UNIVERSITY OF LUSAKA

SCHOOL OF POSTGRADUATE STUDIES

A PERSPECTIVE OF CORPORATE GOVERNANCE PRACTICES AT SELECTED PRIVATE SCHOOLS IN LUSAKA DISTRICT

BY

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A dissertation submitted in partial fulfilment of the requirement for the award of the Master of Business Administration with Education (MBAED) degree of the University of Lusaka

2017

DECLARATION

I**, DAVID NYIMBILI,** do hereby declare that to the best of my knowledge, except where otherwise stated and acknowledged with a reference, that the contents of this dissertation are a result of my own study and findings.

I also agree to regard highly the ethical standards of research which include protection of the participants' confidentiality.

Signed ____________________________________

Supervisor : Dr Kapambwe Lumbwe. _____________________________

Date ______________________________________

DEDICATION

To my God, my Family and my Friends.

Thank you for believing in me

This is for you!

ACKNOWLEDGEMENTS

I would like to express my unlimited thanks to Dr. Kapambwe Lumbwe for committing his time and for the encouragement he had given me during the supervision of my dissertation. Indeed without his commitment, it would have been difficult to accomplish this dissertation in time.

In the same vein, I thank my girls; Helen my wife, Nthazi and Chipego for their moral and practical support all the time when I was busy writing this dissertation.

Many thanks go to the management of the schools that participated in this study and the officers at the Lusaka District Education Board Secretary's Office for positively responding to my demands for information.

I also thank my brothers and sisters; Panji, Tamara, Hope, Blessings and Kakusu who continued to cheer me on. I further thank my nieces and nephews who unknowingly spurred me on because their academic exploits were breathing down my back and I need to be a step ahead.

I convey my thanks to my friends that had been there to offer their advice and moral support during the course of this study. I acknowledge my classmates, especially Buthi wami Lenny Winjani Longwe who has been a comrade in arms.

Finally I offer special recognition to my Dad, who has been a father all the time. He never ceased to ask how I was doing and if I was on course.

I pay tribute to Almighty God for making me 'brainy' with the sharpest mind and keeping me mentally, emotionally and physically fit throughout the course of this study.

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ACRONYMS/ABBREVIATIONS

CEO – Chief Executive Officer

CIMA – Charted Institute of Management Accounting

DEBS - District Education Board Secretary’s

DEO - District Education Officer

ED – Executive Director

IoDSA - Institute of Directors in South Africa

IoDZ - Institute of Directors of Zambia.

ISAZ - Independent Schools Association

JSE - Johannesburg Stock Exchange

LENCO - Lusaka Engineering Company

LSE - London Stock Exchange

LuSE - Lusaka Stock Exchange Code

NPO - Non Profit Organisations

OECD - Organisation for Economic Co-operation and Development

PACRA - Patents and Company Registration Authority

PBO - Public Benefit Organisations

PEO - Provincial Education Officer

RAMCOZ - Roan Antelope Mining Corporation of Zambia

SEC - Securities and Exchange Commission

SME - Small and Medium Enterprises

UK – United Kingdom

USA - United States of America

ABSTRACT

This study was carried out among the private schools of Lusaka District to determine the level of corporate governance practices in selected private schools. The study set out to answer the questions:- What are the levels of compliance by private schools towards the appointment of Boards of Management?, How were these Boards of management appointed?, Which types of Board of Management have private school proprietors appointed?, To what extent do Boards of Management in the selected private schools of Lusaka practice the principles of corporate governance? By so doing the study assessed the level of compliance towards the appointment of management boards in private schools and the mechanism used to appoint the boards. Furthermore the study determined which type of management boards had been appointed in these selected private schools, and in addition measured the extent to which these boards of management where practicing corporate governance principles. Corporate governance is viewed as “the system by which companies are directed and controlled” (Cadbury Committee, 1992:14) and has become an important factor in the effective organisation and management of corporate entities.

The research employed the mixed research approach by utilising the survey research design because it was predominantly qualitative. The population of the study was 105 heads of schools of which 22 heads were sampled purposefully. To determine the practice of corporate governance principles seven heads and their board members were engaged from Nkhwazi Primary School, Rhodes Park School, Thorn Hill School, Woodford School, St Andrew’s School, Son Shine School and Little Lulu Primary School. Primary data were collected using questionnaires administered to Heads of

Schools and Board Members, including one-on-one interviews with officers at the DEBS Office. Secondary data were obtained from the DEBS Office and other literature. The quantitative data was sorted out, matched and then entered into the Microsoft Excel software. The qualitative data was sorted according to themes to manually derive tables for each variable.

The findings show that half of the private schools have boards of management in place which is contrary to the Education Act of 2011. It was discovered that there was no common mechanism to appoint the boards. It was further discovered that there was a fair balance between executive and non-executive types of boards. There was also evidence that these boards of management were selectively practicing principles of corporate governance. The corporate governance principles of the Combined Code were used as the variables to measure the level of adherence to corporate governance practices.

Due to the importance of corporate governance in the management of business enterprises it was recommended that more effort needs to be put in by the regulating authorities to ensure that there is adherence to legal requirements of school registration and renewal. It has also been recommended that proprietors of schools be engaged by institutions such as the Institute of Directors of Zambia to sensitise and train proprietors on the matters of corporate governance.

CHAPTER 1

BACK GROUND, STATEMENT OF THE PROBLEM, RESEARCH QUESTIONS, OBJECTIVES, SCOPE OF THE STUDY AND SIGNIFICANCE OF THE STUDY.

1.1 Introduction

This study has investigated the extent to which corporate governance practices were enforced in selected private schools of Lusaka. At its most basic level, corporate governance deals with issues that result from the separation of ownership and control.

Corporate governance as a concept scarcely existed before the 1990s. Today it is universally discussed wherever business and finance are brought up. The subject of corporate governance has presently spawned consultancies, conferences, speeches, research, academic degrees and innumerable articles. From the 20^{th} into the 21^{st} Century, countries have been revising their corporate governance practices in response to changes in the management of corporations. The establishment of a workable corporate governance system has become a priority for many countries around the world. Many authoritative bodies and legislation have been formulated to regulate corporate governance at international and national levels.

Corporate governance carries many different interpretations although it encompasses diverse disciplines and approaches. However, in the midst of all these variations, there are commonly agreed precepts that are fundamental to the definition of the concept. From the time the term ‘corporate governance’ was first coined in the early 20^{th} Century, many attempts have been made at framing a befitting definition. However, what has been accepted is that corporate governance has come to signify the best practices in the running and control of companies. CIMA (2006:3), define corporate governance as “the system by which companies and other entities are directed and controlled.” It is from this root definition that many other branches of governance have been formulated. For instance, the Institute of Directors of Zambia provides a further definition by saying corporate governance is:

> …the system by which the power of a corporation is exercised in the stewardship of the corporation’s total portfolio of assets and resources with the objective, of maintaining and increasing shareholder value, with the satisfaction of other stakeholders in the context of the

> organisation's mission (IoD, 2004:5).

The OECD Principles of Corporate Governance include in their definition the dimension of structure by stating that:

> …corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (OECD, 2004:11).

The Report of the Cadbury Committee on the Financial Aspects of Corporate Governance states that corporate governance is "the system by which companies are directed and controlled" (Cabury, 1992:15). Meaning that corporate governance desires to establish the confines of the relationship between stakeholders, management, and board of directors of a company and in addition provides sets of rules that influence how that company is to be operated. The World Bank (2016) in their online brief titled *Corporate Governance*, define corporate governance as:

> …those issues that concern the system by which companies are directed and controlled. It is about having companies, owners and regulators become more accountable, efficient and transparent, which in turn builds trust and confidence (The World Bank, 2016).

While there might be varied definitions of corporate governance, it is commonly noticeable that a common theme of the definitions is to create principles that focus on the control, management, monitoring and performance of a company in order to attain the objectives of the company.

The enforcement of corporate governance principles in any business enterprise plays a key role in the growth and development of not only that enterprise but also has a spin-off effect for the economy in which the enterprise operates. It is now mandatory in Zambia for private schools to have a board of management that is responsible to oversee the affairs of the institution. This study therefore, seeks to assess the extent to which Lusaka based private schools have gone in the formation of boards of management and to what extent these boards are practicing corporate governance principles.

Studies have confirmed the importance of good corporate governance in organisational performance and access to finance. On the other hand the failure of companies has also provided a basis for the study of bad corporate governance. The failure of companies that has occurred both internationally and locally has provided cases from which lessons have been learnt to enhance good corporate governance practices. For example, Finger (2016) reports that the loss of over US$40 billion by the Bank of America in 2008 was a consequence of failing to separate the positions of board chairman and chief executive officer of the bank. From this failure, good corporate governance, as advocated by Cadbury, has called for the separation of these two portfolios or firmer control and monitoring of the chief executive officer by the board or otherwise face the risk of dire consequences if ignored.

> Given the importance and particular nature of the chairman's role, it should in principle be separate from that of the chief executive. If the two roles are combined in one person, it represents a considerable concentration of power. We recommend, therefore, that there should be a clearly accepted division of responsibilities at the head of a company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision (Cadbury, 1992:22).

Another failure of corporate governance was the case of Enron. It grew to become one of the biggest companies in 2001 and in the following months more and more evidence emerged of fraudulent activities and weaknesses of corporate governance (Dibra, 2016:285). The fall of Enron was a result of unrestricted power that was vested in the chief executive officer. He further states that:

> …the failure of Enron to establish careful checking and monitoring structures within the company's governance framework laid it bare to the abuse of power and fraudulent activity" and consequently the collapse of the company (Dibra, 2916:288).

In Zambia, after 1990, there was an emergence of new banks on the market. For the first time the monopoly was broken from the old traditional banks. One prominent bank that came on the scene with a lot of pomp, great aura and promise was Meridian Bank. After the fall of Meridian Bank many other banks followed suit. Mushota (2002), in his study, *'Causes of the collapse of Banks in Zambia: A Legal perspective*', investigated the collapse of nine Zambian banks, namely: Meridian Bank, Union Bank Zambia, Zambia Export and Import Bank, Prudence Bank, Manifold Investment Bank, First Merchant Bank, Credit Africa Bank, Commerce Bank and Africa Commercial Bank. His discovery was that these banks' common cause for the collapse of the banks was failure of their governance systems. He attributes the major causes of failure to insider fraudulent activities by both or singly management and/or directors. The common factor of the collapse of the banks was their failure to disclose their position and their weak internal controls. This was a violation of good corporate governance practices as advocated in the Combined Code, which says:

> The disclosures relating to the application of Principle C.2 should include an acknowledgement by the board that it is responsible for the company's system of internal control and for reviewing its effectiveness. It should also explain that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss (FRC, 2003:39).

The practice of corporate governance principles has been regarded as fundamental to the survival of any organisation. The past thirty years have witnessed a sharp rise in corporate scandals and corporate failures all over the world including Zambia. In a speech made by the then Bank of Zambia Governor, Dr Caleb M Fundanga, at the launch of corporate governance guidelines for banks and non-bank financial institutions, in Lusaka on 28 November 2006, he said:

> As you all may be aware, the recent debacle of corporate scandals has resulted in the resurgence of interest in good corporate governance. These scandals have not been restricted to large businesses in the US or Europe, but have surfaced in emerging economies as well, with equally devastating effects………Here in Zambia, the collapse of a number of banks in the mid-1990's has largely been attributed to poor corporate governance. Some characteristics of this included dominant key shareholders, poor transparency and inadequate disclosure (Bank for International Settlements, 2006).

It is now commonly agreed that good corporate governance has become imperative in order to:-

i. Attract investors and assure them that their investments will be secure and efficiently managed;
ii. Create competitive and efficient companies and business enterprises;
iii. Enhance the accountability and performance of those entrusted to manage corporations, and;
iv. Promote efficient and effective use of limited resources. (OECD, 2004:11).

Zambia like any other country needs well governed and managed business enterprises and organisations that can entice investment, create jobs and wealth and at the same time remain viable, sustainable and competitive in the local and global market place.

1.2 Back Ground to the Problem

Zambia has undergone economic changes from 1991 when she embarked on a radical reform path that transformed it from a command economy to that of a market economy. The liberalisation of the economy has resulted in the mushrooming of private educational institutions because education has become an economically productive sector. Many individuals and institutions have invested heavily in education as business enterprises.

For example, Rhodes Park School started in 1973, when the proprietor purchased a small nursery school that had been established in 1966 to cater for Lusaka's white and expatriate community. Primary classes began seven years later in 1980. Further growth over the following years saw the need for more space and in 1985, a large plot of land was secured along Sibweni Road, Northmead, Lusaka where the School is currently located.

The current phase of the School's development began in September 1993. The School embarked upon a major expansion and redevelopment programme that has seen growth in all aspects: pupil numbers, revenues, staffing, infrastructure and facilities. The School currently runs from nursery to grade 12. The School recently acquired another site which is adjacent to the main campus. This will provide space for the recently commissioned nursery and eventually will also accommodate Boarding Houses and a School Hall (Rhodes Park School, 2017).

A further example is that of Chalo Trust School which began operations at a site in in Chamba Valley in 1995. The proprietors became dissatisfied with the school where they sent their children. They wanted a school that was relatively cheaper but offering good education and moderated by strong Christian values. Hence the dream to build a boarding school was conceived and Chalo Trust School opened its doors in January 2004. At inception there were only 9 pupils as against 18 teachers. By the end of 2004 the enrolment stood at 45 pupils and by the end of April 2005, the number of pupils had more than doubled to 110 pupils. Currently, enrolment is over 150 pupils (Chalo Trust School, 2017).

In both the examples cited above, the schools have grown from small entities to those that are now household names in Lusaka. The growth has been evidenced by the increase in pupil enrolment, staffing and infrastructure development.

Corporate governance plays an important function in the performance and operations of any organisation. It exerts a strong influence on resource allocation and impacts on the behaviour and performance of firms, innovative activity and entrepreneurship. In Zambia, corporate governance has become a topical issue in the last twenty years. This in a way coincides with the coming on board of privatisation, although the development of corporate governance lagged behind. In Zambia, the first corporate governance manual was published in 2000 by the Institute of Directors of Zambia in partnership with African Management Services Company. Considering the changes that where happening internationally, regionally and locally, the Institute of Directors of Zambia and the Corporate Governance Advisory Services Limited reviewed the manual to produce a more updated version in 2004 (IoD, 2004:3). In 2004, this review culminated in the publication of the 'Manual On Corporate Governance: A Guide For Zambian Companies And Organisations On Best Practices In Corporate Governance.'

From the 1990s, when Zambia went ahead with the policy of privatising state owned enterprises and liberalised the economy from command to that of free market, individuals and organisations are now free to invest in the establishment of private learning institutions. As a result, many private learning institutions have been established at all levels. However, the legislation to regulate and monitor these private learning institutions seemingly lagged behind. To this effect, the Government found it prudent to regulate the formation of private education institution through Acts of Parliament.

It is has been observed that the tenets of corporate governance are also slowly being embedded in the legislative framework such as The Bank of Zambia Act of 1996, The Banking and Financial Services Act of 1994, The Securities Act of 1993 and The Investment Act of 1993, to name a few. Mwanawasa, (2016:35) states that corporate governance, in Zambia, is generally regulated by legislation and best practice codes. His argument is that there are many principles of corporate governance that are already embodied in the different pieces of legislation. He further mentions that the Zambian Companies Act, in particular, aims to provide strong protection to shareholder rights in companies and businesses. In support of the Zambian Companies Act, Mwanawasa (2016:35) declares that Zambia has put in place corporate governance codes such as the Lusaka Stock Exchange Code (LuSE

Code), IODZ Corporate Governance Code for Small and Medium Enterprises (SMEs) and the Bank of Zambia Guidelines for financial institutions. All of these are tools that are intended to provide guidelines on good business practices.

What can be observed from the Acts referred to above is that they have something to do with the conduct of the business or regulation of finances. This is an indication of the seriousness that the Zambian Government is giving to the realisation and practice of corporate governance in the local business enterprises. While a company does not physically exist, even though it is a legal entity, it can function through the medium of the agency of human beings. In this regard, the Companies Act recognises these two primary agencies as:

a. General Meetings where members act collectively to make decisions for the Company;
b. The board of directors.

It is primarily through these organs that the company functions. Thus, section 215 (1) of the Companies Act states:

> ... the business of a company shall be managed by the directors, who may pay all expenses incurred in promoting and forming the company, and may exercise all such powers of the company as are not, by this Act or the articles, required to be exercised by the company by resolution (Companies Act, 1994:154).

In the Education Act of 1966 (Chapter 134 of the Laws of Zambia), Part IV (14), it is recorded that:

> Any person desirous of establishing a private school shall first make an application for the registration thereof to the Minister in accordance with the provisions of this Part (Education Act, 1966).

Once the person or institution has met the prescribed conditions as outlined in the Act, the Minister would give consent to the formation of this private school. What was missing in the Act, at that time, was lack of guidance on the management of these private schools. Each proprietor ran their institution in the manner they perceived best, with the major interest being on the return on their investment.

Between 1990 and 2000, Zambia witnessed a number of corporate failures in banking, commerce and industry due to mismanagement and corruption arising from the failure to follow tenets of sound corporate governance (IoD, 2004:4). These experiences provided the thrust leading to the inclusion in the new Education Act of 2011 the requirement that each private school established in Zambia is governed by a Board of Management. The Act defines a board of management to mean “a board in which the management of an aided, a private or community educational institution is vested” (The Education Act, 2011:426). The Act gives authority to the proprietor to appoint the board of management when it states that:

> A proprietor of a private educational institution shall appoint a board of management for the private educational institution” and goes further to state that “A board of management appointed under subsection (1) shall be responsible for the management of the private educational institution (The Education Act, 2011:447).

What the Education Act does not provide for is the guidance on the composition or structure of this board which is in contrast to the provisions given under those for public schools. The Act clearly lists that the Minister may establish, under statutory instrument, a school education board as a body for the governance of a public educational institution (The Education Act, 2011:446). The Act further outlines the functions of the board, some of which include interpreting and implementing national policies on education; preparing, reviewing and adopting annual budgets; monitoring management performance regularly; submitting bi-annual and annual reports to the district director; overseeing the implementation of control systems and compliance with the law and governance, accounting and auditing standards; ensuring that the premises of an educational institution under its jurisdiction are safe and clean; provide guidelines on the instruction and discipline of learners; receiving, on behalf of an educational institution under its jurisdiction, gifts, donations, bequests, grants or other moneys and make disbursements thereof to the educational institution; determining the fees and charges, if any, to be paid to an educational institution under its jurisdiction; monitoring and supervising developmental projects of an educational institution under its jurisdiction; ensuring that an educational institution under its jurisdiction procures goods and services in accordance with the provisions of the Public Procurement Act, 2008; ensuring that the education provided by an educational institution under its jurisdiction conforms to the standards determined under the Education Act; and performing any other functions as may be conferred on the education board under the Education Act or any other law (The Education Act, 2011:446-447).

As it has been observed, The Education Act of 2011 has left the appointment of board of management in private schools to the mercy of the proprietor. The Act fails to provide guidance on the composition or basic functions of these boards. Meanwhile, the same Act, under Part V Section 45, gives elaborate and clear guidelines on the composition and functions of boards for public schools as referred to earlier.

The fact that the Education Act fails to provide legislative direction for the boards in private school leaves a gap that can be exploited by the proprietor to their own advantage. The fact that this responsibility has been left to the proprietor to decide also takes away the aspect of standardisation in the governance of private schools which is in contrast to public schools.

1.3 Statement of the Problem

The provision of the Education Act of 2011 to leave the appointment of boards of management to the proprietor and failing to provide clear guidelines on the composition or functions of these boards has left room for manipulation. In Zambia, the Companies Act, under section 204, requires that there is a minimum of two directors or shareholders for the successful registration of a limited company (Companies Act, 1994:146). The board is a powerful organ of the company and therefore the appointment of members onto this organ must be taken seriously. According to the Combined Code, “appointments to the board should be made on merit and against objective criteria” (FRC, 2003:8). However, objectivity can only be attained if there are clear guidelines on this criteria that is referred to. In Zambia, companies with intention of making profit can be registered as sole proprietors or as private limited companies (PACRA, 2017).

A sole proprietorship does not have a board of directors neither does it need one. A board of directors is responsible for protecting shareholders' investment in a company. However, a sole proprietor does not have any shareholders to protect; it has a single owner, who has complete authority over all aspects of the business. In a private limited company, there is a minimum of two shareholders that have to appoint a board of management as required by the Education Act of 2011. The fact that the proprietor is left to appoint the board of management, it leaves room for manipulation as seen in the scandals referred to earlier. Keasey, Thompson and Wright (2005) argue that as in the Enron case:

> …it was possible for self-interested directors to manipulate the traditional operations of governance structures to their own advantage and to the disadvantage of shareholders or other financial stakeholders (Keasey, Thompson and Wright, 2005:30).

The Banking and Financial Services Act, under Part 3 that regulates Board of Directors, says:

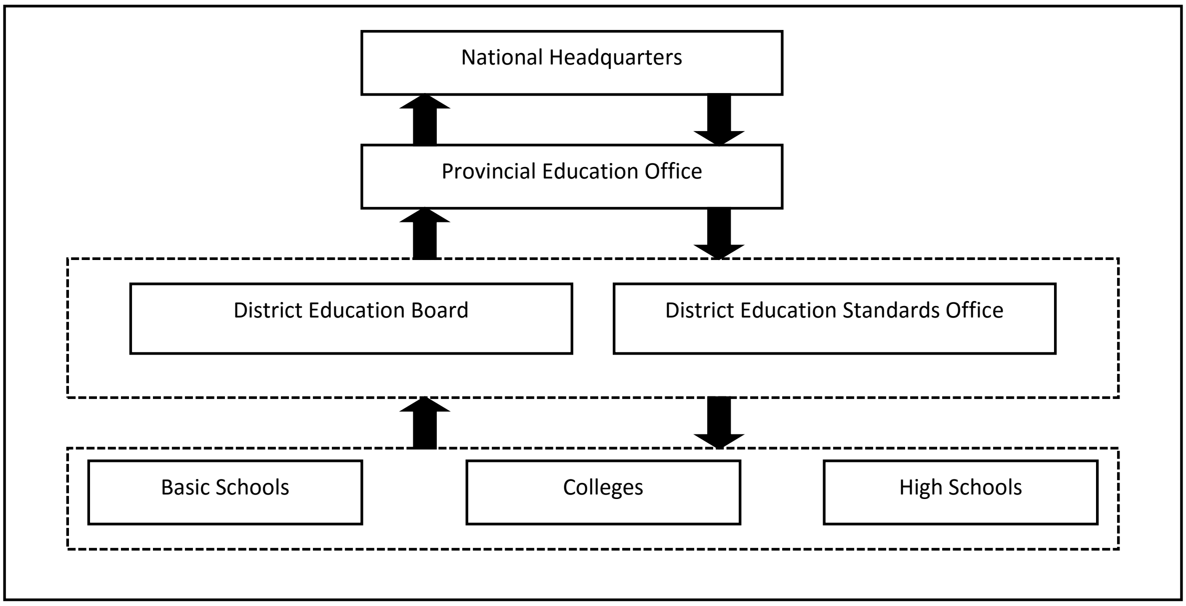
> Every bank, financial institution and incorporated financial business shall have a board of directors in which shall vest all the powers of management and control and which shall be responsible for the formulation of policies of the bank, financial institution or incorporated financial business. A board shall consist of not less than five members each of whom holds the minimum qualifications set out in Part 4 of this Chapter (The Banking and Financial Services Act, 1994:30).

This provides the basic framework which firms in the banking and financial sector, be they private or public, would utilise in the formation of their boards. However, a similar framework has not been embedded in the Education Act of 2011 as a guide for private schools. The Ministry of Education went to great lengths to put together policy documents that would provide the framework for the development of education in the public sector. The documents that were developed included: *The Strategic Plan 2003-2007, The Educating our Future* and *Education Sector National Implementation Framework III 2011-2015.* These three documents provided the roadmap for the expansion, structure and organisation of the education sector. The documents also include the participation of stakeholders in the sector such as private individuals or institutions. With regards to the structure, the Ministry of Education elaborately suggests how the sector should be administered and managed through boards as part of the decentralisation process.

> Decentralisation of the education system has led to the creation of District Education Boards, High School and College Education Boards, which will manage education delivery at these levels. This Plan will be implemented largely by decentralised delivery of education services through these Education Boards (Chilangwa, 2003:19).

Clear guidelines were developed for these boards and it was necessary for all stakeholders, including the Parent Teachers' Associations to be fully conversant with these guidelines to avoid any misunderstandings. The aim of the boards was to encourage better school management and leadership, initiate fund-raising ventures, increase teacher retention and motivation, and address teacher absenteeism and indiscipline directly (Chilangwa, 2003:39). The structure was designed in such a manner as to allow for a two way flow of information and resources, besides providing the avenue for monitoring and evaluation. This is illustrated in the figure below.

Figure 1: PUBLIC EDUCATION SECTOR ORGANISATION STRUCTURE



(Compiled by Author, 2017)

It should be mentioned here that educational boards are also expected to be constituted at school and college levels.

The Ministry of Education recognises and encourages the participation of the private and non-governmental organisations in the educational sector. Throughout the Educating Our Future document the Ministry opens each chapter by making a policy statement that says:

> The Ministry will support private and non-governmental participation in the provision of … education and in the improvement of its quality (Hambayi, 1996:25&60).

The Ministry goes further to claim that:

> The Ministry will actively encourage the development of private schools through carefully designed legal and extra-legal incentives. To this end, it will review the procedures governing the establishment and ongoing registration of such schools with a view to facilitating the involvement of private entrepreneurs in the provision of education (Hambayi, 1996:24).

It is with this thought in mind that the Ministry acknowledged that there was need to review the Education Act of 1966 so that it became more supportive to the private schools. The Ministry remarked that:

> …rules and regulations for the establishment and registration of private schools, arising from the 1966 Education Act, were severely restrictive and inhibited the development of the sector (Hambayi, 1996:134).

It is this thought that led to the review of the Education Act in 2011 and provided new rules and regulations for the registration of private schools. One of the key requirement was the need for the constitution of a board of management by the proprietor. Following the requirement by the Education Act of 2011 for the proprietor to appoint a board of management, it was an opportune time to gauge the extent to which private schools have complied with the appointment of Boards of Management. It further provides an opportunity to determine how the appointments are made, the types of boards that have been appointed as well as the extent to which recognised corporate governance principles are practiced by these boards in the management of these private schools. This study should provide some basis to address the gap in the legislative framework and the formulation of corporate governance practices best suited for the private school sector just as provision has been made for the public school sector and further more in the banking and financial sectors.

1.4 Research Objectives

1.4.1 Main research objective

This study explored and examined the presence and practices of Board of Management in private schools in Lusaka District.

The main objective was to investigate corporate governance practices at selected private schools in Lusaka district.

1.4.2 Specific research objectives:

i. Assessing the levels of compliance by private schools on the appointment of boards of management as required by the Education Act of 2011, Part VI, Section 49, 1 and 2.

ii. Identifying how private school proprietors appoint boards of management.

iii. Determining the types of boards of management that have been appointed in selected private schools of Lusaka.

iv. Ascertaining the extent to which boards of management in selected private schools of Lusaka practice the best principles of corporate governance.

1.5 Research Questions

1.5.1 Main research question:

The study set out to investigate how selected private schools in Lusaka District had responded to the requirement of the Education Act of 2011 to appoint Boards of Management and the extent to which these boards were practicing corporate governance principles.

1.5.2 Specific research questions:

The specific research questions that guided this study were:

i. Given that the Education Act of 2011 requires the appointment of Boards of Management, what are the levels of compliance by private schools in Lusaka District?

ii. How were Boards of Management appointed by private school proprietors?

iii. What types of Board of Management structures have private school appointed in response to the requirement of the Education Act of 2011?

iv. To what extent do Boards of Management in the selected private schools of Lusaka practice the principles of corporate governance?

1.6 Scope of the Study

As the title suggests, the study was restricted to selected private schools in Lusaka district. Seven private schools were purposefully sampled based on a board of management being in place at their institution. Of the selected schools, four were from the primary sector and three had both primary and the secondary sector.

The selected schools were namely; Nkhwazi Primary School, Rhodes Park School, Thorn Hill schools, Woodford School, St Andrews School, Son Shine School and Little Lulu Primary School.

1.7 Significance of the Study

The study firstly, provided a picture on the private schools' levels of adherence to the appointment of boards of management as prescribed in the Education Act of 2011. Secondly, the study identified the mechanisms that proprietors used to appoint their boards of management. Thirdly, the study established the types of boards of management that had been appointed. Finally, the study undertook to investigate the degree to which private schools that have boards of management were practicing corporate governance principles in the management of their institutions.

The results of the study should be of value to the proprietors of private schools in benchmarking their performance in corporate governance. The results will also be of interest to the relevant regulators in their efforts to determine the levels of compliance in the education sector. Finally, the results will be of importance to bodies such as Institute of Directors of Zambia to enable them design and engage private schools in corporate governance training programmes.

The expectation was that after this study the findings would provide data for the development of effective corporate governance practices for the education sector. It is also expected that practice of corporate governance principles in privately owned schools will;

- Spur confidence among those who desire to invest in this sector, that their investment will be secure, and
- Provide some assurance to the public that seek private educational services that they will enjoy the best services.

1.8 Organisation of the report

This report has seven chapters, namely Introduction, Literature Review, Theoretical and Conceptual Framework, Research Methodology, Presentation of Findings, Discussion of Results and finally the Conclusion and Recommendations.

Chapter one starts with the introduction of the research in general and gives the background to the research problem before outlining the research statement, objectives, questions, scope and significance.

Chapter two discusses the literature reviewed for the study. This chapter covers the perspectives of corporate governance in general, the UK, USA, South Africa and then Zambia. School boards of management are discussed before closing with corporate governance models.

Chapter three discusses the theoretical and conceptual framework of the study. The chapter focuses on the agency theory that arose from the study of corporate governance. Further, the chapter shows how the concepts of the agency theory have been applied in the conceptual framework.

Chapter four outlines the methodology used in the study. It discusses the study design used in the research, the sampling technique which was applied, the instruments used for data collection, population of the study, data analysis, ethical consideration, validity and limitations.

Chapter five presents the findings and analysis of the results obtained from the research.

Chapter six discusses the findings as presented and analysed in chapter five. The chapter focuses on the results derived from the research in relation to the research questions.

The final chapter presents the conclusion and recommendations thereof. References and appendices form the last part of this report.

1.9 Summary

Corporate governance has provided for the separation of ownership and control, which symbolises the modern corporation. Generally, the providers of capital entrust their savings to corporations that are run by professional managers who may or may not hold equity stakes in the firms they manage.

Corporate governance deals with the ways in which suppliers of finance assure themselves of the security and getting a return on their investment. Zambia has made inroads into the implementation of corporate governance but it is highly confined to the banking and financial services sector. There is an urgent need to spread the practice of corporate governance into other sectors of the economy. Corporate governance practices must apply to all sectors of the economy if business enterprises are to be secure.

The rise of private schools and their management is an important factor for their continued sustainability and therefore they need to be some comprehensive instruction and regulation from the Government. The Government of Zambia is a key stakeholder in the provision of education and therefore it has vested interest in the management of these private schools. While the Government has comprehensively looked into the establishment and running of boards in the public sector, minimum direction has been given for private schools. The interests of the Government can only be assured if adequate legislation is put in place to regulate the private schools.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Corporate governance has become an important factor in the running of different corporate entities. Due to the influence of corporate governance in both public and private institutions, this chapter will review literature related to corporate governance and school management boards. Though literature for this study is drawn from a generally global and regional perspective, the focus of this study is on Zambian private schools.

An overview of previous research on corporate governance and school management boards forms the road map of this review and the terms ‘school management boards’ and ‘boards of management’ are used interchangeably. In addition the terms ‘private school’ and ‘independent schools’ are also used interchangeably.

This chapter is divided into three major sections: Section one reviews studies on corporate governance, and section two reviews the school management boards. Section three will summarise the chapter.

2.2 Corporate Governance.

Corporate governance has attracted various definitions reflecting its diverse application in its different contexts. The major definitions have already been stated in chapter 1, however, Mrope defined corporate governance from the perspective of the investor as:

> …both the promise to repay a fair return on capital invested and the commitment to operate a firm efficiently given the investment (2011:22 cited Metrick and Ishii 2002).

This is an important view because investors take a risk to put their resources into a firm in return for a profit. On the other hand, the Cadbury Committee (1992:14) defines corporate governance as “the system by which companies are directed and controlled”. In this regard, the focus is on direction and control, which encompasses the aspects of forward strategic planning and accountability based on the resources of the enterprise.

Cadbury further expanded on these characteristics of good corporate governance to include: discipline, transparency, independence, accountability, responsibility and fairness. According to the Cadbury Committee Report, these are the tenets or characteristics upon which corporate guidance codes and governance practices are built. The codes provide the structure, awareness and guidance in which all stakeholders need to operate if their enterprises and business concerns are to be successful.

Closer to home, the Kings IV Report defines corporate governance as:

> …the exercise about ethical and effective leadership by the governing body. Such leadership includes four overarching responsibilities of the governing body: (i) providing strategic direction; (ii) approving policy to put strategy into effect; (iii) proving informed oversight of implementation and performance, and (iv) disclosing. Ethical and effective leadership should result in the following beneficial governance outcomes for the organisation: (i) an ethical culture; (ii) sustainable performance and value-creation; (iii) adequate and effective control by the governing body, and; (iv) protecting and building trust in the organisation, its reputation and legitimacy (IoDSA, 2016:2).

This definition by the King's Report brings into account the aspect of ethics. Ethics have been defined as "a system of accepted beliefs that control behaviour … based on morals" (Cambridge Dictionary, 2017). The online Business Dictionary (2017) states that ethics are the "basic concepts and fundamental principles of decent human conduct." The King's Report emphasises ethics on the understanding that those entrusted to manage companies and institutions can err in the process of managing their institutions. Therefore corporate governance principles are intended to be a framework for the conscience of the managers. The investors trust the managers to act morally right in the management of their investments. The desire of every investor is to ensure that their capital is protected from any adverse results. The interest of the investor is to have an enterprise that is growing and thus guaranteeing a growth on their expected returns. On investment, Morck and Steier state that:

> For investors to trust a company enough to buy its securities, they need reassurance that the company will be run both honestly and cleverly. This is where corporate governance is critical (2005:5).

On the Zambian front, the Lusaka Stock Exchange Corporate Governance Code was launched in 2005 in conjunction with the Institute of Directors Zambia (IoDZ). The Code came into effect on 17 September 1999, and was later revised in March 2008. The implementation of the Lusaka Stock Exchange Corporate Governance Code was an important step towards awareness raising and reformation of corporate governance principles in Zambia (LUSE, 2012:3). On the other hand, the discussion of corporate governance in Zambia without making reference to the IoDZ would be incomplete. The Institute of Directors Zambia has for the past fifteen years worked to provide better understanding and training of corporate governance. Mwanawasa, in his study states that:

> The subject of corporate governance in Zambia cannot be spoken about without reference or attribution to the Institute of Directors Zambia (IoDZ) which saw and identified a knowledge gap and then created an institute responsible for the promotion of 'high standards of corporate governance in both the private and public sectors in Zambia, through education, training, and participation at relevant fora', by doing so, it instilled a culture of the highest standard of ethical and professional behaviour amongst directors and boards in the country (2016:25).

The IoDZ has been useful in facilitating learning and knowledge sharing among the directors of newly privatised enterprises. However, much more time will be required before the IoDZ could develop corporate governance guidelines similar to the King reports in South Africa or any other such reports. Meanwhile, the IoDZ has been responsible for identifying the need to promote high standards of corporate governance in both the private and public sectors in Zambia (Mwanawasa, 2016:32). The aim of IoDZ is to instil a culture of ensuring the highest standard of ethical and professional behaviour amongst directors and boards in the country (IoDZ, 2004:25).

In order to understand corporate governance further it is important to briefly rewind and look at the foundation of corporate governance and why it is important today.

2.3 The Beginning of Corporate Governance

It is appropriate to start by briefly looking at the mid-1800s in London. At that time London was the financial powerhouse of the world. At the other end of the spectrum, the United States of America was described as a mining village (UK Parliament, 2017). This comparison is important to note, especially when looking at the developments of the United Kingdom in the late 1800s leading to the enactment of the basic financial act; Joint-Stock Companies Act of 1844. This Act improved the aptitude of people to invest in companies without much fear of losing out. Apparently there was need for company ownership to be well defined as ‘family owned enterprises’ and companies begun to change their composition with the introduction of other non-family member investors (Jensen, 1993:832). Formalities on how companies would essentially be run from that time onwards changed.

The Joint-Stock Companies Act of 1844 provided no limited liability for shareholders but required directors to perform certain corporate governance functions such as the appointment of a chairperson, holding meetings for board members, engaging auditors who were to report to the members and keeping accounting books.

As a result of corporate scandals and failures, much more stringent corporate governance measures were enacted in the UK in the 1980s into the 2000s. For instance, the Robert Maxwell saga and Polly Peck scandals led to the London Stock Exchange (LSE) and Accounting Profession to commission the Cadbury Committee on the financial aspects of corporate governance (Wearing, 2005:38). The first Cadbury Committee corporate governance report introduced the concept of auditing and most importantly, the report took into account Robert Maxwell’s unmanaged and uncontrolled expenditure and duly indicated the need for independent audit committees.

In the United States of America, the corporate governing instruments and laws are more decentralised towards privately owned corporations. However, the US federal securities laws and requirements came into play in the case of many public-owned corporations. Similar to the UK, due to the high profile collapses of a number of large US firms in the 1990s through to the 2000s, the Sarbanes-Oxley Act was passed in 2002 to restore public confidence in corporate governance.

In South Africa, a similar approach was taken to that of the UK. A commission was initiated by the Institute of Directors South Africa, leading to the production of a series of the Kings reports on corporate governance.

2.4 Corporate Governance in United Kingdom

Corporate governance in the UK has undergone many changes and it has continued to evolve depending on the new challenges in business practices and experiences. Reforms designed to capture such changes were initiated in the UK with the Cadbury Report in 1992 as the start of a decade of reviews and recommendations. The Rutteman Report in 1994, the Greenbury Report in 1995, the Hampel Report in 1998, the Turnbull Report in 1999, the Higgs Report in 2003 and the Smith Report in 2003 (Rayton and Cheng 2004). These bodies have studied, investigated and researched the business practices and then published reports.

The Combined Code represented the consolidated work of the Cadbury, Greenbury and Hampel Committees and it contained the principles and codes of corporate governance. Through this integration, the Combined Code provided and elaborated the framework for modern corporate governance. In theory, the Code was voluntary, but in practice all companies listed on the London Stock Exchange were required to make a disclosure statement in their annual report on how the Code's principles were being applied. The companies were required to confirm their compliance levels as well as explain their non-compliance with the Code's provisions.

The Combined Code was again reviewed and in July 2003 the revised edition of the Combined Code was published. The Code's content is divided into two sections. Section 1 applies to companies and is set under four main headings: Directors, Remuneration, Accountability and Audit, and Relations with Shareholders. Section 2 applies to institutional shareholders and has three main headings: Dialogue with Companies, Evaluation of Governance Disclosures, and Voting. Each of these sections contains supporting principles and code provisions (Financial Reporting Council, 2008).

There have been numerous efforts to establish the best practices in defining the concept of corporate governance in the UK. Corporate Governance has come to signify the best practices of running and controlling an enterprise (Sarbanes & Turnbull Report 2002).

While the UK experienced a number of corporate disasters, scandals and collapses, the United States of America (USA) had its own share of corporate failures. The USA tackled these corporate challenges in its own way.

2.5 Corporate Governance in the United States of America

Corporate governance practices in the United States are not regulated by any one particular statute but instead are affected by governing instruments, corporate law and court decisions in each of the states where companies incorporate. As for many of the publicly-owned corporations, the US federal securities laws and requirements of the national securities markets will apply. US federal securities laws affects corporate governance practices primarily in the areas of disclosure and financial reporting, proxy voting, and the submission of shareholder proposals for consideration at shareholders' meetings. In addition, the national securities markets impact corporate governance practices through their requirements applicable to issuers of securities traded on their markets. Subject to all of these different laws and regulations as applicable, corporations may establish their own governance practices in their corporate charters and bylaws.

The collapse of large, high profile, US firms, such as Enron Corporation, led to renewed interest in the corporate governance practices of modern corporations. In 2002, the US federal government passed the Sarbanes-Oxley Act, with the intention of restoring public confidence in corporate governance. The Sarbanes-Oxley Act could be considered as one of the most important pieces of legislation affecting the public companies and their auditors since the creation of the Securities and Exchange Commission (SEC) which was created in 1934. The Sarbanes-Oxley Act was introduced to bolster public confidence in the US capital market and impose new regulations that companies were to comply with. Significant penalties were outlined for non-compliance on public companies, their executives, directors and auditors (Sarbanes and Turnbull Report 2002).

With all these happenings in the UK and USA, South Africa undertook its own approach towards corporate governance. While South Africa learnt lessons from the international arena, they opted to produce their own governance regulations rather than just adapt and domesticate what was already there.

2.6 Corporate Governance in South Africa

Following the new democratic dispensation that was obtaining in South Africa, the Institute of Directors in South Africa (IoDSA) requested Mervyn E. King to chair a committee on corporate governance. Professor Mervyn King, a former High Court

Judge, led a team that produced the first King Report on corporate governance in 1994. The King Committee's report (King I) was to be the first report of its kind in South Africa (Wikipedia 2016). This report was aimed at promoting high standards of corporate governance in South Africa (Cliffe Dekker Attorneys, 2002:2). The recommendations from these reports were incorporated into the Johannesburg Stock Exchange (JSE) listing requirements for companies.

In the formative stages, the Kings Committee sought advice from Sir Adrian Cadbury, who pointed out the dynamic nature of corporate governance and how reports from the various UK commissions were combined to from the UK Governance Combined Code (IoDSA, 2009:4). From inception, the IoDSA has successfully produced four King's Reports. The Kings Reports advocated principles and practices of corporate governance based on three key elements: Leadership, Sustainability and Good Corporate Citizenship. Unlike the other corporate governance codes such as Sarbanes-Oxley, the Kings code was non-legislative. Again, the code of corporate governance is not enforced through legislation. However, due to evolutions in South African law many of the principles put forward in the Kings' reports are now embodied as law in the Companies Act of South Africa. In addition to the Companies Act, there are additional applicable statutes that capture some of the principles of the Kings' reports, such as the Public Finance Management Act and the Promotion of Access to Information Act (Wikipedia 2016). The development and evolution of the Kings' Report on corporate governance led to its incorporation into the Johannesburg Stock Exchange (JSE) as one of the listing requirements.

The Kings Code views good governance as essentially being effective, ethical leadership. The Kings Code believes that leaders should direct the company to achieve sustainable economic, social and environmental performance. It views sustainability as the primary moral and economic imperative of this century. The Code's view on corporate citizenship flows from a company's standing as a juristic person under the South African constitution and should operate in a sustainable manner (IoDSA, 2009:5).

From 1994, when the first Kings Code was published, there have been significant corporate governance and regulatory developments, locally and internationally.

Subsequently, the Kings Code has undergone reviews that led to the publication of the second, third and now fourth editions. The major changes have been to enhance the codes so that they become more accessible to all types of business entities across the sectors. These developments have placed South Africa at the front of corporate governance and Zambia has had a lot to learn from South Africa. It is because of these developments that Zambia engaged South Africa to formulate and launch corporate governance guidelines for banks and non-bank financial institutions in Lusaka on 28 November 2006 (Fundanga, 2006).

2.7 Corporate Governance in Zambia

Before 1991 Zambia was one of the most nationalised economies in Africa. RAID reports that under the second republic, some 152 enterprises were operated as state-owned companies that were sold as 331 separate companies or units (RAID, 2017). These parastatal or state-owned companies were characterised by poor governance, management structures and systems as stated by Fundanga and Mwaba:

> Zambian state firms failed to perform for a variety of reasons including: the application of inappropriate technology; total dependence on processing of imported raw materials; inexperienced management; misappropriation of resources by officials appointed by governments to run them; and operation in monopolistic environments with no competition. The implication of this was that public enterprises were typically inefficient, which affected their financial viability, in turn requiring the government to subsidize their operations (1996:6).

Zambia embraced the concept of privatisation through the wholesome privatisation of state owned companies especially those that were viewed as inefficient and a drain on the national resources. The privatisation process was opened for all sectors of the economy, including education.

Despite these efforts of privatisation, the country witnessed a number of corporate failures in the banking, commerce and industrial sectors in the 1990s. The Zambian economy recorded a number of corporate failures of mining companies of which a classic example included Roan Antelope Mining Corporation of Zambia (RAMCOZ). There were also a number of manufacturing and commercial companies that failed in the 1990s and 2000s such as Zambia Airways, Kafue Textiles, Copperbelt Steel Manufacturing, Lusaka Engineering Company (LENCO) and Mulungushi Textiles, among others (Mfune, Sichinsambwe and Fandamu, 2016; Mushota, 2002; Zimba, 2000). These failures were largely due to mismanagement and corruption resulting from a deficiency in the implementation of sound corporate governance principles and practices (IoDZ, 2004:6).

During the last two decades, the concept of corporate governance has been highly debated both internationally and locally. Zambia has not been left behind in this race to put in place some regulations towards corporate governance. The Lusaka Stock Exchange Corporate Governance Code (LuSE Code) was launched in 2005 in conjunction with the Institute of Directors of Zambia (IoDZ), which was established in April 2000. These developments occurred after Zambia noticed how important were the concerns that corporate governance principles aimed to address. The dynamic environment in which these companies and businesses operate consists of different stakeholders such as employees, consumers, the environment, the community at large and the shareholders. The interests of all these stakeholders need to be protected. Corporate governance, therefore, has made provision for the protection of the interests of the stakeholders. After the crisis of business failures and collapses, it has become apparent that there is need for effective enforcement and regulation of corporate governance in Zambia in both the public and private business sectors.

The practice of corporate governance regulations lies in the board room and in the appointment, structure and conduct of the boards of management.

2.8 Boards of Management

Corporations have a vital role to play in promoting economic development and social progress. They are the engine of growth internationally, and increasingly responsible for providing employment, public and private services, goods and infrastructure. The efficiency and accountability of the corporations is now a matter of both private and public interest, and governance has, thereby, come to the head of the international agenda.

The Combined Code (2003), on Corporate Governance, requires that every company be headed by an effective board, which is collectively responsible for the success of the company. The board’s role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enable risks to be assessed and managed. The board has to set the company’s strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should also set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met. All directors must take decisions objectively in the interests of the company.

The argument that has been advanced time and again is that the governance structure of any corporate entity affects the firm's ability to respond to external factors that have some bearing on its performance. In this regard, it has been noted that well governed firms largely perform better and that good corporate governance is of essence to firms.

2.9 School Management Boards

The governance of schools through management boards begun almost 200 years ago. School management boards have been adopted by many countries as a system to manage schools. Essentially, countries have public, community and private or independent schools in their systems. A closer look at the school policies of United States of America (USA), Canada, Australia and South Africa reveals that there is more focus on the management of public and community schools while that of independent schools is glossed over.

2.9.1 School Boards in USA

In the USA, selectmen in Massachusetts decided to appoint local committees responsible for education in order to separate this authority from other municipal responsibilities (Woodward, 2006:21 cites Danzberger, 1998). This system of school governance expanded beyond Massachusetts to the rest of the USA and remains the basis of the educational governance system today. The role of school boards early in their existence was strictly one of management, which is of oversight and control. In the late nineteenth century, reforms were introduced in the structure of school boards; the local educational governance was moved to a more centralised body. This style of centralisation has continued to the present time.

The intention of this change was to model school boards after corporate boards, to focus the work of school boards on the needs of the entire community and to move school boards closer to a broader leadership role. The context of governance is shifting from that of management to leadership; centered on setting a direction for the future. Therefore the role of effective school boards is to establish a vision, focus on pupil achievement, provide oversight, work at the policy level, operate as a team, build community support and align resources to goals.

2.9.2 School Boards in Canada

In Canada, the scenario is slightly different. The Education Act of Canada has provided for the establishment of private schools under sub-section 1. However, a leeway has been provided on the operations of the schools. The Ministry of Education reports that:

> In Ontario, private schools operate as businesses or non-profit organizations, independently of the Ministry of Education. Private schools do not receive any funding or other financial support from the Ontario government (Ministry of Education, 2013:7).

The Canadian Ministry of Education does not regulate, licence, accredit or otherwise oversee the day-to-day operation of private schools.

> Private school operators set their own policies and procedures regarding the operation of their schools, and are not obliged to comply with the policies and procedures that school boards must follow (Ministry of Education, 2013:7).

As a result of this approach there is very little control directed towards private schools in Canada. What prevails is that the education system has been decentralised and is left to be managed by provinces and local authorities. This thought is supported by Lessard and Brassard (2004) who state that:

> It is important to recognize from the beginning that in Canada, education is a provincial and territorial responsibility and does not fall under the jurisdiction of the federal government….Education then remains with the provinces and territories. We will see if there is, in these jurisdictions, a structural framework in terms of responsibilities and powers (Lessard and Brassard, 2004:5).

The Canadian approach is to view private schools as corporate entities whose affairs must not be centrally regulated but rather left to the owners to determine.

2.9.3 School Boards in South Africa

In South Africa, the Constitution of the Republic of South Africa, Section 29(3), allows private individuals and organisations to establish an independent school

(DBE, 2013:3). What the Constitution acknowledges is that:

> Independent schools are established with a specific vision and mission, for a variety of reasons and are registered as legal entities. They must operate in line with their legal registration…. may also have the following status: Public Benefit Organisations (PBO), Non Profit Organisations (NPO) and For Profit Organisations. Independent schools need not follow the governance regulations designed for public schools. They do not need learner representatives or a majority of current parents on their governing body (DBE, 2008:4).

Similar to the Canadian system, the South African approach has been that of providing management freedom to private schools. The independent schools are allowed the freedom to determine their own governance regulations which need not be similar to those of public schools. The independent schools could go further by excluding any form of representation from learners or their parents on the board. This leaves out any opportunity of the interests of learners or the parents to be heard.

2.9.4 School Boards in Zambia

In Zambia, the education system has undergone tremendous transformation from the pre-colonial era to the post-independence era. During each era the education system was designed to meet specific economic, political and social needs. The Zambian educational system is divided into three distinct eras and the management of education under each of these eras was designed to meet the intended objectives of the community in which it existed. The systems of education that evolved in Zambia were: pre-colonial, colonial and post-colonial (Snelson, 1974:270). The pre-colonial era was the period before the arrival of the missionaries and colonisers. The colonial era covered the period from 1891 to 1964 and this was the period in which there was the penetration of the Europeans into the interior of Zambia by the missionaries and imperialists (Kelly, 1999:22). In 1964, Zambia gained independence and a new post-colonial era came into effect.

According to Snelson (1974:11), the management of education between 1883 to 1924 was dependent on the initiative of the missionaries. However, after 1924, to about 1945, the management of education evolved into a more efficient and coordinated system. The colonial government provided some form of guidance to ensure a coordinated approach and some form of funding. After attaining political independence and self-rule in 1964, there was a major shift in the management of education. The new leaders were faced with the challenge of undoing the effects of colonial administration (Mwanakatwe, 1974:38).

The new government formed a ministry to oversee the education processes in Zambia. There was a further devolution of management to provinces and districts through the Provincial Education Officers (PEO) and District Education Officer (DEO) respectively. The provision of education was the responsibility of the government and in this regard, the government provided resources, regulated, developed, administered and financed the education sector. The government further created an enabling environment to support non-governmental agencies that were providing education services.

Education has a pivotal role to play in the development of any nation. It is evident that if any country has to achieve meaningful levels of economic growth and productivity it has to satisfactorily invest in education.

The management of the Zambian education system has undergone several transformations from the time of independence. The Zambian education system is tiered and has generally being pyramidal in structure. The notable levels in the education system have been three, namely: Primary, Secondary and Tertiary.

The trends in the Zambian education system, have indicated that there has been a substantially quantitative increase in the demand for education access. Access, however, has been characterised by deficiencies or gaps at different entry levels. It is this deficiency that has provided an opportunity for the involvement of the private sector. Consequently, the provision of education has also become a national burden for many governments. Adverse economic conditions and competition from other public sectors for public funds have led to a lower government expenditure on education. In this regard, governments have opted to engage the private sector through the process of privatisation. Much progress has been made to allow for greater community access and participation in education process through the establishment of private schools. Education has become an economic and social productive investment sector. Privatisation, according to Higgins, is:

> ….engaging the private sector to provide services or facilities that are usually regarded as public sector responsibilities (1999:1).

Privatisation has been widely viewed as a mechanism to improve efficiency, make institutions more accountable to their clients and reduce government expenditures through the offering of services to the public.

In Zambia, private educational institutions have existed from independence, however, after 1990 many private individuals and organisations have come on board to run private schools at all levels of education. The mushrooming of these private schools has created a concern about the management and the control of the educational standards. One mechanism that the Zambian government has employed to control and manage private schools has been to insist on the formation of management boards. It is expected that these management boards would put into practice governance structures that would protect the interests of the public and at the same time protect the interests of the proprietor.

Recognising the importance of corporate governance, the Ministry of Education requires that each private school established in Zambia is governed by a Board of Management. This board should be appointed by the proprietor of the institution and shall be responsible for management of the institution (The Education Act 2011, Part VI, Section 49, 1 and 2). However, what is noticeable is that the Education Act of 2011, limits itself to the appointment of the board and does not make any provision for the composition, tenure, size or structure of the board.

Corporate governance principles dictate that every company should be headed by an effective board of management or board of directors who should lead and control the company (Financial Reporting Council, 2008:5). Corporate governance principles further propose how these boards must be constituted and function.

2.10 Board composition

The Combined Code (Financial Reporting Council, 2008:3) clearly stipulates that the board should include a balance of executive and non-executive directors. Of particular consideration is the inclusion of independent non-executive directors. This composition ensures that no group of individuals dominates the board’s decision making. To ensure that power and information are not concentrated in one or two individuals, there should be a strong presence on the board of both executive and non-executive directors. The Code suggests that for the board to be independent at least half the board, excluding the Chairperson, should comprise of non-executive directors, except for smaller companies which should have at least two independent non-executive directors.

Through a survey conducted by McKinsey and Company (2002), the Board composition has shown to be an important factor to both the performance of the board and in safeguarding the interests of the shareholders and investors. The variables considered in board composition included the percentage of outside directors, the percentage of independent directors, the percentage of director stockholdings and frequency of formal director evaluations.

2.11 Board size

The Combined Code (200) requires that the board of directors should not be so large as to be unwieldy. The board should be of sufficient size that the balance of skills and experience is appropriate for the requirement of the business and that changes to the board's composition can be managed without undue disruption.

Huther (1997) in his study said that the size of the board has been shown to have a material impact on the quality of corporate governance. Evidence suggests that internal efficiency is reduced by boards that are too large. Huther (1997) further identified a negative relationship between board size and firm performance and argued that efficiency gains will result from reducing the size of governing boards. Yermack (1996) and Eisenberg et al. (1998) also found a negative relation between board size and firm value, indicating that smaller boards are more effective and exhibit better financial ratios since they experience fewer communication and coordination problems.

Other studies have also shown to support the idea that large boards can be dysfunctional. Hermalin and Weisbach (2003) believe that board size proxies for the board's activity, explained why smaller board sizes are better than larger ones that may be plagued with free riders and monitoring problems. The reason is that when a board gets too big, it becomes difficult to coordinate and process problems. But there is also an opposing view that larger boards are better for corporate performance because they have a wider range of expertise to help make better decisions, and are harder for a powerful CEO to dominate.

What can be observed from the above argument is that the writers fail to provide the numerical value of what can be termed as a ‘large’ or ‘small’ board. Therefore, it still leaves the determination of the size of the board to be relatively in the hands of the company.

2.12 Board committees

Different corporate governance literature suggests that the board of directors appoints committees to assist the board in performing its duties. The recommended committees include, but are not limited to, the audit committee, nomination committee, compensation or remuneration committee, governance committee, executive committee, and strategic committee. The board committees are supposed to be independent in order to be considered as effective monitors (Klein, 1998).

John and Senbet (1998) report empirical evidence showing that the presence of monitoring committees such as the audit, nomination and compensation committees is positively related to factors associated with the benefits of monitoring. However, the presence of management in the compensation committee increases the probability of making decisions that favour the interests of the CEO. Moreover, when the CEO sits on the nominating committee or when no nominating committee exists, firms appoint fewer independent outside directors and conflicts of interest arise (Shivdasani and Yermack, 1999).

The stipulated roles of the nomination committee include recommending the composition of the board, to recommend the selection of directors on merit and after ensuring independence, to assess the performance of the whole board and the contribution of individual directors and particularly the CEO. The committee also ensures a succession plan for retiring directors and recommends composition of board committees. The code of best practice requires the formulation of a nomination committee which should superintend the process of board appointments and make recommendations to the board (Financial Reporting Council, 2008:8). A majority of members of the nomination committee should be independent, non-executive directors.

The nominations committee should be chaired by an independent non-executive director, who should not chair the committee when it is dealing with the appointment of a successor to the chairpersonship. The nomination committee should also evaluate the balance of skills, knowledge and experience on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

The strategic committee's role includes developing a long term strategic plan incorporating vision, mission, goals and objectives of the company and the means to achieve them. On the other hand the roles of remuneration committee include researching into pay structures so as to remunerate the board adequately. The board's remuneration is not a matter of voting yes or no at the board meeting, but it is one that needs careful consideration.

The audit committee is probably the most important committee and it is recommended that every board have an audit committee in its structure. Its roles include encouraging strong operating culture; integrity, legal compliance, forthright financial reporting and strong financial controls and risk management. Independent communication with internal and external auditors, ensure accountability of internal and external auditors to the committee and full board and guarantees compliance with the set Financial Reporting Framework. Members of the audit committee are required to have the requisite knowledge on finance, capacity for independent judgment and commitment, show high level of integrity, recognition of the role of the committee, and knowledge of the company. Through the audit or accounts committee the board presents a balanced and understandable assessment of the company's position and prospects (Combined Code, 2003:15).

The audit committee has functions to perform in almost all areas of the company's performance. It has detailed involvement in financial statements, risk control and compliance, interaction with management, internal and external auditors, training and resource development of itself and internal audit department, formulation and evaluation of its performance against the charter. An audit committee checks the performance of each section of interest in the company by asking probing questions.

2.13 The CEO - Board relationship

The Combined Code (2003:6) requires that there should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision making.

The functions of the Chairperson and those of the Chief Executive Officer should not be exercised by the same individual. The division of responsibilities between the Chairperson and the Chief Executive Officer should be clearly established, set out in writing and agreed by the board. If exceptionally a board decides that a Chief Executive Officer should become the Chairperson, the board should consult the shareholders in advance and set out its reasons to shareholders at the time of the appointment.

The Chairperson is responsible for the leadership of the board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chief Executive Officer, on the other hand, is responsible for the management of the enterprise. Brickley et al. (1997) in their study of earnings management at large banks reported that in approximately 80 percent of US companies, the CEO was also the Chairperson of the board.

In order for the board to be effective, corporate governance principles have been formulated. These principles are common across the different governance codes that have been developed in UK, USA or South Africa. Zambia has adopted many of these principles for inclusion in the localised codes of governance. The Institute of Directors Zambia has acknowledged the importance of OECD principles and state that they are highly relevant to Zambia (IoDZ, 2004:9).

2.14 The OECD Corporate Governance Principles

The corporate governance principles were originally developed by the Organisation for Economic Co-operation and Development (OECD) in 1999. Several reviews have been made since then under the auspices of the OECD Corporate Governance Committee with all G20 countries invited to participate in the review on an equal footing with the OECD Member countries (OECD, 2015:4). This shows the magnitude of the international participation that has been undertaken to develop and refine these principles.

The OECD Principles are developed with an understanding that corporate governance policies have an important role to play in achieving broader economic objectives with respect to investor confidence, capital formation and allocation.

The OECD Principles focus on six different aspects:

1. Ensuring the basis for an effective corporate governance framework;
2. The rights and equitable treatment of shareholders and key ownership functions;
3. Institutional investors, stock markets, and other intermediaries;
4. The role of stakeholders;
5. Disclosure and transparency; and
6. The responsibilities of the board. (OECD, 2015:11)

The IoDZ has meanwhile come up with a model code of best practices of corporate governance. The IoDZ claims that:

> Every company and organisation requires a well-documented code of best practice to serve as a guide of implementation of an effective system on Corporate Governance (IoDZ, 2004:12).

The IoDZ lists fourteen principles as part of the code of best practice and they provide for the following issues amongst others:

1. Authority and Duties of Shareholders
2. Leadership of the Company
3. Role and Functions of the Board
4. The roles of the Chairman
5. Appointments to the Board
6. Directors Remuneration
7. Disclosures of Information by Directors
8. Supply of Information to Directors
9. Directors Training and Development
10. Accounts: Audit and Disclosure
11. Extension of Scope and Duties of Auditors
12. The role of Audit Committees
13. Responsibilities to other Stakeholders
14. Code of Ethics
    (IoDZ, 2004:12)

2.15 Summary

From the literature review there emerges the importance of corporate governance as a tool for organisations to effectively constitute boards of management in whom they entrust the control of the organisation. It has been noted that corporate governance has been approached differently in different parts of the world. However, what remains is that the basic principles remain the same as seen in the OECD principles.

Notably, the handling of the private sector is significantly different. Some nations desire to keep away while others apply minimal interference. The constitution of the management boards has been inevitably left to private individuals and organisations.

The OECD principles of governance are seen as the bedrock for the formation of corporate governance principles, including in Zambia. The various codes of corporate governance have provided indicators of good governance, including their application in the education sector.

The next chapter provides the theoretical and conceptual framework formulated for the study. These were formulated and adopted as the indicators of the research topic.

CHAPTER 3

THEORETICAL FRAMEWORK AND CONCEPTUAL FRAMEWORK

3.1 Introduction

The process of conceptual framework outlines the principles underlying the research work undertaken and the literature that has been reviewed. The theoretical framework will explore the conceptual models that are applicable and appropriate to this research.

This chapter is divided into three sections. The first section discusses the theoretical framework with a focus on the agency theory that arose from the study of corporate governance. The second section discusses the conceptual framework where the concept of the agency theory is applied vis-à-vis government and private schools. The final section summarises the discussion of this chapter.

3.2 Theoretical Framework

3.2.1 The Agency Theory

Most businesses and enterprises are set up to accomplish something. Some are set up to earn enough income so that they can play a role in corporate social responsibility (Stewardship) while for others the main motive is profit, particularly in terms of dividends paid out to shareholders who invest in the enterprise (Agency). Generally, shareholders do not invest in corporations for philanthropic motives; their desire is to have a return on their investment. If the shareholders realise that the risk is too great they may pull out their investment.

To help ensure that the interests of the shareholders are being guarded, businesses and enterprises put into place various mechanisms to ensure that their investment objectives are being met. Corporate governance, as described earlier, is a broad term used to refer to the processes, policies, regulations, and customs by which a corporation is directed, administered, and controlled. Corporate governance specifies the responsibilities and rights of the various stakeholders in the organisation.

Larson, concludes that:

> The primary difference between agency theory and stewardship theory is the purpose of business. In agency theory, the purpose of business is to build shareholder wealth. In stewardship theory, the purpose of business is to promote the well-being of society.
> Stewardship theory is much more of an altruistic approach to business than agency theory. It promotes a broader focus and purpose than agency theory and assumes not only that management's incentives are not in conflict with those of the owners but also that the role of business is to promote the health of our society. Given the history of business scandals and failures, one could argue that maybe business isn't capable of implementing such a concept today or in the near future (Larson, 2013).

The study of corporate governance originally arose out of the agency theory. This is a perspective that endeavors to describe the relationship between the shareholders (the principals) and management or executives (the agents) of an organisation. According to the agency theory, the principals hire or delegate an agent to perform work on their behalf. In this kind of relationship, one party (the agent) acts on behalf of the other party (the principal). However, a dilemma arises when the interests of the principal and those of the agent are not necessarily aligned.

For example, a proprietor (the principal) hires employees (agents) to perform various tasks in the business. The interest of the proprietor is to expend as economically as possible in the production of goods and services while offering them to customers for as much profit as possible. The interest of the employees, however, is to make as much money as possible for producing the goods and services. If the proprietor sets up an arrangement with the employees in which they are paid but it is not articulated how much they have to do in order to get paid, the situation in theory becomes one of the proprietor expending a great deal of resources without getting a great deal of goods and services in return. Therefore, to help make this relationship more tenable, at least from the point of view of the proprietor, various mechanisms must be put in place to help ensure that the employees produce goods and services of value in accordance with their earnings. This can be done through different incentives such as piece rates, commissions, profit sharing or the implementation of job standards with the negative incentive of being fired if employees do not meet the stated expectations.

From the perspective of the agency theory, the relationship between the principal and the agent is further complicated by the fact that it exists in an environment of information asymmetry, uncertainty, and risk.

Principal-agent relationship is characterised by uncertainty and risk. The principal has a limited degree of certainty that the agent will be able to adequately learn or perform the task. In the meantime the principal accepts this degree of risk, believing that the job will not be done in a manner that will meet his or her objectives. This is a case where the agent is unable to do the job, dodges their responsibilities, or pursues their goals in preference to those of the principal. Feizizadeh, put this situation clearly when he says:

> The problem that arises as a result of this system of corporate ownership is that the agents do not necessarily make decisions in the best interests of the principal. One of the principal assumptions of agency theory is that the goals of the principal and agent conflict (Feizizadeh, 2012:3355).

The implication of this is that agents will do things that will be to their benefit and not necessarily those of the principal. As a result the agent puts their needs before those of the principals. What is most likely to happen is that the agents prefer to pursue their own personal objectives, such as aiming to gain the highest bonuses possible or have lavishly extravagant conditions of services. Feizizadeh claims that agents are likely to display a tendency towards ‘egoism’; a behaviour that leads them to maximise their own perceived self-interest (Feizizadeh, 2012:3355 cites Boatright, 1999). It is this tendency towards self-gratification that encourages the agent to engage into behaviour that is likely to be illegal such as fraud, embezzlement or falsification.

In order to curd this tendency of egoism, the principal puts in place mechanisms and measures that will compel or entice the agent to put the needs of the organisation before personal needs. One way in which the principal may attempt to align agents’ interests with their own is through the passing of resolutions that will influence the company on issues with which they are dissatisfied (Feizizadeh, 2012:3356). Another way the principal may limit divergence from their interests is by establishing appropriate incentives for the agent designed to limit any opportunistic activity the agent may engage in to promote their benefits (Hill and Jones, 1992:132).

Corporate governance provides a platform for the principal–agent relationship as an implicit or explicit contract whose purpose is to try and reconcile these divergent interests. In addition the governance structures police this principal-agent relationship (Hill and Jones, 1992:134). To ensure that this happens, the principals set up institutional structures that serve the function of monitoring and enforcing the terms of the relationship. The Combined Code, however, raises a concern on the enforcement of these terms by stating that:

> Whilst recognising that directors are appointed by shareholders who are the owners of companies, it is important that those concerned with the evaluation of governance should do so with common sense in order to promote partnership and trust, based on mutual understanding (FRC, 2003:2).

The principal-agent relationship is based on trust. However, Homayoun and Homayoun (2015:806) point out two problems that exist in the principal-agent relations. The first is that the principal may have difficulties in obtaining complete information about what the agents are doing. This makes it difficult for the principal to follow and verify what the agent is doing and whether the agent is following their agreed guidelines. In this case the agent may be tempted to conceal or cheat in their dealings in violation of the agreed contract. The second problem is that the principal and agents will have different preferences when it comes to risk and how that risk must be shared. To handle these risks the principal-agency theory concentrates on how an effective contract between the two parties can be best structured so that the agents can act in agreement with the organisations best interest (Homayoun and Homayoun, 2015:808).

It is this principal-agent relationship that can be likened to the relationship that exists between the government and those organisations that are assigned or delegated to provide services on its behalf. It is the duty of Government to provide education services to the citizens of its country. However, the provision of education has become a national burden for most governments, especially in the developing countries. The adverse economic conditions and competition from other public sectors for public funds have led to constraints in the provision and growth of education to the public. As a result, most governments have engaged private individuals and institutions to provide education services on their behalf. Through this approach, governments have reduced the expenditure of offering educational services to the public because the cost is borne by the private individuals or institutions. Higgins, says that by so doing, the government is:

> …engaging the private sector to provide services or facilities that are usually regarded as public sector responsibilities (1999:1).

Privatisation has been brought into play in many sectors of the economy (including education) because it is widely viewed as a mechanism to improve efficiency and delivery of services to the public. The understanding is that all these private institutions are delivering services on behalf of the government. However, in delivering these services, the private institutions have their own vested economic interest. The proprietors invest their resources with a hope that they will have an economic return on their investments. Meanwhile, the government also has a vested interest in the provision of education to the public.

3.3 The Government and Education

In Zambia, it is a requirement that all private business entities are registered under the prescribed Act of Parliament depending on the nature of the business. Private educational institutions are incorporated under the Companies Act of 1994, Chapter 388 of the Laws of Zambia. By law, it is a requirement that the private companies that are incorporated under this Act have a minimum of two individuals as proprietors or directors [CAP 388, Part II, Section 6, (1)]. In the same vein, the company will have Articles of Association that will regulate the conduct of the business [CAP 388, Part II, Section 7, (1)].

Each sector of the economy is governed by laws that ensure that those who are engaged to operate in that arena adhere to predetermined conditions that will ensure the efficient provision of services to the public. In this regard, the Education Act of 2011 has prescribed that every private school (primary or secondary school) must have a board of management. The Education Act of 2011, under Part I - Section 2, has defined this board of management as:

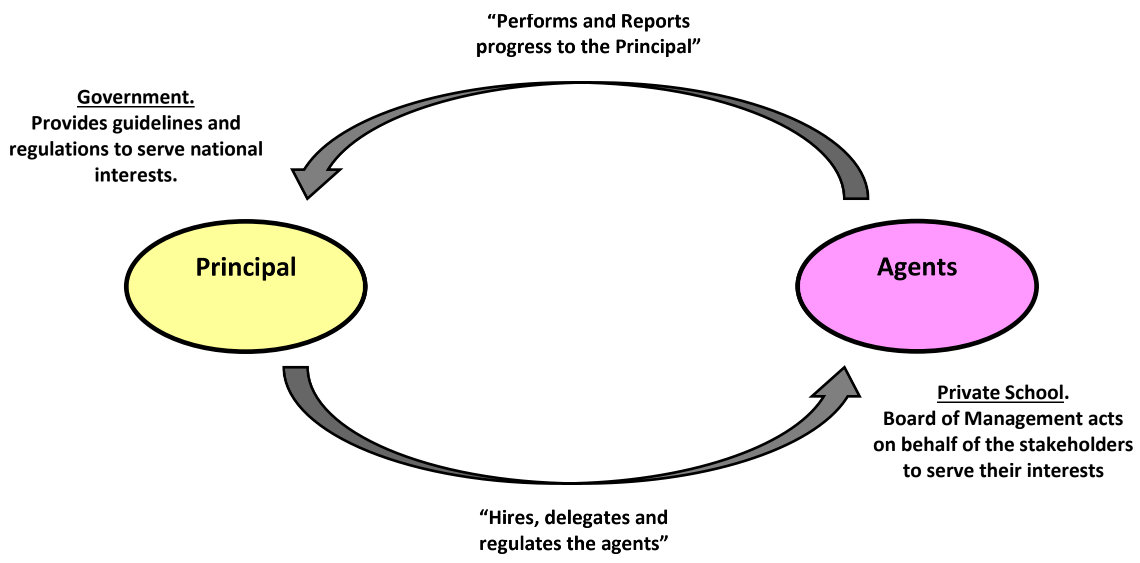
> …a board in which the management of an aided, a private or community educational institution is vested (Education Act, 2011:447).

The expectation from Government is that all private learning institutions will have in place these boards of management to ensure that the institutions are professionally run to protect and serve the interests of the government, the shareholders, the employees and the clients (pupils and parents).

In this scenario the government is the principal while the proprietors or private schools are the agents. The government as a principal ‘hires or delegates’ the private schools as agents to provide educational services that it may otherwise need to provide. The expectation of the principal is that the agent will act in their interest, while realising that the agent also have their own interests to serve. This principal–agent relationship can be modelled after the Agency Theory of Corporate Governance, where one party acts on behalf of another party.

3.4 Conceptual Framework

Figure 2 ADAPTATION OF THE AGENCY MODEL



Compiled by the Author, 2017

From this adaptation of the agency model, we see how the relationship between the government and private schools interact.

3.4.1 The Government (Principal)

The government, through the Ministry of Education, engages the private sector to provide education services to the public. However, these services must meet some minimum criteria that are prescribed in the Education Act of 2011. As part of the principal-agent contract the government requires that the private school puts in place an operational plan which will be scrutinised by the public, who are the recipients of their services. The Education Act says:

> An operational plan of a private educational institution shall be available for inspection, at a nominal fee, by members of the public during ordinary office hours at the premises at which the private educational institution is registered to operate (Education Act, 2011:448).

In the Zambian educational sector, the government provides regulations and legislation that will ensure adherence to the required minimum standards expected in the provision of education services. The other strategy that the principal uses is to monitor the performance of the agent. By so doing the principal observes and evaluates the agent's performance. In order to monitor and evaluate schools the Ministry of General Education has established a directorate of standards. Under this section the Standards Officers are tasked to inspect and ensure adherence to prescribed standards as stipulated in the Education Act of 2011. The duties are partly outlined as follows:

> An education standards officer shall monitor, evaluate and enforce adherence to set standards of quality in the provision of education by educational institutions in accordance with the provisions of this Act….inspect any work, management or activity at an educational institution or facility so as to ensure compliance with the provisions of this Act (Education Act, 2011:467).
>
> ….conduct inspections at any educational institution for the purpose of vetting or approving the registration of any aided, community or private educational institution (Education Act, 2011:468).

In addition the agents are expected to submit annual reports to the Ministry of Education besides the reports that are submitted by the Standards Officers. The Education Act of 2011 puts it this way:

> An education standards officer shall, at the end of each academic year, submit to the Minister an annual report on the provision of education by educational institutions (Education Act, 2011:470).

The cost of monitoring the agents is borne by the principal but is passed on to the agents through the various fees that are charged to the agents such as renewal, registration, certification and so on (Fama and Jensen, 1983). Certain aspects of monitoring are also imposed by legislative practices. In this regard, schools that fail to meet the required standards can be de-registered. The Education Act of 2011 records that:

The Registrar may de-register a private educational institution where—

(a) any ground exists on which the Registrar would have rejected the application for registration;
(b) the institution contravenes any term or condition of the certificate of registration or any provision of this Act;
(c) the institution operates without a board of management;
(d) the institution has ceased to operate or exist; or
(e) the institution has been closed for a period exceeding six months.
(Education Act, 2011:452)

While the government consciously puts down all these measures, the agent is given some leeway in their operations with a sense that they will sensibly adhere to these requirements.

3.4.2 The Private Schools (Agents)

The private schools on the other hand have a duty to ensure that their investment is protected and returns are available for their shareholders. School Management has a duty to balance their 'allegiance' towards the proprietors and the government. The school management has to ensure that the services to the public are not compromised as they pursue the profit motive of the shareholders. The demand for enrolment into private schools is high especially in urban areas where members of the public feel their services are better to those in public schools. The Education for All Review report reveals that:

> …public schools in high density urban areas have challenges absorbing children, schools in low density neighbourhoods are under enrolled in the early grades because people take their children to private schools (Nkosha, 2015:34).

The fact that there is a demand for education in the private sector can be very tempting for the proprietor to take advantage of this demand and offer shoddy services at premium fees.

3.5 Summary

Corporate governance is the basis for the agency theory whose principle is to delegate work to an agent. The agent carries out the work of the principal through an agreed contract. However, the principal and the agents' expectations may not always be aligned resulting in uncertainty and risk. This uncertainty and risk leaves room for the agent to act in their own interests and not those of the principal in what is known as egoism. To keep the agent in check the principal puts measures in place, some of which will limit the agent from diverting from the interests of the principal while other measures will be to reward the agent in anticipation of satisfying their needs.

The government of Zambia has engaged the private sector as agents of education services under the provisions of The Education Act of 2011. However, the government has laid down requirements that the private schools must meet to ensure that the services are of the required standard. Failure to meet these standards would result in deregistration of the private school.

The next chapter describes the methodology that was used in the research and selection of the sample.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

This chapter has dealt with the common sections associated with methodology, namely research approach, design, population of the study, sample of the study, collection of data, research instruments, and analysis of data.

4.2 Research Approach.

A mixed approach was adopted to investigate the extent to which corporate governance practices are followed at selected private schools in Lusaka district.

The study incorporated both the qualitative and quantitative approach, although the approach was predominantly qualitative. This method was found to be appropriate for this study since it aimed to describe and quantify the current status of corporate governance practices that were followed at selected private schools in Lusaka district.

According to Creswell (2015:195), the descriptive method of research is to gather information about the present existing condition. Since this study was focused on the perception or evaluation of corporate governance practices at selected private schools in Lusaka district, the descriptive method was the most appropriate method to use.

4.3 Research Design

This research adopted the survey design to investigate the topic corporate governance practices at selected private schools in Lusaka district. This approach allowed for data to be collected from the setting of the participants towards corporate governance practices in their institutions. Additionally, although the research tended to lean towards qualitative form, measureable data was collected and analysed.

The research design is considered as the structure of the research. The research design provides the outline or plan that was be used to provide the answers to the research problem (Kasonde-Ng'andu, 2013:34). Gupta and Gupta, state that:

…research design constitutes the blue print for collection, measurement and analysis of data (2013:32).

4.4 Population of Study

The study was conducted in Lusaka district. Lusaka district has 105 private schools as shown in Table 1 below. These are schools that are registered with the Ministry of General Education under the Education Act of 2011. The population of the study is 105 Heads of Schools and Board members.

Table 1: Private Schools in Lusaka District

Type of School	Number of schools	Head Teachers
Primary School only	59	59
Primary and Secondary School	36	36
Secondary School only	10	10
Total	105	105

(Source: Lusaka District Education Board, 2017)

The schools included in this scope of study had to meet the following criteria.

1. Be a private school in Lusaka district
2. Be a school that is registered with the Ministry of General Education

4.5 Sample

Selecting the sample was challenging because there was no record to show which schools had boards of management. The Lusaka District Education Board Secretary's Office did not have a list of private schools that indicated the presence of a management board. There being no ready list from which to draw the sample, non-probability purposive sampling was used. The researcher engaged the Chairperson of Independent Schools Association (ISAZ) to propose names of schools that had boards in place.

Through this sampling process, seven schools were selected, namely: Nkhwazi Primary School, Rhodes Park School, Thorn Hill schools, Woodford School, St Andrews School, Son Shine School and Little Lulu Primary School. These schools were visited and each Head of the School was then asked to suggest a name of a school that may have a board of management. This was the snowball sampling technique. Snowballing is used by following a lead that an interviewee identifies as another possible interviewee. Such a lead is followed and results in identifying yet other possible interviewees. Through this sampling approach, 22 schools were visited (Annex 1) to gather data for the first research question. This sample represented 21% of the total private schools in Lusaka district.

For the second, third and fourth research questions the sample was determined after visiting the 22 schools and confirming the presence of a board of management. If a board was present then the school was incorporated into the sample after accepting to participate in the research. Four primary schools and three primary with secondary schools agreed to participate. This gave a sample of 14 respondents, 7 heads of schools and 7 board members. With that, 14 respondents, from 7 schools were interviewed giving a representation of 7% of the population in Lusaka and 32% of those visited.

The purpose of selecting this sample was to come and make a generalisation from the sample to the population so that inferences can be made about some characteristic, attitude, or behaviour of this population (Creswell, 2009:146).

4.6 Data Collection.

Data are of two types, the primary data and secondary data (Gupta & Gupta 2014). Primary data, is that information that is collected for the first time and is original in character. It is collected directly from the participants (Gupta & Gupta 2014, Kombo & Tromp 2014). Additionally, further primary data was collected from original scholastic work. Secondary data, on the other hand, is that which has already been collected by someone else and published. Secondary data comes from diverse sources that can consist of documents or electronically stored information (Kombo & Tromp 2014).

According to Gupta and Gupta (2014:69), secondary data comes from two major sources – internal or external. Internal data comes from the documents maintained by the institution. Meanwhile, external data is obtained from other sources other than from the archives of the institution.

Considering that the respondents required to be interviewed, self-administered questionnaires and interviews (structured or unstructured) were used with the questions crafted in such a way as to address the research questions. The questionnaires consisted of a series of written questions that a participant was required to answer. The format of questions were such that they required to solicit short answers, including where the respondent had to strongly agree, agree, be neutral, disagree or strongly disagree.

The questionnaires for the heads of schools consisted of nine questions that were intended to solicit information on the school (Annex 2). The questionnaire for the board members had three parts (Annex 3). Part one collected information on the respondent, part two collected data on the board composition, and part three solicited information on the corporate governance practices. Questionnaires were delivered to the respondents at their institutional premises and deposited with the heads of schools after a brief discussion to ensure that the questions were understood.

A one-on-one interview was held with the Lusaka District Education Standards Officer to obtain information towards the first research question that would establish the levels of compliance the schools had attained towards appointing boards of management. A further study of any published documents and websites for the schools, such as prospectuses or annual reports was done.

4.7 Data Analysis.

Since the primary data source was questionnaires and interviews, they were checked for completeness, accuracy and uniformity. Where possible, the questionnaires were corrected through inference, recall or going back to the respondent. After this process the data was presumed to be ready for use.

The data collected was analysed both qualitatively and quantitatively. Qualitative data from the responses in the semi-structured items in the questionnaire and unstructured interviews were subjected to content analysis in which patterns were identified, analysed and presented following rationality with research questions. All the qualitative responses were listed in tables according to their question or themes.

Responses from the quantitatively structured items in the questionnaire were inputted and computed in the Microsoft Excel Spreadsheet Package in order to manually derive tables of frequencies and percentages for each variable. And because qualitative research leans towards research that produces findings not arrived at by means of statistical procedures (Golafshani, 2003), descriptive statistics such as means, medians, deviations or other forms of quantification were not applied.

4.8 Ethical considerations

Since this study engaged human participants and investigated corporate governance practices, certain issues were addressed. It was necessary to ensure the privacy as well as the security of the participants. These issues were identified to them in advance so as prevent future problems that could have arisen during the research process. The significant issues that were considered included consent, confidentiality and data protection.

Permission to conduct the study was obtained from:

1. University of Lusaka – to proceed with the study
2. Ministry of General Education at Lusaka District Secretary’s Office
3. The Board/Management of the schools involved in the survey

In the conduct of the research, the interview forms were drafted in a simplified and concise manner to prevent conflicts or misunderstanding among the respondents. People who participated in the research were given ample time to respond to the questions posed to them to avoid errors and inaccuracies in their answers. The respondents were given a waiver regarding the confidentiality of their identity and the information that they did not wish to disclose. The respondents' cooperation was eagerly sought after, and they were assured that the data gathered from them would be treated with the strictest confidence, so that they would be more open. This was done with the hope that this would promote trust between the researcher and the respondents.

4.9 Credibility and Integrity

Holloway and Wheeler, (2002), define credibility as the confidence that can be placed in the truth of the research findings. Credibility establishes whether or not the research findings characterise believable information drawn from the participants' original data. Credibility also confirms that the information drawn from the participants has been correctly interpreted in accordance with the participants' original views (Lincoln and Guba, 1985). In a predominantly qualitative research, the accuracy of the inquiry is established by adopting credibility strategies. These strategies include: prolonged and varied field experience, time sampling, reflexivity, triangulation, member checking, peer examination, interview technique, establishing authority of researcher and structural coherence. For this study, the strategy of triangulation was employed.

Triangulation "involves the use of multiple and different methods, investigators, sources and theories to obtain corroborating evidence" (Onwuegbuzie and Leech, 2007:39).Triangulation helps to reduce any biasness and cross-examines the responses from the participants to ensure their integrity. For this investigation, similar questions were presented to the different participants to solicit information for the same problem from different perspectives. This helped to compare the different perceptions of the inquiry and strengthen the integrity of the findings. The second triangulation measure that was employed was the use of different sources of data. In this case questionnaires, interviews, reports and websites were utilised to enhance and collaborate the quality of the data from different sources. The third triangulation strategy that uses different research methods was not applied because only one method was used.

Many survey researchers believe that closed-ended questions lead to more accurate data and a more definitive analysis. For instance, two noted survey researchers, Fowler and Cosenza, observe that:

> …the answers are probably more reliable and valid when a list is provided than when the question is asked in open form (Fowler & Cosenza, 2009:398)

To ensure credibility in this study the responses obtained through the interview questionnaires were analysed and scored independently to check correlation.

4.10 Limitations of the study

During the conducting of this study and especially on data collection the following limitations were encountered:

- Some of the respondents were not ready to meet and be interviewed; it took a lot of persuasion to convince them to participate.
- Schools were not ready to share their annual reports to confirm some of the responses.
- Some of the respondents had limited time to complete the questionnaire.
- Some heads of schools were initially afraid to fill the questionnaire thinking that the researcher had bad intentions to their institutions.

4.11 Summary

For this study a mixed research approach was applied. It involved a search for patterns from the interviews and observations and the development of explanations of those patterns through theories. This approach was used in both qualitative and quantitative methods of data collection and analysis.

This chapter dealt with the research design that had been followed in this study, addressing the population, sampling procedure, data collection instrument and data collection procedure. Measures were adhered to in order to enhance the validity and reliability of the research results. Ethical concerns which could have impacted on the survey were attended to.

The following chapter presents the presentation and analysis of the data obtained from the interviews.

CHAPTER 5

PRESENTATION OF FINDINGS AND DISCUSSION

5.1 Introduction

This chapter presents the findings and discussion of the results obtained from the study. The results were achieved from two types of questionnaires that were directed to the Head Teachers or Principals of Schools and the Board Members respectively.

The questionnaire for Head Teachers or Principals extracted data on the vital statistics of the school. The questionnaire for the Board Members was divided into three sections. Section A for personal information, Section B for board composition and Section C for corporate practices. The discussion is done following the four research questions and objectives of the study.

5.2 Overview of Response Rate

Twenty two (22) private schools were visited to determine the presence of a board of management in the school. It was made clear that the board under consideration did not include the default board constituted by shareholders at the initial formation of the company. Only the schools that were found to have boards of management were given questionnaires for the head of the school and board members.

From the 11 schools that had boards of management, 7 were ready to participate in the study. This translated into a 63% acceptance rate and notably the response from these 7 schools was 100%.

5.3 Presence of Boards of Management in Private Schools

The Education Act of 2011 stipulates that the proprietor of a private education institution must appoint a board of management that assumes the responsibility of the management of the education institution. The findings on this requirement were as indicated in Table 2 that follows below.

Table 2: Presence of Boards of Management in Private schools

No.	Type of School	Board present		No Board		Totals	
1	Primary only	4	18%	3	14%	7	32%
2	Primary and Secondary	7	32%	8	36%	15	68%
		11	50%	11	50%	22	100%

(Source: Compiled from field Data 2017)

From the 22 private schools that were visited, it was established that 50% had a management board in place. The schools that were visited had been in operation for at least 2 years and some for as long as 30 years. All the schools had successfully managed to renew their operational license with the Ministry of General Education during their years of operation.

It was also established that the majority of the schools preferred to run both primary and secondary schools for the purpose of continuity and to capture a wider market. The 50% compliance rate implies that half of the schools visited had been operating without a board of management in place. It was established that the proprietors preferred to manage the schools without appointing an independent body. The schools that had this form of arrangement were managed by the shareholders or family members. These were the key persons in decision making and planning. In some of these schools the proprietors were also the heads of the schools.

5.4 Mechanism of Appointing Boards of Management in Private Schools

For the other half of the schools, the proprietors had managed to put an independent board of management to manage the schools. In these cases the boards had been appointed through different mechanisms. The mechanism of appointment that were identified are indicated in the table below.

Table 3: Mechanism of Appointing Boards of Management

Mechanism of Appointment	Frequency	Percent
Proprietor or Owner	3	43%
School Annual General Meeting	1	14%
Nominations Board	3	43%
Total	7	100%

(Source: Compiled from field Data 2017)

It was established that individual proprietors preferred to appoint the board members themselves. This approach was preferred by 43% of such proprietors. In this case the proprietor had the power to appoint members to be on the board. What was noticed was that some members of these boards would be close associates, spouses or other family members. In governance, board members appointed in such a manner were most likely to be loyal to the appointing authority and this may compromise their independence in decision making or accountability.

Only 1 or 14% of the boards were appointed at a School Annual General Meeting. This approach was found to be more participatory and the board was likely to be more accountable to their fellow parents and staff that had appointed them. This system was found to be in practice at Nkhwazi Primary School. This School is owned by a community association and not an individual. Therefore there was an inclination towards more participation and independence of the board.

The other 43% of the boards were appointed by a nominations board. This means that the schools had some form of committee that meritoriously considered names of board members before their appointment. This

From the schools visited, the number of board members constituting the size of the board varied significantly as shown in the Table 4 below.

Table 4: Size of Board in relation to Proprietor

Proprietor	**Size**	**Percent**
Individual	3	6%
Individual	5	9%
Individual	9	17%
Community	5	9%
Organisation	7	13%
Organisation	9	17%
Organisation	16	30%
Total	54	100%

(Source: Compiled from field Data 2017)

The smallest board of 3 members was found among the boards appointed by individual proprietors, while the largest board had 16 members and it was among those appointed by an organisation. Rhodes Park School had the only board with 9 members that had been appointed by an individual proprietor.

When individual proprietors appointed members to the boards, they maintained a small number supposedly due to the type of members and the need to maintain control. What was found was that to maintain control the boards were made smaller besides their familiarity with the owner.

5.5 Types of Board of Management Structures in Private Schools

The Education Act of 2011 gives power to the proprietor to appoint the board of management to be responsible for the management of the institution. However, the type of board is left to the proprietor to decide.

Corporate governance dictates that a board of management must have a combination of executive and non-executive members to create a balance. Corporate governance indicates that when there is a balance of executive and non-executive the concentration of power in a few individuals is diffused. In this way there is no dominance by a few individuals in the decision making process. Table 5 shows that 86% of the respondents were executive board members and only 1 (14%) was a non-executive member.

Table 5: Type of Board Members

Type of board member	Frequency	Percent
Executive	6	86
Non-Executive	1	14
Total	7	100

(Source: Compiled from field Data 2017)

When asked to indicate the type of members on the boards, the heads of schools responded as shown in Table 6. One school had a board that was composed of non-executive members. Three or 43% indicated that they either had executive members only or both. It was found that the type of board members was significantly related to the proprietor. Table 7 shows how individuals lean towards boards that have executive members only while schools that were owned by either the community or faith based organisations leaned towards non-executive boards or a mixture. The likelihood is that the latter proprietors aim to create more balance and accountability.

Table 6: Type of Members on the Board

Type of members on the Board	Frequency	Percent
Executive only	3	43
Non-Executive only	1	14
Both Executive and Non-executive	3	43
Total	7	100

(Source: Compiled from field Data 2017)

Table 7: Type of Board Members and their Proprietors

Ownership Type	Type of Board Members
Individual or Sole Proprietor	Executive only
Individual or Sole Proprietor	Both Executive and Non-executive
Individual Limited Company	Executive only
Individual Limited Company	Executive only
Faith Based Organisation	Both Executive and Non-executive
Faith Based Organisation	Both Executive and Non-executive
Community Based Organisation	Non-Executive only

(Source: Compiled from field Data 2017)

The results show that the majority of the school boards consisted of either executive members only or both executive and non-executive members. The latter board composition is the preferred setup according to the recommendations given by the Combined Code on Corporate Governance. As explained in the literature review the presence of non-executive members in the board improves the independence of the board and hence its effectiveness.

5.6 Practice of Corporate Governance Principles in Private Schools

In order to determine compliance to corporate governance principles in the selected private schools of Lusaka district the following five variables were tested.

a. Effectiveness and Efficiency
b. Transparency and Accountability
c. Information flow and Board Efficiency
d. Trust between and among Stakeholders
e. Board Sub-Committees

The results were analysed using modal frequency tables of occurrence. The values are abbreviated SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree. It was explained to the respondents that SA and SD meant the event occurred all the time or was religiously followed or on the other hand never considered. A and D meant the event was practiced frequently but could also be done not done. N meant the respondent did not know or preferred not to comment on the matter.

5.7 Board Effectiveness and Efficiency

In determining the Board effectiveness and efficiency five attributes were measured under this variable as indicated in Table 8 below.

Table 8: Effectiveness and Efficiency Practices

Best Practices	SA	A	N	D	SD	SA	A	N	D	SD
Does the board have a schedule for meetings specifically for decision making?	1	5	1			14%	71%	14%		
Does the board have planned quarterly meetings?	2	1	2	2		29%	14%	29%	29%	
Is the flow of information to the board timely and in the quality appropriate for the discharge of duties?	3	4				43%	57%			
Does the board have a charter or terms of reference defining its functions?	3	3	1			43%	43%	14%		
Does the board have a code of conduct or code of ethics?	1	3	2	1		14%	43%	29%	14%	

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

5.7.1 Schedule of meetings for decision making

The majority of the schools, 71%, agreed that they have a schedule for board meetings that are specifically for decision making. This schedule did not include the emergency meetings but rather those that focused on making decisions on specific matters pertaining to the institution.

5.7.2 Quarterly meetings

There was a confirmation that one school did not consider forecasting for quarterly meetings. However, 29% of the respondents did not disclose their position on the matter. Even then, three schools constituting 43% either SA or A that they had planned quarterly meetings. Those that had agreed to the schedule of meeting also confirmed that at times these schedules were made available to the board members in advance.

The majority of the respondents commented that the final number of meetings held by the board was determined by the prevailing situation like the need of employing new staff, the discussion on the examination results, receiving performance report and strategy formulation.

These results confirm the practice of the corporate governance principle on board meetings in the majority of the institutions.

5.7.3 Flow of Information

All the respondents either SA or A that there was timely flow of information required for the discharge of their duties. The majority of the respondents confirmed that this information was of the desired quality (57%) while the other 43% strongly agreed. It was mentioned that most of this information flow was done through regular reports, emails or phone calls. The mode of information transfer was dependent on the value and need of the information.

The results confirmed that all respondents were complying with the supply of information according to corporate governance.

5.7.4 Board Charter

Over 80% of the respondents confirmed that there was a charter or terms of reference for the board by strongly agreeing or agreeing. 14% were not sure of the existence of this document or were not ready to disclose its availability. This lack of disclosure or non-existence of this charter is a violation of the corporate governance principle that requires that corporations must establish their own governance practices.

There was a strong indication that most schools were adhering to this corporate governance principle.

5.7.5 Code of Conduct

The findings on the presence of a code of conduct document revealed that 14% strongly agreed, 43% agreed, 29% were neutral and 14% disagreed. It was clear that 29% were not sure of the availability of this document in the organisation. The code of conduct provides the structure, awareness and guidance in which the board members need to operate and therefore lack of it is a recipe for likely to be unethical.

This principle was confirmed to be in practice in at least more than half of the schools.

5.8 Transparency and Accountability

To determine Transparency and Accountability of the Boards, five principles were measured under this variable as indicated in Table 9 below.

Table 9: Board Transparency and Accountability Practices

Best Practices	SA	A	N	D	SD	SA	A	N	D	SD
Are the functions of the board chairperson and School CEO performed by the same person?	1	3		3		14%	43%		43%	
If the role of chairperson and School CEO are done by the same person has a statement been published to justify this arrangement?	1	2	3	1		14%	29%	43%	14%	
Does the board consider the caliber of non-executive members before inclusion on the board?	2	2	2	1		29%	29%	29%	14%	
Are the non-executive members on the board more than half of the board?	2	1	3	1		29%	14%	43%	14%	
Are the non-executive members independent of the management and free of the business of the school?	2	3	2			29%	43%	29%		

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

5.8.1 Functions of Board Chairperson and School CEO

From the results, it is evident that 14% strongly agreed and 43% agreed that the function of the Board Chairperson and School CEO was being performed by the same person. It turned out that the majority of the Chairpersons of the board and the School CEO also happened to be the proprietors of the schools. This is against the recommendations given by the Combined Code on Corporate Governance (2003) on corporate governance requirements. The requirement is that there should be a clear division of responsibilities between the one running the board and the CEO so that no one individual should have unfettered powers of decision making. This principle is only being practiced in 43% of the schools.

The revelation is that less than half of the schools were observing this corporate governance principle.

5.8.2 Justification of Board Chairperson and School CEO

Results indicate that 14% of the respondents disagreed to the publication of any statement to justify why the role of board Chairperson and that of School CEO were performed by the same person. On the contrary, 14% and 29% strongly agreed and agreed respectively to publish a justification statement.

43% opted not to disclose or were not aware of the publication of this statement to justify why the role of board Chairperson and School CEO were done by the same person. The requirement of good corporate governance practice dictates that a statement of justification must be published to explain the dual roles.

This practice was confirmed to only being done by 43% of the respondents, while the other 43% were unware of such a requirement in corporate governance.

5.8.3 Caliber of Non-Executive Members

The response was even among those that strongly agreed, agreed and neutral at 29%. The other 14% disagreed to the principle of considering caliber in appointing non-executive board members.

The outlook is that this principle was not strongly practiced as required in corporate governance.

5.8.4 Number of Non-Executive Members

Table 10: Number of Non-Executive Members on the Board

Respondent	Board Size	Executive members		Non-Executive members	
		No.	Percent	No	Percent
1	3	1	33%	2	67%
2	5	5	100%	0	0%
3	7	7	100%	0	0%
4	16	4	25%	12	75%
5	9	3	33%	6	67%
6	5	0	0%	5	100%
7	9	3	33%	6	67%
Totals	**54**	**23**	**43%**	**31**	**57%**

(Source: Compiled from field Data 2017)

The results from Table 10 above show that all the respondents that had non-executive members on the board had a more than 50% representation. However, three boards exhibited uniqueness. One board was 100% non-executive and was for a community school, were members were appointed at the annual general meeting of the school. The other two schools had nil representation of non-executive members. These boards were composed of proprietors and school management representatives.

There was a strong indication that the 50% or more presence of non-executive members as needed in corporate governance practice had been fully achieved in most of the schools.

5.8.5 Non-Executive Members independent from Management

There was a strong leaning towards agreeing that non-executive members were independent of the management and business of the school. 29% strongly agreed and 43% agreed to this principle. There were 29% that claimed not to know if this principle was being practiced in their institution.

This is a good principle of governance that strengthens the independence of the board and thus increases the effectiveness of the corporate governance in schools.

Again this principle was confirmed to be in practice in the majority of the schools.

5.9 Information flow and Board Efficiency

The variable of Information flow and board efficiency was measured by considering the following six principles indicated in Table 11 below.

Table 11: Information Flow and Board Efficiency Practices

Best Practices	SA	A	N	D	SD	SA	A	N	D	SD
Does the board meet to discuss issues affecting the school?	4	3				57%	43%			
Is there a timely and efficient method for informing and briefing board members prior to meetings?	3	3	1			43%	43%	14%		
Is there a formal schedule of matters or agenda specifically reserved for the board to discuss?	2	4	1			29%	57%	14%		
Has the board appointed appropriate committees in which non-executive members participate?	1	2	4			14%	29%	57%		
Do board subcommittees have terms of reference approved by the board?	1	2	3	1		14%	29%	43%	14%	
Are the sub-committees free to take independent professional advice from outside the board, where necessary?	2	3	1	1		29%	43%	14%	14%	

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

5.9.1 Meeting to discuss issues of the School

All the boards agreed that they met to discuss the issues of the school, 57% strongly agreed and 43% agreed, which was an indication that meetings were key to resolving issues of the school. None of the boards were neutral or in the contrary to this principle of corporate governance.

This confirms that all schools were practicing this attribute of corporate governance.

5.9.2 Timely and efficient method to informing Board members

Once again the boards were positive about this principle. 43% strongly agreed and agreed that the flow and method used to disseminate information was timely and efficient to brief board members before a meeting. 14% refrained from giving their opinion and opted to be neutral.

Considering that the majority confirmed the practice of this principle of corporate governance it can be said that there is some measure of adherence.

5.9.3 Formal Schedule of matters or Agenda

57% agreed that the board had a formal schedule of matters reserved for discussion at board meetings. Agreeing were 29% of the respondents and 14% did not know. One raises concern for those that did not know because the likelihood of failure is increased where matters are not systematically scheduled for discussion.

However, there was a strong inclination towards an indication that the majority of the schools were practicing this principle.

5.9.4 Board Appointed Sub-Committees with Non-Executive members

It was noticed from the results that the majority of the respondents were not aware or opted to remain neutral over this matter. 57% were neutral, 14% strongly agreed and 29% agreed.

From these results the implication is that this principle is not being practiced as expected by most of the schools.

5.9.5 Sub-Committee Terms of Reference

From the results obtained 14% of the respondents disagreed that the sub-committees have terms of reference approved by the board. From the positive side, 14% strongly agreed and 29% agreed to the presence of approved terms of reference. 43% did not disclose their position on the matter.

The majority either disagreed or where non-responsive to the level of practice of this principle meaning that most schools were not probably practicing this requirement of corporate governance.

5.9.6 Freedom to take Independent Professional Advice

The results indicate that 43% of respondents agreed that the sub-committees were free to take independent professional advice. Those that strongly agreed were 29% and 14% were neutral. Then there were the 14% that disagreed to engaging independent professional advice.

The results confirmed that this principle was being practiced in the majority of the schools.

5.10 Trust between and among Stakeholders

In considering the variable on practices of trust between and among stakeholders, seven attributes were measured as indicated in Table 12 below.

Table 12: Trust between and among Stakeholders' Practices

Best Practices	SA	A	N	D	SD	SA	A	N	D	SD
Does the school produce annual reports on its performance?	2	3	1	1		29%	43%	14%	14%	
If the school does publish annual reports, are these reports open for public circulation?		1	3	1	2		14%	43%	14%	29%
Does the report include any statement on the level of compliance or non-compliance to best corporate governance practices?	3	2	1	1		43%	29%	14%	14%	
Does the board give any explanation for non-compliance in the annual report?			6		1			86%		14%
Are names of both executive and non-executive board members published in the annual report?	3	2	2			43%	29%	29%		
Does the annual report include a statement on the key business risks of the school?	1	2	3	1		14%	29%	43%	14%	

Best Practices	SA	A	N	D	SD	SA	A	N	D	SD
Does the report include a report on the number of board and committee meetings held in the year?		4	1	2			57%	14%	29%	

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

5.10.1 Production of Annual Report on performance

The majority, 43% agreed that annual reports were produced to show the performance of the school. 29% strongly agreed meaning that it was a mandatory task each year. Those that opted to be neutral were 14% and the other 14% claimed they did not produce such a performance report.

The results mean that the majority of the schools practice this principle in some way.

5.10.2 Public Circulation of Annual Report

While the majority had agreed to the production of the annual report, the circulation leaned towards a limited audience. Only 14% agreed that annual reports were open for public circulation. 43% were neutral or had no circulation policy. The 14% disagreed and 29% strongly disagreed. For these schools the annual report was for circulation only among the school clients.

This principle was being practiced by most schools but with a variation. Most of the schools had restricted the annual report to internal circulation only.

5.10.3 Statement on level of Compliance or Non-Compliance

Corporate governance practices demands that the annual report includes a statement that indicates the level of compliance or non-compliance to corporate governance principles. Those that strongly agreed were 43%, while 29% agreed. Those that were uncertain if such a statement was included in the report were 14%. The other 14% disagreed meaning that such a statement never existed which indicated a weakness in the boards that did not comply with reporting and disclosure requirements of corporate governance.

Most schools confirmed that this principle was being practiced.

5.10.4 Explanation for Non-Compliance

In the event of non-compliance, the board must provide an explanation as to why they have failed to comply with corporate governance principles. The results show that none of the boards provided an explanation which was a failure to comply with corporate governance principles. Those that were neutral numbered 86% and the 14% strongly disagreed.

This principle was not being practiced in any of the schools.

5.10.5 Publication of names of Board Members

From the findings only 29% of the respondents were not certain of the publication of names of both executive and non-executive board members in the annual report. The rest of the responses were in agreement, 43% strongly agreed and 29% agreed.

There was a strong indication that this principle was being practiced by the majority of schools.

5.10.6 Statement on Key Business Risks

It was discovered that the majority, 43% were not sure if the annual reports contained a statement to indicate the key business risks of the school. However, 29% were sure and agreed and 14% strongly agreed. There were those that also disagreed and these were 14%.

Less than half of the schools confirmed that they were practicing this principle. This is a great concern particularly that these are privately owned business enterprises that must be aware of business risks.

5.10.7 Report on the number of Board and Committee meetings

From the results, most of the boards reported on the number of board and committee meeting held during the year. The majority, 57% agreed that such reports were made. Some were not sure, these being 14% while 29% disagreed.

The majority of the schools were practicing this principle. Again, it raises concern that with this principle not being done it points to likelihood that records are not being kept as thoroughly as required.

5.11 Appointment of Sub-Committees

Six attributes were measured under this variable of considering the practices of appointment of board sub-committees. The results are as indicated in Table 13 below.

Table 13: Appointment of Sub-Committee

Best Practices	SA	A	N	D	SD	SA	A	N	D	SD
Does the board have an audit committee?	2	2	1	2		29%	29%	14%	29%	
Does the board have a nominations committee? (makes appointments)		1	1	3	2		14%	14%	43%	29%
Does the board have a remunerations committee? (considers staff wages and conditions of service)	2	3	1	1		29%	43%	14%	14%	
Does the board have a safety and health committee?		2	2		3		29%	29%		43%
Does the board have a strategic committee? (formulate plans for the school)	1	3	1	2		14%	43%	14%	29%	
Are members of the sub-committees always appointed according to their qualifications/professions?	3	1	3			43%	14%	43%		

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

5.11.1 Appointment of Audit Committee

The majority strongly agreed or agreed at 29% each that there was an Audit Committee. Those that disagreed were also 29% while 14% were neutral.

There was a confirmation that just over half of the schools were practicing this principle.

5.11.2 Appointment of Nominations Committee

It seemed the nominations committee was not favoured by most boards, 29% strongly disagreed and 43% merely disagreed. Those that agreed were 14% and the same number was not sure of the presence of such a committee.

The results confirm that this is not a popularly practiced principle. The meaning is that most schools preferred to appoint members outside the requirements of this committee.

5.11.3 Appointment of Remunerations Committee

This committee was present in most of the boards. 29% and 43% strongly agreed and agreed respectively. Those that were not sure scored 14% just as those that disagreed also scored 14%. The majority of the boards had appointed a remunerations committee.

The majority of the schools were practicing this principle.

5.11.4 Appointment of Safety and Health Committee

It was noted that 43% strongly disagreed to the appointment of this committee. Meanwhile 29% agreed and equally 29% were not sure of the existence of this committee.

This principle was rarely practiced in the majority of the schools.

5.11.5 Appointment of Strategic Committee

This committee was not favoured by 29% who disagreed. However, 14% strongly agreed and 43% agreed. In the meantime 14% were uncertain about the presence of such a committee.

The results indicate that the majority of the schools were practicing this principle.

5.11.6 Appointment of Members to Sub-Committees and their Qualifications

These results indicate whether the board or proprietor considered the qualifications of potential members before appointing them to any of the five sub-committees mentioned above. The results show that 43% strongly agreed and 14% agreed to this requirement of qualifications. On the other hand 43% were neutral or left their options open.

The indication is that most schools were practicing this principle.

5.12 Summary

From the foregrounded results, it can be concluded that firstly, not all proprietors of private schools have complied with the requirement of appointing a board of management. The indication is that only half have complied with this requirement of the Education Act of 2011.

Secondly, those private schools that have a management board have put in place most of the best practices of corporate governance. The variables and attributes used to measure the best practices indicate that there were some short comings. An area of concern is for the respondents that were not sure or opted to adopt a neutral stance such as under the transparency and accountability practices, the appointment of non-executive members to participate in sub-committees, the need to have approved terms of reference for sub-committees, the statement of compliance or non-compliance and that of business risks.

Notably the results also indicate disagreement on some variables that are key to best practices of corporate governance, such as the separation of the roles of the board Chairperson and that of the School CEO, the appointment of nominations and safety and health committees.

Discussion of these results is presented in the next chapter.

CHAPTER 6

DISCUSSION OF RESULTS

6.1 Introduction

This chapter gives the discussion of the data presented and analysed in the last chapter. The discussion focuses on the results observed from the four research questions as presented earlier.

The chapter will first discuss the observed level of compliance. Second, the discussion will review the mechanisms used to appoint boards. Third, the discussion will focus on the types of boards of management that have been constituted by proprietors of private schools. Finally, the discussion will look at each corporate governance practice that was measured in chapter 5 and on how each requirement measured against the expectations of corporate governance. In the discussion, it will be taken that the responses to the values used to test the attributes mean the attribute or value is being practiced or not. Therefore Strongly Agree and Agree will mean that the requirement has been met, Neutral will mean uncertainty while Disagree and Strongly Disagree will mean the requirement has not been met.

6.2 Presence of Boards of Management in Private Schools

From Table 1 in Chapter 5, it was observed that only 50% of the schools had a board of management despite the requirement of the Education Act of 2011 in Part 49. This is an indication that only half of the proprietors are adhering to this legal requirement. All the schools visited had been in operation for at least two years. This means that the schools have had to apply for a renewal of registration at least once in their time of existence.

At the time of renewal the schools are physically visited by the Officials from the District Education Board Secretary's (DEBS) office for an inspection that verifies that the requirements for renewal are all in place. Officers from the DEBS office do physical inspections; the focus has been more on the infrastructure and teaching/learning spaces and materials than the management systems. However, the list of these requirements that was obtained from the DEBS office did not include 'Board of Management' as one of the listed item. The list has 12 requirements

(Annex 4) and none of them included or inferred a board of management. Noticeably, the list does not also include another requirement which is recorded in the Education Act of 2011. The Act, in Part 49 and 50 states that:

> **49.** (1) A proprietor of a private educational institution shall appoint a board of management for the private educational institution.
> (2) A board of management appointed under subsection (1) shall be responsible for the management of the private educational institution.
> **50.** (1) A private educational institution shall develop an operational plan which shall include the following……(Education Act, 2011:447).

According to the Education Act of 2011, if the proprietor failed to meet these two requirements or any other as prescribed by the Act, then the school would be deregistered.

> **62.** (1) The Registrar may de-register a private educational institution where —
> (a) any ground exists on which the Registrar would have rejected the application for registration;
> (b) the institution contravenes any term or condition of the certificate of registration or any provision of this Act;
> (c) the institution operates without a board of management;
> (Education Act, 2011:452).

Although these requirements have been in place from 2011, the officials at the DEBS Office confirmed that no private primary or secondary school's renewal had ever been turned down in this period. This raises serious concerns because the legal requirements for registration or continued operations of a private school are not being strictly demanded for by those entrusted to check such requirements. Therefore, the schools that have a board in place have done it out of the need for proper business management and not necessarily because the law required them to have a board.

This lack of insistence by the authorities has left a loophole that proprietors have exploited and not gone ahead to appoint a board of management. In this regard, the proprietors seemingly have a choice to appoint or not appoint a board.

As a result of this lapse, each proprietor has adopted their own style of management and those that have boards have done so without any prescribed guidelines or standards.

6.3 Mechanism of Appointing Boards of Management in Private Schools

The requirement of the Education Act of 2011 is that the proprietor of a private educational institution must appoint a board of management that shall be responsible for the management of the private educational institution. The Act does not give a hint as to the mechanism that the proprietor may use to appoint this board of management.

From the study, it was discovered that three methods were used to appoint the boards of management in the schools. The data in Table 3 (Page 54) shows that an equal majority of the board members, (43%) became board members either by being directly appointed by the owner of the school or being selected by a nominations committee. The minority, (14%) of the boards of management were appointed at a participatory annual general meeting where parents were engaged in the appointment process.

In accordance with the Education Act of 2011 the appointment of a board of management by the proprietor of the school has a major limitation in that it gives absolute power to the owner of the school to appoint the board and is likely to give the proprietor undue influence and control over the board. This is not a good practice as it weakens the independence of the board members and thus reduces the effectiveness of the practice of corporate governance principles.

The system where the prospective board members names were brought before a nominations committee for consideration was found to be common among private schools that were run by an institution rather than an individual. In this case the board members were picked on merit, according to their qualifications and caliber. This method considered the value the board members would bring to the management of institution.

The Combined Code (FRC, 2003:9) strongly recommends that there should be a mechanism to appoint board members. This mechanism must be formal, rigorous and transparent. The Code further states that the appointment of board members should be made on merit and against objective criteria. In addition, care should be taken to ensure that board members have enough time available to devote to the job, particularly important in the case of chairpersonships.

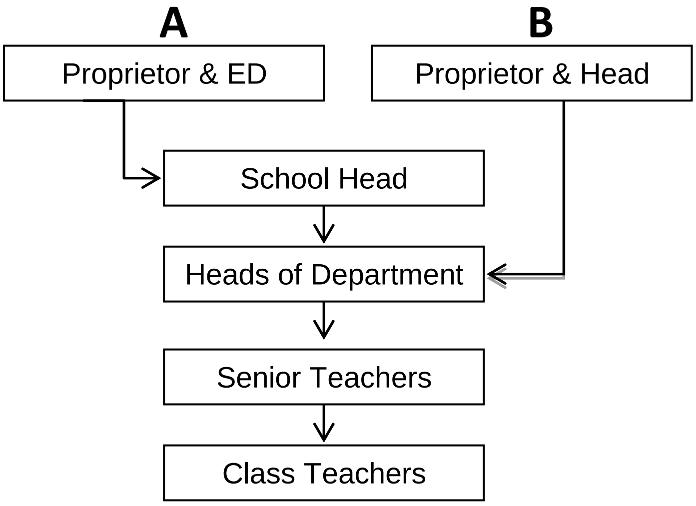
6.4 Types of Board of Management Structures in Private Schools

The Combined Code (2003), on Corporate Governance, requires that every company be headed by an effective board, which is collectively responsible for the success of the company. The Combined Code (Financial Reporting Council, 2008:3) further stipulates that the board should consist of a balance of executive and non-executive members. The Combined Code insists on the inclusion of independent non-executive members so that no single group of members dominates the decision making process. This balance is also important to ensure that the concentration of power and information is not held by a few members.

Table 6 in Chapter 5, reveals that 43% of the Boards in place are Executive type and the other 43% have a balance of both Executive and Non-Executive members. Only 14% had a Non-Executive board. What is also noted is the link between boards that have Executive members and the proprietorship. Of all the sole or private limited company owned schools, 75% had executive only boards. The proprietors or shareholders were further involved in the running of their institutions as Executive Chairpersons of the Board or Heads of the Schools. Therefore this practice raises a concern of the independence of the board. It further compromises the requirement where the functions of the Board Chairperson and that of the CEO are not to be exercised by the same individual. Corporate governance clearly outlines the need for a distinction in the responsibilities between the Board Chairperson and the CEO. However, this is what is prevailing in 43% of the respondents. The other 43% have a balance of membership and the majority of these schools are owned by faith based organisations. The rest, which is 14%, have an all Non-Executive board and are owned by community associations.

The most common management structure that was observed for the schools are as shown in the Figure 1 below:

Figure 3 MANAGEMENT STRUCTURES IN PRIVATE SCHOOLS



(Compiled by the Author, 2017)

Figure 4 shows two options, A and B. Option A is when the proprietor assumes the role of Executive Director (ED) and employs an independent person to run the school. In such an arrangement the proprietor influences the decisions on the operations of the school. The proprietor exhibits a lot of power in this type of arrangement but will involve the management of the school in planning school affairs.

Option B, is where the proprietor is the Head of the School. All affairs and operations of the school are handled by the proprietor. The proprietor has absolute power and makes all the decisions.

These two options, according to corporate governance principles do not allow for the effective practice of corporate governance principles.

6.5 Practice of Corporate Governance Principles in Private Schools

Five corporate governance practices were researched on and a number of attributes or principles were tested under each of these practices. Chapter 5 contains the presentation of the results of these tests. In the following discussion the focus will be on how each practice performed against corporate governance expectations.

6.5.1 Effectiveness and efficiency of the Board

All the schools in one way or the other met this requirement of the variables considered under this practice. The overall measure is that 75% are practicing these principles that is 29% that strongly agree and 46% that agree as shown in the table below.

Table 14: Measure of Board Effectiveness and Efficiency

Best Practices	**SA**	**A**	**N**	**D**	**SD**
Does the board have a schedule for meetings specifically for decision making?	1	5	1		
Does the board have planned quarterly meetings?	2	1	2	2	
Is the flow of information to the board timely and in the quality appropriate for the discharge of duties?	3	4			
Does the board have a charter or terms of reference defining its functions?	3	3	1		
Does the board have a code of conduct or code of ethics?	1	3	2	1	
Total	**10**	**16**	**6**	**3**	**0**
Percent	**29%**	**46%**	**17%**	**9%**	**0%**

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

What was noted was the degree to which each respondent put into practice the attributes. It is appreciated that the majority of the respondents have a schedule for decision making meetings. This is an important exercise for the board because the board has an enormous task to set the strategic objectives of the institution and ensure that the financial and human resources that necessary are in place. It is through such meetings that the board will also review the performance of management and set the institution’s values and standards. It becomes the responsibility of the board to ensure that its obligations to stakeholders are met because they must make decisions objectively in the interests of the institutions.

A concern is raised when the boards claim not to have a charter or code of ethics. These are vital documents in the governing of any corporate institution. The charter and code of ethics define the concepts and fundamental principles of decent conduct. A lack or uncertainty of a charter or code of ethics makes it possible for the board to behave in a manner that is against corporate practices because there is a lack of guidelines for conscience of the members.

6.5.2 Transparency and Accountability

This practice was met by just over 50% (23% strongly agree and 31% agree) as seen in Table 15 below. This means that there is still a lot to be done on the aspect of transparency and accountability.

Table 15: Measure of Transparency and Accountability

Best Practices	**SA**	**A**	**N**	**D**	**SD**
Are the functions of the board chairperson and School CEO performed by the same person?	1	3		3	
If the role of chairperson and School CEO are done by the same person has a statement been published to justify this arrangement?	1	2	3	1	
Does the board consider the caliber of non-executive members before inclusion on the board?	2	2	2	1	
Are the non-executive members on the board more than half of the board?	2	1	3	1	
Are the non-executive members independent of the management and free of the business of the school?	2	3	2		
Total	**8**	**11**	**10**	**6**	**0**
Percent	**23%**	**31%**	**29%**	**17%**	**0%**

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

It was noticeable that the function of the board chairperson and the CEO of the school were being done by the same person. In addition, most of the respondents agreed to the presence of less than half non-executive members on the board but less than half were publishing a statement to justify these dual roles.

Corporate governance recommends that there is a separation of duties of the board Chairperson and that of the proprietor or executive director. The Chairperson of the board is intended to provide leadership for the board and ensures it is effective in all aspects of its role. On the other hand, the proprietor or executive director is responsible for the management of the institution. When dual roles are performed by the same individual there is a high likelihood of one individual becoming dominant over the board's deliberations and decisions. In such a scenario, the board becomes a 'rubber stamp' for decisions that are made by this one powerful individual.

The caliber and balance of the board members is also a key ingredient in the independence of the board's decision making. Boards that are unbalanced carry the risk of making decisions that favour the influential group or individual. Corporate governance practices also strongly recommend that these executive or non-executive members must be independent from the management and business of the school. This is not what is fully happening in the case of some of the respondents.

As an overall score, private schools are selectively implementing this practice by choosing which variables to apply or not apply leading to a compromise in the issues of transparency and accountability.

6.5.3 Information flow and Board Efficiency

The flow of information is vital for the board's efficiency. The board meetings where members have prior information, notice and the schedule of the matters to be discussed are likely to be more progressive. The board becomes more efficient in the delivery of its mandate.

From Table 16 below it can be noted that 31% strongly agree and 40% agree to the practices of information flow. From these it was identified that the majority use technological advances such as email, WhatsApp, text messaging and phone calls to disseminate information to board members. There was a fair inclination towards the presence of independent non-executive members on the board. However, this seemed to be compensated for by the strong inclination towards the freedom of the sub-committees to take independent professional advice from outside.

Generally, this practice scored highly but the concern is for the 24% that are uncertain. This leaves room for failure of board meetings and efficiency within the board and sub-committees.

Table 16: Measure of Information Flow and Board Efficiency

Best Practices	**SA**	**A**	**N**	**D**	**SD**
Does the board meet to discuss issues affecting the school?	4	3			
Is there a timely and efficient method for informing and briefing board members prior to meetings?	3	3	1		
Is there a formal schedule of matters or agenda specifically reserved for the board to discuss?	2	4	1		
Has the board appointed appropriate committees in which non-executive members participate?	1	2	4		
Do board subcommittees have terms of reference approved by the board?	1	2	3	1	
Are the sub-committees free to take independent professional advice from outside the board, where necessary?	2	3	1	1	
Total	**13**	**17**	**10**	**2**	**0**
Percent	**31%**	**40%**	**24%**	**5%**	**0%**

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

6.5.4 Trust between and among Stakeholders

Active and appropriate reporting by an organisation to the stakeholders raises their confidence and provides a platform for the organisation to prevent unfair practices that would occur in the event of non-disclosure.

The findings from Table 17 indicate that 35% were uncertain if this practice was being followed. This raises a concern due to the large number involved. When things are not certain there is a high probability that information will not be disclosed to key stakeholders. In such an event the risks of the institution might not be known until it is too late to put any counter measures. The majority, 18% and 29% are practicing this principle which provides information on the performance of the institution and explains why certain changes or practices are done differently from the expected governance practices.

Table 17: measurement of Trust between and among Stakeholders

Best Practices	**SA**	**A**	**N**	**D**	**SD**
Does the school produce annual reports on its performance?	2	3	1	1	
If the school does publish annual reports, are these reports open for public circulation?		1	3	1	2
Does the report include any statement on the level of compliance or non-compliance to best corporate governance practices?	3	2	1	1	
Does the board give any explanation for non-compliance in the annual report?			6		1
Are names of both executive and non-executive board members published in the annual report?	3	2	2		
Does the annual report include a statement on the key business risks of the school?	1	2	3	1	
Does the report include a report on the number of board and committee meetings held in the year?		4	1	2	
Total	**9**	**14**	**17**	**6**	**3**
Percent	**18%**	**29%**	**35%**	**12%**	**6%**

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

The general outlook is that this practice is being done by less than half of those that have a board which means that the levels of trust between and among stakeholders is not as strong as it should be.

6.5.5 Appointment of Sub-Committees

From Table 18 below, it is noted that less than half (48%) are following this practice while 31% are not. Corporate governance practices suggest that the board appoints committees that will assist the board in performing its duties. These sub-committees must have some high degree of independence to be considered effective.

Table 18: Measurement of Appointment of Sub-Committees

Best Practices	**SA**	**A**	**N**	**D**	**SD**
Does the board have an audit committee?	2	2	1	2	
Does the board have a nominations committee? (makes appointments)		1	1	3	2
Does the board have a remunerations committee? (considers staff wages and conditions of service)	2	3	1	1	
Does the board have a safety and health committee?		2	2		3
Does the board have a strategic committee? (formulate plans for the school)	1	3	1	2	
Are members of the sub-committees always appointed according to their qualifications/professions?	3	1	3		
Total	**8**	**12**	**9**	**8**	**5**
Percent	**19%**	**29%**	**21%**	**19%**	**12%**

(Source: Compiled from field Data 2017)
KEY: SA – Strongly Agree, A – Agree, N – Neutral, D – Disagree and SD – Strongly Disagree

The idea of sub-committees is to have an independent and effective monitoring mechanism that will present a balanced position of the institution. Corporate governance recommends that among the committees there should include nomination committee, compensation or remuneration committee, safety and health committee, strategic committee, audit committee, governance committee and executive committee.

The findings are that the most popular committee is the remunerations committee that has to do with the staff wages and conditions of service. This is significant due to the nature of school business which is human resource intensive. Conditions of service become critical for the survival of the business. The safety and health committee is the least to be considered and yet safety and health are vital in institutions of learning where there is a congregation of many people at any one time.

Members of the sub-committees are meant to be appointed according to their competencies, skills and experience because the sub-committees are set up to help the board deliver its mandate in specialised fields. However, this practice was selectively applied. On the whole, the respondents have all put up at least one sub-committee although 31% are yet to implement this practice with the nominations committee being the most shunned.

6.6 Summary

Despite the Education Act becoming effective in 2011, only 50% of the proprietors of private schools have appointed a board of management as required by law. The private schools that have appointed boards have done so out of the desire to have corporate governance practices and not that there has been any insistence by the registration or renewing authority. The boards have been appointed through three different mechanisms, namely by the proprietor, the school annual general meeting or a nominations committee. It was noted that private schools renew their operational certificates every year and the 'board of management' does not appear among the list of requirements despite it being a statutory requirement. This is an indication of the gap that exists between the law and the practice on the ground.

Among the proprietors that have appointed a board of management, the majority lack a balance in membership between executive and non-executive members. Most of the boards have executive members that were also involved in the management and business of the schools.

From the five corporate governance practices that were measured, it was found that each respondent had selected those which were best suited to their operations. While corporate governance recommends that all or most of the practices are put in place, it was obvious that proprietors were selecting to implement those that were ‘convenient’ in their setup.

Conclusions and recommendations follow in the next chapter.

CHAPTER 7

CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

This chapter concludes this thesis. It begins by presenting the problem, the achievement of the research questions, the main findings and the recommendations. This study was undertaken following the review of the Education Act of 2011 that made it legally mandatory for all proprietors of learning institutions to appoint a board of management that would be responsible for the management of the learning institution.

The purpose of the research was to investigate corporate governance practices at selected private schools in Lusaka district. To attain this purpose four areas were tackled.

First, to gauge the extent to which private schools had complied with this requirement to appointment Boards of Management. In the course of the study, 22 private schools were visited to establish if the proprietors had appointed a board of management as per the Education Act of 2011. The private schools visited had different status of ownership, some were owned by individuals as sole trader or private limited company. Others were owned by community associations or faith based organisations. The level of compliance was determined at 50%. Only half of the private schools in Lusaka district are complying with the requirement to appoint boards of management as required by the Education Act of 2011.

Despite the appointment of boards being a legal requirement, 50% of the schools visited did not have any form of a board in place. Even though these schools did not have any form of board their application for renewal were never turned down because those tasked to process these renewals did not insist for it. It was also discovered that the list of requirements for the registration or renewal of registration of a school did not have the formation of a board of management as a required item to be met by the applicant (Annex 4).

Second, to find out the mechanisms that the proprietors of the schools were employing in the appointment of these boards of management. Three modes of appointment were identified; where the proprietor appointed, the annual general meeting appointed and where the nominations committee recommended. The appointment through the annual general meeting was the least preferred while the other two were equally preferred depending on the ownership of the school.

Third, to find out the types of boards that had been appointed by the proprietors that had complied with this directive. Seven schools were studied to determine the type of boards. The primary data was collected using self-administering questionnaires. These questionnaires were directed to the Heads of Schools. The findings leaned towards the presence of both executive and non-executive boards. It was noticed that the sole trader or private limited companies owned by individuals preferred executive boards because the proprietors were directly involved in the management of the institutions. The non-executive boards were appointed in all community and faith based organisations.

Forth, to measure the extent to which recognised corporate governance principles were being practiced by these boards in their management of the private schools. From the five corporate governance practices that were measured in the 7 private schools, the table below shows the ranking of practice from the most practiced to the least.

Table 19: Summary and Ranking of Corporate Governance Practices

Corporate Governance Practice Type	Practiced	Neutral	Not Practiced
Effectiveness and Efficiency	74%	17%	9%
Information Flow and Board Efficiency	71%	24%	5%
Transparency and Accountability	54%	29%	17%
Board Sub-Committees	48%	21%	31%
Trust between and among Stakeholders	47%	35%	18%

(Source: Compiled from field Data 2017)

Notably, the two practices (Board Sub-Committees and Trust between and among Stakeholders) which are key in corporate governance have ranked the lowest.

7.2 Conclusion

Selected private schools in Lusaka district have demonstrated that they have put in place boards of management which have been appointed through mechanisms that the proprietors believed worked best for them. The balance of membership on these boards for most of individual proprietors leaned towards executive members while those of community or faith based organisations were inclined towards non-executive members. Where board members are selected by the owners of the schools the independence of the board is greatly compromised and this affects the performance of the school boards. The Ministry of General Education should therefore review this preposition in the Education Act of 2011 because it is does not contribute to the promotion of effective governance which could otherwise result into improved schools and better performance of students attributed to proper supervision offered by the directors.

There was a demonstration that corporate governance principles were being practiced. However, there is need for compliance levels to be increased especially in areas where the respondents were uncertain. The overall compliance to corporate governance practices as listed in Chapter 5 part 5.0 exists in most private schools although some attributes under each practice are not enforced.

Finally, there was a strong indication the lack of close supervision and follow up on the private school proprietors by the regulating authorities like DEBS office is a possible factor as to why the school owners had ignored the formulation of boards and instead managed their own schools. According to the agency theory, that formed the theoretical and conceptual framework of this research, this is an indication that the principal-agent relationship is in jeopardy. The principal (government) has delegated agents (private schools) to deliver a service on their behalf but have failed to put in place stringent monitoring mechanisms that ensure adherence to agreed requirements. As a result the agents have taken advantage of this laxity and acted in their own interests. According to the model presented in Figure 2 (page 42), the principal has only delegated but failed to fully regulate the agents. On the other hand the agents have partially reported back to the principal without any punitive measure being taken against them. This perpetuates the action of the agents serving their own interests as opposed to those of the principal which violates the principles of corporate governance.

This research has confirmed that there is a problem in the implementation of the law that requires appointment of boards of management in private schools. Further, the law needs to provide clear guidelines on the constitution and composition of these boards.

7.3 Recommendations

The key factor that has been identified in this study as contributing to the failure of the presence of boards in private schools and failure of corporate governance practices is the lack of the government to monitor the private school proprietors on the appointment of boards in accordance to the law.

7.3.1 Recommendation for District Education Board Secretary's Office

There must be a review of the list of requirements at the DEBS office so that the list includes an item on the need to appoint a board of management. In addition there is need for more sensitisation among the private school proprietors on the requirements of the Education Act of 2011. As long as this list is not reviewed and proprietors remain 'ignorant' then both the proprietors and the officials at the DEBS office will continue to do an illegal act of not appointing boards of management. This will greatly improve the compliance levels.

7.3.2 Recommendation for Corporate Governance Bodies and proprietors

There is need for more education on the practices of corporate governance and their benefit. This education and training can be done through bodies such as the Institute of Directors of Zambia. This will greatly improve the understanding of corporate governance practices and dispel any apprehensions.

7.3.3 Recommendation for Further Research

Due to limited time and complexity of this study it is suggested that further research could be done to focus on the level at which the attributes of each corporate governance practice are operationalised in private schools.

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APPENDICES

ANNEX 1

School visited to establish presence of School Management Boards

No.	Name of School	Type of School	Board
1	Sampazi School	Primary	No
2	Kasiya Private School	Primary	No
3	Fradon School	Primary	No
4	Little Lulu Little School	Primary	Yes
5	Woodford School	Primary	Yes
6	St Andrews	Primary	Yes
7	Nkhwazi Primary School	Primary	Yes
8	Son Shine School	Primary	Yes
9	East View	Primary and Secondary	No
10	Mercyland	Primary and Secondary	No
11	Joma School	Primary and Secondary	No
12	Chalo Trust School	Primary and Secondary	No
13	Masambililo School	Primary and Secondary	No
14	Selena Trust School	Primary and Secondary	No
15	Masabo Trust School	Primary and Secondary	No
16	Tick School	Primary and Secondary	No
17	Italian School	Primary and Secondary	Yes
18	Thorn Hill Schools	Primary and Secondary	Yes
19	Chadleigh House School	Primary and Secondary	Yes
20	Lusaka International Community School	Primary and Secondary	Yes
21	Rhodes Park School	Primary and Secondary	Yes
22	Nazarene School	Primary and Secondary	Yes

ANNEX 2

SCHOOL OF POSTGRADUATE STUDIES

Questionnaire for Heads of Schools/Principals

Dear Respondent,

This questionnaire is intending to gather information on the presence of Boards of Management in private schools. The study will be conducted in Lusaka were selected private schools will be visited and interviewed. The questionnaire is administered by **Mr David Nyimbili a** student with the University of Lusaka conducting a study in partial fulfillment of the requirements of MBA Education.

The information being gathered will be treated as confidential and used solely for academic purposes and not otherwise. Please respond correctly to enable the researcher to attain the intended objectives. Your assistance is highly appreciated for the success of this research study.

Do not write your name since identity is not required. Communicate to phone number 0977 991916 or 0955 759203 if you have doubts/ would like to get further clarification.

Please kindly **tick** or **circle** the applicable answer you have chosen and **fill-in** in the empty spaces. If requested to comment or explain please do so.

David Nyimbili

June 2017

1. What type of a private school are you?
    a. Individual owned (Sole-proprietor Company)
    b. Individual owned (Incorporated as Limited Company)
    c. Institution owned
    d. Community
    e. NGO owned
    f. Faith Based Organisation owned
    g. Community Based Organisation owned
    h. Other
    (specify)____
2. When was the school established? _______________________(Give month & Year or just the Year)
3. How many pupils are enrolled at the school? __________________________ (Give an estimate)
4. What grades does the school offer? ____
5. Does the school have a Board of Management? **Yes** **No**
6. If you answered 'Yes' to question 2.
    a. What type of Board Members sit on the Board and how many?
        i. Executive (employees in management) How many? ______________
        ii. Non-Executive (non-employees) How many? ______________
    b. If any member of management is a member of the Board, which one(s)?
    ____
7. Do you think Boards of Management are helpful? **Yes** **No**
8. If you answered 'Yes' to question 4. How has the Board been helpful?
    ____
    ____
    ______Any comment further?
    ____
    ____
    ____

THANK YOU FOR YOUR PARTICIPATION

ANNEX 3

UNIVERSITY OF LUSAKA

SCHOOL OF POSTGRADUATE STUDIES

Questionnaire for Board Members/Heads of Schools/Principals

Dear Respondent,

This questionnaire is intending to gather information on the presence of Boards of Management in private schools. The study will be conducted in Lusaka were selected private schools will be visited and interviewed. The questionnaire is administered by **Mr David Nyimbili a** student with the University of Lusaka conducting a study in partial fulfillment of the requirements of MBA Education.

The information being gathered will be treated as confidential and used solely for academic purposes and not otherwise. Please respond correctly to enable the researcher to attain the intended objectives. Your assistance is highly appreciated for the success of this research study. Answering this questionnaire will not take much of your valuable time.

Do not write your name since identity is not required. Communicate to phone number 0977 991916 or 0955 759203 if you have doubts/ would like to get further clarification.

Please kindly **tick** or **circle** the applicable answer you have chosen and **fill-in** in the empty spaces. If requested to comment or explain please do so.

David Nyimbili

June 2017

PART 1

A. RESPONDENT

Please **circle** the appropriate letter of your choice

1. Type of Board member

   a. Executive member b. Non-Executive Member

2. Choose your age range

   a. Between 20-30 b. Between 31-40 c. Between 41-50 d. Above 50

3. What is your gender? a. Male b. Female

4. What is your academic qualification?

   a. Bachelor's degree and above b. Diploma/Certificate level

   c. Secondary education d. Others. Please specify ………………………

5. Apart from being a board member, what other occupation are engage in?

   a. Employed b. Business c. Retired

6. How long have you served as a board member of the school?

   a. 0-5 years b. 6-10 years c. 11-15 years d. more than 15 years

7. Who appointed you to the board?

   a. Owner of the school b. Parent-Teachers meeting

   c. Annual General Meeting d. Others. Please specify ……………………...

8. Have you ever worked in any school/academic institution at a different post before?

   a. Yes b. No.

9. Have you worked as a board member for any other institution before?

   a. Yes b. No

10. Do you have shares with the school? a. Yes b. No

PART 2

B. BOARD COMPOSITION

11. How many board members are there in your board? ____________________

12. What can you say about the number of members in your board?

    a. Not enough b. Just enough c. More than enough

13. Are there any members in your board who are employees of the institution/school?

    a. Yes b. No . If yes, How many? _______________________

14. How many times in a year do you schedule to hold board meetings?

    a. Once b. Twice c. Thrice d. Others _____________

15. How often do board members meet and have a discussion with school staff?

a. Once b. Twice c. Thrice d. Others ____________

16. Is the board chairperson an executive director? a. Yes b. No

17. How can you rank the independence of your board?

a. Excellent b. Very Good c. Good

d. Satisfactory e. Unsatisfactory

18. Are there mechanisms to evaluate the performance of the board? a. Yes b. No

Which method do you use to evaluate? ____

PART 3

C. CORPORATE PRACTICES

For each statement indicate your level of agreement, disagreement or neutrality.

No	Best Practices	Strongly Agree	Agree (YES)	Neutral	Disagree (NO)	Strongly Disagree
19a	Does the board have a schedule for meetings **specifically for decision making**?					
20a	Does the board have **planned quarterly meetings?**					
21a	Is the flow of information to the board timely and in the quality appropriate for the discharge of duties?					
22a	Does the board have a **charter or terms of reference** defining its functions?					
23a	Does the board have a **code of conduct or code of ethics**?					
24b	Are the functions of the board chairperson and School CEO performed by the same person?					
25b	If the role of chairperson and School CEO are done by the same person has a statement been published to justify this arrangement?					
26b	Does the board consider the caliber of non-executive members before inclusion on the board?					
27b	Are the non-executive members on the board more than half of the board?					

No	Best Practices	Strongly Agree	Agree (YES)	Neutral	Disagree (NO)	Strongly Disagree
28b	Are the non-executive members independent of the management and free of the business of the school?					
29c	Does the board meet to discuss issues affecting the school?					
30c	Is there a timely and efficient method for informing and briefing board members prior to meetings? **Mention method**					
31c	Is there a formal schedule of matters or agenda specifically reserved for the board to discuss?					
32c	Has the board **appointed appropriate committees in which non-executive** members participate?					
33c	Do board **subcommittees have terms of reference** approved by the board?					
34c	Are the sub-committees free to take **independent professional advice from outside the board**, where necessary?					
35d	Does the school **annual reports on its performance**?					
36e	If the school does publish annual reports, are these reports **open for public circulation**?					
37e	Does the report include any **statement on the level of compliance or non-compliance to best corporate governance practices**?					
38e	Does the board give any explanation for non-compliance in the annual report?					
39e	Are names of both executive and non-executive board members published in the annual report?					
40e	Does the annual report include a					

No	Best Practices	Strongly Agree	Agree (YES)	Neutral	Disagree (NO)	Strongly Disagree
	statement on the key business risks of the school?					
41e	Does the report include a report on the number of board and committee meetings held in the year?					
42f	Does the board have an audit committee? **How many?**					
43f	Does the board have a nominations committee? (makes appointments) **How many?**					
44f	Does the board have a remunerations committee? (considers staff wages and conditions of service) **How many?**					
45f	Does the board have a safety and health committee? **How many?**					
46f	Does the board have a strategic committee? (formulate plans for the school) **How many?**					
47g	Are members of the sub-committees always appointed according to their qualifications/professions?					

THANK YOU FOR ANSWERING

ANNEX 4

REQUIREMENTS FOR INITIAL/RENEWAL OF REGISTRATION OF PRIVATE TEACHING/LEARNING INSTITUTION

1. School inspection report duly signed by more than one Standards Officer (4 copies)
2. Ministry of Education application form (4 copies)
3. List of teaching staff showing column for serial number, surname, first name, sex, academic qualifications, professional qualifications, Grades taught.
4. Teachers' professional certificates certified by commissioner of oath (4 copies)
5. Teachers' academic certificates certified by commissioner of oath (4 copies)
6. Copy of certificate of registration from the registrar of companies Cap 389 (4 copies)
7. Copy of certificate of registration/renewal of registration for the previous year (4 copies)
8. Latest bank statement (4 copies)
9. Minutes of the latest Parent Teachers Association meeting (PTA) (4 copies)
10. Analysis of the Examination results for the previous year. Indicating the number entered, number sat, number passed, number failed, number absent and the percentage pass rate (4 copies)
11. Land title or lease agreement which should indicate the period of lease (4 copies)
12. Copy of the VAT certificate (ZRA) pin identification number (4 copies)