THE CHALLENGES OF "ACTING" CEOS IN STATE-OWNED ENTERPRISES: THE CASE OF SOUTH AFRICAN AIRWAYS

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Abstract

The purpose of this study was to examine the recent spate of suspensions, resignations and interim chief executive appointments at the helm of the national airline, South African Airways. This challenge in the instability of management and leadership has resulted in low stakeholder confidence in the country, as it portrays an image of economic instability and political interference, particularly when the underlying reasons for the various suspensions and acting appointments are examined. This paper is purely qualitative in nature, and gives presents a critical analysis and perspective the challenges and impact of political interference in South African state owned enterprises. The study contributes not only to governance and accountability in the public sector, but also how politics can cause reputational risk for itself and CEOs in state owned enterprises and other key Government departments which are considered to be of national importance.

Keywords: Corporate Governance, Acting CEO, New Public Management, State-Owned Enterprises (SOEs), South Africa

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1 Introduction

The past few years in South Africa have been economically unstable. According to the Industrial Development Corporation (IDC, 2013), South Africa's annual average GDP growth rates have fluctuated from 1.4%, 2.9%, 4.3% and 2.2% during the periods 1980-1993, 1994-2000, 2001-2007 and 2008-2012, respectively. The local currency (South African Rand) has depreciated against most major international currencies; while the domestic economy has also been affected by industrial labour unrest in the mining sector, one of the country's core foreign exchange earners. To worsen matters, inefficiencies in the state electricity producer (Eskom) have resulted in persistent power outages, which in turn have affected productivity across all sectors; mining being the worst affected.

Fluctuations in tourism and a general decline in the demand for carrier services have negatively affected the financial status of the national airline South African Airways (SAA) and its subsidiaries. It is however not only financial factors which have caused problems in these state owned enterprises (SOEs), but also a significant amount of political interference. In as much as the Government is the core shareholder in all SOEs, a degree of autonomy is required to ensure the efficient and professional management of these enterprises.

Due to pressure from various stakeholders, and the need to unlock value for the major shareholder – a trend of interim CEOs, or "acting" CEOs has developed in the country. CEOs at SOEs and other key Government agencies are appointed and some either resign or are suspended from office before even completing a single full term. This has created a vacuum in leadership and instability within the SOEs and Government agencies themselves, as well as instilled a lack of confidence from stakeholders such as investors and even customers who are the ultimate users of the services.

The main purpose of this article is to examine the theory behind state-owned enterprises, new public management and interim leadership theory, with the goal of contextualising the challenges currently being experienced in South African SOEs.

So prominent and frequent these "acting" appointments have become that it has become necessary to examine the root cause of this phenomenon. In South Africa, the "acting" head of a Government enterprise or agency has caused concern at the following institutions:

- South African Airways (SAA) – the national airline;
- Eskom – national state supplier of electricity;
- Passenger Rail Agency of South Africa (Prasa) – the national passenger railway provider;
- Transnet – the national rail, port and pipeline (logistics) provider;
- South African Broadcasting Corporation (SABC) – the national broadcaster;
- National Prosecuting Authority (NPA) – the national prosecuting authority, and
- South African Police Service (SAPS) Intelligence Unit (IU) – the national intelligence unit within the police structure.

As can be noted from the above list, the common variable is "national"; thereby implying that they are all of strategic importance to the country. The failure or collapse of any of the above-mentioned entities would have catastrophic consequences for South Africa, the economy, and in the case of the NPA and the SAPS IU, national security at large would also be threatened. It is however of greater concern that despite the importance of each named SOE and Government agency above, they have all been left to be managed by "acting" CEOs and "acting" Heads.

The introductory section of this paper gave the background to the problem that is being investigated. The remainder of this article is as follows: we will present an overview of the relevant literature on state-owned enterprises, interim leadership, and new public management theory. This will be followed by a brief description and justification of the methodology we have adopted. We will then present a detailed case study on one specific SOE in South Africa, after which, the relevant conclusions and recommendations will be presented.

2 Literature overview of state owned enterprises, new public management and interim leadership issues

2.1 The Economics and Governance of State-Owned Enterprises

2.1.1 Key definition of state-owned enterprises

To understand the economics and management of state-owned enterprises (SOEs), it is of paramount importance to examine the characteristics of, and the roles played by SOEs. It is widely acknowledged in the literature that SOEs go by different names in countries across the globe, bearing both commercial and non-commercial characteristics. Other commonly used classifications of SOEs include the source of control, nature of commercial or economic activities engaged in, property rights, sources of funding, and functional role (e.g. regulatory body). Names such as public entities, state-owned agencies, government-owned corporation, state-owned company, state-owned enterprise, and parastatal, amongst others, are common (OECD, 2005; Lee, 2009; Christiansen, 2011). According to Heymans (1995), a parastatal is any corporate organisation set up, funded, owned, and/or resourced through government allocation. Lee (2009:6) defined SOEs as "business entities established by central and local governments, whose supervisory officials are from the national government.

From a South African perspective, there are two sources from which a legal definition of state-owned enterprises is derived: the Public Finance Management Act of 1999 (PFMA) and the Companies Act 71 of 2008 (Republic of South Africa, 1999; 2008).

The PFMA of 1999 defines a state-owned-enterprise, to be an entity which is a juristic person under the ownership control of the national executive (the President); has been assigned financial and operational authority to carry on a business activity; as its principal business, provides goods or services in accordance with ordinary business principles; and is financed fully or substantially from sources other than the National Revenue Fund, or by way of a tax, levy or other statutory money. The PFMA of 1999 further defines national public entities as being a national government business enterprise; or a board, commission, company, corporation, fund or other entity (other than a national government business enterprise) established in terms of national legislation, fully or substantially funded from the National Revenue Fund, or by way of tax, levy or other money imposed in terms of national legislation; and is accountable to Parliament (Republic of South Africa, 1999).

The Companies Act 71 of 2008 classifies companies as either being "for profit" or "non-profit" companies. It goes further to define a "state-owned company" as being an enterprise that is registered in terms of the Act as a company, and either falls within the meaning of state-owned enterprise in terms of the Public Finance Management Act of 1999 [PFMA], or is owned by a municipality at the local government level in terms of the Municipal Systems Act 2000. A key feature differentiating a state-owned enterprise from other forms of companies in South Africa is that its name should end its designation with "SOC LTD" denoting State-Owned Company Limited.

2.1.2 SOE Governance Principles

SOEs are significant in GDP, employment and market capitalisation; are of great importance to both the general public and the business sector alike insofar as energy, transport and telecommunication are concerned; hence their governance is central to a country's economic efficiency and competitiveness (OECD, 2005).

Having identified the challenges of corporate governance in SOEs, the OECD identified international guidelines to improve the status of SOEs for governments globally. Six key areas were identified as being essential for effective corporate governance in SOEs (OECD, 2005). These were:

- Ensuring an effective legal and regulatory framework for SOEs by facilitating a level playing field in all markets where SOEs and private sector firms compete, to avoid market distortions;
- The state acting as an owner should be informed and active, as well as be responsible for the establishment of a clear ownership policy, thereby ensuring that SOE governance is transparent. There should be a high level of accountability and professionalism;
- Equitable treatment of shareholders by ensuring equal access to corporate information, such as availing annual financial statements;
- Relations with stakeholders should be cordial and transparent, as per country codes of ethics;
- Transparency and disclosure should be fully observed by SOEs, including being subject to annual independent external audits; and
- The responsibilities of the boards of SOEs include having the necessary authority, competencies and objectivity to render strategic guidance and managerial monitoring. The boards should further act with integrity, and be held accountable for their actions.

2.1.3 SOE Agency Costs

Proponents of the economics of SOEs warn of the consequences of SOEs. Although welfare theorems suggests that a competitive free market achieves both allocative and technical efficiency, price mechanism and profit maximisation are often distorted when the state is the sole provider of goods and/ or services (Putnins, 2015). When Government incorporates, or forms a company; it automatically becomes the private owner of that entity by virtue of holding equity in it, and earns the rights and responsibilities of a shareholder.

Earlier empirical studies have found that, in general, provision of goods by the state often results in lower technical efficiency, i.e. producing goods and supplying services at the lowest possible cost. Putnins (2015) gave diverse reasons for this, most of which centred on the "agency costs". Gitman (2009) explained agency costs as those expenses which must be borne by shareholders in order to maintain a corporate governance structure which discourages managers from dishonest acts of putting personal goals ahead of corporate goals, while at the same time, incentivising them to maximise shareholder wealth. Vickers and Yarrow (1988) gave their perspective on the agency problem in the context of the public sector. According to them, when the state incorporates, and hires CEOs to look after its interests as the principal shareholder; Government must face the reality that shareholders even in the private sector face of ensuring that managers act in the best interest of the shareholders, albeit at a cost.

According to the OECD (2005), agency costs are higher in SOEs because the institutions are protected from the threat of bankruptcy as the state will always provide guarantees as collateral, initiate and implement additional taxes and levies, if necessary, and has the option to raise debt at minimal costs. Supervision of SOEs is lax as the management team is answerable only to the state who is its sole shareholder. The bonuses at SOEs are not performance-based, often argued to be the result of difficulty in assessing SOE performance; hence even if the SOE has been running losses, the management will still receive additional financial rewards (OECD, 2005). Also, since most SOEs provide public goods such as utilities, infrastructure, and energy; they are insulated from competition, and therefore face no immediate threat of closing down as a result of a downturn in business. Lastly, the political interference in the SOE sector contributes significantly to their high level of technical inefficiency. Although established for the better good of a country's citizens; SOEs must also satisfy their owners, i.e. government represented by ruling party loyalists. According to Putnins (2015), the welfare implications of running SOEs with low technical efficiency and high agency costs is that, governments overlook the opportunity cost of capital involved, which we believe could be better channelled towards other national social and economic needs.

2.2 New Public Management

Lane (1999) described New Public Management (NPM) as a theory of communication in the public sector, through the use of contracts. NMP is also viewed as a transformative reform in the political-administrative system based on an economic model of governance and organisation underpinning efficiency (Christensen & Laegreid, 2001). Over a decade later, the intentions of these reforms has remained intact as NPM still seeks to fulfil the following objectives: to improve effectiveness and efficiency in the public sector; to enrich relations with stakeholders; to reduce public expenditure; and to improve managerial accountability (Christensen & Laegreid, 2011). As such, NPM is grounded on various theoretical perspectives including public-choice, management, classic public administration, neoclassical public administration, policy analysis, principal-agent, property rights, neo-Austrian school, transaction cost economics, new public administration, and organisation theory (Gruening, 2001; Vanebo & Andersen, 2014). In practice, NPM entails hands-on management making provision for active, visible and discretionary control of an entity by independent people who are able and free to manage; unambiguous performance benchmarks; greater emphasis on output control; increased competition; contracts; devolution; disaggregation of units; and private sector-like management techniques (Christensen & Laegreid, 2001).

Challenges stemming from contractualism and devolution however do arise in the implementation of NPM principles in the public sector. Christensen and Laegreid (2011) defined devolution as simply being the shift towards more autonomous Government agencies and SOEs. Although taking several forms, our interest is in structural devolution – a situation whereby political and commercial activities are separated organisationally, and should effectively result in less political control (Christensen & Laegreid, 2001). The overarching objective of structural devolution is therefore to improve competitiveness and governance. However, the autonomy that comes with structural devolution needs to be monitored and controlled. One solution to this is contractualism, or the use of contracts. Through contracts, politicians can clearly specify targets and objectives, and identify indicators for performance and efficiency measurement (Lane, 1999; Christensen & Laegreid, 2001).

According to Lane (1999), governments entrust the management of SOEs to a group of contracted agents called CEOs. In theory, such contracts are private law contracts, governed by the standard principles of common law or civil law, in terms of how the contracts should be respected and enforced between the two or more contracting parties. Two types of contracts are applicable under NPM – transaction and agency contracts. Transaction contracts are those wherein the Government is contracting out a service (through tenders), while an agency contract is a relational contract between the Government (principal) and its employees, used primarily in the employment of CEOs (agent) and other key public employees of national state departments (Lane, 1999). This study's focus is on the agency (relational) contracts of CEOs under NPM which tend to be short term in nature, and are at the centre of challenges currently being experienced in the public sector in South Africa.

Lane (1999) examined contracts from both the Government and CEO (agent) perspective. Government wishes to minimise costs and maximise the quality of services purchased (skills in the case of hiring a CEO); CEOs on the other hand yearn to maximise their salary and reputation. Already, there is no consensus on the objectives of the principal and the agent.

Agency contracts with CEOs are premised on the following:

- Employment contracts are short term in nature, typically between one and five years;
- Salaries are substantially higher;
- The principal has to depend on the agent because there is no direct measurement of the agent's effort or performance;
- The overall verifiable results cannot be attributed to the agent alone, but rather team work and effort;
- Principal-agent contracts stipulate firing clauses, and agent compensation against premature contract termination. Even though a CEO may want to extend their contract, the principal rarely makes such a commitment in writing (Lane, 1999).

As can be deduced from above, the stakes for both principal and agent are high. The agent has no allegiance or loyalty due to the short term nature of their employment contract. A CEO would have to avoid getting fired in order to save their ego, career and reputation. The worst case scenario for the Government would be paying a CEO a high salary, yet the agent still under-performs; resulting in a waste of taxpayer funds. Both scenarios present opportunism for principal and agent. On the one hand, Government may blame the CEO, thereby exonerating itself from responsibility and giving an impression of being in control. In such a situation, the exit strategy option would be to either terminate (fire) or not renew the agent's contract, regardless of the case put forward by the CEO to explain the mismatch between expectations and outcomes. Agents are equally opportunistic. When faced with a situation beyond their control, an agent can reach the decision to evade serving their contract to the end, and cash in the remainder of their pay package. There is more dignity in resigning than waiting to be fired. This has unfortunately been the unethical practice, not only at South African Airways, but many other key SOEs and Government Agencies in South Africa; with Government exercising the exit option more than the CEOs.

2.3 Interim leadership issues

Ballinger and Marcel (2010:263) defined 'interim CEO succession' as a situation whereby the incumbent CEO vacates the position, but the board of directors have not announced a permanent successor, opting instead to appoint an "interim CEO" or "acting CEO" while the process of recruiting a permanent successor takes place. In their study on interim CEO successions and firm performance, Ballinger and Marcel (2010) noted that boards tend to appoint interim CEOs under duress. This occurs when the incumbent CEO leaves the enterprise unexpectedly through suspension due to maladministration scandals, resignation or even death. Alternatively, if the board of directors loses confidence in the current CEO, such that the executive is summarily dismissed, then an acting CEO must be appointed in the interim (Fredickson, Hambrick & Baumrin, 1988). According to Grusky (1963), CEO dismissal is to the detriment of any enterprise or organisation; and this is the case in both the private and public sector, and will ultimately have an impact on the overall organisational performance.

The objective of appointing an "acting" CEO is to allow the enterprise to continue with day-to-day operations, while the formal permanent CEO recruitment process unfolds. Interim CEOs hence often find themselves dealing with the immediate crises of not only keeping the organisation afloat, but also cleaning up the mess of their predecessor. According to Hofer (1980) and Robbins and Pearce (1992), an "acting" CEO would therefore be responsible for the immediate implementation of tactical strategies such as restoring stakeholder (investors, staff and customers) confidence, and overseeing turnaround strategies such as operational cost reductions, retrenchments, or altering operating asset structures of the firm. An empirical study by Ballinger and Marcel (2010) highlighted a key concern with regard to interim CEOs. They found that the implication of having an "acting" CEO in fact harms the performance of an organisation, and is hence an inferior *post hoc* solution to corporate leadership challenges, which boards of directors should avoid (Ballinger and Marcel, 2010:281).

3 Research methodology

This paper seeks to provide a critical analysis on the leadership crisis currently prevailing in a key state owned enterprise in South Africa. To achieve this, we will present a case study on the chronology of events which have transpired in this SOE in recent years. The phenomenon of appointing acting Chief Executives is not common to South Africa only; however, it is the frequency of these turnovers which is concerning. According to Yin (2009), as a form of research, a case study is an empirical inquiry that seeks to investigate, in depth, a contemporary phenomenon, within its real-life context. Case studies therefore draw on prior theoretical groundings, supported by the convergence of evidence from multiple sources to allow researchers to explain the causal links of decisions taken in the real-life context. The case study approach was considered to be the most appropriate for this paper because we are limiting our focus to one specific SOE, which will enable us to go into detail on the managerial and operational challenges encountered, as well as the decisions undertaken at the SOE, and align these to the underlying theories examined in the literature review.

4 South African Case Study

According to the Department of Public Enterprises (DPE, 2014), state owned enterprises have a crucial role to play in the country's economic growth plans. The DPE's mandate is to oversee investment, productivity and transformation in SOEs and their external stakeholders. This is to be achieved through growth, skills development and employment creation, in line with national growth plans, strategies and policies. The DPE represents the main shareholder (Government) in all SOEs. Currently the SOEs are categorised into three key focal industries:

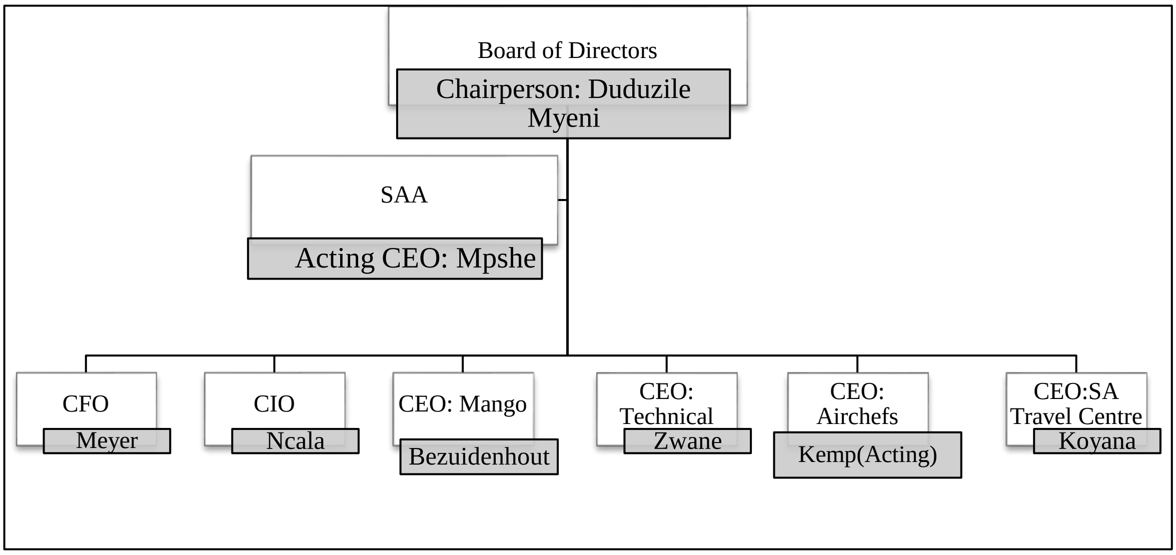
- Energy – Eskom
- Manufacturing – Alexkor, Denel and Safcol; and
- Transport – South African Express Airways and Transnet.

Increased political interference has not only cost CEOs of SOEs their jobs, and reputations; but the same has happened in state agencies such as the SAPS and the National Prosecuting Authority. In light of the above, we wish to use South African Airways SOC Ltd (SAA henceforth) as a case study for this paper, so as to shed further light on the challenges, causes and implications thereof of having "acting" CEOs and "acting" directors in such key public entities in the country.

4.1 South African Airways SOC Ltd (SAA)

SAA came into existence on 1 February 1934, after the then South African Government took over the assets and liabilities of Union Airways, renaming and rebranding it, and placing it under the South African Railways and Habour Administration. South African Airways is not only the national airline in South Africa, but also the leading carrier in Africa. It services fifty-six destinations locally and regionally using SAA, SA Express, SA Airlink and Mango. SAA's core business is the provision of passenger and cargo transport services, provided by SAA and its subsidiaries of SAA Technical, Mango (low cost carrier) and Air Chefs (catering arm). According to South African Airways SOC Ltd (n.d.), SAA is currently ably managed by an Acting CEO under the guidance of the Board of Directors. Figure 1 is a hierarchy of the key leadership team at SAA.

Figure 1. SAA SOC Ltd Leadership Hierarchy (*Source: South African Airways, n.d.)*



The domestic airline industry in South Africa is diverse, and has recently been characterised by the emergence of low-cost operators in the form of Kulula.com, SA Express, Mango Airlines, and FlySafair. Due to the prevailing weak economy, air travel has become a luxury hence the number of passengers utilising the domestic airline services has been on a downward trend. Domestic airlines are also faced with high operating costs resulting from rising fuel expenses, exorbitant airport levies and taxes and a weakened currency, which effectively affects airline profits (Kuhn, Spies & Petzer, 2015).

Table 1 below gives an overview of the financial and non-financial performance of SAA between 2007 and 2014. The “acting” CEO problems at SAA commenced shortly in March 2009 and have continued until August 2015. Although not immediately reflected in the financial statements of the national airline, the effects did eventually filter in, resulting in annual losses being made from 2012. The most recent loss for the operating period April 2014 – March 2015 amounted to an operating profit/ (loss) of negative ZAR2.307 billion before financing costs. The shareholder (the Government) has always been bailing out the national airline providing guarantees (R5 billion in 2012; R6.5 billion in 2014), which the airline can use as collateral to borrow from commercial banks. The other airlines have always perceived this practice as being anti-competitive. This bailout practice however came to a halt in December 2014, when the administration of SAA was transferred to the National Treasury, on strict instructions that a turnaround strategy must be immediately implemented. Non-profitable routes were ceased, and the SAA leadership (under an “acting CEO) was given ninety days to ensure an improvement in the airline’s bottom-line (National Treasury, 2014). The Government’s ability to financially stabilise SAA coffers through its extended guarantees has often been to the detriment of other airlines in the country, to the extent that 1Time was forced to cease operations in 2012 as a result of a string of poor results (Kuhn, *et. al*, 2015).

South African Airways used to be under the control of the DPE until December 2014, following several years of poor financial results, despite constant bailouts by Government. A transfer of administrative powers entrusted by the South African Airways Act 2007 from the Minister of Public Enterprises to the Minister of Finance was gazetted on Friday 19 December 2014, as provided for by Section 97 of the Constitution of the Republic of South Africa, 1996. The transfer was effective from 12 December 2014 and the handover process completed accordingly (National Treasury, 2014). The administrative transfer was premised on that National Treasury is familiar with SAA and what is required to stabilise the airline’s financial position through the department’s involvement in overseeing the guarantees that have previously been provided to the company. This was after consultations between the Minister and the board of Directors of SAA (including the acting CEO and CFO), who agreed that to stabilise the company’s financial position, elements of the long term strategy must be speedily implemented.

Seemingly, while the strategic turnaround plan was in motion, leadership battles continued to plague the national airline. Duduzile Myeni, Chairperson of the SAA SOC Limited board, long considered to be a close ally of President Jacob Zuma, continues to be at loggerheads with both board members and top management at SAA. It must be emphasised that Myeni is also the executive Chairperson of the Jacob G Zuma Foundation, thereby reaffirming that corporate governance principles were ignored in her appointment on the SAA Board, due to her close links with the President of the country. Table 2 below is a chronology of the “acting” and succession trends which have been prevalent at SAA since 2009.

Table 1. Business trends at the SAA (2007 – 2014)

SAA INDUSTRY TRENDS								
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
FINANCIAL								
TURNOVER (ZAR BILLION)	20.6	22.2	26.3	22.2	22.6	23.9	27.1	30.3
OPERATING PROFIT (ZAR MILLION)	-610	-973	334	487	807	-1300	-991	-2307
RETAINED EARNINGS (ZAR MILLION)	0	0	779	0	618	-935	-1204	-2590
NON-FINANCIAL								
NET REVENUE PASSENGER MILES (MILLIONS)	25920	26131	23328	22413	22661	23217	24880	25606
SAA	25381	24619	21935	21081	21181	21509	22901	23124
MANGO	539	1512	1393	1332	1480	1708	1979	2482
TOTAL NUMBER OF PASSENGERS	8.3	8.9	8.2	8	8	8.1	8.8	9.3
SAA	7.7	7.4	6.9	6.7	6.6	6.5	7	7.1
MANGO	-	1.5	1.3	1.3	1.4	1.6	1.8	2.3
PASSENGER LOAD FACTOR (%)	75	76	74	71	70	72	74	75
CARGO FLOW ('000 TONNES)	202	186	138	119	129	142	133	132
NUMBER OF EMPLOYEES	10048	8227	7989	8034	10057	11044	11462	11491

Source: South African Airways (n.d.)

Table 2. CEO turnovers at South African Airways (2009-2015)

March 2009:	Khaya Ngqula was 'released from his contract' by the airline, following months of being on special leave to allow an investigation into allegations of financial mismanagement relating to retention premiums, procurement and conflict of interest, against him. Nqgula served as CEO from 2004 until 2009.
April 2009:	Chris Smyth, who was the General Manager of Operations at SAA, was appointed "Acting" CEO of SAA following the departure of Ngqula.
February 2010:	Siza Mzimela was appointed substantive CEO, making history by being the first female to hold the position.
September 2012:	September 2012: the SAA Board Chairperson (Cheryl Carolus) and seven other board members resigned (Russell Loubser; Bonang Mohale; Louis Rabbets; Jabulani Ndlovu; David Lewis; Teddy Daka; Maggie Whitehouse), due to a breakdown between them and the then Minister of Public Enterprises (Malusi Gigaba).
September 2012:	Following the resignation of the majority of the SAA board of directors, including the Chairperson; only five non-executive directors remained (Duduzile Myeni; Yakhe Kwinana; Lindiwe Nkosi-Thomas; Tukela Jantjies; Zakhele Sithole). This led to the then-DPE Minister Malusi Gigaba appointing Vuyisile Kona as the new Chairperson, to be supported by an additional seven non-executive directors (Andile Mabizela; Andile Khumalo; Bongisizwe Mpondo; Rajesh Naithani; Carol Roskruge; Raisibe Lepule; Nonhlanhla Kubeka).
October 2012:	Siza Mzimela, SAA's first female CEO, resigned.
December 2012:	SAA board Chairperson Vuyisile Kona appointed SAA "acting" CEO following the resignation of Mzimela. Dudu Myeni then appointed "acting" board Chairperson by the then-DPE Minister Malusi Gigaba.
February 2013:	Vuyisile Kona, "acting" CEO placed on precautionary suspension by the SAA board, following allegations of contravening the Public Financial Management Act (PFMA). He was also removed from being a director of the board, and subsequently fired a month later.
February 2013:	Nico Bezuidenhout, the CEO of Mango airlines since its inception in 2006, a subsidiary of SAA, is appointed "acting" CEO following Kona's suspension.
April 2013:	Monwabisi Kalawe appointed substantive CEO of SAA.
October 2014:	Monwabisi Kalawe suspended for alleged misconduct.
November 2014	Nico Bezuidenhout again fulfils role of "acting" CEO at SAA, following Kalawe's suspension.
April 2015:	Kalawe resigns as CEO and director of SAA, after reaching an out of court settlement with the airline, and receiving a payout of R2.7 million in the process.
August 2015:	Nico Bezuidenhout 'resigns' from his "acting" CEO role, after boardroom battle with Chairperson Dudu Myeni. Bezuidenhout returns to his substantive post as CEO of Mango Airlines.
August 2015:	Thuli Mpshe, the Human Resources General Manager at SAA, is appointed "acting" CEO, while the process of recruiting a permanent candidate is undertaken.

Sources: Business Report (2015); DispatchLive (2015); Mail & Guardian (2015; Polity (2015)

The above summary of CEO turnovers at SAA is evidence of NPM principles gone wrong. At every cabinet reshuffle, the incoming DPE minister has interfered with operations at SAA by finding a way to push out the incumbent CEO and/ or board of directors, in order to appoint their own preferred personal favourites. These practices has done nothing but cause unnecessary instability in the leadership of SAA, as well as highlight the disregard for sound corporate governance principles and practices by representative of the state. Government has continuously been criticised for constantly bailing out SAA with no real commercial value being added, nor an improvement in citizens' welfare. In its defence, the Government has acted by "firing" non-performing CEOs at the national airline. Key to note however is that, every CEO who has eventually exited (been suspended and forced to resign ("fired"), received a golden financial handshake to compensate for the loss of future income, based on the remainder of the relational contract suddenly terminated. Kalawe, being the latest beneficiary, received a financial payout of R2.7 million. It has been a win-win situation for both the principal and agent in this case; the state is exonerated while the agent walks away with a comfortable financial reward. No follow up as to the reputational damage a CEO stint has done to the careers of past SAA CEOs has been made.

5 Conclusions

Lane (1999) concluded that NPM does not function in isolation. It is a theory on governance in the public sector, but must be studied and applied with other theories as well, in order to improve efficiency in the management of SOEs. Although a good theory, Christensen & Laegreid (2001) lament that NPM presents conflicting dualism. On the one hand, it is underpinned by self-interest maximisation theories; while on the other, it postulates that human psychology should be transformed to achieve social objectives in the public sector. In practice, a greater understanding and appreciation of NPM theory, and the respect for private contracts is required by both the Government and the CEOs it employs. Clear, honest and transparent guidelines during the recruitment of CEOs will ensure that there is no ambiguity of expectations a few months into the relational contract between SOE CEOs and the principal shareholder (Government).

Having examined the debacles surrounding the recent "acting" CEO appointments at the national airline, SAA, it is clear that there has been a significant amount of political interference at play. Not all the CEOs who have vacated the hot seat have been innocent, though not legally proven guilty either – all have exited with golden handshakes from the state airline, in terms of the exit strategies available to the agent under NPM theory. Like Rotberg (2014), we also continue to question the state's motive in the various CEO and other leadership interventions not only at the SAA, but other key Government agencies such as the NPA, SAPS, SABC, Eskom, amongst others. For a country with a fragile economy, it is of great concern to note that the Government puts politics and personal agendas ahead of the needs of its citizens. Corruption remains rife in the public sector, and moreso in the SOEs. It has effectively diminished the moral tone of the Government, as well as eroded its legitimacy too, as corrupt practices and officials have distorted priorities, and prefer to enrich themselves rather than pursue long term strategic plans which will benefit the nation as a whole (Rotberg, 2014).

No number of interim or acting or new CEOs will steer the ships from disaster in SOEs and other Government agencies, for as long as the sole shareholder (the state) controls the financial purse, has the final say on appointments of key leadership officials and oversees the appointment of the board of directors, and maintains the current level of political influence on day to day operations. Good governance principles, as outlined in the King III report and the OECD's SOE governance guidelines, can only be successful when those placed in positions of authority are left to manage, and the same CEOs put their feet down and say enough is enough because their careers and reputations are equally at stake. South Africa requires a complete overhaul in the public sector with an emphasis on respecting the rule of law, accountability and transparency (Rotberg, 2014). Balbuena (2014) argued that, improved governance practices in SOEs could significantly boost the SOEs' performance, thereby improving economic and social welfare outcomes in the country; and this could hold true even in the case of South Africa.

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