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# The Antecedents of Board Task Performance at State-Owned Enterprises in Ethiopia: Empirical Evidence from a Developing Country

Andualem Zenebe Mamo[1], Padakanti Laxmikantham[2], Habtamu Berhanu Amdetsion[3]

**KEY WORDS**
Board process, Board task performance, State-owned enterprises

**ABSTRACT**

This study investigates the effect of board processes on the performance of the board control and service tasks in State-Owned Enterprises of Ethiopia. Based on analysis of primary data collected through a questionnaire from a sample of 100 respondents from 33 SOEs using structural equation modelling, we found that effort norms have significant positive effect on board control and service task performance whilst use of knowledge and skills and cognitive conflict have significant positive effect on board control task performance. The results add empirical evidence to the extant literature and indicate the importance of process driven boardroom culture to board effectiveness.

*It's not rules and regulations.*
*It is the way people work together.*

*(Sonnenfeld, 2002)*

## 1. *Introduction*

Stated-owned enterprises (hereafter SOEs), alternatively termed as public enterprises, government business enterprises, government-linked companies, public sector organizations, government corporations, etc. (Ackers & Adebayo, 2022b; Del Bo & Florio, 2012; Grossi et al., 2015; Sturesson et al., 2015) are entities controlled by a public sector entity which could be national, regional, provincial and local governments (IFAC, 2024). Being they are prominent and enduring features of the global economy (Bernier et al., 2020; Florio, 2014; Manuilova et al., 2022; OECD, 2024; Sturesson et al., 2015), their underperformance will be detrimental to the growth, competitiveness and fiscal risk of an economy (World Bank, 2014). Peng et al. (2016, p. 293) stated, "SOEs at one time were predicted to disappear from the economic landscape of the world, but today SOEs are growing more prevalent in the world economy." Sturesson et al. (2015, p. 8) viewed that "SOEs are likely to remain an important instrument in any government's toolbox for societal and public value creation given the right context, collaborating with other stakeholders for this purpose […]." SOEs, governed according to sound corporate governance principles,

[1] PhD Candidate, Lecturer Addis Ababa University, College of Business and Economics
P.O.Box 1176, Addis Ababa, Ethiopia, Email: Andualem.zenebe@aau.edu.et

[2] Associ. Prof. at Addis Ababa University, College of Business and Economics
P.O.Box 1176, Addis Ababa, Ethiopia, Email: laxmikantham.padakanti@aau.edu.et

[3] Asst. Prof. at Addis Ababa University, College of Business and Economics
P.O.Box 1176, Addis Ababa, Ethiopia, Email: habtamu.berhanu@aau.edu.et

can contribute to sustainable socioeconomic development (Ackers & Adebayo, 2022a, p. 125).

Notwithstanding the massive worldwide efforts of privatization, SOEs continue to play a pivotal role in many economies, especially in developing economies (Beygi et al., 2022; Ju Kim & Ali, 2017; Kankaanpää et al., 2014; Naveed et al., 2018). After decades of promoting the privatization of SOEs, governments have more recently rediscovered their use as policy instruments, and the global trend has been reversed. Governments today probably create more new SOEs than there are privatizations (Bernier et al., 2020). According to the report of OECD (2024, p. 8) between 2000 and 2023, the number of SOEs among the largest 500 enterprises by revenue worldwide increased from 34 to 126 accounting for USD 53.5 trillion in assets and over USD 12 trillion in revenue in 2023. Owing to privatization and divestment, SOEs in many emerging markets are evolving in their form and function (Panicker et al., 2022). Bruton et al. (2015, p. 92) argue that SOEs may have survived and thrived in part because they have evolved to become a type of hybrid organization.

In developing countries, the importance of SOEs is greater (Heo, 2018; Kankaanpää et al., 2014; Le et al., 2023; Mahadeo & Soobaroyen, 2012; Mbo & Adjasi, 2017). State ownership has enabled developed countries to withstand the global financial crisis (Bruton et al., 2015; Shaat et al., 2023). In the Middle East and North Africa, SOEs contribute 20-50 percent of economic value added and account for about 30 percent of total employment (IMF, 2022). SOEs are common and important instruments for public service delivery (Daiser et al., 2017; Florio, 2014; Papenfuß, 2014).They are in many developing economies the sole providers of key public services, such as water, electricity, transportation, telecommunications and postal services (Kane & Christiansen, 2015).

Despite their prominence, poor corporate governance lies at the heart of the poor performance of SOEs throughout the world (Wong, 2004) mainly attributable to serious agency problems (Shirley & Walsh, 2000). The World Bank (2014, p. xxii) documented that poor SOE performance, where it occurs, is caused less by exogenous or sector-specific problems than by fundamental problems in their governance—that is, in the underlying rules, processes, and institutions that govern the relationship between SOE managers and their government owners. Nellis (2005) and Okeahalam & Akinboade (2003) for instance report that the poor performance of SOEs, particularly in African countries, is due to problems related to corporate governance, e.g. poor monitoring, managerial and technical challenges, and deficient boards of directors, poor reporting systems. Nana Yaw Simpson (2014) documented that SOEs have historically been associated with poor governance structures and at the micro level of the public sector, less attention has been given to the issue of governance (OECD, 2005a, b; Robinett, 2006; Wong, 2004). Sokol (2009, p. 1723) documented the benefits of improved corporate governance as "[a] series of studies suggest that a relatively modest improvement in the efficiency of SOEs of five percent in a given country could free up financial resources of approximately one to five percent of a country's GDP. Conversely, their poor management can increase the cost to governments and divert money from other priorities."

SOEs are more dependent on internal corporate governance mechanisms than private firms. Two of the most important external corporate governance instruments, namely, potential takeovers and proxy contests that help to control underperformance are absent (Menozzi et al., 2012). Subramaniam & Sakthi (2022, p. 287) state that "[I]n an emerging market, board governance plays a significant monitoring role because the external market for corporate control is a weak substitute for effective board governance. Consequently, SOEs have witnessed increased efforts to improve their corporate governance practices (OECD, 2015a, b; Warganegara et al., 2013) in particular the role of their board, which is where the governance responsibility ultimately resides to safeguard the interest of government and nongovernment shareholders (Banerjee et al., 2020; Federo et al., 2020). An effective SOE board plays a vital role in cultivating an environment of accountability and transparency in the firm (Brennan et al., 2016; Chiang and He, 2010; Shaat et al., 2023).

Board of directors (henceforth board) play a central function in corporate governance and performance of SOEs. The board has the ultimate responsibility, including through its fiduciary duty, for developing corporate strategies and overseeing SOE performance. In this capacity, the board acts fundamentally as an intermediary between the state as a shareholder the company and its executive management. This role is no less important in SOEs than in private companies. According to the OECD Guidelines on Corporate Governance of SOEs, the board should be charged with the duty to act in the interests of both of the state and the company. With the widespread commercialization of SOEs in recent

decades, governments have made efforts to professionalize boards and to give boards greater power and autonomy (OECD, 2020, p. 64).

Several authors indicated the lack of a meaningful context-dependent empirical as well as theoretical analysis of corporate governance in general (Brennan & Solomon, 2008; Filatotchev & Boyd, 2009) and in particular to SOEs in developing countries (Daiser et al., 2017; Grossi et al., 2015; Khongmalai & Distanont, 2017; Menozzi et al., 2012; Nyamori et al., 2017; Okeahalam & Akinboade, 2003; Shaat et al., 2023). Okhmatovskiy et al. (2021) indicated the scarcity of research on SOEs board processes in particular to developing economies (Thompson et al., 2019). Cognizance of the dearth of SOE oriented research and the call by a number of scholars to undertake research that will open the "black box" of boardroom decision making and the actual behavior of board members in the boardroom (Apriliyanti & Randøy, 2019; Bailey & Peck, 2011; Daily et al., 2003; Hambrick et al., 2008; Machold et al., 2011). The aim of this study is to investigate the effect of board process variables on board control and service task performance in Ethiopian SOEs. Based on analysis of primary data collected through a questionnaire from a sample of 100 respondents from 33 SOEs using structural equation modelling, we found that effort norms have significant positive effect on board control and service task performance. The use of knowledge and skills and cognitive conflict have significant positive effect on board control task performance. The results of the study add empirical evidence to the extant literature dominated by research on Chinese SOEs (Daiser et al., 2017) and indicate the importance of process driven boardroom culture to board effectiveness.

The remainder of the paper has the following structure. In the following section, we review the key literature on board tasks and processes, describe the theoretical underpinnings of the model and define the hypotheses. We then present the sample followed by a description of our methodology. Next, the two sections, namely, the results of our analysis and a discussion of our findings appear in their respective order. Lastly, the presentation of the conclusions and implications of our study for both literature and practice concludes the paper.

## *2. Theory and Hypothesis*

This study follows a multi-theoretical framework to explain the antecedents of corporate board task performance in SOEs based on the process model suggested by Pettigrew (1992). It largely draws on the seminal work of Forbes & Milliken (1999) who propose a framework for studying the antecedents of board task performance on the lines of behavioral perspective. Melkumov & Khoreva (2015) found that the behavioral perspective on board dynamics has considerable predictive power.

### *2.1 Board tasks*

Corporate boards are at the heart of corporate governance (Federo et al., 2020) or the "lynchpin of corporate governance" (Gillan, 2006, p. 385) and the "apex of the internal control system" (Jensen, 1993, p. 862). They are key governance mechanisms in organizations (Pugliese et al. 2014, p. 12) and serve as linking pins to external constituencies (Schillemans & Bovens, 2019). It is a common governance mechanism in the new or modernized public sector characterized by managerialism, marketization, and commercialization (Vinnari & Nasi, 2013). Hermalin & Weisbach (2003, p. 9) states that boards are not only products of regulation but they also constitute a market solution to the contracting problems inside most organizations. Boards are part of the residual demand for governance mechanisms tailored to the specific circumstances of individual firms (Bushman & Smith, 2003).

The board has been formally defined as "the link between the shareholders of the firm and the management entrusted with undertaking the day-to-day operations of the organization (stiles and taylor, 2001, p. 4) cited in (Aguilera, 2005). The BOD are agents who are supposed to represent all shareholders (Subramaniam & Sakthi, 2022). BODs representing the leadership of any organization generally comprise the shareholders (owners) of an organization and/or their representatives and sometimes, other stakeholders (Nana Yaw Simpson, 2014). Cognizant of the pivotal role of boards in the corporate governance and performance of SOEs efforts are made by governments to professionalize SOEs' boards and give them greater power and autonomy following their widespread commercialization in recent decades (OECD, 2020). Thompson & Alleyne (2023) recognize them as pivotal to corporate governance reform in SOEs.

Scholars use alternative terms such as role, function, or task to denote board's output (Machold & Farquhar, 2013; Petrovic, 2008) Nicholson & Kiel 2004). In this paper, we use the term task following the footsteps of Machold & Farquhar (2013). In their

seminal work Forbes & Milliken (1999, p. 492) define board task performance as the board's ability to perform its control and service tasks effectively. The use of board task performance as proxy for board task effectiveness is common among many scholars (e.g. Forbes & Milliken, 1999; Huse, 2005; Jansen, 2021; Nicholson & Kiel, 2004; Ye & Jermias, 2016). Meanwhile, Machold & Farquhar (2013) noted the absence of agreements among scholars about the number and content of board tasks and documented summary of the literature with key theoretical contributions as displayed in Table 1.

*Table 1.Theoretical Perspectives on Board Tasks*

| **Main Board task** | **Description of the board activities that underpin the tasks** | **Author(s) and Theoretical derivation** |
|---|---|---|
| Control role | ♦ Monitoring, disciplining, and scrutinizing internal decision makers<br>♦ Representing and protecting shareholders' interests<br>♦ Setting of executive compensation packages | ♦ Agency theory and legalistic perspective (Zahra and Pearce (1989)<br>♦ Agency theory, managerial hegemony, legal perspective (Johnson et al. 1996)<br>♦ Agency theory (Hung 1998)<br>♦ Agency and legal perspective (Forbes and Milliken 1999)<br>♦ Agency, class hegemony, managerial hegemony, resource dependency theories (Stiles and Taylor 2002)<br>♦ Agency theory (Hillman and Dalziel 2003)<br>♦ Agency theory (Sundaramurthy and Lewis 2003)<br>♦ Agency theory, stakeholder theory, legal view, property rights (Huse 2005) |
| Service role | ♦ Providing legitimacy, expertise, advice, and counsel, facilitating access to resources and linking firm to external stakeholders, building external relations (networking)<br>♦ Aiding, initiating, and formulating strategy | ♦ Resource dependency theory (Zahra and Pearce (1989)<br>♦ Resource-based view, resource dependence theory, social network theory, stewardship theory (Huse 2005)<br>♦ Stewardship theory (Sundaramurthy and Lewis 2003)<br>♦ Resource dependency theory (Hillman and Dalziel 2003)<br>♦ Agency, resource dependency, stewardship theories (Stiles and Taylor 2002)<br>♦ Resource dependency theory, stewardship theory, managerial hegemony theory (Hung 1998)<br>♦ Agency theory, strategic choice, resource dependency theory (Johnson et al. 1996) |

*Source: Adapted from Vinnari & Nasi (2013) and Machold & Farquhar (2013)*

The most common distinction of board tasks is between board service and control tasks (Minichilli et al., 2009). Huse (2005) presented an extended view within the dichotomy of service and control tasks based on the perspective and focus classifications in which the service board tasks include advice, network, and strategic management while the control board tasks include behavioral control, output control, and strategic control. Heemskerk (2019) recognizes that the FM-model is still a promising avenue for gaining insight in the inner working of boards. Hence, this study uses the Forbes & Milliken (Forbes & Milliken, 1999) dual classification of board tasks as control, also called the monitoring function (Hillman & Dalziel, 2003), and service tasks.

In tradition, the corporate governance literature has considered the agency theory and resource dependency theory to explain the control and service tasks of the board respectively (Hillman & Dalziel, 2003; Minichilli et al., 2009). The agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976) dominates the corporate governance literature in explaining board control tasks (Bankewitz, 2018; Daily et al., 2003). According to the agency theory, which is built on the assumption of managerial opportunism or in pursuit of the shareholders interest (Huse, 2005), the control tasks of the board involve

controlling the company's performance; monitoring the activities performed by the firm; and assessing the CEO's behavior (Minichilli et al., 2009). Besides the agency theory, the legalistic perspective (Pugliese et al., 2014) and stakeholder theory also support the board control tasks. There is a conception that stakeholder theory is an expanded version of agency theory that entails the role of the board is to help the management balance various stakeholder interests (Hillman & Dalziel, 2003; Vinnari & Näsi, 2013). Nana Yaw Simpson (2014) discusses that adoption of the stakeholder version of the agency theory helps to recognize many aspects of the SOEs context such as multiple agents and principals, heterogeneous preferences, problems of collective action, etc.

According to the resource dependence theory, the tasks commonly considered within the domain of service tasks are provision of advice and counsel, networking, and external legitimacy to the firm (Bankewitz, 2018; Hillman & Dalziel, 2003; Minichilli et al., 2009). Hillman & Dalziel (2003) state resource dependence theorists' contention that the provision of resources is a function of board capital. Besides the authors combine the agency and resource dependence perspectives and argue that board capital affects both board monitoring and the provision of resources (p. 383). In support of the service tasks, the stewardship theory views the board as constitution of competent people that assist managers to enhance their decision-making process (Minichilli et al., 2009).

### *2.2 Board processes*

Board process refers to the decision making activities of the board (Bailey & Peck, 2011; Korac-Kakabadse et al., 2001; Wan & Ong, 2005; Zahra & Pearce II, 1989). The extant corporate governance literature documented that board process have a larger potnetial to explain board task performance (Forbes & Milliken, 1999; Heemskerk, 2019; Huse, 2005; Minichilli et al., 2009; Van Ees et al., 2009). Forbes & Milliken (1999) identify three board processes that will influence board task performance, namely, effort norms, cognitive conflict and the use of knowledge and skills. A number of scholars (e.g. Bailey & Peck, 2011; Minichilli et al., 2009, 2012; Namoga, 2011; van Ees et al., 2008; Wan & Ong, 2005; Zattoni et al., 2015; Zona, 2016; Zona & Zattoni, 2007) confirmed that board processes significantly influence board task performance.

*Cognitive conflict*

Cognitive conflict, or critical debate (Minichilli et al., 2009), refers to the task-oriented differences in judgment among group memebers (Forbes & Milliken, 1999, p. 494). It contributes to the leveraging of differences of perspective (1999, p. 494). It positively impacts board task performance by fostering critical and investigative interactions (Amason, 1996) that compel management to evaluate strategic alternatives. This process allows the board to ask important questions, reminds management of the board's authority, may heighten the sense of urgency and increase the perception that external resources may be necessary (Zona & Zattoni, 2007, p. 854). Task-oriented conflicts in the boardroom can foster creativity and innovation, thereby improving strategic decision-making and board effectiveness (Derdowski et al., 2018; Wan & Ong, 2005). Wan and Ong (2005, p. 279) state that a higher level of cognitive conflicts, which are task-oriented, is likely to make directors perform their roles better. Hence, we hypothesize that:

Hypothesis 1a: Board cognitive conflict is positively related to board control task performance.

Hypothesis 1b: Board cognitive conflict is positively related to board service task performance.

*Effort norms*

Effort norms refer to the extent to which directors are prepared and engage in the board's work (Bailey & Peck, 2011, p. 2). These norms are useful for ensuring preparation, participation and analysis to understand and solve the company's problems (Forbes & Milliken, 1999). They also involve the attention or mental engagement before, during, and after meetings (Zona, 2016). Wan and Ong (2005, p. 279) states that effort norms will make directors more aware and more willing to contribute to the performance of the board. The extant literature offers strong emprirical support for the effect of effort norms on board task performance (Heemskerk, 2019; Jansen, 2021; Minichilli et al., 2012). Hence, we hypothesize that:

Hypothesis 2a: Board effort norms are positively related to board control task performance.

Hypothesis 2b: Board effort norms are positively related to board service task performance.

*Use of knowledge and skills*

The use of knowledge and skills, also called board capital (Hillman & Dalziel, 2003), is the ability to make use of the resources within the board in

performing its tasks (Forbes & Milliken, 1999). In particular, it refers to the process by which members' contributions are coordinated (Zona, 2016). It captures the board's ability to use the CEO's unique competence and expertise (2016, p. 739). Hillman & Dalziel (2003) argue that board capital affects board task performance. Jansen (2021) highlighted recent studies (e.g. Bankewitz, 2016; Farquhar, 2011; Heemskerk, 2019; Zattoni et al., 2015) that confirm board of directors use of their knowledge and skills improves board task performance. Hence, we hypothesize that:

Hypothesis 3a: Board use of knowledge and skills is positively related to board control task performance.

Hypothesis 3b: Board use of knowledge and skills is positively related to board service task performance.

The theoretical framework describing the hypotheised relationships between board task performance and board process constructs are depicted in Figure 1. On the backdrop of the foregoing corporate governance theories, the following theoretical framework is adapted from the works of Huse (2005), Minichilli et al.(2009), Hillman and Dalziel (2003), Zahra and Pearce II (1989), and Hillman et al.(2009) to undertake the current study. The theoretical framework depicts the relationship of the variables identified and subject to investigation in the proposed current study.

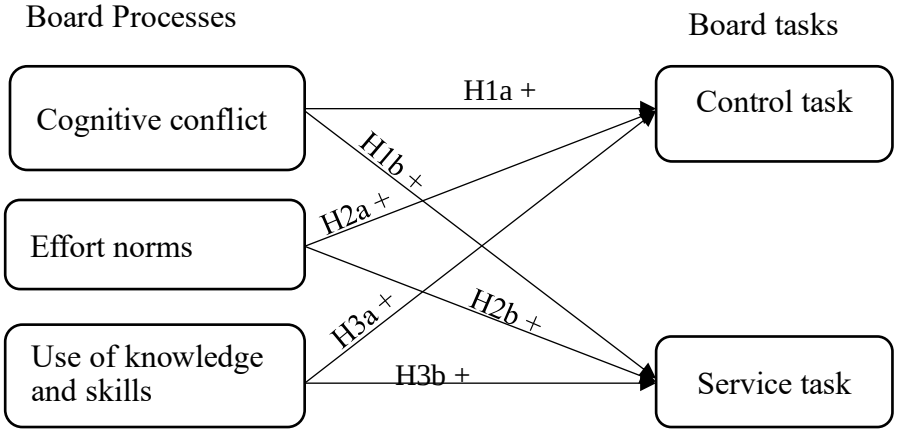


*Figure 1. The theoretical model (Compiled by Authors)*

## 3. *Methods*

### *3.1. Empirical institutional setting of the study*

Ackers & Adebayo (2022a, p. 126) suggest that SOEs are one of the mechanisms that could be leveraged to assist African states achieve Agenda 2063 goals, especially the goals related to development. Munisi & Randøy (2013) reported the association of accounting performance with corporate governance in general and board of directors in particular in the publicly listed companies across Sub-Saharan African countries. In Ethiopia, improving the governance at SOEs is one of the key priorities of the ten-year structural goals and reforms of the country's homegrown economic reform launched in 2021(Cepheus Research, 2020). In 2022, Ethiopian SOEs generated close to 10 percent of the GDP of the country and employed directly more than 250,000 employees, with an additional one million indirect and induced jobs through the multiplier effect (PEHA, 2023, p. 7). Although the establishment of SOEs in Ethiopia is rooted in the reign of Emperor Menelik II in the late 20th century, they started to emerge and expand well to a certain extent during the reign of Emperor Haile Selassie (PEHA, 2023, p. 25). During the imperial era, Eshete (date, p.) stated that the rational and objective of creating public enterprises were to stimulate and strengthen the weak national private sector of the economy and serve as a solution to the entrepreneurial gap. He also indicated that during the socialist era (1974-1991) the rational and objectives of the public enterprises were based on the nationalization and control of the major means of production, exchange and distribution in the economy.

Consequent to the fall of the Derg regime (1974-1991) the adoption of market-led developmental state economic policy in Ethiopia in 1991 (Ashagrey & Visser, 2019), post the fall of the Derg regime, the government has taken various measures intended to improve corporate governance of the SOEs to boost the efficiency and effectiveness of the operations of the SOEs. Some of these measures include

privatization, merger, reorganization and restructuring of the governing board and supervisory organ, business process reengineering, offering expertise/competency enhancing trainings, kaizen, etc. (Endeshaw, 2017).

Post the end of the imperial era, the Derg regime took power and adopted the command economic system, inherited and organized the private enterprises as public enterprises together with companies that the government partially or fully owns and further formed new SOEs. During the Derg era, the governance and oversight of SOEs were constantly changing and eventually centered on corporations. Managing SOEs effectively and enforcing best practice corporate governance and finance standards were inept.

When EPRDF took power from the Derg regime it adopted new economic policy and issued a proclamation to create an organizational structure whereby SOEs can enjoy management autonomy and thus enable them to be efficient and productive as well as to strengthen their capability to operate by competing with private enterprises. Based on the operating sectors of the economy SOEs are categorized into seven sectors, namely, transportation and communication, manufacturing and publishing, construction and infrastructure management, agro-industry and input supply, finance, and the mining and energy sectors. According to the Public Enterprises Holding and Administration Agency (PEHA) there were two categories of SOEs. The first category constitutes twenty-three SOEs that are under the direct supervision of PEHA. The second category are those SOEs reporting directly to the sectoral supervising ministry. Among the twenty-three SOEs directly supervised by PEHA nine of them are formed through the process of merger of two or more SOEs. Most of these merger activities effected at closely similar period, i.e. in 2008 E.C. As of 2023, the country has approximately 41 state-owned enterprises (SOEs) operating across various sectors of the economy (PEHA, 2023) during which the newly established Ethiopian Investment Holdings (EIH) oversees the twenty-six SOEs. At present, EIH holds all the SOEs that were operating under PEHA.

### *3.2. Sample selection and Data collection*

The population of this study constitutes the board members and CEOs of 33 SOEs that were reporting to the Public Enterprises Holding and Administration Agency (PEHA). According to the sampling frame obtained from PEHA in 2023, these SOEs have 267 board members, including 70 interlocking directors, of which 29 are members of two boards and four are members of three boards. The SOEs have a minimum and maximum board size of five and twelve respectively. The total number of participants for this study were 267.

### *3.3. Measurement and Instrument development*

A self-administered survey was conducted to collect primary data from board members and CEOs of the SOEs about the latent constructs of this study. The survey instrument was constructed based on the guidelines of DeVellis & Thorpe (2021) and is a 5-point Likert scale with a continuum from strong disagreement to strong agreement and a neutral midpoint. There are three main parts in the instrument: questions on board process variables, questions on board task performance variables, and demographic questions. The questions were developed through adopting and adapting questions from the extant literature (e.g. Melkumov & Khoreva, 2015; Minichilli et al., 2009; Wan & Ong, 2005) and constructing new questions based on the code of corporate governance of public enterprises No. 501/2020.

The survey instrument underwent expert review and pilot testing to ensure clarity, accuracy, logical sequencing, and validity. It was administered both in person and via a Google survey form. To improve the response rate, repeated reminders were supplemented with social networking and the snowball method. As a result, 100 completed usable responses (37% response rate) were obtained from the questionnaires distributed to board members and CEOs of the sampled SOEs. This response rate consistent with recent comparable elite executive survey studies (Bailey & Peck, 2011, p. 6) or for executives in upper echelons (Zona, 2016). It is also similar to recent survey studies of Jansen (2021) and Zona (2016) who obtained 55 responses (16%) and 104 responses (9.5%) respectively. Several authors (e.g. Minichilli et al., 2009; Pugliese et al., 2014; Zona, 2016; Zona & Zattoni, 2007) documented that a low response rate (below 20%) is still common and acceptable in survey studies involving board members and CEOs since these persons are busy professionals and are reluctant to disclose private information in general. We used the Kolmogorove-Smirnov test to verify the existence of a non-response bias and assure the representativeness of the sample based on variables such as size, industry, and age. The results showed no significant differences between respondent and non-respondent SOEs.

*Dependent variables:* The response variable for this study is board task performance that is measured through two constructs: control and service tasks of the board (Forbes & Milliken, 1999). The board's control task is operationalized through twelve reflective items measured on a 1-5 point Likert scale. The factor loadings fall in the range of 0.74 – 0.88 and the Cronbach alpha is 0.95. The board's service task is operationalized by using ten items measured on a 1-5 point Likert scale. The factor loadings fall in the range of 0.72 – 0.87 and the Cronbach alpha is 0.94.

*Independent variables*: Drawing on the work of Forbes & Milliken (1999) board process measures constitute three constructs: cognitive conflict, effort norms, and use of knowledge and skills all of which were measured using five items on a 1-5 point Likert scale. The cognitive conflict construct was measured using five items. The factor loadings are in the range of 0.65 – 0.86 and the Cronbach alpha is 0.82. The effort norms construct was measured using five items. The factor loadings are in the range of 0.80 – 0.93 and the Cronbach alpha is 0.92. The use of knowledge and skills construct was measured through four items on a 1-5 point Likert scale. The factor loadings are in the range of 0.87 – 0.91 and the Cronbach alpha is 0.90.

*Control variables*: The control variables considered in this study include board size, firm age, firm size, gender diversity, and industry classification. All the control variables were measured based on secondary data obtained from SOEs and PEHA. The industry classification is based on the extent to which an SOE is subject to a stricter regulation in the industry where the SOE operates. Consequently the SOEs were classified into two categories, namely, financial and non-financial (Ind. dummy=1) SOEs. Firm size was measured based on the logarithmic transformation of total assets. Firm age constitutes the number of years that the SOE has been in operation since establishment and it indicates the proactiveness of the SOE for future business opportunities and threats (Zona, 2016). Forbes & Milliken (1999) recognized that firm size has an impact on a board's involvement. Board size was included as affects team collective action and corporate outcomes (Zona, 2016) and was measured based on the total number of members in the board. Gender ratio was measured based on the proportion of male and female members in the board. Ain et al. (2020) found that gender-diverse boards with a critical mass of female directors are more effective in SOEs corporate boards. This finding reflects Kanter's theory who argues that women in organisations change their behavior according to their numerical representation (De Masi et al., 2020, p. 57). The data for the control variables was collected from various archival data from the SOEs and the regulatory body (e.g. annual reports of SOEs, PEHA magazine and newspapers).

### *3.3.1. Validity and Reliability Measures*

The descriptive statistics and construct correlations are provided in Table 2 below. The correlation analysis revealed that efforts norms and use of knowledge and skills have a strong positive correlation with control task.

*Table 2. Descriptive Statistics and Correlation Factors*

| Variables | Mean | SD | CT | ST | CC | EN | UKS |
|---|---|---|---|---|---|---|---|
| Control task (CT) | 3.96 | 0.79 | 1 | | | | |
| Service task (ST) | 3.79 | 0.78 | 0.54 | 1 | | | |
| Cognitive conflict (CC) | 4.49 | 0.44 | 0.31 | 0.06 | 1 | | |
| Effort norms (EN) | 4.02 | 0.88 | 0.73 | 0.56 | 0.18 | 1 | |
| Use of knowledge and skills (UKS) | 3.78 | 0.93 | 0.72 | 0.35 | 0.17 | 0.75 | 1 |

*Source: Authors*

The values of the outer loadings for almost all of the reflective items of the latent constructs are above 0.70 and they are all statistically significant. The Cronbach alpha and composite reliability (CR) values of the latent constructs (Table 3) are all within the acceptable threshold levels (>0.70) that indicate that the construct measures are reliable. The respective average variance extracted (Table 3), heterotrait-monotrait (HTMT) values (<.85) for the latent constructs, Fornell-Larcker criterion meet the required criteria (Hair Jr et al., 2022) that reflect the validity of the measures (Table 4).

*Table 3. Reliability and Validity Statistics*

| Variables (Latent constructs) | Cronbach alpha | Composite reliability | AVE (%) |
|---|---|---|---|
| Control task (CT) | 0.94 | 0.94 | 66 |
| Service task (ST) | 0.93 | 0.93 | 62 |
| Cognitive conflict (CC) | 0.81 | 0.86 | 55 |
| Effort norms (EN) | 0.91 | 0.93 | 75 |
| Use of knowledge and skills (UKS) | 0.88 | 0.88 | 74 |

*Source: Authors*

*Table 4. Discriminant validity*

| **Heterotrait-monotrait ratio (HTMT) - Matrix** | | | | | |
|---|---|---|---|---|---|
| **Variables** | **CC** | **CT** | **EN** | **ST** | **UKS** |
| Cognitive conflict (CC) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Control task (CT) | 0.320 | 0.000 | 0.000 | 0.000 | 0.000 |
| Effort norms (EN) | 0.204 | 0.748 | 0.000 | 0.000 | 0.000 |
| Service task (ST) | 0.168 | 0.539 | 0.587 | 0.000 | 0.000 |
| Use of knowledge & skills (UKS) | 0.198 | 0.793 | 0.865 | 0.462 | 0.000 |
| **Fornell-Larcker criterion** | | | | | |
| Cognitive conflict (CC) | 0.746 | | | | |
| Control task (CT) | 0.305 | 0.813 | | | |
| Effort norms (EN) | 0.182 | 0.728 | 0.866 | | |
| Service task (ST) | 0.063 | 0.544 | 0.561 | 0.788 | |
| Use of knowledge & skills (UKS) | 0.122 | 0.738 | 0.797 | 0.438 | 0.876 |

*Source: Authors*

4. *Results*

We used the structural equation modelling (SEM) technique with SmartPLS software (Hair Jr et al., 2022) to test the hypothesized effects of board process constructs on the control and service task performances of the board. The analysis of the SEM results testing the hypotheses H1a, H2a, and H3a support the prediction that Cognitive conflict (p=.006), Effort norms (p=.001) and Use of knowledge and skills (p=.000) have a statically significant positive association with board control task performance. Regarding the board service task performance, results of the SEM analysis testing hypotheses H2b support the prediction that the effect of effort norms (p=.000) on board service performance is positive and statistically significant, whereas the association of Cognitive conflict and Use of knowledge and skills are not significant (Table 5). The $AdjR^2$ for board control task performance is 0.64 and for board service task performance is 0.35.

*Table 5. Path coefficients and Significance tests*

| Variables | Path coefficients | SD | T values | P values |
|---|---|---|---|---|
| CC → BCT (H1a) | 0.217 * | 0.074 | 2.912 | 0.004 |
| CC → BST (H1b) | 0.028 | 0.123 | 0.226 | 0.821 |
| EN → BCT (H2a) | 0.262 * | 0.126 | 2.084 | 0.037 |
| EN → BST (H2b) | 0.508 * | 0.141 | 3.603 | 0.000 |
| UKS → BCT (H3a) | 0.485 * | 0.138 | 3.507 | 0.000 |
| UKS → BST(H3b) | 0.002 | 0.147 | 0.010 | 0.992 |
| BOARD SIZE → BCT | 0.150 * | 0.073 | 2.047 | 0.041 |
| FIRM AGE → BCT | 0.166 * | 0.063 | 2.618 | 0.009 |
| GENDER RATIO → BST | 0.115 | 0.084 | 1.374 | 0.170 |
| INDUSTRY → BCT | 0.498 * | 0.205 | 2.424 | 0.015 |
| INDUSTRY → BST | 0.772 * | 0.359 | 2.154 | 0.031 |

*Source: Authors. The level of significance * <0.05.*

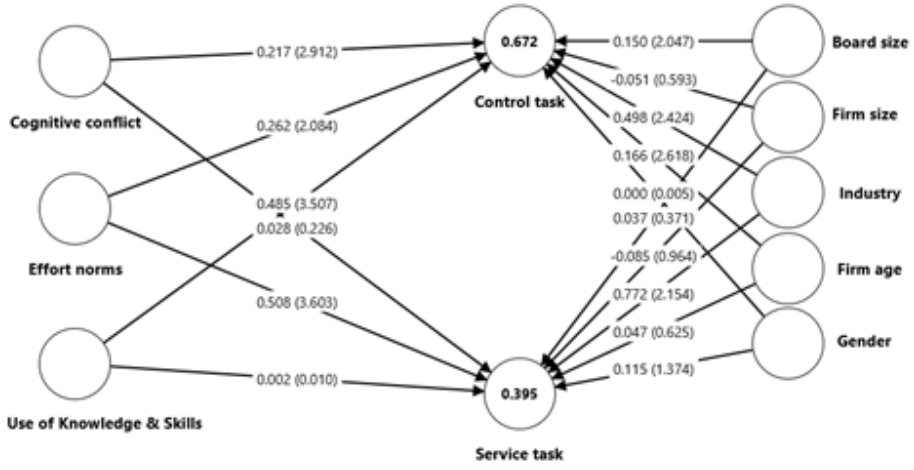


*Figure 2 Path model*

Among the control variables, board size and firm age have a significant positive effect on board control task performance. Industry dummy has significant influence on both board control and service task performance (Table 5).

## 5. *Discussions*

Forbes & Milliken (1999) recognize the board as strategic decision-making groups that performs the two common distinct board tasks, namely, control and service tasks with the ultimate purpose to increase firm performance. Drawing on the work of Huse (2005), Minichilli et al. (2009) explains the different sets of tasks within the broader definition

of service and control tasks using complementary theoretical perspectives besides the resource dependence and agency theories (Table 1). One stream of study in the foregoing line of research is to consider board decision-making culture in the boardroom as predictor of board task performance (Kumar & Zattoni, 2018). The aim of this study is to explore board task performance at SOEs within the foregoing strand of research and in response to the demand for further research in a unique context (Kumar & Zattoni, 2018).

The results of our research show that board processes influence board task performance differently. The findings of this study indicated that effort norms have impact on both board control and service task performance. This reinforces the argument that with high effort norms boards successfully act as an intermediary between the state as a shareholder of the company and its executive management (Forbes & Milliken, 1999; OECD, 2020) and likely to engage in robust discussions and contribute to quality strategic decisions (Minichilli et al., 2009). Board of directors that devote adequate time and exert effort going through the board pack and actively involved in board meetings are better able to prevent and manage crises and control management behavior (Minichilli et al., 2009; Msweli & Singh, 2014).

Similarly, with effort norms, use of knowledge and skills and cognitive conflict showed significant positive influence on board control task performance. Forbes & Milliken (1999) distinguishes these two constructs as cognitive conflict being the content of members' contributions whilst the use of knowledge and skills refers to the process by which members' contributions are coordinated and integrated in the decision-making processes of the board (van Ees et al., 2008). These findings are consistent with Forbes & Milliken (1999, pp. 494–496) statement that the presence of disagreement and critical investigation on the board and boards that integrate their knowledge of the firm's internal affairs with their expertise in the areas of law and strategy effectively perform their control task.

On the contrary, cognitive conflict and use of knowledge and skills have no significant influence on service task performance. This lack of influence could be due to imprecise measures of the concepts (Melkumov & Khoreva, 2015) which will require further research. Moreover, the extant literature documented that the effect of cognitive conflict on board task performance is sometimes insignificant (Zona & Zattoni, 2007) and is more heterogeneous (Heemskerk, 2019). Minichilli et al. (2012, p. 198) notes that the mixed results for cognitive conflict could be due to increased pressures on boards to exercise control that stem from both disclosure requirements and legal responsibilities that board members must adhere to. This lack of effect is also attributable to the multidimensionality of conflicts, interdependency of conflicts and lack of more rigour in the operationalization of conflicts in boards (Heemskerk, 2019) and poor response rates (Pettigrew, 1992). On the contrary, Msweli & Singh (2014) who found a negative association between cognitive conflict and board decision quality argued that the result might be due to the political influence exerted by board political appointees.

Among the control variables, the industry in which SOEs operate has significant impact on both board control and service task performance. This reinforces the contingency claim that board performance relates to the context in which the SOEs operate (Minichilli et al., 2009). Gender ratio signal moderate effect on board service task performance supporting Kanter's theory that gender sensitive boards perform better. Our analysis of the archival data provides evidence that male directors dominate the boards of most of the SOEs. De Masi et al. (2020) state that the presence of women on corporate boards serve as sources of different resources, qualities and managerial practices and increase heterogeneity that helps to avoid group-thinking problems related to the decision-making process.

We conducted thematic analysis of the data collected through the open-ended questions provided to the participants to write recommendations for improvement of board task performance. In our analysis, we categorized the responses into board process constructs: cognitive conflict, effort norms and use of knowledge and skills. The factors that participants consider to enhance board task performance include regular and efficient board meeting; focus on strategic issues; competencies and experience of board members; board independence and professionalism; gender diversity; ideals of corporate governance. The upshot of the analysis reinforces the correlation of the board process constructs with the board control and service task performance.

## *6. Conclusions and Implications*

The aim of this study is to investigate the relationship between board process and board task

performance in the context of SOEs based on primary data collected from board and CEOs using PLS-SEM for data analysis. The findings of the study reveal that looking the antecedents of board task performance from the perspective of board process is a promising avenue (Heemskerk, 2019; Nicholson & Kiel, 2007). The study has theoretical and practical implications as follows.

The findings of this study elucidate the practical relevance of nurturing a process-oriented boardroom culture that inculcates professionalism and ensures critical debate and commitment of board of directors will improve board effectiveness that will ultimately contribute to financial performance of SOEs. From a practical and policy perspective, the results are consistent with the current view of the Ethiopian government that the problem in SOEs rests on the issue of how they are managed than being state-owned. In view of incorporating strong corporate governance principles to instill commercial and investment discipline in the management of SOEs (FDRE, 2022) the government has created an institutional framework called Ethiopian Investment Holdings (EIH), similar to a sovereign wealth fund (The Ministry of Foreign Affairs of the FDRE, 2025), dedicated to manage the growth of the nation's wealth through strategic investments. The results of this research supports the ongoing efforts of the government to professionalize board of directors and provide greater power and autonomy that is vital to have a value adding board.

From a theoretical perspective, this study responds to the calls for research in the extant corporate governance literature through adding empirical evidence on the determinants of board task performance from the unique context of SOEs in a developing country (Brennan & Solomon, 2008; Grossi et al., 2015). Besides, the work is in line with the suggestion of several scholars (e.g. Forbes & Milliken, 1999; Heemskerk, 2019; Machold & Farquhar, 2013; Pettigrew, 1992; Van Ees et al., 2009; Zahra & Pearce II, 1989) to apply the board process approach to the study of board task performance.

The major limitations of this study are lower response rate and restriction of the sample to those SOEs that directly report to the regulatory authority (PEHA). Future research will consider including all SOEs and using the mediation model (Ong & Wan, 2008) to investigate the interaction among other board attributes such as board composition, structure, and characteristics with board processes, board task performance and financial performance of SOEs along with politicking and political interference in board decision making (Apriliyanti & Randøy, 2019; Msweli & Singh, 2014; Okeahalam & Akinboade, 2003).

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