previous statement is not a profound outcome as the frequency appears normally distributed (Figure 4.8). The statement that produced the highest negative response with a mean score of 3 was number 19 regarding certain board members always complaining about the school, the strong disagreement to this is an indication that board members are mostly positive in their attitude towards the school. A second statement with a strong disagree response with a mean score of 2.93 was to board members always interrupting others to get their opinion heard (number 23), this response indicates the absence of this type of dysfunctional board member. Statement 16 indicates the presence of some dysfunctional board members with 28.91% agreeing to personally offending another board member. The statement “I try not to rock the boat at meetings” produced a 60.24% “disagree” response and a 9.64% “strongly disagree” response which is a strong indication of an effective board. The 30.12% agreeable response to this statement indicates there are still some dysfunctional board members present who are not prepared to deal with the challenging issues.

The following analysis pertains to the functional type of board members and should have produced positive responses if measuring an effective board, however for statement 9, 60.24% had a negative response with 50.60% specifically disagreeing to the statement that board members put issues on the table that the board is reluctant to discuss. Statement 11 should have produced a 100% “strongly agree” response, but 48.19% disagreed to board members attending every meeting.

Statement 13 produced the highest response of 83.13% for one category on the scale. This was an agreeable choice to board members being able to prevent differences of opinion from becoming major disputes. This statement also produced a 0% response to the “strongly disagree” option, showing a high presence of this functional type of board member. This behavioural type was further measured in the subsequent statement 14 which produced the most extreme positive response with a mean score of 1.61 with 0% scores in both the “disagree” and “strongly disagree” categories resulting in a 100% positive response; the only statement to produce such a response. This statement relates to board members getting along well with most other board members and is graphically depicted in Figure 4.9. This may sound like a perfect response, however a positive response to this indicates the presence of a particular type of functional board member, the “Counsellor” and even though this is in the functional category, it becomes dysfunctional when the entire board is composed of this type.

Statement 17 has been perceived by the respondents to be a dysfunctional type of behaviour and has produced a 54.22% majority response in the “disagree option”. It was also one of the fewer statements that had a 0% response, this time in the “strongly agree” option. However, this behaviour indicates the ability to work individually with other people due to the excellent one-on-one negotiation skills of the board member which leads to the preference for one-on-one meetings/lunches behind the scenes. Statements 17 and 18 are measuring the same behavioural type and therefore if valid should have produced similar results. However, the latter statement produced a more positive response with a mean score of 2.42 compared to 2.83 in the first statement. It can be concluded that statement 17 is not a valid measure of this behavioural type as it is not consistent with the supporting subsequent statement.

Three statements from 20 to 22 measure the same functional behavioural type. A strong positive response statement which is the exception in that it does not need to be normally distributed is statement 20. It states that if the right questions are not asked then the right answers will not be found. Agreement with this statement indicates a strong sense of critical thinking which is key in determining board effectiveness. If the entire board were to agree with this statement it would result in

an increase in the effectiveness of the board. The subsequent two statements both produced similar low mean scores indicating that most of the board agreed with these statements indicating that the “Challenger” type of behaviour is definitely present on boards.

Table 4.6 Frequency distribution of statements regarding the behavioural characteristics of the board members.

Statement	SA	A	D	SD	Mean	SD
1. I attempt to encourage discussion of key issues.	31.33%	61.45%	6.02%	1.20%	1.77	0.61
2. I am able to persuade other members to my way of thinking.	4.82%	80.72%	14.46%	0.00%	2.10	0.43
3. There are members on our board who seldom voice their opinion.	10.84%	44.58%	42.17%	2.41%	2.36	0.71
4. Certain board members do not work as a team to seek solutions.	3.61%	22.89%	69.88%	3.61%	2.73	0.59
5. Certain board members always find a reason to disagree with a recommended action.	2.41%	14.46%	73.49%	9.64%	2.90	0.58
6. I feel comfortable challenging board members at meetings.	26.51%	68.67%	4.82%	0.00%	1.78	0.52
7. When board members need to disagree they do it in an agreeable manner.	22.89%	74.70%	2.41%	0.00%	1.80	0.46
8. I prefer to comment on an issue after hearing the general debate.	13.25%	65.06%	20.48%	1.20%	2.10	0.62
9. Certain board members put issues on the table that the board is reluctant to discuss.	7.23%	32.53%	50.60%	9.64%	2.63	0.76

10. I am good at initiating change at board level.	12.05%	62.65%	22.89%	2.41%	2.16	0.65
11. Board members attend every board meeting.	8.43%	37.35%	48.19%	6.02%	2.52	0.74
12. Some board members often lead the discussion off topic.	1.20%	43.37%	49.40%	6.02%	2.60	0.62
13. Certain Board members are able to prevent differences of opinion from becoming major disputes.	12.05%	83.13%	4.82%	0.00%	1.93	0.41
14. I get along well with most board members.	38.55%	61.45%	0.00%	0.00%	1.61	0.49
15. Some board members are exceptionally good at rallying dissenting members to a proposed position.	2.41%	68.67%	27.71%	1.20%	2.28	0.53
16. I have on occasion personally offended a fellow board member.	3.61%	25.30%	50.60%	20.48%	2.88	0.77
17. I prefer to have one-on-one meetings/lunches with interested parties to discuss a board issue.	0.00%	31.33%	54.22%	14.46%	2.83	0.66
18. I enjoy advising/mentoring new board members.	2.41%	56.63%	37.35%	3.61%	2.42	0.61
19. Certain board members are always complaining about the school.	2.41%	14.46%	63.86%	19.28%	3.00	0.66
20. I believe if you do not ask the right questions you will not get the right answers.	37.35%	53.01%	8.43%	1.20%	1.73	0.66
21. I prefer to be certain of the facts before I speak out.	27.71%	61.45%	9.64%	1.20%	1.84	0.63

22. I prepare extensively for board meetings.	25.30%	59.04%	15.66%	0.00%	1.90	0.64
23. Certain board members always interrupt others to get their opinion heard.	3.61%	14.46%	67.47%	14.46%	2.93	0.66
24. I try not to rock the boat at meetings.	2.41%	27.71%	60.24%	9.64%	2.77	0.65
25. We have some non-performers on our board.	10.84%	40.96%	39.76%	8.43%	2.46	0.80
Aggregate mean (SD)	2.32 (0.45)					



Figure 4.8 Bar graph reflecting the response to the statement: We have some non-performers on our board.

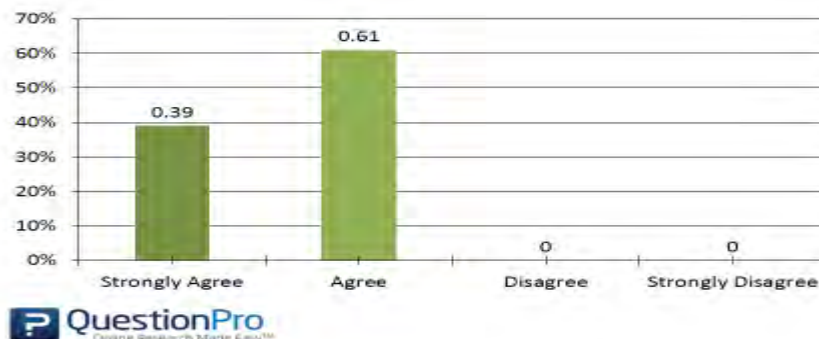


Figure 4.9 Bar graph reflecting the response to the statement: I get along with most board members

4.8 Section G – The Sustainability of the School

This final section aims to measure the sustainability of the respondents' schools in order to link the previous sections to this outcome and create a correlation between each of the various factors composing a board and the outcome of effectiveness through the future sustainability of the school.

The seven statements for this section were constructed to have alternate positive and negative responses with the objective being to indicate a sustainable school and are reflected in Table 4.7 below. Statement 2 was the only one that did not illicit the planned response. The result was 43.75% of respondents agreeing to the statement of “the school has short waiting lists”. The mean score of 2.4 does indicate a close balance between positive and negative responses which does not result in an insightful outcome. Strong positive responses were made for statements 3 and 7 which related to the impact of the school on the community and the pupil performance being perceived as excellent with mean scores of 1.59 and 1.64 respectively. The strongest negative response was for statement 4 relating to high staff turnover with a mean score of 3.19. Statement 6 (Figure 4.10) regarding the concern for the financial position of the school, produced a 40% “disagree” response. On the whole this section reflected a sustainable future for the participating schools.

Table 4.7 Frequency distribution of statements regarding the sustainability of the board members' schools.

Statement	SA	A	D	SD	Mean	SD
1. Pupil numbers are at full capacity.	31.25%	33.75%	26.25%	8.75%	2.13	0.96
2. The school has short waiting lists.	11.25%	43.75%	38.75%	6.25%	2.40	0.77
3. The school makes a positive impact on the local community.	47.50%	46.25%	6.25%	0.00%	1.59	0.61
4. Staff turnover is high.	1.25%	8.75%	60.00%	30.00%	3.19	0.64

5. The school has full “green school” status.	17.50%	45.00%	33.75%	3.75%	2.24	0.78
6. I am concerned about the financial position of the school.	6.25%	26.25%	40.00%	27.50%	2.89	0.89
7. The all-round pupil performance at the school is perceived to be excellent.	42.50%	52.50%	3.75%	1.25%	1.64	0.62
Aggregate mean (SD)	2.30 (0.59)					

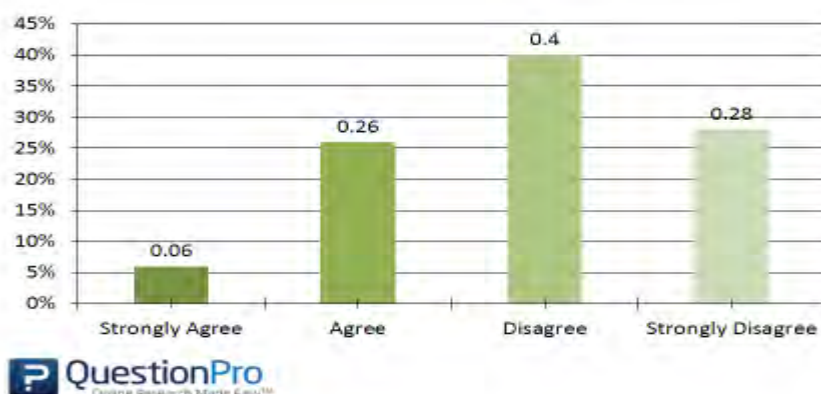


Figure 4.10 Bar graph reflecting the response to the statement: I am concerned about the financial performance of the school.

4.9 Correlation Analysis

The Kolmogorov-Smirnov test reflected in Table 4.8 below showed that the overall score for each section was not normally distributed. Therefore, a non-parametric test was used to compare the median score for each section with regards to socio-demographic variables.

Table 4.8 Kolmogorov-Smirnov normality test

Tests of Normality			
	Kolmogorov-Smirnov		
	Statistic	df	p-value
Total section B	.100	81	.043
Total Section C	.122	81	.005
Total Section D	.131	81	.002
Total Section E	.119	81	.006
Total Section F	.840	81	.000
Total Section G	.162	81	.000

The Spearman's rho correlation test was used to measure whether Sections B to F (the variables of board composition) were significantly positively correlated to Section G, the sustainability of the schools. The correlation assesses the variation in one variable as the other variable also varies. It indicates an association between two variables, but does not identify which variable is the cause of the variation. A score of +1 indicates a strong positive correlation and -1 a strong negative correlation.

Spearman's rho correlation analysis showed that Section B was significantly moderately positively correlated with section E and Section F. Section C was significantly related with Section D. Section E was significantly related with Section F. All sections were positively correlated to Section G except for Section D, but none of the positive correlations were significantly strong. A matrix of correlations is presented in Table 4.9 below.

Table 4.9 Spearman's rho correlation test

	Total Section B	Total Section C	Total Section D	Total Section E	Total Section F	Total Section G
Total section B	1.000	.153 (.170)	.197 (.076)	.326** (.003)	.343** (.002)	.077 (.495)
Total Section C	.153 (.170)	1.000	.560** (.000)	.111 (.320)	.132 (.237)	.007 (.948)
Total Section D	.197 (.076)	.560** (.000)	1.000	-.030 (.788)	-.143 (.199)	-.036 (.750)
Total Section E	.326** (.003)	.111 (.320)	-.030 (.788)	1.000	.243* (.028)	.265* (.018)
Total Section F	.343** (.002)	.132 (.237)	-.143 (.199)	.243* (.028)	1.000	.064 (.571)
Total Section G	.077 (.495)	.007 (.948)	-.036 (.750)	.265* (.018)	.064 (.571)	1.000

4.10 Summary

The descriptive statistical operations used in the analysis of the data serve to measure the frequency and central tendencies of the variables measured. This revealed the nature of the five components of board effectiveness in the schools which participated in this study. Further analysis was undertaken to establish the existence of any significantly strong, positive correlations between each of the factors of board composition and board effectiveness. Four of the five correlations were measured to be positive and one negative, however none of the positively correlated variables were of a significantly strong nature.

CHAPTER FIVE

Discussion of Results

5.1 Introduction

The data used in this study was drawn from the responses of eighty one board members from thirteen independent schools. Although all schools in KwaZulu-Natal were invited to participate, those who actually did could be assumed to be more conscientious about their sustainability into the future and therefore could be the more successful schools resulting in greater positive results. This could explain why the outcome in the final section, which measured the effectiveness of the board through the success of the school, was predominantly positive.

5.2 Analysis of Board Composition in Independent Schools

5.2.1 Socio-demographic Information of the Respondents

The standard questions regarding, gender, race and age were asked in order to establish the composition of the board. The male gender came in higher at 61.11% which is in line with board composition both nationally and globally. The board members further responded by 60.24% in Section E that the number of women on the board was sufficient. This percentage is similar to the number of male respondents which could imply that all the male respondents agreed to their being sufficient female representation and all the women disagreed. These percentages of male representation are considerably better than those found on corporate boards both nationally (82.1%) and globally (89%) (Institute of Directors Southern Africa, 2013).

The racial distribution of the boards was extremely distributed in favour of White members at 88.89% with Asians having the least representation at 1.11%. Linking this to Section E, 74.70% of respondents disagreed to the statement that the board had sufficient racial diversity.

The central tendency of the age of board members was in the 40 – 49 year category with a further 42% falling into the 50 – 69 year category, confirming that board

membership is only attainable with experience which comes with age. This average age is lower than the 50 years quoted by the PwC 2013 Annual Corporate Directors' Survey for non-executive directors (PwC, 2013). The reasons proposed for this general increased age is that companies are reluctant to lose the valuable and irreplaceable knowledge that comes with age, fearing it cannot be easily replaced by a younger generation. In the school environment, however where the majority of board members are drawn from the parent body, the average age would be expected to be lower as parents with school going children are potentially younger than 50 years of age.

Highest qualification was questioned as a measure of competence assuming that more education was associated with higher intelligence and resulted in increased competence as a board member. The central tendency was in the Degree with Honours category with a Masters and a Bachelor's degree coming in with the second and third highest respectively.

The relationship to the school was to measure the level of independence of the board members in relation to the school. The highest tendency was 41.74% in the parent category with past parent coming in at 20.87% and past pupil at 16.52%. The latter two categories although independent still have a connection with the school through their history and are not truly independent. This is a true reflection of the peculiarity of school boards which are dominated by parents and therefore lack independent board representation.

Expertise of board members was measured with ten specific categories and an "Other" option. The highest tendency at 23.86% was in the Business Management category with Financial and Education coming in as close seconds at 14.77% and 13.64% respectively. This is a promising result as it reveals that school boards are well represented with business and financial expertise, however the majority of board members do not fall into the financial realm which could lean towards supporting prior research that many board members do not understand the financial aspects of the business they represent (Hau & Thum, 2010); (Garratt, 2010). However, Section D which further interrogates board competence, refutes this theory as the statements which specifically relate to financial competence were positively marked. These two statements were "I was able to understand the Enron

case without assistance” which produced a 61.17% positive response and “I fully understand the accounting issues presented in the financial statements” which produced an 85.88% positive response.

Tenure was the final question in this section with 50% of board members serving on the board between one and five years. A further 18.18% were represented in both the six to ten year category and in the greater than ten year category, with 13.64% serving on the board for less than one year. This shows independent school boards to be comprised of a balanced distribution between short and long tenures. The fact that the majority are in their first five year cycle shows that the boards have fresh blood coming into the boards to generate new thoughts and innovations along with the stability of longer serving members to maintain continuity and history.

5.2.2 The Recruitment Process onto the Board

The objective of this section was to investigate the recruitment process for board members and their motivation for serving as board members and how this impacts on board effectiveness. The responses to the nine statements varied along the Likert scale and were not always choices that an effective board should make. A strong majority of members (93.18%) agreed to have a specific role on the board, which is an indication that boards understand the many roles required of them and allocate board members to specifically achieve those goals. The statement relating to a board member submitting their CV before being appointed produced one of the few normal distribution responses. Board recruitment is often not treated with the same formality as staff recruitment (Bader, 2010) and requesting a CV is a recent trend towards more effective selection which in time should produce a more positively skewed distribution. It is enlightening to see that independent schools are moving in the right direction with this new process. The statement around “friend finding” as a common approach to board recruitment had a majority “disagree” response of 56.82% which indicates that there are still many schools in the industry using this method. To be a valid test of the selection process this statement should have had a similar distribution to the previous statement. The reason being the board would probably not ask a friend to submit a CV because they would be aware of their credentials and “friend finding” is about appointing like-minded people onto the board and a CV serves no purpose. The results of the two statements do support

one another as the 48.86% who did not submit CVs could have been the same 43.19% who practiced the “friend finding” approach.

The orientation of new board members was tested in the next two statements relating to receiving orientation material and attending an ISASA presentation on school governance. Although the responses to these statements could be different as boards do not necessarily need to do both, they generally would if geared towards the mindset of educating board members. The positive mean scores of 1.42 and 2.43 respectively support the above theory, but also show that almost half of schools are not practicing any form of orientation and yet still have positive outcomes in Section G which measures the sustainability and related success of the board.

The subsequent four statements tested the reason for board members joining the board and remaining there. A strong majority 94.31% found the discussion at meetings stimulating which is a good indication that the content is pitched at a high level. The content could be assumed to be of a strategic and generative nature which board members, who are expected to be experts in their field, would find stimulating. Although a low percentage of 20.45% of board members enjoy the prestige of being a board member, this result is still a concern as this selfish focus could detract from making positive contributions to the discussions at board meetings. However, this does not appear to be the case as the subsequent statements which all relate to making positive impacts to the school have all produced very high scores in the “agree” options. The final two statements relating to the members contribution to the school was split between the impact to the long term sustainability of the school and to the operation of the school. The latter was a test of the level at which the board is functioning and was not intended to produce an “agree” response as this implies the board is involved in the management’s operational role. However, both questions produced strong affirmative responses with 100% of respondents scoring high on the strategic purpose. The latter statement regarding the operational involvement could have been misinterpreted as the questions were consecutive and not easily discernable. However, if interpreted correctly then this means that boards are definitely interested in being involved in the strategic element, but cannot resist the pull into the domain of the operational

side. This latter dimension is what dilutes the effectiveness of boards as is proven in numerous research articles, but appears to be a difficult area to prevent boards from probing (Trower, 2013). Trower in her research has shown that boards that function in this operational role never reach their full potential and remain as monitoring boards instead of innovative, forward reaching boards.

5.2.3 The Scope of Decision Making at Board Meetings

This section in the survey was aimed at investigating the relationship between the scope of decision making and board effectiveness. Research shows that effective boards are those that focus on strategic and generative matters which aim at the future sustainability and innovations for the school and move beyond the fiduciary, monitoring role which traps the board in an operational role which is best suited to management (Charan, 2009); (ISASA, 2013). This entrapment is dysfunctional in that it prevents the higher level decision making from taking place and creates conflict with management who find the operational board managing at a micro level and stepping on their territory.

Four of the twelve statements in this section were intended to produce a “disagree” response on the scale as they were testing the operational level discussion as well as the degree of dialogue versus discussion that takes place. Dialogue according to Trower is a higher level discussion where dissent is encouraged and the real issues laid on the table with the right questions asked being the focus more than the right solutions being found (Trower, 2013). Two of these four statements did not follow the expectation and instead produced very high positive responses. A 79.07% response was made for the large amount of time spent on the operational report backs for the school and 68.61% to the board discussing the sporting performance of the school at meetings. The latter response is particularly ineffective for boards as it indicates an involvement even beyond the operational functioning of the school, an involvement in the detail of the activities too.

The balance of the statements tested the range of discussion from the financial, fiduciary role to risk management as well as the nature of the agenda which serves to direct dialogue and the degree of dissent that is encouraged. The central tendency to all these statements was to the “agree” choice which is a good

indication that the scope of decision making and the quality of the dialogue at meetings is robust and effective.

5.2.4 Competence of Board Members

The aim of this section was to determine the level of competence of independent school board members and whether this has an effect on the effectiveness of the board. Competence covers a range of attributes. These include having a chairperson that chairs the meeting in a functional manner by taking a neutral stance on issues at the outset and intervenes at the appropriate time in a discussion. It also requires a healthy relationship with the Head. This attribute also covers financial competence as boards have been known to be weak in this field with many board members admitting not to understand the accounting issues in the financial statements. Research has shown that effective boards have members who are competent in their own field of expertise and are financially literate (Garratt, 2010). The performance of board members including the Head need to be evaluated annually to correct any errors and to refocus their objectives.

The nine statements in this section cover the competence of the chairperson and their succession plan. They also include the subject of the board's financial literacy, their level of expertise in their own field and the existence of performance evaluation for the board members. All responses to the statements relating to the chairperson were strong positives with mean scores ranging from 1.48 to 1.89 showing that the chairpersons of the boards are playing an effective role in guiding the board. The statement on the succession plan for the chairperson being in place was the only statement in this range that produced a mean score close to 2.5 with 50.59% disagreeing to this statement. Succession planning for all board members and especially the chairperson is a topic that is often neglected in boards and might explain why boards resort to "friend finding" to fill the gaps.

Two of the statements tested the financial competence of boards. The first was a general statement testing their application to broader issues of the Enron case. A complicated financial scenario led to the downfall of Enron and it requires a high level of financial and business acumen to understand the cause of the company's downfall. A surprisingly high percentage (61.17%) agreed to be able to understand

this case. A further 85.88% of board members fully understood the accounting issues presented at board level. With only 14% of board members in this survey being experts in the financial field this is an unexpected result and reaffirms the broad level of expertise of these particular board members.

Board evaluation is key to a competent board as it takes a snapshot of past performance and evaluates it according to established norms of effective board behaviour and functionality and then provides a benchmark from which to improve. Boards that choose not to engage in this process deprive themselves of reaching their full potential. The statement in the survey relating to evaluation generated the highest negative response with 64.71% disagreeing with this process having taken place. This area is shown to be the greatest weakness in independent school boards and is most common due to the need for an independent person required to administer the evaluation. This would require a fee and most probably a relatively expensive one as this process would be conducted by an agency. This weakness provides an opportunity for the design of a standard board evaluation toolkit to be made available to all schools in both the independent and government sectors. This could include a questionnaire and evaluation system that would be user-friendly for self-evaluation and interpretation by the board. Easy access and a user-friendly design would increase the likelihood of the toolkit being used and boards would benefit from the advantages of evaluation.

5.2.5 Composition of the Board

This section was in addition to Section A on the socio-demographic composition of the board and further interrogates the make-up of the board. The objective remains the same; that of investigating the relationship between the demographic components of the board and the effectiveness of the board.

Seven statements make up this section with responses that are neither right nor wrong, but rather serve to establish the opinion of board members on these issues. In terms of the size of the board, 75.90% were content with the size of the board and did not want them to be smaller. Smaller boards with between ten and fifteen non-executive members are considered to be most efficient as this size prevents social loafing, but is still big enough to draw from a diverse range of expertise and

opinions. In the school context the executive members can include up to five positions and debate exists around the need for this. The standard requirement if matched to the corporate board would be the Head and Financial Manager. However, 53.01%, a marginal majority, disagree with these two positions being the only representation from the executive management. This is not a significantly strong result and could imply that the majority are pleased with the contribution of these additional members and therefore support their participation.

The gender and racial component of this section drew very different results with 56.63% disagreeing to needing more women on the board. This could mean that there is sufficient female representation on the board or it could mean that the 61.11% of men who participated in the survey mostly believed this, but the majority of women did not. The racial diversity statement produced a 74.70% response of “disagree” to their being sufficient diversity. Independent schools are very aware of the need for transformation in all aspects of their educational offering and this is necessary in the board representation as well. Since board members are mostly drawn from the parent body, the lack of racial diversity in the pupil numbers is going to follow through to the parents on the board and until transformation has spread at the ground level, board members will remain predominantly White.

The subject of committees was also questioned in this section with two statements. Both produced strong “agree” responses to the board having an executive committee and to the sub-committees being where the “real work” gets done, with mean scores well below 2.5. This trend supports the corporate board structure of smaller sub-committees dealing with specialised areas and feeding back to the main board for ratification (Charan, 2009). The existence of an executive board being a sub-section of the main board with the purpose of making quick decisions without having to mobilise the entire board, is known to be a more efficient method and is more common in the presence of larger boards (Leblanc & Gillies, 2005). It is interesting to see that although these participating boards did not want to be any smaller in size, the executive board was still desired. The final statement is a topical discussion point which questions whether board members need to be experts in the field in which they are serving. Many companies which have experienced financial disaster had boards composed of members who knew nothing about the industry.

The insurance company AIG is a case in point (Garratt, 2010). However, other corporates such as Standard Chartered Bank firmly believe that not more than 40% of a board should be knowledgeable in banking to avoid groupthink or a homogeneous approach to issues (Durbin, 2011). Although the majority of respondents agreed that board members should understand the education sector, a fairly large proportion of 42.16% disagreed with this statement supporting the dichotomous attitude towards this issue.

5.2.6 Behavioural Characteristics of Board Members

The aim of this section is to investigate the behavioural characteristics of board members. These characteristics stem from their thought processes and these impact on board effectiveness. There is much research that has taken place around the critical thinking styles of board members and how this produces certain behavioural characteristics which are either functional or dysfunctional in terms of producing an effective board. Surjit Sur (Sur, 2014) notes that this component of a board is far more relevant than the demographic structure of the board or the level of independence of board members. Since boards are seen to be mini social systems with behavioural dynamics constantly at play, this becomes a significant factor in the equation of achieving effectiveness. Although the dysfunctional board member is not a sought after type in any circumstance, the functional types also need to be in perfect harmony with each other in order to be functional. Too many of a certain type tilts the board's behaviour out of balance and the results will not bring about success. It is vital to have all four types present in equal proportions to keep the board moving forward in the right direction.

This section of the survey is relatively long with twenty five statements which aim to test the presence of both the four types of functional and four types of dysfunctional board members. Assuming the statements are all valid and therefore are actually testing what they were intended to test, then the results show that there does exist a range of these eight types of board members. Sixteen of the statements were geared towards testing the functional types and nine geared towards identifying the dysfunctional types.

5.2.6.1 The Functional Behavioural Types

Six of the statements aimed to identify the “Challenger” type of board member, this particular board member prepares well for meetings, has a good attendance record, and believes in asking the difficult questions as well as thinking before speaking up. The mean scores for this group of statements was similar and ranged from 1.77 to 1.90. The exception was to the statement that board members attend every board meeting which produced a fairly normal distribution, but still supports the presence of the challenging, functional member.

The second type of functional member is the type that is a catalyst for making change, they have a broad-minded way of thinking and are good at preventing groupthink from occurring. Three statements were directed at this type of board member. Two of the statements produced similar positive responses at approximately 80%, with the third being much less at 39.76%. This could be explained by each person not belonging only to one specific type of thinker, but rather presents the majority characteristics of one type. Therefore there will be an overlap between behavioural types, resulting in scores that appear to be disparate in which case the lowest common denominator score must be considered to be the true score.

The third type of functional board member investigated in this survey is the “Counsellor” type. This person has strong persuasive skills, one-on-one negotiation skills and often takes on the role of mentor to new board members. The characteristics of this type of board member have been proven to be of value for the advisory role they play. Three statements test for the presence of this type. Two of the statements required an affirmative response and one required a negative response. The most direct statement which tested this type was “I prefer to have one-on-one meetings with interested parties”. This produced an “agree” response of 31.33% with a 0% “strongly agree” response. To agree with this statement even though not in the extreme should indicate that these meetings are taking place and therefore since this is a peculiar behaviour of a Counsellor type, this percentage does prove their presence on boards. The second statement to test this type was “I enjoy advising/mentoring new board members” which produced a 2.41% “strongly agree” and a 56.63% majority “agree” response. The response to this statement

was distributed differently from the first in that it did produce an extreme response and we could assume these were the Counsellors. The higher “agree” response could be explained that not only the Counsellors enjoy playing the mentor role. The final statement which asks whether board members attend every board meeting produced a 54.21% negative response. This statement was intended to measure the presence of the Counsellor type as they are known for a poor attendance record. However, the result is too high to be in line with the previous two statements and although this could further support the presence of this type it does not assist with identifying the exact percentage as there may have been other variables affecting the attendance of other types of board members.

The fourth type of functional board member identified in this survey is the “Consensus-builder”. This type get along well with most other board members, speak in an agreeable tone, rally dissenting members to a proposed position and therefore provide a functional role in diluting tension and resolving conflict at meetings. Four statements were designed to identify the existence of this type. All four statements produced strong positive results with three of the mean scores ranging from 1.61 to 1.93 and one statement at 2.28. This could imply a high presence of Consensus-builders on the boards. This is not ideal as this type can be slow to identify problems and also slow to react causing the board to slide into a crisis situation. The board needs to balance this composition with the more assertive types of members as without these this type of board can never be effective.

5.2.6.2 The Dysfunctional Behavioural Type

Board members can behave in a dysfunctional manner for many reasons. Some of these being that they are not competent in a skill desired by the board, they joined the board for prestigious reasons or were part of the “friend finding” approach, were part of a quota system or merely have the wrong innate temperament.

The first type of dysfunctional member is the one who finds it difficult to work as a team, revels in dissent and constantly interrupts others and for this research study are known as the “Controlling” type. Three statements tested for the presence of this type with all three mean scores coming in close to 2.9 with a majority “disagree” selection. The more important score is the “strongly agree” option which will indicate

the portion of members presenting these behaviours in the extreme. Two of the scores were close to 3.6% with the third at 2.41% showing a clear presence of this “Controlling” type of board member. Since the distribution is clearly skewed towards the negative end of the spectrum, we can conclude that this type is in the clear minority on these boards.

The second type of dysfunctional type of board member was measured using two statements. This type of member is often the “free-rider” who seldom participates in dialogue and will vote with the majority and for this research purpose is known as the “Conformist”. The results for these two statements were conflicting with a small majority agreeing to there being “members who seldom voice their opinions” but with a strong majority disagreeing to “I try not to rock the boat at meetings”. These results should have produced similar distributions as they were targeting specific characteristics of this behavioural type. With 2.41% agreeing not to rock the boat and exactly 2.41% disagreeing to members not speaking up, it would be interesting to know if that latter group were not able to see themselves as never speaking up and are the same group that do not rock the boat. Regardless, there remains some common ground in the results and this percentage can be attributed to the existence of the Conformist board member.

The third type of dysfunctional member is the “Critic” and was also measured with two statements. The Critic always complains about the school and often offends other board members with their abrasive and confrontational manner. Both statements required a positive response to identify this type and both produced similar distributions. Less than 5% of respondents strongly agreed with these statements indicating a low presence, but a presence none the less.

The final type of board member in this category is the “Cheerleader” type represented with two statements. They are known as the non-performers on the board, are ill-prepared for meetings and although they are very enthusiastic and attend all meetings, they often lead the discussion off track. Both statements produced a similar balance between the “agree” and “disagree” options, but with a higher “strongly agree” option of 10.84% to there being non-performers on the board. This is compared to the 1.20% response in this category to members leading the discussion off topic. These two statements appear not to support one another

in achieving the objective, but regardless of the specific type of dysfunctional member this was aiming to test, the results show dysfunctional behaviour is present at these schools.

5.2.7 The Sustainability of the School

The objective of this section was to investigate the future sustainability of the schools on whose boards the respondents served. Once this aspect was measured then the results of each prior objective could be tested by investigating the relationship between the previous five objectives with this section.

Section G was designed to have seven all-encompassing statements related to the future sustainability of a school. These include similar stakeholders to the triple bottom line approach of people, planet and profit.

5.2.7.1 The People Aspect of Sustainability

The people aspect is measured with three statements and incorporates the three primary stakeholders of the school – the employees, pupils and the community. The first of these statements measures the impact or interconnectedness the school has with the local community. This is essential for the sustainability of the school as schools like any organisation cannot act in isolation. They need to contribute positively to the community and engage in its people. Whether this is through employment opportunities or scholarship opportunities, a connection needs to be made. More than 90% of respondents felt that their school was making a positive contribution to the community. The statement regarding staff turnover assumes that if staff turnover is high, it is because the employees were unhappy in the school for whatever reason and chose to leave. Exactly 90% of respondents disagreed with staff turnover being high in their school. The third statement in this category dealt with the pupil aspect of the school which is a school's reason for existence. The statement focused on whether the all-round performance of the pupils is perceived to be excellent. Successful all-round results either in Matric or the final year of a primary school will ensure strong word of mouth marketing and a constant demand for that school's educational offering, ensuring its future success. More than 90% of respondents agreed that the perception was excellent and this was a strong indication that these schools are sustainable.

5.2.7.2 The Planet Aspect of Sustainability

The planet aspect was measured in one statement and queried the “green” status of the school. To obtain a green flag status, independent schools have to report on a variety of factors such as recycling of waste and energy and water saving methods. Although the majority claimed having this status in their school, an almost equal minority did not show this potential for sustainability. This can be a neglected aspect of sustainability in schools as it is sometimes perceived to be the sole responsibility of big corporates which in their operational process, damage the environment.

5.2.7.3 The Profit Aspect of Sustainability

Two statements measured the current pupil occupancy level of the school and the length of the waiting lists respectively and indirectly aimed to measure the financial health of the school. These statements were also measuring the success of past pupils which would presumably generate future demand. A third statement directly tested the financial sustainability of the school and questioned whether board members were concerned about the financial position of the school. Similar results were found for those who were concerned about the financial position of the school and the schools whose pupil numbers were below capacity. However, these schools were in the minority with most schools being sound financially and therefore predicted to be a going concern in the future.

An effective board would be concerned about sustainability as the long term future of the school should be its primary focus. The underlying assumption to this section is that the seven statements are a true measure of the success of the school and hence the effectiveness of the board.

5.2.8 The Key Determinants of Board Effectiveness

The final step in this research was to investigate the relationship between each of the five objectives measured in Sections B to F with the measure of school success and associated board effectiveness in the final Section G in order to establish the key determinants of board effectiveness. The Spearman rank-order correlation test was used to measure these five relationships.

The analysis showed that only the composition of boards as measured in Section E was significantly, positively correlated to the effectiveness of the board as measured in Section G. Section D which measured the competence of board members was shown to be negatively correlated to board effectiveness which is in conflict with prior research. The remaining three components of board effectiveness were positively correlated to Section G, but not significantly so. On the surface it would appear that the respondents mostly selected responses in each of the five sections that would indicate trends of an effective board. The final section measuring the effectiveness based on school success also indicates a strong presence of successful schools with sustainable futures. Therefore it would be simple to assume that the five key determinants are the cause of the success, however, the statistical test does not prove a significantly positive correlation between each key determinant and board effectiveness and therefore this study has not been conclusive in its support of previous research.

5.3 Summary

The results on the whole reflect an effective composition of boards across the five components. Boards still appear to be grappling with the recruitment process which is aggravated in the school context by the talent pool coming mostly from the parent body. Discussing the operational management of the school also appears to be an area board members cannot resist for the reason that in their own field of expertise this is what they do best and it is difficult to change roles when acting as a board member. Competence is at a high level with only the succession plan and board evaluation being neglected. School boards remain dominated by White males with a high level of education and predominantly business management experience. The behavioural characteristics show the full range of both functional and dysfunctional members with the former being substantially more predominant. It was however, difficult to establish the exact mix of the functional types and therefore not possible to determine the presence of true effective behaviour.

CHAPTER SIX

Conclusions and Recommendations

6.1 Introduction

The objective of this research was to investigate the five key determinants of board effectiveness in independent schools. These key determinants were demographic composition, competence, selection methods, the scope of decision making, and the behavioural characteristics of board members. This investigation established the mix and methods of these school boards in relation to what is already determined from past research as effective components of a board. The results of each objective was correlated to a measure of board effectiveness in schools. This measure being the sustainability of the school measured by the “People, Planet, Profit” approach to sustainability.

This research has been able to determine the level of existence of the five key determinants of board effectiveness in the independent school market. The results show that although the majority of the school boards who participated were strong on the key determinants there remained room for improvement in many areas. In each component of effectiveness there are still board members not functioning effectively and with knowledge of these results and an annual evaluation the board can slowly start the change process to become fully effective. Although the results of the measure of success of the school was mostly very positive with the majority of the schools ticking all the boxes with regard to sustainability, the statistical correlations between each component and the measure of board effectiveness were not proven to be significant.

6.2 Conclusions

This study has highlighted the importance of viewing boards as microcosms of society with multiple variables affecting their performance as a team. Composing boards beyond the basis of structure and rather focusing on the competency and behavioural characteristics of board members and the level of discussion at meetings is now a key factor determining effectiveness in boards.

This study does reflect a high level of competence in the boards, but also indicates a tendency of boards to still interrogate the operational aspects of the school and to partake superficially in the generative style mode of discussion which prevents enhanced board performance. Independent school boards still struggle with the recruitment process of members and do not take cognisance of the crucial element of behavioural characteristics when recruiting which would assist in obtaining the perfect mix of members. This latter element is where recent research on corporate boards is moving and although school boards are restricted by their talent pool it is still possible to apply this approach to recruiting and benefit from the impact this optimal mix will have on the team dynamics in the boardroom. Succession planning for the chairperson is another weak area in school boards and most boards in this study ignore the need for an evaluation process of board performance. This last point is difficult to apply as it relies on the board members themselves to initiate this process and the tools needed to carry out the evaluation are not always known and are unfamiliar to most boards.

6.3 Implications of this Research

Research on board effectiveness in a school environment and especially an independent school environment both nationally and globally has been minimal. This research study is the first of its kind to be applied to the schools under the Independent Schools Association of Southern Africa. Education is known to be one of the key determinants of an economy's long term growth and South Africa in particular desperately needs this injection to up skill its workforce. Since school boards are the governing body of the organisation, whether private or public, they need to be an effective system to guide and grow the school to reach its full potential and produce well-educated children who too can go forward to lead the country to greatness. All schools particularly those in South Africa can benefit from this research by being aware of the five key determinants of effective boards and applying this knowledge to their school board. In the short term the benefits lie with the board members and all the stakeholders within the school itself, but in the long term this research can impact on the entire economy of the country as educated pupils flow out of the school system into the working world to make a difference.

6.4 Recommendations to solve the Research Problem

All school boards need to be informed on the key determinants of board effectiveness to benefit from this research. ISASA has published a book on the topic which is available for purchase by schools. They also conduct road shows to schools aimed at board members. Both the book and the presentation focus primarily on the role of the board and the scope of decision making. This training needs to be expanded into the more recently researched components of board effectiveness, these being board competence, selection procedures and most importantly the behavioural characteristics of board members. ISASA is currently investigating the possibility of starting a separate association aimed solely at governors in order to provide support through the dissemination of specific information. It is recommended that the researcher of this study participates in the operational management of this association, the duties of which could be:

- The creation of a website specifically for school governors to provide access to all related articles and relevant legislation.
- Source or write articles on board effectiveness for the webpage.
- Design a skills/behavioural matrix for use in the selection process of board members. This would also assist with succession planning for all board members.
- Design an evaluation toolkit encompassing all the components of board effectiveness.
- Assist with administering the evaluation questionnaire and the assessment thereof.
- Assist with the design of an updated presentation to include all the key determinants of board effectiveness.
- Assist with rewriting the ISASA guide on effective school governance.
- Develop a conference programme for board members of schools.

6.5 Recommendations for Future Research

This research relied on the completion of an on-line survey by board members who were unfamiliar with the researcher. This anonymity was thought to limit the

response rate. Although the Director of ISASA did promote the study on two occasions to the Heads of schools, the survey was subsequently distributed directly from the researcher's email address. Board members may not have made the connection between the two and viewed the request for participation in the survey as being from an unknown source and therefore the compulsion to complete would be poor. Future research on this topic should be distributed from an ISASA email address which the board members would identify with and then feel more obligated to complete.

This higher response rate may also have increased the likelihood of a larger variety of schools responding. It was apparent to the researcher that the majority of responses came from the successful schools and not from the schools that were still developing and therefore the study did not tap into the full range of independent schools. It is human nature that a school that believes they are successful and prosperous has nothing to lose or nothing to hide in being assessed and sharing their information. They are also most likely to be interested in a survey evaluation as they perceive that to be a growth opportunity which comes from a successful mind-set. A struggling school on the other hand may not yet be interested in information at this level as they are still focused on the fiduciary aspect of their business and only once beyond this growth point will they be able to look above and beyond to more long term issues. It would have been valuable to have the input from the lower performing schools to establish a trend in the components of those boards. In being more inclusive, a more heterogeneous sample would have been available which is more representative of the population.

A further problem with the administration of this study, which was unavoidable for the purpose of this study, was that the responses were calculated in the aggregate which meant individual boards could not be analysed separately. The correlations between the five key components and board effectiveness were diluted as within the total there could have been individual boards with significant positive correlations, but were lost in the aggregates. A more valuable study would be to evaluate each board separately which would allow the researcher to pinpoint the exact mix on the board and relate that to the specific success of a particular school which would produce significant results. This would be possible with support from

ISASA to promote board evaluation in schools which could be conducted by ISASA themselves for objectivity and anonymity.

This research topic included five components of board effectiveness which was in hindsight a complicated task. Further research could focus on less components in more depth. In particular the most recent findings show the behavioural characteristics to be of primary importance in determining board effectiveness. This topic is in itself a complex one and needs thorough evaluation to be significant. This topic alone could form the basis of a standalone research topic and could be valuable in establishing the perfect mix of functional types of board members.

6.6 Summary

This research study has been successful in identifying the existence and mix of the five key components of board effectiveness in the independent schools which participated. It has not significantly proven a positive correlation between these components and board effectiveness. At face value, however it appears that the schools which participated do have effective boards played out in the success of their schools and that these schools also revealed that most of the five key determinants of board effectiveness were evident in their boards at varying degrees. There remains much potential for improvement in certain key factors which are necessary to fully benefit from improved board effectiveness.

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30 September 2014

Mrs Melissa Kate van Rooyen 852850237
Graduate School of Business and leadership
Westville Campus

Dear Mrs van Rooyen

Protocol reference number: HSS/1060/014M

Project Title: The key factors determining Board effectiveness in Independent Schools

Full Approval – Expedited

This letter serves to notify you that your application in connection with the above has now been granted **Full Approval**

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project; Location of the Study, Research Approach/Methods must be reviewed and approved through an amendment /modification prior to its implementation. Please quote the above reference number for all queries relating to this study. PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol

Yours faithfully

.....
Dr Shenuka Singh (Chair)
Humanities & Social Science Research Ethics Committee

/pm

cc Supervisor: Dr Abdulla Kader
cc Academic Leader: Dr E Munapo
cc School Admin: Ms Zarina Bullyraj

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