


Professionalising state-owned enterprise boards: A skills-based framework for competence-driven governance

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Dates:

Received: 25 Oct. 2025

Accepted: 27 Nov. 2025

Published: 16 Feb. 2026

How to cite this article:

Mutenda, E.K. (2026). Professionalising state-owned enterprise boards: A skills-based framework for competence-driven governance. *Advances in Corporate Governance*, 3(1), a30. <https://doi.org/10.4102/acg.v3i1.30>

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Background: State-owned enterprises (SOEs) continue to play a critical role in public service delivery and economic development across many countries. But their performance is often constrained by weaknesses in board composition and governance. In South Africa, sustained under performance at several SOEs has been linked to the appointment of directors who lack adequate financial expertise, governance competence, ethical leadership and sector-specific knowledge required for effective oversight.

Aim: This article re-centres the governance reform debate on the professionalisation of SOE boards. It proposes a skills and qualifications matrix as a structural mechanism for embedding competence, accountability and sector-specific expertise into board appointment processes.

Setting: The review draws primarily on South African governance reform experiences, with insights applicable to state-led governance systems in emerging economies undergoing institutional restructuring.

Methods: A thematic review of governance literature, policy documents and professional body frameworks was conducted, with particular attention to post-State Capture reform agendas. Normative governance principles, regulatory gaps and institutional case evidence were synthesised to develop a pragmatic reform framework.

Results: The review identifies a persistent disconnect between current appointment practices and the technical demands of SOE governance. It demonstrates that the inclusion of certified professionals such as chartered accountants, ethics and compliance practitioners, and sector-specific experts can strengthen board integrity, oversight and public trust when supported by enabling legal and institutional reforms.

Conclusion: The proposed skills and qualifications matrix offers a practical tool for promoting merit-based, accountable and professional SOE board appointments.

Contribution: The article advances a governance-centred, politically informed framework for reforming SOEs in South Africa and comparable contexts where politicised appointments undermine public value.

Keywords: state-owned enterprises (SOEs); board governance; depoliticisation; professionalisation; skills matrix; corporate governance reform; public accountability; merit-based appointments.

Introduction

This article argues that the persistent politicisation of South Africa's state-owned enterprises (SOEs) boards can be addressed by adopting a skills and qualifications matrix that can standardise, professionalise and depoliticise board appointments through competence-based criteria. The SOEs remain central to economic governance and public service delivery across both developed and emerging economies. They are especially prominent in strategic sectors such as energy, transport, infrastructure and utilities, where market failures, public interest objectives or national security considerations justify state involvement (OECD, 2015). While SOEs are expected to operate efficiently and with public accountability, their governance arrangements often fall short of private-sector standards, particularly in the composition and functioning of their boards.

In many countries, including South Africa, SOE boards have become sites of political influence and patronage rather than mechanisms for effective oversight. The State Capture period (circa 2010–2018) exemplified this dynamic, with board appointments at entities such as

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Eskom, South African Airways and Transnet being made with little regard for professional competence or fiduciary accountability (Zondo Commission, 2022). Research has shown that politically connected or underqualified board members correlate with weakened governance, financial mismanagement and compromised service delivery (Leutert, 2021; Menozzi et al., 2012). These findings align with broader governance literature linking politicised appointments to diminished organisational performance and autonomy (Milhaupt & Pistor, 2017).

Despite widespread recognition of the problem, governance reforms have often remained superficial, focusing on transparency or ethics declarations without fundamentally altering the criteria for board appointments (World Bank, 2014). Existing frameworks, including the Organisation for Economic Co-operation and Development (OECD) (2015) Guidelines on Corporate Governance of SOEs, advocate for professionalisation and board independence, but offer limited operational guidance on how sectoral competencies and ethical credibility should be evaluated and enforced (OECD, 2015). South African policy responses, most notably the Zondo Commission's recommendations and the Department of Public Enterprises' (2021) SOE Draft Bill, have acknowledged these gaps, but face implementation inertia because of entrenched political interests.

This article argues that to break the cycle of dysfunction, SOE board reform must move beyond procedural transparency and embrace enforceable standards of professional competence, grounded in independent accreditation and skills-based composition. Specifically, it introduces a Skills and Qualifications Matrix for SOE Boards as a governance mechanism that will align board appointments with the technical, ethical and fiduciary demands of their oversight roles. The matrix mandates minimum representation across three critical domains, which are financial governance, ethics and compliance, and sector-specific expertise, through registered professional bodies. Professional affiliation to recognised regulatory bodies is a key feature of the framework, offering an external layer of accountability through sanctions, deregistration mechanisms and continuing professional development requirements. This contrasts starkly with the current political appointment model, which lacks any such built-in enforcement (Mutenda, 2025).

The article draws on agency theory (Jensen & Meckling, 1976), bureaucratic autonomy literature (Carpenter, 2001) and public value governance scholarship (Moore, 1995) to ground the proposed matrix in theory. It further synthesises insights from comparative reform case studies in Brazil, China and the United Kingdom (UK) to demonstrate the political and institutional feasibility of matrix-based board design. As recent literature in South African governance reform has emphasised (Sindelo & Cronjé, 2024), credible institutional accountability increasingly depends on operationalising ethical and professional standards, not by merely espousing them.

Theoretical and normative foundations

Agency theory and the governance problem

The relationship between the state and the boards of SOEs is often explained using agency theory, a framework from corporate governance literature (Jensen & Meckling, 1976). This theory examines the principal-agent relationship, where one party (the principal) delegates authority to another (the agent) to act on their behalf. But when agents have different interests or access to more information than the principal, which is a situation known as information asymmetry, they may act in ways that do not align with the principal's goals. In the SOE context, the state typically acts as the principal, while SOE boards function as agents. This relationship is more complex because of the presence of multiple principals, including the government, line ministries and the public and also because of weak performance incentives and political interference. These factors can lead to boards being politicised, where they serve short-term political agendas or the interests of appointing elites, rather than focusing on long-term organisational performance and public value (Shleifer & Vishny, 1997). When this occurs, the board's core governance role of ensuring oversight, accountability and strategic direction becomes significantly undermined.

Bureaucratic autonomy and institutional insulation

The bureaucratic autonomy literature offers complementary insights, especially in the context of public sector reform. According to Carpenter (2001), effective institutions achieve autonomy not by operating in isolation, but by building reputational authority, expertise and procedural insulation from undue political control. In the case of SOE boards, autonomy can be conceptualised as a function of *De jure independence* (e.g. legal protections against arbitrary dismissal), *De facto insulation* (e.g. norms and political culture that discourage interference) and *Meritocratic appointment systems* that reduce the influence of informal networks. Scholars such as Peters and Pierre (2004) argue that governance reforms often fail when they focus solely on institutional design without addressing political economy dynamics such as patronage, clientelism or elite bargaining, which sustain politicised control.

Normative governance and public value

From a normative governance perspective, depoliticisation is essential not only for performance but for democratic accountability. The public value tradition (Moore, 1995) emphasises that SOEs must be governed in ways that reflect both managerial competence and citizen legitimacy, meaning that a depoliticised board should enhance stakeholder trust, signal integrity and fairness in public administration, and protect SOEs from reputational and operational risk linked to political cycles. This aligns with international best practices promoted by the OECD (2015) Guidelines on Corporate

Governance of State-Owned Enterprises, which call for professionalised, accountable and transparent governance as the foundation for SOE legitimacy.

From theory to framework

The framework proposed in this article draws on three key theoretical perspectives, which are agency theory, bureaucratic autonomy and normative governance, to diagnose governance challenges in SOEs and to inform reform strategies. These theories do not operate in isolation; rather, they interact in important ways to illuminate the trade-offs and design choices involved in depoliticising SOE governance. Agency theory assists in explaining why SOEs often suffer from weak accountability and performance. In this model, the state (as principal) delegates authority to SOE boards and managers (as agents); but because of information asymmetry, misaligned incentives and scattered oversight structures, agents may pursue goals that diverge from public interest. These risks are amplified when multiple principal ministries and politicians compete to influence SOEs, creating blurred lines of authority and diluted accountability. Bureaucratic autonomy theory, by contrast, emphasises the importance of insulating public organisations from political interference to enhance professional decision-making and long-term capacity. In the SOE context, this implies that governance structures should protect boards and management from political appointments and short-term political pressures, allowing them to operate with strategic independence while remaining accountable for results.

These theories highlight a fundamental governance tension: while agency theory warns of managerial drift and the need for oversight, bureaucratic autonomy cautions against politicised control that undermines institutional capacity. The challenge, therefore, lies in balancing control and independence of designing governance mechanisms that constrain opportunistic behaviour without sacrificing autonomy and performance. The comparative framework developed in this article builds on this theoretical synthesis. It identifies core governance mechanisms such as merit-based board appointments and performance contracts that operationalise the principles of accountability and autonomy. These mechanisms aim to create structural buffers between politics and enterprise management, reducing agency problems while strengthening public value creation. The next section examines how these mechanisms have been implemented across different country contexts.

Governance mechanisms for board depoliticisation

Efforts to depoliticise SOE boards have taken multiple forms globally, reflecting varied institutional capacities and political contexts. While no universal model exists, reform strategies tend to converge around five recurring mechanisms. These mechanisms are often implemented in combination, guided by principles of meritocracy, transparency and autonomy.

Independent nomination and selection committees

One of the most widely adopted governance reforms is the introduction of independent nomination committees responsible for identifying, vetting and recommending board candidates. These committees are designed to act as a procedural buffer between political actors (e.g. ministers, executive branches) and SOE governance structures. For instance, New Zealand's *Crown Entities Act* (2004) mandates a structured appointment process that includes consultation with independent advisors and public service officials to ensure that board appointments are based on skill, not political affiliation (OECD, 2015). Similarly, Singapore's Ministry of Finance, which oversees Temasek Holdings, applies rigorous internal nomination procedures backed by a meritocratic culture and strong civil service norms (World Bank, 2014).

Theoretical link

These reforms align with agency theory by reducing adverse selection risks and limiting politically motivated appointments that undermine the principal-agent relationship.

Merit-based appointment criteria

Formalising competency-based selection frameworks is another common mechanism to shield SOE boards from political interference. These criteria may include qualifications in law, finance, engineering or public management, alongside track records of ethical conduct and independent judgement. In South Africa, the Department of Public Enterprises (DPE) 2021 draft framework on SOE reform includes provisions for skills matrices and transparent public shortlists for board appointments (National Planning Commission, 2022). Although implementation remains uneven, this marks a shift from opaque, politically driven selections to structured, auditable processes.

Theoretical link

This mechanism reinforces bureaucratic autonomy, ensuring that technical expertise, not partisan loyalty, becomes the basis of board composition.

Fixed-term appointments and performance contracts

Fixed tenures, which are often between 3 years and 5 years, are combined with performance-linked contracts to enhance both independence and accountability. These instruments discourage arbitrary removal and promote medium-term strategic alignment. The United Kingdoms (UK's) Corporate Governance Code for Public Bodies (2017) mandates fixed terms and clear criteria for reappointment, tied to performance reviews and stakeholder feedback. This helps boards maintain operational independence while remaining accountable to public value outcomes. The theoretical link is that this process operationalises the public value framework and mitigates political pressure through institutional stability.

Legal and institutional insulation from ministerial control

Legal insulation mechanisms include statutory protections, appointment rules and reporting lines that reduce the discretionary power of ministers over SOE boards. In some jurisdictions, board members may only be removed for cause, based on clearly defined legal grounds (e.g. misconduct or non-performance). For example, Brazil's *Lei das Estatais* (Law No. 13,303/2016) introduced minimum experience requirements, cooling-off periods for political appointees and legal protections against undue interference. While enforcement remains mixed, the law represents an important structural reform aimed at depoliticisation. In this instance, the theoretical link is that these measures deepen de jure autonomy, creating legal boundaries that preserve the integrity of the board's fiduciary role.

Strengthened parliamentary and public oversight

Finally, increased oversight by parliaments, audit institutions and civil society organisations acts as an external constraint on politicised appointments. Public hearings, mandatory disclosures and media scrutiny can raise the reputational costs of politicised or unqualified appointments. In Canada, SOE board appointments are reviewed by parliamentary committees in some cases, and appointee biographies are made public, allowing for stakeholder input. Likewise, in South Africa, the Zondo Commission's recommendations have called for greater transparency in SOE board nominations and reporting (Zondo Commission, 2022). The theoretical link is that this mechanism reflects the normative governance lens by rooting board legitimacy in democratic accountability and stakeholder engagement.

Methods

This article employed a structured narrative review methodology, integrating conceptual analysis with comparative case study synthesis. The review draws on publicly available sources, including academic literature, official policy documents, judicial inquiry reports (e.g. Zondo Commission), oversight authority findings (e.g. Auditor-General of South Africa) and outputs from professional bodies such as the Institute of Directors in South Africa (IoDSA) and the South African Institute of Chartered Accountants (SAICA). Case selection for country snapshots (China, New Zealand, South Africa, Brazil and the UK) was guided by purposive sampling to capture a diversity of political-administrative systems, reform trajectories and levels of state capacity. These cases were analysed for common themes and divergent approaches to SOE board depoliticisation, with particular attention to mechanisms such as nomination processes, skills-based appointment criteria, institutional insulation and professional oversight. The framework and the accompanying skills matrix emerged from an iterative synthesis of the literature, reform practices and practitioner commentary. Key elements were validated through triangulation of case data and alignment with recognised governance norms and standards.

Review findings

The review reveals a persistent mismatch between prevailing SOE board appointment practices and the technical, ethical, and sector-specific demands of effective governance. Across the literature and policy sources analysed, politicisation emerges as a central driver of governance failure, particularly in systems where executive authorities retain wide discretionary power over board appointments. In such contexts, boards are frequently constituted on the basis of political affiliation or informal networks rather than demonstrable professional competence.

A recurring finding is the absence of critical expertise in three domains: financial governance, ethics and compliance, and sector-specific technical knowledge. Deficiencies in these areas are consistently associated with weak oversight, audit failures, compromised decision-making, and declining public trust. Evidence from South Africa's State Capture period illustrates these dynamics vividly, but similar patterns are observable in other jurisdictions where merit-based appointment standards are weak or unenforced.

The review further indicates that while international governance frameworks advocate professionalisation and board independence, they offer limited guidance on how competence should be operationalised and enforced. As a result, reform initiatives often prioritise procedural transparency without addressing the substantive composition of boards. Comparative experience suggests that depoliticisation is most effective where appointment processes are anchored in clearly defined competency requirements and supported by institutional safeguards, including fixed terms, structured nomination processes, and external oversight.

Finally, the review highlights the governance value of professional accreditation. Board members affiliated with recognised professional bodies are subject to enforceable ethical standards and disciplinary regimes, introducing an external accountability mechanism largely absent from politically driven appointment systems. Collectively, these findings support the introduction of a skills and qualifications matrix as a practical governance tool for aligning SOE board composition with fiduciary responsibility, ethical integrity, and sectoral competence.

Country case snapshots

This section provides concise comparative illustrations of how selected countries have pursued the depoliticisation of SOE boards. Each snapshot highlights specific reform mechanisms, contextual drivers and implementation outcomes relevant to the five-part framework outlined earlier.

New Zealand: Procedural insulation through crown entity governance

New Zealand represents one of the most mature and well-institutionalised models of SOE governance reform,

underpinned by a strong culture of transparency and public sector accountability. The country's framework for SOEs is primarily governed by the *Crown Entities Act* (2004), which delineates the respective roles of ministers, boards and executives, while creating procedural safeguards to limit undue political interference. Board appointments in New Zealand are formally made by ministers; however, the process is guided by structured consultation with the State Services Commission and other independent advisory bodies. Candidate selection is informed by a skills-based matrix that evaluates professional expertise, ethical standards and sectoral experience. In addition, all appointments are subject to disclosure and scrutiny through parliamentary and public channels, promoting a culture of accountability. Although ministers retain formal powers of appointment, the operational independence of SOE boards is reinforced through tenure-based contracts, clear role definitions and public performance expectations. The system relies less on legal insulation from politics and more on established administrative norms that discourage patronage and reward competence. The New Zealand case illustrates how procedural insulation and meritocratic appointment practices can be institutionalised in a high-capacity state. It also demonstrates that depoliticisation does not necessarily require complete separation from political actors, but rather a governance model in which political discretion is constrained by rules, norms and reputational accountability.

Singapore: Technocratic meritocracy and entrenched autonomy

Singapore offers a distinct model of SOE governance, rooted in a technocratic philosophy that places a premium on performance, discipline and meritocratic leadership. While the state retains ownership over a wide range of strategic enterprises primarily through Temasek Holdings, governance arrangements are designed to insulate these entities from day-to-day political intervention. Appointments to SOE boards in Singapore are overseen by the Ministry of Finance and internal Temasek mechanisms, but the selection process is strongly influenced by civil service norms that emphasise professional competence, ethical conduct and long-term strategic alignment with national priorities. Although the appointment process is not fully transparent by liberal democratic standards, it functions within a tightly regulated administrative ecosystem that limits informal political influence. Institutional autonomy is reinforced by clearly defined corporate mandates, performance monitoring systems and a culture of operational discipline. Temasek operates as a holding company with full control over investment decisions and board structures, while its shareholder, 'the state', does not interfere with its commercial decision-making. The Singaporean model illustrates how depoliticisation can be achieved through cohesive bureaucratic culture and technocratic state capacity, rather than through legal separation or external oversight mechanisms. It also highlights the importance of normative alignment when the values of public service professionalism are deeply incorporated; the risk of overt politicisation is significantly reduced.

South Africa: Reform aspirations amid political contestations

South Africa presents a complex and often cautionary case in the global landscape of SOE governance reform. Efforts to depoliticise boards of state-owned entities have frequently been undermined by entrenched patronage networks, political interference and weak institutional enforcement. During the period commonly referred to as State Capture (2010–2018), numerous SOEs, including Eskom, Transnet and South African Airways, suffered significant governance failures linked to politically motivated board appointments. These appointments were often characterised by a lack of sectoral experience, opaque selection procedures and close alignment with political elites, particularly those associated with the executive.

In response to these failures, the Judicial Commission of Inquiry into Allegations of State Capture, widely known as the Zondo Commission, issued a series of governance-related recommendations. Among these were calls for transparent, skills-based criteria for board appointments, the establishment of independent vetting panels and the strengthening of oversight mechanisms by Parliament and civil society. Subsequent policy documents from the DPE (2021) and the National Planning Commission (2022) echoed these proposals, framing them as necessary steps towards professionalising SOE governance and restoring public trust. Although these reform efforts have gained policy traction, their implementation remains partial and politically contested. While there is evidence of movement towards merit-based selection and fixed-term appointments, proposals such as independent nomination committees have yet to be fully institutionalised. Furthermore, political dynamics and resistance from entrenched interests continue to pose barriers to reform.

South Africa possesses institutional infrastructure that could be leveraged to support depoliticisation in practice. Professional bodies such as the IoDSA, the Ethics Institute, the SAICA, the Engineering Council of South Africa (ECSA), among others, are well-positioned to assist in the recruitment of fit-for-purpose board candidates. These organisations provide governance training, professional certification and enforceable ethical standards, which are crucial instruments for elevating board competence and curbing corruption (ECSA, n.d.; IoDSA, n.d.; SAICA, n.d.; The Ethics Institute, n.d.).

An important reform opportunity lies in the formal integration of these professional bodies into the board appointment process. This could take the form of independent panels, skills audits or legislative requirements that certain board roles must be filled by individuals accredited by recognised professional organisations. For example, all SOE boards, regardless of sector, should include at least one Chartered Accountant (CA) registered with SAICA or Institute of Accounting and Commerce (IAC), responsible for overseeing financial governance and ensuring accountability (SAICA, n.d.). Similarly, a certified ethics practitioner could serve as a

safeguard for integrity, while sector-specific professionals, such as experienced engineers registered with ECSA, should be mandated on the boards of infrastructure-intensive entities like Eskom or Transnet.

The rationale is both ethical and practical. Professionals registered with recognised bodies are subject to stringent codes of conduct and face sanctions, including deregistration, for misconduct or ethical breaches (IoDSA, n.d.; SAICA, n.d.). This form of external accountability is largely absent from the current political appointment system. At present, it is not uncommon to find board chairs or audit committee chairpersons who are unqualified for the roles they occupy, with some possessing no relevant experience or training in governance, finance or the core mandate of the entity.

At South African Airways (SAA), a former board chairperson who was appointed through political channels was subsequently declared a delinquent director for life by the High Court, following serious governance failures. This outcome starkly illustrates how weak appointment criteria and limited external accountability, particularly in politically influenced board selections, can inflict lasting institutional damage (High Court of South Africa, 2020; Judicial Commission of Inquiry into State Capture, 2022; OUTA, 2020). By contrast, professionals affiliated with recognised regulatory bodies operate within enforceable ethical frameworks. Breaches of these standards can result in disciplinary action, suspension or deregistration, thereby introducing a critical layer of external accountability (IoDSA, 2025a; SAICA, 2024). Contemporary oversight bodies continue to caution that political interference in the appointment of SOE boards undermines core governance processes (IoDSA, 2025b). Simultaneously, the Auditor-General has repeatedly highlighted persistent capacity deficits in internal audit functions and audit committees across the public sector, which are deficiencies that are significantly exacerbated when board appointments are not based on merit (AGSA, 2025).

Brazil: Legal reforms for structural depoliticisation

Brazil offers a compelling example of legislative-driven reform in the wake of high-profile governance failures and corruption scandals, particularly within Petrobras and other large SOEs. In response to widespread public outcry and international pressure, the Brazilian government enacted Law number 13,303/2016, widely referred to as *Lei das Estatais*, which represents one of the most ambitious attempts to depoliticise SOE governance in Latin America. The legislation introduced binding rules aimed at reducing political interference in board appointments and strengthening governance standards. Among its most significant provisions were the establishment of minimum professional experience requirements for board members, mandatory 'cooling-off' periods for individuals previously holding political office, and the institutionalisation of merit-based selection processes. In addition, the law requires that SOEs publicly disclose information related to board appointments, thereby promoting transparency and enabling

external scrutiny. While the passage of *Lei das Estatais* was seen as a major step towards structural reform, its implementation has proven uneven, especially at subnational and municipal levels where political patronage remains deeply entrenched. Critics have pointed out that while the law provides a robust legal framework, enforcement mechanisms are still developing, and political will varies significantly across jurisdictions. Nevertheless, Brazil's experience showcases the potential of legal reform to institutionalise depoliticisation mechanisms, even in contexts characterised by political volatility. It also highlights the need for sustained oversight and judicial enforcement to translate legal standards into tangible governance outcomes.

United Kingdom: Institutional oversight and public accountability

The United Kingdom applies a formalised and rule-based approach to the governance of its public corporations and arm's-length bodies, which include entities such as Channel 4, the British Broadcasting Corporation (BBC) and the Post Office. While these bodies remain accountable to ministers and, ultimately, to Parliament, their governance frameworks emphasise clarity of roles, board autonomy and robust public accountability mechanisms. Board appointments are subject to the Corporate Governance Code for Central Government Departments (Cabinet Office, 2017), which requires public advertisement of vacancies, application of competency-based criteria and oversight by the Commissioner for Public Appointments. The Code also mandates the use of independent advisory panels during recruitment, aiming to insulate the process from overt political influence.

Appointees in the UK typically serve fixed terms, with reappointment dependent on performance evaluations and continued adherence to governance standards. Parliamentary select committees sometimes vet high-profile board nominees, enhancing both accountability and transparency. The UK's robust tradition of investigative journalism and an active civil society impose reputational costs on politicised or underqualified appointments. This model illustrates how depoliticisation can coexist with ministerial accountability by embedding checks and balances within the governance framework. It serves as a mature example of how political oversight of public entities can be balanced with core governance principles such as independence, transparency and performance-driven oversight supported by expertise in financial governance, ethics, compliance and sector-specific knowledge.

Reframing board depoliticisation through professionalisation

Why skills-based board composition is the core reform lever

The politicisation of SOE boards is often diagnosed in terms of flawed appointment processes or a lack of accountability.

A deeper and structural issue underlies many of these symptoms, such as the absence of clearly defined professional and sectoral competencies required for effective board participation. Existing governance codes in South Africa and globally often reference the need for 'merit-based appointments' or 'appropriate skills', but these provisions are too vague to constrain political discretion in practice. In South Africa, this gap has enabled individuals with minimal governance, financial or technical expertise to be appointed to boards, including, in some cases, as chairs of audit and risk committees or entire entities. This misalignment between qualifications and fiduciary responsibilities poses a systemic risk to institutional performance, regulatory compliance and public accountability. Reform efforts must therefore move beyond generic calls for transparency and embrace a more structured, enforceable model of board professionalisation. This begins with a skills and qualifications matrix, which is a governance tool that specifies the minimum, non-negotiable competencies each board must collectively possess.

The skills and qualifications matrix as a governance tool

The proposed Skills and Qualifications Matrix for SOE Boards identifies three core competency domains that must be represented on all SOE boards: financial governance, ethics and compliance, and sector-specific technical expertise. These pillars reflect both the fiduciary obligations of boards and the operational complexity of the sectors in which SOEs operate. The matrix will operate as:

- A screening tool for nomination committees and public authorities.
- A benchmark for conducting board audits and identifying skills gaps.
- An accountability mechanism that links board composition to regulatory or ministerial oversight.

Professional affiliation to independent, regulated bodies such as SAICA, the IAC, ECSA, The Ethics Institute and IoDSA can serve as an added layer of quality assurance and disciplinary recourse. These organisations uphold professional ethics, continuous development and sanctions regimes that can deter misconduct and incentivise competence.

Matrix composition: Minimum standards for board membership

Table 1 outlines the minimum expected professional representation on SOE boards. These requirements are not

exhaustive, but rather define the baseline that ensures functional, ethical and technically competent oversight.

This matrix provides for both sectoral adaptation and standardised oversight. For instance, boards of energy utilities such as Eskom or municipal distributors like City Power should include at least one experienced electrical engineer registered with ECSA, while boards of public health institutions should include health policy or medical professionals. Across all sectors, financial and ethical competence remain non-negotiable constants.

Professional registration as a governance tool

The insistence on registered professionals is not figurative. Membership in professional bodies will assist in ensuring adherence to ethical codes and continuing professional development; a mechanism for disciplinary action in cases of misconduct or incompetence; and it will promote a culture of accountability that is external to the political system. For example, a Chartered Accountant who fails to fulfil their fiduciary duties risks losing their designation and being blacklisted, a consequence that serves as a meaningful deterrent. In contrast, politically appointed board members with no regulatory home face no such risk, even when presiding over financial and operational collapse.

From policy design to implementation: Operationalising the matrix

The successful implementation of the proposed skills and qualifications matrix requires more than policy intent; it demands structural and institutional adjustments across the governance ecosystem. Firstly, SOE enabling legislation and board charters must be amended to formally integrate matrix-based requirements, thereby creating a legal obligation for board composition to reflect sector-relevant expertise, financial competence, and ethical integrity. Secondly, transparency must be elevated as a principle of public sector governance by making it mandatory for boards to disclose the qualifications and industry experience of its members. In parallel, it is imperative that annual skills audits of SOE boards be conducted by independent entities, preferably with the input or oversight of professional bodies. These audits should assess not only the presence of technical and governance-related qualifications but also the alignment of board profiles with the strategic needs of each SOE. Professional bodies should be formally included in the vetting and shortlisting of board candidates. Their role would

TABLE 1: Skills and qualifications matrix for state-owned enterprise boards (adapted to South African governance context).

Competency area	Minimum required representation	Professional affiliation (examples)
Financial governance	At least one Chartered Accountant (CA) or registered financial expert	SAICA, SAIPA, IAC
Ethics, risk and compliance	At least one certified ethics or governance practitioner	The Ethics Institute, IoDSA, IRMSA
Sector-specific expertise	At least one technical practitioner with deep knowledge of the core industry (e.g. engineer, planner, clinician, etc.)	ECSA, SACPCMP, HPCSA or relevant statutory councils
Legal and regulatory oversight (<i>recommended</i>)	Legal expert with public sector or regulatory experience	Legal Practice Council
Development and public policy (<i>recommended</i>)	Member with expertise in socio-economic planning or development	Universities, public sector research bodies, think tanks

IoDSA, Institute of Directors in South Africa; SAICA, South African Institute of Chartered Accountants; ECSA, Engineering Council of South Africa; SACPCMP, South African Council for the Project and Construction Management Professions; HPCSA, Health Professions Council of South Africa.

be to ensure that nominees meet the required standards of competence, ethics and sectoral fit before ministerial approval is granted. This will not only strengthen the integrity of the selection process but also introduce a layer of depoliticised accountability.

Finally, to deter non-compliant or politically motivated appointments, Parliament must be empowered to exercise robust oversight. This could include mechanisms to penalise executive authorities who bypass the framework or appoint individuals who fail to meet the minimum matrix standards. Such measures would send a clear institutional signal that the reform is substantive, enforceable and backed by political will. These interventions can represent more than administrative adjustments as they will signal a fundamental shift towards professionalised, transparent and competence-driven governance. South Africa can begin to restore public confidence in the stewardship of its state-owned entities and protect these institutions from the corrosive effects of politicised control by operationalising the matrix in this way.

Barriers to reform and political resistance

The professionalisation of SOE boards through a skills and qualifications matrix presents a compelling model for improving governance. The challenge is that translating such a framework into practice is neither technocratic nor politically neutral. Across jurisdictions and acutely so in South Africa, reform efforts frequently encounter entrenched resistance, institutional inertia and competing interests that frustrate implementation.

One of the most significant barriers is the persistence of patronage-based political cultures, where appointments to SOE boards are used to reward loyalty, consolidate influence or fund political networks. Under such conditions, efforts to institutionalise merit-based, skills-driven appointments directly threaten vested interests. Individuals who benefit from discretionary appointment powers may perceive professionalisation frameworks as instruments of political exclusion rather than administrative improvement. As a result, even well-intentioned reforms may be selectively applied, underfunded or bypassed entirely. Institutional capacity constraints also undermine reform prospects. Many departments or ministries responsible for SOEs lack the technical expertise or organisational stability to carry out rigorous vetting, oversee skills audits or engage with professional bodies in a meaningful way. This is compounded by the fact that SOEs themselves are often caught in a cycle of governance failure and reactive crisis management, leaving little space for forward-looking reform agendas to take root.

Another subtler challenge is the absence of political consensus around what constitutes 'fitness for purpose' in board appointments. In a pluralistic democracy, differing ideological views about transformation, inclusion and representativity often intersect with debates about merit and expertise. While the skills matrix promotes professional credentials and sectoral

knowledge, it must also be reconciled with constitutional imperatives around representativity, gender equity and redress. Without careful framing and stakeholder engagement, the matrix could be misconstrued as exclusionary or technocratic.

There are also legal and procedural gaps that currently enable discretionary appointments. In many cases, enabling legislation provides ministers with wide latitude to appoint board members without stringent qualification requirements. Unless the matrix is codified in law or regulation, it risks remaining an aspirational guideline rather than a binding governance tool. Finally, public apathy and institutional fatigue may limit reform momentum. After years of high-profile governance scandals, public confidence in SOE reform processes remains fragile. Without visible accountability and consistent enforcement, even well-designed interventions may be viewed as cosmetic, further eroding trust in state institutions. Despite these challenges, none are insurmountable. What is required is a politically intelligent reform strategy that anticipates resistance, builds coalitions and aligns technical solutions with broader democratic values. The next section turns to policy pathways that can move the skills matrix from theory to practice.

Implications and Recommendations

The review findings and comparative analysis presented in this article carry significant implications for the governance of state-owned enterprises, particularly in political systems where discretionary appointment powers, patronage networks, and weak enforcement mechanisms persist.

Collectively, the evidence suggests that depoliticisation of SOE boards cannot be achieved through transparency measures or ethical declarations alone. Rather, reform must address the substantive composition of boards by embedding enforceable standards of professional competence, ethical accountability, and sector-specific expertise.

Governance and institutional implications

From a governance perspective, the findings underscore the importance of reframing board independence as competence-based autonomy. Boards that are composed of professionally qualified members with recognised fiduciary and ethical obligations are better positioned to exercise informed oversight, resist undue political pressure, and safeguard public value. This shifts the reform focus away from individual integrity as a personal attribute and towards institutional design, where governance quality is structurally embedded in board composition. Institutionally, the review highlights the risks associated with wide executive discretion overboard appointments. Where ministers retain unchecked appointment authority, even well-articulated governance codes are vulnerable to circumvention. Embedding skills-based requirements in legislation, board charters, and appointment regulations is therefore critical to limiting politicised decision-making. Professional bodies emerge as

key institutional actors in this context, as they provide independent verification of competence, enforce ethical standards, and offer disciplinary recourse that is external to political systems.

Policy recommendations and implementation strategies

Translating the proposed matrix into practice requires a reform strategy that is both technically sound and politically attuned. This section presents a coherent set of policy recommendations organised into six interrelated domains. Together, these reforms can entrench competence-based appointments into the governance fabric of South Africa's SOEs.

Legal and regulatory reforms

A central finding of this review is that South Africa's current legal framework governing SOE board appointments remains permissive and highly discretionary. To reduce arbitrary or politically motivated appointments, the skills matrix should be formally incorporated into enabling legislation, including the *Public Finance Management Act* (PFMA) and sector-specific SOE laws. Codifying the matrix would establish clear, enforceable criteria for board composition and provide oversight bodies, Parliament and civil society with a measurable benchmark for accountability.

Such statutory anchoring is essential for transforming the matrix from a voluntary guideline into a binding governance standard.

Independent nomination and vetting mechanisms

Given the recurring finding of politicised appointments and weak role clarity, greater independence in the recruitment pipeline is critical. This requires institutionalising independent nomination and vetting processes to limit unilateral ministerial discretion and involving professional bodies such as IoDSA, sector regulators or accreditation councils as standing members of nomination committees or as designated vetting authorities. To operationalise this reform, the DPE and relevant ministries should establish formal memoranda of understanding (MOUs) with these bodies, clearly outlining roles, responsibilities and oversight mechanisms.

Transparency and public accountability measures

Weak public visibility of board qualifications and role performance contributes to poor oversight and limited consequences for misaligned appointments. Therefore, all SOEs should be required to disclose the professional designations, qualifications and sector-specific experience of their board members on official websites and annual reports. Annual board performance audits conducted by an independent assessor should include each board's alignment with the matrix and identify capacity gaps. These transparency measures can empower Parliament, civil society, the media and the public to hold appointing authorities accountable for deviations from established standards.

Capacity building and transformation pipelines

Findings also point to the structural challenge of insufficient professional pipelines in specialised sectors. While minimum competence standards are essential, they must not unintentionally restrict transformation or diversity objectives. To address this, SOEs must target capacity-building programmes and director development pipelines, particularly in under-represented sectors. Training, mentorship and certification pathways supported by IoDSA, academic institutions and industry partners can cultivate a new generation of governance-ready professionals. This approach can balance competence with equity, ensuring that the matrix supports rather than undermines inclusive public leadership.

Technological innovation through artificial intelligence-enabled early-stage screening

A key governance finding is that early-stage appointment processes are vulnerable to political gatekeeping, bias and discretionary filtering. To strengthen impartiality, the early stages of shortlisting should be partially automated using secure artificial intelligence (AI)-based screening tools. Artificial intelligence systems programmed with the skills and qualifications matrix can conduct first-round filtering based on objective indicators such as qualifications, ethical compliance, governance experience and sector-specific expertise. This hybrid model of AI-enabled screening followed by human evaluation can reduce opportunities for manipulation and may enhance transparency to ensure that nomination committees only consider candidates who are demonstrably fit for purpose.

Political will, public support and reform coalitions

Despite structural reforms, the success of competence-based appointments ultimately depends on political will and institutional integrity. Implementation will require framing the matrix as a democratic safety net aligned with constitutional principles of accountability, responsiveness and openness. Sustained political leadership, backed by public support, will be critical in ensuring that the matrix becomes an enduring governance practice rather than a symbolic reform.

Summary

In sum, effective implementation of the matrix will require a multi-layered strategy that will blend legislative reform, institutional innovation, technological enhancement and professional oversight. Although the barriers are significant, the risks of maintaining the status quo are far greater. The future credibility and performance of South Africa's SOEs depend on a shared political and professional commitment to competence, ethics and expertise as non-negotiable foundations of public leadership.

Conclusion

The article argues that the persistent politicisation of SOE boards in South Africa has severely weakened governance, oversight and service delivery. To address these failures,

board appointments must be fundamentally restructured around enforceable standards of competence, ethics and sector-specific expertise. The proposed skills and qualifications matrix provides a practical tool for anchoring appointments in professional criteria rather than political preference.

Effective reform requires more than policy statements; it demands legislative support, transparent appointment processes, independent vetting and regular skills audits. While the model's success will ultimately depend on political will, institutional integrity and consistent enforcement, South Africa has the professional capacity and public demand necessary to drive change. If implemented seriously, the matrix could strengthen accountability and offer a replicable governance model for other emerging democracies. Professionalising SOE boards is a managerial improvement but a democratic imperative essential for restoring trust and ensuring competent leadership in the public sector.

Limitations

As a conceptual and review-based study, this article does not present original empirical data. Its findings rely on secondary sources and publicly available documents, which may not fully capture behind-the-scenes dynamics in board appointments or internal reform implementation. The proposed matrix, while grounded in practical logic and institutional commentary, has yet to be tested through large-scale application or policy experimentation. Furthermore, context-specific factors such as political will, institutional maturity and regulatory frameworks may affect the generalisability of some recommendations across jurisdictions. Future empirical testing, including skills audits and stakeholder interviews, will be necessary to validate and adapt the proposed framework in specific national settings.

Future research

This article provides a conceptual foundation for board professionalisation through a structured skills matrix. Future studies should empirically test the matrix across sectors, assess its impact on governance outcomes and explore mechanisms for integrating professional bodies in appointment processes. Comparative research across emerging economies would further enhance the framework's applicability and refinement.

Acknowledgements

Competing interests

The author declares that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

CRedit authorship contribution

Ernest K. Mutenda: Conceptualisation, Data curation, Formal analysis, Funding acquisition, Investigation, Methodology,

Project administration, Resources, Supervision, Validation, Visualisation, Writing – original draft, Writing – review & editing. The author confirms that this work is entirely their own, has reviewed the article, approved the final version for submission and publication, and takes full responsibility for the integrity of its findings.

Ethical considerations

This article did not involve human participants or confidential data and, therefore, did not require ethical clearance. All information was sourced from publicly available documents, peer-reviewed literature, official reports and professional body publications. Care was taken to represent sources accurately, avoid misinterpretation and maintain objectivity in comparative analysis. The article adheres to responsible academic standards, ensuring that interpretations, especially of politically sensitive content, are evidence-based and presented without bias.

Funding information

This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

Data availability

Data sharing is not applicable to this article as no new data were created or analysed during the study.

Disclaimer

The views and opinions expressed in this article are those of the author and are the product of professional research. They do not necessarily reflect the official policy or position of any affiliated institution, funder, agency or that of the publisher. The author is responsible for this article's results, findings and content.

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