STRATEGIC LEADERSHIP AND CORPORATE GOVERNANCE IN MUNICIPAL-OWNED ENTITIES WITHIN SOUTH AFRICAN CITIES: A CASE STUDY OF KWAZULU-NATAL, SOUTH AFRICA

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Abstract - Corporate governance remains central to accountability, transparency, ethical leadership, and sustainable institutional performance in public sector entities. In South Africa, municipal-owned entities play an important role in infrastructure management, local economic development, and service delivery. However, despite governance frameworks such as the Municipal Finance Management Act (MFMA), Public Finance Management Act (PFMA), and King IV principles, many municipal entities continue to experience weak oversight, financial mismanagement, leadership instability, and poor accountability systems. Recent studies further demonstrate that governance effectiveness is influenced by institutional complexity, board competence, governance measurement systems, organisational culture, and leadership capability within public institutions [9–15].

The study adopted a qualitative research approach, drawing on qualitative data analysis techniques outlined by Sekaran and Bougie (2013)[2], using document analysis, secondary data, thematic analysis, and expert validation of findings. Data was obtained from annual reports, annual performance plans, financial statements, audit findings, and other governance-related documents. Industry experts and governance practitioners were consulted to validate and corroborate the findings derived from the secondary data. The findings reveal that weak financial governance, ineffective internal audit systems, leadership instability, inadequate oversight, and limited governance capacity undermine institutional performance. The paper concludes that strategic leadership is essential for improving accountability, ethical governance, financial sustainability, and stakeholder confidence in municipal-owned entities.

Keywords - Corporate governance; strategic leadership; municipal-owned entities; accountability; KwaZulu-Natal; public sector governance.

I. INTRODUCTION

Corporate governance has become a major concern in modern organisations due to increasing demands for accountability, transparency, ethical conduct, and institutional sustainability. Governance failures in both the public and private sectors have increased the need for effective oversight systems and responsible leadership. Corporate governance assists organisations to manage risk, reduce conflicts of interest, improve ethical conduct, and strengthen institutional performance [1].

Contemporary governance literature argues that governance effectiveness extends beyond compliance with regulations and depends on the interaction between leadership, institutional culture, governance measurement systems, stakeholder accountability, and organisational capability [13;14]. In public sector organisations, governance failures are often associated with weak institutional arrangements, inadequate board competencies, and limited accountability mechanisms [11;12;15].

Strategic leadership is central to corporate governance because leadership shapes organisational direction, accountability systems, ethical culture, resource management, and institutional performance. In municipal-owned entities, strategic leadership is particularly important because these entities manage public resources and support municipal service delivery.

Municipal-owned entities in South Africa operate within governance frameworks such as the Municipal Finance Management Act, the Public Finance Management Act, and King V governance principles. However, governance challenges remain common, including weak financial controls, ineffective boards, poor audit outcomes, leadership instability, irregular expenditure, and inadequate consequence management.

Studies on state-owned enterprises and public entities indicate that governance structures alone do not guarantee improved performance. Effective governance requires competent leadership, independent oversight structures, ethical organisational cultures, and continuous monitoring of governance performance [9;10;11;12].
This paper therefore examines the role of strategic leadership in strengthening corporate governance within selected municipal-owned entities in KwaZulu-Natal, South Africa.

II. PROBLEM STATEMENT

Although South Africa has established legislative and governance frameworks to promote accountability in municipal entities, governance failures continue to occur. These failures are often linked to weak

oversight, poor financial management, limited governance capacity, leadership instability, and ineffective internal controls.

Previous studies indicate that corporate failures may continue even where governance regulations exist, suggesting that regulations alone are insufficient without effective leadership, ethical culture, and implementation capacity [3]. Within municipal-owned entities, poor audit outcomes, irregular expenditure, and weak accountability systems continue to undermine governance effectiveness.

The central problem addressed in this paper is that governance practices within some municipal-owned entities remain fragmented, poorly implemented, and ineffective in strengthening institutional accountability. The paper argues that strategic leadership is necessary to improve governance performance and institutional sustainability.

III. AIM AND OBJECTIVES

The aim of this paper is to assess the role of strategic leadership in strengthening corporate governance within selected municipal-owned entities in KwaZulu-Natal, South Africa.

The objectives are to:

1. Examine perceptions of executive management regarding strategic leadership and corporate governance.
2. Identify governance challenges experienced within municipal-owned entities.
3. Propose strategies for strengthening strategic leadership and governance implementation.

IV. LITERATURE REVIEW

Corporate governance refers to the systems, structures, principles, and processes through which organisations are directed and controlled. Effective corporate governance promotes accountability, transparency, ethical conduct, institutional sustainability, and stakeholder confidence [1].

Institutional theory suggests that corporate governance practices are shaped by formal and informal institutions such as legal systems, auditing structures, political systems, board practices, organisational culture, and societal values [4]. This is important in emerging economies and public sector environments where governance systems are often affected by institutional weaknesses.

Governance is increasingly viewed as a dynamic system rather than a collection of compliance mechanisms. Carey and Mahendran [13] argue that governance operates through interconnected systems involving leadership, accountability, risk management, stakeholder relationships, organisational culture, and strategic decision-making. This systems perspective is particularly relevant for municipal-owned entities where governance challenges are multidimensional and involve multiple stakeholders.

Strategic leadership is also recognised as a key factor influencing governance effectiveness. It involves the ability of leaders to provide direction, influence organisational culture, manage resources, and guide institutions towards their objectives [5]. In municipal entities, strategic leadership supports ethical governance, financial discipline, accountability, and effective decision-making.

Agency Theory explains the relationship between principals and agents and highlights the risk that managers may pursue personal interests instead of organisational goals [6]. This theory is relevant to municipal entities because executive management is expected to act in the interests of municipalities, communities, and other stakeholders.

Board competence remains a critical determinant of governance effectiveness. Mutenda [12] argues that professionalising boards through skills-based appointments improves governance quality, strategic oversight, accountability, and institutional performance. This is particularly relevant for municipal-owned entities where governance failures are frequently associated with inadequate governance expertise.

Stakeholder Theory further argues that organisations should consider the interests of all affected stakeholders, including communities, employees, government institutions, and service beneficiaries [7]. Municipal-owned entities therefore require governance systems that balance operational performance with public accountability.

Public sector governance studies further suggest that strong institutions are built through capable leadership, transparent decision-making, ethical conduct, and effective accountability systems [15]. Sustainable governance therefore requires both institutional capacity and strategic leadership commitment.

Research also shows that corporate governance influences institutional performance. Governance variables such as board independence, board composition, and oversight structures may improve organisational value and performance [3]. In the public sector, weak governance may result in fiscal risks, poor financial performance, and declining accountability [8].

Organisational culture plays a significant role in governance effectiveness. Matandabuzo and Marutlulle [11] found that organisational values,

ethical behaviour, leadership conduct, and accountability cultures significantly influence governance outcomes in public institutions. Governance reforms may therefore be ineffective where organisational culture does not support ethical leadership and accountability.

Chalmers [14] highlights the importance of governance measurement frameworks in assessing governance maturity and effectiveness. The adoption of structured governance assessment mechanisms such as ISO 37004 can assist public institutions in evaluating governance performance, strengthening accountability, and identifying governance weaknesses before they become institutional failures.

IV. METHODOLOGY

This paper adopted a qualitative research approach. A qualitative design was appropriate because the study sought to analyse leadership practices, governance processes, institutional accountability, and governance challenges within municipal-owned entities through the examination of documentary and secondary data sources, consistent with qualitative data analysis approaches outlined by Sekaran and Bougie (2013)[2].

Data was collected through document analysis and secondary data review. The documentary sources included annual reports, annual performance plans, financial statements, audit findings, governance reports, and other publicly available governance-related records. A purposive sampling strategy was used to select documents and governance themes directly related to leadership, oversight, accountability, and organisational performance.
To enhance the credibility and trustworthiness of the findings, an expert validation process was undertaken. A panel of 12 industry experts comprising executive management officials, governance practitioners, internal audit professionals, and audit or risk committee members reviewed and validated the themes and interpretations emerging from the documentary and secondary data analysis.

The data were analysed using thematic analysis. Open coding was applied to identify recurring governance issues and patterns within the documentary evidence, while axial coding was used to group related concepts into broader governance themes. The final themes included weak financial governance, ineffective internal audit systems, poor board oversight, leadership instability, inadequate strategic leadership, and limited governance capacity.

The table 1 below is the coding framework and categorization of main themes of the study.

Data Source	Initial Codes	Category	Main Theme
Governance Oversight	Weak oversight, delayed reporting, poor accountability	Governance oversight deficiencies.	Weak board and committee oversight
Annual Reports	Irregular expenditure, poor controls, audit findings	Financial governance	Weak financial governance
Audit Findings	compliance failures, control weaknesses	Internal control	Weak internal audit and risk controls
Annual Performance Plans	Unclear targets, poor performance indicators, weak monitoring	Strategic planning	Weak strategic leadership and planning
Governance and Organisational Culture	Leadership vacancies, executive turnover, acting appointments, and succession planning deficiencies.	Leadership Instability and Governance Discontinuity	High leadership turnover weakens strategic direction, governance continuity, and organisational accountability.
Financial Statements	Poor expenditure control, budget variance, audit qualifications	Financial management	Inadequate financial management capacity
Oversight reports	Limited board effectiveness, poor consequence management	Accountability	Weak accountability and ethical governance

TABLE 1: CODING FRAMEWORK

VI. FINDINGS AND DISCUSSION.



TABLE 2: ANALYSIS OF FINDINGS.

The table 2 above is analysis of the findings using thematic and qualitative coding process.

6.1 Weak Financial Governance

The study found that weak financial governance remains a major challenge in municipal-owned entities. Documentary analysis, validated by industry experts, identified irregular expenditure, poor budget control, weak expenditure monitoring, and limited financial accountability as key governance concerns.

Weak financial governance affects institutional sustainability, public trust, and governance credibility. This finding supports the view that weak governance in public entities creates fiscal risks and undermines accountability [8].

These findings are consistent with studies on state-owned enterprises which demonstrate that weak governance structures contribute to financial inefficiencies, fiscal risks, and declining organisational performance [8;9;10].

6.2 Weak Internal Audit and Risk Management.

The findings also revealed weaknesses in internal audit and risk management systems. Some internal audit functions were inadequately resourced and lacked sufficient independence.

Effective internal audit systems are important because they support transparency, risk management, compliance monitoring, and governance oversight [1].

Governance measurement approaches proposed by Chalmers [14] suggest that continuous governance monitoring and evaluation can improve institutional control systems and strengthen governance maturity.

6.3 Weak Board and Committee Oversight.

The study found that some boards and committees lacked adequate independence, governance expertise, and oversight capacity.

This finding is consistent with research showing that board independence, board composition, and governance oversight influence organisational performance [3].

Similar findings were reported by Mutenda [12], who found that governance effectiveness improves where boards are selected based on competence, governance expertise, and strategic leadership capabilities.

6.4 Leadership Instability

Leadership instability emerged as a major governance challenge.

Leadership instability weakens institutional memory, disrupts strategy implementation, and reduces accountability. Strategic leadership is therefore necessary to ensure governance continuity and institutional sustainability [5].

The findings also support the argument by Asaju and Varzoa [15] that strong public institutions depend on stable leadership structures capable of maintaining institutional continuity and accountability.

6.5 Lack of Strategic Leadership

The findings showed that weak strategic leadership negatively affected governance implementation.

Strategic leadership contributes to governance effectiveness by aligning organisational objectives, accountability systems, ethical culture, and stakeholder interests [5;13].

Corporate governance cannot be effective without leaders who promote ethical conduct, accountability, transparency, and institutional discipline.

6.6 Inadequate Governance and Financial Management Skills

The study also found that some officials lacked adequate governance, financial management, compliance, and risk management skills.

Professionalisation initiatives aimed at strengthening governance competencies among board members and executives have been identified as essential governance reforms within public entities [12].

Municipal entities therefore require continuous governance training, professionalisation of oversight structures, and leadership development programmes.

VII. RECOMMENDATIONS

TABLE 3: RECOMMENDED CORPORATE GOVERNANCE FRAMEWORK.



Table 3, above are the recommendations to improve governance on municipal owned entities.

The paper recommends that municipal-owned entities should strengthen governance oversight structures,

including boards, audit committees, risk committees, and internal monitoring systems.

Municipalities should also improve board independence, consequence management, and accountability mechanisms. Strategic leadership development programmes should be introduced to strengthen ethical leadership, governance implementation, and institutional performance.

Internal audit systems, risk management frameworks, and compliance monitoring mechanisms should be strengthened. Municipal-owned entities should also invest in governance and financial management training for executive management, board members, and oversight structures.

Municipal-owned entities should introduce governance performance measurement frameworks aligned with international governance standards such as ISO 37004 to monitor governance maturity, leadership effectiveness, accountability systems, and ethical conduct [14].

Municipalities should further professionalise boards through competency-based appointments, governance certification programmes, and continuous governance development initiatives [12].

Finally, municipalities should introduce succession planning and governance continuity strategies to reduce leadership instability and improve long-term institutional performance.

VIII. CONCLUSION

This paper concludes that strategic leadership plays a critical role in strengthening corporate governance within municipal-owned entities. While governance frameworks exist in South Africa, implementation remains a challenge in many entities. Weak financial governance, ineffective internal audit systems, poor oversight, leadership instability, and inadequate governance capacity continue to undermine institutional performance.

The study further demonstrates that governance effectiveness is influenced by institutional systems, governance culture, board competence, governance measurement practices, and leadership capability. Sustainable governance therefore requires an integrated approach that combines compliance, ethical leadership, governance capacity development, institutional accountability, and continuous governance assessment [11;12;13;14;15].

The paper argues that municipal-owned entities can contribute important lessons for improving corporate governance across South African cities. Strengthening strategic leadership, ethical governance, accountability systems, and internal controls can improve public trust, financial sustainability, and service delivery outcomes.

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I declare that Artificial Intelligence (AI) tools were used solely for language editing, improving the structure and flow of the manuscript, and assisting with the categorisation and presentation of themes and recommendations in tables. These tables were used only to organise and present the findings more effectively. The research concept, data collection, analysis, interpretation of findings, conclusions, and recommendations are my original work.

All references cited in this paper were independently verified to ensure that they exist, are accurately attributed, and are correctly referenced. No fictitious or fabricated sources have been included. I accept full responsibility for the accuracy, integrity, and content of this manuscript.

CONFLICT OF INTERESTS DECLARATIONS

The author declares that there are no financial, professional, personal, institutional, or other relationships that could be perceived as influencing the research, analysis, findings, or conclusions presented in this paper. The author confirms that there is no conflict of interest in relation to this study.

ETHICAL CONSIDERATIONS

This study was conducted in accordance with recognised academic, ethical, and professional research standards. The research relied on publicly available documentary and secondary data sources, including annual reports, annual performance plans, financial statements, audit findings, and governance reports. To enhance the credibility and validity of the findings, the results of the secondary data analysis were reviewed and validated by a panel of industry experts with expertise in governance, leadership, audit, and risk management. The study adhered to the principles of objectivity, transparency, accuracy, and academic integrity, with all sources appropriately acknowledged and independently verified to ensure that the findings remained evidence-based, reliable, and free from bias.

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