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Impact of Demographics on Implementation of Sustainable Corporate Governance Practices

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Abstract:

This article investigates the perceptions regarding the impact of demographics on the implementation of corporate governance practices in selected organisations within the Nelson Mandela Bay region of South Africa. To achieve the research objectives of this research project, both a literature study and an empirical investigation were conducted. The comprehensive literature study, mainly based on journal articles, formed the theoretical framework for collecting the primary data. One hundred and seventy five self-administered questionnaires were returned from organisations in the designated population. A total of 80 null-hypotheses were formulated and tested as to investigate the relationship between the 10 dependent variables (perceptions regarding corporate governance practices) and eight independent variables (demographical data). Only six null-hypotheses indicated statistically significant relationships between these variables and are reported in this article. Practical guidelines are provided as to ensure more effective implementation of sustainable corporate governance practices in the workplace.

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

INTRODUCTION

The main purpose of this article is to investigate perceptions regarding the impact of demographics on the implementation of corporate governance practices within selected organisations. According to Hough, Thompson, Strickland and Gamble (2011: 325), the word governance is derived from the Latin word “gubernare” which means to steer, thus referring to the process of running a government or an organisation. This process consists of mechanisms and institutions, through which an organisation articulates their interests, exercise legal rights, meet obligations and mediate differences (McLennan & Ngoma 2004). Hendrickse and Hendrickse (2004) concur that it is a “partnership of shareholders, directors and management to provide wealth creation and economic well-being to the wider community of stakeholders and society.” Chau (2011:7) argues that there has been a remarkable increase among researchers and practitioners to investigate corporate governance. The two main reasons for the upsurge in interest in corporate governance are: the economic liberation and deregulation of industries and the demand for a new corporate ethos (Joyner & Payne 2002:297). This new paradigm for corporate governance is based on the demand for greater accountability of organisations to both shareholders and customers (Bushman & Smith 2001:237). Corporate governance is thus aimed at creating a balance between economic, social and environmental goals of an organistion as to ensure efficient use of resources and accountability in the use of power (Sethi 2002:20). The first aspects to be highlighted in this article are the problem statement and research objectives to be achieved. Thereafter, a theoretical overview of corporate governance practices is provided. The next section outlines the research methodology followed in this research project and the results of the empirical investigation. Lastly, the main conclusions and recommendations of the study are presented.

PROBLEM STATEMENT

Crossland and Hambrick (2007: 767) are of the opinion that corporate governance reflects the set of mechanisms used to manage the relationship among various role players and to determine and control the strategic direction and performance of an organisation. Rutherford, Buchholtz and Brown (2007: 414) concur that at the core is to ensure that strategic decisions are made effectively and to establish harmony between parties whose interests may conflict. Le Breton-Miller and Miller (2006:731) further postulate that the recent emphasis on corporate governance stems mainly from two reasons: failure of governance mechanisms to effectively control top management decisions resulting in fraud and corruption and evidence that well-functioning governance and control systems can be a source of competitive advantage for an organisation. Although various researchers (see for example Carroll & Shabana 2010: 85; Cornelius, Todres, Janjuha-Jivraj, Woods & Wallace, 2007: 355 and Robbins, 2008: 330) attempted to investigate different aspects and dimensions of corporate governance, Filatotchev and Boyd (2009:257) are of the opinion that effective corporate governance practices are dependent on specific organisational context factors which require a more

holistic and open systems approach. In analysing the literature on the influence of demographic factors on corporate governance practices in organisations, it appears that various authors (see for example Kakabadse & Kakabadse 2007:169 and Kiel & Nicholson 2003:189) have divergent viewpoints on the effect of these factors on corporate governance. Mwika (2012:1) states it further appears that although abundant international literature exists on corporate governance, limited studies have been conducted on corporate governance practices within African organisations. This led to the following research question to be addressed in this article:

> "*What are the perceptions regarding the impact of demographics on the implementation of sustainable corporate governance practices within selected organisations in the Nelson Mandela Bay region of South Africa?*"

OBJECTIVES

The primary objective of this article is to investigate the impact of demographics on the implementation of sustainable corporate governance practices within selected organisations in the Nelson Mandela Bay region of South Africa? To help achieve this primary objective, the following secondary goals are identified:

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

THEORETICAL OVERVIEW OF CORPORATE GOVERNANCE PRACTICES

Concept clarification

Aguilera, Filatotchev, Gospel and Jackson (2007:475) define corporate governance as "mechanisms to ensure that executives respect the rights and interests of stakeholders, as well as making those stakeholders accountable for acting responsibly with regard to the protection, generation and distribution of wealth." Henry (2011:392) concurs that corporate governance is the manner in which organisations are directed and controlled and the processes by which corporations are made responsive to the rights and privileges of stakeholders.

Nature of sustainable corporate governance practices

Brajesh (2010) argues that corporate governance practices include a set of structural arrangements that align the management of organisations with the interests of stakeholders and covers ethical, efficiency and accountability issues. There are four cornerstones of governance philosophy which include: trusteeship; transparency; empowerment and accountability and control. Corporate governance practices, policies and procedures should thus ensure that it covers these four critical areas which in essence capture the real nature of corporate governance. Kim and Nofsinger (2004) further state that corporate governance originate as a result of corporate ownership and control being divided between two role players, namely stakeholders and management. The stakeholders own the organisation and management control it.

Various researchers (see for example Filatotchev & Boyd 2009:257; Hambrick, Werder & Zajac 2008:381 and Shipilov, Greve & Rowley 2010:846) attempted to investigate various corporate governance practices within different organsiational settings. For the purpose of this article, the following 10 sustainable corporate governance practices will be highlighted and investigated:

- King III Report
- Ethics
- Corporate citizenship
- Board of directors
- Internal auditing and audit committee
- Risk management
- Governance of information technology
- Stakeholder relations
- Integrated sustainable reporting and disclosure
- Compliance procedures and standards.

These practices, as indicated in Table 1, will also form the theoretical framework for conducting the empirical study.

TABLE 1: ASPECTS OF SUSTAINABLE CORPORATE GOVERNANCE PRACTICES

Source: Own compilation

ASPECTS OF SUSTAINABLE CORPORATE GOVERNANCE	AUTHORS
KING III REPORT	
• Emphasis should be on an inclusive approach, not only focusing on the financial aspects of governance, but also addressing social and environmental aspects (integrated reporting) • Primary characteristics of good governance include: discipline; transparency; independence; accountability; responsibility; fairness and social responsibility • The principles and best practices recommended in the King III report should be applied throughout the organisation. • More emphasis should be placed on sustainability and its inseparable interface with strategy and control. • There should be a separartion of ownership and control in an organisation as to avoid conflict of interests.	Hough *et al*., (2011:327) Malin (2011:390) Maritz, Pretorius & Plant (2010) Marx & Els (2009:5) Rossouw (2011: 327)
ETHICS	
• Ethical leaders should articulate and embody the purpose and desired values of the organisation. • Ethics and values should be communicated to all employees. • Unethical behavior must quickly be disciplined at all levels. • Comliance with an ethics code should be practiced. • There is a need for transparency of information which allows organisations to be held accountable for actions taken.	Ghillyer (2010:84) Gowdy (2008:Internet) Pae & Choi (2011:323) Pietersen (2009:152) West (2009:10) Windsor (2009:306)
CORPORATE CITIZENSHIP	
• Good corporate citizenship results in having comprehensive policies and practices in respect of society and the environment. • Interests of all stakeholders are incorporated into the organisation's strategies. • The triple bottom line enables the organisation to be relevant to the society and natural environment in which it operates. • Organisations should give something back to the community which will ultimately help to improve their economic performance. • Corporate citizenship is about a new contract between organisations and society which aligns profitable organisations with healthy communities.	Birch (2001) Crane, Matten & Moon (2011: 64) Matten & Crane (2003:Internet) Maxfield (2008:367) Morgan, Ryu and Mirvis (2009:39)
BOARD AND DIRECTORS	
• The board of directors should determine the purpose/values and oversees the implementation of strategies and desired values. • The board should be led by an independent non-executive Chairman and is not the CEO of the organisation. • Directors should be held personally liable for failing to exercise their duties. • Directors have must have courage to take responsible decisions regardless of the risks involved. • The board must have the right mix of skills and experience and the time to do the job.	Adams, Hermalin & Weisbach (2008:Internet) De Andres & Vallelado (2008:2570) Ertimur, Ferri & Stubben (2010:53) Hambrick *et.al* (2008:381)
INTERNAL AUDIT & AUDIT COMMITTEE	
• Internal auditing should be a source of information with regard to fraud, corruption and unethical behavior. • Audit committee members are independent non-executive directors who are finacial literate. • The audit committee reviews reliability and accuracy of financial statements. • Audit committee responsible for appointment, compensation and oversight of external auditors. • There should be disclosure requirements with the committee's terms of reference and membership.	Abbott, Parker & Peters (2010:1) Beasley, Carcello, Hermanson & Neal (2009:65) Hoitash, Hoitash & Bedard (2009:839) Krishnan (2005:649)

RISK MANAGEMENT	
• Risk management should be inseparable from the organisation's strategic and business procedures. • The board of directors must ensure that risk assessments are performed on a continued basis. • Risk should be managed proactively by recognising the opportunities and downside aspects of risk. • Risk management performance is annualy reviewed and reported. • The board should ensure that adequate internal and external risk reporting mechanisms are in place.	Aven & Renn (2010) Castello & Lozano (2009:373) Laeven & Levine (2009:259) Subramaniam, McManus & Zhang (2009:316)
GOVERNANCE OF INFORMATION TECHNOLOGY	
• There should be a Chief Information Officer responsible for IT governance. • IT's strategy should be integrated with all strategic and business processes. • An IT governance framework should be developed and implemented throughout the organisation. • The organisation must have structures and processes that ensure that the organisation's IT sustains and extends the organisation's strategies and objectives. • Primary goals for information technology governance are: to assure that the investments in IT generate business value and mitigate the risks that are associated with IT.	Ko & Fink (2010:662) Petersen (2006:1) Van Grembergen (2004) Van Grembergen & De Haes (2009) Wilken & Chenhall (2010:107)
STAKEHOLDER RELATIONS	
• A balance is maintained between individual interests of stakeholders and collective good of the organisation. • Organisations to operate as good corporate citizens, due to the influence organisations have on the lives of stakeholders such as customers, employees, suppliers and communities, and on the environment. • An inclusive approach requires that the purpose of the organisation be defined; the values by which the organisation will carry out its activities be identified and it be communicated to all stakeholders. • Stakeholder engagement is all about by providing strategies, processes and infrastructure to enable the organisation to: discover what really matters to key stakeholders; involve them in providing feedback on corporate strategies and performance and monitor and manage stakeholder contributions and satisfaction levels.	Ansell & Gash (2008:543) Bingham, Nabatchi & O'Leary (2005:547) Carney, Gedajlovic & Sur (2011:483) Mason, Kirkbridge & Bryde (2007:284) Renneboog, Ter Horst & Zhang (2008:302)
INTEGRATED SUSTAINABLE REPORTING AND DISCLOSURE	
• Environmental, social and economic issues are considered important in the organisation (triple bottom line). • A useful framework for green reporting focused on four issues: use of scarce resources, pollution, social impact and global warming. • Sustainability reporting and disclosure is indepedently verified. • Integrated reporting on economic, social and environmental issues should be forward-looking so that stakeholders can make more informed assessments of the economic value of an organisation as opposed to its book value. • Integrated reporting provides greater context for performance data, clarifies how sustainability fits into operations and may help embed sustainability into decision-making.	Adams & McNicholas (2007:382) Bebbington, Higgins & Frame (2009:588) Daub (2007:75) Schaltegger & Wagner (2006:1)
COMPLIANCE PROCEDURES AND STANDARDS	
• Compliance policies and procedures should be developed by management and approved by the board. • Compliance is part of the risk management process. • The board should ensure that there is compliance with all the principles of the King III Report. • Organisations must comply with the law and regulations (Acts promulgated by Parliament, subordinate legislation and applicable binding industry requirements, such as JSE listings requirements). • Compliance with laws and regulations should be proactively managed and compliance should be a standing item on the agenda of the board.	Camm, Blount, Boston, Camm, Cirabisi, Cooper, Datskovsky, Fox, Handal, & McCraken (2010:73) Filippakou, Salter & Tapper (2010:543) Humphreys (2008:247) Rajkumar & Dorfman (2010)

IMPACT OF DEMOGRAPHICS ON IMPLEMENTING SUSTAINABLE CORPORATE GOVERNANCE PRACTICES

In analysing the literature on the influence of demographic factors on corporate governance practices in organisations, it appears that various authors (see for example Murphy & McIntyre 2007:209 and Zimmermann & Stevens 2008:189) have divergent viewpoints on the effect of demography on corporate governance. Brammer, Millington, Pavelin (2009:17) and Shropshire (2010:246) specifically investigated the role of different organisational characteristics on board of director effectiveness. Authors (such as Dhir 2010:569; Ruigrok, Peck and Tacheva 2007:546 and Terjesen, Sealy and Singh 2009:320) focused on demographics such as the role of gender, race and nationality and its influence on corporate governance practices and also identified conflicting results. Cheng, Chan and Leung (2010:261), on the other hand, allege that various management demographic characteristics (such as education level, title, age and tenure) could influence corporate governance. Despite these notions, Minichilli, Zattoni and Zona (2009:55) postulate that there is often an over reliance on the use of demographic data.

FIGURE 1: HYPOTHETICAL MODEL OF THE STUDY

Independent variables: Demographics		**Dependent variables: Corporate governance practices**
	→	**King III Report**
Gender ($H0_1$ - $H0_{10}$)		**Ethics**
Education ($H0_{11}$ - $H0_{20}$)		**Corporate citizenship**
Ethnicity $H0_{21}$ - $H0_{30}$)		**Board of directors**
Position in organisation ($H0_{31}$ - $H0_{40}$)	→	**Internal audit committee**
Period of employment ($H0_{41}$ - $H0_{50}$)		**Risk management**
Size of organisation ($H0_{51}$ - $H0_{60}$)		**IT Governance**
Sector ($H0_{61}$ - $H0_{70}$)		**Stakeholder relations**
Industry type ($H0_{71}$ - $H0_{80}$)		**Integrated sustainable reporting**
	→	**Compliance procedures**

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

The following null-hypotheses are thus reported and tested in this article:

$H0_{11}$: There is no relationship between the perceptions regarding the *King III Report* and the *educational level* of respondents.

$H0_{13}$: There is no relationship between the perceptions regarding *corporate citizenship* and the *educational level* of respondents.

$H0_{19}$: There is no relationship between the perceptions regarding *integrated sustainable reporting and disclosure* practices and the *educational level* of respondents.

$H0_{31}$: There is no relationship between the perceptions regarding the *King III Report* and the *position of respondents* in an organisation.

$H0_{55}$: There is no relationship between the perceptions regarding the role of *internal auditing and the audit committee* and the *employment size* of an organisation.

$H0_{79}$: There is no relationship between the perceptions regarding *integrated sustainable reporting and disclosure* practices and the *industry type* of respondents' organisations.

The research hypotheses can be stated as the exact opposite of these stated null-hypotheses.

RESEARCH METHODOLOGY

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

Research paradigm

The positivistic research paradigm by means of the quantitative research method is used in this study. It is a form of conclusive research involving a large representative sample and structured data collection procedures. This is ensured by means of exploratory and descriptive research aimed at describing perceptions regarding the impact of demographics on the implementation of corporate governance practices in selected organisations.

Population and sampling

The unit of analysis will be CEO's and mangers of organisations. For the purpose of this research project, the target population consists of all medium-sized organisations (employing 51 to 200 employees) and large-sized organisations (employing more than 200 employees) mainly in the Nelson Mandela Bay region of the Eastern Cape in South Africa. The reason for the selection of this population is that these organisations are more likely

inclined to implement corporate governance practices on a larger scale as compared to smaller organisatioins which might not implement these practices to the same extent.
From this population a non-probability purposive and convenience sample of 200 organisations were drawn, based on accessibility and availability. Clear instructions were given to fieldworkers as to ensure that the condition under which the empirical study was conducted, such as the time, place and manner is conducive for effective research.

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

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

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

Data collection
A comprehensive literature study was conducted whereby secondary data was collected by means of text books, journal articles and the Internet. Primary data were collected by means of a survey during which 200 self-administered questionnaires were distributed. A total of 175 correct completed questionnaires were obtained, giving an effective response rate of 88%.

Data processing and analysis
The data was analysed by means of the SPSS statistical software computer package. The techniques used during the data analysis stage included: descriptive statistics (e.g. mean and standard deviation), frequency distributions (percentages), reliability testing (Cronbach's alpha), exploratory factor analysis and analysis of variance.

EMPIRICAL RESULTS

The main empirical results are outlined in this section.

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

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

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

Source: Own compilation

Regarding the measure of central tendency (mean values) of the 10 factors, it appears that the values cluster around point four (agree) on the instrument scale. The highest mean value was obtained for the factor regarding compliance procedures and standards (4.16). None of the mean scores lies on the disagreement side of the scale (point one and two), indicating that most of the respondents agree with these statements related to corporate governance practices. The measure of dispersion used is the standard deviation. Al the scores are below one, indicating that responses did not vary much around the mean scores.

Demographic profile of respondents

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

TABLE 3: FREQUENCY DISTRIBUTION RESULTS: A RESPONDENT PROFILE

Characteristic	Category	Amount	(%)
Gender	Male	120	69
	Female	55	31
Highest educational level	Grade 12 or equivalent	30	17
	Diploma or National Certificate	43	25
	Bachelor's degree	36	20
	Postgraduate degree/diploma	65	37
	Other	1	1
Ethnic group	Black	46	26
	Coloured	27	16
	White	90	51
	Asian	12	7
Position on business	CEO	14	8
	Manager	132	75
	Other	29	17
Length of current employment	1-5 years	62	35
	6-10 years	50	29
	11-15 years	30	17
	16 years +	33	19
Employment size	Medium (51-200 employees)	66	38
	Large (201+ employees)	109	62
Employment sector	Public	54	31
	Private	121	69
Industry	Manufacturing	42	24
	Retailing/Wholesaling	45	26
	Financial, insurance, real estate	39	22
	Architecture	1	1
	Agriculture, forestry, fishing	4	2
	Catering and accommodation	9	5
	Construction and engineering	2	1
	Mining	9	5
	Transport/Travelling	9	5
	Communication	3	2
	Medical	3	1
	Leisure and entertainment	8	5
	Other	1	1

Source: Own compilation

From Table 3, the following is evident:

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

Reliability and validity of the measuring instrument

External validity refers to the generalisation of research results to other population groups and has been ensured by means of clear guidelines regarding the place, time and conditions in which the research was to be conducted. The internal validity of the instrument's scores is ensured through both face validity and content validity. Expert judgement by researchers in business management, ethics and statistics and a pilot study among 10 organisations in the designated region were undertaken. An exploratory factor analysis was conducted to test the validity of the measuring instrument. The statistical software package, SPSS, was used to determine Cronbach's alpha values for the 10 predetermined factors (perceptions regarding corporate governance practices) to confirm the internal reliability of these 10 factors (refer to Table 4).

Table 4: Factor loadings and Cronbach's alpha values for section A of the questionnaire

Statements	Factor	Minimum loadings	Maximum loadings	Cronbach's Alpha
1-5	King III Report	0.752	0.837	0.86
6-10	Ethics	0.728	0.871	0.85
11-15	Corporate citizenship	0.791	0.872	0.88
16-20	Board and directors	0.657	0.759	0.74
21-25	Internal audit and audit committee	0.733	0.907	0.90
26-30	Risk management	0.768	0.869	0.87
31-35	Governance of information technology	0.424	0.854	0.86
36-40	Stakeholder relations	0.773	0.862	0.88
41-45	Integrated sustainable reporting and disclosure	0.732	0.829	0.88
46-50	Compliance procedures and standards	0.786	0.848	0.88

Source: Own compilation

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

ANOVA

The purpose of this analysis is to investigate the relationship between the independent variables (classification data) and dependent variables (corporate governance practices) and to test the stated 80 null-hypotheses. Eighty null-hypotheses were originally formulated, but only those six hypotheses indicating statistically significant relationships are elaborated on in this article. The results of the analysis of variance tests are given in Table 5.

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

Independent variables	Dependent variables	Df	F-test	P-value	Hypotheses
King III Report	Educational level	4	4.135	0.003	$H0_{11}$
Corporate citizenship	Educational level	4	4.648	0.001	$H0_{13}$
Integrated sustainable reporting and disclosure	Educational level	4	5.158	0.001	$H0_{19}$
King III Report	Position in organisation	2	6.829	0.001	$H0_{31}$
Internal auditing and audit committee	Employment size	2	13.721	0.000*	$H0_{55}$
Integrated sustainable reporting and disclosure	Industry type	12	3.126	0.001	$H0_{79}$

* $p < 0.01$

The ANOVA results clearly indicate the relationships between the independent variables (classification data) and dependent variables (corporate governance practices). The null-hypotheses, $H0_{11}$ and $H0_{13}$, can be rejected (p-value <0.05), indicating that there are significant relationships between perceptions regarding the King III Report and the educational level and position of respondents in an organisation. It also appears that there is a significant relationship between perceptions regarding corporate citizenship and the educational level of respondents and thus can $H0_{13}$ be rejected (p-value < 0.05). There appears to be a highly significant relationship between perceptions regarding internal auditing and the audit committee and the employment size of an organisation ($H0_{55}$ rejected at significance level of 0.01). Both null-hypotheses, $H0_{19}$ and $H0_{79}$, can be rejected (p-values < 0.05), indicating that there is a significant relationship between perceptions regarding integrated sustainable reporting and disclosure and the educational level of respondents and industry type, respectively. The alternative hypotheses can in all cases be accepted.

CONCLUSIONS AND RECOMMENDATIONS

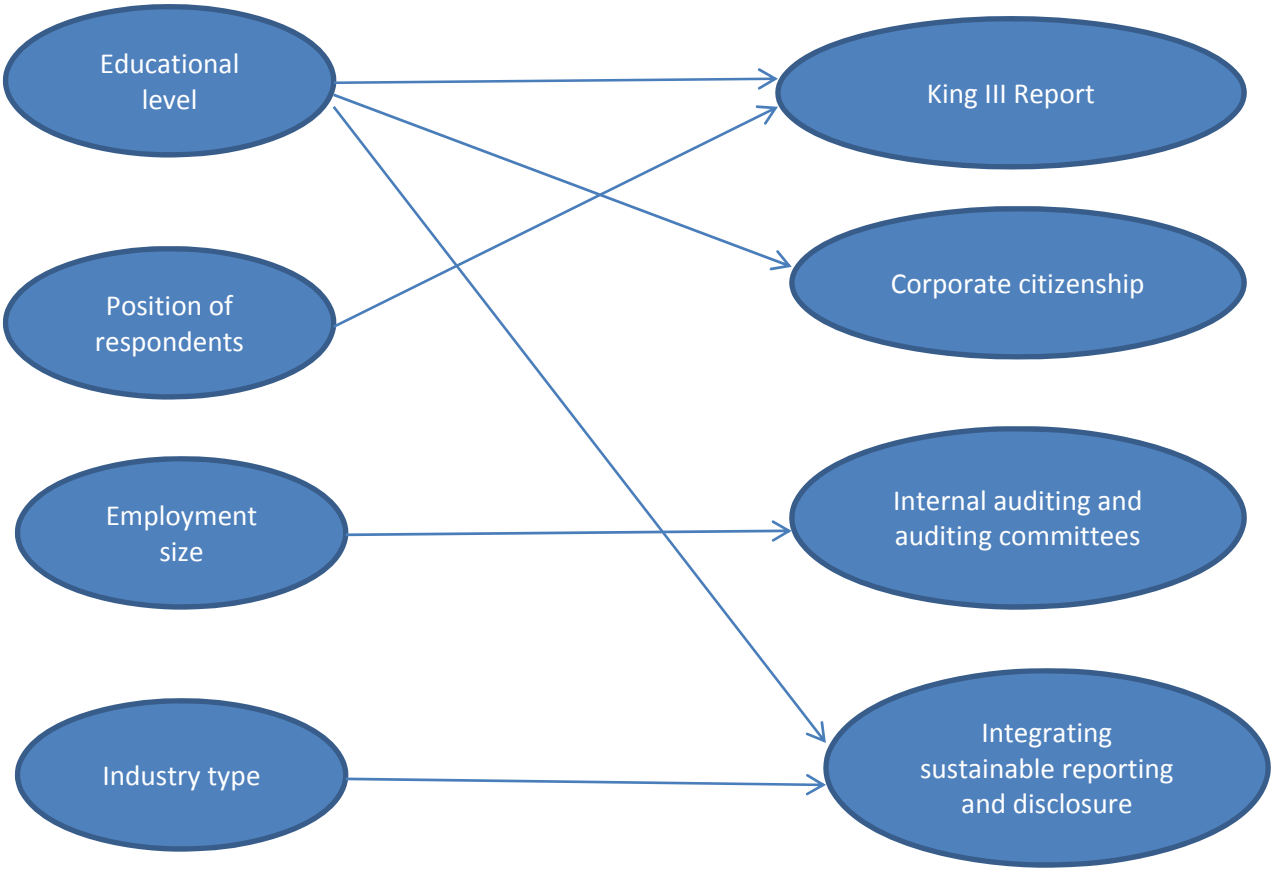
Corporate governance indicates the means by which direction and control are applied to the stewardship of an organisation's assets. It goes beyond the financial and regulation aspects of governance as to address the interests of a wide range of stakeholders and espouses the fundamental principle of social, ethical, environmental and good financial practices. There are four cornerstones of governance philosophy namely, trusteeship; transparency; empowerment and accountability; and control. Separation and specialisation of ownership (risk-bearing) and managerial control (decision-making) should lead to the highest return for its owners.

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

- There appears to be a statistically significant relationship between *perceptions regarding the King III Report* and the *educational level* of respondents in an organisation ($H0_{11}$ rejected). Respondents with higher educational levels differ in their perceptions regarding the King III Report, as compared to respondents with lower levels of education. Organisations should thus endeavour to ensure that all employees, regardless of educational level, are being exposed and properly educated regarding the role and function of the King III Report in corporate governance.
- There appears to be a significant relationship between *perceptions regarding the King III Report* and *position of respondents* in an organisation ($H0_{31}$ rejected). It was found that owners, managers and employees have different views regarding the role and function of the King III Report in the governance of an organisation. Especially lower level managers and employees need to be educated regarding the important role of the King III Report in corporate governance.
- Perceptions regarding *corporate citizenship* and the *educational level of respondents* also appears to be significantly related ($H0_{13}$ rejected). Lower educated respondents might not be that familiar with the nature and practice of corporate citizenship. Organisations should thus ensure that all employees are being introduced to the nature of being a good corporate citizen.
- There appears to be a highly significant relationship between the perceptions regarding *internal auditing and audit committees* and the *employment size of an organisatio*n ($H0_{55}$ rejected). Larger organisations are more likely to have extensive internal auditing practices and an audit committee as compared to smaller organisations. The ideal scenario would be that all organisations, regardless of employment size, have proper internal auditing practices in place and a proper constituted audit committee.
- It was further indicated that there is a significant relationship between the perceptions regarding *integrated sustainable reporting and disclosure* and the *educational level of respondents* ($H0_{19}$ rejected). Employees and managers with lower levels of education might not have been exposed to the fairly new concept of integrated sustainable reporting and are thus unfamiliar with this practice. Proper training is thus required as to ensure that all employees in the organisation are being introduced to this practice.
- Results also shown that there is a significant relationship between the perceptions regarding *integrated sustainable reporting and disclosure* and *industry type* ($H0_{79}$ rejected). Respondents employed in financial and insurance industries are more likely to be exposed to the nature of integrated sustainable reporting and disclosure as compared to respondents in, for example, a catering or accommodation business. Organisations across industries should thus strive as to introduce employees to the nature of this practice.

Figure 2 indicates the statistical significant relationships between the demographical variables and sustainable corporate governance practices.

FIGURE 2: IMPACT OF DEMOGRAPHICS ON IMPLEMENTATION OF SUSTAINABLE CORPORATE GOVERNANCE PRACTICES



Based on the statistical significant demographical results and its impact on implementing sustainable corporate governance practices in an organisation, the following is recommended:

- The principles of fairness, accountability, responsibility and transparency as depcted in the *King III Report* should be adhered to. Organisations should place strategies in place to ensure that all employees, regardless of *educational level,* are being exposed and properly educated regarding the role and function of the King III Report in corporate governance. Especially lower level *positioned* managers and employees need to be educated regarding the important role of the King III Report in corporate governance.
- Good *corporate citizenship* should result in having comprehensive policies and practices in respect of the society and environment. Organisations should thus ensure that all employees, irrespective of *educational level* are being introduced to the nature of being a good corporate citizen.
- *Internal auditing* should be a source of information with regard to fraud, corruption and unethical behavior. There should be an audit committee with at least three members who are independent non-executive directors. The ideal scenario would be that all organisations, regardless of *employment size*, have proper internal auditing practices in place and a proper constituted audit committee.
- *Sustainability reporting and disclosure* should be indepedently verified. Proper training is thus required as to ensure that all employees in the organisation, irrespective of *educational level* are being introduced to this practice. Organisations across *industry types* should thus strive as to introduce employees to be exposed to the nature of integrated sustainable reporting and disclosure.

Based on the statistical insignificant demographical results and its impact on implementing corporate governance practices in an organisation, the following general recommendations are provided:

- *Compliance policies and procedures* should be developed by management and approved by the board.
- Ensure that comliance with an *ethics code* is practiced throughout the organisation.
- The *board of directors* should determine the purpose and values of the organisation and oversee the implementation of strategies
- *Risk management* performance should be monitored, reviewed and reported annually.
- *Information technology* should be an integral part of the organisation and is fundamental to sustain and grow the organisation.
- *Stakeholders* should easily assess the organisation and its performance in a transparent manner.

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