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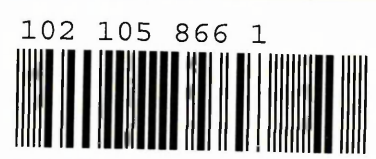

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Dilemmas of Corporate Governance in state-owned companies in Trinidad and Tobago

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A thesis submitted in partial fulfilment of the requirements of
Sheffield Hallam University
for the degree of Doctor of Business Administration

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Abstract

This is an interpretivist study based on a general inductive approach of dilemmas that compromise the optimal discharge of corporate governance in state-owned companies in Trinidad and Tobago. This qualitative study investigates and analyses the views and insights of ten (10) Chairmen of state-owned enterprises; it considers similarities and variances of thinking and establishes patterns or modes based on their perception and cognition of corporate governance, risk management and accountability. The statements of cognition are those that recognize how corporate governance ought to be administered; those of perception reveal how corporate governance is discharged on a day-to-day basis in the state-owned companies.

The research vindicates the initial hunch and anecdotal evidence; it establishes the existence, nature and chief cause of the dilemmas, the intractable, chronic problems that have defined the practice of corporate governance from the inception of state-owned companies in Trinidad and Tobago. The texts offer rich insights into the practice and understanding of corporate governance while the research methodology teases out from the fabric of the interview literature key words and phrases, placing these words and phrases in matrices, decoding the matrices, and discovering three key and unique patterns. It reveals the struggle chairmen have experienced and still experience as they try to discharge their corporate responsibility.

The research environment is one where there is urgent need but too little genuine support for meaningful change; the distortion of corporate governance is aided and abetted by a culture of seeming indifference and apathy. The investigation reveals the extent to which politics (the pericentric pattern) domineers and hinders the attainment of proper corporate governance. It simultaneously demonstrates that there is an understanding of what is required to effect proper governance and it surfaces the chief dilemma which retards the attainment of corporate governance. It examines the importance of governance as a crucible in which ethical maturity is measured and tested and informs thinking that is desirous of instituting fundamental change in a practical and straightforward manner.

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CHAPTER ONE – INTRODUCTION

Purpose Statement

This purpose statement sets the scene for the thesis. My work experience over the last sixteen years in the areas of auditing, consulting and corporate investigations has spurred my interest in the area of corporate governance. These experiences have been the primary driver in my wanting to have an unequivocal understanding of why, over the years, state-owned companies in Trinidad and Tobago were constantly featured negatively in the media spotlight. Their appearance in the media has almost always been associated with reports of corruption, ignorance, alleged malfeasance, misfeasance, nepotism and other egregious acts. Those accused or in charge of these companies have always offered a defence, refuting the reports that strongly suggest that there is a chronic problem of corporate misgovernance. This is a topic that has at least two salient dimensions: one, it is of private interest to me; this ought not to be dismissed too simply or facilely as it is the initial stimulus that rationalizes the exercise, giving it a personal significance. But as important as this personal adventure is, its implications by far transcend any sense of pure personal interest. Its research discoveries and tangible recommendations possess the potential to impact specifically on state-owned entities, generally on the economic (and political) health of the country. It is, at once, then, personal and academic.

For me there is an irresistible urge to know how these state-owned corporations viewed and understood the practice of corporate governance, especially the Chairman as servant leader of the Board. One might ask: why dilemmas? An incontrovertible fact is that state-owned companies operate in almost all industries in Trinidad and Tobago. These state-owned entities are the recipients of government

subsidies, grants, and central treasury funding. Standards and Poor (2007) in their economic analysis indicate that the government also guarantees a significant portion of government-owned enterprise debt. These corporations therefore are involved in decision making that involves the patrimony of the nationals: public money. I am interested, therefore, in developing an understanding of how the Chairmen of these state-owned companies understand and perceive the phenomenon of corporate governance; moreso, accountability and risk management as these are primary and fundamental areas, which if not understood and managed effectively, render all other aspects of governance useless. Most of the texts which I have researched, address corporate governance in the private sector and moreso in the financial sector. However, while global and authoritative bodies such as the CIPFA, IFAC, IADB and the OECD address corporate governance in the public sector, there is a dearth of published and researched material on the practice of governance in this sector. It is only within the last decade, as IFAC (2001) points out, that much debate on corporate governance has occurred. Echoing similar sentiments are Kaufman et al (1999) who in a World Bank paper conclude that empirical evidence indicate that governance matters and influences better development outcomes through a strong causal relationship. Nonetheless, as Cadbury (1999) contends, the fundamentals of corporate governance; accountability, transparency and risk management are the same whether we are in the private sector or the public sector.

This understanding I am seeking, therefore, is in the context of what authoritative bodies and writers consider important and indispensable to the sensible and proper conduct of an organisation's corporate governance: the OECD's (1999) principles of corporate governance on risk management and transparency and accountability; Cadbury (1992) on systems and processes to direct a company towards accountability; Carver and Oliver (2002) on accountability, risk management and responsibility; the World Bank (2005) on the balance of economic and

social goals; Adams and Young (2007) on the productive and strategic dialogue between shareholder and governors; Carver and Oliver (2002) on the practice of ownership one level down not management one level up; Charan (2005) on characteristics of progressive Boards, risk and accountability; Ozkan and Gungor Tanc (2012) on accountability to deal with instances of incompetence or dishonesty and Hasan (2005) on directors' qualities of prudence, acting in good faith, transparency, accountability and risk management. The research methodology, intrepetivist in nature, and formulated to derive an understanding from ten individuals occupying the position of Chairman, relied on key interview questions to uncover what I consider the cognition and perception of these Chairmen. Lending credibility to this approach are the views offered by Zahra and Pearce (1989) and Judge (1989) who posit that researchers are unaware of the Boards role simply because of the scarcity of usable data regarding what Boards actually do in the Boardroom. The analysis of cognition, therefore, focuses on the manner in which and the extent to which the Chairmen understand what corporate governance is and how it ought to function. Conversely, analysis of perception reveals the manner in which the interviewees understand how others perceive the phenomenon, to what extent it exists and how it is practised in state-owned companies. The array of analysed responses came from questions designed, in the main, to capture an understanding of what corporate governance means to the participants, of impediments that prevent the attainment of proper corporate governance, and of the perception of how corporate governance is discharged and of how they understand and perceive the role of risk management and accountability.

Building upon the concept of the circle and placing corporate governance at its centre, three patterns were derived from the research: a centrifugal pattern representing the Chairmen's view of its practice; a centripetal pattern that represents what I refer to as the Chairmens' cognition of corporate governance, and a pericentric pattern which

explains the chasm between the cognition and perception. These patterns convey in a relatively simple manner how dilemmas persist, the chasm between understanding and perception and what has caused the chasm. The derivation of these patterns is fully explained later.

Understanding the circumstances under which dilemmas persist provides a suitable foundation for the basic and fundamental recommendations that can significantly enhance the performance of corporate governors. The ultimate contribution is three-fold; a theoretical contribution through the derivation of the patterns which offers a clear understanding of how the practice of corporate governance is perceived in the state-owned companies and the dilemmas that for so long have characterized corporate governance; a methodological contribution which utilizes a credible research methodology to move past the anecdotal data on the phenomenon; a practical business contribution showing those recommendations that are fundamentally necessary to achieve a positive outcome

The completion of the research has brought me a sense of personal satisfaction.

The DBA Journey

One of the first texts I read when I commenced the DBA at Sheffield Business School was written by Rickards and Clark (2006). In reading the introduction I was inspired by the concept of what they referred to as the "map." The approach in their book relied on a process they described as "*. . . . going on a mental excursion or safari with help and support from experienced guides who will be supplying some maps for the journey*" (Rickards and Clark, 2006, p.3).

This metaphor of the map stayed with me both throughout their book as well as in the formative and concluding stages of the shaping and

development of my thesis topic. As my thesis topic metamorphosed from the idea to the actual, I saw the wisdom in following their lead and using their metaphor. The journey is an apposite analogy to apply to the manner in which I structure my thesis, moving across the landscape of the discharge of corporate governance in the public sector in Trinidad and Tobago.

Such a title as "Dilemmas in Corporate Governance in State-owned Enterprises in Trinidad and Tobago" must, it seems to me, have three areas of primary focus: dilemmas, corporate governance, and the public sector. These three foci therefore dictate the structural components of this academic exercise, though they do not necessarily indicate their sequence. Using the analogy between putting together this thesis and making a journey helps me to know where each chapter goes. A chapter of corporate governance ought to come first: an analytic review of the major statements on corporate governance is mandatory, an induction to my narrative. It provides the reader and me with all that is required to understand the true nature of the phenomenon so that we can carry with us its essential components as we journey across the landscape of the subject under investigation.

As I more closely survey and familiarize myself with the landscape and the terrain, I have to determine what is the most appropriate and effective means of transport. I look at the unevenness of the land and notice that there are a few gullies and streams that I must cross. I reach the first stream and say to myself: This is where and why I choose my methodology, the means that best rationalizes the way I choose to continue my journey; to understand the corporate governance landscape.

After travelling for some time, I recognize the terrain and acknowledge that it is familiar; it is the landscape of my country. In the distance, I see the outline of strange shapes; as they come closer, I know that I

must seek to discover what forces have created these outgrowths on this familiar landscape; these are called state enterprises. I decide I must create for myself a historical context to help me understand the history and evolution of these companies.

Not knowing anything about them, I enter one, then another, until I look inside ten. I see tell-tale signs that all is not well: I see cobwebs everywhere, termite-riddled planks in the flooring, graffiti on the walls, and broken windows. I decide that I must linger here for as long as it takes to investigate what is wrong and why it went wrong. Men and women in charge agree to tell me their stories; I am fascinated and alarmed by the sameness of these personal narratives, I have discovered what might be called "dilemmas."

I walk away from the gullies and I seek safer, level ground; as I walk, I mull over all that transpired in those outgrowths. I begin to understand their value to the health of the landscape. I deduce that if these chronic problems are allowed to continue, there will be widespread ill-health. I envision a moribund landscape, with only a few, small, verdant patches. I think of ways and strategies of returning the landscape to its former health. I begin to formulate my recommendations. This particular journey has come to end; I know there are other practical journeys I will have to make.

Thesis Structure

This thesis contains six discrete but related chapters; each chapter has an integrity that permits it to stand on its own, yet each possesses the requisite connectivity to dovetail with the others to present an argument that is adequately documented, meaningfully developed, and successfully concluded. While some may challenge the structure of the thesis, the organisation is easily rationalized; the existing structure best conveys the overall cogency of the thesis.

The introduction essentially provides a rationale for this academic undertaking. It is in effect the exposition of the academic narrative: it establishes the subject matter and provides information necessary to begin the journey across the corporate-governance terrain. It recounts how I was able to arrive at the chosen topic, and argues why the topic is an important one, worthy of research and investigation. The research is qualitative and rests on an interpretivist framework while the methodology is based on the General Inductive Approach as described by Thomas (2006) and focuses on a participant pool of ten individuals, each occupying the position of non-executive Chairman in a state-owned company. The research has revealed the existence of dilemmas and has met its research objectives. Three unique and key patterns emerge; dilemmas are described offering rich information as to how the practitioners of corporate governance perceive and understand corporate governance within the companies they chair.

My experience in the consulting profession and specifically in the area of risk management, internal auditing, and corporate investigations over the last fifteen years has afforded me insights into many operational areas of corporate governance of state-owned companies. Not surprisingly, over time and upon reflection, I began to make assumptions about the discharge of corporate governance. As my experience in this area increased, my assumptions grew, and became less amorphous; these took hold of my mind, and insidiously began to dominate my consciousness. I found myself thinking more and more about this particular phenomenon, governance, and wondering why there were so many problems hovering over governance issues. Newspaper reports, radio and television programmes, and conversations within and outside my professional fraternity served only to confirm my suspicions and assumptions. As so often is the case with would-be academics, I began to formulate embryonic and informal hunches about the problems that beset corporate governors. The persistent curiosity to know more, to move away from the anecdotal evidence offered through

the media and social rapport, to reach inside the mind of the actors, those who occupy the position of Chairperson in this corporate governance space, brought me to the "tipping point." I decided that a researched understanding of this phenomenon was necessary to authoritatively address the issue; to understand from those who hold the positions, those who are selected to occupy the chair, those who are responsible and accountable for corporate governance in state-owned companies. Undertaking this thesis, therefore, allowed controlled rein to my assumptive gleanings.

My enrolment in the DBA programme afforded me the chance to take a professional and academic look at the reality of corporate governance in state-owned enterprises in Trinidad and Tobago. This thesis discharges two primary functions: one, to fulfill partial requirements for the degree; two, to test the validity of my assumptions. The first function is the more immediate and urgent; the second function will, in time, subsume the first, as it has potential implications for the optimal discharge of corporate governance in the management of state-owned companies; these, if taken seriously, must redound to the benefit of the country. My interest, as alluded to in the Purpose Statement is aimed at why state-owned companies are constantly featured in the national media, associated with allegations of impropriety, nepotism, loss of reputation, apparent lack of accountability, and disregard for risk management. Understandably, this interest led me to become increasingly curious and curioser about the state of corporate governance within state-owned companies; I began to ponder whether there were dilemmas in the discharge of corporate governance. I thought it most instructive to investigate the dilemmas that characterize corporate governance in state-owned entities; the title of my thesis had taken form: Dilemmas of Corporate Governance in the State-Owned Sector of Trinidad and Tobago.

I have adopted the term "dilemmas" because it best describes those problems that are chronic and intractable but soluble. Supporting my position is the useful definition obtained from the Merriam Webster dictionary (2011) which states that a dilemma is defined as an undesirable or unpleasant choice, a predicament, a difficult or persistent problem. This does not take us to the point where the problem is unsolvable. In this context, and given the research phenomenon, to say then with Rickards and Clark (2006) that dilemmas "do not permit a process of 'solution finding'" is surely to overstate the case of a dilemma, since if it is insoluble, then there is little sense in reaching the point of discovery or in attempting to right wrongs. The research interest is therefore to uncover whether Chairmen are faced with predicaments, persistent or difficult problems in discharging corporate governance. For me the research is important to go past the hunch, the anecdotal; to be able to authoritatively state and demonstrate why dilemmas may exist. This interest however, at its putative stage, requires the use of an appropriate research methodology. It is my sincere hope that this investigation will provide insights into and clarify the understanding of corporate governance and the specific areas of accountability and risk management as these are two indispensable tethers to corporate governance.

Chapter Two develops logically and organically from the introduction where certain key words and phrases lay the foundation for the ensuing discussion. Since the subject-matter of this thesis is the nature of the dilemmas in corporate governance in state-owned companies, it is both natural and imperative to begin at the beginning, with a definition and analysis of corporate governance. It offers a three-dimensional picture of the phenomenon of corporate governance, tracing the evolution of the word "governance," from its first appearance in the language in 1390, to its particular use in combination with "corporate" some six centuries later. Though current since the 1970s, and the focus of numerous books and articles, it is hard to understand why the phrase "corporate

governance" has not found its way into either the *Merriam-Webster's Unabridged Dictionary* (2009) or the *Oxford English Dictionary* (2009). This chapter discusses the origins of corporate governance in the sixteenth century, with the establishment of the first international trading and stock companies in Europe. Moreover, it establishes and discusses the importance of the publication of *The Modern Corporation and Private Property* (Bearle and Means 1932), a watershed in the literature on corporate governance. So seminally important are its contents to an understanding of corporate governance that they are still being debated in classrooms around the world. Some fifty years later, Fama and Jensen (1983), broadened the implications of corporate governance by arguing for the separation of ownership and control, an argument later honed and advanced by Eisenhardt (1989) in the "agency theory." This theory posits that the agent, the director, may not act in the best interest of the principal, the shareholder.

Although the word governance first appears in English in 1390 (used by Wyclif and Chaucer) it took seven centuries for it to be associated with the business world; before that, its obvious relationship was with politics and personal self control, its usage being mostly in the context of international governance, national governance and personal governance. Although the conditions giving rise to the corporate-governance term we know today could probably be traced back to the sixteenth century, the concept itself and use of the term corporate governance is relatively new. Consequently, there is very little literature existing prior to the 1970s on the application of corporate governance within companies.

Although the literature review on corporate governance points to similarities between public-sector and private-sector companies, there is a shocking dearth of literature on corporate governance practices on companies owned by the state. This, of course, bolstered my confidence in the viability of the research project, since I recognized that there

existed in huge gap in scholarship and that the gap could be filled and needed to be filled. While this is true globally, it is especially true of Trinidad and Tobago, where the paucity is alarming to the point of being suspicious. It is as if the island's and the region's corporate world has chosen to be deliberately silent on its importance.

However, the importance of corporate governance is, not surprisingly, attested to by the publication World Bank's *Caribbean Trade and Investment Report 2005,* which argues that corporate governance holds the balance between economic and social goals and the alignment of the interests of individuals, corporations, and society. Although there are many variations of definitions of corporate governance, they are all glued to the very fundamental and key issues of trust, accountability, risk management, openness, integrity, control, and direction. Therefore, it is easy to understand that this premise allows the derivation of two corollaries; first, corporate governance is the system or process by which companies are directed and controlled by individuals charged with responsibility; and secondly, it must be based on the principle that companies are accountable for their actions: therefore accountability and transparency need to be built into the very foundation of the governance structure of these state-owned companies.

Chapter Three describes the qualitative research methodology I have chosen. The one that resonates best with this study is a general inductive approach, an approach that is suitable for the research into the phenomenon. The Chapter discusses the interpenetrative relationship between belief (ontology) and knowledge (epistemology), and establishes the contours of the most suitable approach for the research phenomenon. The Chapter sets out the purpose of proposed research, the general inductive approach methodology, the importance of locating and understanding one's epistemological make-up and the theoretical perspective that guide the research. The exploration of the various research texts and matters of philosophy has imparted a greater

understanding of the importance of a theoretical perspective which I believe is instrumental to the selection of a methodology. The Chapter shows how clarity and understanding of this theoretical perspective were achieved through the contemplation of two research questions, as proposed by Crotty (1998): "What methodologies and methods will be employed?" and "How do we justify the choice and use of methodologies?"

Although I have a natural inherent objectivist feel, the need to adequately capture the views of the research informants, to get to their understanding of what corporate governance means and how it is practised meant that an inductive approach, relying on thick descriptions would be necessary in the circumstances of the research. Therefore, this interpretative research method is employed to extract the greatest ore from the vein of the ten interviews of Chairmen of Boards in state-owned companies. This inductive approach within an interpretative framework inhered better in me as I believed, despite my positivistic feel, that statistical methods could not adequately or reasonably describe or explain how the Board Chairmen understood corporate governance and viewed its practice. To meaningfully assess and understand how the Chairmen treat with corporate governance I sought answers to the following interview questions: What is your understanding of corporate governance? What are your aims of corporate governance? How is corporate governance perceived in the public sector companies? What are the institutions involved in the process of corporate governance? What is accountability in the public sector? What are the impediments to achieving corporate governance? What is risk management within corporate governance? I felt that responses to these basic questions must provide a rich corpus of data for interpretation, data that could be sifted, forensically analysed and interpreted to reveal the existence of dilemmas, and, in line with the aims of this investigation to establish the causes or reasons as to why they have become dilemmas. Cognizant of the fact that qualitative

research may appear a malediction to strict positivists, I have demonstrated the appropriateness of ten interviews out of a population of forty three state-owned companies. The interpretative approach as an act of explicating the meaning is also examined and the key factors of reliability in a qualitative study are provided.

A key requirement of the general inductive approach is the multiple reading and re-reading of the interview texts; this forensic reading of the texts allowed for the identification of text characteristics such as allied phrases and key words. These key words and phrases were placed in a matrix referred to as an interpretative model matrix which is diagrammed and explained further in Chapter Five. This matrix provided an appropriate means of decoding the interviews; through unhurried and multiple readings patterns began to emerge. Essentially, interpretation is an act of explicating the meaning of a phenomenon and is a valid claim to both the natural and social sciences; however, as Rainbow and Sullivan (1987) emphasize, interpretivism narrows the meaning to make it more specific. Natural science explains the phenomenon in terms of causes whereas human sciences interpret or understand the meaning of social action. Interpretation, here, is informed by the traditions of verstehende as Schwandt (2001) argues. The emergence of three key patterns from which dilemmas derive endorsed the usefulness and appropriateness of this methodology. Corroboration from another researcher examining the results derived from the interview texts added credibility and dependability to the coding, analysis, descriptions and patterns. This second reviewer, a retired professor, aware of the research evaluation objectives, perused the categories and descriptions in the matrices, these without the raw interview texts. Subsequently to this the second reviewer was provided with the interview texts that were initially coded. This resulted in the positive acknowledgement of the categories gleaned from the texts, the patterns that I derived and the reasonableness of the interpretations that I had provided based on the informants texts. This sub-process

within the methodology is indispensable to the dependability of the qualitative research undertaken. The Chapter provides a clear rationale for the choice of the general inductive approach as proposed by Thomas (2006), to research the phenomenon of corporate governance in state-owned companies. The methodology when applied to the texts expressing the views of the Chairmen on the understanding and perception of corporate governance reveals the indubitable existence of dilemmas, provides valuable insights for others through the revelation of key patterns and allows for foundational recommendations for improvement. The research value is thus increased.

Chapter Four follows from a chapter on corporate governance and another on research methodology; it is short but vitally essential to the argument of the thesis. Because this study focuses on dilemmas in corporate governance in state-owned companies of the island, it must offer the reader, especially the foreign reader, necessary insights into the nature of Trinidadian society and into the make-up of the Trinidadian psyche. It illustrates the uniqueness of the island's culture, a product of genocide, colonial conquest, of African slavery, and, most latterly, of Indian indenture. To be unaware of the ethnic interweave is to miss the complexity of the society that has given the world steelpan (the only percussion instrument created in the 20th century), calypso, soca, chutney, and West Indian carnival, and has produced such cricket immortals as Baron Learie Constantine, Sonny Ramadhin, and Brian Lara, such literary giants as V.S. Naipaul and Samuel Selvon, has added to international cuisine callaloo, doubles, and roti, and boasts of having the largest natural deposit of pitch found anywhere (La Brea, Trinidad), the world's hottest pepper (the Moruga scorpion), and the sweetest cocoa beans of the very highest quality.

Although, the country can unarguably boast of achievements, it is equally infamous in the Caribbean and more recently in the USA for corruption. The major political parties, typically divided into ethnic

camps, go to "voter market" with campaigns based on anti-corruption mantras, good governance lines; quizzically, upon accession to power, these soon become allegations leveled against those who mooted the anti-corruption sentiments. It is as though each major party is at once corrupt and anti-corrupt, is at once for good governance but practices bad governance. To understand this seeming contradiction, one does not have to look far; a cursory examination of the reasons for the loss of power of the most dominant political party - the PNM - in 1986, after 35 years of unbroken power, tells a clear story of allegations of corruption. The UNC, in 2002, after wresting power from the PNM twice in 7 years, lost also because of allegations of corruption. At the heart of these allegations were the state-owned companies, whose Chairmen became targets of malice from the population. The fact that there are two predominant races in Trinidad and Tobago is as incontrovertible as it is complex. The manifestation of the distinct social classes present in the country today is rooted in an origin of misery and cruelty; that of slavery and indentureship. To say that the society of Trinidad and Tobago has been and continues to be shaped by those who were originally brought to the Caribbean as slaves or indentured labourers is an understatement.

The fifth chapter is the research chapter, the lynchpin of the thesis. It is the longest and densest of the chapters; it provides the vindication of the pre-research hunches and assumptions. This is, as it were, the crucible in which the initial assumptions are tested and found adequate. It comprises the use of the words and ideas of numerous segments of texts derived from the interviews of Board Chairmen; this interview literature, based on the research methodology and methods described in Chapter Three, is decoded and divided into matrices, a list containing words and phrases linked by synonymity and similarity of meaning. These matrices are then repeatedly analysed and interpreted allowing key and unique patterns to emerge. The analysis of the interview text, of the matrices, and of the emergent patterns forms the

basis of this chapter. There are three patterns: the centrifugal, the centripetal, and the pericentric. These take their names and meaning from the use of the symbol or the metaphor of the circle used to represent the totality of corporate governance within the context of the participants' responses; these epithets define how these patterns behave in relation to the centre of the circle. The centrifugal pattern, for example, comprises all the comments that describe the existence or practice of corporate governance as moving away from the centre, the point of effective management. By way of contrast, the centripetal pattern comprises those sentiments and perceptions that show corporate governance moving towards the centre but not reaching it. Unlike the two previous patterns, the pericentric pattern is static; its solidity and enormity prevent the attainment of proper corporate governance. Its deep roots and mighty girth are nurtured by the interfering will of politicians.

The sixth chapter is a natural consequence of the identification, description, and definition of the dilemmas in corporate governance in state-owned companies in Trinidad and Tobago: it is essentially a chapter of reflections and, more crucially, of recommendations. Because there has been little research done on the dilemmas in corporate governance in the island's public sector, there is not surprisingly no literature of recommendations for solution of these chronic problems. Though this thesis is fundamentally an academic exercise, the solutions proffered in this chapter are far from academic; they are a result of countless hours of agonizing thought. While the literature on corporate governance, critiqued in Chapter Three, indirectly offers solutions, it cannot take into consideration the unique culture of the island. Recommendations must neither be peremptory nor high-handed; they must seriously consider the irreverent work ethic, the widespread laisser-allez attitude, and the political showmanship that define the cultural context. Because I am Trinidadian, have lived and worked in Trinidad for decades, and

understand the culture as a professional, I feel confident that I can offer appropriate recommendations and solutions. I envision Boards handled more humanely, run more effectively and managed optimally. The recommendations I offer ultimately seek to replace the halting, lackluster efforts of mediocre, lackadaisical Chairmen with the assured, exemplary performance of confident, outstanding leaders. To such individuals, trust, accountability, and transparency are watchwords for an administration dedicated to serve, perform, and deliver. With the right balance of understanding and stringency, of respect and professionalism, of will and passion, I know that these recommendations, offered in humility and with hope, can be successfully implemented.

My research questions pivot around the understanding and perception of corporate governance, how it is understood and how it is practised especially addressing accountability and risk management through the lens of the Chairmen who provided me with the interview texts. Consequently, Chapter Two which follows explores the origins and key tenets of corporate governance; importantly, it identifies my views and the views of others regarding the key elements of my research interest.

CHAPTER TWO – CORPORATE GOVERNANCE

Introduction

The research topic is an analytical examination of dilemmas that emerge from the interviews of chairmen that centre around the discharge of corporate governance in state-owned companies in Trinidad and Tobago. The aim is to understand and locate the factors that contribute to or militate against the institution of corporate governance, as described by the Chairmen and leaders of the Boards of state-owned companies. No participant for obvious reasons was asked to respond to "dilemmas"; this would have been counterproductive, and very well may have invalidated the interviews. In the context of the research phenomenon, and to avoid confusion that may be caused by the interpretations of others, I believe it is prudent to clarify what I mean by dilemma. Defining dilemmas, Rickards and Clark (2006 p.3), in their book "Dilemmas of Leadership" offer an explanation of a dilemma as a problem that is not solvable. They assert that they *"do not permit a process of 'solution finding'*"; this is a definition that does not take us very far in understanding the nature and meaning of a dilemma; for them, dilemmas create conditions that drive leaders to act regardless of the consequences. This is an intriguing definition, but a problematic one for two fairly obvious reasons: firstly, it does not permit an easy process of solution finding; secondly, leaders act without regard to consequences. This strongly suggests that leadership decisions can be, in the context of a dilemma, taken out of little choice and desperation. Needless to say, this can hardly redound to the credit of the organisation, except in the most fortuitous of circumstances: whatever good derives, occurs not because of, but in spite of, desperate decisions. Ehnert (2008) tells us that the Greek etymon establishes the idea of a double take between two notions or options that are equally undesirable. It seems to me that a dilemma is a situation requiring a

choice between equally undesirable alternatives thus presenting us with a difficult or perplexing situation or problem, but not one that is not unsolvable. In essence, then, a dilemma manifests itself in situations where either choice or alternative is painful. Here, Jubb (1999) provides us with an example by way of an ethical dilemma within the act of whistleblowing; this may inflict real harm on a fellow worker who may have championed one's career while also marring the whistleblower's reputation in the industry. However, Jubb (1999) contends the trade-off is that whistleblowing may also ensure that the letter of the law is upheld in difficult circumstances. So, by its very nature, a dilemma is painful and makes some sort of loss inevitable. Hanson (1991) tells us that scholars who have studied dilemmas in the business world frequently note that dilemmas are most likely to arise in businesses and industries where unethical behavior is tacitly encouraged as a means to get ahead or satisfy some personal agenda; unethical conduct, in short, becomes a strategy and can be seen as a viable one by decision makers. Offering another view is Buhmann (2012) who takes us further by arguing that a dilemma in the professional world is having a situation where a loss is unavoidable and where those choosing between two unattractive options must recognize that some sort of prioritization must occur. Aligning to the views of Rickards and Clark (2006, however, are those of Garmon (2010) who directs us to the practice of law especially the matter of client-attorney privilege or when the contours of the law necessitates that an attorney employ a defense that he finds objectionable. In such cases, a person may be forced to abandon a personal principle or value in favour of doing what the profession obliges him to do. In this context then, this is unsolvable. Fortunately, corporate governance practices do not oblige the practitioner in the same manner.

In the context of the phenomenon under investigation, I propose a simpler and far less problematic and contentious definition of its application in the organisational setting: a dilemma is an intractable

but soluble problem that negatively impacts on the well-being of an organisation. Expectedly, at this embryonic stage of research, these putative dilemmas are at best hunches based on personal observation and largely derived from my professional work and anecdotal evidence on the state of corporate governance on certain public-sector companies. The aim, therefore, is to also empirically evidence the existence of dilemmas. In its investigation of the corporate governance dilemmas that stymie the efficiency of state-owned entities, research will necessarily assess the key players' understanding of their roles in this crucial process.

While this chapter begins with a brief look of the origins and the history of corporate governance and assesses the central critical statements of a practice which lies at the very heart of the emergence of corporate governance it is instructive to note that the literature on corporate governance is strongly dominated by the private sector and comprises mostly the one-tier Boards of the UK and the US (OECD, 1999). Nonetheless, there are a few authoritative bodies promoting governance in the public sector. The IFAC (2001) acknowledges that corporate governance has bought about much debate and change in the private sector. They have almost always promulgated integrity, accountability and control as key codes in corporate governance. IFAC (2001, p.1) unambiguously states that the public sector plays a major role in society and "....effective governance in the public sector can encourage the efficient use of resources, strengthen accountability for the stewardship of those resources". IFAC (2001), while acknowledging that frameworks between public sector and private sector board may differ, establishes that the focus is nevertheless on the Boards and the principles are the same. This is palpable from IFAC's endorsement of the applicability of Cadbury (1992) fundamental principles of openness, integrity and accountability to private sector as well as public sector corporations.

Definition of Corporate Governance

Corporate governance has emerged and evolved as one of the approaches to mitigate business ownership and investment risks, and to ensure corporate compliance with globally acceptable codes of practice based upon transparency and accountability of corporate management (OECD, 1999). Corporate governance has received significant attention in the last 20 years, engaging the time of policy makers attempting to ameliorate a system that has been frequently abused (Dallas, 2004). Several definitions of corporate governance have been offered: Mons and Minow (Caribbean Trade & Investment Report, 2005) argue that the primary participants that determine the direction and performance of corporations are the shareholders, the management, and the board of directors. In a more political understanding, the World Bank Report (cited in Caribbean Trade & Investment Report, 2005) sees corporate governance as holding a balance between economic and social goals and the alignment of the interests of individuals, corporations, and society. Dignam and Lowry (2006) add a further dimension by suggesting that incorporating customs, processes, laws, and policies is necessary in the administration and control of a company. Cochran and Wartick (1988) contend that corporate governance is an umbrella term concerned with concepts, theories and practices of Boards. Mons and Minow (2005) also share similar sentiments. Lewis (2001) tells us that Boards are essential to most definitions of corporate governance. Demb and Neubauer (1992) establish the importance of accountability by the Board. Cadbury (1993) adds that Boards are concerned with control, effectiveness and accountability. Williams and Shapiro (1979) argue that strong and effective Boards are valuable corporate assets, for them, and the importance of corporate accountability is indispensable.

However, it is Cadbury (1992) in an early statement who offers the briefest, most direct, and widest definition: "the systems and process by

which an organisation is directed and controlled." The striking feature of these and other definitions is that they all deal with fundamental and key issues of openness, trust, integrity, control, and direction. From this premise derive two corollaries: one, corporate governance is the system or process by which companies are directed and controlled by individuals charged with the responsibility; and two, it must therefore be based on the principle that Boards and Directors are accountable for their actions. It is easy to surmise that corporate governance is a multi-faceted and, therefore, complex subject area. While this complexity in a large part is due to the fact that corporate governance is required to take into account issues related to purpose of the organisation, law, finance, economics, human behaviour of its owners and employees and the interests of shareholders and other stakeholders outside the corporation. I have, however, narrowed the focus of my research to accountability and risk management as two key elements within the practice of corporate governance in the public sector. Support for this narrow focus is found from as far as Australia, where the New South Wales Audit Office produced a study; Performance Audit Report (n.d.) which examined the practices of corporate governance in government owned entities in the state. The Authors of the report begin with the importance of accountability and risk management as the chief concerns in public sector governance. Further, the study echoes what the literature reveals; strategies for dealing with the challenges within the field and better practice guides are largely confined to the private sector. Within Trinidad and Tobago, the public sector is a significant component of the country's GDP and requires a large part of the public spend. Where public money is spent, there must be accountability and risk management; corporate governance therefore takes on an important role; systems of accountability and transparency and risk management, therefore, need to be built into the governance structures of companies. The existence of factors that hinder or obfuscate the systems of risk management and accountability and transparency must

be searched out and understood if the pillars of corporate governance are to stand on firm ground.

Background of Corporate Governance

The origins of corporate governance in terms of how companies were directed and controlled probably started with the advent of the consolidation of capital and the establishment of the first international trading and stock companies in England and Europe (1550-1700). Examples of these seminal companies are the Muscovy Company, The Governor and Company of Merchants of London Trading into the East Indies, and Verenigde Odstindische Companie. Following warnings regarding weak management, operations, and controls expressed by Adam Smith in 1776, European governments during the 1800s issued a range of binding laws directed to the stock companies and liability companies. In the nineteenth century, attempts to advance the practice of corporate governance emerged with the state-corporation laws expanding the rights of corporate Boards while not requiring the majority consent of the shareholders. However, while enhancing legislation on procedures for corporate operations, the interests of the shareholders were overlooked and their power gradually decreased (Wright et al., 2004). Later on, and in the aftermath of the Wall Street Crash of 1929, the U.S. produced the first law-regulating procedures and the transparency of stocks' trade in 1933. Scholarly debates in the ensuing period led to the publication of a seminal text by Bearle and Means (1932): *Modern Corporation and Private Property.* So fundamental is this monograph to our understanding of corporate governance, that its contents, like those of Eric Williams's *Capitalism and Slavery* (1944), are still being debated in classrooms around the world. The work of Fama and Jensen (1983), some fifty years later, on the separation of ownership and control, leads to this separation through agency theory as a means of better understanding corporate

governance. This theory holds that the agent acts on the behalf of the shareholder who appoints the agent.

However, the genesis of the current focus on corporate governance started with three significant events. The first relates to the series of explosive and revealing investigations of significant corporate frauds and bankruptcies in 1990-1991 (Polly Peck, BCCI, Maxwell Communications, etc.). This was followed by the painful experience of the East Asian crisis of 1997-1998 (Shleifer and Vishny, 1997; Pilbeam, 2001; Stiglitz J., 2000; Rodrik, 2001). These failures provoked much discussion and study of the issue, generating further theories within corporate governance building on the works of Eisenhardt (1989), *Agency Theory: an Assessment and Review*; Hackman (1986), *The Psychology of Self-Management in Organisations*; J. Lorsch and E. MacIver *Pawns or Potentates*. The initial focus of these theoretical studies was directed at managerial accountability of the organisation to shareholders (Lorsch and MacIver, 1989); however, in a broader sense, given the expression of ethical concerns in corporate operations, corporate governance was also recognized as an essential part of a wider corporate social responsibility (CSR), (Freeman, 1984; Carroll, 1991; Key and Popkin, 1998; Lantos, 2001; Lewis, 2001). In 2002, renewed focus on the subject area was applied after the revelation of corporate malfeasance and accounting scandals led to the collapse of such major and admired US corporations as Enron, Arthur Andersen, World Com, Parmalait and HealthSouth. This recent round of corporate failures undoubtedly rightly questioned the efficiency and effectiveness of corporate governance practices as a rampart against protecting shareholders interests.

Corporate governance, however, must assume greater importance because of the growth of the number of organisations globally. The last three decades have witnessed the apogee of integration and globalization of international businesses. This global trade

liberalization has generated several phenomena: it has opened new markets and cross-border trading; it has unleashed international capital flows in the form of Foreign Direct Investments; it has necessitated the enforcement of international financial and banking infrastructure; it has encouraged formation of economic unions and free-trade zones, industrialization, improved infrastructure and transportation; it has increased labour force migration; and it has expanded multinational corporations and political interests. These factors, inevitably, had an overwhelming effect on economic, social and political life of the international community, introducing dramatic changes to the world economic map, patterns of strategic management, decision-making, and organisational development (Blomström, Globerman and Kokko, 2002).

Over the last lustrum, the global international environment has witnessed a remarkable shift of economic powers and market leadership. Europe and the US had to yield growth leadership to the Asian economies of China and India. These two countries along with South Korea and Japan have added value to the strength of Asian market. In fact, being currently placed fourth among economies with the highest purchasing power parity, India is forecasted to achieve 6-11% GDP growth by 2025 and to be rivalled by the US and China. Business globalization, due to its scale, has brought more benefits, as well as higher risks and challenges to all of the stakeholders in the corporate governance dialogue: organisations, employees and governments as managing, operating and regulating functional authorities. It may be argued that the future of globalization lies in the ability to find consensus for efficient fulfillment of these functions to mitigate risks, realize opportunities and fight threats in the vulnerable and dynamic international business environment (WPP Group Report, 2007). Although the origins of corporate governance lie with joint-stock private companies, the process also applies to companies owned by the state or governments. The Organisation for Economic Co-Operation and Development (OECD), a unique forum comprising the governments

of thirty countries working to address economic, social and other challenges of globalization, recognizes the need for corporate governance of government-owned companies as equally important to that in the private sector (OECD Guidelines 2005). In this context, corporate governance emerges as the essential approach to mitigate business ownership and investment risks, and ensure corporate compliance with globally acceptable code of practice based upon transparency and accountability of corporate management (OECD, 1999).

Formalization of the Concept of Corporate Governance

Even though the practice of corporate governance could be traced to the nineteenth century, the serious work of defining and formalizing the concept really began in the early 1990s. Although legal and economic scholars have contributed to the ongoing investigation of corporate governance, most of the recent historiography has been written by non-historians who were more occupied with determining the origins of contemporary corporate governance regimes (Herrigel, 2006). Herrigel also points out that corporate governance is a relatively new field of inquiry for business historians. This recent history most probably begins with the recommendations of the now well-known Cadbury Report, the first code of corporate governance issued in Great Britain by the Cadbury Committee in 1992 via its report on the *Financial Aspects of Corporate Governance.* The report correctly emphasized the role of businesses in the formation of the national economy and recommended increased focused control of corporate financial performance through enhanced internal accountability and external auditing. The committee proposed the Code of Best Practice as a standard of responsible corporate ethics prescribed to all companies listed on the London Stock Exchange, and exercising significant influence upon the national economy. Such requirement for accountability to shareholders was aimed at increasing the sense of ownership among shareholders,

improving the overall transparency and legal compliance of corporate financial operations, thus enhancing investment safety and generating trust to corporate decision making (Cadbury, 1992, pp. 16-20).

This model of corporate governance defined the system as the way to direct and control the corporation. Although Cadbury's report was directed to the financial sector, significantly, it recognized the Board of Directors as the major control authority "responsible for the governance of their companies," assessment of managerial strategic decision-making, ethical organisational behaviour, and feasible and comprehensive internal audit. The level of shareholders' control authority was defined to include the Board's appointment, the selection of trustworthy, confident and competent external financial auditors, assessment of Boards and corporate performance during Annual General Meetings, and the right to insist that corporate governance be executed in accordance with the Code of Best Practice (Cadbury, 1992, pp. 20-53). This Code in particular, implied optimum Board-of-Directors' structure, distribution of responsibilities and powers among executive and non-executive directors, criteria and methodology to financial reporting and controls (Cadbury, 1992, pp. 58-60). Thus, it is easy to grasp its applicability across multiple business sectors.

Although there were other corporate governance statements, it was only in 1999 that the OECD in its Report on the Observance of Standards and Codes of the World Bank Group presented a corporate-governance definition and its basic principles as key pillars of healthy international financial strategies and sound legislative policies (OECD, 1999, pp. 2-6). Arising out of this recommendation, a model of corporate governance was formulated premised on the basic OECD principles developed in 1999. This incorporated enhanced protection of shareholders' rights, provision of equal treatment of shareholders irrelevant of their location and number of owned shares, recognition of the role and legal rights of the stakeholders and facilitating information flow, communication and

cooperation among the parties, guarantee of comprehensive and unbiased disclosure of significant information referring to corporate finance, key persons, and strategic decision-making; and, finally, statement of the board members' obligations and responsibilities to the shareholders and corporation as a whole (OECD, 2004, pp. 15-26).

The initial goal of corporate governance, therefore, was protection of investors' interests and maximum efficiency of investment allocation, complying with existing legislation and adopting ethical principles of corporate activity. With the transformation of the role and effect of corporate governance, its long-term benefit must be recognized in the facilitation of Foreign Direct Investment consolidation and flow, decreased investment costs, increased functional performance, building value-adding corporate reputation, improving business stability and national economic resilience to sudden external shocks, national economies' competitiveness, and, eventually, structural enforcement of global economy and international socio-economic development (World Bank, 1999, pp. 3-6).

Evolution of Corporate Governance Models

During its evolution, the system of corporate governance appeared mostly in models in North America, Europe and Asia and moreso in countries where the capital markets were more pronounced. Consistent with the development of the models, Allen (2002) reminds us that corporate governance is used in two distinct ways; the "shareholder centric Anglo-Saxon" model and the "stakeholder centric model" utilized by Japan, Germany and France. Further, it is possible to divide broadly the existing systems into either a liberal or coordinated model. The liberal or Anglo-American model emphasizes shareholder interests and benefits from long-term sustainable economic growth. The coordinated model, applicable mainly in Europe, Asia and Japan, incorporates the governing interests of the major stakeholders and community.

Basically, systemic differences in international corporate governance models are predetermined by the corporate governing structure; for example, in the US system, corporate ownership is shared among a varied number of shareholders and other stakeholders get minor influence and attention in the course of governance. Put another way, problems arising from corporate governance in the USA often occur when the goals of a large number of different shareholders are at odds with the goals of a few powerful corporate directors. The recent worldwide economic problems, stemming predominantly from corporate governance failures with the USA, have made the world familiar with the type of corporate governance used in the USA.

In the European system, ownership is typically divided between a few shareholders, which often include government and banking investment. In particular, corporate governance in the German system has distinct social features, conditioned by the high bargaining power of labour unions and participation of banks' interest in corporate ownership (Mallin, 2010). In Asia, corporate ownership is shared between influential families and business groups, which are reluctant to go beyond legislative compliance in corporate governance. In Japan's system, characterized by the practice of hierarchical management, egalitarian compensation standards, adherence to traditional relations and collectivism, corporate governance shows remarkable commitment to securing national economic growth, employment, and the promotion of innovation and quality (Knowledge and Warton, 2008). In South Korea business conglomerates referred to as "Jaebols," consist of global multinational corporations which are supported by the South Korean Government. Despite the existence of the two models, the Anglo-Saxon governance has been more widely analysed.

There is, however, a relative measure of diversity in the existing models, mainly in terms of their focus and identification of control authorities. Wisely, the OECD has noted that there is no universal framework or

best standard for corporate governance practice, and that deviations are possible, practical, and perhaps necessary to meet specific regional, market and business requirements, provided that such individual models adhere to the basic principles of corporate governance (OECD, 2004, pp. 6-7). Several organisations, such as the IoD, CIPFA, OECD and IFAC lend their support towards the establishment of good corporate governance. A brief look at the key ones follows.

The aims of the UK-incorporated Institute of Directors (IoD) formed in 1903 are to allow: the sharing of experience of their 55,000 members, and specifically as a body; to "promote the study, research and development of the law and practice of corporate governance; to publish, disseminate or otherwise make available the useful results of such study or research", and to act as a representative body in the industrial dialogue with the governments and major stakeholders (IoD Royal Charter, 2004). The model of corporate governance suggested by the IoD has been generated on the basis of in-depth study of the evolving codes of practice, which appeared subsequent to the Cadbury Report of 1992. Within the IoD's framework of corporate governance, the practice is defined as strategic methodology of business control, managerial supervision, adherence to governing legislation, and building constructive relations between the shareholders, executives, and managers. The IoD, therefore, guards and promotes the existing Combined Code of Corporate Governance in the UK. This Code has been based upon the Cadbury Report prescriptions to transparent, efficient, comprehensive and unbiased financial accountability, enriched with suggestions for executive remuneration according to the Greenbury Report in 1995 and internal control safeguards as studied in the Hampel Report of 1998 and Turnbull Report of 1999. It emphasizes the role of the Board of Directors (and non-executive directors in particular) as a central control authority, accountable to the shareholders, as highlighted in the Higgs Review of 2003, and external auditors as the major independent supervisory power as discussed in

the Financial Reporting Council guidance (IoD Factsheet, 2008, pp. 1-4). It is important to note that the research of the IoD has gone further to study and consolidate knowledge on the criteria and principles of cross-country "best practice guidance to corporate governance" (IoD, The Handbook, 2009).

The International Federation of Accountants (IFAC) is one organisation that oversees proper behavior in the accounting community. IFAC is comprised of 167 members and associates in 127 countries and jurisdictions and represents about 2.5 million accountants. IFAC may be reasonably described as an institution that creates an international culture working against future manifestations of ENRON or Worldcom outrages by defining adequate levels of diligence and accountability within corporations. The Organisation for Economic Cooperation and Development (OECD) is a global body whose focus is upon economic and social development. The OECD collects data on member-states and discusses national policy with an eye towards fostering prudence, professional standards and sound fiscal and financial and regulatory policies. The performance of member nations is evaluated by peers with formal agreements that govern corporate behaviour and business transactions established at committee-level by member states. Guidelines for proper corporate governance are an important part of OECD activities (OECD 2012). As a powerful global institution, the OECD is well-positioned to enforce codes of conduct upon governments and upon multinationals that must adhere to the dictates of member states if they wish to conduct their affairs in those jurisdictions as part of the fight against corporate malfeasance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) is perhaps the only professional accountancy body in the world exclusively dedicated to public finance; this is a clear indication of the emphasis that CIPFA places upon the value of maintaining integrity in public governance and accounting. The CIPFA has 14,000 members in the

public services, in national audit agencies, in major accountancy firms, and in various other bodies that need to be managed properly and efficiently. The CIPFA demands high performance in public services, it works with partner governments, with national accountancy bodies, and with the international public sector to ensure that sound public financial management is achieved and that good governance is a reality and not simply a fantasy (CIPFA 2012). Overall, CIPFA's commitment to its extensive training and its demand for high, uniform standards reflects the organisation's strong devotion to corporate governance.

With the variety of existing international corporate governance models and different organisations undertaking research and having control authority (OECD, the IoD in the UK, the International Corporate Governance Network (ICGN), Communist Party in China, Asian Corporate Governance Association, etc.), there exists diverse opinions on the need to standardize an international code of corporate governance and set up a central control authority, with the idea that principles of corporate governance are self-evolving and best practice can be integrated and self-regulated in the global market (Knowledge and Warton, 2008; OECD, 2004, pp. 6-7).

Corporate Governance Development in the Public Sector

As is clear from the preceding review, corporate governance issues have been documented mostly around private companies and multinational corporations. Although more literature has appeared in the last 20 years, it has continued to focus mostly on corporate governance in the private sector and mostly in developed countries. When contrasted to organisations in the public or government sector, there is an overwhelming dearth of literature on corporate governance. However, as publications from organisations such as the IoD and the OECD increased and discussions and debates on corporate governance evolved, the benefits of corporate governance became evident, attracting

the attention of governments, as large investors and owners of state-owned enterprises (SOEs) in their countries. The Cadbury Report published in December 1992 identified three significant and fundamental principles of corporate governance: openness, integrity, and accountability. Notwithstanding the focus of the Cadbury Committee on the financial aspects of governance within private entities, the findings were applied by the Chartered Institute of Public Accountants (CIPFA) in developing the first corporate governance framework for the public sector in the UK. The CIPFA concerns itself with the emotive issue of public money and is the only UK professional accountancy body to specialize in public services.

Additionally, the International Federation of Accountants (IFAC) has released for comment a proposed study intended to improve the self-governance of public-sector entities: *Corporate governance in the Public Sector: a Governing Body Perspective* (www.the freelibrary.com). The recommendation that "Governments use private-sector corporate governance concepts and practices to achieve their objectives more openly and objectively" are firmly stated; it suggests that the IFAC sees no differences between practices for the two. The IFAC has initiated this move as part of its pronouncements on principles and practices to bolster public-sector performance and reporting on a global basis. Given that the governance framework needed to demonstrate the practice of the recommended principles is not yet complete, it will be interesting to understand the comments of support and dissent. It is noteworthy that the study focused on the very three fundamental principles of corporate governance as put forward by the Cadbury Report: openness, integrity, and accountability. The OECD in its Corporate Governance Guidelines (2005) unreservedly points out that corporate governance of state-owned companies is a major challenge for many countries, thus prompting the OECD guidelines which has become a benchmark, based on an effective legal and regulatory framework; the state acting as owner; equitable treatment of

shareholder and stakeholders; transparency and disclosure; responsibilities of the Board.

However, the view can be taken that the corporate governance of government-owned companies can be even more complex than that of private corporations as there must be limitations regarding the applicability of the principles within the private sector as the corporations within both platforms have different operating characteristics. Notwithstanding, Mallin (2010) and the OECD (1998) agree that the responsibilities of the management for these state-owned companies are similar to those of private corporations. The OECD (2008) further highlights the fact the management responsible for corporate governance in these state-owned corporations has a fiduciary responsibility to seek and secure the welfare of the major stakeholders. The only difference is that the major stakeholder in this case is the government.

It is worth noting that in such developing countries as we have in the Caribbean, notwithstanding years of privatization, state-owned enterprises (SOEs) still constitute a significant part of national economies (traditionally in "transportation, electricity, gas and water supply, broadcasting, natural resource extraction, telecommunication" industries), and require improved governance practice. Statistics report that SOEs hold 20% of international investment flow, employ 5% of global workforce, and in some countries generate up to 40% of GDP (World Bank Approach, 2005, pp. 1-2). In Trinidad, there are a significant number of SOEs that contribute to the GDP of the country. State-ownership extends into oil and gas extraction and production, utilities provision in electricity, water and telecommunication, air, land and sea transport, forestry, the procurement and maintenance of vehicles, seafood production, and media. In 2005 the Government moved to appoint over ten special-purpose companies to assist in carrying out government's policy agenda.

The OECD (2005) points out that state ownership and corporate management face many additional and generally greater challenges: trade liberalization, advanced operational and financial competition from the private sector, technological innovation, international competition in global market, and the need to exercise its ownership functions, such as the nomination and election of the board, while at the same time refraining from "imposing undue political interference in the management of the company need," or, in other words, to benefit from investment without government intervention into the economy to provide special treatment to the SOE (OECD, 2005, pp.3). Further, a World Bank study has defined five challenges facing SOEs in the field of corporate governance: 1) ambiguous, mixed, ungrounded or even conflicting ownership objectives; 2) unprofessional owners, who are either incapable or unwilling (or sometimes both) to add value in formation of strategic managerial authority in the corporation, i.e. employ a skilled CEO, initiate changes in the board or management structure, file bankruptcy, carry out strategic planning, correctly assess financial results, avoid bureaucracy; 3) lack of transparency and disclosure, often argued as the need to have confidentiality in certain projects, leading to low and biased accountability; 4) lack of professionalism and authority empowered to the Boards of directors; 5) high pressure from the stakeholders, which has to be attended to in order to preserve the political interest of the governing individuals (World Bank, 2006, pp. 3-34).

Given this, governments as partial or sole enterprise owners, face a clash of entrepreneur and state interest, as the former focuses upon business financial benefit, while the latter is supposed to develop overall favorable business climate in the country and maintain competitive market relations by comprehensive macroeconomic and fiscal policies. Specifically within the realm of this issue, the OECD and the World Bank recommend the delegation of ownership rights to centralized ownership entities (such as, state pension funds or other government-

controlled companies), and further separate ownership and regulatory authorities in order to avoid corruptive and interested practices which can undermine transparency within the practice of corporate governance (OECD, 2005, pp.12-13).

Further, in the list of essential guidelines, the OECD mentions the need to develop and maintain a feasible legal and regulatory background for fair competition between private companies and SOEs in order to increase general competitiveness of national industries. It also refers to executive responsibilities and necessary skills and competencies of the Boards to fulfill these responsibilities efficiently, as well as social responsibilities towards major stakeholders. It is notable that some of the principles are similar to the basic corporate governance framework suggested to the private sector, such as "equitable treatment of shareholders" and "transparency and disclosure" (OECD, 2005, pp. 12-18). However, to further understand how corporate governance is achieved and practised, it is necessary to examine the role of the parties to corporate governance.

Roles of Directors - Essential Characteristics

The control that is referred to in corporate governance (Cadbury 1992), can be thought of as being in the hands of two parties: the board of directors and the shareholders. Directors are further classified as Executives or Non-Executives. Executive Directors are typically full-time and dedicated to the role of management; Non-Executive Directors, however, do not hold full-time positions. Specifically in the public sector, directors are brought in for their expertise. In the private sector, the early 21st century saw a marked increase in the number of non-executive directors mainly for impartial views. Directors have a basic duty to act in good faith and the law invariably takes the view that "good faith must not only be done, but must manifestly be seen to be done" (http:www.enclyopedia/the free dictionary).

Within the framework of corporate governance, the Board of Directors perform the following tasks: identification of strategic goals and corporate development and growth (formation, adaptation, tuning of the strategic plans), definition of the major source of competitive advantage and distinctive competencies (organisation structure, value chain, operational efficiency, cost-efficiency), assessing results and providing decision-making on the current business issues that come before the Board for discussion and approval (risk management, alternatives, reasonableness tests), definition of the level of uncertainty in the external environment (forecasting economy, competitive scenario setting, limited uncertainty, complete uncertainty, etc.), providing assurances on independent system of financial accountability and reporting, coordinating and ensuring the consolidated interest of all shareholders, as well as controlling the activity of organisational management within the framework of corporate strategic development (Adams and Young, 2007; OECD, 2004, pp. 24-25). These are essential tasks entrusted to a group of part-time individuals in the public sector; this is inherently difficult given its part-time nature, therefore, every check and balance must be put in place to ensure the proper or requisite governance of these tasks. Having sat on over thirty (30) Boards and a previous professional developer at the Institute of Directors, Harper (2005) tells us of the need for Board members to clearly understand their duties and their responsibility to seek the organisation's best interests. Adding further is Adams and Young (2007) who advise that in examining the role of Directors, it is important to emphasize that the Board should be engaged in constructive and productive strategic dialogue between the shareholders and governors as this is essential to the increase in the efficiency of corporate governance.

It is also important to define the difference between the Management of organisation and Corporate Governors. Managerial function implies the professional performance of individual specialists in their field of

business. Management is focused upon business mechanisms to ensure organisational performance. Corporate Governors, who comprise the Board, are at the head of the corporate hierarchy, acting as a buffer between the shareholders and management. The view that the Board of Directors acts as "ownership one level down not management one level up" is crucial to corporate governance as it squarely puts the responsibility for the development and practice in the hands of the Board (Carver and Oliver 2002). The overlap of managerial and governing functions appears only during development of corporate strategy, with the implementation task belonging to management and the results being reported to the Board of Governors. Based on this reporting, the Board performs its main function - making sure that financial results or objectives meet shareholder expectations (Hasan, 2005). In the past, the range of essential characteristics and qualifications of Directors spoke to professionalism, skills, and experience needed to govern the corporation efficiently.

Today, the necessity for professionalism is still unquestionable; however, corporate-governance systems place compliance with shareholder interest as a priority among the required Directors' qualities, followed by "prudence, acting in good faith, stewardship, duty, openness, transparency, and integrity" (Hasan, 2005). Adding further stock is a study on the issue of compliance which has revealed that Directors tend to group themselves into three large categories: traditionalists who perform solely in the interest of owners with the best of their effort irrelevant of any other constituents of decision-making; rationalizers, who, while adhering to legal responsibility towards shareholders, act for long-term corporate benefit, assuming that adding value to the corporate performance is "the best thing for the shareholders"; and broad constructionists who strongly believe that they are supposed to pay equal duty to "stockholders, employees, national economy, and communities in which they operate," arguing that such all-encompassing approach works best for the long-term

profitability and reputation of the company and its owners (Lorsch and MacIver, 1989, pp. 37-49). Despite extensive searching I have not come across a similar categorization for Directors in state-owned companies.

Notwithstanding the above sentiments I agree that an essential quality of a Board Director is the ability to "exercise objective independent judgment" (OECD, 2004, pp. 25). The main indicator of the Board's efficiency and objectivity is said to be the presence of Non-executive Directors (OECD, 2005). These members are independent of the corporation and its top-management, and function to provide independent judgment, to increase shareholder trust towards the activity and decisions of the Board of Directors, to co-ordinate corporate leadership and reputation, to guide strategic decision-making, to improve transparency, to control remuneration distribution, to supervise internal and external audit, and to resolve conflicts. In order to perform these functions and responsibilities, independent Directors are required to possess significant level of skills, professional knowledge, superior experience, good connections in the industry; they must be capable of exercising strength and independence, while being committed to the shareholders (Mellor, 2002; OECD, 2004, pp. 62-69). Harper (2005) also makes the point that the more experience Board members can bring to the table the better off the organisation will be. The strength of independence is, then, a significant characteristic in having a Director discharge his corporate governance duty. The research aims, amongst other things, to uncover the views of the Chairmen leading the state enterprises, not just regarding independence but also their role in risk management.

Relationship between Corporate Governance and Risk Management

Key to an organisation's long-term survival and testimony to its Governors commitment for preservation of the goodwill of the

organisation is the management of its risks. Kaplan and Mikes (2012) declares that risk management largely entails the management of risk that an organisation can reasonably avoid. Corporate governance is intended to address and mitigate two kinds of risks, namely financial risks and reputation risks. The Board of Directors is obliged and responsible for ensuring that risk mitigation occurs within the company in a manner that is continuous, transparent, and accountable. This is essential to ensure the stability of the organisation and preserve its integrity (OECD, 2009, pp.10-11). The current global recession resulting from financial crisis has proved that notwithstanding developments in the field of risk assessment and risk management associated with globalization and liberalization of trade, these risks have been generally undermined and neglected by entrepreneurs (Schwartz, 2007). For example, the lack of effective risk management allowed banks to provide credits, unsecured by immediate internal coverage and irrelevant of the objective economic needs at different cycles of economic development. Poor corporate risk management allowed enhancing the risk of external economic environment in the "forms of coverage (e.g. on and off-balance sheet operations); incentives that encourage excessive risk taking in certain products and off-shore locations; differential treatment of financial institutions, depending on their degree of sophistication, the sector in which they operate, or the jurisdiction in which they reside" (OECD, 2009, pp. 9). As with the role and independence of the director, the research, in its search for dilemmas, aims to uncover the views of the Chairmen on risk management, a key component in the corporate governance process.

Reputation risk, or the ability to maintain and develop an attractive corporate image in the operating environment, is critical to corporate well-being and stability. Non-compliance with ethical and financial standards and codes inevitably inflicts in the first place, not official penalties, but damage to corporate reputation within the market or environment where the company operates. This damage, inevitably,

results in an estrangement from shareholder and a loss in public confidence and trust. In a chain-reaction effect, such failure limits further operational opportunities and additional funding from outside investors. Particularly in the case of the public-sector company, such an event also weakens the purpose of the company, lowers the "political stock" of the governing party and sullies the reputations of the governors or directors and executives within the company and the country. Thus the risk of lost reputation contains critical implications for the long-term stability and development of the organisation (Tonello, 2007). Horwood (2001) contributing writer of ALARM, (the largest public sector risk management organisation outside of the USA) in his introduction tells us that it is virtually impossible for an organisation to achieve effective governance without effective risk management. Like the CIPFA, ALARM identifies risk management with improving operational and financial management and avoiding bad publicity.

Adding further credibility to support the research interest in this facet is the Hempel Committee (1998) which places responsibility for the establishment of a robust system of risk management with the Board. Hempel subsequently published the Combined Code of 1999 which emphasises internal control and risk management as issues linking policies, processes, behaviours of an organisation to facilitate the effective discharge of corporate governance in its Code of Practice. Horwood (2001) insists that it is the Board that should agree and drive risk management policy and issues. Also highlighting the importance of this is Gaines-Ross (2008) who points to a study undertaken by Weber Shandwick indicating that 63% of a corporation's market value is attributable to its reputation. Additionally, they refer to another unnamed study which showed demonstrable benefits of a good reputation including recruiting success and greater positive visibility. They estimate that for each breakdown in reputation it can take up to seven years to re-establish public trust.

There are other factors at work that militate against the practice of corporate governance. These contribute to the complexity of the subject, given the variety of intermingled relationships involving a wide range of goals. However, the literature points to the issue of accountability and integrity of individuals, especially the leadership group within the organisation as a recurring subject in the field of corporate governance. The recent worldwide financial problems, created by the apparent dishonest acts of many chief executive officers and chief financial officers of major corporations, emphasize the importance of the subject. The huge US bankruptcies related to alleged frauds stemming from greed and wanton disregard are egregious examples of the lack of adherence to good accounting, disclosure, integrity and by extension corporate governance practices. Trinidad has had its share of corporate governance scandals most notably in the state sector (University of Trinidad and Tobago, Petroleum Company of Trinidad and Tobago, National Petroleum Company of Trinidad and Tobago and the Urban Development Corporation of Trinidad and Tobago, to name a few). The US organisations involved in these acts include such companies as Enron, Tyco, WorldCom, Healthsouth. This corporate misbehaviour and mismanagement of the late 1990s and early 2001 and the last lustrum has not been confined to the US; other examples of corporate governance necrosis obtains with Vivendi in France and Parmalait in Italy; the numerous corporate and financial bankruptcies in Japan and Korea since the late 1990s demonstrate that these companies have been similarly culpable. These infarctions have attracted widespread regulatory reaction, including the Sarbanes-Oxley Act in the US and the Turnbull, Myners and Higgs reviews, whose implementation is self-regulatory, alongside new corporate legislation in the UK (Coyle, Diane 2003). What motivated the actors involved in the corporate governance in these companies to undertake the perilous actions that caused their demise including significant reputational loss

to their organisations and themselves may never be fully discovered. Coffee Jr, (2006) makes an interesting observation that while there is fascination by corporate scandals of the past decade, the difficulty lies in how to prevent these scandals. He cites among other factors, corporate culture, conflicts of interest and declining professional standards.

As I alluded to earlier in this chapter, one of the chief reasons contributing to the focus being applied on corporate governance has to do with the separation of ownership (owners) from the direct daily act of management (Managers). The role of the executive managers, who directly and actively manage operations, has increased as a result of this separation of functions. It has also conditioned the formation of different groups, participating in such relations, each pursuing its own interests (Jensen, 1998; Fama and Jensen, 1983). This gives rise to the Principal Agent problem that exists in most corporations private or public. The principal agent problem occurs when someone is hired, thus becoming an agent, by an entity who needs work done, i.e. the principal (Eisenhardt, K., 1989). Problems arise because the principal and agent may not have the same agenda regarding goal congruence. The principal has hired the agent to pursue the principal's goals. It is dishonest, and often illegal, for the agent to pursue their own goals especially when it is detrimental to the principal. This concept is important for corporate governance because the upper-level management of a corporation can be seen as the agent, while the stakeholders can be conceptualized as the principal. In the case of a for-profit corporation, the agents are the chief executive officer and the executive staff. The principals are the shareholders and board of directors of the corporation. In the case of a government-owned company, the agent is the Board; the chief servant the Chairman, while the voters through the corporation sole represent the Principal. The Principal, Government, then appoints agents; the Directors, the Board, the Chairman to protect the voters' interests.

A variety of methods have been used to help align the goals of the agent with the principal in regards to corporate governance. Some of these methods include profit sharing, performance incentives, commissions and stock sharing. No matter what the specific method involved, the general idea is the same. The principal sets up a situation where the agent will benefit when the principals' interests are met. This is the reason many chief executive officers received large numbers of stocks as part of their compensation package. Embedded in the Principal/Agent problem is the concept of Agency Cost. This is caused by the divergence in management-shareholder objectives and information asymmetry. Circumstances can arise in an organisation where conflicts of interest between Directors and management can cause the pursuit of "selfish strategies" thereby imposing agency costs on the company. Another concept applicable in the consideration of corporate governance is the issue of economic efficiency. Economic efficiency is a process by which goods are produced, or services rendered, in a manner which maximizes the resources used (Sullivan and Sheffrin 2003). A system is considered efficient economically if any changes result in some entity being at a disadvantage as a result of the changes. Another requirement for economic efficiency is that no more goods or services can be produced unless more resources are used. Finally, the system is considered economically efficient if the production of goods, or delivery of services, is being done at the most minimal cost per unit (Sullivan and Sheffrin 2003). In other words, corporate governance can be considered economically efficient if nothing further could be gained by any significant changes made to the way the corporation or organisation is operated.

Another issue of importance within corporate governance is the stakeholder theory. This theory comprises a set of values and business ethics regarding the organisational management of corporations (Phillips and Freeman 2003). The theory provides a model which describes methods that management of a corporation can use to run

the business in a way which optimally benefits the stakeholders. In most countries, stakeholder theory is evident in business law. The shareholders, or members of a corporation, are its owners. The management of the company has a fiduciary relationship with the owners and is legally bound to look out for their welfare. In a for-profit corporation, this usually consists of increasing profits resulting in increased share prices. Other goals may be appropriate for nonprofit corporations or other types of organisations. In the more traditional input-output models, management was responsible for a company making a profit and benefiting suppliers, employees and investors. However, newer models which take into account stakeholder theory, point out that there are other parties for which management needs to be concerned. Some of these parties may include political groups, governmental bodies, trade unions, trade associations, communities, other corporations, possible employees, possible customers and even the public in general. Therefore, stakeholder theory takes corporate management to a higher standard than a traditional input-output model of corporate governance.

Development of Codes – Similarities

In examining the codes that exist and developments in other parts of the world, a ubiquitous sameness occurs for certain governance characteristics. Mallin (2010) identifies the development of codes and corporate governance strictures in a number of countries that take on this sameness. Regardless of the region where they do exist, the common and essential characteristics of good governance involve transparency, accountability, risk management, ethical behaviour, fairness, and social responsibility as outlined in the King Report South Africa (2003). Evidencing this further, in India the Kumar Mangalam Burla Committee report identified three key aspects, accountability, transparency and equality of treatment of all stakeholders. The Brazilian Institute of Corporate Governance in its code of Best Practice

in 2001, identifies transparency, accountability and fairness. Its Security and Exchange Commission in 2002 added accounting and auditing and structure and responsibilities of the Board of Directors.

In Australia, as described by Mallin (2010), the Bosch report on corporate practice and conduct is described as being similar to Cadbury of the UK and addresses Board structure, risk management, financial reporting and auditing and conflicts of interest. In 2003, the Australia Stock Exchange (ASX) identified ten core principles directed to role and responsibilities, structure of the Board, ethical decision making, integrity in financial reporting, disclosure of material matters, risk management, rights of shareholders and stakeholders. In China, where corporate governance is still in its nascent stage, the China Securities Regulatory Commission has issued a code of corporate governance based on the OECD's principles of corporate governance; an admirable act on the part of the Chinese. Closer to this geography, the Koreans through its Committee on Corporate Governance in its code of Best Practice address shareholders rights, roles of the Board, Audit Systems, rights of stakeholders and monitoring of management by the market (Mallin, 2010).

The Russian code of corporate governance issued by the Federal Securities Commission borrows heavily from the OECD principles addressing the fundamental, common and necessary areas of audit and accounting, risk management, transparency, ethics, and independence of directors. Similarly, the code drawn up by the Polish Forum for Corporate governance also known as the Gdansk Code, reflects the OECD (1998) principles and the Cadbury Code (1992), through the application of seven principles aimed at operating in the common interests of all shareholders to create value (Mallin, 2010). These countries are from areas diverse enough, each at different stages of development, yet the resounding push is to seek to practice the best as advocated by Cadbury and the OECD. In the Caribbean it is said that

there is no unified code of corporate governance. A useful question for debate is whether a code is needed for the Caribbean or whether each country should have its own code. I believe that the nature of a Code also needs to be examined, if only to answer the question of what makes the code compelling?

Trinidad and Corporate Governance

Over six years ago, the Caribbean Trade & Investment Report (2005) reported that Trinidad must examine and take into account the global events related to corporate governance and their lessons to be learnt. While the Caribbean has yet to establish a unified corporate governance movement, the first ever Caribbean-wide Corporate Governance Forum (CCGF) was held over the period 3-5 September 2003 at the Headquarters of the Eastern Caribbean Central Bank (ECCB), St. Kitts and Nevis. At the conclusion of the 2003 forum, draft recommendations for a Caribbean Code of Corporate Governance in Securities Markets were issued (Caribbean Trade & Investment Report, 2005). The reasons as to why progress has not been made to have such a framework in place are not quite clear and nothing exists in the public domain to lend an understanding of its apparent stall in midflight. In Trinidad there is no unified corporate governance code. There are laws such as the Financial Institutions Act, Companies Act of 1995, the institution of the Public Accounts Enterprises Committee, a parliamentary body that is supposed to receive the accounts of public or state-owned entities and hold the Directors and Officers to account. Despite this, issues related to corporate governance continue to be in the news. The issues have ranged from the somewhat important to the very important and sometimes disturbing. Recent controversy surrounding the actions of a state-owned entity brings the issues of how corporate governance is practised sharply into focus. It is noted that successive Ministers from different political parties with responsibility for state-owned companies have commented on the need

for good corporate governance to be practised in the state-owned companies. The following are examples of these frequent calls: the then Minister of Trade and Development and Minister in the Ministry of Finance, in 2002, at a seminar titled "Governance Structures for the efficient functioning of the state sector" acknowledged that the issues of "corporate governance had begun to occupy a pivotal position on the agenda for global development." The Minister during the delivery of his paper espoused most of the tenets of good corporate governance addressing the role of the Board, the role of the Ministers, and especially identifying accountability, reporting, and monitoring and evaluation of performance as key variables for achieving effective corporate governance. (Honourable Kenneth Valley, 2002). Of importance is that this call clearly recognizes the need and importance of good corporate governance by an authority with responsibility for it. Seven years later, the Minister of Trade & Industry and Minister in the Ministry of Finance in a speech to seminar participants stated that SOEs have a critical role to play in the development of the country. In this regard he recognized that the Government needed to apply more focus on governance arrangements. The Minister saw no difference in the manner of operations of the SOEs as compared to private-sector organisations and stressed that SOEs should be working to attain "economic efficiency through better allocation of resources; transparency and accountability in all operations of the companies; and adherence to the rule of law." The Minister went on to highlight the improved governance of SOEs as an "important public policy objective". (Senator the Honourable Mariano Browne, 2009). Driving further at the importance of this issue is Dimma (2002) who points to the integral role played by the Chairman whom he describes as the leader, not to compete with the CEO. He urges that the Chairman must create the environment that demonstrates that governing and managing are two different things.

The reading of the literature and the information available suggests that there is a type of push and pull which occurs with a government-owned entity. Some of the forces, predominantly the political ones, push the corporation to integrate its interests with the government. Other forces, such as profits and performance, encourage the corporation to be more autonomous from the government. Assumedly, this situation must present a dilemma for the organisation as it appears that the objectives of both will be denied congruence as its ownership is through the state whose face is the politician who wields power over the state-owned entity, thus the political push can create tensions for the corporation. What is the root cause of Board failure or corporate governance mishaps such as those that are played in the press is of interest to the researcher. It must be known so that it can be acted upon. Given the preponderance of "bad press" there must be an obvious loss of confidence by the public in the stewards of the state companies that continually appear in these reports. An increase in the stock of transparency and accountability on the governance of the affairs of these companies is certainly necessary if it is to be said that Trinidad and Tobago has effective corporate governance in its state-owned companies. Almost without fail, state companies under successive governments obtained prime-time news and headlines in governance scandals. These range from the sometimes mundane to the startling and invariably revolve on contract awards, bid rigging and nepotism; it is almost as if these companies are the purveyors of corruption. The effects of corporate governance go beyond the immediate corporation; as Mallin (2010) correctly points out, there are various stakeholders adjoined to a company, good governance or bad governance therefore can cause a sense of pride or undermine the institutions involved. In a practical manner, Dimma (2002) acknowledges that there is no guarantee that dishonesty will not find its way into the Boardroom, however with proper governance, the likelihood of malfeasance and its impact can be decreased. Surely, the continuous assault on the country's reputation by corruption allegations must be noxious. Even

more insidious must be the effect on the culture of the people and its long-term impact to society.

Conclusion

The examination of corporate issues in Trinidad and specifically those which create dilemmas for corporate governance are stated by the Caribbean Trade & Investment Report (2005) to be of the nature that requires that Trinidad "...take into account developments in the rest of the world and the lessons to be learnt." (Caribbean Trade & Investment Report, 2005). If this were so, then elements of corporate governance of state-owned companies can be conceptualized as consisting of organisational purpose, ownership, legal characteristics of powers, accountability, financing arrangements, board arrangements, corporate strategies and management. Further, the Board's constitution and board appointments, membership, rules and procedures of the Board will exist as critical elements of the corporate governance process. All of these factors are important because of the ways in which corporate strategies are intertwined with the specific characteristics of corporate governance.

The Directors of state-owned companies are responsible for protecting and efficiently using public resources at their company's disposal to prevent the disastrous results often experienced with governance failures. Avoidance of failure inherently requires a high level of accountability from the Chairman, Directors and the Chief Executive Officer of the company. However, if the executives are burdened with an overly complex and time-consuming governance process of accounting for their practices, the company they are leading may lose sight of its objectives and its efficiency and effectiveness will suffer. Notwithstanding, the public requires and must be provided with a high level of accountability from the Governors on the use of public funds. This, as an example, acknowledges that there is a push and pull of

demands that must create problems for the discharge of the respective duties in the governance process. Nonetheless, the practice of corporate governance must be tirelessly pursued if the tenets of accountability, transparency, risk management, and ethics are to benefit the country. The list of stakeholders of a state-owned company is quite long and includes civil servants, politicians, ministers, legislature, political parties, competitors, consumers, shareholders, bankers, lenders, the media. It matters significantly that trust, integrity, responsibility, and accountability as essential elements of corporate governance and critical to the long-term benefit of the organisation, are practised by the company. While these elements are ideals its relative attainment is directly dependent on the practices of corporate governance by the Directors controlling the state-owned entity.

In covering the terrain of corporate governance landscape it is clear to me that corporate governance practices and principles are applicable to state owned companies in Trinidad and Tobago. The literature clearly shows that accountability, risk management, Director independence, transparency and ethics are hallmark features of good corporate governance. Consequently, my research interest pivots upon how the key corporate governance player, in the form of the Chairman of the Board, perceives, and understands how corporate governance is deployed to mitigate risk, enforce accountability and to protect shareholders. It is intended to uncover how the participants view their understanding and the practice of corporate governance. I am reminded that regardless of the countries' legal, cultural and political context, corporate governance codes have been driven by the exigencies of transparency, accountability, and increased confidence by the public (Mallin, 2010).

CHAPTER THREE – RESEARCH METHODS

Introduction

This Chapter describes the theoretical foundations of the research methodology that I have selected to examine the phenomenon of dilemmas of corporate governance in state-owned companies in Trinidad and Tobago. Importantly, it identifies the approach and methods that I have used for data collection and analysis within the research phenomenon. A framework for the collection and analysis of data must comprise, amongst other things, elements of a research design. Research design by necessity ought to reflect contemplations about our epistemological stance, that is to say, our knowledge of knowledge and ought to establish how we perceive reality or our ontology and ought to draw on the relevance of prior experiences, and the substantiation of our philosophical outlook. This chapter, therefore, sets out to outline the purpose of the proposed research, the selected research methodology, some of the main research paradigms, the importance of locating epistemologies and their relevance within research, the sufficiency of the number of interviews conducted and the understanding of theoretical perspectives that guide our research methodologies and the methods of research. Importantly, it sets out my own positions in respect of these issues and identifies the research methodology that I have selected as being appropriate to the phenomenon under investigation.

Purpose of Research

Corporate governance is an extremely complex phenomenon and the readings of many sources such as contained in Chapter Two and evidenced in the bibliography show that its application in the state-owned company sector has been little researched. This is surprising

because it is an indispensable process within the overall functioning of any business organisation (Mallin (2010), Cadbury (1992)), as it acts primarily in the interests of the owners or shareholders. In the introduction, I stated that dilemmas best describe those problems that are chronic and intractable but soluble. Particularly useful for me is Talley's (2003) view that dilemmas also exist when there is a commitment to two incompatible goals often accompanied by frustration and mystery. This resonates exceedingly well with me and serves as justification for the title of the research.

Anecdotal evidence of the state of affairs in certain public-sector entities in Trinidad and Tobago suggests that there are dilemmas at work in the discharge of corporate governance. I believe that these dilemmas are worthy of investigation. Consequently, my research interest lies in securing a grasp of the informants' understanding of what is corporate governance; how it is practised and how it is understood. I am driven to ask if it works, and what the key impediments are to its effective working and the importance its key facets: accountability and risk management. The underlying purpose of the research, therefore, is to understand from the informants' viewpoint, their lived experiences on corporate governance. These informants have occupied or are occupying positions of Chair of the Board of state-owned companies and they are experienced and exposed to the specificity of the environment; consequently, their views, understanding, and perceptions are crucial to surfacing the existence of dilemmas. The objective of the proposed research was therefore threefold: 1) it identifies the dilemmas that compromise the discharge of corporate governance in state-owned companies; 2) it describes and defines these dilemmas, establishing their causes; and 3) it presents a pathway for high-level solutions.

The research methodology I have chosen is qualitative in nature and rests on an interpretivist theoretical perspective. Further, the research methodology is informed in a large part by Thomas's (2006) general

inductive approach model which is grounded in the texts from the interviewees while the research method relies largely on interviews based on semi-structured and open-ended questions designed to obtain the participants' understandings and lived experiences of corporate governance, accountability, and risk management. The application of the general analytical induction methodology on the corpus of interviewee data has successfully led to the emergence of useful patterns that has allowed an explication of the dilemmas within the discharge of corporate governance in state-owned companies in Trinidad and Tobago.

Finding the Methodology

I believe that it is important to provide the reader with an explanation of how I arrived at this particular research methodology. I must admit, however, that while the view as to how to carry out the study was not immediately clear; the research objectives were clearer; the issues of methodology, ontology and epistemology, Crotty (1998), Gill and Johnson (2006), were not conscious considerations. Having a basic understanding of the concepts, I confess to an ontology and epistemology that is mostly objectivist in nature. While I have struggled somewhat to derive an understanding of the epistemological and ontological concepts, I have been enlightened by philosophical traditions that inform an ontology and epistemology. Conceptually for me, epistemology has to do with one's belief about how an individual discovers or comes to know what knowledge is about the world. Epistemology, therefore, is what matters as knowledge. Such questions are fundamental: Does statistical inference apply as knowledge? Are the results of interviews knowledge? Is the observation of people or events the basis for claiming knowledge? One's position on these could be said to be one's epistemological position. Ontology, on the other hand, is about thinking of assumptions of the world and how it is made up, it is the essence or the nature of things, the study of being.

Ontology then considers the kind of knowledge, objective or subjective: It asks, Do things exist objectively or subjectively? A position on this is said to be one's ontological position. Ontology, therefore, as I understand it, is the study of being, existence and the nature of reality, subjective or objective.

I have identified a general inductive approach as my chosen methodology, which, to the mainstream positivist might not appear intuitive. According to Johnson and Duberley (2000), key to the objectivist ontological and epistemological perspective within a positivist framework is the reliance on "a theory neutral observational language. This means that the observer is quite independent of the observed and consequently holds an objective view of what is being observed. However, in my case, the interest of the research and the manner in which responses are required mean that the human account of corporate governance is crucial to understanding. The need to understand the account of corporate governance from the informants, who have an internal logic of their own, suggested that interpretation of the accounts of the informants must be applied in the investigation. For me, therefore, there is no standing back and observing; this detachment of the observer in my opinion cannot get to the understanding of the actor's internal logic. This is bundled into what I term an inescapable reliance on the internal logic of human beings which I accept as an unavoidable feature in human existence. Meaning or interpretation attaches to phenomenon through being human (Gill and Johnson, 2006). Simply put, I believe the human is disposed to an interpretation of things around him. Interpretative approaches to research then is most appropriate for explaining human action and social science. I also accept that a researcher is positioned along a particular epistemological path dependent on the philosophical assumptions held. Burrel and Morgan (1979) argue that the exclusive use of a law-like or nomothetic methodology will accompany a positivistic philosophy. On the other hand, and resonating well with me

in the context of the research topic is the enablement of understanding or verstehen from an epistemology that is interpretative.

According to Johnson and Duberley (2000), researchers like me who hold the objectivist ontology and epistemology have available to them two approaches to management research; positivism and neo-positivism which are both reliant on the previously explained theory-neutral observational language. However, a bifurcation of the two occurs over what is understood to be observable; here, the neo-positivists or neo-empiricists argue that human behaviour in the organisational context can only be understood through their interpretations of reality, that is to say, access must be gained to the participant's subjectivity. My belief that an interpretative framework is necessary for my corporate governance research is born from this realization and rests on the fact that human beings have an internal logic of their own. Further clarification of this important research element came from Johnson, Beuhring, Cassel and Symon (2006) who, drawing from the work of Alvesson and Deetz (2000) and Denzin and Lincoln (2005), suggest an incompatibility in the approach of the natural sciences to study the social world. For me, the argument here is that inanimate or insensate objects do not behave the same as human beings; human beings have an internal subjective logic of their own. Quantitative measures normally associated with positivism, therefore, as supported by Guba and Lincoln (1994), cannot meaningfully represent the informant's inter-subjectivity from collected data. Interestingly, however, Johnson et al (2006 p.138) quoting Alvesson and Deetz (2000, 60-74), state that neo-empiricism allows the "possibility of unbiased and objective collection of qualitative data." So, neo-empiricists are essentially qualitative positivists relying on qualitative methods to develop patterns in the inter-subjective meaning. Explanation is therefore obtained from deploying analytic induction as an example. It is here as pointed out that neo-empiricists can operate within an interpretative framework and can claim validity for their research (Johnson et al, 2006 p.138). So, for

me, the desire to know and to understand has to be through some sort of induction, what the participants see, feel, and know; my aim is to develop an understanding through detailed analysis of the qualitative material.

Understanding and Arriving at a Theoretical Perspective

Before I get into describing the research methodology I adopted, it is perhaps appropriate to first introduce some important aspects that also helped to identify and confirm its selection, specifically, epistemology and theoretical perspectives. I believe that very few researchers approach their research by first stating their ontological belief, their epistemological stance, and their theoretical perspective. In my case I was quite aware of what I wanted to research and knew that it would have to be done through questioning, through interviews. However, Crotty (1998) addresses this issue of ontological belief in a straightforward manner in positing that any research proposal must begin with answering two questions first: what methodologies and methods will be employed? And how do we justify the choice and use of methodologies? Clearly, these questions when asked do not conjure conscious thoughts of ontology and epistemology at first pass.

Upon closer examination of the second question, I unavoidably had to contemplate assumptions of what my view of reality is. This view was at first confusing as I remember in class, on many occasions I was actively seeking and questioning which theoretical perspective "box" I fell into. Although I was advised by most of the attending lecturers at Sheffield Business School to avoid the temptation to yield to a "box", I found it difficult at first to accept their positioning. However, through further reading and self searching, the urge to place myself in a box or to apply a straight-off label was eventually abandoned as I saw the wisdom of Johnson and Duberley (2000) surmising that a researcher rarely applies a specific label to themselves. Lincoln and Guba (1985), Johnson and

Duberley (2000) go further to suggest that individuals adopt positions dependent on what they are researching and what they aim to argue at a particular point. The sequence they outline has appeal to me, it is a fit "for purpose approach," not dissimilar to the TQM tenet espoused by Juran. However, Hussey and Hussey (1997) captures the issue, making it clearer for me, by positioning that the methodology chosen should be a reflection of the research paradigm.

Also illuminating the issue further, is the usefulness portrayed in the quadrant presented by Johnson and Duberley (2000). Its usefulness is established by its range of theoretical perspectives that are defined by the intersection of the ontological and epistemological choices made by the researcher. The figure below describes some of these approaches on a matrix of objectivist and subjectivist ontological and epistemological bases and I list two perspectives that are of interest to me:

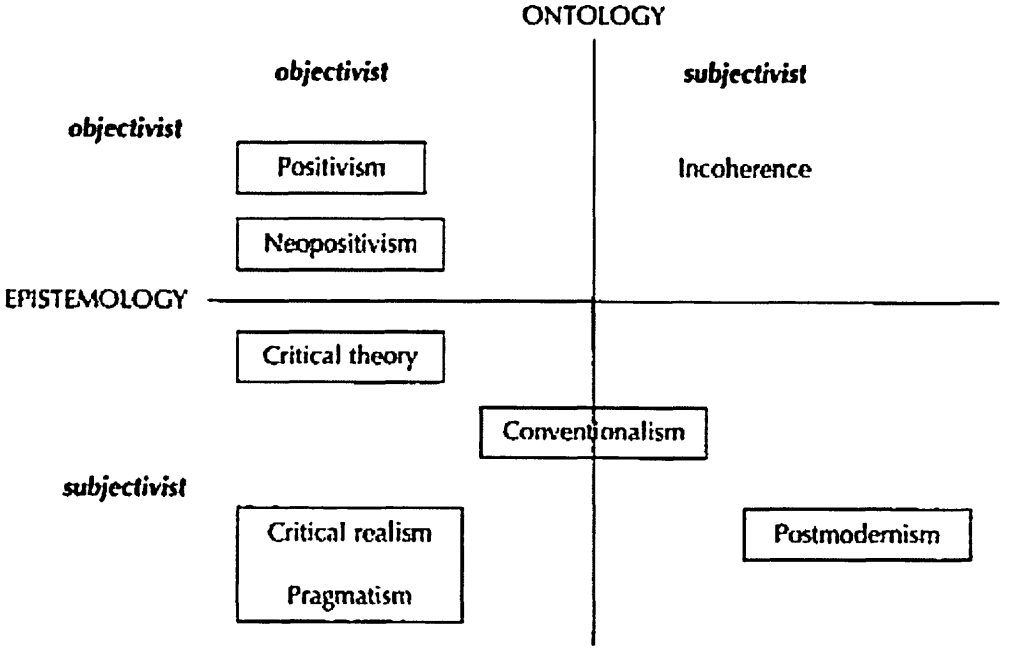


Figure 1: Theoretical perspectives (Johnson and Duberley, 2000)

Positivism

One of the main theoretical perspectives of scientific research is that of positivism. Positivism assumes that there is a knowable reality that exists independent of the research process. It further states that the social world, similar to the natural world, is governed by rules, which result in patterns. Accordingly, causal relationships between variables exist and can be identified, proven, and explained (Hesse-Biber and Leavy, 2006). Furthermore, this truth is "value-neutral, ahistorical and cross-cultural" (Crotty, 1998), and thus is true at all times and in all places. This theoretical approach specifies that it is possible for the researcher to identify and understand an underlying truth and apply it across a number of situations. Accordingly, Hesse-Biber and Leavy (2006) describes this approach as the basic foundation of quantitative research approaches (Hesse-Biber and Leavy, 2006). Common positivist research methodologies include surveys and experiments (Crotty, 1998). This I did not consider appropriate for researching the corporate-governance phenomenon as it could not get to the actors' subjectivity and internal logic.

Inductive Interpretivism

Inductive interpretivism draws a clear line between research in the natural sciences and the social sciences, noting that natural properties of substances are fundamentally different from human interaction. It is here that I found resonance with the positions of Willis, Jost and Nilakanta (2007). In this approach, the positivist view of a single underlying truth is explicitly rejected, as is the notion of discovery of that truth. Instead, knowledge intended to reflect on human interactions is comprised of fundamental truths, environmental influences (both direct and indirect) and perceptions and past experiences of the person in question (Willis, Jost and Nilakanta, 2007). This approach is fundamental to qualitative human research and is the

basis of methodological approaches such as grounded theory, analytical induction, general inductive approaches and action research (Willis, Jost and Nilakanta, 2007). Khun (1970) adds further clarity by telling us that that interpretivism is a research paradigm, an orientation, a system of thinking similar to positivism and realism.

Further solidifying the decision of the chosen research methodology is the contemplation of the questions, previously outlined, as put forward by Crotty (1998); it is through this contemplation, that I was able to locate my theoretical perspective. This theoretical perspective refers to the philosophical stance, whether critical realism, critical theory, positivism or post modernism, that the researcher uses to allow resonance of a methodology. My understanding, therefore, is that the researcher's view of the world shapes the research. Since interpretivism is used to investigate the research phenomenon in seeking to understand the actors' views of reality in corporate governance, my research perspective therefore is considered to be interpretivist in an inductive fashion concerned with understanding or verstehen.

Coming through this journey I understand now that the essence of the theoretical perspective of the researcher can necessitate the sincere examination of what is understood by human knowledge, what it is made up of, what its essential characteristics are of that knowledge, and what the readership of the research views and assesses the research outcome to be and the reason why the readership should rely on it. The foregoing led me to a journeyman's appreciation that these are essentially epistemological questions. I like the fact that in an almost logically sequenced manner, this leads to an understandable acceptance of Crotty's (1998) proposition of there being four basic questions of any research process: What methods do we propose to use? What research methodology governs our choice and use of methods? What theoretical or philosophical perspective lies behind the research methodology in question? And what epistemology informs this

theoretical perspective? (Crotty, 1998). It is through the relationship of these four acting in tandem, that I better understood epistemology and obtained endorsement for the methodology that I have chosen.

These relationships are highlighted in the following diagram:

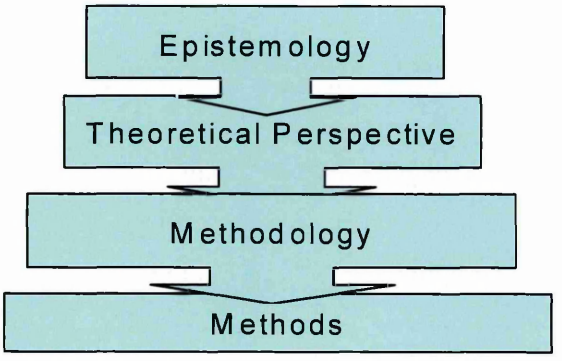


Figure 2: Epistemology to Methods Adapted from Crotty (1998)

With Crotty's help it became easier to understand how a researcher can locate his or her theoretical perspective and epistemology by beginning with a research idea and methods that are applicable. I knew clearly that the informants had to be interviewed since I strongly believe that no statistical sampling could reasonably or adequately be used in this case to describe or explain how the Board Chairmen understood corporate governance and viewed its practice. This then led reasonably to the feeling that inhered in some sort of inductive approach, and it is at this point that the sweet spot was located. The location of the sweet spot is a eureka moment, since having reached to the point of knowing that it was induction, the realization that it would have to be interpreted in the social or human context meant interpretivism; finally, the anxiety of not understanding how it would come together gave way to sense making. The theoretical perspective lent itself to sense making which made it easier to appreciate the objectivist epistemology. How to conduct research that seeks to understand informants in the area of interest really began to make sense and reaffirmed that an inductive approach within an interpretative framework was as applicable as any other researcher's justification for a different approach. Borrowing from

Crotty (1998), the following diagram shows the relationship in a left-to-right fashion, between epistemology and methods utilized:

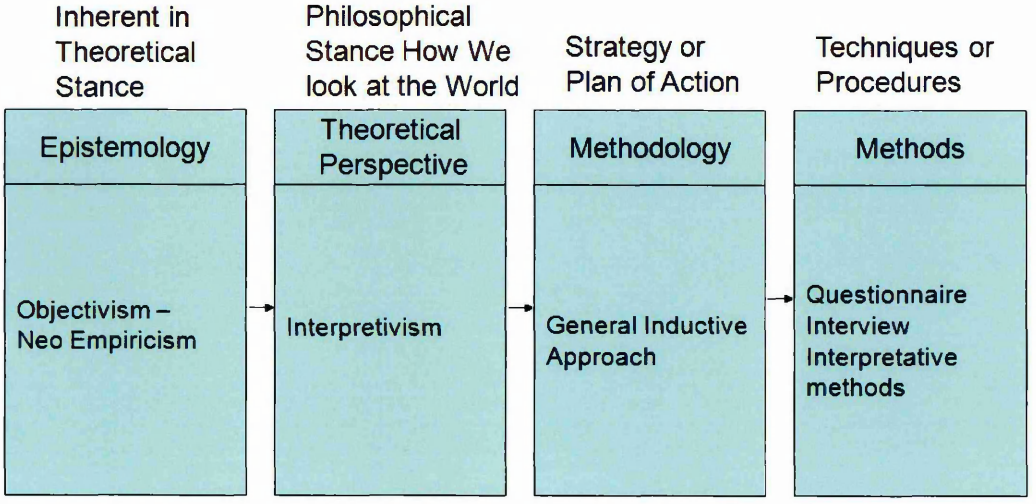


Figure 3: (adapted from Crotty (1998))

The Chosen Research Methodology – General Inductive Approach

As I stated earlier, I feel comfortable deriving knowledge from sense experience, thus making it easier for me to accept that I can be said to have an empiricist epistemology. However, I believe that a strict empiricist approach will not enable the understanding of lived experiences of the informants in the corporate governance process, since they, as much literature describes and agrees, have an internal logic of their own. The desire to understand and know, through some sort of analytical induction, what the participants know, feel, sense and interpret, is paramount. My pre-understanding and personal experiences of events in Trinidad and Tobago related to matters of corporate governance in state-owned companies suggest that there might be dilemmas at work. This does not coalesce with a deductive approach that there is an existing theory, rather it strikes a chord with an inductive approach that generates patterns or themes based on empirical data; I must ask basic questions: Are there dilemmas? What are they? The methodology then is employed to understand the

Chairman's perception and interpretation of the corporate governance space. I believe, therefore, that the epistemologies and theoretical perspectives of a researcher provide a clear path to an applicable research methodology; in my case, I am seeking to get an understanding of how people make sense of corporate governance in the state-owned public company sector.

After careful consideration, and a strong visceral feel, my chosen research methodology is essentially general inductive approach; it is an approach that is rooted in analytical induction. A useful definition of analytical induction comes from Johnson who argues that it is "the intensive examination of a strategically selected number of cases to empirically establish the causes of a specific phenomenon" (Cassell and Symon, 2004). Essentially, analytical induction sets out to generate theories based on observation of the empirical world and as an approach is reliant on a detailed reading of raw data to identify concepts, themes or models that are then subjected to interpretation by the researcher. Consequently, the multiple readings and interpretation of the interview texts is the inductive component. According to Thomas (2006) analytical induction can be classified or labelled as a part of a general inductive approach. Very important for me was the description offered by Thomas (2006) who appropriately describes the general inductive approach as a user-friendly one with systematic procedures that can produce valid findings on a corpus of qualitative data. This for me held significant appeal because of its relative simplicity. This inductive-analysis approach utilizes detailed readings of interview data, the raw data, to draw out themes. This almost forensic reading of the interview data is then subjected to interpretation of the themes or concepts that come from the reading. Inductive, then, is about deriving meaning from data through the development of patterns. In this regard, there are three meaningful and useful purposes as outlined by Thomas (2006) of the general inductive approach:

1. To condense extensive and varied raw text data into brief summary data format;

2. To establish clear links between the research objectives and the summary findings derived from the raw data and to ensure that these links are transparent and defensible, and

3. To develop patterns or themes about the underlying structure of experiences that is evident in the text.

Item #2 is a key and amenable one for me. The research questions set out to obtain the informants understanding and perception in the context of whether there are dilemmas of corporate governance in state-owned enterprises. The research findings have, as we shall see in Chapter Five, rewarded the approach. The general inductive strategy, therefore, relies on the reading and re-reading of raw interview data and interpretation of the reading of the data in the context of the research objectives. As Thomas (2006) points out, research objectives are not intended to set expectations for specific findings; rather, it is to provide the domain of relevance for the analysis. Categories are then sought from the raw data which are placed into a framework containing themes built by the researcher inherent in the analysis of the raw data. Findings emerge from the interpretations of the raw data through the use of categories, category descriptions, text associated with categories for linking meaning, links indicating relationships in a parent-child fashion towards commonality in meaning between categories.

Thomas (2006) in the *American Journal of Evaluation* (p.241) demonstrates via the following table how the major issues within general inductive approach are addressed:

Issue	General Inductive Approach
Analytic strategies and questions	What are the core meanings evident in the text, relevant to evaluation or research objectives?
Outcome of Analysis	Patterns, themes or categories most relevant to research objectives identified
Presentation of Findings	Description of most important patterns or themes

Essentially, then, I understand the general inductive approach, within the context of the proposed research area as a suitable strategy for data analysis which involves inductive reasoning to best represent the reality of the corporate governance dilemmas, which is the subject of this research. This is achieved through data-reduction processes that move from obtaining meaning based on interpretation applied to the data to develop themes. Approaches such as these have been described as inductive and analytical induction. Analytical induction uses an iterative process of data collection and analysis, in which the researcher collects data and analyses it either side by side or in several sequential steps. The research begins with data collection and analysis, which then lead to either a construction or a refinement of a hypothesis; subsequent rounds of research further focus the researcher on the given hypothesis until a final conclusion is arrived at (Hesse-Biber and Leavy, 2006). The general inductive approach stops at patterns or themes while analytical induction moves further to theory building. The methodology, therefore, is based on the methods that lend themselves to undertaking credible research. I felt comfortable starting with the research idea and building on a pattern like Crotty's (1998); I began to appreciate better the applicability of the methodology.

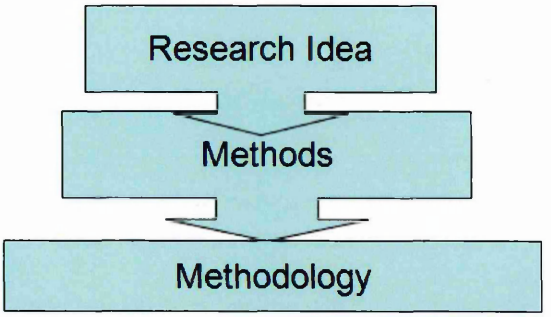


Figure 4: Arriving at a Methodology

The patterns that have been surfaced as shown in Chapter Five have been facilitated by the analysis and interpretation that came from the data and not from a previously and steadfastly held model. As outlined in the introduction and aims, my hunches were based on anecdotal evidence.

Methods within the Methodology

My theoretical grounding in interpretivism holds that the existing knowledge of the researcher is key to understanding the outcomes of the research and that the knowledge derived is not simply discovered by the researcher but is created by the act of inquiry, also supported by Potter (2006). The methodology I utilized is essentially the general inductive approach described by (Thomas 2006), grounded in a body of data, in which theory is derived not from analysis of other theoretical situations but from the research; this will be used to support the research method (Goulding, 2002). The research covered ten actors, specifically, chairmen of state-owned companies involved in corporate governance in the public and government spheres, in accordance with the purpose and methodology chosen. In my view, the chairmen are held to be integral in the governance process as they act as the chief servant of the Board. Since the authority of the Board is singular in its voice, the views of those who lead in this integral component of governance are more than important; they are vitally crucial, indispensable. The interpretative analysis is absolutely reliant on the

viewpoints and statements of these informants which makes the method of data collection important.

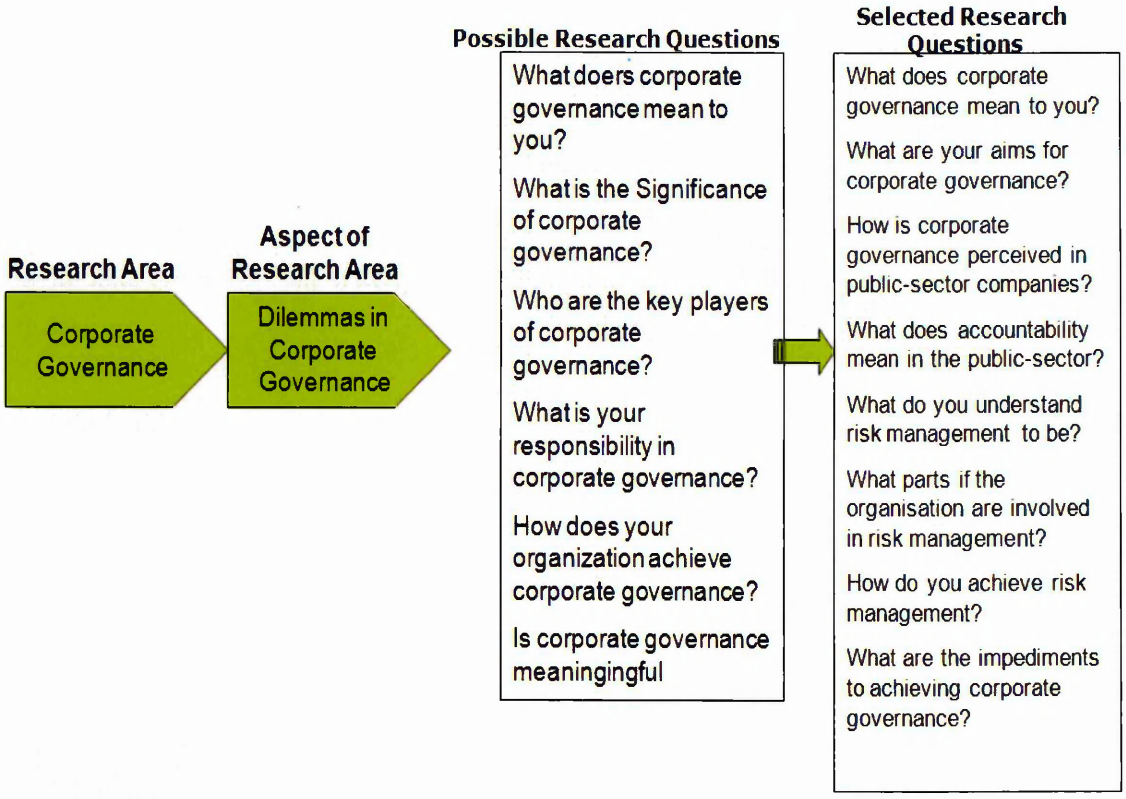
The primary data collection method I used was the interview, which was designed to elicit information regarding the purpose of the study. Interviews are suitable when the researcher wants to fully understand someone's impressions or experiences, or learn more about their specific answers to questions. The advantages of the interview lie in the solicitation of a full range and depth of information, and in the development of a relationship with the interviewee which allows for flexibility. However, the researcher must be aware of the following pitfalls: it can take much more time to complete; data obtained can be hard to analyse and compare; it can be costly; and, importantly, it can cause the interviewer to bias the interviewee's responses.

Pivotal to the successful research analysis and outcome, therefore, is the nature of questions to be asked during the interview. It stands as reasonable and necessary that these questions be clear, that is to say they must be understood to the researcher and to others. They must also, as part of their very fabric, be researchable questions and so should be capable of development into a research design, so that data may be collected in relation to them. This means that extremely abstract terms are unlikely to be appropriate. They should be logically linked. Unrelated research questions are unlikely to be acceptable, since the researcher should be developing an argument or narrative product. They, at the very least, should hold out the prospect of being able to make a contribution to knowledge – however small – to the phenomenon under study.

The interviews were constructed using techniques such as those proposed by McCracken (1988), in order to not only encompass the immediate research problem, but also to identify cultural, social, and other experiential and perceptual bases of the interviewee (McCracken,

1988). As suggested by Crotty (1998), these interviews were recorded and then transcribed, the transcription was provided to the respondents for verification. As supported as well by Creswell (1998) I chose to record and transcribe interviews in order to provide an increased level of verifiability to the research and to allow for the identification of key words, phrases and coding for later interpretation.

Several questions were considered before arriving at the questions that were asked during the first two interviews. The following diagram shows how the questions came to be asked in addressing the phenomenon under inquiry.



Broadly, the questionnaire was designed to capture the following:

- Understanding of what corporate governance means
- Perception of how corporate governance operates in the state companies Trinidad and Tobago
- Impediments to corporate governance

- The understanding and practice of risk management as part of the governance process
- Understanding and practice of accountability within the state-owned companies and how it works

The questions were open-ended, primarily to elicit from the informants an abundance of information; variations of the questions occurred after the first and sixth interview. The variation arose based on the need to seek additional detail on reflection of the responses provided after the first interview. As an example, and after the first interview, a key question was changed: informants were originally asked, *"Is corporate governance an issue for the public sector? What are the effects upon organisational structure and process?"* Although useful responses were provided, the question was changed to ask, *"How is corporate governance perceived in public-sector companies?"* The twin objectives of this change made the question direct and focused. Similarly, after the sixth interview, the question *"What are your aims for corporate governance in your organisation?"* was changed to *"What do you understand corporate governance to be?"* Again, this is direct, capturing the interviewee's understanding of the phenomenon. The questions were, therefore, structured to guide the conversation for coverage of the key areas. Even when participants strayed from the direct question, sufficient useful data was nevertheless obtained. The overall direction of the questions allowed for consistency or consistent views and perceptions for the subsequent analysis. The first three interviews were recorded via handwritten notes and then typed; while offering extremely valuable information it was considered insufficient. The switch to having the interviews recorded provided a greater and deeper set of data with which to work. The transcribed interviews were then decoded after and as a result of multiple and punctilious readings. The interviews were conducted in the participant's workplace so as to have them in a comfortable and familiar environment, one that was non-threatening. To further strengthen the process, interviewees

were assured of anonymity; it was explained that only the researcher, the second reviewer and Sheffield Business School would know the identity of each interviewee. This fact provided much needed assurance for the preservation of anonymity.

Developing the Interpretative Model Matrix

After multiple readings of the interview literature and the decoding of it, I decided to create a matrix, a list of key word and phrases arranged in groups on the basis of synonymity and similarity of meaning. From this linguistic organisation, I began to discern the formation of clear groupings, which, when described, analysed and refined, became patterns. Developing a matrix containing key words and phrases used by interviewees to provide an appropriate means of decoding the interviews has proved quite useful. These key words in conjunction with allied phrases assist in suggesting patterns, the dimensions of which are identified and discussed.

The following diagram provides a view as to how I utilized the questions and the iterative approach consistent with the general inductive approach.

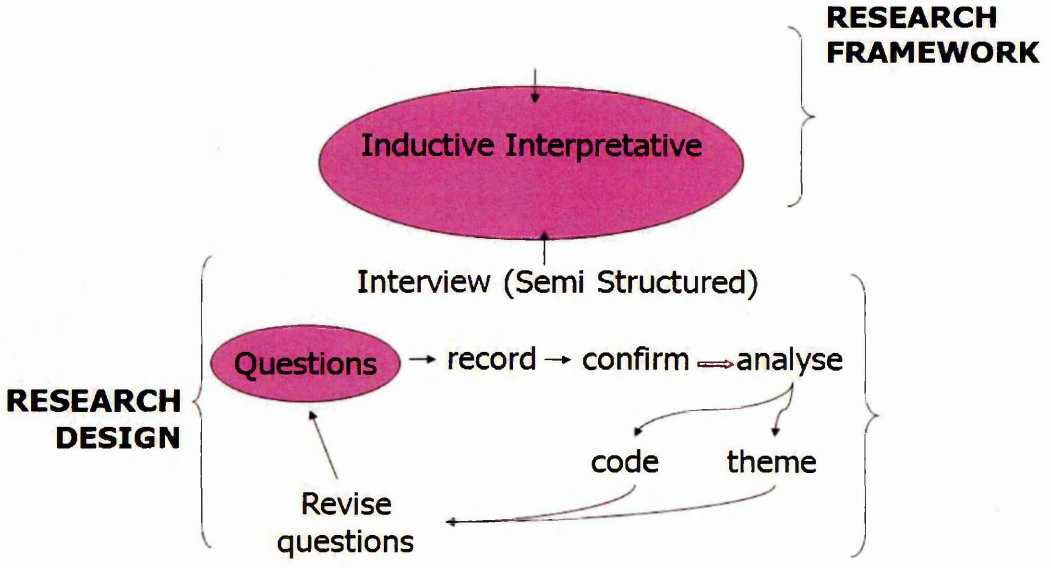
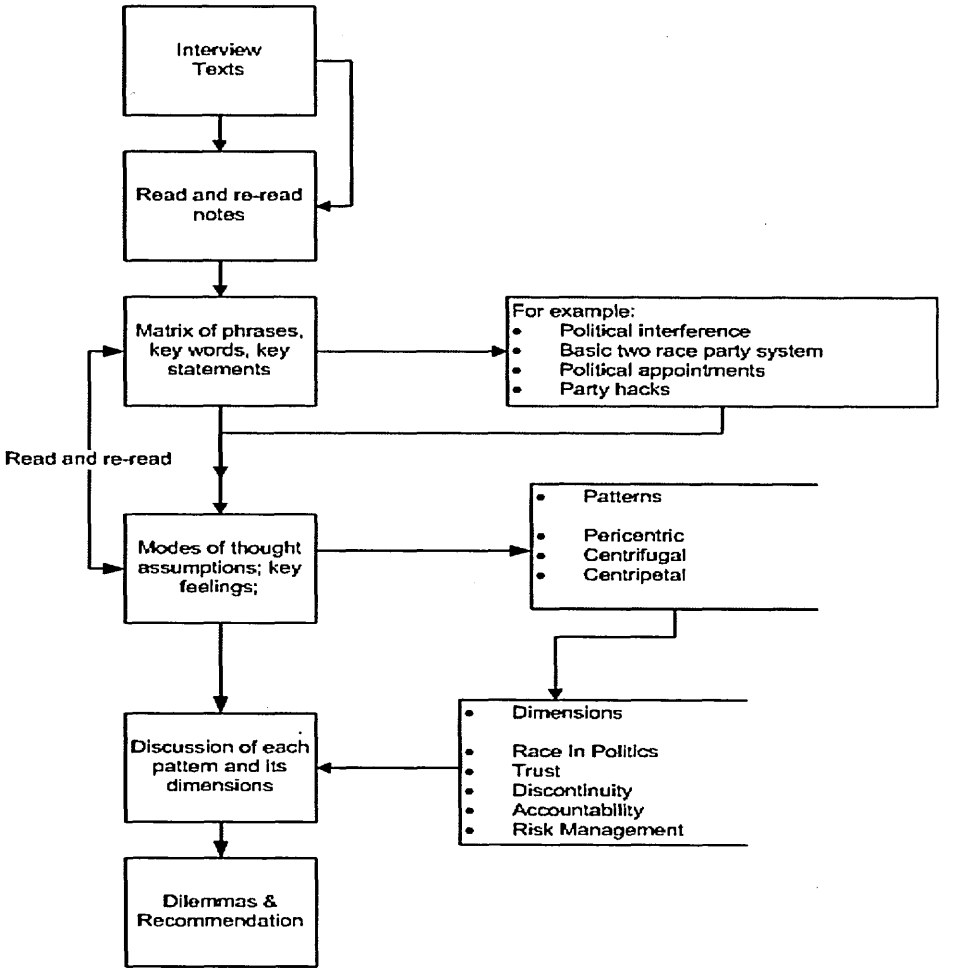


Figure 5: Research framework

Similar to what Zikmund (2003) prescribes, I began the process of inductive analysis, first creating a matrix of phrases and keywords from the interview transcripts. Further reading and comparison of the respondents' texts led me to group these into modes of thought; continued re-reading and analysis then led to forming of concepts in order to determine how the research is indicative of specific themes or patterns. I was then able to examine the output of the interviews and analysis process and determine what, if any, themes or existing understandings can be applied to this research area (Goulding 2002).

Consistent with the general inductive approach outlined by Thomas (2006) the following diagram offers the refined view of the process utilised to capture the matrix of key phrases, key words and statements as well as the process utilized in arriving at the interpretations offered in Chapter Five. In summary, three key patterns were identified through the following process. The patterns derive are described as the pericentric, centrifugal and centripetal. Each of these patterns carries what I refer to as dimensions which are indicated via sub-headings in the narrative to each pattern; they reflect discussions and issues that arise from the text and the interpretation. A full description of these patterns is offered in Chapter Five.



According to Hesse-Biber and Leavy (2006) in some cases the researcher may not begin to look for a theoretical framework that might apply until after the first round of data collection and analysis. During the analysis process of analytic induction, as in grounded theory, the researcher will look for specific relationships and categories into which the outcomes of the research may be grouped, in order to allow for a holistic understanding of the research subject (Hesse-Biber and Leavy, 2006).

Sample Size, Redundancy and Saturation

My analysis and interpretations were derived from the texts compiled from ten interviews with Chairmen of state-owned companies in Trinidad and Tobago. An obvious question to an interested reader will necessarily ask whether ten is enough. The issue of what is an

appropriate sample size when conducting qualitative research has been the subject of much debate by researchers. Much depends on the protagonist's orientation. Sandelowski (2007) points to a misconception in qualitative research that numbers are unimportant in ensuring the adequacy of a sampling strategy. I was of the opinion, based on my epistemological stance, that too small a number cannot support a claim of theoretical saturation or informational redundancy. Sandelowski (2007) addresses this discomfort by positing that judgement on the part of the researcher is key; adequacy of sample size is dependent on evaluating the quality of the information obtained, the research method utilised and the intended use. Others like Greenhalgh and Taylor (1997) tells us that qualitative research is not standard and unconfined; the research should point to why the research was done and what it addresses? This is in harmony with what I had set out to accomplish: to explore and obtain a deeper understanding and to interpret. The reasoning, therefore, is inductive and the sampling method is theoretical; strength comes through reliability; the researcher must describe in detail where he is coming from so that reasonable interpretation may take place. (Greenhalgh and Taylor, 1997)

Sandelowski (2007) suggests, agreeably, that the real task is to find a systematic way of analysing the data to determine whether the results are sensible and if they matter. The strength of the qualitative research is its closeness to truth or validity. What is clear to me is aligned to what Johnson, Buehering, Cassel and Symon (2006) offers us; qualitative research is an umbrella term for a variety of non-statistical techniques. For those that accept methodological monoism, it means as Ross (1991) argues, (quoted in Johnson et al (2006)) certain knowledge can only be derived from natural science methodology. This, agreeably to me, ignores socially derived subjective perspectives. Despite my natural inclination to do so, I could not arrive at a comfortable position whereby statistical techniques could have provided

me with the answers that I sought. The lived experiences were of utmost importance.

Bearing in mind the opinion that judgement regarding sample size should prevail, the question still looms: how much is enough? What is an appropriate number of interviews? In attempting to answer these questions, I turned to Sandelowski (2001) who cautions us to not become quagmired by the actual number itself. She provides us with an appropriate anecdote by telling us of one of her Doctoral students who had completed a seventeen month ethnographic study of a single patient record system at one hospital with twenty (20) interviews; this yielded two hundred and fifty (250) pages of raw data. This, demonstrates the amount of data that can be produced from even n=1 studies. Others, such as Guba and Lincoln (1994), in addressing the usefulness of qualitative research, correctly notes that statistical reasoning by researchers on the data captured must distort, stifle and misrepresent the informants intersubjectivity rather than capture it; the research objective is therefore defeated.

Returning to the issue of the appropriate number, I believe, like Mason (2010), that qualitative researchers generally stay away from suggesting what is an appropriate sample size. The texts have convinced me that size does not matter, and like Charmaz (2006), the aims of the research is the driver if its design and sample size. Further support for this assertion comes from others; Ritchie, Lewis and Elam (2003) and Crouch and McKenzie (2006) who argue that samples for qualitative research are much smaller than those in quantitative studies. Their argument, and one that I have found favour with rests on the concept of diminishing returns. At first, when I thought that maybe twelve (12) interviews of a total of forty five (45) would be sufficient, I began to experience what I prefer to term as diminishing returns at the eight interview; after the eight interview the coding categories were not new, the ninth was marginally incremental no new categories or patterns and

the tenth convinced me that theoretical saturation had been reached and I decided to stop. I decided that ten (10) interviews were appropriate. Glaser and Strauss (1967), the progenitors of grounded theory, tell us that saturation occurs when the collection of additional data does not reveal further useful information of the phenomenon under investigation. This should be the guiding principle for determining sample size.

It is frustrating that there is no clear source to state exactly what is an appropriate number; Mason (2010), referring to Guest, Bruce and Johnson (2006), supports this position in searching for conclusive guidelines. However, an authoritative voice, Creswell (1998), suggest a number between five (5) and twenty-five (25); Morse (1994), recommends at least 6 for qualitative research employing the phenomenology genre. However, in putting this number issue to rest, the most revealing example of an appropriate sample size comes from Guest et al (2006), who carried out a systematic analysis of their own data from a study of sixty (60) women. They examined codes developed from their sixty (60) interviews in an attempt to assess at which point their data were returning no new codes thereby signalling saturation. Their findings suggested that data saturation had occurred at a very early stage; of the thirty six (36) codes developed for their study, thirty-four (34) were developed after the first six (6) interviews; thirty-five (35) codes were developed after twelve (12) interviews; six (6) interviews yielded an incremental one (1) code. They concluded that for studies with a high level of homogeneity among the population, a sample of six (6) interviews may be sufficient to enable development of meaningful themes, codes and useful interpretations. In conclusion, I am of the belief that there is sufficient support from the authors and proponents of qualitative research, to legitimise the framework, approach, methods utilised and to establish the number of interviews that in totality enables this research work to add to warranted knowledge.

I believe, like Zikmund (2003), the general inductive approach does not permit direct statistical validation as it would be within a quantitative framework. However, there must be some attempt to validate and make credible, the approach and the findings emanating from the data and to make it available to other researchers in order to provide a better understanding of how the research was conducted (Marshall and Rossman, 2006). To assist with rigour, reliability and dependability, Lincoln and Guba (1985) point to the necessity of an audit trail. Johnson et al (2006) echoes similar advice through assessment criteria when determining the value of qualitative management research. Such evaluation criteria according to Johnson et al (2006 p. 147) must include "internally reflexive audit trails to determine credibility and dependability." Assurance for this was derived from the process I utilised; recording of the interviews; transcription of the interviews with editing its contents; submitting the transcripts to the informants for their record, derivation of coding, reiteration of the process of developing codes through multiple readings of each interview text; identification of patterns, evidence of data redundancy from successive interview texts and providing the codes, patterns and texts to an independent researcher to assist in determining the validity of the method to uncover the codes and patterns. Although Golafshani (2003 suggests, that a researcher should return to the informants and discuss the interpretation of the data with these participants following the transcription and analysis of the data I did not think it necessary as the interpretations were mine own and derived from the perceptions of the research participants. Since the approach allowed for the participants to receive the transcripts, it improves the reliability and validity of the data in that it provided the respondents with the ability to correct any of the related and recorded statements prior to its interpretation. The recorded interviews are available to the University in its electronic format as well as hard copies of the verbatim accounts

that have been transcribed and used in the interpretation and analysis. These, I believe, are useful to ensure the reliability and validity of the qualitative data gathered within this research or what Thomas (2006) refers to as assessing trustworthiness. Important as well, is having another researcher also look at what has been derived from the interview texts. This procedure involved a capable researcher reading and examining the texts to corroborate the findings or interpretations that I derived from the interviews. Thomas (2006 p. 244) identifies what he refers to as a "check on clarity of categories" as part of the coding consistency checks, he posits that after the prime researcher has initially coded the data, a second researcher who is aware of the evaluation objectives, categories, description of these without the raw interview data. After perusing these the second coder was given the interview texts that I had initially coded and he was asked to assign what he saw as relevant sections of the text to the categories that I had developed. A positive acknowledgement of the reasonableness of the interpretation forming the patterns and dimensions of the texts was obtained from a competent researcher in the form of a tenured senior lecturer Dr. Roydon Salick. Dr. Salick's lecturing career and supervision of postgraduate theses (University of the West Indies, University of Manitoba, Canada and Dartmouth College, New Hampshire, USA) augured well for the validity of his concurrence with the patterns, dimensions and more importantly, the analytical process utilised.

Philosophical Outlook and Reflexion

In my reflexion of the journey to find a resonating methodology I am reminded of my initial exposure to philosophical outlooks and theoretical perspectives; these were at first daunting, perhaps no doubt because I was being introduced to the subject of philosophy. I, quite naturally, questioned its relevance to a Doctorate in Business Administration. Pleasantly, however, within a short time, I saw the

wisdom of adopting a charitable embrace of the topic; a fairer understanding of its appropriateness and importance emerged. In Chapter Two, I indicated that I had developed an interest in understanding why corporate governance was the subject of many negative press reports within the state-owned company sector. When I decided that my research will address the issue of dilemmas, I naturally next thought as to how would I undertake this research? Agreeing with Creswell (1998) that a research framework is chosen dependent on and guided by the phenomenon under research, I strove to identify the theoretical perspective and methodology that resonated best with the aims of the research. However, this was not without angst and came after many bouts of reading much later on in the DBA programme. After examining a number of alternative perspectives and methodologies, I arrived at my research stance.

My readings took me through a number of research methodologies each being argued by its proponent for validity and justification for use. I looked at the boxes displayed by Creswell (1998), Johnson and Duberley (2000), all showing where a suitable research methodology could be located dependent on the researcher's epistemology and ontology and where one was on a particular scale or model. There was no easy passage to finding the right box for me and so I believe that there is no easy retrofitting of a researcher's perspective into existing boxes and models. Adding clarity was the fact that I obtained a crucial understanding through the illuminating work of Johnson and Clark (2006); in their Editors Introduction, mapping the research terrain, they described how philosophy impacts on research methodologies. They importantly point out that researchers cannot just in a haphazard or random manner pull a research method to satisfy a topic; rather, the research method must be guided by the research phenomenon and research questions. The applicability of appreciating the philosophical impact becomes evident as research methods carry philosophical

baggage which affects what the researcher has under contemplation Johnson and Clark (2006).

At first pass, phenomenology as described by Creswell (1998), seemed appropriate; the General Inductive Approach as described by Thomas (2006), also seemed fitting, as did action research and grounded theory by Strauss and Corbin (1990). In the final analysis, the chosen methodology was influenced strongly by the research aim and my understanding of my epistemological stance in the context of the research aim and the approaches available. This understanding was crucial and made the choice of the general inductive approach or methodology much easier for me. Further, significant comfort for the use of ten (10) interviews to base my interpretation was derived from the work of Guest et al (2006) who in carried out a systematic analysis of their own data from a study of sixty (60) women and upon examination of the coding and themes derived concluded that six (6) interviews are perhaps appropriate if there is a high level of homogeneity in the population.

Conclusion

The proposed research has identified that there are dilemmas in corporate governance in the public sector in Trinidad and Tobago. The research is qualitative and involved the collection and analysis of texts; it has relied on the experiences of and practices of Chairmen who occupy a pivotal position in the discharge of corporate governance within the state-owned companies in Trinidad and Tobago. The research was informed by an interpretivist paradigm, employing a general inductive approach grounded in data derived from interview texts that allowed the development of meaningful patterns from the evidence base. Thus, the framework of the research comprises of analytical induction aligned to an objectivist epistemology within an interpretivist perspective. This qualitative research extended its

findings to the whole population, through insights as to how individuals experience the phenomenon of corporate governance.

As Goulding (2002) outlines, while the general inductive approach is not a quantitative approach, it provides a rigorous foundation for qualitative research that creates a specific structure to analyse the issues within the research, which improves the applicability of outcomes to the research (Goulding, 2002). This structure both reduces the influence of the personal views of the researcher and provides a clear and reproducible format for the research that can allow critical analysis of the research by others. This method is therefore consistent with the purposes of the research and the field of study, and presents a valid option for the execution of the research as proposed. The following diagram moves from that presented earlier by Crotty (1998), which outlines for this researcher the four main questions inherent to any research proposal.

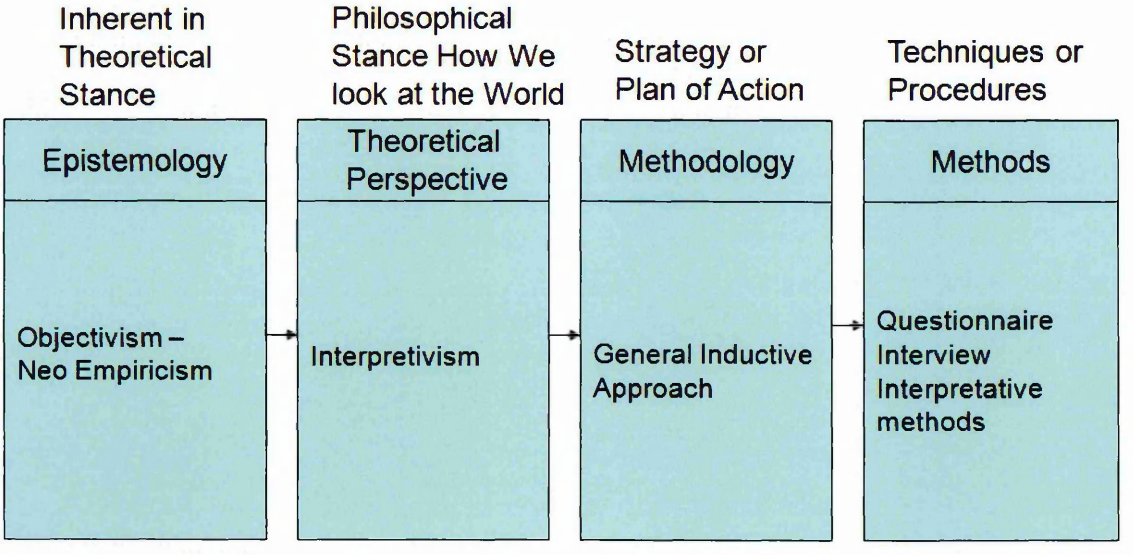


Figure 6: Four main questions in Research Process

I believe that this chapter has provided a clear rationale for the choice of the general inductive approach as an appropriate methodology for researching the phenomenon of dilemmas of corporate governance in

state-owned enterprises in Trinidad and Tobago. Importantly it identifies dilemmas and the chief causes as revealed by the interviewees. It is clear from the purpose of the research and the philosophical foundations of the researcher that the methods chosen clearly reflect the intended outcomes. Reassuringly, Crotty (1998) supports a most agreeable position whereby the order of what is considered is less important, what matters is the strength of the finished product.

Thus, the research approach that has been outlined is effective in uncovering the type of knowledge and understanding that I sought from the outset of my program, as well as in providing valuable insight for others within the area of corporate governance in state-owned companies within Trinidad and Tobago through the questions of: What is your understanding of corporate governance? What are your aims of corporate governance? How is corporate governance perceived in the public sector companies? What are the institutions involved in the process of corporate governance? What is accountability in the public sector? What are the impediments to achieving corporate governance? What is risk management within corporate governance? The responses to these questions have provided a rich corpus of data.

CHAPTER FOUR – SOCIO-HISTORICAL AND POLITICAL DEVELOPMENT OF TRINIDAD AND TOBAGO AND THE DEVELOPMENT OF STATE-OWNED COMPANIES – AN OVERVIEW

Introduction

This background chapter examines how the Government of Trinidad and Tobago or the State came to have ownership of state-owned companies. Because this paper investigates the existence of dilemmas, their causes and proposed solutions within Trinidad and Tobago, it is necessary that it provide an historical overview that suits the exigencies of this thesis, that is, one that keeps as its central focus the evolution of state-owned companies. This provides a necessary context within which I aim to show how slavery, indenture, and colonialism have impacted on the birth and development of state enterprises. Such an overview becomes ever more urgent since, culturally, Trinidad and Tobago is unique among Caribbean territories because of its racial and ethnic complexity. While it is undeniable that Trinidad and Tobago is a product of British colonialism, slavery, indenture, and capitalism, there is no need to begin at the beginning or at the start of colonial conquest and rule. While Spanish, French and British colonialism makes sad and bitter reading for Trinidadians, what is of primary interest here is the history of the process of the evolution of the state-owned enterprises in Trinidad and Tobago. Still, because so many diverse threads make up the historical and social fabric of the nation, it is unwise and unfair to omit any; consequently, the chapter, though keeping its focus clear and ever-present briefly introduces the inescapable strands of the national weave. The short pieces aim to provide a minimalist picture of the island's social and economic history; much is deliberately omitted, and only that which is quintessential to the portrait is included.

Population

According to 2010 estimates, Trinidad and Tobago has a total population of 1.3 million with a median age of 33 years. East Indians or, more correctly, Indo-Trinidadians, form the major ethnic group by a slim margin (40.3%) followed by Afro-Trinidadians (37.5%) mixed (20.5%) and Chinese and "other" (comprised of Syrians, Lebanese, and Portuguese). The major religion is Roman Catholicism followed by Hinduism, Presbyterianism, Anglicanism, and Islam; the growing presence of the Orisha (Shouter) Baptists, and the Bobo Shanti attests to the complex creedal fabric of the island. Though the native tongue is an English-based creole with a lexicon that borrows freely from Chinese, French, Spanish, Amerindian dialects, Hindi, and English, the official language is Standard English. Based on the Central Statistical Office reports, Trinidad and Tobago enjoys a literacy rate of 98.6%, an excellent and enviable number as far as percentages go and when ranked against all countries.

Trinidad and Tobago gained independence from Britain, its last colonial master, in 1962. Despite gaining independence in 1962, many of the old colonial ways remain, including issues dealing with racism and ethnic disparities. The economy has fluctuated between thriving and experiencing a significant downturn in the 1980s. Today, not-withstanding the global meltdown of 2009, Trinidad and Tobago remains one of the most prosperous Caribbean countries; much of this credit is owed to the fact that Trinidad has, based on its geography, access to energy-based resources. Despite its industrialization and developed-island status amongst its Caribbean neighbors, Trinidad and Tobago continues to experience racial and ethnic problems; these problems have created controversy regarding state-owned enterprises.

Economy

As it stands, Trinidad and Tobago is an excellent investment site for international businesses and has one of the highest growth rates and per capita incomes in Latin America (Facts about Trinidad). Primary growth is due to investments in liquefied natural gas (LNG), petrochemicals and iron and steel. Additionally, Trinidad and Tobago is the leading Caribbean producer of oil and gas and it also supplies manufactured goods as well as cement to the Caribbean region. The GDP for 2010 stands at about 21 billion US dollars. According to the CIA World Factbook, "oil and gas account for about 40% of GDP and 80% of exports. National economic growth has been positive from 2000 to 2008 with a negative growth rate in 2009 and projected flat growth for 2010.

Background of Trinidad and Tobago Society

Since colonial times, slaves and indentured labourers have comprised the bulk of Trinidad and Tobago's productive working population. While emancipation of slavery was a channel for progress, the consequent changes engendered lasting human-rights conflicts specifically regarding the acquisition of labour by the plantation owners. Among the first providing labour for the plantations were the indigenous Amerindians; however, as an autochthonous body they were not as profitable as the colonial powers had hoped due to their extreme susceptibility to disease and inexperience in the plantation style of farming and agriculture. Whites also provided labour, but they were comprised mainly of Irish convicts who were inferior to English and Scottish labourers. However, obtaining white labourers became more difficult and as Williams (1944 p.18) notes, "the need of the plantations outstripped the English convictions". It was during this time circa early 1800s that African slaves were introduced.

According to Eric Williams, the author of *Capitalism and Slavery* (1944), the first Premier and Prime Minister of Trinidad and Tobago, slavery is one of the greatest contributors to the development of British capitalism. Williams asserts that "commercial capitalism of the eighteenth century was built up on slavery and monopoly, while the industrial capitalism of the nineteenth century destroyed slavery and monopoly" (xi). Economics, as Williams correctly describes, was at the root of slavery, British capitalism, the African slave trade, and emancipation and the triangular trade between England, North America, and the West Indies. This was crucial to the development of British industry and the subsequent Industrial Revolution (Williams). In the teeth of the prevailing thinking especially at Oxford, Williams daringly argued that the impetus for the abolition of slavery was neither religious nor moral; it was economic.

Impact of Slavery to Society and the Economy

The eighteenth-century colonial system was based on monopoly and mercantilism. The system changed, however, when it was discovered that the West Indian monopoly was hindering the progression of British capitalism. It was during this period that the Caribbean underwent the greatest shift in dependency on the colonies and slavery. Prior to the discovery of the West Indian monopoly, British capitalism ignored slavery and some defended it (Williams). When slavery no longer suited the needs of the British capitalists, they openly voiced their support of abolishing slavery. Essentially, here, economic and political powers influenced the direction of the Caribbean states' powers. By abolishing slavery, the British capitalists fared better economically.

After emancipation, a form of modernized slavery, as described by several writers of history and sociology, was brought to the Caribbean, particularly to Trinidad, British Guiana, and to a far lesser extent to Jamaica, in 1843 in the form of indentured labour. The direct driver for

this was the continued dependency of Caribbean countries on plantation economics and commodity production in the wake of emancipation. In order to make the plantations profitable once more, the plantocracy or plantation families had to obtain cheap and efficient labour, but the methods would have to be legal to avoid breaching policies associated with emancipation. As a result, the "new slave" was introduced. Indentured labour began arriving in the Caribbean through the colonial imports of overseas workers from Asia, specifically China and more importantly, India. Simply put, overseas recruiting was easy as the new labourers were seeking a change owing to a lack of opportunities, the impact of colonization, and increased population in their homeland. While economic reasons also played a role in the import of workers, some, especially the East Indians, agreed to come to work in the Caribbean simply for the chance to make a new start (Haraksingh 2010). Therefore the indentured contract offered a form of escape from the squalid circumstances; bereft of opportunities in rural India, the indentured labourers saw a new beginning of promise in Trinidad and Tobago.

This sequence of events culminated, inevitably, at the aftermath of emancipation and indentureship in 1917 in the diversity of distinct social classes in present-day Trinidad and Tobago. As a result of slavery and the post-emancipation import of indentured workers, the social system in Trinidad and Tobago was expanded into a three-tiered social structure, comprising the white upper class, the coloured middle class, and the bottom black class. By the mid-nineteenth century, however, Indian and Chinese workers comprised a fourth class (Brereton 1989). The tiered social structure experienced a number of shifts over the years including a shift of some of the upper white class to the middle class and of Indo-Caribbean and Sino-Caribbean individuals into the middle and upper social class (Brereton 1989). During the same period, the middle class experienced a significant

increase as this tier shifted to also include Afro-Caribbean members. The shifting among the classes, however, helped improve the social experience of the middle class and increased prosperity for the long term (Brereton 1990). However, as Premdass (1996) points out, despite the four distinct social groups co-existing, there was not a common sense of citizenship and the inter-communal camaraderie masks deep ethnic sectionalism. It is both insidious and agreeable that where a society does not have a shared belief, the political structures will inevitably be viewed with suspect interests and ethnic domination prevails in the elections process (Premdass, 1996).

It ought to be mentioned that the coming of the Canadian missionaries to Trinidad just after the middle of the nineteen century helped to complicate the ethnic equation in the island and to make it unique among Caribbean territories. The missionaries from the United Church of Canada came to evangelize and proselytize among the Hindu peasants contracted to work on the island's many sugar-cane plantations. The Roman Catholic Church and the Anglican Church decades before the arrival of indentured labourers had opened its arms and sanctuary to the manumitted slaves. John Morton was fluent in Hindi and spoke to the unlettered East Indians in their language about Christianity and the saving grace of Jesus Christ. This made his work both easier and successful. An educated man, he saw the role of education in the conversion of the Hindus. With a mere handful of children, he started the CMI (Canadian Mission for Indians) in 1863 in Ierie Village. Morton and his colleagues were enormously successful: the Canadian Mission Church grew and so did the Canadian Mission for Indians schooling system. Speaking English and converting to Christianity opened doors for many adults and children: cane no longer had to be their destiny. The Canadian Mission school system did not discriminate against those Indians who remained Hindu and Muslim; indeed for almost a century, the vast majority of Indo-Trinidadians of all

faiths were educated by the Canadian Mission schools. Moreover, when the Hindu and Muslim schools first emerged in the 1950s, several of the first principals were retired Canadian Mission teachers. Many found jobs in the city, and many became teachers in CMI primary schools. The Canadian Mission started Naparima College in 1900 to cater to the needs of secondary education of the boys who graduated from their primary schools; a few years later Naparima Girls' College was opened. The combination of a sound education based on Protestant religious values created an education system that has for decades been in the vanguard of the island's education. Today Presbyterian (the name was changed from Canadian Mission to Presbyterian in the 1960s) schools, both at the primary and secondary levels, outperform other denominational and Government schools. Ninety-nine percent of Presbyterians are Indo-Trinidadians, who have distinguished themselves in all walks of life.

To say that Trinidad and Tobago society has been shaped by those who were originally brought to the Caribbean as slaves or indentured workers is an understatement. It could therefore be claimed that the ethnic diversity that the immigrants brought with them is directly responsible for shaping the social and economic landscape of Trinidad and Tobago. In the end, the colonial powers that worked to keep slavery alive were ultimately unsuccessful in placing barriers on the new population. Because Trinidad and Tobago changed colonial hands many times, the social mixture of white masters, descendants of slaves and indentured labourers makes it a unique nation.

Political Party Formation and Influence

Historically, the Spanish and British colonial powers instilled dependence on politics and government for resources and economic opportunities (Robinson). It is a truism, therefore, to say that at the hands of the colonial powers Trinidad and Tobago became utterly

dependent on slave labour to sustain its economy. Even after independence in 1962, race and politics continued to be a major issue. About forty years before independence, in 1921, the British lead a commission with the intent of having the Legislative Council elected by the people; however, only property owners could vote. The imbalance among voters ensured an outcome favourable to the desired political rule favourable to the plantocracy. This persisted for several years and the first Adult Franchise election was held some 21 years later under the premise that only two more representatives were to be elected by the people of Trinidad and Tobago. The outcome of the new election, however, was a disaster because of "spoiled ballots" resulting from illiteracy and ignorance of the voting procedure. It would be another twelve years before Trinidad and Tobago got its first party government. The first political party the People's National Movement (PNM), was formed under the leadership of Dr. Eric Williams in 1956. In 1959, Dr. Eric Williams became Premier, and Trinidad and Tobago got its first Cabinet Government with full internal self-government to follow two years later. Williams became the first Prime Minister of Trinidad and Tobago following independence in 1962; he retained the highest political office until his death in 1981 (US Department of State).

I believe that since then, politicians have been capitalizing on the implications of slavery and indentureship. Since their emergence, political parties in Trinidad and Tobago have been formed along Indian and African ethnic lines. The two dominant political parties today, the People's National Movement (PNM) is predominantly Afro (Afro-Trinidadians) and the United National Congress (UNC) is comprised mainly of Indo (Indo-Trinidadians) constituents. Independence in 1962 resulted in sustained political mobilization, and ethno-political mobilization has continued and increased over the years. During Williams's time as Prime Minister, the structure of government and business merged in many industries, leading to many state-owned

industries and companies. A significant precursor to the emergence of a catalyst of state ownership of companies in Trinidad and Tobago is the oil crisis of the 1970s.

Arab Oil Embargo Impacts Trinidad and Tobago

The onset of the Arab oil embargo (1973-1974) was a major advantage for the Williams government still ruling since independence. As oil prices increased, the government became financially comfortable (Trumbore, 2002). Although there remained many concerns about political practices of the PNM, they were not expressed because the economy was awash with "petro-dollars" and doing extremely well leading to a national phrase ubiquitously heard "money is no problem". Instead, voters continued to support Williams. Trinidad and Tobago's GDP continued to rise and so did those seeking to gain a part of the new financial "pie" (Meditz, 1987). However, by 1975, about 45,000 people were involved in worker strikes and the impact of which was felt during the 1976 national general election. There seemed to be no single political movement that could embrace successfully the diverse ethnicities of the working class in Trinidad and Tobago. A number of unions were in force and African-dominated groups joined forces with East Indian-dominated unions. According to Meditz:

- The African-dominated OWTU joined the East Indian-dominated All Trinidad Sugar Estates and Factory Workers Trade Union (ATSE/FWTU), the Trinidadian Islandwide Cane Farmers' Union, and left-of-center intellectuals to form the United Labour Front (ULF).
- Positioning itself as the representative of the working class, the ULF called for land reform, nationalization of multinational firms, and worker participation in management; however, ethnic

mistrust soon reared itself as the working-class Africans feared that East Indians would control any ULF-led government.

- The ULF was also hurt by the perception that the party was communist, a view that Williams exploited by promising to preserve individual landownership and capitalism.
- The response to Williams's promises was the PNM's receiving 24 of 36 seats in 1976. The two remaining seats were received by the DAC, a Tobagonian-based party.
- In 1980, the DAC proposed the Tobago House of Assembly Bill in an effort to lobby for regional autonomy for Tobago and the reinstatement of its legislative body. The DAC won two thirds of the seats. (Meditz)

Williams continued to increase his power: even the smallest decisions were referred to him. During this time, Williams created the National Advisory Council (NAC) comprised of individuals chosen by Williams. The NAC, as it turns out, as a result of the Arab Oil embargo was responsible for setting the stage for the state-owned enterprises recognized today. Specifically, the NAC planned the national bureaucracy and also masterminded the increasing government participation in the economy (Meditz, 1987). As a result of the Arab oil embargo and the newly formed NAC per-capita income increased and unemployment decreased. The increased revenue was used to further boost the economy, leading to increased state spending and the creation of more than 50 state-owned companies. At this juncture it is critical to understand how the State came to own these companies. The NAC was referred to as Williams's think-tank made up of academics, high powered representatives of the technocratic elite, and cabinet ministers (MacDonald, 1987). The NAC, in effect, became the vehicle by which Williams was able to direct and control the nation's economic development through state ownership of companies.

As alluded to earlier, ownership by the Government of state-owned companies is historically linked to the petroleum-based initiatives and development that occurred in the late 1960s. At its root is the 1945 Commission set up by the British known as the Moyne Commission which recommended that British West Indian economies remain agricultural-based (Holton, p.131). A Colonial Office Committee, in 1952, in examining the Trinidad and Tobago Colonial Government policy of "Industrialization by Invitation"; (a policy which used tax exemptions to encourage investments from the USA) endorsed previous British views that the economy should be agrarian based. This view was, however, diametrically opposed by a St. Lucian living in Trinidad and Tobago, Dr. W. Arthur Lewis, who opposed the findings of the 1952 Commission (Lewis went on to win the Nobel Prize in Economics while at Princeton University). Dr. Lewis adopted the view that industrialization was the only long term solution to avoid serious unemployment which would arise from rapid population growth and low productivity. Not unexpectedly, the British Government opposed Dr. Lewis's recommendations and continued to hold that the agricultural sector could be made efficient.

On September 24, 1956, the political party headed by Dr. Eric Williams, the People's National Movement (PNM) won 13 of the 24 Legislative Council seats in Trinidad. With his ascension to Chief Minister, Williams adopted the model promulgated by Dr. Lewis which focused on overcoming problems of low productivity, low incomes, standard of living and employment. He ordered as part of his Party's development program a "Pioneer Industry Plan" which to Williams was to be the linchpin in overcoming the country's underdevelopment. However, denial by the British for funding of this program scuttled Williams's plans and led to his seeking alternative funding in the form of US investment to cover the total of WI$ 275 million of the development plan. The mechanism for the funding, as we come to the genesis of how

the state became involved in company ownership, was the oil industry in Trinidad. Oil and petroleum- based resources would be continually emphasized by Williams and his successors of the PNM as the key driver of Trinidad's economic progress. However, Williams's desire to develop Trinidad meant that the foreign investment supplied to Trinidad came from the oligopolistic players dominating the oil and petrochemical sector since 1957, namely, Texaco, Shell and BP which, combined owned 98% of Trinidad and Tobago's oil production and 100% of its oil refining capacity (Holton, p. 144).

During the ensuing decade, the oil industry in Trinidad and Tobago would experience significant upheavals. A key change was the destination of exports which had which had changed, understandably, from Britain to the USA, given the resistance of the British to the wishes of Williams for development of the country. As an example, oil and petroleum products exports moved from WI$ 392 million in 1959 to WI$ 550 million in 1965 (Holton, 1994, p. 149). During this time, the exports to the USA moved from WI$ 83 million to WI$ 294 million over the same period. In its bid to keep and more so attract big names to Trinidad and Tobago the Government did not realize the long term benefits from the investments (Holton, 1994, p. 161) in the oil sector. That is to say, while foreign investments increased oil revenues was not proportionally represented in Government revenues as total oil revenues fell from 37% to 25% from 1957 to 1969 (Holton, 1994, p. 162). Contrary to Williams's thoughts, the oil sector did not become the saviour engine in the manner he had hoped for and so the Government's policy of "Industrialization by invitation" passed on little benefits to the country up to the period 1969. Subsequent labour movement calls for increased wages in the face of lower oil production and rising disenchantment by the oligopoly with Trinidad and Tobago's government policies led to strikes by the Union. This had the effect of having the oil companies, and some would say that the oil companies

engineered this, requesting Government to intervene in the disputes. As Holton (1994) points out, Government did not accede to this and most probably saw its reliance on foreign capital as anathema, quixotically as this reliance placed Government in a weakened position vís a vís the demands from the providers of the capital.

A key and pivotal complaint by the Trinidad and Tobago Government was the reluctance or apathy on the part of the multi-national oil and petrochemical companies to pass on knowledge and know-how of systems and technology to local management (Holton, p. 176). This was seen, and justifiably so, by the Trinidad and Tobago Government, as perpetuating a reliance on foreign companies know how perhaps creating key-man dependencies. Thus when BP requested nationalization in 1969, unsurprisingly, only a handful of Trinidad and Tobago nationals were deemed capable of managing in a Government-owned oil company. As a further example, WR Grace, a multi-national company, owned 100% of the chemical fertilizer industry, consequently they wielded prodigious amounts of power over the economy and by extension the Government (Holton, p.177). By 1969, Williams again had the oil sector featured in the country's third five-year development plan as he went on to invite a new US corporation, Tesoro Petroleum Corporation of Texas, USA, to manage and operate BP's newly nationalized assets. Government abandoned Dr. Lewis's model and adopted a new model referred to as the Third Way, which was the platform for the public-sector parlay into the development of Trinidad and Tobago. John O'Halloran, the then Minister of Petroleum and Mines, explained to the population that he chose Tesoro because of their experience in land-based oil recovery. This proved to be untrue as a bribe of two million US dollars paid to O'Halloran remains a scathing indictment of the Minister's honesty and commitment to the national interest.

The Third Way, as reported on by Holton (1994), was based on plans for a third type of development. This Third Way was essentially a middle path between the traditional nationalization and the capitalist corporation. It relied on a strategy based on the old British Fabian socialist doctrine of taking over the commanding heights of the economy (Lewis, 1996). It was aimed at state-sector participation with at least 51% participation of the State in selected enterprises. Its primary aim was to place decision-making in the hands of nationals. This is essentially located in Williams's belief that the private sector (Holton, p.199) could not be fully relied upon to deliver the required economic growth and distribution of national income. Therefore, the government was to be the avenue to achieve uplift in the economy (Govt of TT Budget Speech 1972 – Govt Printery 1972, p.11). This belief was strengthened by the situation perpetuated by the oil companies: the local labour force could not assimilate the technology of highly technical industries. (See Govt of TT White Paper #2 On Public Sector Participation In Industry Pos – Govt Printery 1972). According to the White Paper of 1972, the Government was identified as the prime mover in the national economy to extend local control and maximize national development through foreign investment, as indicated in the following table:

	Number of Companies participating			
State ownership	1972	1974	1983	2010
100% state owned	4	12	34	44
Majority state owned	10	11	14	12
Minority owned	7	9	17	5
Totals	21	32	32	61

Figure 7: State Owned Companies

In 1972, the government had ownership participation in 21 companies. This participation increased with the advent of increased oil prices beginning at the end of 1973. Government's thrust was on the

development of technical and managerial capabilities at the local level. In 1974, one of the wholly owned state companies in the form of TRINTOC was formed to take over the oilfields and refinery of Shell Trinidad. (E. Williams Address to the Nation 27 June 1974, press release # 327, 28 June 1974).

As laudable and progressive as the establishment of TRINTOC was, it unfortunately contributed to the widening of the gap between Indo-Trinidadians and non-Indo-Trinidadians. Lloyd Best, considered by many to be a most incisive West Indian economist, candidly and forcibly argues that:

> "citizens of African and mixed descent were made to feel that the continuation of preferential access to resources, both material and symbolic was dependent on the preservation of PNM rule. The Afro-Trinidadian was demonstrably unwilling to share public resources and symbolic space with other ethnic groups, not only because they regarded them to be their legitimate and prescriptive right by reason of their historical presence in the territory and the greater proximity of their culture and patterns of behaviour to the super ordinate colonial culture by which norms are referenced."

This is a widely held and popular belief that is well substantiated and crystallized by Best, an Afro-Trinidadian who in his writings put national interests ahead of sectarian concerns. Today, one sees that the number of state owned companies is almost the same as that of thirty years ago.

Trinidad and Tobago after Williams

After Williams's death in 1981, the new election brought a new political party, the Organisation for National Reconstruction (ONR), headed by a

former Minister PNM Minister, Hudson-Phillips. The party focused on government inefficiency and demanded massive state capitalism decrease (Meditz, 1987). The attractiveness of the party was its initial attempt "to appeal to a cross-section of voters, including black and East Indian workers as well as all groups in the middle class" (Meditz, 1987). Other parties attempted to form a new party but they were unsuccessful and broke up over ethnic divisions. Despite the fact that only 30% of registered voters voted for the PNM, the PNM won the 1981 election, putting a reluctant George Chambers in charge of the new government. Indo-Trinidadians were incredulous when Kamalludin Mohammed, the most senior PNM Minister was passed over; many still believe that it was only because he was Indo-Trinidadian that he was bypassed. Williams had taught his followers well, the large Afro-base in the PNM could not conceive of much less accept an Indo-Trinidadian as leader or Prime Minister.

The praxis of ethnic politics within the party system in Trinidad and Tobago is largely responsible for the political disparity that exists. Politics has long been linked to ethnic alignment, evident in the formation of PNM by Williams, an Afro-Trinidadian and of the UNC by Basdeo Panday, an Indo-Trinidadian. The twenty-three-year rule of the PNM ended in 1986 when the National Alliance for Reconstruction (NAR) captured 33 of 36 electoral seats in the country. The NAR, made up of the disaffected Afro-Trinidadian population, the Indo-led party, the United Labour Front (ULF), targeted both Afro-Trinidadians and Indo-Trinidadians in the run-up to the elections. However, following A.N.R. Robinson taking the position of Prime Minister, the NAR began to break down when the Indo-component, the ULF, withdrew in 1988. Basdeo Panday, leader of the ULF, went on and formed the new opposition with the United National Congress (UNC) (US Department of State).

Ethnicity and politics in Trinidad and Tobago have long been involved in a strong but insidious marriage. In 1991, the "one love" or "rainbow" NAR lost control of the government to the Afro-based PNM with the Panday-led Indo-based UNC finishing second, subsequently replacing the NAR as chief opposition party. In constitutionally due elections in 1995, both the PNM and UNC won 17 seats and the NAR won two seats. The Indo-based UNC joined forces with the Afro-based Tobagonian Party, the NAR, forming the new government, and Panday became the first Prime Minister of East Indian descent. When the UNC won the general elections in 1995, it meant that, for the first time since the introduction of general elections (a period of 39 years) an Indo-based party had secured political ascendancy and that the nation had its first Indo-Trinidadian Prime Minister. This would have been a difficult time for Afro-Trinidadians, some of whom had for a change supported a non-Afro-Trinidadian party and many of whom feared the worst from an Indo-Trinidadian government. That fear increased when they realized that those who formerly were interested in professional stability and economic strength now had political power as well. It was not a combination to be taken lightly or to be trusted. The country entered another potentially exciting and problematic phase in its ethnic evolution. For some it seemed the best of times, for others the worst of times. A change in the distribution of control had occurred. This adds to an already complex and arguably colourful introduction of how the major races came to be in Trinidad and Tobago.

Despite the UNC's return to power in five years later in 2000, it fell in 2001 "with the defection of three of its parliamentarians, and the subsequent elections resulted in an 18-18 split between the UNC and the PNM" (US Department of State). The tumultuous times experienced by the UNC Government was largely attributed to the frequent allegations of corruption and attendant disaffection by a huge section of the population. The then President of the country, A.N.R. Robinson,

previous leader of the NAR and previous Prime Minister, against the accepted practice of the Commonwealth of asking the incumbent to form the Government, appointed the leader of the PNM to form government in the 18-18 hung election. The Afro-Trinidadian President, appointed by Panday, in an attempt to rationalize his momentous decision cited "moral and spiritual values"; his explanation is still regarded by many as egregious sophistry. In the 2002 elections, the predominantly Afro-based PNM formed the next government with a 20-16 majority. The PNM won the 2007 elections but was defeated in April 2010 by the coalition of mainly the UNC and COP (Congress of the People). Ironically, the reasons for the defeat of the PNM were entirely similar to the reasons when the UNC was removed in 2002, significant allegations of corruption and arrogance in the affairs of the country. A further irony is that the success relied on the coalition of the UNC and COP, two pedominantly Indo-based parties. The victory of the coalition gave the nation its first woman prime minister, Mrs. Kamla Persad-Bissessar, an Indo-Trinidadian, who a year before had succeeded Basdeo Panday as leader of the UNC.

In Trinidad and Tobago, the ethnically mixed society does not respond well to the Westminster model of elections. Ethnic fractionalization is apparent in the political culture and ethnic-political mobilization undermines social cohesion by excluding the losing party and its ethnic constituents. The disparities have led to increased public distrust and widespread allegations of corruption. These perceptions subsequently tainted the reputation of the majority ethnic group holding office. Segmented political participation has also led to allegations of corruption related to issues of social exclusion. Instead of being viewed as a government for Trinidad and Tobago, governments are viewed as governments for a particular political party. There is little collaboration because of the isolation of opposition supporters from the decision-making process.

What did the new power mean to the races?

As a general rule in Trinidad and Tobago, Afro-Trinidadians predominate in the bureaucracy, which is a direct result of Afro-Trinidadians being the numerically dominant population during the two decades following independence. Afro-Trinidadians became active in government and politics and the Afro-political block held power for the majority of the 30 years following independence, which saw the exclusion of other ethnicities. Furthermore, the predominant race involved in government and politics enjoyed more lucrative economic benefits.

Historically, power sharing has been a problem for Trinidad and Tobago, even after independence. Though shift has been from a government comprised mostly of Afro-Trinidadians to one of Indo-Trinidadian leaders, the quality of politics remains unchanged. Attempts at democracy have been met with struggles linked to those in power, those desiring power, and those simply wanting equality. According to Holton (1994, p.64) in 1965, Sir Arthur Lewis assigned democracy a two-fold definition: "The primary meaning is that all who are affected by a decision should have the chance to participate in making that decision, either directly or through representatives. Its secondary meaning is that the will of the majority will prevail". However, Lewis further explains that the definition is mutually exclusive whereby one or the other will prevail. Politics in Trinidad and Tobago has historically assumed the winner-take-all approach. Lewis also contends that the exclusion of the losing group from the decision-making process cannot be in the best interest of democracy.

While the new power and its related changes have improved the government, the changes are far from complete. In fact, the racial and ethnic disparities have only shifted. Today, "the state of Black Trinidad and Tobago is not as good as it ought to be" (Cudjoe, n.d.).

Conclusion

The foregoing overview reveals several elements that may impact the state of corporate governance in the public sector in Trinidad and Tobago. Slavery, indenture, and British colonialism created the recipe for ethnic disparity and mistrust; when local politics was added to the mix, the result was a hodge-podge of problems ranging from rank discrimination to uneasy tolerance between the two ethnic groups. The formation of state-owned companies by Dr. Eric Williams simply meant that his favourites would be placed in the positions of authority and power; he was an Afro-Trinidadian, who according to Selwyn Ryan, was not incapable of displaying racist tendencies against Indo-Trinidadians, whom he branded "the recalcitrant minority." His twenty-five years in power saw hundreds of Afro-Trinidadians appointed to the Boards of state-owned companies; of course, there were expectedly a few token Indo-Trinidadians appointed to appease and hoodwink the population. The changes in government since 1956 sadly have not impacted significantly or positively on the management of entities in the public sector; the ethnic disparity, the allegations of corruption, the constant calls for dismissals of state-board members continue to be seen and heard. This morass will continue as long as politicians place sectarian concerns ahead of the national interest.

The aftermath of emancipation and indentureship lead to the diversity of distinct social classes. As a result of slavery, including the post-emancipation import of indentured workers, the States' social system was expanded into a three-tier social structure, comprised of the white upper class, the colored middle class, and the bottom black class. The shifting among the classes, however, helped improve the social experience of the middle class and increased prosperity for the long-term (Brereton 1990). Despite the improvements, the impact slavery had on the middle and bottom classes were still felt in the form of poverty, underdevelopment and imbalance in the trade of resources.

Historically economics and politics have shaped all facets of Trinidad and Tobago life and the same factors combined with racial issues have sparked controversy and violence. Shortly after the achievement of independence, the formation of state-owned enterprises was catalysed by the petroleum initiative of the 1960s, which was a local response to the Arab Oil Crisis. As a general rule in Trinidad and Tobago, Afro-Trinidadians predominate in the bureaucracy, which is a direct result of Afro-Trinidadians as the numerically dominant population after independence. Although, the Afro-Trinidadians became active in government and politics and the Afro-political block held power for the majority of the 30 years following independence, the emergence and ascension of an Indo-Trinidadian party to government broke the image of exclusion of other ethnicities to the power of government and political office.

In summary, when one considers the facts of the country's geo-political and socio-economic makeup; significant energy producer, literacy rate, according to UNICEF of 99%, non-violent history, peaceful co-existence of two (2) major races, relatively high level of GDP and per capita income, ranked at number 38 by the World Bank: the evidence suggests that the country possesses the necessary elements to achieve and demonstrate a leadership level of governance consistent with acceptable practices. A society possessing these fundamentals and enviable elements, surely, must be able to effect governance that keeps congruence of all its other claims of progression.

CHAPTER FIVE – INTERVIEWS – INTERPRETATION

Introduction

In this key chapter I have offered analysis and interpretation based on the ten (10) interviews conducted and then transcribed, read and re-read multiple times. The interview readings were then coded and subjected to interpretation. Importantly, and consistent with the research methodology, these interviews in their transcribed format have been examined by a second reviewer as part of the research process. The research has revealed patterns that offer a rich understanding of why dilemmas persist in the discharge of corporate governance. The research is simultaneously rewarding as it has revealed patterns that are uniquely described as pericentric, centripetal and centrifugal; these appropriately capture and describe the interpretations resident in the rich corpus of data.

The research methodology approach I employed is described as a general inductive approach, outlined in Chapter Three; the research is qualitative in nature and rests on an interpretivist theoretical perspective. The research method relies largely on interviews based on semi-structured questions designed to obtain the participants' understandings of corporate governance. Consistent with the phenomenon of dilemmas of corporate governance that I had set about to research as stated in the aims in Chapter One, the interview questions were designed to capture the following:

- Understanding of what corporate governance means
- Perception of how corporate governance works in Trinidad and Tobago
- Impediments to corporate governance

- The understanding of risk management as part of the governance process
- Understanding of accountability within the state-owned companies and how it works

The questions were, therefore, structured to guide the interview for maximum coverage of the key areas; even when participants strayed from directly answering the question, they provided information that I found useful. The overall thrust of the questions allowed for consistency or consistent views and perceptions for the subsequent analysis. The transcribed interviews were then decoded into a matrix, explained in Chapter Three, which was studied over a twelve-month period. As outlined in that chapter, a key feature of the research process was the extraction or identification of key phrases, statements, allied phrases and key words. The analysis of what the informants were providing in the texts started to make sense only after several readings. I read the first interview at least six times before I started to draw out key words from the text. Then, I examined the second informant's text and looked for similarities and differences between both. This process allowed me to place more phrases into the matrix thereby allowing the early semblance of a pattern. The detailed reading of each interview text, the extraction of words from the text, and the comparison took on what appeared at first to be an endless cycle. However, it was only through the very act of immersion in this cycle of the reading of the data that meaningful patterns and themes began to emerge. Although I am not using the grounded theory approach as proposed by Glaser and Strauss (1967) in some ways it appeared to feel like a constant comparative. Locke (2001) posits that it is a pragmatic approach for business research. Martin and Turner (1986) label this approach as a systematic one allowing for the formation of theories while the research is being done, a statement that I find particularly innocuous as it does not provide a compelling reason to use or discard. More revealing is Alvesson and Skolberg's (2000) account of the methodology's focus

being on the uncovering of theory, with the non-accompaniment of an a priori. I consider the hunch that I possessed and the anecdotal evidence that I relied on and influenced my research sufficient a priori. My decision to stay the course with Thomas's (2006) general inductive approach was also influenced by Goulding's (2002) assertions that grounded theory cannot be used if pre-search literature has been done, a task that I had performed prior to thinking through the methodology.

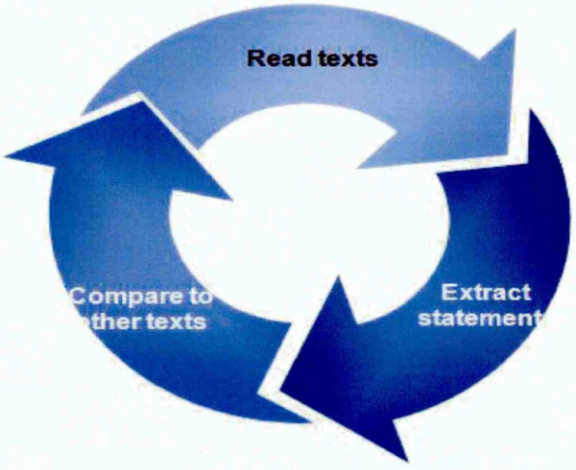


Figure 8: General approach to Textual Analysis

The research experience has certainly affirmed the affinity I developed for the general inductive approach. In this regard, Thomas (2006) correctly identified the outcome of the research analysis as patterns, themes or categories most relevant to the research objectives. So, the patterns, themes, and codes derive from the reading and re-reading of the interviews. Developing a matrix containing key words and phrases used by the informants provided an appropriate means of decoding the interview texts. The key words in conjunction with allied phrases helped to suggest and reaffirm patterns, the dimensions of which are identified and discussed.

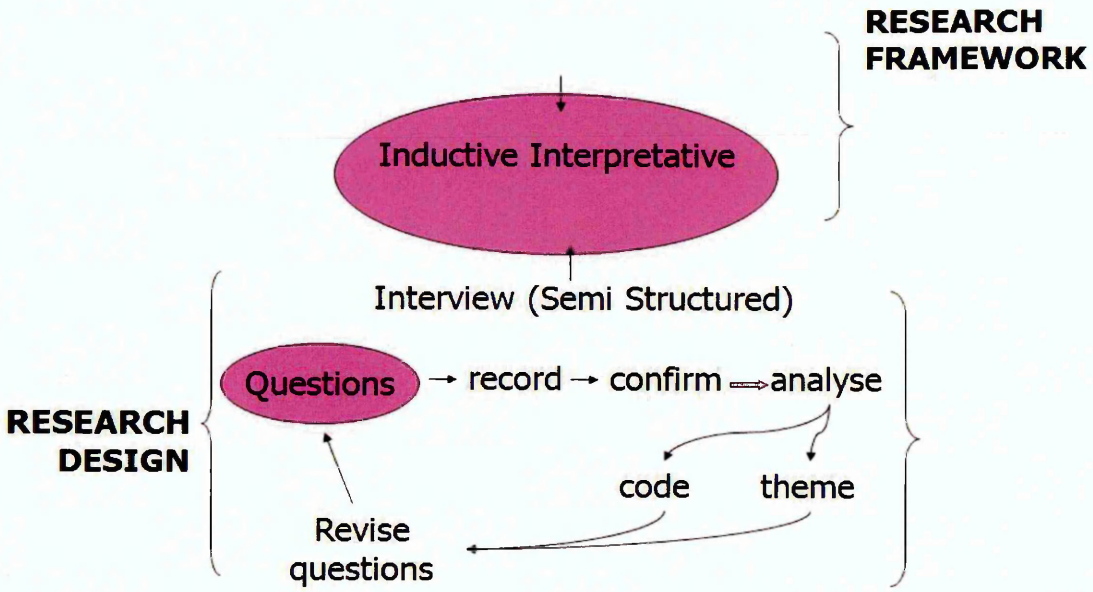
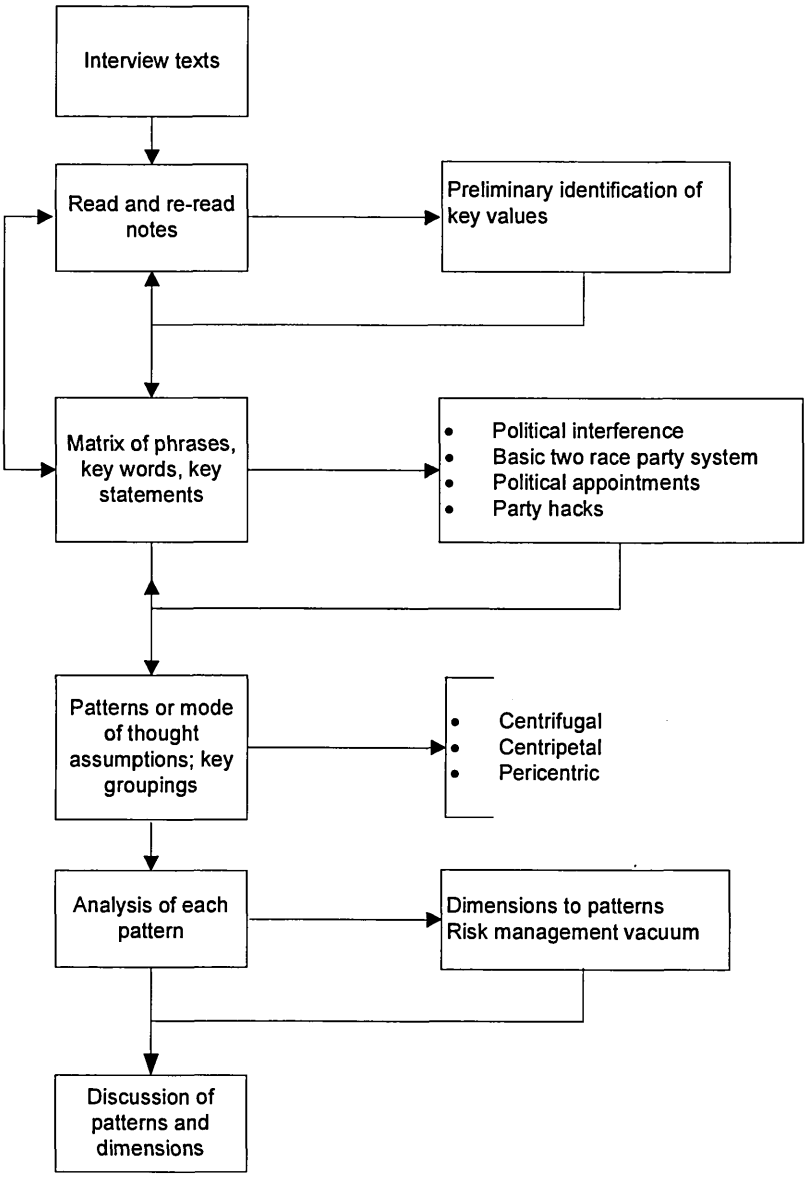


Figure 9: Research Framework

General Inductive Approach – Process Diagram

The diagram below shows the process steps in the distillation of the interview tests. Several forensic headings of the texts were necessary to arrive at the patterns or modes of thinking assumptions.



Reference to Interviewees

The interviewee statements are used within the Chapter to support the interpretation that is derived. Where extracts of the interviewee notes

are used, the reader is guided to the interview by use of a reference to the Interviewee, e.g. *I*#7 – Refers to Interview #7. This allows the reader to check the veracity, validity, and applicability of the interpretations offered by either examining the statement lifted from the informant's text or the interview in its entirety.

The preservation of anonymity of the interviewees formed part of the research methodology and was declared to the interviewees prior to obtaining their agreement for being interviewed. However, I feel it necessary, without the risk of compromising the promise of anonymity, to convey to the reader basic and broad information that provides an indication of the interviewees positions, their organisations of everyday employ and the nature of the state-owned entities they served as non-executive Chairpersons. The following table highlights the salient information; the first column indicates the interviewee number e.g. #7 corresponding to the interviewee comments, the second column describes, broadly, the full-time position held by the interviewee in their executive capacity while the third column provides a deliberately vague summary of the enterprise where the interviewee served as non executive chairperson.

Interviewee Number	Interviewee Position and Organisation of Regular Employment	Nature of State Owned Enterprise
#1	Senior Management Rank – International Financial Services Organisation	Provision of major medical services to citizens
#2	Vice President – major Multi-national Corporation	Provision of medical and regulatory services too citizens
#3	Founder and CEO of integrated Engineering and Maintenance Company	Integrated Oil Refiner with significant international markets

Interviewee Number	Interviewee Position and Organisation of Regular Employment	Nature of State Owned Enterprise
#4	Managing Director – British and Trinidad Joint Venture Company to energy industry	Provision of Maintenance Services to National Security Organisations
#5	President – major multinational corporation	Services and transportation in maritime industry
#6	Executive Director – Medium sized manufacturing organisation	Retail Petroleum services
#7	Vice President – multinational corporation – natural resources	Provision of services to education sector
#8	Project Manager and Governance Office – Multinational Corporation	Provision of financial services to public
#9	Owner/Director – Information Technology Company	Provision of construction and infrastructural services to all sectors of government
#10	Leader – Government Organisation	Provision of services to citizens in utility sector

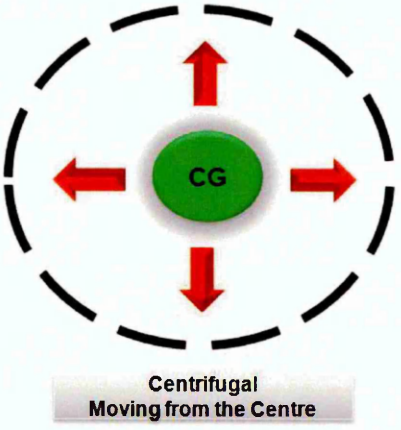
The interpretations I have offered and the consequential patterns that were derived are based on what these interviewees have stated in response to questions asked on their views of corporate governance, risk management and accountability.

Arriving the Circle of Governance

The patterns that I refer to in later sections of this thesis and which form one of the three contributions was not at first evident; the concept of the circle was not planned and emerges after much mulling over the contents on the interview texts while literally playing with a pencil and a

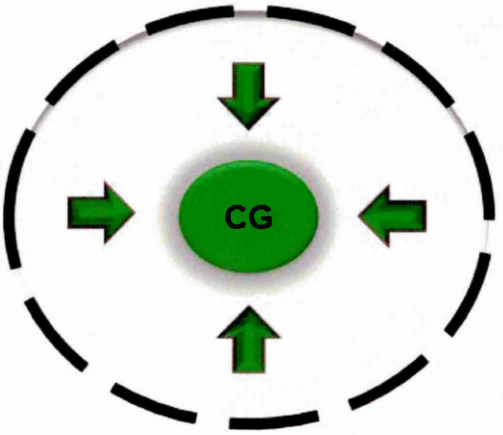
sheet of paper with the words "corporate governance" written on the page. At one point I circled the words "corporate governance" and after staring at it for several minutes, it saw it as a circle with governance at the centre as shown in the following diagram.

With this lone circle and on reflection of what was being interpreted from the interview texts as I read, re-read, analysed and interpreted, it further appeared to me that there was a directional flow of comments being made by the interviewees; a movement away from the corporate governance at the centre, shown in the next diagram.



Upon further examination, doodling with the circle it occurred to me that I could, borrowing from the engineering lexicon, name this movement away from the desired centre as it appeared to be a centrifugal movement; herein we find the centrifugal; aligned to the concept of the circle, moving away from the centre. However, the most

striking feature of this discovery was the application of the interpretations of perception of the informants; these appeared to move towards the corporate governance centre, shown in the diagram below.



Enthused by this discovery, I began exploring for a word that best describes moving towards or seeking the centre; here the lexicon of geology provided the word centripetal.

At this point I had the beginning of two patterns, I thought that I had arrived at a contribution to describing how the practice of corporate governance and its understanding related to the corporate governance centre: the cognition and the perception. However, at the point of understanding the centripetal, seeking the centre, what also it emerged from the iterative readings and interpretations of the texts appeared to be a barrier to actually achieving the centre. This barrier was located in the use of the phrases "political", "politics", "it's just the politics", "politician" and words related to politics. This pattern I initially named the political pattern but I soon realized that I needed a common nomenclature to align to the two patterns and so, encouraged encouraged by the utility of the words centrifugal and centripetal I sought the meaning of that which prevents the attainment of the centre; thus the naming of the third pattern; the pericentric which borrows from the medical lexicon and describes something which prevents the

attainment of the centre, pertaining to a pericenter, deposited around a centre (http://www.wordnikcom/words/pericentric - accessed October 26, 2012).

The nomenclatural alignment was complete; the corporate governance circle, the centre; the centrifugal, that which moves away; the centripetal, that which moves towards the centre; the pericentric, that which prevents the attainment of the centre.

Deriving the Patterns and Dimensions

Patterns essentially arise from and represent the manner in which I have structured opinions and sentiments after multiple readings of the informants' texts. The forensic readings of the interview texts and multiple passes at interpretations eventually revealed three key patterns: the centrifugal, centripetal, and pericentric. The research is simultaneously rewarding as it has allowed me to appropriately and uniquely, using the metaphor of the circle, label the patterns as centrifugal, those comments and statements that move away from the corporate governance centre or away from the centric; centripetal, those comments and statements that move to the corporate governance centre and the pericentric, those comments that stifle and retard the organisation's safe passage to the corporate governance centre. While the two other patterns, centrifugal and centripetal, indicate movement away from and towards the centre, the pericentric is stationary, inert but substantial, surrounding the centre. These metaphors allowed me to capture and describe the interpretations resident in the data.

The three patterns consolidated within the metaphor of the circle are shown below.

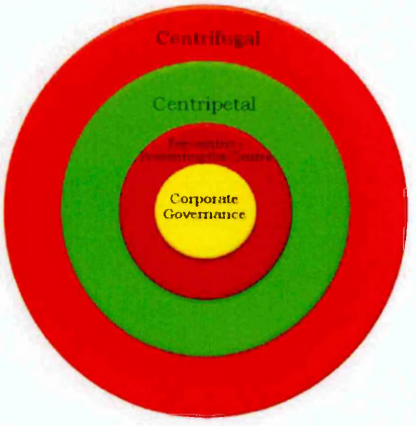


Figure 10: The Corporate Governance Patterns

Further, these patterns comprise dimensions of corporate governance, risk management, and accountability. Dimensions represent key issues inherent in the patterns. They are the bite sizes pieces that allow for an expansion of the narrative of the pattern and aids its understanding in totality. So the centrifugal, centripetal and pericentric all have dimensions which have been analysed,

Key to understanding the use of the epithets, centrifugal, centripetal, and pericentric, is the application of the circle as a metaphor to circumscribe the phenomenon of corporate governance. A broader explanation of the circle is required. I find the metaphor of the circle very useful and instructive in conveying my analysis and interpretation of the interview texts. The circle has long been understood by many cultures as a symbol of completion and totality in art and literature; in this thesis, it represents the totality of the responses of participants.

Figure 11: The Centre – Corporate Governance Circle

These patterns that I have labeled indicate the gamut of responses from the perimetric or outer edge of the circle to the centric; they establish the two-directional flow of comments; and they highlight the dynamism of the interview material.

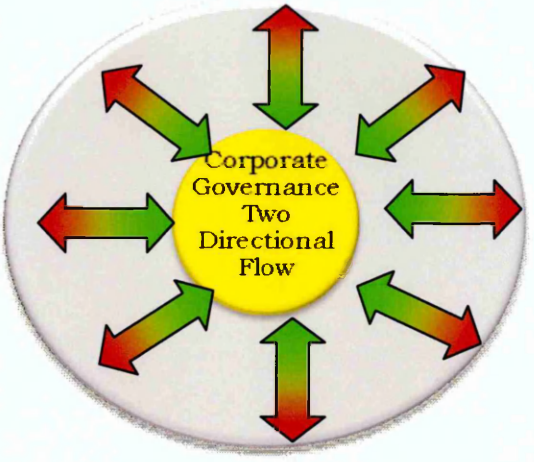


Figure 12: Two Directional Flow based on comments

The two-directional flow, in turn, indicates that there are three patterns: one, the centrifugal, moving away from the centre:

Figure 13: The Centrifugal Pattern

Another, the centripetal, seeks the corporate governance centre;

Figure 14: The Centripetal Pattern

and the third, the pericentric, surrounds the centre and compromises the administration or achievement of corporate governance.

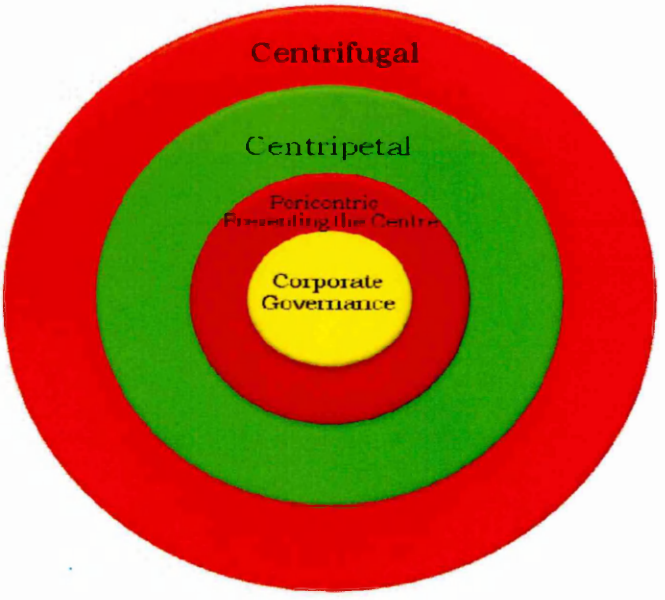


Figure 15: The Pericentric Pattern

Those comments that provide an acceptable definition of corporate governance may be called centric. Within the chasm between the centric comments and the outer or perimetric comments are the three patterns, which taken together, fill out and define the circle of comments, observations, and statements that make up the interview text.

I believe that it is necessary, to obviate fundamental misinterpretation, to state that the interview text is made up of two kinds of comments: those which I refer to as cognition and perception. The statements of cognition in terms of how I apply its meaning indicate the manner in which and the extent to which the interviewee understands what corporate governance is and how it ought to function in the day-to-day management of state-owned entities. On the other hand, the statements of perception reveal the manner in which the interviewee understands how others perceive the phenomenon and to what extent it exists and how it is practised in state-owned companies. Generally,

perception reveals an array of biases and emotions, ranging from disgust, to anger, to resignation towards the practice of corporate governance in the life of the company and especially towards the impediments that militate against its implementation. Cognition, on the contrary, is on a fairly keel as it outlines what ought to be done; there is an obvious satisfaction to be derived if the interviewees can implement an acceptable system of corporate governance in the face of huge odds.

The Centrifugal Pattern

The textual analysis demonstrates that this is an appropriate pattern; essentially, the comments that form this pattern are perimetric comments; comments that move towards the outer edge.

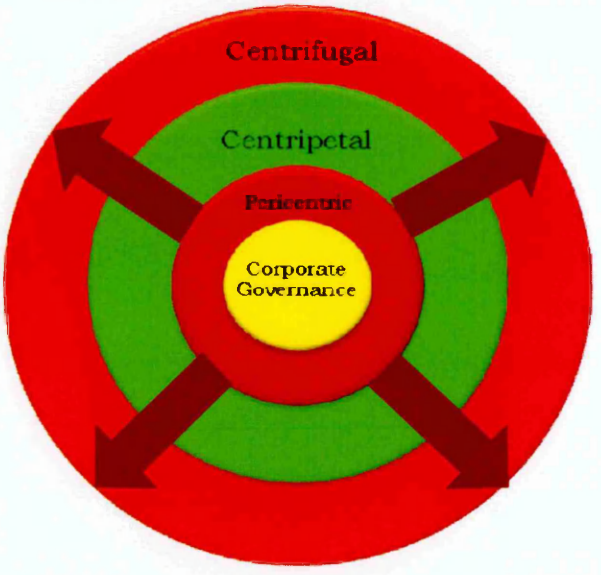


Figure 16: The Centrifugal Pattern

Perimetric comments are those that take us to the outer edge or periphery of the circle, the most disparaging comments are those that move furthest away from the corporate governance centre; the centric comments, on the contrary, are those that hover over the centre.

The centrifugal pattern is derived from the interpretations of the comments that indicate a dislocation of corporate governance which

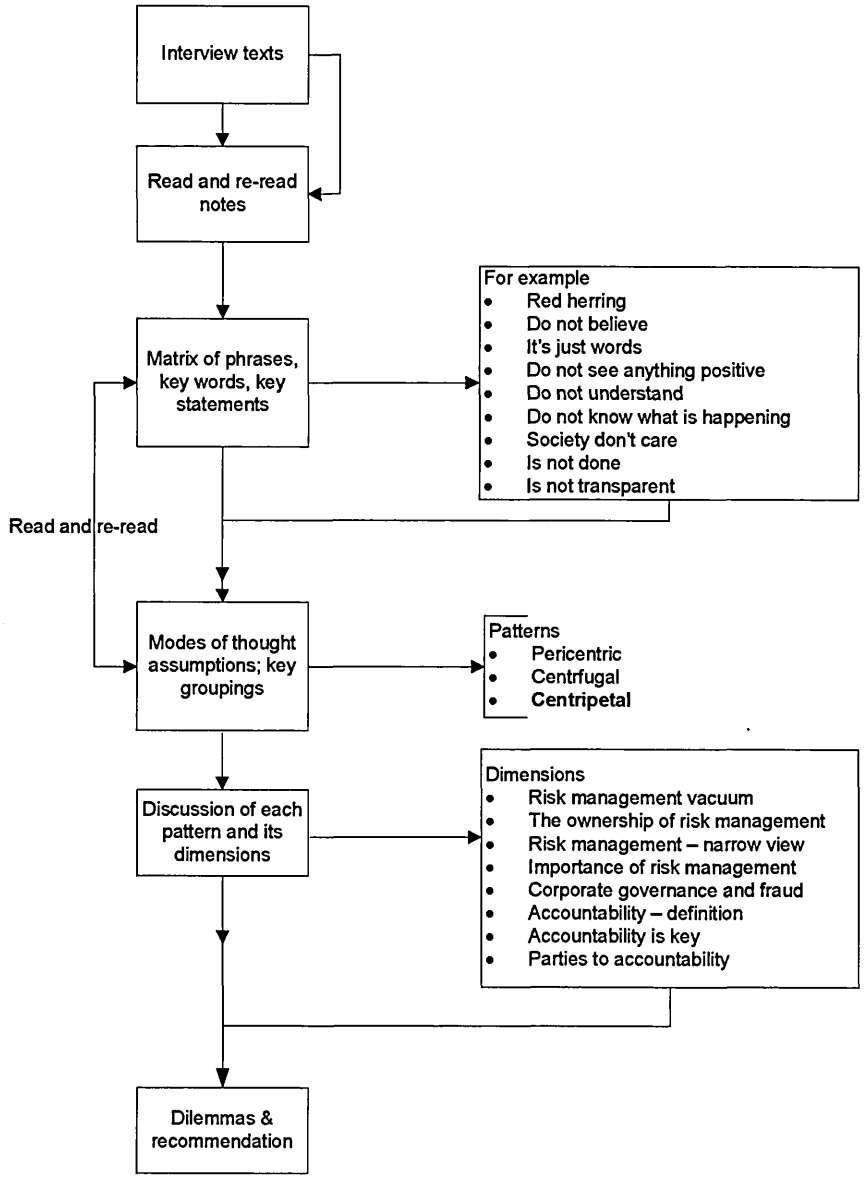
ought to be at the centre of the organisation. These are essentially negative comments that cause movement away from the centre. Examples of key words and negatively allied phrases used in this pattern include: "do not believe," "red herring," "it's just words," "do not see anything positive," "society don't care," "do not understand," "do not know what is happening," "is not done," "is not transparent." Similarly negatively charged comments within the centrifugal context have been identified relating to questions asked on accountability and risk management which are denoted in the table below via CG for corporate governance comments, ACCT. for Accountability comments and RM for risk management comments.

Interviewee ID	Examples of Key Statements from Interviews
Interviewee #1	CG: Should be truthful about corporate governance, it is seen as checking on people, people do not see responsibility from sitting on the Board. ACCT: Do not believe we have accountability in the country, created to get around Central Tenders Board, This became very political, RM: Liquidity risk is not an issue as you can go back to the shareholder, cannot figure out why it has not been done, nothing happens much for risk management when government gives you money

Interviewee ID	Examples of Key Statements from Interviews
Interviewee #2	CG: People do not understand what governance is, struggling to determine what is this governance, no common thing across the Board, it means many things to many people, reckless society makes it difficult. RM: Achieve Risk Management by praying, do not have the resources, do not know if it is happening. ACCT: Accountability means different things to different people, not fully understood, no one takes responsibility and accountability.
Interviewee #3	RM: Company does not look at RM in its broadest sense, we had an insurable risk perspective, it is not done in a formal way, it's done on an ad hoc basis, Minister only concerned with risk hitting him from a political perspective, company is not forced to be transparent. CG: People look at it with a lot of suspicion, no Board in public sector was worthwhile, Directors only interested in themselves. ACCT: The word is used loosely, relationship does not allow for accountability, Corporation Sole only did the standard thing, essentially had a good lunch until the next year.
Interviewee #4	ACCT: The Auditor General is responsible for auditing the organisation but they are not effective, Accountability is only achieved through audits. RM: Risk is about pilferage and corruption, IA deals with risks, Manage relationships with the line Minister, don't know how to describe this CG: Is a nice word or phrase, people do not take it seriously

Interviewee ID	Examples of Key Statements from Interviews
Interviewee #5	CG: Serves as a reward mechanism, corporate governance is a bit of a red herring, corporate governance is seen like an audit, not enough good people to ensure that it is being implemented. ACCT: If you are holding people accountable a lot of people would have been fired already, In the public service the consequence model is not efficiently applied. RM: When I look at the people I will want checks and balances, it's a patronage system,
Interviewee #6	CG: The 100% shareholder is not represented in any visible way, perception of corporate governance is influenced largely by the most sensational issue at any one point in time. ACCT: We share the same accountability as any other director is a private company, we account for our funds to make sure that we are not involved in any kind of corruption, accountability means that I can account for my actions, A director in a public company is more accountable than a director in a private company. RM: It is important in many aspects, Can't say whether it's effective or ineffective here, it is handled through the internal auditor, IA drives it.

Interviewee ID	Examples of Key Statements from Interviews
Interviewee #7	CG: It's very lax, it depends on who is the chairman, no one . . . . really looks deeply into these companies. ACCT: I really don't know the purpose of the PAEC. To ensure that the money was used for the purpose that it was intended. RM: We did not have any risk management process, I don't think that it is existing, you could have one in place and it could be totally ineffective, it's just a tick box approach, we appointed one person to be responsible for it, no issues of fraud and irregularities, inability to get funding for year on year.
Interviewee #8	CG: Perceived as a transient nuisance, corporate does not have longevity to it, We had a one man kind of thing, we had a Board and they focussed on certain kinds of things and not the organisation.
Interviewee #9	CG: Nobody takes that (corporate governance on), corporate governance is not important in our society, it's a word that we use. ACCT: The PAEC is the same thing. They are not positive in terms of corporate governance. I don't think that they are helping you in your governance.
Interviewee #10	CG: Here to take care of themselves and family, that's the reality, politicians do not understand the whole role of corporate governance, we have a lot to do in implementing corporate governance. ACCT: You have to be careful with the decisions you make, we award big tenders here, million dollar tenders, you have to be careful in the way it is done.



Centrifugal Corporate Governance

The centrifugal pattern comprises those comments that express the view that corporate governance does exist but that it is either totally misunderstood, understood in a superficial sense, or wholly ignored. These comments reveal the diminution of the importance of the value of corporate governance in state-owned enterprises in Trinidad and Tobago. Further, these comments establish clearly that corporate governance does not enjoy the centric role it ought to in state-owned enterprises in Trinidad and Tobago; that it does not exist in an

acceptable form; and that it ought to exist, because it is vital to the proper management of an organisation. It is severely compromised and trivialized through ignorance,

> *"education of people involved in the organisation is important"* (I#6), *"you are dealing with people who don't even understand what governance is" (I#4);* misunderstanding, *"it is misunderstood"* (I#3); and insouciance, *"people appointed to the Board don't understand or care"* (I#9).

The centrifugal comments are best evidenced by " *it is misunderstood"* (I#2), *"I am convinced that people appointed to the Board don't understand or care";* further, it is reduced to a *"red herring," (I#5) "simply . . . a paper process," "just a nice word or phrase people use," (I#9)* an entity arbitrarily and subjectively understood if *"you have ten people you have ten different perceptions"(I#6),* and ultimately deprecated and rubbished as in *"public service bureaucracy," (I#5)* invariably *"influenced by the most sensational issue at any point in time."* (I#7)

Furthest from the centre are the perimetric views: those comments that describe a vacuum at the centre. Corporate governance, in this view, is alarmingly absent and replaced by perfunctory and grossly inefficient management strategies that bear little resemblance to corporate governance. The most biting comments come from an interviewee who rightly believes that *"ethics"* ought to be the linchpin on which the wheel of corporate governance and of society must necessarily revolve:

> *"Corporate governance is not important in our society, in the state sector. I don't see it as being that relevant. It's a word we use . . . . integrity and corporate governance are merely expressions that people use."* (I#9)

It is worth mentioning that if taken out of context such remarks will be seen as a deprecation of corporate governance. But a modicum of cultural familiarity goes a long way towards preventing misinterpretation; this is a typically Trinidadian way of saying that corporate governance is essential but it is not taken seriously. A similar sentiment, with recourse to metaphor, states that corporate governance is to be *"sewn in the fabric of the organisation" (I#2)* for sustainability; this is to the point since corporate governance is a sine qua non of proper management of an organisation, as integral as threads are to a tapestry. However, for those at the helm there is neither understanding nor clarity of vision; no one appears to know how to effect corporate governance, there is no conveying of how it ought to be done:

> *"We are struggling to determine what is governance". "In reality corporate governance is not happening as I think about it". (I#3)*

While recognizing the essential significance of corporate governance to the process of management, some unequivocally claim that corporate governance does not exist and, even if it does exist, it is weak and deficient:

> *"the country on the whole has fairly poor corporate governance." (I#3). "State companies, in my view do not have corporate governance" (I#5)*

Continuing in the same vein, another describes the ills committed by his predecessor, appointed by a previous political party. He quite clearly suggests that the previous Board was not focused on the organisation, hinting at motives that are sinister and deriving from his words *"whatever reasons"*:

> *"The last chairman was XYZ and as you would imagine, a one man kind of thing. We had a Board and I think*

that they focused on certain kinds of things and not the organisation." So I believe that the first thing you should do is put structures in and that's what we are doing. It wasn't there because of whatever reasons."(I# 9)

Every participant understands the words "corporate" and "governance" individually and separately; few, however, offer an acceptable definition of corporate governance, despite it being a concept that has become a leading and necessary buzzword in the business world. "Governance," though a word that first appears as far back as the fourteenth century, is difficult for most for whom "government" is the natural word; it appears to stand for what governors should do but not for how they behave. Gourevitch and Shinn (2007) remind us that corporate governance is the authority structure of the organisation therefore the importance of those with corporate governance responsibility cannot be understated as this corporate governance affects the creation of wealth and directs the pockets that are in receipt of this wealth. More importantly, these authors point to the impact of corporate governance on the efficiency of the firm, stability of employment, supplier income, in essence, a broad stakeholder chain. The comments that are perimetric in nature in no uncertain manner establish that the reality and truth of corporate governance in state-owned companies in Trinidad and Tobago have been severely compromised: they are; *"State companies do not have corporate governance," ". . . .in reality corporate governance is not happening", "corporate governance is not important in our society," ". . . . people don't even understand what governance is."* These comments undoubtedly mask a welter of emotions: sadness, regret, indignation, anger, incredulity, and resignation.

Risk-Management Vacuum

Comprising a significant dimension of the centrifugal pattern are several responses on risk management. These behave much the same way as those on corporate governance and accountability: they offer a scale of views and impressions that range from the very naive to the quite sophisticated. Interviewees offered varied versions of what risk management means: at one end of the scale we encounter the sentiment that risk management is not necessary if one can rely on the State to provide funds when necessary,

> *"things like liquidity management is not an issue as you can go back to the state." (I# 1)*

This perceived cushioning act by the State means that there will be less compulsion to practise effective risk management as is evidenced in the following opinion:

> *"Therefore risk management is not practiced, nothing happens when government gives you money."* (I#3)

Certainly, such an ethos brings into play the concept of moral hazard. This term, according to Dembe and Boden (2002), originated in the 17th century and is associated with the insurance industry. Although the early use associated fraudulent practices on the part of the insured, it is used today to describe a party taking risks because it is insured. Put even simpler, it says a party insulated from risk will be less concerned about the negative consequences of the risk than they might otherwise be. If the organisation has a feeling of insurance then they have less inclination to safeguard the asset as opposed to if there was no "insurance for its value." The thinking is also consistent with the pattern in the 1990s that risk management is about buying insurance; replacing this older paradigm is the concept of enterprise risk

management, a process far more encompassing in its view of risks of the corporation and the system for identification, mitigation, and monitoring. With sarcasm, cynicism, and perhaps despair, one interviewee states that it is because of prayers that risk management exists at all:

> *"We achieve risk management by keep praying. Somebody has to be policing it. We do not have the resources to achieve risk management. We need to have the right management team that understands what has to be done." (I#2)*

Prayer may help, but the achievement of proper or effective risk management, largely depends on, to use the words of another interviewee, "the right management team that understands what has to be done." Much is revealed in this despair; acknowledgement that it is not being done, there is none to do it and there is none in management who understands it. The inevitable reality is that risk management, despite its cruciality to corporate governance, will remain unattained. Adam Jolly (2003) points out in "*Managing Business Risk*" that the events of September 11, 2001 demonstrated that a most unlikely event occurred, it was improbable but not impossible. He goes further to highlight the basic tenets of a good risk management programme citing risk identification, assessment of the consequences, analysis of remedies, cost effectiveness of remedies and monitoring of outcomes. Prayer was not listed as a preventative mechanism.

Managing risk is also seen as being on the right side of the Minister, as if to invoke the wrath of the Minister is evidence of not managing risk:

> *"We manage risks by having an inside door to the Line Minister for protection." (I#4)*

The perception and belief that the Line Minister can act as a shield to protect an organisation from the real risks that it might be exposed to displays a very shallow and hollow understanding of the purpose of risk management or at least the use of this strategy as a mitigant. One gets the sense here that the risk that is being managed is the risk of political fallout in the event that a significant risk issue emerges.

There is also the sense that because of the political nature of the Director's appointment that the focus on risk management also becomes a personal one:

> *"Directors are concerned with personal risk management, the company is risk averse because the individuals do not want to take risk. We understood and dealt with risk management as an insurable risk perspective." (I# 5)*

The significance of these centrifugal comments lies in their capacity to describe an incredible and intolerable state of affairs: a process that is in reality indissoluble from the day-to-day management of any organisation that has become in effect a will-o'-the-wisp. What is frightening is the fact that these are neither isolated nor few-and-far-between comments; on the contrary they are persistent utterances from the most experienced and intelligent of the interviewees. These comments underscore the reality that state-owned entities are managed with the merest modicum of corporate governance. The explanation of this frightening phenomenon, its birth and continued existence, no doubt begins with the nature of the society and the ethos that drives and energizes it. Where the work ethic is feeble and doddery, there is an inevitable shortfall in productivity, satisfaction, and pride; society perforce languishes in discontent and under-achievement. One interviewee, with the Trinidadian social context in mind, puts it this way:

> *"Society also shapes the kind of corporate governance you can have—a reckless society makes it difficult to have a certain kind of governance."* (I#5)

Another endorses I#5's strictures by being more specific,

> *"However the problem is that in Trinidad . . . people are hired through nepotism and whatever else over time . . . . this is Trinidad and this is the nature of things."(I#6)*

The Ownership of Risk Management

In the specific sense, risk management is not well understood in the context of what it means for the corporate entity. One interviewee defines risk management as "having safe trucks, since they were the primary medium for transportation of highly flammable material." While this is undeniable, the adoption of safe practices around the use of vehicles is but a miniscule part of the equation of risk management for this particular organisation; it is an element that may feature in the overall ability of the organisation to manage financial and reputational risks.

There is a general sense that the owner of the function of risk management is the internal auditor. While internal audit has a part to play, there is perceived to be an insufficient display of the role of the Board in the risk-management process:

> *"The internal Auditor has a plan that he comes up with after evaluating the risks, whether it is most effective is up for question". "The matter of risk management is handled through the Internal Auditor, the Internal Auditor is the one that drives it."(I# 6)*

Also present, is the feeling that the monitoring of risks and therefore the extent of mitigation is not well informed,

> *"We are supposed to get the assurance that things are in place . . . . Things that you would not have done in the private sector you will now do in the public sector." (I# 1)*

A feeling of defeat also emerges as there appear to be indifference and inaction to implement facets of risk management:

> *"While we have specific policies and we worked out procedures to get things done we do not have a declaration of non-interest, we recommended that it be done, but to date not done, cannot figure out why it has not been done." (I# 2)*

Risk management is seen as being achieved through the end result,

> *"Apart from not having incidents assurances come from not being sued, no loss of equipment. The less of that means that controls are working" (I# 4).*

We must have a system of risk management that really works, one that *"identifies the true risks to doing business and setting up your own action."* A system in which *"directors are concerned only with personal risk,"* and in which the Line Minister is only concerned with *"risk hitting him from a political perspective"* cannot engender or encourage proper thinking about risk management nor can it ensure the effective practice of it. At the bottom of the response scale, there is the understanding that risk management will put *"measures to check on things being in place."* Such measures ought to include, according to the views expressed, *"a safety committee," "an audit committee, a "risk officer,"* and a *"risk register,"* an *"Internal Auditor function,"* all of which are influenced in one way or another, by *"consequence management."* Until

such measures are put in place and until there is a deeper understanding of risk management, it will continue *"on an ad-hoc basis,"* becoming *"totally ineffective—a tick-box approach."* At the top of the scale, one interviewee sees risk management as *"the most important thing . . . the key to effective corporate governance."*

Risk Management – Narrow View

There is also a narrow view that risk management is about preventing corruption: *"We see risk as pilferage and corruption, and we have an internal auditor to deal with this."* There is not the sense that the Directors or the Board have the responsibility for risk management through the systems of internal control:

> *"So within XYZ we are going to be doing a strategic plan and part of getting our organisation together and people and whatever, we are looking at putting in place some systems and again, it is going to take some time and together with all that we are going to be looking at risk management. That is one of the areas we will be focusing on a lot because you don't want something to happen and then say it happened. It is no point trying to find out that a man took 15 million dollars and you lock him up and you lose your 15 million dollars." (I# 9)*

The narrow view is reinforced yet again by reference to risk management as a shield to corruption. Simkins and Ramirez (2008) show exactly the opposite view, a broader one, in their work on enterprise risk management. They cite the Committee of Sponsoring Organisations of the Treadway Commission (COSO) definition of a process affected by an entity's Board and management applied in strategy setting across the enterprise to identify potential events that may affect the enterprise and manage risks to be within its risk

appetite, to provide reasonable assurance regarding the achievement of objectives. The UK Anti Bribery Act (2010) described by Loughman and Sibery (2012) as one of the most significant anti-corruption legislative developments, operates with guidance based on six (6) principles, one of which is risk assessment; the process of identifying, analyzing and managing risks as critical. The importance of risk management cannot be underscored.

Importance of Risk Management

An important feature of risk management is that it allows the state-owned company to act in a way in which its reputation and the trust that is placed in the organisation are maintained and strengthened over time (Bebbington, Larrinaga and Moneva, 2008). Simply stated, risk management is the process of identifying, assessing, and then making decisions about how to reduce or eliminate specific risks to an organisation. In order to successfully identify, assess, and reduce or eliminate risks within an organisation several basic tenets must be followed. One of the basic tenets of risk management is that it must involve the entire organisation (Simkins and Ramirez, 2008). Risk management cannot simply involve a single department or portion of an organisation. Instead, the focus on reducing risks and improving the image of the organisation for stakeholders must truly involve the entire organisation and all of its operations.

Another important tenet of risk management is that it must be an ongoing and continuous process. In order for risk management to truly be successful, it cannot be something that is used once a major problem has been identified. Instead, risk management is something that must constantly be in place within the organisation so that potential problems can be identified before they negatively impact stakeholders, and, in turn, negatively impact the reputation of the organisation. In addition, risk management should be broadly focused,

meaning that potential risks should be considered from all areas of the organisation. If risks or potential risks related to management or finances are only considered, then large numbers of other risks can be overlooked that can cause as much or more harm to the overall reputation of the organisation (Simkins and Ramirez, 2008).

In order for risk management efforts to operate properly, they must become part of the larger culture of the organisation. Members of the organisation must know that all aspects of operations are always being evaluated and assessed in order to determine risks that might arise; they also need to be informed that they are actually part of the process. If they discover risks or potential risks, then managers should be notified so that those risks can be evaluated and appropriate decisions made to reduce or eliminate them (Bebbington, Larrinaga and Moneva, 2008). Risk management and corporate governance are intimately connected because both focus on reducing risks and improving the way in which decisions are made and the minimization of the potential for illegal or unethical acts on the part of its leaders. Another useful perspective is where risk management is seen to be concerned with reducing risks to the performance and reputation of the organisation and corporate governance is seen to be the reducing of unethical or illegal acts from occurring within the organisation. Corporate governance then is specifically focused on the actions of organisation members while risk management is more broadly focused on all potential risks. When the two are used together, there is a greater opportunity to identify risks within the organisation and to reduce or eliminate them before problems occur that could harm the reputation of the organisation and its relationship with its stakeholders (Bebbington, Larrinaga and Moneva, 2008).

'These interviewees in the main make three statements: one, that risk management is crucial to corporate governance; two, that risk management does not exist in the way it ought to; and three, it has to

be mulled over, considered as both a concept and system, and put into place. For without a proper grasp of its true meaning and implications, the Board is not likely to know just what kind of system to implement. Harper (2005) echoes the need for Boards taking the lead in ensuring that risk management adopts elements of assessment, controls and monitoring. Shimpi (1999) correctly asserts that while risk is not avoidable it is manageable. Its management comes through strategies of risk avoidance, risk reduction, risk transfer or risk retention. What matters is coherent risk management. Without the proper system of risk management in place, an organisation will certainly pay a huge price for the corruption of it integrity: it will suffer losses of all kinds, not the least of which is that of reputation.

Corporate Governance and Fraud

As with ethics, few broach the topic directly: "*I know this fellow who wanted to talk to me about a contract.*" (*I*#8) This is quite surprising in the face of regular outcries in the national press against corruption allegations known locally as "bobol" or "thiefing." Participants readily admit that fraud will exist even if there is good governance, though good governance minimizes the probability and reduces the incidence of it. They recognize, too, that in the absence of good governance, fraud will flourish and assume frightening proportions:

> "*It's a kind of a direct relationship between the two, the governance and the risk and the fraud where one works with the other. I think that it's a very dynamic thing where one has to be on the ball. Now if you don't have good governance, you will have fraud. If you have good governance, what you call good governance, and you are not on the ball you will have fraud. But the fraud will be lessened if you have good governance, risk*

management, systems and processes, they all have to be interwoven and work together. (I#8)

Another interprets risk management by focusing on theft, he sees it as the prevention of *"pilferage and corruption,"* of putting *"systems in place"* to manage and prevent the company from *"losing half-million a month in product theft"* (I#5). Another, I#6, had to agonize over *"financial risks,"* the difficulty involved in

"getting funding for all the projects for the whole multi-year versus single-year budgeting cycle." (I#6)

Another decided that they best way to handle the problem of risk management was to convene more meetings of the Board and to send *"the investment report weekly to the Board" (I#8);* this, according to him, has borne fruit, *"we have now brought this key risk under control." (I#8)* One interviewee questions the need for forensic audits, and contends that

"auditors aren't reliable," because "they go through and say everything is all right." (I#9)

He argues that management ought *"to look at red flags,"* and investigate the quite probable collusion between the outgoing Director and the incoming Director:

"Good risk management should ask what can happen if Johnny is now Steven—what will Steven do that Johnny didn't do. Or, if they are good friends, what collusion can take place." (I#9)

This skepticism, incidentally, comes from the interviewee who sees risk management as the key to good corporate governance. Allegations of corruption stem from the likelihood of fraud (fraud is willful intent to

deceive for some monetary or self gain); the frequency with which reports appear in the media strongly indicates that all is not well in state—owned entities. They are hotbeds for a variety of corrupt practices. In many, perhaps too many, greed—the lust for personal gain—is in the ascendancy. Effective governance to be sure cannot eradicate the noxious tendencies from man, but it can and will stifle their growth.

The recently installed Government in one year already has had numerous allegations against practices of two state-owned companies: National Petroleum and Petrotrin. This has occurred while the Government of the day investigates allegations of corruption of the Government of yesterday. In the state-owned entities of Trinidad and Tobago, corruption allegations have been instrumental in causing the demise of governments losing power, the PNM in 1996, UNC in 2001, PNM in 1986, PNM in 2010. Invariably, significant state-owned companies have been intertwined in the malodorous allegations of graft, bid-rigging, contract awards, bribes, and nepotism. Fraud is as inimical to an organisation's reputation as is boiling water to a frog in the "boiled frog" management analogy of how a frog when placed in a cold pan of water will slowly boil to death as the heat is turned up gradually. Daniel Quinn (2006) used this metaphor extensively to describe population growth, food surplus and history. In the same manner where the frog cannot sense the change in the environment and so slowly dies with the environment. So too does the organisation with fraud allegations occurring frequently. And the tone at the top emerges as an important feature. This, however, becomes difficult when the political tone is one that does not lend a crutch to the state-owned companies.

In looking for a simple definition of corruption I find usefulness in the one offered by Sevensson (2005) "the misuse of public office for private gain" with the most prevalent form of corruption being kickbacks in

government procurement. This in essence is malfeasance. Corruption germinates into an abundant harvest if fertilized by misgovernance and misgovernance will be present in the absence of the proper practice of corporate governance. I believe that corruption is the certain progeny of misgovernance. The descriptions of corruption in the national press in Trinidad and Tobago are as embarrassing as they are frequent. It is not easy for any Trinidadian to accept that Trinidad and Tobago is described as "a society of corruption" by TT Transparency Institute (TTTI) chairman Victor Hart after ranking 72 out of 180 countries in the annual Global Corruption Report of Transparency International, as reported in Trinidad's *Newsday* of March 20, 2010 by Alexander Bruzal. Hart further attributed the apparent complacent attitude in the country to what he describes as the prevalence of the "little" and frequent everyday corruption that is necessary to seek out services with the state-owned utilities, and other public serving organisations such as the Ports, Town and Country, Planning, Licences Division, Customs and Duties. This everyday routine form of engaged corruption serves to provide an acceptance of sorts for what Hart calls the "grand corruption"; the widespread occurrence defines a culture of acceptance which then acts as a catalyst to further accept the grander, bigger corrupt event almost as though the society although complaining is immunized by the act.

The connection between corruption and state-owned companies seems to be the availability of public goods, especially money. The availability of money and other resources increases the likelihood that politicians may seek to gain control over some of those resources for personal uses. However, another connection seems to exist between corruption and government politics. Lederman, Loayza and Soares, (2004) support the position that the connection between corruption and government is not just about the availability of resources that might be desired by individual politicians, but also about a consideration for the likelihood of being able to engage in corrupt acts without being punished for those

acts. The history of punishment being meted out to individuals based on fraud and corruption allegations in Trinidad and Tobago is one that is dotted with very few cases. The last and most significant case brought to the courts involved the financiers of the UNC, in what many saw as a politically motivated charge by the PNM.

Quite apart from the ethical obligations expected from Directors to do the right thing, the institutional features of government are considered to be important in determining why corruption occurs, at least on a broad level. If Directors and management fear that they are likely to be punished for their actions, then they are less likely to engage in corrupt activities. However, it is important to note that even in countries in which institutions have systems in place to prevent corruption and in which leaders who engage in such activities are punished, corruption still occurs (Lederman, Loayza and Soares, 2004).

It is important to understand that there are several types of corruption that occur within government and the public sector. The form of corruption that is typically considered in relation to governments is financial corruption involving the use of public monies for personal gain (Svensson, 2005). The most usual manifestation of financial corruption is in the form of bribery, which occurs when a politician or other public leader accepts money in exchange for favours from those providing a service or contract. Corruption in state-owned companies can also take the form of what is known as "rigidity." Rigidity occurs when a leader is not willing to make changes in leadership behaviour or rules even though such changes would benefit stakeholders. In addition, callousness is also considered a form of corruption because the leader shows a lack of concern for the impact that his or her actions have on stakeholders. To curb the intemperance of those who go after the coffers, there must be significant sanctions to be applied against the offenders (Svensson, 2005).

Accountability – Definition

Each definition offered by interviewees contributes something different, however small, to the creation of a comprehensive verbal definition of accountability. Put together, these interview texts offer the following definition: Accountability is the proper discharge of the Board's responsibility to all stakeholders characterized by the optimal management and use of available resources and its obligation to maximize the human potential of its workers with a view to creating an environment of challenge, co-operation, and efficiency. Such a definition must tell us that there is nothing wrong, generally, in the thinking and theorizing about accountability; the problem lies in the implementation of it.

Impediments of many kinds retard, frustrate, and prevent implementation. What strikes us throughout the interview texts is that theorizing and thinking will remain strong in the absence of implementation; this is a ray of light. There is a chasm that divides those who are committed to implementation and those who appear too pusillanimous and apathetic, those who are too indifferent to want to change the status quo.

Accountability's Absence

Accountability is a key tenet within the practice of corporate governance. It is cited by many of the authoritative corporate governance bodies such as the OECD, CACG, ICG, Cadbury, et al, as an indispensable pillar in the foundation of corporate governance. It is a word that is used frequently and has been described with a deceptive simplicity by the majority of interviewees. Naively, it can simply mean the process of giving an account of an event or responsibility of some asset or thing to which one is entrusted. In the corporate governance remit, however, the word takes on more complexity since accountability

is a key feature to combat one of the trying areas of corporate governance, the Principal Agent problem. This problem revolves around relationships where the Principal delegates responsibility to the Agent for managing the resources of the corporation. Its importance is located in the fact that the Principal and Agent might have conflicting goals. To this end and to ensure that the Agent is kept in check, the Principal will have to incur monitoring costs described by Dragomir (n.d.) as costs necessary to reduce the potential harmful actions of the agent. A narrowing of the meaning of accountability occurs as some interviewees bring it closer to punishment for those who are accountable:

> *"The Integrity in Public Life Act does not promote accountability, but it's to keep you on the straight and narrow." (I# 9)*

The term "accountability" is often used with an unclear meaning. The term is frequently used in companies and especially so in politics with broad meanings that suggest everything from transparency on the part of leaders to encouraging responsibility and openness toward citizens. Bovens (2010) offers an uncomplicated way of defining accountability as the set of norms that ought to guide the behaviour of individuals. What is really suggested in this definition is that accountability is about acting in an acceptable manner in conformity with the larger norms of society. The importance of accountability, or behaving in a way that is in alignment with the larger norms of society, involves the need to have a set of guiding principles to instruct leaders how they should act in relation to subordinates. Solomon (2010) states that Directors have a duty to ensure the delivery of a framework for accountability. This accountability is essentially from the Directors to the owners. Carver and Oliver (2002) add further by stating that responsibility and accountability differ where responsibility is about hands-on obligation to create something of value, whereas accountability refers to an individuals or a group's obligation to see to the production of something

of value. In this way, I believe that the Board leaders and leadership are accountable for delivery of infrastructure services and management is responsible for delivering the service. When leaders are considered to have accountability it means that they are making decisions and taking actions that are in line with social norms. This means that leaders are taking actions that will positively benefit all people as opposed to taking actions that benefit only themselves. The importance of the meaning of accountability is raised through the question asked by Political Scientist, Robert Behn (1991), *"what do we mean when we say we want to hold people accountable?"* Behn posits that in understanding corporate governance, accountability is about the relationships between corporations and its officers and the social organisations among them. This implies that accountability is both within the immediate corporation and then emanates from the corporation to those who have entrusted the corporation. Dubnick and Fredrickson (2011) define it as "a relationship in which an individual or agency is held to answer for performance that involves some delegation of authority expected by some significant other."

While it is encouraging that some informants can bring us close to a proper understanding of accountability, we are taken aback by the insistence that it is seldom practiced and when encountered it is deficient. This appears to be a case of the spirit not being willing and the flesh weaker; indeed this adjustment of the famous maxim seems to define so much of what is wrong with or lacking in corporate governance in state-owned enterprises, as made clear in these interviews. Many Trinidadians, to be sure, will readily confess that it also holds true for society at large. Notwithstanding these definitions, there is the widespread perception that accountability does not exist because it not enforced: *"it should mean that the Board is accountable for performance of the company"* (I#4). It appears that accountability can be scuttled by the involvement of the Line Minister;

> *"however, you become exposed through this accountability and the LM can then blame you if an oil spill occurs. The LM then lets the company be accountable to the general public." (I#3) The relationship does not allow for accountability."*

This does not render a true or acceptable definition of what accountability is.

Valor (2005) points out that the real importance of accountability is in its authority to ensure that board members act in accordance with the needs of stakeholders. If leaders do not act with a higher level of accountability, then they are not likely to make decisions and take actions that will benefit their stakeholders. For political leaders and the leaders of state-owned companies, not being accountable means the potential to cause harm to all citizens, as it is the citizens who are the stakeholders of any decisions that are made by the State. In comparison, having a high level of accountability means that a leader is likely to behave in a way that will bring about positive outcomes for stakeholders. *I*#5 takes it further,

> *" No, I do not think that we have it. Because accountability is the next step. Corporate governance sets up the way you will conduct your business and put it into practice. Accountability is the consequence of either doing that right or wrong."*

This points to an important question that goes to heart of the phenomenon: how can you have accountability if you don't have governance? One begets the other, accountability is but one child of the corporate governance parent. This also gives rise to the perception that there are no consequences for non-accountability.

The PAEC (Public Accounts Enterprises Committee) is set up to have state companies account to a Parliamentary body; unfortunately it is widely viewed as simply treating with those organisations that are mired in controversy. One Chairman reported that he was never called upon by the PAEC; with elation he offered,

> *"I was not controversial, thank God. Maybe somebody realized we were trying to run it with some degree of corporate governance" (I# 7). "So people look at it to score political points, to make somebody look bad" (I# 1).*

It appears that the real purpose of the PAEC is lost if it does not call enough of the organisations to account whether they are in controversy or not. Enough has been said that warrants a closer look at the PAEC. An examination of the purpose of the PAEC is therefore necessary. It is stated that the PAEC is a watchdog committee and according to information obtained from its website, the Constitution of the Republic of Trinidad and Tobago establishes that the Public Accounts Enterprises Committee (PAEC) is charged with the responsibility of examining the audited accounts of all Enterprises that are owned or controlled by the State.

According to its website information, "The PAEC was established as a result of the growth of the public sector." Since the early 1970s there has been an increase in the number of statutory corporations and state enterprises covering a wide range of industrial and other economic activities. Consequently, it was established that "since parliamentary control was too remote and not continuous, a mechanism should be created for Parliament to keep an effective watch over public sector projects in which millions of taxpayers' dollars had been invested." This

augurs well for those with the responsibility of accounting for the resources at its disposal but does so only through the accounts. But accounts do not necessarily show instances of fraud or of risk incidents. The website information goes further to state: "The PAEC examines the reports and accounts of the public undertakings and determines whether the affairs of these institutions are being managed in accordance with sound business principles and prudent commercial practices." The work of both the PAC and PAEC is facilitated by the assistance of personnel from the Offices of the Comptroller of Accounts as well as the Auditor General whose audited reports of Government Ministries and Departments and public sector enterprises form the basis of the scrutiny exercised by these Committees.

In keeping with its 1995 manifesto promise to appoint Select Committees to monitor the operations and functioning of all Ministries, the Government introduced the Constitution (Amendment) Bill (1998) into the House of Representatives; it was subsequently passed by Parliament. This Bill amended the Constitution of the Republic of Trinidad and Tobago by adding thereto a new section to enable the House of Representatives or the Senate to appoint Select Committees or Joint select Committees to investigate and report to Parliament on the powers and methods of functioning of, and criteria adopted by:

- Service Commissions in Trinidad and Tobago;
- Ministries and Departments of Government;
- Statutory Authorities; and
- Enterprises controlled by or on behalf of the state or in which public money is invested.

The government expressed the hope that "the passage of this Bill will give effect to the principles of accountability, transparency, openness and access to information held by public bodies generally."

So, since 1995, some 16 years ago the governors of the country contemplated a mechanism to promote accountability and transparency, recognizing perhaps the same as the OECD and the CACG that the companion of accountability is transparency and that corporate governance would be a hollow log in their absence. Yet, despite the existence of the PAEC, there are stories that have appeared in the headlines bringing odium to the Directors and management of several major state-owned entities. The nature of the alleged breaches includes many types of malfeasance: corruption, unilateral decision-making, bid-rigging, among other equally calamitous corporate governance sins. The apparent ineffectuality of the PAEC means that the principles of accountability, transparency, and openness remain elusive. This must be agonizing for the public at large as the accountability for resources involves the funds that are part of the national patrimony.

This Interviewee's words are to the point:

> *"I think they (the PAEC) became controversial when people (in the PAEC) perceived that somebody is using their position to abuse . . . . If I was in opposition in the PAEC, I would have had UDECOTT and UTT before me all the time. You are just spending too much money, you seem to be spending it without the correct governance. Who is signing off? Are these things going to the Board? How are you getting the approvals, Is the Chairman of these companies becoming all powerful?" (I# 5).*

Another adds of the PAEC in questioning an elusive independence,

> *"this became political, by and large very political between the two parties, the Chairperson is supposed to be independent" (I# 1).*

In an even more scathing commentary, I#9 bemoans what he perceives as the demise of one of the most important committees while I#10 dismisses its effectiveness for want of resources:

> *"There are two organisations that I think have failed this country. One is the Integrity Commission. The Integrity Commission with that project that was done, the intention was to go out there, even in schools, with a big communication plan that was never implemented . . . .but that was the plan, to go out there and educate people. In fact the motto of the Integrity Commission was "do the right thing always" but it just died." (I# 9)*

> *"I think that the intention is there but they don't have the resources to really and truly implement the terms of the Act and their roles and responsibilities" (I# 10)*

Currently, the two organisations (among others) mentioned above are being investigated because of significant corruption allegations.

It is essential to understand that having accountability requires consequence management. In order for leaders of any type of organisation to achieve accountability, they must be able to assess the events that are occurring around them and the potential problems that might arise based on actions that might be taken. What is important in terms of the management of consequences in order to achieve accountability is to recognize the specific consequences that might occur in relation to specific actions (Bovens, 2010).

Accountability truly cannot exist without consideration and management of consequences. Without efforts to consider consequences and to reduce negative outcomes to stakeholders while increasing positive outcomes, there is no way for leaders to know the actions that should be taken so that they can behave in accordance with social norms. The assumption is that the social norm is to not harm stakeholders. If this is indeed true, then taking actions without consideration of consequences and how they can be reduced or even eliminated would mean not acting with accountability.

The understanding of corporate governance appears fuzzy by a surprisingly large number; where there are clearer views, they are punctuated by statements related to the absence of structures to achieve corporate governance. "Corporate" when attached to "governance" refers to the governing of the organisation; its origin seems to be lost on most interviewees. The descriptions of corporate governance indicate how and what corporate governance should aim for; it mostly centres around how the business should be run. The views are not clear, refined or compelling as one would expect from those who sit in the Chair and have responsibility for the practice of corporate governance. It is a misunderstood topic, yet at the same time, interviewees introduced varied aspects of corporate governance. There appears to be an unwilling or untruthful stance in the acceptance of the absence of a good understanding of corporate governance,

> *"we are struggling to determine what is this governance" (I#2) "we should be truthful about corporate governance, not just talk about it."* (*I#*1)

Such a statement as "*talent is needed to get the job done*" (*I#*7) sounds like a wish as opposed to a feature which is actual. It is dilemmatic when previous statements linked to the selection of Directors are in turn linked to the political decisions of the politicians. We are then

forced to ask ourselves, "Who is the hack?" Such a question strongly suggests that there are gaps in the talents of board members; some are brought, others are desired. The statement that it is "*a nice-sounding phrase*" (*I*#9), lends itself to the interpretation that it is more sound than sense. The absence of a consequence model means that the implicit behaviour is one that becomes difficult to check and is perhaps also one that is undesirable.

It is at once illuminating and chilling to recognize that such comments are the words of past and present chairmen who have overseen and continue to oversee the governance leadership of state-owned companies! Corporate governance in the centrifugal sense seems to be variations of a common theme.

Centripetal Pattern

The centripetal pattern diagram comprises all the comments that take us closer to the centre: those that define the phenomenon of corporate governance and establish the need for it in state-owned companies.

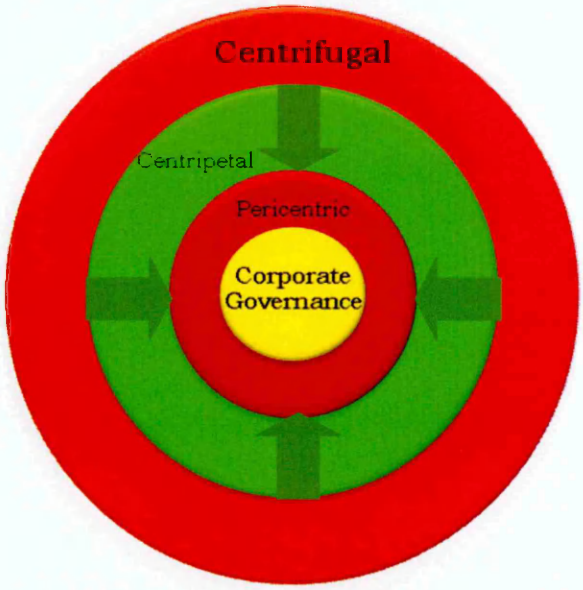
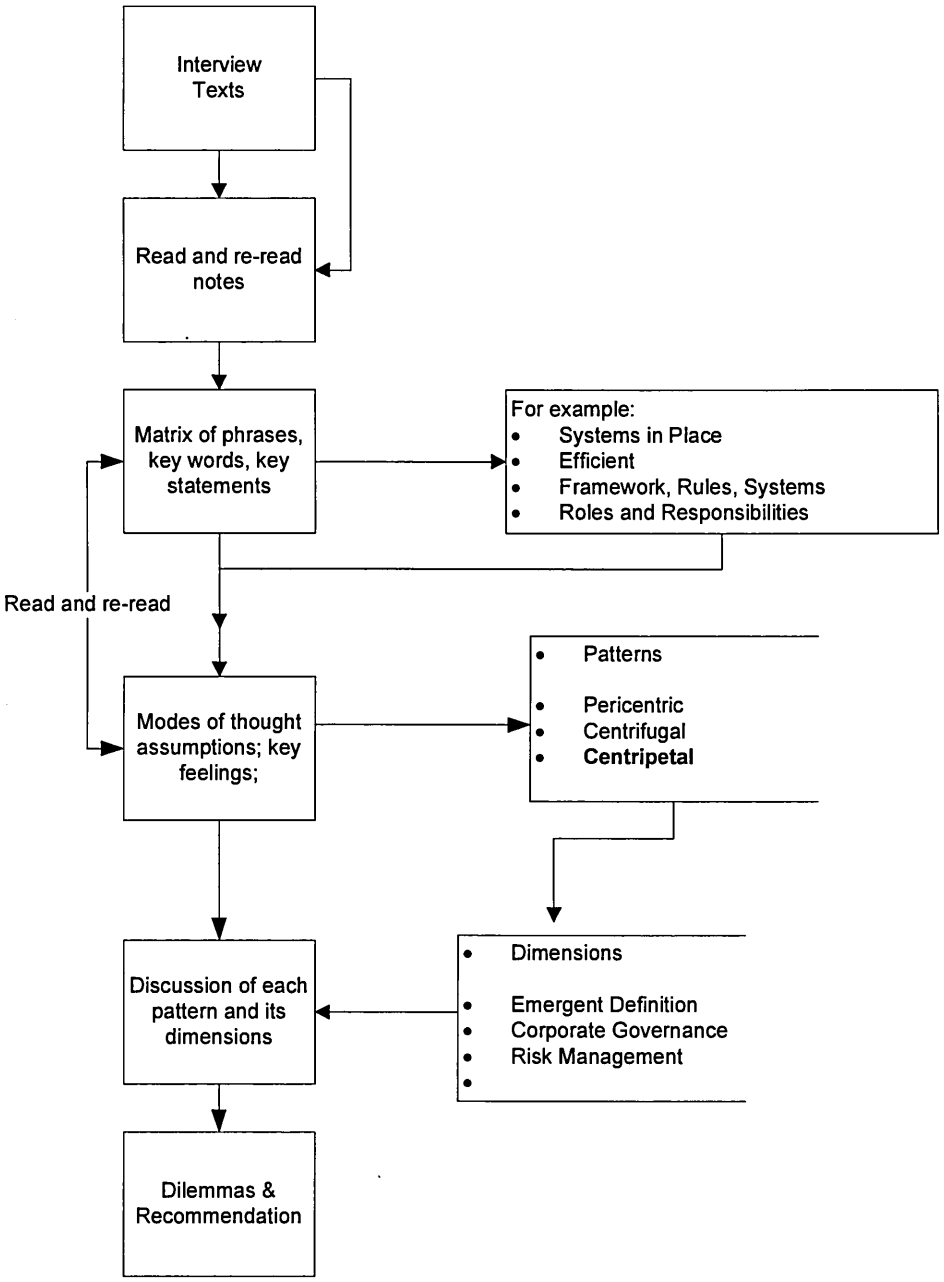


Figure 17: Centripetal pattern

Key words used within this pattern are positive allied phrases; "structure," "framework rules," "integrity," "defining," "systems," "processes," "governance," "policies in place," "ethics," "behaviour," "principles," "transparency," "compliance," "is seen as," "practised," and "in place."



Interviewee ID	Examples of Key Statements from Interviews
Interviewee #1	CG: To ensure that it operates in a framework of policies, with an understanding of roles and responsibilities, it aims to manage taxpayers funds, should be truthful about corporate governance, it is seen as checking on people
Interviewee #2	CG: Defining things that we value, what business principles we want to adhere to, what structure we put in place to ensure compliance, struggling to determine what is this governance
Interviewee #3	CG: Rules, process, systems to direct the affairs of the corporation
Interviewee #4	CG: It's a commitment by group of leaders to ensure that role and function of institution is carried out effectively, is a nice word or phrase, don't take it seriously
Interviewee #5	CG: A set of principles, processes, activities that ensures the business is conducted with proper integrity
Interviewee #6	CG: A segregation of duties between shareholders, BOD and CEO and executive management, a high level of transparency
Interviewee #7	CG: How you go about managing the affairs of the company to ensure that you have proper systems in place, to ensure high degree of transparency and compliance, it's very lax, it depends on who is the chairman
Interviewee #8	CG: The Framework that guides the organisation in actualising the strategic plan of the company
Interviewee #9	CG: A system or structure by which an organisation carries out its business in terms of its ethics

Interviewee ID	Examples of Key Statements from Interviews
	RM: Risk management is key, proper risk management should look at the red flags, you must not steal, I am moving towards a fraud free institution, prevention is the way to go (in terms of fraud), you eliminate fraud only through the will to not do it, if you don't have good governance you will have fraud
Interviewee #10	CG: Putting measures in place, bringing accountability to the fore, operating in a business manner, accountability, transparency, leadership and policy direction

Centripetal Pattern

At the other end of the equation and opposed to the centrifugal pattern is a series of comments that serve to take us closer to the central understanding of this key concept. This centripetal pattern comprises views that fly to the centre of the meaning of corporate governance; that is to say, that it adds to the stock of the importance of corporate governance. Luckily, there is this obverse of the coin of corporate governance, otherwise state-owned entities would be in a sorry state! This centripetal pattern clearly indicates a gestalt: it is a case where the sum is greater than the parts; that is to say, no single definition can stand comprehensively alone. However when taken together, what emerges is not only an acceptable definition of corporate governance but also one that closely approximates the textbook definition. Expectedly, there is a range of responses from the peripheral to the central, from the generalized to the specific.

Unlike the centrifugal comments, those that are centripetal bring us closer to an understanding that is more aligned to the understanding of

corporate governance. Only one participant understands the origin of corporate governance in the interview, defining it as *"a segregation of shareholders, Directors and Management" (I#6),* that has its origins in the formation of the joint-stock company; and he sees it as "*basically the roles and segregation of duties between the shareholders the BOD and the CEO or executive management." (I#6).* As authentic and historically true as this is, it does not carry us far into the journey of understanding of what corporate governance is. Quite different is the definition that corporate governance is the managing "*of the affairs of the company to ensure that you have proper systems and process in place to ensure a high degree of compliance and transparency in how you do business and are accountable to the shareholders and stakeholders." (I#7)* This is a significantly more positive step forward, but could have been made more accurate and more demanding by using the "highest degree" instead of "*a high degree.*" Close to this definition is that of the solitary interviewee who speaks of commitment: "*It is a commitment by a group of leaders that has (sic) a responsibility to ensure that the role of institutions is carried out effectively." (I#4)* The mention of leaders' commitment enhances the recognition of leadership in governance as being pivotal in carrying the message of the importance of governance through the tone at the top. Governance, after all, is not bottom-up but top-down. By way of contrast is the statement, "*proper governance is stymied by even the lowest staff" (I#1).*

Closer to the centre is the definition that sees corporate governance as *"rules, processes, systems used to direct the affairs of the corporation." (I#9).* To this point, corporate governance is seen as inanimate and perhaps lacking in real form. A step further, we encounter this definition, "*corporate governance would be the framework that would actually guide the organisation, the Board of Directors as well as Executive management in actualizing the strategic plan or strategic view of the company" (I#8).* The actualizing of strategic plans brings us closer to the meaningfulness of corporate governance and takes us forward

but still not to the point. Reaching the centre best are the views offered by I#9 and I#2:

> *"A system or structure by which an organisation carries out its business in terms of its ethics." "It incorporates ethics, behaviours and what type of behaviours we really want in the organisation." (I#2)*

We recognize that we have arrived at the centre with the introduction of ethics, *"the reality . . . . of actually doing the right thing, the good thing." (I#9)* The right thing and the good thing unarguably reside at the heart of good corporate governance; however, in the marathon of its implementation lies the absolute need to understand what has to be done and, of critical importance, to stay the course.

Cognition of Corporate Governance

When taken together, what emerges is an acceptable view or definition of corporate governance. In a pragmatic sense, some of the responses indicate that much needs to be changed in social behaviour before proper corporate governance can be achieved:

> *"Society shapes the kind of governance you can have, a reckless society makes it difficult to have a certain kind of governance." (I#3) "You can be directed based on the culture, from the outside." (I#9)*

It can be said that a society's corporate governance is perhaps a reflection of its overall level of maturity or sophistication. In a speech on responsible governance in April 2011 at the Trinidad Hilton, the Minister of Finance, Winston Dookeran, underscored the importance of corporate governance, using the metaphor of the supply/demand

principle: *"The supply of good governance is based on the demand of good governance."* The frustration is amply expressed in the contrasting comment on corporate governance:

> *"I come from an organisation where there is too much governance perhaps and go to a state organisation where governance is only scratching the surface is frustrating." (I# 3)*

> *"You are dealing with people who do not understand governance and what it is" (I# 5).*

Participants invariably demonstrate an understanding of the core purpose of corporate governance. The interviews offer the gamut of responses to the fundamental question "what do you understand corporate governance to be?" At one end of the response scale there are claims that at best "corporate governance is "a nice sounding phrase" that describes something that ought to but does not exist in organisations; less despairingly are those responses that recognise that it does exist but it means different things to different people. Above these are those who understand corporate governance to be necessary to effective management, and therefore needs to be taken more seriously; however, their responses go no further than rules and regulations. Higher still, we read statements that speak of "processes" and "systems" that assist in the management of the affairs of the organisation. At the other end we encounter definitions that approximate those of textbooks: "the framework that would guide the organisation, the BOD as well as the Executive Management in actualising the strategic plan of the company." While at the lower end, the responses cause us real concern because of the lack of focus and substance, those at the upper end encourage us to believe that corporate governance is real, vital, and ought to be understood, and in time will be understood. Hope resides in the deduction that if some are

well informed, most, if not all, in time, can and will have a meaningful grasp of the subject. In time, those who are called upon to practice it will be aware of its most important tenets and better disposed to actualising the process.

Some interviewees on the more realistic side talk to the "systems and processes that are necessary"; it is about

> *"having the proper systems and processes in place to ensure that there is a high degree of compliance and transparency in how you do business and that you are accountable to the shareholders and stakeholders."* (*I# 8*)

That it is defined as "*ensuring that you give a good account for the money and the resources" (I# 7)* reflects the perception that accountability is for money spent. In almost all instances of allegations involving a breakdown of corporate governance, corruption and graft are at the top. The understanding appears to range from the notional to the realistic, but appears to weigh more on the notional side. Corporate governance is seen as in place since "*people have a responsibility to ensure things happen."* The use of "*things"* offers solid evidence of the vagueness of the participant's notional understanding. Such a statement as "*It is about checking on people, people see it as checking on them" (I# 3)* supports the type of transient thinking about the subject. Another urges that the

> *"board should be truthful about corporate governance, not just sit and talk about it,'* and that *"buy-in should come from each Board member." (I# 1)*

Without doubt he suggests that there may be a level of apathy that is endemic to the practice of corporate governance in state-owned

companies. The lamentable state of the management of these companies is *"a result of the inability to meaningfully do something about the practice of governance."*

Accountability

Interviewees are much clearer about their understanding of accountability than of corporate governance. Notwithstanding, all the respondents beg the question in that they choose not to avoid using the word "accountable" to define its abstract noun. For example, one sees accountability as being *"accountable to the public or to taxpayers";* two define it as being *"accountable to the Line Minister" (I#3);* another views it as being *"accountable to the shareholder" (I#5) . . "and to the public for the way in which we spend their money" (I#6);* and adds that in the case of a public company *"the accountability to the shareholder becomes more stringent"* than in the private sector. Viewing accountability from a slightly different angle, others posit: *"It should mean that the Board is accountable for the performance of the company." (I#6) "The company is also accountable to the communities, to the contracting community to sustain its business, and accountable to stakeholders."* (I#3)

One with a naturalistic bent, defines accountability as *"the consequence of either doing that which is right or wrong."(I#9)* The emphasis on *"consequence"* aligns his thinking with those interviewees who would insist *on "a consequence model,"* (I#3) which holds each person accountable for his actions. Taking it further, only one introduces an ethical dimension, arguing that there are two forms of accountability: one *"is in terms of carrying out your functions, performance," (I#6)* the other is "ensuring that the resources of the state are well managed, not only in terms of efficiency, but propriety." He sees the end result of accountability as *"at the end of the day . . . to show a profit,"(I#9)* and exhorts us to practice both forms of accountability: "if you do these

things, you will show a profit." Referring specifically to his Board, he adds:

> *"Our accountability goes in terms of choosing the best resource, not only in terms of quality, but also price and everything and ensuring that there is no wastage—that's our basic accountability to make sure our projects are well done." (I# 9)*

He concludes by reminding us of the importance of the human element in all our deliberations: *"Also to maintain a good relationship among our people . . . to make sure that they are happy and they are working because they want to work."(I# 9)*

The one that comes closest to the mark equates accountability with *"good stewardship,"* adding that it ensures that *"the money and the manpower, real estate or whatever is given to you, that it is used for the purpose for which it was designated . . . [that] it is totally transparent." (I# 7)* One, while stating that accountability is *"actually almost non-existent" (I# 3)* in the state-owned companies, stands out from the pack by proposing that there are *"two levels"* of accountability with an important distinction between a high-level accountability and a low-level accountability. Accountability to Corporation Sole which deals with *"statutory accounts . . . [and] actuarial valuations"* is far less crucial than the creation of a "performance culture," constructed out of *"real performance accountabilities."* Introducing the human element in a different way, he establishes that the main focus of his contention is to *"help the executive to improve," (I# 8)* to create a cadre of individuals who will ensure that things would be *"done properly and legally and within the right IR framework."(I# 9)*

As with corporate governance there is a gaping divide between the understanding of what accountability is and its practice. While one

interviewee subjectively sees it in terms of the information brought to the board to be used as the basis for decisions, two rightly define the term as the proper use of the resources given to you. The majority of respondents beg the question by assuming that everyone knows the meaning of *"to account for"* and *"accountable."* Take, for instance, this definition, *"Accountability means that I can account for my actions and I am accounting for my actions to somebody";* this really gets us nowhere. (I#6). However, more helpful is the comment that sees accountability as *"ensuring that the resources of the state are well managed, not only in terms of efficiency, but propriety."(I# 9)* This is welcome but hardly surprising from the individual who emphasizes the pivotal role ethics plays in the life of the individual, of a company, of a society, of a nation. A fuller definition that cannot really be argued with is offered by I#7; though begging the question at first, he goes on to redeem himself:

> *"To me it's all about giving account for the resources that have been placed at your disposal. To ensure that the money, and again it comes back to good stewardship, that the money and the manpower, real estate or whatever is given to you, that it's used for the purpose for which it was designated and you have proper support for all the decisions that you have made, it's totally transparent."*

Though three interviewees state that accountability does not exist in state-owned entities in Trinidad and Tobago, and two claim that *"it is not fully understood in the public service [and] means different things to different people at different times," (I# 6)* an acceptable composite definition of accountability emerges, as everyone appears to know in varying degrees what it is and what role it plays in an organisation.

Emergent Definition of Corporate Governance

A centric interpretation that derives from the combined understanding of these Chairmen of state-owned companies suggests that corporate governance is a process that must exist to protect and to give proper account to the interest of stakeholders. It must be bred within an environment of commitment by the leadership of the organisation, setting the appropriate tone for the conduct of business in a transparent and ethical manner. The demonstration of corporate governance must therefore occur in a framework of policies, procedures, systems and, behaviours that guide the organisation to actualizing the strategic plans of the company. After all, state-owned companies exist to fulfill a particular purpose, and while it is recognized (CACG Best Practices Guide, June 2002); that the political objectives of government may be at odds with the commercial interests of a state company, it cannot be ignored despite the purpose or the raison d'etre of the organisation is that its governance must be discharged in a manner that is confident and lusty.

Ethics and Morality in Corporate Governance

Surprisingly very few participants broach, in a direct manner, the subject of the need for morality and ethics in the practice of corporate governance. One argues that "*corporate governance has to do with how you deal with issues of integrity and morality (I# 7);* and another takes it a bit further, *"Corporate governance would be a system or structure by which an organisation carries out its business in terms of its ethics . . . . "once we have defined ethics then it would be the roles functions and systems that ensure that it is kept in place" (I# 9).* Although only two insist on the need for ethics and morality, it is implied in such a statement as *"my understanding of CG is that institutions/organisations will put in place a set of principles, processes, activities that will ensure that the business is conducted with proper integrity primarily; so that all*

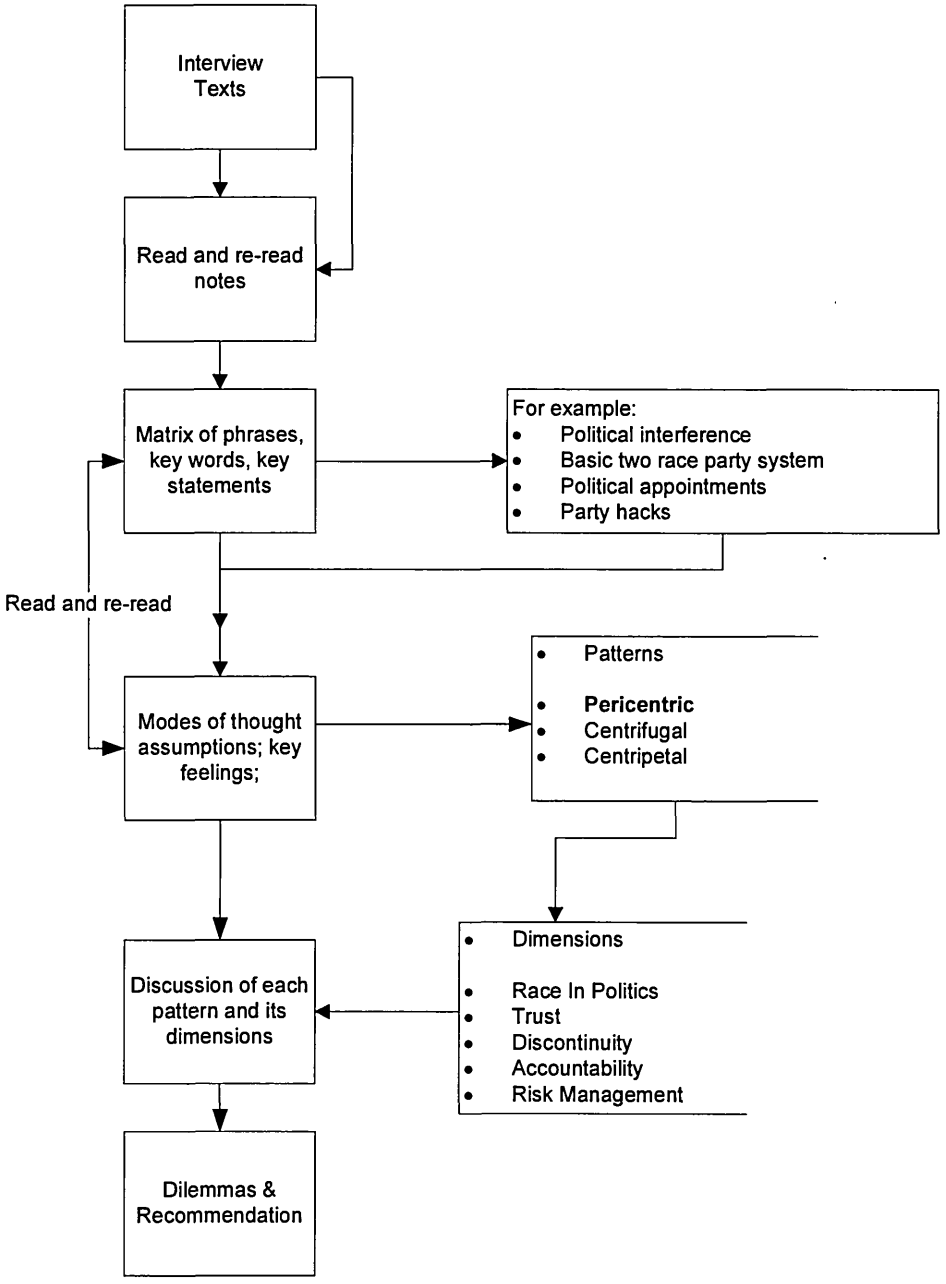
the decisions taken can withstand the test of time that it was the best decision taken at this point in time" (I#5). Morality and ethics although different words are used almost synonymously by the interviewees; they convey a sense of what is good, right, and proper. Morality appears to be ethics in action or practice.

Importantly, a code of ethics is a standard feature in the corporate governance edicts of most organisations. Mcnutt (2010), writing of "Corporate governance and Kant's philosophy" in *Manchester Business School Journal of Ethics*, argues that corporate governance is an obligation for its practitioners to act in an ethical manner and to take responsibility for actions in the discharge of their duties. Accountability, therefore, as a corporate governance feature must have ethical behaviour as its bedrock. He also contends that the absence of accountability is a hallmark feature of misgovernance. Interviewee #3 locates the importance of ethics being *sewn in the fabric of the organisation* (I#3).

The Pericentric

We move from the centrifugal and centripetal patterns to the pericentric. Around the centre, standing in ominous guard and preventing the institution and attainment of proper corporate governance is a large and powerful pattern that is best referred to as pericentric. Examples of key words and allied phrases arising from this pattern include: "politics," "political," "it's just politics," "political interference," "appointees," "political system," "parties." The following diagram best represents the pericentric and shows the barrier that prevents the centre from being reached.

Pericentric Pattern – Political Statements, Key Phrases from Interviews



Interviewee ID	Examples of Key Statements from Interviews
Interviewee #1	Political interference, political appointees, basic two race party system, political fallout, this political system

Interviewee ID	Examples of Key Statements from Interviews
Interviewee #2	Wonder why people get selected to Boards, very political between two parties, Direction to Board comes from Minister
Interviewee #3	Political interference, governance should transcend politics, accountable to Minister
Interviewee #4	Company Act conflicts with directions given by Minister, the organisation becomes a tool of government or line Minister, all Directors are tainted with Party Hack brush, Party hacks do feel accountable to Board, Company is not forced to be transparent
Interviewee #5	Once Government changes there is a change in corporate governance dynamic, political decision, nepotism, favouritism, cronyism, company has political dimension, politics tend to rule right, simply because of the politics, it stems from the politics, that's just the nature of things, that's the politics.
Interviewee #6	People go to a board meeting to get a meal and leave, they have a nonchalant attitude, if you cross the line the structure starts to crumble,
Interviewee #7	Political interference, have to be strong, line minister wants things done, politically connected
Interviewee #8	Political Risks, One has to be politically astute, elections takes place every 5 years, restrictions from the corporate sole, state interference, I really don't see the interference
Interviewee #9	That's the way politics is in Trinidad, procurement is politics, then of course politics, it's just politics, political issue

Interviewee ID	Examples of Key Statements from Interviews
Interviewee #10	Affiliated to politicians, Have to follow the directives of political directorate, risk your appointment being revoked, continue under duress, you understand how it operates.

The Pericentric Pattern

This is essentially an analytic commentary on how interviewees understand the manner in which politics manifests itself in the operation of State Boards.

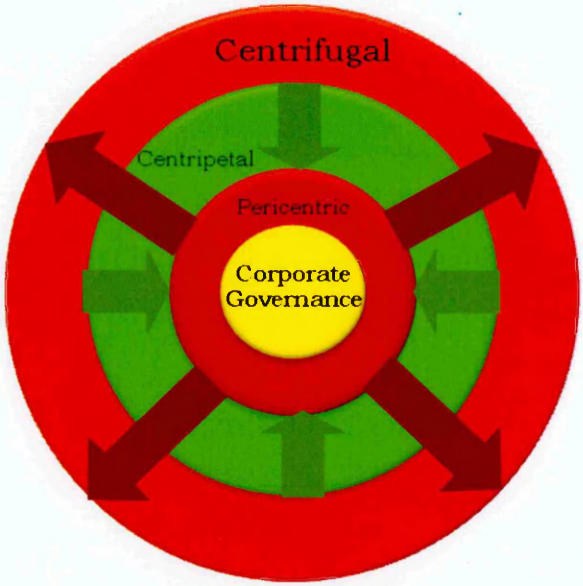


Figure 18: The Pericentric pattern

It is essentially the political pattern, but I have renamed it the "pericentric" pattern to bring it into nomenclatural alignment with the centrifugal pattern and the centripetal pattern that have the circle as their referent. As the epithet indicates, the pericentric pattern surrounds the centre; in the context of my research this pattern is a large, recalcitrant presence that prevents the implementation of corporate governance. The two key words used to arrive at the

preicentric pattern, not surprisingly, are "politics" and "political"; the latter occurs far more frequently than the former. When politics occurs, it is used to signify an existing condition that impacts on corporate governance. Its meaning ranges from the practice of government as in "[corporate] governance should transcend politics," to a recognizable governmental behaviour established over the years as in *"that's the way politics is in Trinidad," (I#6)* to a severe deprecation of the art of governing as in *"procurement is politics."* (*I#*9). Though its use may sound neutral as in such a phrase as *"it's just politics,"* it never really is, for even here there is a sense of resignation in the acceptance of the status quo. Every usage of "politics" sheds a negative ray on how the party in power conducts its business and how that business influences and compromises corporate governance.

The word "political" is used in combination with a number of signifiers broadening and deepening its meaning. The use of particular nouns reveals a wide range of responses, ranging from resignation to outrage and despair. As with politics, the use of "political" appears to be neutral in such phrases as "political decision" "political dimension" and "political issue" where the adjective refers primarily to the activity of the government. Contrariwise, we sense the interviewees' outrage and disappointment when we hear of "political interference". They refer to the manner, covert and overt, in which politics obtrudes on corporate governance with the sole purpose of ensuring that *"what the Line Minister wants the Line Minister gets"*. In a small country where there is no real ideological difference between the main two or three parties this is invariably perceived as a constant in government. Because Party invariably comes before nation, there is always with a change in Government a change of Board members; Boards therefore have *"no longevity"* and are seen as *"transient nuisances" (I#8)* that are composed and dismantled according to the whims of the Line Minister. Militating against the health and the integrity of the Board and the body politic is

a condition that occurs when the Board member loses favour with the politician or line Minister:

> *"people are fired not for poor performance. People are fired for political fall out. (I# 9)*

The insinuation is clear, performance is not the measure. Another carefully couches his belief that the politicians interfere in the running of the state-enterprise:

> *"The political directorate may want to go in a particular direction and that may not be in alignment with what you see for the organisation" (I# 10)*

Moreover, in the seemingly neutral phrase, "political system," we, as Trinidadians, grasp the despair the interviewers feel in the experience that the more things change the more they remain the same. The system invariably becomes invasive and meddlesome.

Discontinuity

One interviewee hides his disappointment and outrage by nonchalantly stating the facts:

> *"when we left because of the change of government and so, I believe we were one of the most compliant state companies in the country". (I#7)*

This statement defines and underscores one of the many negative dimensions of the political pattern; these changes become more pronounced when political parties change. Unfortunately, a change of Political party results in a change of government which more often than not necessitates a change of Directors and also a change in governance models. While this practice is not by any means exclusive to Trinidad

and Tobago, it is not a best practice, its negative impact is more keenly felt in such a small country; however, size in this regard does not mean that it is unavoidable. If the longevity of a Board wholly depends on the longevity of the ruling party, discontinuity becomes systemic:

> *"Well, elections take place every five years and Boards will change, added to that Board appointments to XX org, are for 2 years, so even within a cycle it is a shortened cycle." "Corporate governance does not have longevity to it. Boards are seen as a transient nuisance."* (I#8)

From 1986, a continuous unbroken period of the PNM party rule meant that changes in company Directors were minimal. This did not necessarily mean an augmentation in quality of corporate governance, as many state-owned organisations, well into the mid 1980s, continued to be mired in allegations of corruption and inefficiency. After 1986, the political landscape changed repeatedly and dramatically; every lustrum brought with it a change in political parties: the NAR from 1986 to 1991, the PNM from 1991 to 1995, the UNC from 1995 to 2001, the PNM from 2002 to 2010, the People's Partnership from 2010 to the present; there were, incredibly, eight (8) national elections over the same period. Each change brought with it a change of Directors and, in some cases, the re-direction of the purpose and vision of the State Company, company objectives, and governance ethos. Within these entities, the lack of continuity, therefore, meant that visions would have been stillborn or, at best, jaundiced and limited to the duration of the political party's rule:

> *"There is always some measure of continuity in the private sector in that they may rotate directors every three years or so. So there is always some level of continuity, every time a government changes in Trinidad, there is a total restarting of*

that whole corporate governance, and a learning curve with respect to that corporate governance and different expectations, etc., so every five years, once the government changes, there is a change in that corporate governance dynamic. – The CEO then becomes an expendable measure." (I#6)

Unfortunately, what the private companies enjoy is what is denied the state-owned entities. Clearly, the absence of a nationalistic or holistic system of corporate governance, without doubt, is a primary driver of discontinuity. However, crucial consideration must be applied to the notion of the alignment of ideology of parties which ought logically to create continuity if the business of the nation is given priority. The business of the ruling party takes precedence over the business of the nation. Within this narrow and harmful practice, self-interest will always be served and most likely will have as its companion constant rationale for the preservation of the party politics.

The precise point of the genesis of the Director change-over is difficult to determine; it has become an accepted practice, the norm, as it were. Certainly, the Companies Act or any of the legislation creating some of the state-owned companies does not specifically address the changing of Directors when a new government is elected. A former Minister of Finance in the 1989 NAR administration confesses that he is not sure why Directors in State owned companies had to resign upon a change in government. Board directors who are retained are not trustworthy since it is widely held that they will not and cannot work in the interests of the incumbent party. Twinned with the issue of trust is that of the nature of the appointment:

"give the job (of Director) to the person who funded you? That is not corporate governance." " Yes, I could have decided that all these people need to go

home. I could have money, be independent, do various things with it, but that is me. I am not too sure who is the next Chairman, whether I would trust them to do the same thing, it's a real conundrum." (I# 9)

A recent cause célèbre provides evidence of this: the Sports Minister publicly chided the Minister of Energy accusing her of retaining personnel from the previous ruling political party in an advisory capacity; this, he admonished, must not to be tolerated, reminding her of the accepted practice (*Trinidad Express, 28 June 2011*). To her credit, she did not yield to the pressure. Though different political parties will have different visions and goals, they err when they forget that the overarching role of the state-owned company is to help the state achieve the goals of its developmental agenda.

Trust

Such a response as "*any organisation taking over another seeks to put their own in place*" (I#6) recognizes that trust is a desideratum of effective corporate governance. At the heart of this is the issue of trust, as in the case of the corporate takeover, a party assuming the reins of political power places trust in their own over the control of the states resources. This usually manifests itself in the removal of the CEO of the company, a widely acknowledged fact in the history of state-owned companies in Trinidad and Tobago. "*So every five years once the government changes there is a change in the corporate governance dynamic, the CEO then becomes an expendable measure, because the CEO may not be a trusted individual, may not belong to the same political entity as it is a public company and it is politics.*" (I#6). The removal of the CEO by the leaders at the Board level, because of party change cannot earn the level of trust that is necessary to allow an organisation to operate efficiently. Absent is the acknowledgement that the CEO is

an essential thread of continuity. In order to be able to understand trust as it relates to leadership, it is important to have a definition of trust that fully encompasses the concept in terms of the actions and expectations of people toward leaders. Dirks and Ferrin (2002) note that based on an examination of several studies that have investigated the concept of trust, an appropriate definition of the concept of trust is a psychological state in which a person allows himself or herself to be vulnerable to another person based on the expectation of receiving some type of positive outcome or behaviour. The importance of this definition of trust is that it indicates that in order to have trust in another person, a level of vulnerability is required. Once a person has an expectation of some positive outcome or behaviour from another person, a level of vulnerability occurs in relation to the person from whom the outcome or behaviour is expected. The importance of trust and leadership is exemplified when either an individual or a group of people, become vulnerable to a person who is in a position of power.

In the context of the research, the state-company CEO has to trust the good judgment of politicians, in appointing the Chairman and the Board, which represents the first tier of the leadership hierarchy. In turn the Chairman and the Board must trust the CEO to continually execute the affairs of the company consistent with the Board. The visibility of this trust between the leader, Board and organisational employees is vital because the employees are more willing to follow the rules and commands of the leader that they can trust so that the larger goals and objectives for the organisation can be achieved. In a prevailing culture where Board appointments are viewed as purely political, trust in politicians becomes a necessary bedfellow (Dirks and Ferrin, 2002).

The CEO's position is an essential thread in the fabric of the corporate entity; his longevity is correlative with the quality and strength of the organisational fabric. If trust is absent or elusive an organisation will

operate in fear and paranoia, two factors detrimental to an entity's efficiency. Notwithstanding, the complexity of human emotions recognizes an ambivalence even to such positive values of trust and loyalty; in a state-owned company, this can be manifested in cronyism and nepotism, practices which indubitably have a negative impact on the public perception of the quality of appointees to Board and CEO positions. Where the appointments to Boards occur in a politically charged environment such as what obtains in Trinidad and Tobago, the trust issue demands a prioritized and mature view. From a political standpoint, trust in political leaders is vital because it results in the willingness of people from different cultural and demographic backgrounds to be willing to work together to achieve desired outcomes. However, once trust in the political appointee is lost, then what is known as "particularized trust" occurs, which is trust only in others who are similar in terms of background, race, party affiliation and culture (Rothstein and Uslaner, 2005). The movement from a generalized level of trust in a Board Chairman to a particularized level of trust means that any issues that are raised or any actions that are taken are immediately viewed as being for the benefit of the members of that Chairman's group.

Generally, particularized trust in politicians makes it very difficult to achieve social equality and address larger problems in society appropriately (Rothstein and Uslaner, 2005). However, while this particularized trust may develop on an individual level, it has very real consequences on a national level; rather than ensuring that the state-owned companies achieve the company objectives, the concern of political leaders and Board appointees in the form of the Chairman becomes one of taking care of the members of their group. They then become focused on achieving positive outcomes for the members of their political parties regardless of whether those outcomes are truly positive for all citizens, the true beneficiaries of the success that the state companies were established to achieve. The State as the benefactor

must be willing to accommodate a change in the manner by which Boards are appointed.

It would seem highly implausible that there is not a valid link between politics and trust. The link that exists is based on the specific focus of political leaders and the ways in which they are willing to work to achieve social equality for citizens. When a generalized level of trust is present, political leaders are more likely to want to work for the good of all citizens, and most citizens are willing to work with their political leaders to achieve this outcome. In contrast, when generalized trust deteriorates into particularized trust, political leaders become focused on the citizens that fit into their groups, and the members of their groups become much more focused on the needs of others who are like them as opposed to all citizens.

There is no built-in immunity to the practice of appointing "your kind" to a Board when political power has been achieved as politicians need to work to establish a generalized level of trust among citizens. The real importance of trust is that it brings people together and encourages them to want to work together to achieve larger goals and objectives. When trust is lost or completely absent, the larger needs of an organisation or even an entire country no longer occupy an important space. Instead, the individuals that have become distrustful become more focused on their own needs to the detriment of the needs of others or the needs of the entire organisation or country in question. Moreso, the loss of this trust makes it highly difficult to regain a generalized level of trust in which key employees are willing to work with Boards.

Political Appointments and the Party Hacks

In state-owned companies in Trinidad and Tobago, if we are to judge from the interviews, cronyism is an all-too-common evil. This is not simply a matter of appointing a friend or a crony; this refers to the

practice the Americans define as "the appointment of political hangers-on to office without regard to their qualifications" (*Merriam-Webster's 11th Collegiate Dictionary*, 2010). That party supporters are appointed to Boards is as incontrovertible as it is widespread; both party workers and politicians understand the reciprocal arrangements. The placement of corporate governors on Boards to serve is, therefore, exposed to interpretations of favouritism and nepotism as Ministers recommend and place those whom they know or those who have worked to get them into power. Party workers placed as Directors not viewed as suitable for Boards, but yet placed on them, are labeled "Party Hacks." The descriptions move from the explicit to the covert, but undeniably share the same direction.

> *"Every Board has a few good people who will do the right thing, however, the party hacks can ruin the organisation. Hacks, if not for the party will not be sitting on any Boards, they are there for rewards" (I# 3)*

> *"I wonder why some people get selected to Boards" (I# 1)*

The association of "party hacks" talks to the person who is appointed solely on a reward basis; he is one who blindly agrees with and supports his party. It creates an insidious quid-pro-quo situation, in which a successful candidate in an act of anticipated reciprocity disregards his better judgment and makes appointments that more often than not do not redound to the credit of the Board and ultimately the organisation's goals. Harper (2005) agreeably stresses the importance of the need for Board members to clearly understand their duties and more importantly, their shared legal responsibility to look after the company's best interests. To have the term "party hack" associated with Board appointees raises the spectre of

inappropriateness and incompetence; a broad brush which tars all. The injustice to Board and Shareholder and national interest in this instance is clear, as the proper composition and requisite balance of the Board is severely compromised.

One participant in particular registers his outrage at the practice of selecting Board members, causing us to wonder about the nature of the praxis:

> *"The country struggles with attracting the correct talent to run these places properly. So if you start from that, you, therefore, get one or two directors that are very good, but in the main the rest of them are mediocre and there are the political appointees and party hacks. So at the end of the day it becomes difficult for the two or three who carry the weight of the Board to implement everything because it's too much to do and you sort of end up in a holding pattern." (I# 5)*

The view that there is a burden to carry for those who are not capable further tarnishes and sullies the person who is viewed as a hack. The term is as unkind as it is uncharitable:

> *". . . . because politicians choose a man to be Chairman or members of a Board not necessarily to do a job on the state enterprise and I think that it is quite normal, but merely to give someone a position. . . . . the question is why do you put them there? A lot of them, it's just politics. I mean how the hell is XYZ the Chairman of ABC? How the hell did he get there? (I# 9)*

While the hack, although a political appointee, is viewed as perhaps incapable of adding to the work of the Board there is a malevolent side to some political appointees who are viewed as strong

> *"If the Chairman is a very strong chairman and very close to the political directorate, corporate governance more or less goes through the window." (I# 7)*

The interviewees see "strong" as political strong and not as "governance strong". Indeed, the closer the appointee is to the senior members of the ruling party, the more latitude exists to display maverick behaviour.

> *"You take on the role that you report to the head of state, for example the Prime Minister or some other senior person, and you have close contact with them, it's almost like you can do what you want and get away with it." (I# 7)*

The view here is that being politically strong offers a kind of immunity to the need for probity of actions by the Chairman; in this manner, the Board is led by the maverick and their views of independence lost. During the PNM's most recent rule 2001 to 2010, a certain Executive Chairman was perceived to be appointed by the Prime Minister, the Company, UDECOTT, operated from the numerous accounts in the press as though it was accountable to no one. The infamous statement offered by the company's then Chief Operating Officer *"we make our rules and we break our rules"* during a commission of inquiry, led by John Uff of the UK, into allegations of wrong doing attests to the seeming arrogance of a company that perceived itself as above the practice of proper corporate governance and accountability. Even in the face of the comments and the evidence being tendered at the Commission of Inquiry, articles in the Press at the time indicate that those apologizing for UDECOTT were perhaps motivated by naivety;

they appeared to be exercising judicious disingenuousness, or defending on blind loyalty, defending the indefensible. Moreover, there is the view that all directors are suspect and unworthy: *". . . .I remember that I was talking to XY (name called) one day and he was very dismissive of (sic) corporate governance . . . .he thought no Board in the public sector was worthwhile." (I#3)*

One respondent confesses to feeling a sense of pride in serving an administration to which he was not affiliated politically. Such a confession reminds us of two realities: one, this happens very rarely; and two, it can be mutually beneficial:

> *"When I went into the state company, the Line Minister knew I was a very effective leader at my organisation, that is one of the reasons why she asked me. One of the good things about it too is that I was appointed, nobody asked me who I supported in respect of political affairs, that was never a question. In fact, even up to today I never supported the XYZ party. She* (the Minister) *saw a need for someone who could turn it around and so she came to us and some of the guys on the Board who were not politically affiliated. And that was something that worked in our favour." (I#7)*

Although the association of the politician and the instructions to award contracts surfaces in the texts, absence of political interference creates a desirable atmosphere in which to work. With no instructions or demands from above, the respondent exercised freedom of judgment; this is the way it ought to be:

There was no political interference. Nobody told us who to give contracts to, who to employ, when to employ them and all these things." (I# 7)

A sense of pride and achievement attaches itself to the scarcely felt independence.

Race in Politics

Such a response as *"It's a basic two-race party system,"* even though it seems a passing comment, has implications that go far beyond the mere words. It is a historical fact that Trinidad and Tobago is steeped in matters of race, an unavoidable legacy of centuries of colonial rule, slavery and indenture (discussed in Chapter Four). Africans were brought by the Spanish and English to work on the sugar plantations; after the abolition of slavery, the Africans understandably deserted the cane fields, and moved from the country into the urban and semi-urban areas. Racism appeared as a natural progression and inevitable by-product of the presence of the races and the circumstances of their introduction to Trinidad. Brereton (2002) informs us of the pervading nature of the racist ideology introduced by the whites in Trinidad, the association of whiteness with superiority was internalized by the coloureds and blacks. Adding to the complexity of the racial makeup was the introduction of a new set of "slaves" that were found in Indians According to Brereton (2002) these Indians had to also find a place in the existing race, class and caste systems. The Indians fooled by promises if indentureship, supplanted the Africans in the cane fields. In time, the manumitted African started looking down at his Indian replacement, and breathed an air of superiority. Coming from quite disparate cultures, the Indians and Africans lived in separate worlds (Brereton 2002). The Indians, whose culture remained intact, no doubt felt superior to the Africans, whose cultural traditions had been systematically destroyed or abandoned. The African felt good about his

freedom, but experienced a cultural emptiness. The ethnic divide became insuperable to the majority of Indians and Africans.

The image of the ethnic disparity was, therefore, woven into the social fabric; this grew darker and more menacing as the British withdrew into the background of local politics. A new phase in race relations began with the victory of the Afro-based People's National Movement in 1956; the bugbear of race metamorphosed into a political weapon used by one party against the other. Modern politics, since the inception of general elections in 1956, pivots on the hopes, aspirations and achievements of the two largest communities of Afro- and Indo-Trinidadians. In its wake, the colonial power experienced a decline in its previously dominant political strength, the ability of the locals to vote had changed the political power balance. Therefore, it is accepted that from the 1950s to post-independence, politics in Trinidad and Tobago has operated along racial lines. It was not until 1986, with the break in the Afro hegemony that an Alliance was possible and for which there was much optimism for political unity, never before seen in Trinidad and Tobago, a unity, sadly, that has since eluded the general political constituency. Attesting to the complexity of the racial issues in the society is the recent national furore over the statements of fact made by an Indo-Trinidadian chairman of the Police Service Commission over the "ethnic imbalance" in the upper echelons of the police service. Insistent calls from both the Government and the Opposition for his dismissal coerced the President of the country to revoke his appointment. Although it has been somewhat tamed, this racial monster still stalks the land; Linda Edwards (2005) writing in the Trinidad and Tobago News tells us that East Indians and Africans comprise the majority of the population, but the unresolved race issues and ignorance of history continue to separate them. Later still, in 2011, the menacing race factor persists as evidenced by a newspaper article, written by Andre Bagoo on Thursday, April 21, 2011, whose cover

headline "PNM Against Indians" and the inside headline "No Indian PNM MPs indicate how ineradicable this racial cancer is.

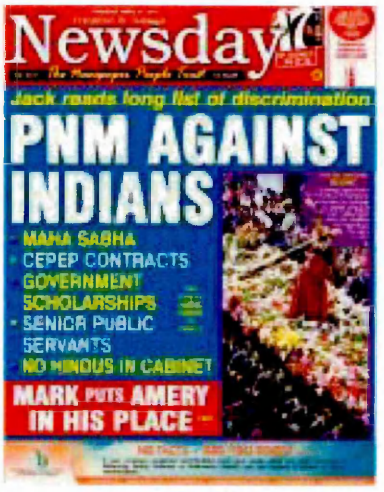


Figure 19: Article NO INDIAN PNM MPS

> *"With the two major political parties in the country still largely split by an ethnic divide, the Government and Opposition sparred in Parliament yesterday over the issue of race, with UNC chairman Jack Warner [an Afro-Trinidadian] accusing the PNM of a long history of discrimination against persons of East Indian descent."*

The retention of Directors appointed by the previous or departing political party is perceived to be risky at best, disastrous, at worst; they are seen as coming from the "other side"; "PNM", "UNC", "NAR," acronyms for the political parties, the People's National Movement, the United Congress, and the National Alliance for Reconstruction, respectively, have come to be signifiers (moreso with PNM and UNC) of the race of the party follower. A PNM is typically an Afro-Trinidadian while a UNC is an Indo-Trinidadian. Interestingly, a NAR or COP (the Congress of the People) is typically class-drawn from all ethnic groups and encompasses both racial types dominant in Trinidad.

A negatively charged fact and one of the primary impacts that race has on politics in multiracial nations is that citizens from each of the races that exist view themselves and the groups to which they belong differently. Racial identity and racial formation immediately creates social and demographic categories that can be used to divide people. In turn, its impact on politics is felt when these different groups make demands on politicians regarding the need for different resources and different policies; this may impact on how they are treated and how they are perceived within the society (King and Smith, 2005). Insidiously, people within the country may actually perceive members of other racial groups to be socially inferior. Race may be used to divide people in a negative way in order to attempt to allow one racial group to receive greater resources than another group from politicians. Cries of inequality and discrimination, are frequent and sensational when political parties exchange positions. As differences between racial groups are identified and become part of the larger culture of the country contributing to and defining its ethos, social interactions are likely to be changed. Members of different racial groups may actually attempt to isolate themselves from each other. From the standpoint of politics and governance racial motivation can impede the development of a country such as Trinidad and Tobago. The impediment to development that can occur is social and political altercations that dominate between the groups and the organisations that represent them (King and Smith, 2005). Rather than focusing on growth for the entire country, resources are diverted to focus on how different racial groups can compete against each other to win access to resources from the others. This also creates a situation in which members of different racial groups come to distrust one another. The issue for the politician in power then becomes one of how trust can be gained from different racial groups who may feel disenfranchised and who may feel that their needs are not being met.

One of the ways in which to gain trust in a racial society is to actually bring people together. Through interpersonal relationships, members of different racial groups can begin to cross racial lines and to encourage others from different groups to work together to improve the entire society as opposed to focusing on creating differences between people. At the same time, another way in which to create trust in a racial society is to actually work to prevent segregation and isolation, even if it desired only by some (Cho and Rudolph, 2008). It would be easy for politicians to allow isolation and segregation among races to occur if that seemed to be desired. However, this also increases the mistrust between these groups as interaction is further reduced. Instead, politicians must work to bring members of different racial groups together so that they interact with each other and come to feel that they are not greatly different from one another.

Sadly, the face of a Board is reflective of the predominant ethnicity of the ruling party. This will explain the arguments and counterarguments of the imbalance of Board appointments dependent on the prevailing race of the party that holds power. Statistics reported in the *Newsday* (2011) by the Government's Chief Whip regarding board appointments show that the previously ruling Afro-party, the PNM, appointed 508 non-Indians (79 percent) and only 138 Indians (21 percent). In contrast, under the People's Partnership, a predominantly Indo-party there are 508 non-Indian board appointees (47 percent) and 579 Indians (53 percent). This allocation ratio mirrors fairly accurately the demographic count of the last census (2004); even with the ascendancy of Indo-Trinidadians as the most numerous ethnic group, and with all the optimism of youth, the cry of racial imbalance remains the same.

Political Power and Interference

"Political interference" occurs where and when politics intersect with corporate governance. The relation between the corporate governor and the politician is seen as deleterious to the discharge of the function of corporate governance; precious little is seen as positive. This interference is more officious by the politicians and it is generally viewed as inherently negative since it seeks to direct rather than advise. Out of a deep sense of frustration, I#5 states:

> *"There is a lot of attempt to micromanage and control which is part of the conundrum we spoke about, it does not allow a board to do what it is supposed to do."*

Its meaning is at once specific and non-specific. Unless there is strenuous objection, the politicians are in control and they have their way. Indeed, political interference is cited, almost ad nauseam, as both a harbinger and primary cause of failed corporate governance.

The most persistently recurring phrase that depicts the definitive dimension of the political pattern is *"political interference,"* whose chief aspect is the interpretation of the Line Minister's exercise of his putative authority. This interference comes after the appointments are made to the Boards who perhaps labour under the misapprehension that they are independent. This is perceived as an unwelcome and unwholesome incursion into the organisation's process of corporate governance. A significant fact emanating from this intrusion is the pressure to award contracts:

> *"when we left, the former Minister who never got involved or told you to do this or do that but as soon as the new Minister came in, (I won't say which one, we had two) literally brought out a*

written document (not on the telephone or face to face) stating that preference should be given to these contractors in how we give out contracts and the contractors were from his constituency." (I# 7)

Such an intrusion undoubtedly tarnishes and undermines the integrity of the corporate governance process and those involved. Further, independence cannot exist if the decisions are made by parties to the Board of the organisations or without the Board's willing agreement. However, the common notion about the nature of power in politics is the ability for politicians to be able to make decisions that benefit a country in the long run. This appears to be lost on the politicians of the day. The perception that abounds is that power in politics is about having control over people and control over money and the way in which it is spent (Moe, 2006). The reality, however, is that the nature of power in politics does not begin with the resources that are available or the people that can be impacted with those resources. Instead, the nature of power in politics is about attempting to have control over the very bureaucracy especially the state-owned companies that report to specific ministries, in which politicians are members.

For politicians then, exercising political power is about attempting to control the bureaucracy while also trying to have control over the rules and requirements that have been put into place over time (Moe, 2006). This is at the heart of the interference; the need to control which is not an act steeped in discretion (Benz and Frey, 2007). As politicians attempt to gain larger amounts of control over the bureaucracies that they gradually and consciously lose sight of discretion. Discretion is so important because politicians have the ability to gain a great deal of power over the bureaucracy, which means that they can gain a great deal of power and control over the way in which state companies and even the larger government interacts with citizens and serves their

needs. In order for politicians to use that control in a manner that can provide the greatest benefits to citizens, they must be able to practice discretion with regards to determining when they may have taken too much power or when they are not working closely enough with others to achieve positive outcomes for stakeholders (Benz and Frey, 2007).

Another useful way of thinking about discretion is to think about how political power can be monitored and even controlled when necessary in order to prevent a single person or group of people from having too much control over the state organisations. Importantly, therefore is the need for checks and balances to not only work, but also to appear to work in the favour of the organisation. The concepts of discretion and checks and balances as they relate to the nature of power in politics are important because political power can negatively influence the behaviour of those who are to be leaders in the state companies. As the Minister exercises greater control over the state company, the level of input and involvement with subordinates, which in the political arena would include the Directors appointed by the party or caused by the Minister, can become highly skewed. The politician Minister may lose focus on positively impacting all stakeholders of the particular state company and may become more focused on positively impacting his or at least very narrow outcomes. As Moe (2006) argues, these politicians may become concerned about how they can use the state company to gain financial incentives for themselves, or how they can achieve greater levels of control and power in comparison to others and at the expenses of others. And so, the leaders within the state-owned company environment are directly setting the tone through their leadership actions and behaviour. Another way of thinking about the impact that political power can have on leadership behaviour is that political leaders may begin to view themselves as being different from others or somehow more important than the people whom they are supposed to represent, they then arrogate to themselves a level of authority that they ought not to possess. Even more, their intervention into the affairs of the state-

owned company may be less about an attempt to achieve a greater and positive outcome, and more about achieving personal goals and objectives that might increase in importance and scale (Moe, 2006). This can continue to the point where the Minister in his capacity as politician and leader may entire lose any sense of working for the benefit of the state company and focus entirely on working for the benefit of himself and the narrow band that serves him.

The power held by the Minister is not to be treated dismissively; it is a toxic leadership weapon whose use is bound up with disingenuity and malevolence. Power affects leadership because the person with control, the Minister has a higher level of control in personal interactions with the Chairman. What is meant by this is that if a Chairman or Board members go to a politician to lobby for a specific outcome, the politician immediately has control over the interaction because it is the politician who has likely achieved at least some control over the political bureaucracy. The political power held by a Minister influence and directs a kind of behaviour that is focused on achieving personal goals and objectives. In order to achieve personal goals and objectives, and so, consistent with the characteristic of a dilemma, the goals and objectives of the group that can allow for power to be maintained increases their own power (Benz and Frey, 2007). So we see, overall, the nature of political power is indeed about obtaining control over the state-owned company. However, in an effort to not only achieve control over the bureaucracy but also to maintain that level of control and even increase control, leaders are likely to engage in behaviours that are not in the best interest of all stakeholders. Instead, leaders are likely to engage in behaviours that benefit themselves, which means engaging in behaviours that benefit specific groups that can provide them with the continued power and personal benefits that they desire.

Summary to Pericentric Political Pattern

Such is the unwholesome rapport between politics and corporate governance that it would perhaps take nothing short of a constitutional reform to change its ugly practice; it is a cancer eating away at the nation's productivity and general well-being. The nature of local politics and the logistics of seeking political office have created a tacit understanding between financiers and campaign workers on the one hand and political candidates on the other. The winning of political office means the gradual repayment of debts owed to those who worked to ensure victory at the polls. Even the most energetic, loyal and honest worker harbours expectations of reciprocity. The Party faithful seldom question their suitability for political appointment on a Board nor do they consider how the award of a contract can so easily compromise the integrity of their representative. Rather they see it as their right, something that they have in good conscience worked for and something that their representative is obligated to offer. Such is the cost of winning; from a corporate governance perspective, it is at best, a pyrrhic victory.

It appears that there is a sense of helplessness, impotence, almost a resignation to accept that *"simply because of the politics" (I#6)* the newly appointed Board starts off with distrust which is inevitably directed at management's chief servant, the CEO. The prevention of the change in CEO lies in the strength of the CEO to show that no change is necessary. However, if the politician is motivated enough to seek a change of the CEO then the Board accedes to this with the rationale of *"it stems from the politics," "that's just the nature of things" I#4.* The undeniable and corrosive ripple effect is that poor politicians equate to poor directors which equate to poor Boards leading to poor performance and ultimately poor corporate governance.

Who's Minding The Store

I could not resist the inclusion of the following article which appeared in one of the national papers. The compulsion to use it lies in its capacity to display what might be so symptomatic of the absence of corporate governance. At a session of the Public Accounts Enterprise Committee (PAEC), and as reported in one of the daily newspapers, the CEO of one state-owned company responded to questions in 2011 on the 2009 company accounts and in particular receivables that were significantly aged to the extent of $6 million. That prompted one of the Ministers at the session, Subhas Panday, to ask: "This is a company incorporated by law and you are taking verbal bookings?" Ali, the CEO, replied: "Yes, Sir." Reading from an audited document prepared by the firm KPMG, Fazal Karim, a sitting Minister, aptly said several major issues were identified in a management letter. He listed them as:

- No systems in place to allow for the checking, viewing and authorizing of journals;
- The need for proper controls to be implemented to ensure the safekeeping of all supporting documents, including original invoices;
- The company does not have a fixed assets capitalization policy which articulates the criteria for the recognition of depreciable fixed assets for maintenance of the fixed assets; and
- No procedures in place to trigger a systems check to ensure the insurance coverage of assets is increased as additions are made."

The Minister, Fazal Karim, appropriately asked: "*Who was minding this store?*" Let this wisdom not be lost. These are the utterances that must battle against the morass of indifference.

The interpretation of the interview literature forcefully establishes that there all kinds of chronic problems in the management of state-owned companies in Trinidad and Tobago. Changes in government invariably have meant changes of board members; however, the intractable problems persist and fester with the passage of time. These dilemmas persist because of the modalities of the political process: state-owned companies were created by the PNM government led by Eric Williams, who without doubt personally appointed many board members, irrespective of credentials and suitability of the appointees. This pattern has remained in force and has become the norm, the praxis. State-owned companies, instead of being properly managed entities serving the best interests of all citizens and the state, have over the decades become institutions of self-interest, corruption, and malfeasance.

The interview text reveals the gaping chasm that divides cognition and perception of corporate governance on the one side and its implementation on the other. In this incongruity rests the source and understanding of the dilemmas that continue to plague state-owned companies. There is no proper screening process used to select board members; furthermore there are no special credentials required of those appointed. This opens the door for a variety of improper practices: payback, nepotism, cronyism; the entire process, sadly, lies at the caprice of ministers. Friends, relatives, the party faithful, and party hacks all have equal eligibility. The interviews tell us that there are chairmen who know much too little about corporate governance as well as chairmen who satisfactorily understand the nature of the phenomenon. The text also reveals that the practice of corporate governance leaves much to be desired: if it exists at all it is malnourished, emaciated, and impotent. The twin components of

accountability and risk management take their sustenance from the parent corporate governance: they, too, therefore are infirm and weak.

Revealed insistently and indubitably is the perception that politics for decades has been the avowed enemy, the rampant ogre that stymies the hopeful progress and fruition of corporate governance in state-owned companies in Trinidad and Tobago. The dilemmas in corporate governance in state-owned companies derive from the chasm that separates cognition of the phenomenon and the institution of it. It is neither the perception nor the cognition of the phenomenon but the all-too-evident inability to implement it. Since there is the awareness, one would readily accept that there should be practice of it. Alarmingly, however, the parties representing the understanding or cognition albeit acceptable at the collective level, have almost all expressed the absence of the very thing that they understand. The dilemma can perhaps be explained as an inability on the part of the Governors to implement the proper practice of governance. The underlying reason has to logically lie in the pericentric political pattern; in the lack of political will and lack of collective will. The sameness of the thinking and responses by the interviewees to the process and meaning of corporate governance is testament to the validity of the patterns derived.

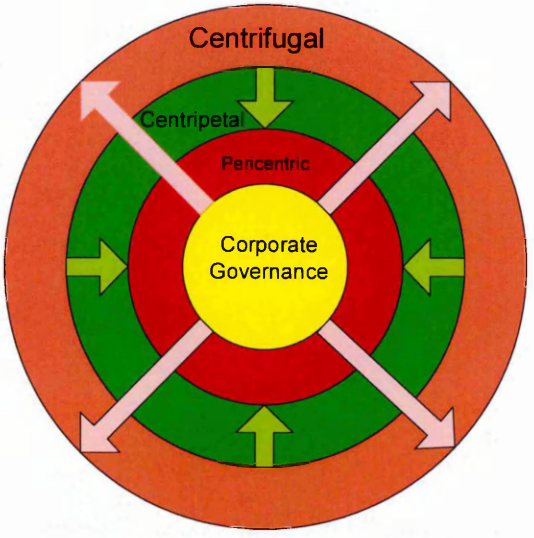


Figure 20 – Combined Patterns

The essential dilemma is that the most of the leaders of corporate governance know what it is, but are unable to implement meaningful corporate governance in state-owned enterprises; that corporate governance is denied its essential existence lies in what one participant predictively states "*it's just the politics*" (*I*#6). Since Trinidad and Tobago is the provenance of the calypso, it is not inappropriate to sum up the cause of dilemmas in state-owned companies in the words of an unforgettable calypso by Dr. Francisco Slinger, aka the Mighty Sparrow, universally acknowledged as the greatest practitioner of the art form, *"We Like It So".*

Conclusion

A retrospective look across the landscape of the interview literature reminds us that there are three huge emergent patterns that reveal the nature and solidity of the dilemmas that have plagued and continue to plague state-owned enterprises in Trinidad and Tobago. Simply put, the overarching dilemma is that the political culture of the island compromises, discourages, and fuels the non-performance of corporate governors. Using the circle as a metaphor for the gamut of responses to the perception and cognition of the phenomenon of corporate governance, I have been able to discover, describe, and analyse three primary patterns: the centripetal which comprises those comments that move corporate governance towards the centre; diametrically opposed is the centrifugal, comments that cause the move away from the desired centre; and the political pattern, named the pericentric to maintain harmony with the metaphor of the circle. While the centrifugal and centripetal indicate the rising and falling tides of comments, the pericentric is stationary, looming threateningly over the centre and preventing its attainment. If it could be removed or circumnavigated, proper corporate governance will emerge slowly but steadily. As long as the stubborn political culture holds its ground and continues to dictate the pace, corporate governance must remain merely a fervent hope. The

pericentric pattern, essentially the political pattern, is the source of the dilemmas; it is the chasm between cognition and perception: generally speaking they know what it is, what it ought to be, what is necessary to get to the corporate governance circle's centre; the centripetal pattern. What they see in practice moves away from the circle's desired centre, the centrifugal pattern is the practice; the centre proves elusive, the pericentric; inpenetrable, forbidding, eutrophicating the centripetal.

The interview literature reveals that the political culture runs the show: it chooses the Boards and governors, directs them into expedient strategies, and is directly responsible for creating a huge chasm between board performance and public expectation. I believe there is no state enterprise in Trinidad and Tobago that can truthfully boast of regularly following the best ethical practice of corporate governance. A very recent example is provided by Clarence Rambharat, a frequent, prolific and scathing writer on governance matters, writing in the Trinidad Express, 6/10/2012 in an article titled "Bigger than a Breadfruit": Rambharat berates the Chairman of a state-owned entity Lake Asphalt Company of Trinidad and Tobago (LATT) over a reported fiasco whereby the Chairman ordered the Company's management to halt the import of a particular product and instead direct its purchase from a company allegedly owned by a close relative of a senior government Minister. The Chairman's response when questioned by the media on the allegations was shrouded in ambiguity; Rambharat suggests, appropriately the misunderstanding of the Chairman of the role and responsibilities of the Board of a state-owned enterprise, in particular, the Chairman. When unqualified and unsuitable individuals are placed on state Boards, there can only be one result: certain incompetence and failure. When suitable, qualified individuals occupy board chairs, political interference renders them weak, servile, and merely complaisant. These dilemmas exist in the three main facets of corporate governance: the day-to-day business of governing, accountability, and risk management. They have become chronic,

widespread, and virulent: a cancer that continues to eat away at the very tissue of corporate governance. Left unchecked for much too long, it has become life-threatening: state-owned companies in Trinidad and Tobago are experiencing prolonged suffering that, if ignored and untreated, must eventually end in death.

CHAPTER SIX – 'INFRA-FUNDAMENTAL' RECOMMENDATIONS FOR CORPORATE-GOVERNANCE WITHIN THE STATE OWNED ENTERPRISE

Introduction

This is a short but important chapter which not only provides symmetry but also outlines the contribution, adds a mandatory concluding submission and completes the thesis. All that goes before in Chapter Five relay the results of the objectives of the research; through the questions and the research methodology described in Chapter Three, dilemmas have been revealed. A sixth Chapter was not originally envisaged, but as the DBA program of business research encourages practical contributions. The recognition of the necessity of this short Chapter arrived when I almost completed Chapter Five; so what? was the question that drove its start. Some might argue that the Chapter is simple. The recommendations are directly juxtaposed to the problems; its complexity lies in its recognition, acceptance and implementation. The issue areas before us must be subject to serious and sincere thought if we are to attach importance to the words we utter about corporate governance; to prevent them from being subject to lofty but empty rhetoric by those who preside over its practice. At the end of Chapter Five, I drew reference to the moribund health of state-owned companies in Trinidad and Tobago and to two salient conclusions: one, that if left untreated the body politic of the entities will crawl painfully to an inescapable death; and two, that if treated properly, their health can be improved and restored. This final chapter, with the benefit of research and the resultant knowledge of the nature, progress, and the stage of the disease, offers timely treatment; its function is curative, and its call is urgent. The health of state-owned companies in Trinidad and Tobago impacts significantly on the overall health, integrity, and vibrancy of the island's body politic; in turn, the island's health impacts

significantly on the region's health. Corporate Governance as the World Bank's Caribbean Trade and Investment Report (2005) reminds us, holds the balance between economic and social goals and the alignment of the interests of individuals, corporations and society. It is therefore imperative to begin the restorative process that will afford our state enterprises the chance for vibrant life they naturally deserve; the will to survive can make all the difference between merely existing and living abundantly. My recommendations are not meant to be a panacea; rather, they are submitted in respectful humility but with expectation. I believe that if taken seriously, they can effect change in the discharge of corporate governance in state-owned entities in Trinidad and Tobago, and restore to them health, individual pride, and public approbation.

With this in mind, I have coined the word 'infra-fundamental' to convey the absolute importance that must attach to the four large recommendations I have offered in this chapter. Infra means that which sits below or underneath something. Infra-fundamental recommendations are therefore the bedrock on which the fundamental recommendations for corporate governance lie. The four primary recommendations offered in this chapter are:

1. The urgent need for the implementation a unified corporate governance code for the State owned companies.
2. The insistence on achieving as far as possible, Director independence.
3. The crucial role of education in promoting corporate governance.
4. The effective rationalization of the number and need for State-owned companies.

Not offering my recommendations which I believe to be fundamental would leave a chasm in my coverage of the subject and secondly, reduce the efficacy of my research. I make no claim to have all of the

recommendations that are needed nor do I intend to offer an exegesis of those recommendations that I have put forward. The recommendations are offered with profound humility and hope and are intended to deliver an appreciation to the interested reader that much can be done with little. Reforming and enhancing the pillars of corporate governance in state-owned companies starts with a few small steps that invariably lead to a journey that is in no small part, is tortuous, but richly rewarding. Corporate governance is a complex but yet straightforward process; and Carver and Oliver (2002) describe it as a simple but profound system. The literature-review chapter points to the fact that too little published work exists about corporate governance within state-owned companies and at the same time it also shows the importance of corporate governance for any organisation that has either shareholders or stakeholders, public or private. The noteworthy corporate governance author, Mallin (2010), states that, regardless of geographic region, the common and essential characteristics of good governance are transparency, accountability, risk management and ethical behaviour. Cadbury (1992) endorses this in his seminal work. Appropriately, Gaines-Ross (2008) point out that growing public distrust should propel good corporate governance. Confirming Mallin's (2010) statements are important inputs in the subject area from DiPiazza and Eccles (2002) who in the face of business failures wrote about re-building public trust. Central to their work is the promotion of a three-tier model corporate transparency. The model embodies the three core concepts of transparency, accountability and integrity. The authors' most arresting assertion to me is where they state that while rules and standards and frameworks are important they are limited as transparency and accountability can only be achieved by people committed to individual integrity.

The preceding chapter demonstrates that there are key dilemmas within the discharge of corporate governance; alarmingly, it shows at the heart

of the dilemmas lies the ominous pericentric political pattern. If we accept that the core of corporate governance is surrounded by this seemingly impenetrable barrier and formidable fortress then that should be the first port of call in examining appropriate recommendations. These recommendations in my opinion are not mutually exclusive; they are intertwined and dependent, one alone will not get us to the desired level of governance, but each one is key. The recommendations are what I consider basic and fundamental; nonetheless, there is a kind of complexity that attaches to its acceptance and the willingness for its implementation. This must be done by the politicians. Gourevitch and Shinn (2007) correctly claim that corporate governance structures are fundamentally the result of political decisions. The development and institutionalization of a corporate governance code for state-owned companies in Trinidad and Tobago must therefore be insisted on by the political shareholder acting on behalf of and for the greater good for the true shareholders or stakeholders who are, in the context of a state-owned company, the general citizens. These citizens place their trust in the politicians who act as the shareholder, corporation sole, the singular acting on behalf of the majority; all citizens, therefore are real shareholders in this sense. I am reminded by Malcolm Gladwell (2009) that sometimes big changes follow from small events and that sometimes these changes can happen very quickly.

Corporate Governance Code and Principles for State-Owned Companies

In Chapter Two, I stated that there was no unified corporate-governance code in Trinidad and Tobago though there are pieces of legislation that perhaps at best coalesce to form a rudimentary corporate-governance system. A recent study conducted by Syntegra Change Architects reported in the Trinidad Guardian (November 27, 2011), reveals that

only 25% of companies in the private sector practice some form of acceptable corporate governance; the true enormity of the situation is revealed when we consider, according to Shleifer (1998), that private sector is often thought to lead in the development of corporate governance systems. Because state ownership or the involvement of the state in owning companies will not go away anytime soon, the fashioning of a code of corporate governance becomes all the more necessary and urgent.

A corporate governance code must establish the importance of principles, processes, standards, and policies that regulate the administration, monitoring, and control of a company. This process properly executed guarantees equilibrium between the stakeholders and the governors of the organisation. Black, Jang and Kim (2006) argue that a corporate governance code is a set of standards that dictates how a company and its Board of Directors should behave regarding decisions to be made on the organisation's behalf. This is a noticeable feature in large companies, especially those that dominate in the USA and Europe. Although Aguilera and Cuervo-Cazurra (2009) claim that Trinidad's first governance code was created in 2006, the demonstrable fact is that Trinidad and Tobago does not have a corporate governance code. These respected individuals are no doubt referring to the guidelines presented in the Central Bank documents (2006); while these guidelines are a step in the right direction, its relevance is restricted to financial institutions; they cannot be interpreted to amount to a corporate governance code. It is worth noting that the USA and UK within a fourteen-year period (1978–1992) have instituted no fewer than twenty five (25) governance codes and, as Aguilera and Cuervo-Cazurra (2009) further point out, these countries have the most governance codes of any countries. If governments are serious about Trinidad and Tobago attaining developed country status, the adoption of a corporate governance code is an imperative that must not be postponed.

Typically, governance codes and principles include stipulations regarding acting in the best interest of the owners of a company. Gourevitch and Shinn (2007) rightly assert that within the authority structure of the organisation, corporate governance is central to the most important issues of society. Another position offered by Wymeersch (2006) suggests that corporate-governance codes must establish a foundation that addresses the concerns and issues that ought to be present in the mind of a company's leader when decisions are made. In the case of the concern about stockholders, governance codes and principles such as those shaped by Cadbury and Hemple would direct that the members of the Boards of Directors ensure that any decisions that are made will not result in a decline of its stock value through loss of reputation or performance. The idea of principles within a corporate governance code, therefore, is a proposition that is foundational for a set of beliefs or actions (Wymeersch, 2006). A principle that states that members of a Board of Directors ought to act in the best interest of stockholders must be a foundation for the belief that a company's executive leaders must work to serve the owners of the organisation and not themselves. A corporate governance code might also contain a principle that states that any allegations of unethical behaviour will be investigated. This principle provides a foundation for the belief that any allegations of unethical behaviour, regardless of the person that makes the allegation, should be taken seriously and should be investigated until their validity is determined. A code therefore represents a set of principles providing a general model or overall direction for corporate governance. Rules and regulations then become actual measures that force compliance to the codes and principles: the code prescribes; the rules and regulations or practices subscribe.

There are key characteristics of corporate governance codes that can make them more practicable and attractive. Again, Wymeersch (2006)

points to one of the key characteristics of a strong corporate governance code that makes it both useful and compelling: its concern for the protection of shareholders and stakeholders. Boards of Directors need to be reminded that they do not represent themselves in the actions that they make. They represent the government and stakeholders of the country and must understand that these state-owned companies impact a large number of people: employees, customers and, in most cases, the general public. The members of Boards of Directors have to be directed to not only think about the shareholders, but also to think about how the decisions that they make may impact other stakeholders who are affected by the organisations that they lead. Carver and Oliver (2002) who in promoting their policy governance framework reinforces this correctly assert that governance advances can only be gained when there is a recognition that governance is an extension of ownership and not management.

I believe that a compelling and authoritative corporate governance code for state-owned enterprise is necessary to guide the proper institution of practices within the state-owned entities. The most recent edition of the State Performance Monitoring manual 2011, endorsed by the Ministry of Finance, targets the improvement of a corporate governance framework for state-owned companies, essentially providing something more akin to standards and practices that are intended to assist in the improvement of the governance framework of the entities under government ownership or owned by corporation sole. A governance code then is one that is meaningful and has a fullness attached to it. Addressing the importance of codes, Wymeersch (2006) argues that companies that lack corporate governance codes or that have very weak corporate governance codes are often viewed with a lack of respect and trust on the part of the public. In some countries, companies without corporate governance codes are not allowed to have their stock listed on major stock exchanges. In this regard, a strong corporate governance

code for Trinidad and Tobago's state-owned companies is not just about attempting to win the respect of the general public; more importantly, it is about the ability to gain the respect of regulators and to be able to muster the qualification to list on relevant stock exchanges.

It is commonly recognized that the countries with the strongest corporate governance codes and rules regarding the use of corporate governance codes are those that have large publicly traded companies. Countries such as the United States, United Kingdom, Spain, and Germany have formal rules that require companies to issue corporate governance codes and to make them part of the decision-making process for executive leaders (Wymeersch, 2006). These countries also have rules that require that companies list their governance codes within the annual reports that are released to the shareholders and the public each year. This demonstrates that regulators view corporate governance codes as a serious aspect of corporate leadership activities. Mallin (2010) provides us with a positive example of the development and impact of codes; Hungary through its corporate governance code published in 2004, requires state companies to comply or explain as part of its disclosure requirement: The Hungarian Companies Act of 2006 makes it law for an annual report on corporate governance to be published and submitted at the company's AGM. China, a country with state ownership not indifferent to the influence of politics and corruption, according to Edward Elgar (1999), has started a necessary and long term corporate governance arrangement that will no doubt go through a process of refinement. In January 2001, Mallin (2010) informs us, China issued a code of corporate governance; interestingly, the code is based on the OECD (1999) principles of corporate governance. Gourevitch and Shinn (2007) offer valuable advice by pointing to the broad-ranging impact of corporate governance on social mobility and stability: it directs incentives to invest in human capital, facilitates the creation and distribution of wealth, and intersects with

education and social systems. It will be inimical to Trinidad and Tobago's interest to ignore the development of a corporate governance code. Philip Marshall (2010), a frequent and locally renowned speaker on corporate governance. tells us that a history of inaction leads to a kind of decay in corporate governance. The failure of corporate governance is also due to the attitude and personal qualities of Directors. A code without consequence is akin to the proverbial toothless bulldog.

Corporate Governance Code and the Legal Framework

I believe that consequence management must attach to the existence of a corporate governance code; and some way of annexing the corporate governance code to the existing laws in Trinidad and Tobago to allow for consequence management must therefore be found. For example, USA has implemented strong regulations related to the Sarbanes-Oxley Act that allow for tougher penalties against company leaders who fail to act in the best interest of shareholders and who attempt to act unethically and illegally (Wymeersch 2006). In USA, corporate executives can be held personally liable for making materially false claims in annual reports and in the financial statements that are released to the investing public. This provides incontrovertible and relevant evidence of the strength of corporate governance codes and the rules associated with the implementation and use of corporate governance codes in the United States. Laws have been enacted that essentially require companies to not only create governance codes, but also to actually make them part of the decision-making process. Moreover, basic principles that are found in most corporate governance codes, such as acting in the best interest of shareholders, have moved from being an ethical issue to being a legal issue. The elements of corporate governance codes have been written into law to ensure that those basic

principles are followed and not simply included in a governance code and then ignored without any threat of punishment (Wymeersch, 2006).

As I have noted before, much of the discussion about corporate governance codes seems to exist in relation to stockholders of private companies; therefore, the discussion about the benefits of governance codes is typically related to shareholders gaining confidence in the companies in which they invest. However, for state-owned companies, there are no public shareholders as such to protect. Instead, where the government owns the enterprise, the code will exist to protect the key stakeholders who are the real shareholders in the corporate comparison and by extension the shareholders representative, the corporation sole.

One of the benefits of a governance code for a state-owned enterprise can be a reduction in the cost of capital (Black, Jang and Kim, 2006). Even in a state-owned enterprise, capital must be used in an attempt to generate specific outcomes. It may be argued that because a company is state-owned, its leaders might believe that the amount of capital that is used or the outcomes that are achieved from the use of the capital is unimportant. However, Black, Jang and Kim, (2006) argue that with the implementation and use of a governance code, leaders of a state-owned enterprise can know that they are expected to make decisions in a way that will generate the highest returns and greatest efficiency from the capital that is used. Furthermore, governance codes can also benefit state-owned enterprises because executive leaders have a set of principles to follow so that they know that they are not acting only for themselves (Black, Jang and Kim, 2006). As in a private company, state-owned enterprises operate to achieve specific outcomes, one of which is generally to achieve returns from the money that is used. In this regard, the leaders of state-owned enterprises need to know that they are expected to not misuse or misappropriate funds. Even more,

they need to know that they are being held to a specific standard regarding their actions.

I have alluded to the need to tie in the code to relevant legislation; in order for governance codes to be implemented in a successful manner in state-owned enterprises, Trinidad and Tobago's legal system must include specific characteristics. One characteristic that must be present within a country's legal system is a set of rules and regulations that protect investors and market structure (Denis and McConnell, 2001). Even if the only investor is the government of Trinidad and Tobago, rules must be in place that provide protection for the government by ensuring that company leaders face prosecution and punishment for engaging in the most commonly alleged misgovernance practices; for corruption, or corrupt practices and for generally not acting in the best interest of the enterprise must be present. The need for a corporate governance code is nullified in the absence of an appropriate legal frame-work; no consequence management means lesser compulsion for adherence. Dennis and McConnell, (2001) point out that in order for countries to be able to implement strong governance codes to dictate the actions of the leaders of state-owned enterprises, changes must be made to the legal system that provide for the ability to pursue executive leaders that do not respect the owners of the companies that they operate even if the owner is that state.

One does not have to go far for germane examples: USA and UK are two leading countries that have performed substantial work within their legal systems to necessitate the implementation of corporate governance codes. Though these two countries have enterprises that are owned or operated by their respective governments, most of their companies are privately owned and operated. However, the key driver of the implemented rules and regulations lies in the accounting and ethical scandals and is not dissimilar to that of allegations surfacing in

Trinidad and Tobago which describe directors and politicians as feeding "at the trough of the national coffers" through corruption within state-owned entities. The sum result is that the perpetrators involved in accounting and ethical scandals of corporations in both USA and UK have to contend with laws that are designed to protect investors by ensuring that members of corporate Boards of directors act in the best interest of shareholders and owners and not in their own private best interests (Rajagopalan and Zhang, 2007). What is demonstrated in the fact that the United States and the United Kingdom have taken additional steps to impose regulations regarding corporate governance codes is that both countries were able to work from existing legal systems that already provided strong protections for the rights of investors (Denis and McConnell, 2001). It is recognized that Trinidad and Tobago may not be as fortunate, but for countries that have larger numbers of state-owned enterprises and fewer legal protections for investors or stakeholders, implementing rules requiring corporate governance codes is, although difficult, quite necessary (Rajagopalan and Zhang, 2007). An important additional consideration is that of having a forceful whistle blower policy that state companies must institute. However, its careful handling is urged. Devine and Maassarani (2011) refer to Dr. Jeffery Wigand in their book who describes whistle blowing within a range of extremes: the highest risk, highest stakes, most inspiring, most disillusioning experience. Two of the most high profile scandals in the USA bear out this sentiment; Enron's Sharon Watkins and Worldcom's Cynthia Cooper.

Although some interviewees referred to in Chapter Five, rubbished the Integrity Commission, the Integrity in Public Life Act (2003) places emphasis on the significance of integrity towards the prevention of unlawful and wrongful actions such as corruption while attempting to regulate the conduct of persons exercising public functions. The strength of the Commission ought to lie in its existential claim to be

independent; the directors are independent directors who shall be free from the influence of any other party. What it does tell us then is that during the period 2006 to 2012 we have seen the forced departure of four chairmen of the Integrity Commission, this much touted, august and independent body created to investigate matters related to malfeasance and misfeasance; all of these have departed in unceremonious fashion for having violated some basic tenet of corporate governance. Further, when one adds to the mix the report released by Corruption Perception Index 2011, (Daily Express December 2, 2011), indicating that Trinidad and Tobago moved from being ranked 31 out of 91 countries in 2001 to the unenviable position of 91 out of 183 countries, it becomes evident even to the most ardent disbeliever that corruption is an issue that the country can ill afford to ignore.

Demonstrating Consequence

Quite apart from having the legislative framework annexed to the corporate governance code, I believe that it is also necessary to have a system that can bring the purveyors of corporate misdeeds and misgovernance to swift justice in the shortest space of time. Anecdotally, although some alleged conspirators have been named and thus shamed, I cannot recall one instance in Trinidad and Tobago when a named alleged perpetrator has actually been convicted and heavily fined or incarcerated. In USA, the system works effectively and swiftly. It is instructive to note the US Justice systems run in a swift and certain manner in bringing cases against alleged miscreants in the corporate world. In Trinidad and Tobago, a linchpin that is available in the legal arsenal is the Trinidad and Tobago Prevention of Corruption Act (1987) an act that compares favourably with the Foreign Corrupt Practices Act of the USA and the Anti Bribery Act of the United Kingdom. To reinforce the relevance of this Act I have developed the

following table that compares the potent Acts of the USA, United Kingdom and Trinidad and Tobago. To me, it speaks for itself.

Comparative Dimensions of US, UK and Trinidad Acts

Provision	Foreign Corrupt Practices Act - US	UK Bribery Act - UK	Prevention of Corruption Act - T&T
Who is being bribed	Only bribes paid or offered to foreign public officials are prohibited	Prohibits bribes paid to any person, including private individuals, companies and foreign public officials	Prohibits bribes in any matter in which the State or a public body is involved
Nature of offence	Paying or offering to pay the bribe	Both the payment and/or receipt of bribe	Both the payment and/or receipt of bribe
Fines and penalties	Up to 5 years imprisonment and fines up to US$2 million	Up to 10 years imprisonment and unlimited fines	TT$500,000 and/or up to 10 years imprisonment plus seizure of bribe money
Facilitating Payments	Provides exception to expedite or secure the performance of a routine government action	Includes facilitation payments to speed up routine governmental actions	Not expressly covered, but DPP's consent needed before any prosecution can be initiated
Jurisdiction	U.S. companies and citizens; foreign companies listed on the U.S. Stock Exchange and any person acting while in the U.S.	UK nationals or ordinary residents; companies that are established in the UK; companies that conduct part of their business in the UK; foreign companies employing UK citizens.	Any person engaged in a transaction in which the State or a public body is concerned
Books and records provisions	Requires that companies "make and keep books, records and accounts, in reasonable detail, accurately and fairly reflecting the transactions and dispositions of the assets of the issuer."	Requires that companies maintain appropriate accounting records that would reveal corruption	Judge on ex-parte application of senior police officer can authorize the inspection and copying of financial records, wherever located, of suspect or suspect's spouse

A quick and cursory examination of this exacting system in the USA is perhaps necessary if only to convey the effect of a well-working system that brings consequences to bear on perpetrators of malfeasance. In recent years, the United States has presented itself as one of the countries that are most highly effective in investigating, identifying and prosecuting corporate governance violators. Such notorious corporation leaders as those of Enron, WorldCom, Healthsouth, Stanford International Bank, Madoff, among others, have been named, shamed, jailed, forced to repay and make restitution, and have had assets seized in varying degrees. In researching this, Henning (2008) suggests a compelling reason why the United States has been so successful at identifying and prosecuting violators of corporate fraud; it is because of the legal system that exists within the United States regarding business regulations and investor protections. The United States has developed a large number of laws and regulations that govern the actions of corporate leaders. Prosecutors in the United States have a variety of laws that they can use to pursue corporate leaders when violations of corporate governance occur. Over many decades, new and tougher laws have been implemented to complement existing laws that make it possible to pursue and convict corporate leaders for their actions. This I believe has served well in demanding a level of accountability from corporate leaders. The message that has been sent in the United States to corporate leaders is that even indirect involvement and knowledge of fraudulent actions and behaviours can result in lengthy prison sentences.

In commenting further on the applicability of sentencing guidelines in the USA, Henning (2008) argues that with new sentencing guidelines introduced through the much-touted Sarbanes Oxley Act of 2002, the threat exists that corporate leaders will face longer prison sentences if they are convicted of corporate fraud. In changing sentencing guidelines, the message was sent that corporate fraud should not be

considered an offence that is common or acceptable, and only deserving of a light prison sentence. I believe that this point is well worth remembering by those with the power to enact legislation in Trinidad and Tobago to ensure that the belief that "I can get away therefore I will push the envelope" is suppressed and extinguished as far as is practically possible. Again, Malcolm Gladwell (2009) in his popular book The Tipping Point, refers to such a situation as a geometric progression of a virus; if left unchecked, it will multiply like a virus through a population. In a country where non-compliance is fast becoming the norm, it is essential that Trinidad and Tobago insist on compliance and routinely permit transgressions.

Director Effectiveness and Independence

This treatment and interpretation of director independence and effectiveness within the state-owned enterprises I believe is elusive and slippery. Gaines-Ross (2008) rightly identifies that Directors have a special responsibility to their stakeholders especially to avoid decisions or behaviour that could be perceived as negligent. According to Shen and Jia (2005), an independent director is a person who is a member of a company's executive leadership who has no affiliation with the company other than in his or her capacity as a director. Therefore, the independent director is one who is able to make decisions based on the best interest of the company and its stakeholders. The pericentric political pattern, detailed in Chapter Five, demonstrates that corporate governors are not perceived as independent. Instead, the deprecatory "party hacks", and "appointed by the party" association seriously injures a director's worth; few if any will wish to be described as a party hack. Interviewees have stated that their positions are jeopardized if they do not follow instructions or heed the directions of line ministers. It stands to reason, therefore, that in the main, directors who are politically appointed may be pressured either directly or indirectly to

make certain decisions that a truly independent director may not make. Shen and Jia (2005) point out that in any organisation with a high-level of state control, personal concerns can be stronger than concerns for other stakeholders. However, I believe that naivety cannot stand in the way of practicality and that there must be recognition that Trinidad and Tobago is, by global standards, a small country; this means that there is a small pool of board personnel from which to choose. Reassuringly however, Morck (2007) indicates that this problem is not just confined to corporations in small states, it is also present in larger countries with better established institutes of corporate governance; he further states that stricter rules of choosing independent directors are therefore needed. Notwithstanding Trinidad and Tobago's size and the challenges to find appropriate individuals, all avenues must be pursued to ensure that there is director independence in state-owned companies. In discussing the importance of the effectiveness, Shen and Jia (2005) underscore the director's role in the leadership and ethical tone of the company. Specifically relating to the position of the Chairman, he argues that an effective Chairman is fundamental to any Board with the quintessential attributes of knowledge, experience, ability to grasp complex concepts and to lead and build relationships. DiPiazza and Eccles (2002) views on the importance of transparency, accountability and integrity are telling. Shen and Jia (2005) rightly insist that good governance relies on high ethical standards of Directors or the principles governing business behaviour.

I believe that serious consideration must be given to creating a national pool of directors who by virtue of their qualifications, experience and training can be available for selection to provide the oversight of the state-owned entities regardless of political affiliation or race. This pool will comprise a core body of qualified, trained, experienced and interested candidates to serve on state-owned enterprises. This pre-qualification of directors to be listed in this body will be available to the

government to select from and they will be recommended to the party that appoints which is a core office of the corporation sole. The question I will pose to detractors of this recommendation is, if not, why not? Anne-Marie Bissessar (2009) Professor of Behavioural Sciences at the University of the West Indies and a regular commentator in the national press, observes that Trinidad and Tobago, being a plural society with a long and difficult history, too often foregrounds "the political issue' which diminishes the stock of integrity in state-owned companies. She argues that the political system in the country places an obstacle to ensuring integrity in the affairs of the corporation and the discharge of appropriate levels of corporate governance. Ideally, neither race, ethnicity, nor party affiliation must be taken into account. Simply put, the most qualified and suitable persons ought to be chosen to be board members.

Instead, one ethnic group prevails in each election and therefore we have either PNM Directors or UNC Directors, political party acronyms usually associating the Directors with race, in the main. An important feature of a board's composition which relates to good governance is the one whereby the board is not only capable of exercising independent judgment but one which is also perceived as being capable of exercising independent judgment; acting in the best interest of the company at all times; this is the independence that is required. Bain (2008) agreeably and simply states that an effective chairman is fundamental to any Board. This effectiveness relies on the characteristics of being knowledgeable and experienced, possessing the ability to conceptualize and grasp complex issues, lead with morality, provide empathy and identify issues and trends. The importance of this perceived independence that I refer to should be apparent to anyone reading Reginald Dumas, a well-respected former head of the Trinidad and Tobago Public Service, who tells us in a very frustrated manner of his attempt beginning in 1992 to educate the public sector on the roles on

of the board members. He advises that "being made a director of a State Enterprise should not be seen as part of the spoils of office". He informs his readers of an important action crafted by the then Minister responsible for State Enterprises, Ken Gordon, in 1987, which resulted in the creation and issuance of guidelines of how Boards should operate, the responsibilities of chairman and other directors. This guideline was an indication that in 1987 all was not well. He asks somewhat rhetorically, "more than 20 years later, have things changed for the better?" The informants' views and interpretations from the texts that I have offered confirm what Mr. Dumas is saying in 2011; political party affiliation and its indubitable companion, race, places on Boards persons who are unsuitable. Mr. Dumas's words become more scathing and eloquent: "persons are thrust into positions for which they are conspicuously unfitted by intellect, experience and temperament. Square pegs abound, unable to negotiate the round holes before them." The essence of Mr. Dumas's article is to beg the indulgence of the State to provide a mechanism for obtaining a better crop of directors rather than the preponderance of party hacks that he sees as dominating. (Daily Express, 30 August 2011)

Rationalizing State Ownership of Companies

Another recommendation pertains to the need to rethink the rationalization of state-owned entities. Clarence Rambharat, a Lawyer and University lecturer, questions the "raison d'etre" of state companies and argues that there are too many state enterprises: "we do not need separate entities for seafood development, film and entertainment; and separate rural, urban and community development companies, PSAEL and so on" (Trinidad Express, 27 June 2011). The rationale for the formation of the number of state companies really ought to occupy the minds of the politicians since they are the ones that have the power to create them. If the country is saddled with corporate governance

problems the solution certainly is not too [sic] add to the stock of companies, rather a dwindling of the number is advisable. This can perhaps be argued by the politicians as counter to the objectives of the politics. Rather, incentives to the private sector to develop the likes of seafood, film, estate management could be better managed from an efficiency and economic perspective. Or at least its feasibility should be explored.

It may be that the state's role has already been fulfilled for some of its owned entities; private enterprise can achieve the intended economic or developmental outcome. State ownership may be essential for social, economic or strategic interests at varying points in a country's development; this tends to occur more-so in developing countries and particularly when an industry is in its developmental stage (La Porta, Lopez-de-Silanes and Shleifer, 2000). Government's importance, therefore, is to provide resources that allow the industry to be able to grow and mature; it forgoes profits if necessary to allow the industry to be established. For example, state ownership of banks is beneficial as it impacts the public good. The state's ownership makes it easier to establish rules by which loans are made to businesses so as to further help in the development of the entire country; in so doing, a state-owned organisation could operate for years unprofitably in aiming to establish an infrastructure which in the long run will serve as a platform to generate profits. In this way it allows for an enterprise to develop more rapidly than might otherwise occur. However, as Shleifer (1998) points out, the arguments for the heavy state ownership in companies started waning within the last 30 years as governments in market economies throughout the world have embarked on privatization programs; he argues, too, that the case for privatization becomes stronger when political patronage and corruption are predominant and uses the term "imperfect government" to describe a system which maximizes political goals of patronage and supplements politicians'

incomes through bribes. Shleifer (1998) logically argues that the validity for private ownership is strengthened where there is a preponderance of corruption thereby making it easier for reforms.

Conversely, if the private sector was the primary avenue for this development to take place, its period might be of much longer years or maybe even decades since private companies consider the issues of costs and returns or profits, in its profit maximizing mode; private companies are not set to cause the development of an industry or provision of a service the same way a government can, the need to establish an infrastructure for long-term growth is therefore more important than short-term revenues and profits. That said, it requires some maturity for those in charge to stand back and ask, can we remove ourselves from the ownership of the company and pass it to the private sector? Shleifer (1998) appropriately recognizes that governments, similar to what the interviewees have indicated, use the control of state companies to channel benefits, state firms are thus inefficient as managers have real incentives to reduce costs, inefficiency is the outcome of government's deliberate policy to transfer resources to supporters. Apart from the reasons offered by Shleifer (1998), Rajagopalan and Zhang (2007) posit that when a state removes itself from the ownership of an enterprise, the company usually is presented with more opportunities or pressures to ensure that outcomes are achieved, that the company typically has to demonstrate more concern about its corporate governance practices and the usefulness and value of its decision-making processes; this, in turn, can raise the profile and reputation of the company. The state's privatization is also welcome by private sector as they can participate in an industry where the costs to start have already been reduced through the state's involvement and ownership; it is thus easier for the private sector to step in and participate. The development and improvement of corporate governance practices are disincentivised where the state-owned companies are

guaranteed of financial resources regardless of performance. An important feature of the corporate-governance landscape is stamping out the blight of corruption. According to Kaufman and Siegelbum (1997), the prevalence of corruption typically strengthens the case for private ownership. For me, its appeal is registered in the fact that it is generally easier for reformers in a government to design a relatively corruption-free privatization program which relies on the effectiveness of a relatively small agency than to fight corruption from inside state companies. Kaufman and Siegelbum importantly tell us that several Latin American, eastern European and Russian countries have succeeded here.

The Role of Education

I make the following recommendation in the knowledge that, sometimes, what initially appears of little significance assumes great importance in the long run. I believe that introducing the subject of corporate governance at the secondary and tertiary level is very important towards the long-term aim of developing a society that is less apathetic to and ignorant of governance issues. Corporate governance not only provides a matrix for understanding how a company is directed and controlled, but also offers a wonderful opportunity for a discussion of morality and ethics, subjects too often omitted from syllabuses. While I have found that the terms "ethics" and "morality" are often used interchangeably when discussing corporate governance the terms ought to be distinguished. Morality is more of a general notion, it outlines the moral norms and standards accepted within a society, it is not specific to business but impinges on all aspects of human life (Applied Corporate Governance, 2011). Since ethics and morality are not specific to business, the teaching of corporate governance affords both student and teacher a wonderful opportunity to grasp its significance as a subject with a wide range of reference. What holds true for corporate

governance holds true for all key areas of human behaviour; it shows us whether the actions of a person are appropriate or inappropriate, whether it conforms to inherent social values and whether or not the greater good is served.

Hosmer (1995) points out that this determination of whether an action is appropriate or inappropriate is something that is socially constructed: people may determine whether something is moral based on religious ideals and traditions, which indicates that actions that are considered to be morally correct or incorrect are socially constructed. Ethics as differentiated by Hosmer (1995) refer to a broader study of behaviours and actions and about how the specific actions impact the lives of others, how decisions impact people in a social system such as professional ethics. As such ethics can also be explained as the application of morality in a particular sphere and its usefulness through educational dissemination is to build a society of wholesome and thoughtful members.

By having these two items feature as part of a corporate governance subject, preferably as mandatory for students of commerce students are likely to form the right moral opinions about conducting business. The perceived benefits of offering a course on corporate governance let's say for undergraduate students are many: it allows the understanding of the role of corporate governance for companies in both private and public sectors, one is likely to understand and appreciate the peculiarities of the corporate governance systems in different countries; it facilitates the understanding of the various dimensions of corporate governance and the internal mechanisms in the organisation that exist to promote its practice, including the roles and influence of directors in the company's decision-making process; and it encourages and challenges the student to understand the role of the corporation and its corporate social responsibility. Over time this will have the effect of

cementing notions of corporate rights and wrongs for all sectors. I believe, therefore, that educating secondary-level and tertiary-level students in the importance of corporate governance will go a long way in establishing a useful foundation on which to build deeper and more mature thinking about a defining management phenomenon. Such teaching and learning will impact significantly on the thinking and behaviour of the young in whose hands the future of the country rests. Such an approach was recently supported by Dr. Axel Kravatsky in commenting on the study conducted on corporate governance by his firm Syntegra Change Architects as reported in the Trinidad Guardian (November 2, 2011).

Maturity of Society

I admit that it is virtually impossible to institute my recommendations in a society that has not attained the requisite maturity. An ubiquitous definition of maturity is "full development." Whilst this might be better understood in terms of individual physical and emotional maturity, I believe it becomes more complex when extended to society or a country. My comments here do not constitute a recommendation, it is simply a commentary on the impact of the level of maturity of a society. From a broad perspective, research indicates that the maturity of a society is positively co-related to the level of corporate governance that exists within a country (Doidge, Karolyi and Stulz, 2007). More specifically, the reason more mature countries generally have higher levels of corporate governance is that there are greater opportunities for growth. In countries in which higher levels of growth are possible, corporate governance is viewed as being more important in order to attract investors and to demonstrate that companies and organisations can be trusted as potential avenues for investment.

Interestingly, countries with relaxed corporate governance rules and policies are often viewed as nations in which corruption exists (Wu, 2005). The fact that corporate governance has not become institutionalized in the rules and policies of a country is often associated with higher levels of corruption. A view exists among investors and within the business community that countries are either taking actions to reduce unethical and illegal acts on the part of corporate leaders or are creating an environment in which illegal and unethical acts can easily occur with little threat of punishment (Wu, 2005). According to Doidge, Karolyi and Stulz (2007), research indicates that it is the country-level characteristics that are significant predicators of the level of corporate governance policies that are in place. This is important because it indicates that the characteristics of firms are actually not as important as the larger characteristics of the legal and economic structure of countries that are related to the corporate governance policies that are in place. The primary difference that seems to exist between countries with high ratings on the corruption index and countries with low ratings on the corruption index is the level of development. Countries that are more economically and politically developed and that have more stable economic and political systems are more likely to have strong corporate governance rules and a lower level of corruption as measured by the corruption index. In contrast, developing countries and those with less stable political and economic systems are likely to have a lower level of corporate governance policies and have a higher rating of corruption as measured by the corruption index (Doidge, Karolyi and Stulz, 2007).

It is possible to expand the discussion about the characteristics of differences between countries with high levels of corporate governance as compared to countries with lower levels of corporate governance in order to discuss essential differences between these countries and how they impact investors. One of the essential differences between

countries with high levels of corporate governance as compared to countries with low levels of corporate governance is the relationship between leaders and stakeholder with regards to interests. In developed countries in which high levels of corporate governance exists, corporate leaders are more likely to have similar interests to the stakeholders. One of the reasons the corporate leaders and the stakeholders are likely to have shared interests is that of the level of involvement of investors and other stakeholders. Developed countries with low levels of corruption generally have laws that make it easy for stakeholders to become involved in corporate decision-making. In fact, some countries require a certain level of involvement on the part of investors (Wu, 2005). When investors are sought after only for the money that they can contribute to the operations of a company but are not permitted to be involved in decision-making or oversight, then the interests of the leaders can easily diverge from the interests of the stakeholders. In countries with relaxed laws that allow investors to be involved in corporate decision-making, corporate governance policies are generally stronger because it is known that investors will be involved and they will demand protections for the investments that they have made.

It is plain that high levels of corporate governance characterized by high levels of ethics and morality define the ideal. And low levels of corruption combined with higher levels of ethics and morality on the part of corporate leaders also effect high levels of corporate governance. A society that has higher levels of ethics and morality is not likely to experience a sudden decrease in ethics and morality and an increase in corporate corruption. Instead, a society in which its corporate leaders are ethical in their practices creates a matrix in which ethical and moral actions protect investors and the general public. However, in countries in which ethics and morality are not in place and in which high levels of corruption exist, changing the actions of corporate leaders and creating

a change toward ethical and moral behaviour is difficult and requires a great deal of effort.

The impact from high levels of ethics and morality on both corporate directors and leaders and on society as a whole is without doubt a boon. A reduction in internal corruption and unethical behaviour on the part of the leaders in state-owned companies allows for these companies to operate more efficiently and effectively. Corporate governance is not an issue that can be ignored until economic development has been achieved; it is an issue that must be tackled in such a developing nation as Trinidad and Tobago; it will contribute tremendously to the development and maturity of the society.

Conclusion to Chapter Six

I make the foregoing recommendations knowing full well that there will be no wholesale or sudden implementations of any of them, as reasonable as they sound. What needs to occur before implementation is a cultural change. Our society must raise its cultural bars: it must demand greater productivity from its workers at all levels, it must require more stringent compliance to rules and regulations, and it ought to think always of the greater good. We need as an independent nation to grow up, to encourage in ourselves and in others a greater sense of maturity in all that we do.

The forensic reading of the interview literature provides for a decent and logical conclusion that there is a great sense of apathy in the practice of corporate governance. A useful and unavoidable question is what causes apathy and what occurs when apathy to corporate governance sets in an organisation. It is important to understand that a high level of involvement from stakeholders does not necessarily prevent apathy to corporate governance. Instead, Fisch (2010) argues that even with stakeholder involvement, the motivation may not exist to ensure that

corporate governance policies are as strong as possible or provide the benefits that are desired. The reason for apathy and inaction among stakeholders can be related to a lack of knowledge about what actions ought to be taken with regards to corporate governance. For Fisch (2010), another well-placed reason for inaction on the part of stakeholders is that they are happy with their own personal outcomes in terms of the performance of the organisation. And they are sure to convince themselves that if things work in their favour and bring about political patronage thereby securing the chances of the political party remaining in power there is no need for a change. If corporate directors can behave in their own best interests, there is nothing to prevent stakeholders from doing the same. If the best interest of government or Corporation Sole is to not take any action for fear of harming political continuity, then no action may be taken. This may be true even if companies are not acting in the most ethical ways. Clarence Rambharat writing in *Trinidad Express* (June 27, 2011) aptly points out the blurring of roles of the Line Minister, company, management, board and chair to such an extent makes it appear is if they act as one. This he suggests, lies in the vacuum created by the Corporation Sole in not detailing the public's expectations of the respective state enterprises and their Boards.

"WHERE NEXT" – OVERALL CONCLUSION

Chapter 5 concluded with the dilemmas, identified and described through the interpretation of the texts. These dilemmas persist, thus, and as evidenced through the pericentric, are difficult to solve for, mainly due to its metaphoric impenetrable outer layer. The central and most vexing dilemma is layered in the pericentric. Simply put, the previously named 'political pattern' and the politics is, unarguably, the proverbial millstone around the neck of corporate governance strangling its life, snuffing its existence. I believe that if government is not prepared to sincerely examine whether it is absolutely necessary to own the many state companies they do or whether these companies could be allowed to develop fully and grow, then it is perhaps more important to own the company for other reasons, reasons that indubitably will perpetuate the problems associated with the pericentric political pattern. To avoid the political manipulation which comes with the state ownership, the state, in my opinion, should focus on assessing those corporations that it can divest itself of, establish a mechanism to have a pool of competent and qualified directors for selection, cause a corporate governance code to be established for the state-owned company sector and focus on a regulatory role. It becomes pellucid to me, if the political pericentric continues as the eutrophicating force, depriving the corporate governance process of its oxygen lifeblood. In these circumstances, then no life can be breathed into the centripetal, and so it will wither, to an inevitable miserable and wilted presence. Gourevitch and Shinn (2007) rightly identifies corporate-governance as being central to the most important issues of society. This is echoed by others: DiPiazza and Eccles (2002); Mallin (2010); Cadbury (1992); OECD (1998).

I am reasonably assured that this thesis has fulfilled two primary tasks: one, to identify and describe significantly the dilemmas that have characterized and continue to characterize the effective discharge of corporate governance; two, to offer recommendations for the solution of these dilemmas. Both tasks have been presented and executed to the best of my ability; in all sincerity, I do not know what more I could have done. Though there is always room for improvement, however small, I am satisfied that I have given it my best shot. These two tasks are in effect the raison d'etre of my academic undertaking, which provides two distinct kinds of pleasure: it offers me the chance to obtain the DBA, which, given all the time, expense, and effort it has cost me, will bring a tremendous sense of personal pride and satisfaction; coincidentally, and even more significantly, it offers me the opportunity to make a tangible contribution to the national welfare of my country. There is no doubt in my mind and the collective mind that the discharge of corporate governance in the public sector in Trinidad and Tobago continues to be severely compromised. I believe that we must improve this minefield of corporate governance through a shared political vision of its national good. Premdass (1996) correctly points out, that in a society that does not have a shared belief, the political structures will inevitably be viewed with suspect interests. The modern sociopolitical phase of the island's evolution is characterized by an ethnic divide that has been manipulated by politicians and deepened by tribal politics. Not surprisingly, as the interview texts show, this bugbear, made more aggressive and minatory by politicians, has impacted heavily on the complexion, composition, and performance of state-owned entities and state Boards.

Of course, I am not so naive as to believe that my research must and will make a difference. Nevertheless, it is, I believe, a decisive step in the right direction; without this kind of research the process of reform cannot begin. I offer this research project as a beginning, in the

knowledge that if properly assessed it can be of value to both individual and country.

Contribution

This DBA thesis has been consciously secured to the moorings of its Harvard origin as described by Howard Lyons (2012): it is the research of practice which allows me and others to understand the modalities and implications of the phenomenon of how corporate governance is understood and practiced in state owned companies; this is not about sounding erudite nor about building theories that wear a veil of academic respectability but have no practical applicability. It is necessary, therefore, to demonstrate the contributions that this academic piece can claim.

I believe that this DBA thesis is a serious, professional and credible investigation of corporate governance in state-owned companies in Trinidad and Tobago. The contributions are threefold: methodological; academic, and practical. These deserve a fuller explanation. The methodological derives from the research methodology; an interpretivist work based on the texts of interviewees, the methodology brings a credible piece of research of the phenomenon and has established the sufficiency of the number of Chairmen interviewed. Further, this methodology has argued for and has demonstrated the applicability and usefulness of conducting qualitative research to reveal findings in keeping with the research aims; it exposes dilemmas through the diagrammatic patterns of the centrifugal, the pericentric and the centripetal. These unique diagrams forged from the interpretivist methodology applied to the texts of the interviewees, facilitates a better understanding to those who are interested in the phenomenon. It bears repeating that this is perhaps the first study of its kind, the first to investigate the modalities of corporate governance in state owned companies in Trinidad and Tobago. It therefore represents a long

overdue and mandatory first step in what I hope becomes an ongoing task.

Inextricably bound to the methodological is the second, the academic whose contribution lies in the discovery, conceptualisation and naming of the pericentric, centrifugal and centripetal patterns, through the forensic analysis of the information provided by those who are integral to ensuring the practice of good corporate governance. Chapter Five establishes beyond a doubt that there are indeed dilemmas in the discharge of corporate governance in the island's state-owned enterprises. The interview literature, the first of its kind, reveals the divide between cognition and perception, between what governors believe what corporate governance is and ought to be and what they perceive its practice to be. It offers, too, coming from and building upon the interview analysis, a unique and compelling representation of the state of corporate governance through the metaphor of the circle to transmit the views expressed by those occupying the chair, in a manner that is relatively simple, the damning impenetrable barrier; the pericentric, the use of the centrifugal and centripetal to demonstrate the understanding of corporate governance while also showing movement away from its practice. The discovery and naming of the three key patterns – centrifugal, centripetal, and pericentric provide an academic context within which to continue investigation and which can encourage new directions of research. There can be no denial of the existence of these patterns (evident from the interview texts) though another researcher may discover another set of patterns. What is important is that this research provides a basis and incentive for more searching, investigation and analysis. Consequently, this second contribution presents information, perceptions, analysis and findings from the interview literature. It shows, pellucidly, the manner in which dilemmas exist; the chief dilemma, knowing what to do, but unable to do so. It is so much more than the random, generalized, and anecdotal comments heard in conversation and seen from time to time in the

press by a very few writers and commentators. It lays bare the barrier to effective corporate governance as it presents a veritable wealth of unprecedented data. It can therefore lay claim to adding to warranted knowledge in the field, making an original contribution to the discharge of corporate governance specifically in state owned companies in Trinidad and Tobago.

The third contribution, though the most tentative, is significant as it encourages and anticipates a tangible and bona-fide contribution to the practice of corporate governance in state owned companies. It is the progeny of the inter-weave of the first and second, it justifies the *raison d'être of a DBA; it offers a practical contribution to the field of businesss.* Further, this contribution also includes a sifting of views that I consider to be the "infrafundamental" set – that is to say, they can cause those in authority to battle the inaction and apathy to ensuring meaningful corporate governance. This, Fisch (2010), refers to as an understanding of what actions should take place. These recommendations, not necessarily in terms of sequence; but more so in terms of its recognition of its pivotal importance to the field adds to the practicality of addressing that which has emerged from the first and second contribution; how and where do we start, we cannot boil the ocean. Rather, we pick those which are most fundamental; the infrafundamental. If we do not examine these broad areas in terms of impact and the results that can accrue, then we, I believe, are aimless, rudderless, possessive of wishful thinking, consigned to commenting but avoiding the difficult doing; we cannot expect different results if we keep doing the same thing.

Thankfully, however, some relief looms on the horizon with the progress being made by the Caribbean Institute of Corporate Governance. This organisation is in the process of mobilizing sponsors from the corporate sector to consult and engage with industry, including the state owned sector to develop a code of corporate governance for Trinidad and

Tobago. As a newly accepted researcher in the field, I have offered my services which have been accepted, to be part of the drafting committee. I look forward to being an active contributor to the furtherance of good corporate governance within our society; I am aware that the challenge is not one to be underestimated; Ralph Maharaj, a previous Government Minister and a playwright writing a particularly trenchant and impressive article in the Trinidad Express of October 16, 2012, tell us of a "Nation Trapped". He is severely critical of the practice in Trinidad and Tobago where the seeds of transformation do not take hold because there is no collective will to make things right. He points to a shallow social conscience fed by primitive tribal politics. Progress is espoused, from the rot and ruin, through commitment and pursuit of a path based on the highest principles of personal and communal conduct. Maharaj recognses, what I have concluded in Chapter Four; when he surmises that we have a highly educated workforce, many graduates, academic excellence and a flourishing middle class, the political will to enforce change is no longer subject to perfunctory statements. The nation has to go past its apparent approach of avoidance and arrogance in the matters of governance.

I am comforted by the belief that this research adds, practically to our understanding of what corporate governance has been and still is and what it ought to be. It provides information, analysis and recommendations to lead us to better appreciate and assimilate the conditions that can cause our corporate governance system to be improved from its current floundering state. It invites readers and other researchers to assess the appropriateness of the metaphor and patterns as they seek to build on this research; it provides recommendations in an organised, well argued manner. The completed research also invites others to progress with further research into other dimensions of corporate governance: short term transaction costs, reputational loss and its impact.

The DBA Journey

The academic journey over the landscape of corporate governance in state-owned entities in Trinidad and Tobago is over. I have travelled a long way and have learned much along the route. I started with trepidation and faltering steps of a hunch, gathered stability and focus and attained the security and momentum to see me through to the end of the trail. The vantage point atop the plateau affords me a panoramic retrospective view: I see the different terrains I travelled, the plains of corporate governance, the more difficult sands of research methodology, the misty reaches of the economic and political history, the shifting quicksands of the interview literature and the uphill climbs of analyzing the emergent patterns. Having ascended the plateau through stamina and effort, I now take the time to rest and reflect in satisfaction. I know that this academic journey is over, but the road of practical contribution now beckons. I can face it with the confidence derived from this research.

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