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Corporate Governance and the Effectiveness of Boards of Directors: The Case of State Owned Enterprises in Zimbabwe

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ABSTRACT: This study seeks to examine corporate governance in Zimbabwean State-Owned Enterprises (SOEs), with particular emphasis on the effectiveness of boards of these entities and the initiatives that the government has put in place to improve corporate governance practices. The study also aims to establish how successful Zimbabwe has been in promoting internationally accepted corporate governance standards in the SOE sector. The topic was chosen as SOEs continue to play an important role in economies, particularly in Zimbabwe where there is a greater need to facilitate economic growth and sustainable development.

For that reason, government administrators and the general public in Zimbabwe need to appreciate the major causes of poor corporate governance in the SOEs. In particular, they need to understand and address why SOEs boards have not been as effective as they should be in promoting good corporate governance. This study will contribute to the debate on interventions required by Zimbabwe to achieve the objective of enhancing the effectiveness of boards in promoting good corporate governance within SOEs.

The study may assist policymakers, the legislature, board members and other scholarly researchers in many ways. The policymakers may be assisted to create policies on the future direction of corporate governance reform in SOEs. The legislature may be assisted to develop laws and regulations which will empower directors to effectively discharge their duties and improve the compliance of SOEs with good corporate governance practices. The boards may benefit from the study in that they may better understand and handle challenges they encounter when performing their duties. Lastly, scholars may build on the findings of this research and expand to cover other aspects of SOEs that need attention.

KEY TERMS: Board Composition, Board Effectiveness, Board Evaluation, Board Remuneration, Board Selection And Appointment, Corporate Governance, Corruption, Board Of Directors Parent Ministry, Regulatory Framework, Shareholder Interference.

CHAPTER 1

1.0 INTRODUCTION

This chapter provides an outline of a scholarly investigation on corporate governance and the effectiveness of boards of directors in Zimbabwe's state-owned enterprises (SOEs). A background of the study is presented as well as a statement of the research problem. The purpose of the study, research questions, the significance of the study, assumptions, definition of terms, the delimitation of the study and the limitations are discussed. The chapter concludes with a summary.

1.1 BACKGROUND OF THE STUDY

The world has become a smaller place and competition for capital has intensified as traditional barriers to the movement of capital, people and information have broken down. This in turn has led to the development of new markets and new sources of the products and services required to satisfy them.

The developing world looks to the developed world for capital to stimulate economic growth. The sources of capital are many and varied. They range from governmental, non-governmental development funding, direct and indirect foreign equity investment, securitization, and commercial lending transactions. The international capital markets are mandated to service the demands of their investors for sustainable returns (Growther & Siefi, 2011). So, with capital looking for emerging markets in which to invest, and the developing world being hungry for investment capital, one has what is potentially a perfect fit. However, the increased cross-border flow of capital brings with it the requirement for more uniform standards of good corporate governance. Institutional investors are mindful of the risks associated with investment in the developing world. They are accountable to their investors whose concerns extend not just to a meaningful return, but also to the way that return is generated.

Governments in developing countries need to strike a balance between building a platform for sustainable economic growth and the short-term aspirations of their citizens. Long-term sustainable economic development needs to be underpinned by, among other factors, a democratic environment, respect for the rule of law and the institutional frameworks necessary tosustain both.

1.2 CORPORATE GOVERNANCE IN DEVELOPING COUNTRIES

Corporate governance is significant in enhancing market economies and civil societies in developing countries (McCarthy & Puffer, 2002). Thus, research into corporate governance has been given attention in various developing countries. For instance, Solomon et al. (2003), provide evidence of the attitudes of Taiwanese company directors towards the role and function of the board of directors in Taiwanese corporate governance, finding that corporate governance reform has been spotlighted by Taiwanese company directors. Bhuiyan and Biswas (2007), evaluate the actual corporate governance practices of 155 listed public limited companies in Bangladesh. Cheung et al. (2010), assess the corporate governance practices of 100 of the largest Chinese listed companies from 2004 to 2006, concluding that Chinese companies have been developing corporate governance reform. Abu-Tapanjeh (2009), analyses the OECD Principlesof Corporate Governance from an Islamic perspective.

Several studies investigate the level of compliance by companies in developing countries with a national code of corporate governance and international principles. For example, Campell, Jerzemowska and Najman (2009), investigate the reasons for non-compliance by Polish listed companies with aspects of the Polish Code of Corporate Governance Best Practices in 250 Public Companies on the Warsaw Stock Exchange in 2005. Olayiwola (2010), analyses the practice and standard of corporate governance in Nigeria using the banking industry as a case study. Krambia-Kapardis and Psaros (2006), investigate the levels of compliance with the Code by companies listed on the Cyprus Stock Exchange, specifically compliance with the Code, including the corporate governance report in the annual reports, and then analyze and compare the Code in 46 companies. These research studies provide evidence that there is a gap between the code of corporate governance and its compliance, and weak or non-existent enforcement. In addition, the majority did not comply with all major elements of the Code, and corporate governance is at an early stage in developing countries.

Some studies examine the level of corporate governance disclosure in companies. Tsamenyi, Enninful-Adu and Onumah (2007), utilize disclosure scores to study the corporate governance practices of Ghanaian listed firms, as well as the extent to which factors such as ownership structure, dispersion of shareholding, firm size and leverage influence disclosure practices from 22 listed companies on the Ghana Stock Exchange. Pahuja and Bhatia (2010), investigate the determinants of corporate governance disclosure practices in the annual reporting of 50 Indian listed companies. Betah (2013), examines the level of corporate disclosure and transparency using the 2007–2008 annual reports of listed companies in Zimbabwe.

Some studies analyze the state of the implementation of regulatory systems. Siddiqui (2010), investigates the development of corporate governance regulations in emerging economies using the case of Bangladesh to analyze the corporate environment and corporate governance. The study finds an absence of regulation by the professional bodies in the development of corporate governance regulations in Bangladesh. Yang, Chi and Young (2011), find that Chinese regulatory bodies have made a significant effort to enhance the corporate governance of listed firms. However, the governance mechanisms in China are still less effective compared with developed countries. Manolescu, Roman and Mocanu (2011), evaluate the implementation of the current relevant regulations of corporate governance in Romania, finding a lack of awareness concerning the importance, functions and objectives of managerial control, and that internal control is not understood and implemented. Abhayawansa and Johnson (2007), highlight that ineffective regulation is one of the issues facing the implementation of corporate governance practices in Sri Lankan and Indian firms.

The review of empirical studies in different developing countries shows strong evidence that corporate governance is still weak and that more efforts are needed to tackle these challenges. For instance, Black, De Carvalho and Gorga (2010), study the corporate governance practices of Brazilian public companies to identify strong and weak areas related to their governance. They find that boards of directors are a weakness and that many firms have small boards with either no independent directors or one token independent director. Black, De Carvalho and Gorga also find that audit committees are uncommon and that financial disclosure lags behind world standards. Le Minh and Walke (2008), examine the corporate governance of Vietnamese listed companies and find that they need to improve their corporate governance. They also find that the framework for corporate governance in Vietnam is in its early period of development and requires reform. Caliskan & Iucke (2010), analyze a general picture of corporate governance in 29 ISE listed non-financial service sector firms in Turkey. They report that there are still some challenges facing Turkish companies and that these companies should enhance their corporate governance to enable them to be more competitive in Turkey as well as internationally.

From the review of the above literature, it can be noted that developing countries attempt to ensure market transparency, investor protection and effective management to ensure better development of the securities market. Therefore, developing countries have been paying increasing attention to the corporate governance system and trying to investigate corporate governance practice. As mentioned earlier, the research has focused on: level of compliance with a national code of corporate governance by companies; implementation of regulatory systems in developing countries; and examining the level of corporate governance disclosure in companies in developing countries. In addition, as discussed above, previous research has provided a clear understanding that corporate governance practice is still weak in developing countries.

1.3 CORPORATE GOVERNANCE IN AFRICA

In Africa, the New Partnership for Africa's Development (NEPAD) has provided greater impetus towards better political governance across the continent. There is growing recognition that initiatives like NEPAD are important to achieve effective development and regional integration. The intense competition for capital increases the pressure for good governance in developing countries. This, in turn, presents a unique opportunity to improve the performance of SOEs through practicing good corporate governance. Typically, SOEs are large employers and usually operate on a heavily subsidized basis yet they tend to create little long-term value. SOEs are also often over-staffed, inefficient, and prone to corruption and nepotism. In developing countries with little or no private share ownership and under-developed or non-existent capital markets, SOEs may offer the only available insight into prevailing governance practice. Their weaknesses may thus loom larger than they would in more developed, diversified economies.

Every scandal and every lapse in good corporate governance sets back a country's case for foreign direct investment (FDI). Shareholders expect their capital be put to the use for which it was intended. Every act of corruption represents an abuse of that expectation. Put simply, the strength of prevailing governance principles and practices in a country have a strong bearing on the willingness of investors to put their money there. They expect the capital they put at risk to be accounted for appropriately. And they hold the board of the enterprise accountable for ensuring that this is the case. SOEs present an opportunity for government to demonstrate its willingness to effect economic reform and attract (FDI). To do so, however, government must ensure that it operates according to principles of good governance.

1.4 CORPORATE GOVERNANCE IN ZIMBABWE

At independence in 1980, Zimbabwe adopted a mixed economy model where private sector and SOEs played important roles. Government participation in commercial and industrial activities was seen as the engine for development, a way to attract foreign direct investment (FDI) and a catalyst for the indigenization of the economy.
Despite huge Government investment in SOEs that resulted in the establishment of many SOEs, the growth of these corporations in terms of numbers and responsibility, there was no corresponding improvement in the corporate governance for SOEs to play their role in an efficient and accountable manner. There has been lack of co-ordination for ensuring efficient management and accountability in the running of SOEs.
At present many SOEs are making losses and continue to be a financial burden to the treasury. The majority of SOEs have failed to realize the objectives for which they were established. Thus, over the years, there has been debate about whether government participation in commercial enterprises could be inhibiting rather than promoting economic development. Whether or not it is desirable, the fact remains that, worldwide, government involvement in business continues. Therefore, it is necessary to study the corporate governance and the performance of the boards of directors of SOEs.

1.5 CORPORATE GOVERNANCE AND SOEs

Good corporate governance is as critical to SOEs as it is to private companies and non-profit organizations. According to Robinett (2006), corporate governance may lead to poor financial performance, lack of accountability and transparency in the entities with the potential of causing business failures and losses. In trying to establish the main causes of failures of corporate entities, researchers have concluded that, more often than not, government officials, management and the board of directors are responsible and accountable for ineffective corporate governance structures and the poor performance of SOEs (Mwaura, 2007). Thus, to achieve the desired effectiveness and business success, boards in SOEs need to effectively discharge their duties and observe good corporate governance.

Good corporate governance is necessary for the modern, complex and dynamic business environment to ensure long-term sustainability, attract investment capital, maintain economic stability, and encourage growth (Atacik, 2006). This is particularly important in Zimbabwe which is faced with the challenge of restructuring the economy for greater efficiency and attracting investment for economic growth. Consequently, ways of improving the performance of boards of SOEs should be investigated within the context of corporate governance with a view to lessen the burden on taxpayers and to ensure that the public obtains maximum benefit from SOEs.

1.6 JUSTIFICATION OF THE STUDY

The study was motivated by the poor corporate governance resulting from the ineffectiveness of SOE boards as one of the major causes of inefficiencies in these entities. Secondly, the absence of meaningful research on the effectiveness of the framework put in place by Zimbabwe to enable boards of SOEs to successfully discharge their responsibilities inspired the research. The third aim was to recommend to the policymakers and other interested parties, how best they can get SOEs to effectively discharge their obligations of promoting social and economic development without unnecessarily burdening the taxpayers. The study outlined the research questions, significance of the study, scope of the research and overview of Zimbabwe's corporate governance legal and regulatory framework. It also briefly highlighted the study's assumptions and limitations of the research.

1.7 STATEMENT OF THE PROBLEM

Zimbabwe is in a prolonged economic crisis with the gross domestic product (GDP) shrinking by one third in the past fifteen years. There has been a decline in foreign direct investment (FDI) and the Zimbabwe dollar continued to lose value and was eventually abandoned in 2009 in favour of a multicurrency system. The economic decline since 2000 has brought with it many business failures and those that remain are in survival mode.

Zimbabwe's SOEs have faced a variety of problems which include cash flow constraints, a huge debt overhang in a high interest rate environment, foreign currency shortages, under capitalization and deteriorating infrastructure. Table 1 below shows the performance outturn of major SOEs.

Table 1:1 Performance outturn of major SOEs

	31-Dec-01	31-Dec-02	31-Dec-03	31-Dec-04	31-Mar-05	30-Jun-05
National Railways of Zimbabwe	(0.8)	(2.1)	(14.7)	Not Available	(12.6)	(50.8)
Net One	0.3	1.2	(3.7)			
				Not Available	Not Available	Not Available
Tel One	3.0	4.3	(133.4)	Not Available	35.4	(762.1)
Zimpost	(0.6)	(0.4)	3.4	Not Available	7.8	8.2
Air Zimbabwe	0.3	(0.5)	(31.7)	Not Available	(63.7)	Not Available
Cold Storage Company Limited	(1.5)	(3.3)	(25.9)	(176.5)	Not Available	(135.6)
Grain MarketingBoard	(0.5)	(12.8)	(111.6)	Not Available	(49.1)	(92.5)
Agribank	(0.4)	(0.8)	11.4	Not Available	(18.2)	14.2
Zimbabwe Iron and Steel Company	(7.1)	(7.5)	(121.3)	(1 212)	(106.6)	(774.2)
National Oil Company of Zimbabwe	18.1	33.6	Not Available	Not Available	213.1	Not Available
Zimbabwe Electricity Supply Authority	0.5	(0.5)	Not Available	(2 053)	(243.1)	(2 543)
Total	11.4	11.1	(427.7)	(3 442)	(442.6)	(4 336)

The losses of SOEs have a negative effect on the economy as evidenced by the huge losses suffered by the eleven major SOEs over the last 5 years. Based on information available, the major SOEs made a combined loss of \$427.7billion or 8% of GDP in 2003. This increased significantly to 14% of GDP in 2004, a massive 705% increase. As at 30 June 2005, the available data reflects that the combined losses were \$4.3trillion with 3 SOEs yet to submit their financials to the relevant authorities. ZESA alone as of 30 September 2005, had a net loss for the 9 months to

30 September 2005 of $8.6trillion or 12% of estimated GDP for 2005. Zimpost, Agribank and Noczim were the only SOEs to post positive operating balances.

Part of the increase in losses has been the inability or long delays in adjusting prices charged for services rendered by SOEs. This has resulted in the running down of cash resources of these enterprises. This trend has culminated in the present liquidity crisis and unsustainable debt stock.

These losses have been financed largely by short term credit from the domestic banking sector, under Government guarantees that are rolled over repeatedly. The financing of the losses from the domestic market has been against the background of high lending rates up until the Zimbabwe dollar was officially withdrawn in 2009 coupled with the introduction of a multi- currency system. An environment of high interest rates worsened the losses incurred by SOEs. Table 2 below shows the debt stock position of major SOEs for 5 years to June 2005.

Table 1:2 Total Debt Stock Position of Major SOEs from 2001-30 June 2005 in Z$ Billions

Year	Local	Foreign	Total	% of foreign/Total
30-Jun-05	3 429	6 126	9555	64%
31-Dec-04	2 964	3 476	6 440	54%
31-Dec-03	451.1	370.4	821.5	45%
31-Dec-02	87.3	33.9	121.2	28%
31-Dec-01	45.9	25.9	71.8	36%

The total debt stock position of the eleven major SOEs as depicted in table 2 above has deteriorated significantly over the last five years. The total debt stock position of the eleven major SOEs shot up by a massive 684% from $821.5 billion or 15% of GDP in 2003, to $6.4 trillion or 26% of GDP in 2004.

The burden of servicing such a large stock makes it difficult for the SOEs to achieve their performance targets. The unsustainable cash flow position of the major SOEs has resulted in the accumulation of foreign exchange arrears including domestic payments to other SOEs, Central Government and other suppliers. Cross arrears in the public sector cause a payments gridlockand aggravate the liquidity problem of SOEs.

The chronic losses of SOEs remain one of the main causes of macroeconomic instability in Zimbabwe. Before the introduction of multi currencies, these losses have largely been financed through domestic borrowing and new money creation thereby putting substantial pressure on interest rates, prices and the exchange rate. The resultant high interest rates made it difficult for the productive sector to finance investment expenditure to expand production and create employment. It is clear that for a long time, SOEs have not played their critical role in terms of service delivery and fostering economic growth. Some SOEs have gone for years without substantive chief executive officers and boards of directors.

1.8 SOE CORPORATE GOVERNANCE CHALLENGES

There are significant differences in the governance of private sector firms and state-owned enterprises. There is a problem in attempting to define the primary mission of an SOE, whether it is to maximize shareholder value or to implement economic and social policy. In state-owned enterprises, there seems to be tension between the interests of the government of the day, on the one hand, and the interests of managers, workers, citizens, and consumers, on the other. An SOE may attempt to advance both objectives, which are not always easily reconcilable. Management cannot fairly be held accountable for failure to achieve commercial objectives, when such failure is undermined by the concurrent policy objectives mandated by the state shareholder. State owned enterprises are characterized by burdensome bureaucracy, confused objectives, and directors owing responsibility to the state or a ministry or even to individuals within government or a political party. The majority of SOEs are monopolies and it is the consumer who suffersmost from a poorly governed monopoly.

State owned enterprises generally experience long delays in payments owed by other SOEs, giving rise to working capital problems. SOEs are sometimes directed to divert production to other state enterprises and organizations regardless of market conditions, making it difficult to enter long term sales contracts. Furthermore, they are required to provide services or sell their products at regulated prices without the benefit of offsetting subsidies.

State owned enterprises are often blamed for being too big, unfocussed, poorly managed and structured. They are also accused of lacking transparency and are said to be devoid of internal checks and balances. SOEs have agency problems at shareholder and management levels. There are multiple governmental shareholders with conflicting objectives and other governmentalbodies that also attempt to influence SOEs.

In most cases, SOE boards have little or no authority, including the power to hire or fire the chief executive officer. Typically, SOE boards are dominated by politically based appointees who do not devote sufficient time to board matters.

SOE boards are often bypassed by both shareholders and management. There are insufficient tools to incentivize and discipline management with respect to compensation, termination, takeovers, and bankruptcy.

A number of corporate governance initiatives have been introduced to govern the operations of SOEs and their boards. But, empowering directors to effectively discharge their obligations and enforcing compliance with good corporate governance practices have proved to be major challenges (Sifile, 2014). Although substantial research has been undertaken on the effectiveness of boards of private enterprises, inadequate attention has been given to the challenges being faced by boards of SOEs in effectively discharging their duties and promoting good corporate governance. This is so especially, in developing African countries. Furthermore, there has not been much meaningful research on the effectiveness of boards of SOEs in Zimbabwe. It is also questionable whether research results obtained from other regions or countries can be extended and applied without further investigation to Zimbabwe given the differences in the country contexts (Maune, 2015).

It is therefore crucial to analyze and evaluate the effectiveness of boards in promoting good corporate governance in SOEs in Zimbabwe. These entities are of significant importance to the national economy for the role they play in socio-economic transformation, employment creation and economic growth. This research particularly focuses on the corporate governance initiatives, laws and regulations aimed at enhancing the effectiveness of boards of SOEs in Zimbabwe with a view to establish the nature and level of compliance with best practices. Thereafter, recommendations are made on how best the existing initiatives and the legal and regulatory frameworks can be improved and how boards of SOEs may be assisted to perform their duties diligently whilst adhering to and promoting good corporate governance practices.

1.9 OBJECTIVES OF THE STUDY

This study seeks to analyze and evaluate the effectiveness of SOE boards in discharging their duties. The study also seeks to identify the major constraints boards encounter in seeking to effectively perform their mandates within the existing corporate governance framework. Thereafter, possible solutions are proffered to improve the effectiveness of SOE boards inpromoting good corporate governance practices.

Within the context of corporate governance, the specific objectives of the research are asfollows:

1. To determine whether Zimbabwe's current legal and regulatory environment is conduciveto and adequate for the realization and effective application of principles of good corporate governance by boards in SOEs.
2. To find out whether SOE boards are appropriately constituted, empowered andadequately remunerated to effectively discharge their mandate.
3. To establish whether board performance evaluation tools used in assessing boards'performance are appropriate.
4. To analyze and evaluate the effectiveness of SOE boards in discharging their duties.

5. To recommend practices, arrangements and/or structures that can help to promote theindependence and effectiveness of boards of SOEs.

1.10 ASSUMPTIONS OF THE STUDY

Zimbabwe is an emerging economy, and as such, faces peculiar corporate governance challenges in its SOEs. SOEs contribute a substantial component of revenue to the national economy and therefore require proper and effective management. Moreover, the fact that most SOEs are funded from taxpayers' funds and are expected to render essential public services necessitates that these entities be properly governed. Failure to do so may have adverse social and economic effects on the citizens of a country. If directors of those entities do not observe good corporate governance and do not effectively discharge their duties, SOEs are not able to successfully carry out their mandates thus resulting in loss of revenue, poor service delivery and sometimescollapse of the entities.'

The study is based on the following assumptions:

- The study of corporate governance is an intellectual, social, emotional and spiritualjourney.
- The Zimbabwean SOE experience from 1980 to 2018 is a fertile ground to learn from.
- There is need to continue searching for, and to define the Zimbabwean developmental model of corporate governance.
- A well composed and structured board is essential for the effective discharge of directors'duties.
- Appropriately trained, empowered and adequately remunerated directors are motivated to effectively discharge their duties.
- Evaluating board performance has the tendency to identify non-performers, allow for corrective action and thus increase board effectiveness.
- Legal and regulatory mechanisms are essential to the effective and efficient running of SOEs from the perspective of good corporate governance.
- The sample of four SOEs and the selected participants is a fair representation of the Zimbabwean entities' experiences considering the fact that all SOEs are governed by thesame corporate governance framework.
- The participants are honest and prepared to share their true experiences rather than the experiences that they think the researcher may want to hear.

1.11 RESEARCH HYPOTHESES

1.12.1 Independent Variables

H1: There is a positive relationship between the extent of the role of the Minister and the effectiveness of SOE boards.
H2: There is a positive relationship between board composition, board size and boardeffectiveness.
H3: There is a positive relationship between relevant and effective Board committees'effectiveness.
H4: There is a positive relationship between adequate disclosure and transparency and organizational performance.
H5: Adequate remuneration of the Board and CEO is positively related to improved performance.
H6: Regular meetings of the Board are positively related to Board effectiveness.
H7: Separation of the role of chairperson and CEO is positively related to improved performance.
H8: Regular and formal self-evaluation of the Board is positively related to better performance ofthe organization.
H9: Board tenure will positively impact on performance and board effectiveness.

1.12.2 Control Variables

H1: Designation is positively related to evaluation of effectiveness.
H2: Years of experience in an organization influences one's evaluation of performance and effectiveness.

H3: Gender has an impact on perception of performance and effectiveness.

1.12 SIGNIFICANCE OF THE STUDY

SOEs continue to play an important role in all economies, particularly in Zimbabwe where there is a greater need to facilitate economic growth and sustainable development. For that reason, government administrators and the general public in Zimbabwe need to appreciate the major causes of poor corporate governance in the SOEs. In particular, they need to understand and address why SOE boards have not been as effective as they should be in promoting good corporate governance.

The study should be of interest to government administrators and the general public who have a vested interest in the assets and overall performance of SOEs. The results from this study may influence the formulation of policies for the enhancement of efficiencies and corporate governance structures in Zimbabwe's SOEs.

This study will contribute to the debate on interventions required by Zimbabwe to achieve the objective of enhancing the effectiveness of boards in promoting good corporate governance within SOEs. The study may assist policymakers, legislature, board members and other scholarly researchers in many ways. The policymakers may be assisted to create policies on future direction of corporate governance reform in SOEs. The legislature may be assisted to develop laws and regulations which will empower directors to effectively discharge their duties and improve the compliance of SOEs with good corporate governance practices. The boards of SOEs may benefit from the study in that they may better understand and handle challenges they encounter when performing their duties. Lastly, scholars may build on the findings of this research and expand to cover other aspects of SOEs that need attention.

1.13 RESEARCH METHODOLOGY

The envisaged research involves a literature study of books, electronic/internet sources, journal articles, theses and dissertations, case law and legislation. The research also entails circulation of questionnaires and conducting interviews with some key people in selected SOEs.

There are principally two research methods, a positivistic and a phenomenological approach. The positivistic approach is referred to as quantitative research mostly because it explains social phenomena by establishing a relation between variables which are information converted into numbers (Zohrabi, 2013; Cooper and Schindler, 2003). In terms of the quantitative approach, clearly constructed hypotheses are formulated about the relationship between two or more variables. Data about these variables are collected through methods such as questionnaires (Zohrabi, 2013), focus group discussions or interviews (FGDs), case studies, experiments and interviews. A positivist approach to research is thus based on knowledge gained from "positive" verification of observable experience rather than, for example, introspection or intuition. Scientific methods or experimental testing are the best way of achieving this knowledge.

The phenomenological approach, on the other hand, pays considerable regard to the subjective or qualitative state of the individual, hence the reference to this approach as qualitative research (Lester, 2013). The qualitative research approach involves "gathering information and perceptions through inductive, qualitative methods such as interviews, discussions and participant observation, and representing it from the perspective of the research participant(s)". Phenomenological methods are thus particularly effective at bringing to the fore the experiences and perceptions of individuals from their own perspectives, and therefore at challenging structural or normative assumptions (Van Gestel and Micklitz, 2011).

The research objective of the present study is to investigate how successful the existing corporate governance framework has been in enabling boards of SOEs to effectively perform their duties. The nature of the investigation dictates that the phenomenological or qualitative approach be used.

Specifically, data is collected through literature analysis as well as interviews conducted with and questionnaires circulated to participants from four SOEs in Zimbabwe. The aim is to assess corporate governance issues and challenges facing the SOEs from the perspectives of their respective board members, senior managers, company secretaries, chief executive officers and selected shareholder representatives. The data to be collected seeks to establish the effectiveness of boards in promoting good corporate governance in these SOEs in light of the prevailing regulatory and statutory frameworks.

1.14 SCOPE OF THE RESEARCH

The research focuses on Zimbabwean SOEs in general. A sample of four SOEs was selected to assist with addressing the research issues. However, the four SOEs requested that their identities be kept confidential. The thesis analyzes the corporate governance reforms in Zimbabwe as contained in the codes of corporate governance, statutory instruments, including the newly promulgated SOEs and Corporate Governance Act and other guidelines and examines their effectiveness in addressing corporate governance challenges experienced by boards in the country's SOEs.

Reference is made to other internationally recognized corporate governance principles relevant to Zimbabwe, namely the OECD *Principles of Corporate Governance,* Commonwealth Association for Corporate Governance (CACG) Guidelines (referred to as CACG *Guidelines),* International Corporate Governance Network (ICGN) *Global Principles of Corporate Governance* (hereinafter referred to as ICGN *Principles),*United Nations Global Compact Guidelines (referred to as UN *Guidelines*) and other widely referred to country specific corporate governance codes like the *South African King Reports on Corporate Governance*, Malawian *Code of Best Practice for Corporate Governance and* the United Kingdom *Corporate Governance Code (*formerly the *Combined Code*)˙.

Below is an elaboration on the main themes of corporate governance that this thesis deals with namely; the role, selection and appointment, composition, remuneration and performance evaluation of the board.

1.15 ROLE OF BOARD OF DIRECTORS

Recurring corporate failures and the general changing nature of the business environment have been inspirational to renewed interest in and increased scrutiny of the role of the board of directors (Nicholson and Newton, 2010). A frequent criticism of boards, and especially of non- executive directors, is that they do not have adequate time to dedicate to the business of the companies they serve, resulting in them not having sufficient knowledge of the company's business, the industry environment and their responsibilities as directors. Another line of argument has been that the requirement that non-executive directors should be fully independent can result in them not being completely informed and lacking adequate knowledge of the industry and business (Kabadse, Yang and Sanders, 2010). To assess if a board is performing effectively, there is a need to first understand what a board of directors is and what it ought to be achieving. The board of directors is a legal and accountable group responsible for all the corporation's actions and the results of those actions (Vagliasindi, 2006). It is appointed by shareholders and serves as trustee for the shareholder’s interest. This being so, the Board of directors must, accordingly, act in essence as the owners of the business.

According to Vagliasindi (2006), the board is a legally constituted group of people whose role is to collectively act on behalf of the shareholders by directing the affairs of the business to ensure its prosperity. Cadbury (1998), summarizes the board's main functions as to define the company's purpose, agree on strategies and plans for achieving that purpose, establish the company's policies, appoint the chief executive officer (CEO), monitor and assess the performance of the executive team and to assess their own performance. In order to fulfill this strategic role, the board needs to have an understanding of the company's fundamental business, competitors and industry environment. Similarly, Thynne (2014), argues that in performing its role, the board is guided by specific company law requirements, the nature and significance of the company's business and the degree to which the government sees the need to constantly monitor the operations of the entity. On the other hand, Carter and Lorsh (2016), suggest that the role that a board adopts will be dependent on the board structure, board composition and board processes.

In this thesis, directors’ roles and responsibilities are initially considered from a general law perspective and are then discussed in a Zimbabwean SOEs context. In particular, the investigation seeks to establish to what extent the board of directors of the selected entities are knowledgeable about their role, the extent to which they have managed to perform their duties and exercise their powers as expected of them and the challenges that they have experienced in effectively discharging their duties. An evaluation of how supportive existing policy and legislative frameworks have been in enabling boards to effectively discharge their duties is conducted with a view to recommending improvements.

1.16 SELECTION AND APPOINTMENT OF BOARD MEMBERS

The ability of a board to provide effective governance is dependent on the selection and appointment of directors who possess the necessary skills and experience to effectively carry out board responsibilities. This, therefore, calls for a transparent and objective way of selecting and appointing board directors who are experienced and skilled in order to obtain the best results from the board and the entity itself. In the selection and appointment process, consideration should first be given to the qualities of possible appointees which could include "the ability for critical thought, objectivity, and wisdom gained through appropriate experience, authority and the ability to exercise judgment". Subsequently, consideration should be given to the skills that will be beneficial to the board. For instance, considering the fact that boards are involved in the oversight of compliance with the law and financial management, it may be beneficial to have board members with legal as well as financial skills and experience (OECD, 2004).

The process of appointing boards in Zimbabwe's SOEs is considered to establish whether it is sufficiently transparent, credible and objective to enable boards to effectively discharge their duties and achieve the goals of the entities they represent. Existing policy and legislative frameworks are also evaluated to determine how effective they have been in ensuring that appropriately experienced persons are appointed to the boards of SOEs.

1.17 COMPOSITION OF THE BOARD

A key principle of good corporate governance is that there should be a sufficient number of independent, non-executive directors on the board to create a suitable balance of power and prevent the dominance of the board by one individual or by a small number of individuals. It is also generally accepted that board diversity is important with a mix of different directors' demographics, relevant skills and experience being required to enable the board to effectively discharge its duties. Board effectiveness is thus said to greatly depend on experience, skill, gender and judgments of individual executive and non-executive directors and the ways in which they combine to shape board conduct and relationships (Carter et al, 2010).

An examination of the composition of the boards of the selected SOEs is conducted to ascertain whether or not the existing framework allows for boards that are properly composed and balanced in terms of, *inter alia*, independence, skills and gender. The structures and composition of the boards of the selected SOEs are further interrogated to establish whether they have enabled the directors to effectively discharge their obligations as well as to find out how significantly they have contributed to the practice of good corporate governance in the entities (Ferrarini, Moloney Ungureanu, 2014).

1.18 DIRECTORS' REMUNERATION

The structure and level of board remuneration has also been a contentious area. Directors themselves believe that the level of their remuneration does not reveal the increased focus on their responsibilities, potential liability risks and company performance. On the other hand, the general public and investors have criticized some directors for being paid far more money than they are worth and for receiving ever-increasing benefits even when their entities are performing poorly.

Despite the conflicting views, it has been universally accepted that all business enterprises, including SOEs, need to attract and retain the right caliber of board members required to run the organizations successfully. To achieve this, it is essential that the level of remuneration for members of the board should be sufficient, reasonably fair and performance related. At the same time, the structure of an individual's remuneration package should take into account the experience and expertise of the individual director as well as the responsibilities and risks associated with the role (ASX Corporate Governance Council, 2014).

The remuneration structures in Zimbabwe's SOEs are examined to establish whether or not directors' remuneration is adequate and whether or not the level of remuneration has an impact on the directors' commitment to their role and the effective discharge of their duties or responsibilities. Furthermore, international best practice concerning directors' remuneration is reviewed, with a view to making recommendations that would motivate Zimbabwean directors toapply their best efforts in performing their duties.

1.19 EVALUATION OF BOARD PERFORMANCE

Dalley (2011), posits that SOEs do not only have similar problems to private entities in terms of separation of control and ownership, but they also encounter additional challenges that can severely undermine their efficiency. Unlike a privately owned company, a public entity generally cannot have its board changed through a takeover or proxy contest, and it cannot be declared insolvent. The absence of external control mechanisms like potential takeovers and proxy contests, lack of competition and non-existence of mechanisms to enable the public to assess the performance of directors and managers, reduce the incentives of board members and managers to maximize the value of the organization. The decreased likelihood of insolvency can also reduce pressure to manage costs. Hence, some of the most important checks on underperformance are absent. The need to monitor and measure board performance has thus become more acute mainly because the board is increasingly held accountable for corporate performance and there is an increase in shareholder activism with investors demanding more from boards due to limited investment opportunities and potentially high risks of losing on investments (Menozzi and Vannoni, 2005).

This research considers the framework that has been put in place to promote the evaluation of theperformance of boards of Zimbabwean SOEs. It further analyzes the evaluation methods with a view to determine whether the methods are being properly implemented, the results of the board evaluations are reliable and whether the evaluations have assisted the boards in effectively discharging their duties and promoting good corporate governance. Recommendations are then made on how best the evaluation of the performance of directors can be improved to promote board effectiveness and good corporate governance.

1.20 ZIMBABWE'S CORPORATE GOVERNANCE, LEGAL AND REGULATORYFRAMEWORK

A clearly defined legal and regulatory framework for state-owned enterprises (SOEs) is essential for communicating key expectations to SOE shareholders, boards, management, and all other stakeholders, including the general public. The underlying aim of such a framework is to make the broad policy directions of the state and the rules of the game clear for everyone. While no one-size-fits-all approach applies to all countries and contexts, the frame-work should set clear boundaries and define the relationship between the government as shareholder and SOE boards and management, separating legitimate government control and oversight for ensuring SOE accountability from the managerial autonomy necessary in commercial decision making.

There have been concerted efforts to enhance corporate governance in Zimbabwe in recent years. This was partly encouraged by international social and economic developments as well as a reaction to the increase in the number of corporate collapses within the country. In the main, the legal and regulatory framework of corporate governance in Zimbabwe is determined by the Constitution, the *Corporate Governance Manual (Minor, 2001),* various Acts of Parliament governing SOEs, for example, the Companies Act, the SOEs Corporate Governance Act, the founding Acts of the various SOEs, the Public Finance Management Act (PFMA), common law and the Zimbabwe Stock Exchange *Listings Requirements*. The country also launched the *Corporate Governance Framework (CGF) for State Enterprises and SOEs* in November 2010. The main objective of this document is to improve efficiency and effectiveness and to fulfill the goals of profitability and affordable service provision in SOEs. *The Zimbabwe* National Code of Corporate Governance *(the* National Code)*,* which is unique and specific to Zimbabwe's corporate needs and history, was adopted in April 2015. Furthermore, in April 2014, Zimbabwe came up with a draft *Corporate Governance and Remuneration Policy Framework* to govern the operations of state-owned enterprises and local authorities with regard to remuneration and corporate governance practices. A notable development is the promulgation of the SOEs and Corporate Governance Act which was gazetted on 11th May 2018 in a Government Gazette extraordinary, as notified by General Notice 353/2018 signed by the Chief Secretary to the President and Cabinet. It is also important to note that organizations in Zimbabwe have adopted, in addition to the above instruments, corporate governance principles as outlined in other internationally recognized corporate governance codes and guidelines to promote good corporate governance. From the above, it can be concluded that Zimbabwe has put substantial efforts into developing a corporate governance framework that promotes good corporate governance. Despite having a very strong regulatory framework, Zimbabwe is still faced with challenges in achieving good corporate governance, especially in SOEs (Moyo, 2012; Okpara, 2011). The research, therefore, assesses the level of compliance with the corporate governance framework and the challenges encountered by the SOEs in complying with the framework. Furthermore, the efficacy of the existing legal and regulatory frameworks in enhancing the effectiveness of boards of Zimbabwean SOEs and in upholding good corporate governance principles is evaluated. Finally, possible areas of improvement are identified, and recommendations made. It is not the purpose of this study to set out and analyze comprehensively all the corporate governance attributes and principles. Therefore, the study will focus on the role of the board, selection and appointment, composition, remuneration and performance evaluation.

1.21 LIMITATIONS

According to Simon (2010), limitations are defined as potential weaknesses in a study. This study includes, but is not restricted to, a sample of SOEs from which directors, chief executive officers, company secretaries and senior manager representatives are interviewed or requested to complete structured questionnaires.

Like any other research, this research may have its own limitations (Tusiime, Nkundabanyanga and Nkote, 2015). The first limitation of the research is that the majority of empirical studies examining the effectiveness of boards of SOEs have relied on data obtained from developed nations. It is therefore doubtful whether these results can be extrapolated and applied lock, stock and barrel to other developing markets such as Zimbabwe. Secondly, the paucity of data and the difficulty of verifying primary data on governance mechanisms as well as low response rates may limit the richness of the data to be used for analysis (McLeod 2014). It is also possible to have other data limitations owing to inherent deficiencies of questionnaire and interview surveys. Another limitation is that it is difficult to ascertain "whether corporate governance codes are capable of exerting a positive influence over financial performance" and to determine the exact level of corporate governance compliance by companies. As a result, it has been argued that research on corporate governance issues can determine procedural compliance but is not able to actually measure substantial compliance.

1.22 FRAMEWORK OF THE THESIS

The remainder of the thesis is organized into chapters as outlined below.

Chapter 2 outlines the research methodological perspective, which includes the research approach, sample selection, data collection methods as well as limitations of the research. In essence, this chapter describes the methods used to obtain research data (MacNeil, 2006). This study involves a mixture of methods, although it is predominantly extensive desktop literature analysis. To assist in achieving the research objectives, information relating to the subject is also sourced and collected through interviews with and questionnaires circulated to directors and senior representatives drawn from the four selected SOEs. The interviews and questionnaires are carried out in such a way as to allow for flexible discussions, issue-focusing and probing which enable the collection of multiple perspectives on the subject. The chapter ends with a discussion on the limitations of the research.

Chapter 3 discusses the literature review focusing on the definition and importance of corporate governance as well as international initiatives on corporate governance. An overview of SOEs is also given. Thereafter, an analysis of literature on the role, selection and appointment, composition, remuneration and performance evaluation of the board is made. The chapter ends with an examination of the global mechanisms put in place to enforce compliance with good corporate governance practices.

Chapter 4 presents the case studies and data presentation and analyzes Zimbabwe's corporate governance legal and regulatory frameworks. In this chapter, a theoretical analysis and evaluation of the Zimbabwean legal and regulatory framework aimed at promoting the effectiveness of SOE boards is carried out. The analysis and evaluation focuses on the role, selection and appointment, composition, remuneration and performance evaluation of the board. The main objective of analyzing the regulatory and legislative frameworks is to assess whether they provide sufficient powers and direction to enable directors to effectively discharge their duties and achieve good corporate governance. Furthermore, the enforcement mechanisms provided for in the existing corporate governance frameworks to enhance the effectiveness of SOEs boards and promote corporate governance are examined.

Chapter 5 presents the data analysis and research findings. In this chapter, the study tests the model on whether it can prove the link between selected corporate governance factors and the effectiveness of SOE boards. This is done through a descriptive analysis of a frequency table generated utilizing the SPSS statistical package to prove whether a relationship exists between corporate governance factors and the effectiveness of the SOE boards.

In chapter 6, the results are interpreted and implications are discussed. The chapter provides a discussion of the findings of the study and its contribution of knowledge in the field of study. The areas that are covered are the selection and appointment of the board, composition of the board, remuneration of the board, evaluation of board performance and enforcement of corporate governance compliance. The chapter concludes with a chapter summary.

In Chapter 7, a summary and conclusion of the research is provided. The chapter provides the general conclusions, recommendations and prospects for further research. These are based on the literature analysis, views and experiences of directors, chief executive officers, company secretaries, senior managers and shareholder representatives chosen from four SOEs namely, ROMEO, OSCAR, LIMA and ECHO. Conclusions are drawn on the basis of the research results. Recommendations on how best corporate governance and the effectiveness of boards in SOEs can be improved are made. The chapter concludes by making suggestions for further research.

1.23 REFERENCE TECHNIQUES

For the purpose of this study, company directors are referred to in the masculine form. The term ‘parent’ or ‘shareholder’ ministry is used interchangeably in the thesis to refer to the ministry that the public entity reports to or that oversees the operations of the entity. The term effectiveness or performance is used interchangeably to convey the same meaning. Full references are shown in the bibliography at the end of the thesis.

1.24 CHAPTER SUMMARY

This chapter has provided an outline of a scholarly investigation on corporate governance of and board performance in Zimbabwe’s state-owned enterprises (SOEs). A background of the study was presented as well as a statement of the research problem. The purpose of the study, research questions, the significance of the study, assumptions, definition of terms, the delimitation of the study and the limitations have been discussed. The chapter provides a chapter outline or framework of the thesis and concludes with an explanation of the reference techniques used.

CHAPTER 2

1. RESEARCH METHODOLOGY

2.0 INTRODUCTION

The main objective of this study is to critically analyze how effective boards of Zimbabwean SOEs have been in discharging their duties. Secondly, the study seeks to identify the major constraints faced by the boards in effectively performing their mandates within the existing corporate governance framework. Thirdly, the research seeks to assess the effectiveness of the Zimbabwean corporate governance initiatives, laws and regulations in enhancing the effectiveness of SOEs boards and promoting good corporate governance practices in the entities. The research also aims to establish how successful Zimbabwe has been in promoting internationally accepted corporate governance standards in the SOE sector.

This chapter discusses the research methodology used in the study and the rationale for the method adopted. The chapter discusses the research problem, research approach, sample selection, data collection methods and limitations of the research.

2.1 RESEARCH PROBLEM

Although considerable research has been undertaken with regard to the effectiveness of boards of private enterprises, not enough attention has been given to the challenges faced by boards of SOEs in undertaking their responsibilities. This is so, especially in developing countries where SOE boards have experienced challenges in discharging their duties and promoting good corporate governance. Moreover, there has not been significant research on the effectiveness of boards of SOEs and adequacy of the corporate governance framework in Zimbabwe specifically, hence the need for more research on this crucial subject. The research aims to find answers to thequestions asked in chapter 1.

2.2 RESEARCH DESIGN

Research design refers to the overall strategy chosen and applied to answer the research question (Kelly K et al 2003). It therefore, constitutes a coherent sequence of determining the research question and the methods to be adopted to collect relevant data to answer the research question and how this will be accomplished. Key aspects of research design include: research methodology, research method, sample collection and data collection procedures and instruments. (Punch K, 2005).

To answer the research questions, the research involved a literature study of books, electronic/internet sources, journal articles, theses/dissertations, case law, legislation, newspaper, annual and other reports. This stage focused on literature analysis and collection of preliminary data which served as sources of information to develop the questionnaires and interview questions. To supplement the information gathered from the above, questionnaires were circulated and face to face interviews were conducted with key people in selected SOEs. The final stage of the research involved data analysis, presentation and interpretation of results.

2.3 RESEARCH METHODOLOGY

Research methodology is "a way to systematically solve the research problem" and has many dimensions of which research methods constitutes a part (Kothari CR, 2004). Research methodology does not only refer to the research methods but also considers the reason behind the methods used in the context of the research study, explains why a particular method or technique has been used and clarifies why other methods have not been used so that the research results arecapable of being assessed either by the researcher himself or by others (Kumar R, 2012).
The experiences of four SOEs with regard to board effectiveness in the implementation of good corporate governance standards are examined. A review of the rationale for the selection of the research method adopted and the appropriateness of the research design is conducted. Also included in this chapter is a discussion on the

procedures for data sampling and data collection.

2.4 RESEARCH PARADIGMS

Research paradigms or methods refer to the techniques employed in collecting relevant research materials and processing such materials into answers to the research question(s) (Kothari CR, 2004). Generally, the use of a particular research method depends on the researcher's personal skills, the scope, purpose and target population of the study and the resources available to conduct the research (Wilkinson D, 2000). A number of methods can be employed in collecting the requisite research material required to answer the research question.

There are two major methods of research, that is a positivistic and a phenomenological approach (Collins J and Hussey R, 2003). The positivistic approach, also referred to as quantitative research, explains social phenomena by assigning numeric values to observed phenomena and counting the frequency of those phenomena with a view to deduce some conclusions about the characteristics of the populations (Chetty L, 2011). In terms of this approach, clearly constructed hypotheses are formulated about the relationship between two or more variables (Struwig FW and Stead GB, 2004). In addition, the positivist position is based on the theoretical belief that there is an objective reality that can be known to the researcher, if she or he uses the correct methods and applies those methods in a correct manner (Khakpour A, 2010).

The positivistic approach is evaluated using three criteria namely; validity, reliability and generalizability. Validity is defined as the degree to which a measurement process "measures what it purports to measure" or the degree to which it gives the correct answer (Miller MJ, 2014). Reliability refers to the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials. Generalizability is defined as the extent to which the findings of a study can be applied externally or more broadly outside of the study context or the degree to which the findings from the study sample can be extended to make predictions about the entire population (Myers M, 2000).

The positivistic approach has advantages and disadvantages. One of the main advantages of a quantitative approach to data collection is the relative ease, economy and speed with which the research can be conducted (Garbarino S and Holland J, 2009). The other advantages are wide coverage of the range of situations and the relevance to policy decisions when statistics are exaggerated in large samples (Lin AC, 1998). The disadvantages are that the methods tend to be too flexible and artificial, are not very effective in understanding processes or the significance people attach to actions, are not very helpful in generating theories and that it is difficult for policy makers to infer what future actions should take place because of its main focus on what is or what has been recently (Cohen L, Manion L and Morrison K, 2007). On the other hand, the phenomenological approach, also referred to as qualitative research, has been defined as an inquiry approach which is useful to exploring and understanding the central phenomenon. To learn about the central phenomenon, the researcher asks broad and general questions (Creswell J, 2002). The approach is particularly interested in the idea that human experience is a valuable source of data, as opposed to the idea that true research or discovery lies in simply measuring the existence of physical phenomena (Dawson C,2002). Qualitative research concerns itself with approaches such as ecological psychology, (Morris EK, 2009), symbolic interactionism (Berg BL, 2000) and post-modernism (Sarlak MA,2010), and employs statistical methods, such as participant observation, archival source analysis, conversations, interviews, focus groups and content analysis (Arnolds CA and Venter DJL, 2007). Generally, when one applies the phenomenological approach he tends to focus more on the meaning rather than the measurement of social problems. Phenomenological methods are particularly effective at expressing the experiences and perceptions of individuals from their own personal knowledge and subjectivity (Lester S, 1999).

The advantage of a qualitative research approach is that it enables the researcher to obtain elaborate and comprehensive information (Strauss A and Corbin J, 2004). Another advantage of phenomenology is that the results of the research are derived from the data collected, "instead of being imposed by a structured statistical analysis" (Kohlbacher F, 2006)). The main disadvantage of phenomenological research is that it creates huge volumes of interview notes, tape recordings or other records all of which have to be analyzed (Hoepfl MC, 1997).

Also, data analysis is not usually easy because the collected data does not squarely fit into orderly categories and there can be various conclusions to be made from different parts of discussions or observations (Berg BL, 2000). Other disadvantages of using phenomenology for research are the subjectivity of the data which leads to difficulties in establishing reliability and validity of approaches and information, the difficulty in detecting or preventing researcher induced bias and the possible difficulties of participants fully expressing themselves (Punch K, 2005).

From the above, it can be concluded that both methods of research are effective but in different ways. What determines the type of approach that is appropriate is the nature of the research problems under investigation, the amount of knowledge the researcher already has in the research field, the target population of the study and resources available to the researcher (Gill J and Johnson P, 2010). In order to achieve this research's objectives, the right methodology had to be adopted and the right data collection techniques had to be selected to collect the required data within the available resources. As a result, a mixture of methods which included the doctrinal research method, (Hutchinson T and Duncan NJ, 2012), questionnaires and interviews wasadopted.

Doctrinal research method comprises of either a straightforward research that focuses at finding a precise statement of the situation (Wiley-Blackwell, 2008). Doctrinal research has been found to possess aspects of both quantitative (positivistic) and qualitative (phenomenological) methodologies within it. This is because, like the quantitative methodologies, doctrinal research is underpinned by positivism and a view of the world where the law is objective, neutral and fixed. As a result, other researchers are able to imitate the research involved in locating the sources of the law without difficulty. On the other hand, due to the fact that many facets of the law are dependent on the circumstances and need to be interpreted and analyzed for meaning, which brings in elements of subjectivity, the method also has qualitative aspects (Hutchinson T and Duncan NJ, 2012).

The doctrinal research method involves location and analysis of the various sources of law (e.g. statutes and decided cases) in order to establish the nature and parameters of the law (Chyoweth, 2008).The doctrinal research method focuses on finding out what the law is in a particular context. It is concerned with "analysis of the legal doctrine (Hutchinson and Duncan NJ, 2012) and how it has been developed and applied" (Razak AA, 2009). The doctrinal method is more than simply a literature review because it involves initial location of the sources of the law and then interpretation and analysis of the text (Ibid). The degrees of complexity within doctrinal legal research method range from practical problem- solving, (Hutchinson T and Duncan NJ, 2012) straightforward descriptions of laws to innovative theory building (Edgell RA and Vogl R,2013).

Given the aforementioned qualities of the doctrinal research method, it was considered the most appropriate for this study. With regard to questionnaires and interviews, the researcher sought to understand how corporate governance is implemented and the challenges faced by boards in four Zimbabwean SOEs from the perspectives of their respective board members, chief executive officers, company secretaries, senior management and shareholder representatives. The data collected particularly sought to establish the effectiveness of boards of directors in promoting good corporate governance in these SOEs in light of the prevailing regulatory and statutory mechanisms.

2.5 SAMPLE SELECTION

Zimbabwe has approximately 107 SOEs, seventy (70) of which are under the governance of specific legislations and 37 are government owned entities registered under the Companies Act. The statutes forming the SOEs contain similar provisions and only differ in terms of the objective of establishing the entity, its mandate and powers. Given this scenario, a sample of four SOEs were selected through purposive sampling to provide the possibility of understanding the corporate governance practices in SOEs (Onwuegbuzie AJ and Collins KMT, 2007). The main reasons for sampling were the huge costs that would be involved in terms of time and other resources to test the entire population (Taherdoost, 2016). Secondly, it was impossible to test the entire population due to difficulties that were likely to be encountered in getting access to all SOEs. The third reason for sampling was the generally accepted fact that testing the entire population often produces errors and may be destructive (Emmel N, 2013).

The purposive sampling technique, also known as judgmental, selective or subjective sampling, was adopted. Purposive sampling embodies a group of different non-probability sampling techniques which allow the researcher to purposely select a small number of cases which represent a broader number of cases as close as possible (Teddlie C and Yu F, 2007). The method relies on the researcher's judgement when it comes to selecting the elements that are to be studied (Berg BL, 2000). Usually, the sample being investigated is quite small, especially when compared with probability sampling techniques (Emmel N, 2013). The purposive sampling technique enables the researcher to focus on specific qualities of a population that are relevant in assisting him to answer research questions (Berg BL, 2000). There are a wide range of purposive sampling techniques that one can use, but it is not within the scope of this research to discuss the techniques in detail (Patton M, 2010).

The sample for this study was derived from board members, chief executive officers, company secretaries, senior management and shareholder representatives from each selected SOE. From each of the four selected entities, the board chairman, three board members, chief executive officer, company secretary, four senior managers and two senior representatives of the parent ministry were requested to participate in the study. Fifty questionnaires were distributed. Of the potential interviewees, six were women and ten were men. Of those who were given questionnaires, nine were women and twenty-five were men. The sample gives a fair reflection of the executive management profile in Zimbabwe. Most of the participating managers were male, well qualified and have been working for a long time in the public sector.

The main reason for selecting the participants was their position and experience in the development and implementation of corporate governance principles and their involvement in the operations of the entities. It was also considered that, more often than not, people appointed to such high levels normally have relevant experience and a reasonable understanding of corporate governance, hence would provide knowledgeable and comprehensive answers to the research questions.

2.6 DATA COLLECTION METHODS

The quality of the collected data determines the quality of the findings of the research (Brown PA, 2008). Basically, three methods were used to collect data for the research namely, literature analysis, questionnaires and interviews. Since the research involved human participants, it was a requirement that ethical clearance be obtained from the Graduate Business School Research Ethics Committee in terms of the Stafford University Policy on Research Ethics. Ethical issues involved informed consent, (Cherry K, 2014), confidentiality and anonymity of the participants which was achieved through educating the participants on what is expected from them and ensuring that the data collected did not identify the participants by name.

Furthermore, a cover letter was given to the participants informing them about the purpose of the study and its importance as well as assuring them of the confidentiality of their answers and that the information provided will be used for research purposes only. To further maintain the confidentiality and anonymity of the participants, data analysis and research results were reported in such a way that the information they contain could not be directly linked to anyone.

2.7 QUESTIONNAIRE SURVEY

It is generally accepted that for a questionnaire to be effective, it should be clear, reliable and valid for the purpose for which it is to be used, as short and concise as possible, avoid leading and double-barreled questions and avoid questions with implied assumptions, among others (Bradburn NM, Sudman S and Wansink B, 2004). Taking note of the above observations, two questionnaires were developed, one targeted towards directors (Appendix C) and the other one designed for chief executive officers, company secretaries, senior management and shareholder representatives (Appendix D).

The questionnaires were designed to cover nine aspects namely, personal information, general corporate governance knowledge, role of board, appointment of board, composition of the board, remuneration of the board, evaluation of the board's performance, compliance enforcement and general recommendations. The questionnaires consisted of both open and closed ended questions. Open-ended questions were designed to allow participants to give adequate answers in their own words and to freely express their opinion, recommendations or criticism without being limited by the options available as in the case of closed questions (Cohen L, Manion L and Morrison K, 2007). On the other hand, closed ended questions included an array of all possible answers and participants were asked to choose the most appropriate answer Cohen L, Manion L and Morrison K).

In Section A of the questionnaires, the questions focus on information about the participants such as gender, position in the public entity and length of service. Section B focuses on general corporate governance knowledge and seeks to establish the level of understanding of the participant of what corporate governance entails and his assessment of the general level of corporate governance compliance of the entity. Section C focuses on the role of the board with a view to determine the systems and mechanisms put in place by the entity to guide the operations of the board, the effectiveness of the systems and mechanisms and suggestions on how the board can be assisted to undertake its role effectively.

Section D of the questionnaires concentrates on the process of board selection and appointment seeking to understand the basis on which boards are appointed, by whom and the duration of appointment. Section E focuses on board composition and tries to find out whether there are any specific mandatory requirements for the compositions of the SOEs' boards in terms of minimum qualifications, gender, board size, maximum years of tenure, maximum age of directors, minimum or maximum years of experience in specific areas and maximum number of board membership each director may hold. This part also concentrates on establishing the processes involved in the establishment of board committees and to confirm whether or not committees have clear terms of reference setting out their scope of work and responsibilities to enable themto perform their functions properly.

Section F deals with the aspect of board remuneration with the aim of determining the adequacy of the remuneration, how the remuneration is determined and what the views of the participants are as regards the existing board remuneration system. Section G focuses on establishing whether the entity's boards and individual directors' performance are evaluated and, if so, how frequently, by whom and through which evaluation methods. Furthermore, this part explores the perspectives of the selected participants on board evaluation, its association with board effectiveness and performance and the participants' views on potential improvements to board evaluation. Thus, this part aims to find out whether or not the board evaluation processes have assisted SOEs in enhancing the effectiveness of boards and in promoting good corporate governance.

Section H focuses on the issues to do with enforcement of compliance with good corporate governance standards by SOEs. This part tries to establish the participants' opinions on the sufficiency of the existing legal and regulatory framework in enhancing the effectiveness of SOEs boards as well as the effectiveness of the regulatory bodies and the judicial system in enforcing compliance and promoting good corporate governance in these entities. The last part (Section I) gives the participant the opportunity to make general comments and express any otherviews considered important to the study.

Copies of the questionnaires were emailed, and hand delivered to selected board members, chief executive officers, company secretaries, senior management and ministry representatives. To increase the response rate, representatives of the selected people were allowed to respond on the former’s behalf, and more than the required number of managers were given the questionnaires in case some did not respond. Emailing questionnaires was considered appropriate because of the expediency of emails whilst hard copies were delivered to those who preferred handwriting to typing their responses. Further, in compliance with the Ethics Committee requirements, a copy of the 'Participant's Information Sheet' (Appendix B) was attached to the emails or hard copies to convey the confidentiality of the individual data of the study to the participants. Completed hard copies were collected from the participants and the response rate to emailed documents was improved through follow-up email reminders.

2.8 INTERVIEW SURVEY

Interviews are one of the most common methods of data collection used in qualitative research. The purpose of the research interview is to explore the views, experiences, beliefs and/or motivations of individuals on specific matters as well as to provide a deeper understanding of social phenomena than would be obtained from other methods, such as questionnaires (Cassell C and Symon G, 2004). There are different interview methods namely; structured (Cohen L, Manion L and Morrison K, 2007), semi- structured (Cohen L, Manion L and Morrison K, 2007 and unstructured (Gill Pet al, 2008). To conduct this research, the semi-structured format was chosen to enable the researcher to probe and understand the meaning, attitudes, opinions and personal experiences of the participants and to enable the interviewees to freely bring up issues that they felt were relevant to the study.

The participants were initially contacted by telephone, in person or through email. Letters of Introduction (Appendix A), the 'Participant's Information Sheet' and the questionnaire were then sent to those people who had expressed their willingness to participate in the research. The participants signed the consent form prior to the interview as evidence of their willingness to participate in the study. The Information Sheet described what the participants in the study were required to do, their rights to refuse to answer questions and to withdraw from the study at any time as well as their freedom to seek for clarification on questions they did not understand. The Information Sheet also assured participants that the information obtained from them would only be used for academic purposes and kept confidential. Moreover, the questions were of general business nature, and did not delve into personal issues were the interviewee would feel uncomfortable. There was no reference made to disclosing confidential information which would in any way identify the participant or the public entity. The confidentiality and anonymity of the information obtained during the study were further emphasized in the introductory remarks ofthe interview.

The interviews involved face-to-face contacts, guided by the questionnaire, with two company directors, the chief executive officer, the company secretary and two senior managers of each of the selected SOEs. Interviewees were presented with the questionnaire beforehand to make the interview more efficient and effective as the participants would be more prepared to answer the questions. However, the researcher also accepted the possibility of the participants not being truthful in some of their responses given the sufficient time given to frame answers and consult other people. Also, some other people had not had time to look at the questionnaire hence the researcher had to start the interview by explaining the contents of the questionnaire. However, the sharing of the questions with the participants some days before the interview assisted in creating a relaxed environment. The participants were encouraged to objectively describe how they conducted various activities related to corporate governance. Interviews had an additional advantage over questionnaires in that participants were able to elaborate their answers by providing examples and the researcher was also able to obtain clarity on some issues which clarity might not have been obtained through questionnaires.

The majority of the interviews were held during and after hours at the offices of the participants except for two board members who opted to visit the researcher's office. The time taken to conduct interviews ranged from forty-five minutes to an hour and a half. All interviews were conducted in English. An audio recorder was used to record the majority of the interviews??? to enable the researcher to fully concentrate on the interview at hand and to adapt the questions according to the responses given and to maximize on the advantages of recording interviews. First, recording interviews made it easier for the researcher and even other independent persons to comprehensively analyze the results after the interview (DuFon MA, 2002). The second advantage was that the recorded interviews provided a level of detail and accuracy not obtainable from jotting notes or recalling from memory (LM, 2004).

During the interview, situations arose where the interviewees' answers covered more than one aspect or where, in trying to answer one question, they ended up answering a subsequent question in the questionnaire. These situations called for flexibility in deciding which aspects to explore further without losing focus. Furthermore, the probing technique was used to seek further clarification, show appreciation and understanding especially where the interviewee's response sounded incomplete (Cassell C and Symon G, 2004). To help the interviewees relax and answer questions freely, the interviews were conducted in a casual and friendly manner on one hand, but directive and more formal on the other (Mathers N,Fox N and Hunn A,1998). In conducting the interviews, cognisance was also taken of the possibility of offending interviewees with regard to certain sensitive questions. As an example, some board members showed dismay when asked on the capabilities of boards or themselves as individuals to promote good corporate governance in SOEs. As a result of this observation, sensitive questions were asked in indirect and subtle ways so as not annoy the interviewees. But it is important to note that the majority of the participants were very cooperative and were willing to supply data and detailed information that would have been difficult to access without their assistance.

2.9 DOCUMENTS ANALYSIS

As indicated above, the research information was obtained through literature study of books, electronic/internet sources, journal articles, theses and dissertations, case law and legislation. With regard to the selected SOEs, publicly available information and company reports such as government reports, annual reports, enabling statutes and website reports were analyzed to corroborate assertions made by interviewees and those who responded to questionnaires as well as to obtain additional information that may have been omitted by the participants.

2.10 LIMITATIONS OF THE RESEARCH METHODS

This section acknowledges the fact that in every research there might be some limitations with regard to the methodology used in the research (Azarian R, 2011). First, due to practical reasons and data collection limitations, the survey was limited to four out of eight-six (86) SOEs. Although the sample is small, it represents the majority of the SOEs in that the sample comprises entities whose corporate governance framework is similar to more than three quarters of the SOEs in Zimbabwe (Cohen L, Manion Land Morrison K, 2007). The sample was also selected on the assumption that these four entities would have the resources to place themselves at the forefront of developments in corporate governance given their significant contribution to the growth of the economy. The aim was to engage directors, chief executive officers, company secretaries, senior managers and shareholder representatives who were assumed to have had the most exposure to corporate governance issues. The data collection was meant to provide insight into the role of boards, selection and appointment of boards, composition of boards, remuneration of boards, evaluation of board performance, compliance enforcement and their linkages with board effectiveness in the selected entities.

Secondly, using interviews as a data collection technique has inherent limitations namely, interviewer bias resulting from the interviewer's own opinion and expectations (Philliber S, Bast M and Sloss G S, 1999). The interviewer's bias exists when the interviewer only records the interviewee's answers that conform to his expectations or inaccurately records answers to suit his requirements, especially where the interviewee's answers are vague. Another contributory factor to interviewer bias is the use of open-ended questions that draw free answers resulting in the need for the interviewer to summarize the responses using his personal selectivity (Manion L and Morison K, 2007). To minimize on such bias, the researcher avoided leading questions and providing personal opinions on questions asked and where the answers proffered were not clear, a summary of what the interviewer had said was given to confirm whether both parties had similar understanding. Given the above, interviewer bias cannot be considered as of significant concern for this study, although it cannot be completely ruled out.

Thirdly, it is possible to have other data limitations owing to inherent deficiencies of questionnaire surveys. The questionnaire survey limitations may present themselves in the form of incomplete knowledge of participants and self-reporting bias (Harris LR and Brown GTL, 2010). For example, if the participants do not have adequate knowledge about the issues asked, they may not answer the question or may give inaccurate answers. However, in this study the majority, if not all, participants selected were considered competent enough to provide complete and clear answers. Of the selected participants, twelve were board members, four corporate secretaries, four chief executive officers, eighteen senior managers and twelve senior shareholder representatives hence incomplete knowledge of the issues was not considered a major risk. Nevertheless, it would be difficult to say with certainty whether the participants reported with bias or not and whether they answered the questions frankly and openly.

The other limitation is that the majority of empirical studies examining the effectiveness of boards of SOEs have relied on data obtained from developed nations. It is, therefore, debatable whether these results can be directly extended and applied to a developing market such as Zimbabwe where there is inadequate capital flow, markets are less sophisticated and educational and professional resources are limited. (BAZ, 2014).

CHAPTER SUMMARY

This chapter dealt with the research design and the methods that were used to find answers to pertinent questions sought to be addressed by this study. It described in detail the research methods, sample selection, methods of data collection and possible limitations of the research methods. The research methods included literature analysis, circulation of questionnaires and carrying out interviews with chosen board members, senior managers, company secretaries, chief executive officers and shareholder representatives from four selected SOEs. The next chapter discusses corporate governance practices in SOEs from a theoretical perspective.

CHAPTER 3

2. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

3.0 INTRODUCTION

Universally, it is considered a government's responsibility to deliver, among other things, basic services such as education, health, policing, water, electricity and sanitation to their citizens (Bulbuena, 2014). These services are offered either directly by departments and ministries or through SOEs. SOEs were incorporated in most countries to facilitate and accelerate economic and social development (OECD, 2005). However, increasing evidence indicates that most SOEs in developing countries do not contribute strongly to this development because they perform their functions ineffectively resulting in huge losses, budgetary burdens and poor products or services (Cottrell C, 2011). As a result of the poor performance by SOEs, policy makers and other interested stakeholders have engaged in continuing debates. The debates were aimed at establishing the extent to which SOEs contribute to economic and social development. The debates were also aimed at finding out why so many of the entities have been unsuccessful to competently deliver the services for which they were created and how their administration and governance can be improved (Rondinelli DA, 2008).

In the findings, it has been established that having an effective board is one of the key elements to a successful SOE (Hermalin BE and Weisbach, 2003). According to Frederick, in order to operate effectively, SOEs should be supervised by an independent board. The independent board should put in place structures and procedures that ensure that the SOEs operate effectively, efficiently, accountably, and responsively in the public interest and that they are contributing to national development (Fredrick W, 2011). The acknowledgement of the role played by boards, empirical studies have established that the boards have not been as effective as they should be in discharging their duties (Nellis J, 2006). Greater focus has thus been on establishing the causes of the boards' ineffectiveness and finding ways of improving their efficiency (Fredrick W, 2011). In pursuance of this objective, it has been established that some of the major contributing factors to the poor performance by boards are: the scope and extent of government influence which has, in practice, been extreme; (Vagliasindi M, 2008), fewer qualified individuals available to serve as directors, appointment of people for their political allegiance rather than business acumen and imposition of senior government or military officials who are not competent or sufficiently experienced. The other factors include individual directors sitting on too many boards thus diluting their capacity to monitor corporate events, poor board remuneration, lack of transparency (Wicaksono A, 2009), in the face of insufficient external scrutiny and no questioning of shortfalls in board performance, among others (Vagliaindi M, 2008). Thus, the development of properly composed, focused, adequately empowered, motivated and efficient public entity boards capable of greater responsibility remains a significant challenge to corporate governance in many countries for the predictable future. This study attempts to establish how relevant the above findings are to Zimbabwe, and to identify any additional challenges experienced by boards of SOEs in this jurisdiction. Measures taken to enhance the effectiveness of public entity boards as well as to promote good corporate governance in these entities are also examined. The ultimate goal is to recommend measures which can strengthen public entity boards' effectiveness and promote good corporate governance in these entities, so that they can significantly contribute to economic and social development. The present chapter defines corporate governance and highlights some of the benefits derived from good corporate governance practices. The chapter then gives an overview of SOEs and analyzes the five aspects considered critical in enabling a board to effectively discharge its duties. Lastly, the chapter examines corporate governance enforcement mechanisms and challenges from a global perspective.

3.1 OVERVIEW OF STATE-OWNED ENTERPRISES

The term "state-owned enterprise" refers to enterprises where the state has significant control, through full, majority, or significant minority ownership (OECD guidelines, 2005). Similarly, Shirley (1983), defines SOEs to include entities that are expected to earn most of their revenue from the sale of goods and services, have a separate legal identity, and are majority owned by government. SOEs provide goods and services that are not usually provided by the private sector and profit maximization is not the sole basis for measuring their efficiency (Mwaura K, 2007).

SOEs have always played a critical role in the socio-economic development of many countries. After independence, most African governments inherited the notion that extensive public sector involvement in the economy was the natural, proper order of affairs, (Nellis, 2005). He argues that efficient and effective service delivery to the public is a fundamental role of government. Thus, through SOEs, governments have played a leading role in the provision of essential goods and services such as water, electricity, transportation, education and health in the urban as well as in rural areas. The entities have therefore, been considered as important agencies for socio- economic transformation, creation of employment and as instruments for economic empowerment.

However, the performance of many SOEs has been below expectation. This has been ascribed to various reasons, mainly weak corporate governance and unethical practices (Maune, 2014). The governance systems in some of the SOEs have been found to be characterized with role ambiguity, ineffective boards, ineffective management systems and non-adherence to statutes (Chikuhwa JW, 2004). The other challenge cited is that of multiple and conflicting objectives set for these entities (Vagliasindi M, 2008). Whilst governments expect SOEs to operate in a commercially efficient and profitable manner, they require them to provide goods and services at prices below cost, serve as generators of employment, receive inputs from state-sanctioned suppliers and choose plant locations based on political rather than commercial criteria (Nellis J, 2005). The mixing of non-commercial or social objectives with commercial objectives unavoidably leads to political interference in the SOEs' operations to the detriment of managerial autonomy, commercial performance and economic efficiency. These factors, among others, have contributed to poor performance by some of the SOEs. As a result, a number of organizations and countries have come up with corporate governance principles and guidelines aimed at inculcating a culture of accountability and transparency as well as efficiency and effectiveness inthe management of SOEs (OECD, 2014).

3.2 DEFINITION OF CORPORATE GOVERNANCE

Before one can critically evaluate whether or not good corporate governance makes a difference in company performance, it is essential to have a clear understanding of what corporate governance is. Corporate governance is defined in different ways. There are both narrow and broad definitions of corporate governance. The most widely used definition of Corporate Governance is "the system by which companies are directed and controlled" (Cadbury Committee, 1992). More specifically, it is the framework by which the various stakeholder interests are balanced, or, as the International Finance Corporation (IFC) states, "the relationships among the management, board of directors, controlling shareholders, minorityshareholders and other stakeholders".

The earliest definition in its narrow sense is by Milton Friedman who defines corporate governance as conducting business in accordance with the owner's or shareholders desires which generally is to make as much money as possible while conforming to the basic rules of the society embodied in law. Another commonly used definition is from the OECD (2004), which defines corporate governance as procedures and processes according to which an organization is directed and controlled. These definitions that are shareholder-centric capture important concerns of government including management accountability, providing adequate supervision to management, disciplining and replacement of bad management, shareholder funds protection, improving access to capital markets, promoting investment and encouraging innovation, (Fernando, 1998).

The narrow perspective emanated from the period where most businesses were sole proprietorships or partnerships and the only stakeholder was the owner of the company. Even in contemporary times, this perspective still persists in Corporate Governance (CG) literature as many still believe that the shareholder is the key, if not the only stakeholder that the Board and the Executives should focus their attention in order to make money for them. As large multinational corporations emerged, ownership of business has changed from owners to investors or diverse shareholders hence separating ownership and control. Governments have become interested in how corporations are run in order to protect interests of stakeholders who may be impacted by the activities of these firms through regulating their operations. This has now resulted in a broader definition of corporate governance.

The broader definition sees corporate governance as the relationship between boards, management, and a broad range of stakeholders such as customers, employees, creditors, bankers, suppliers, the government, and communities within which these corporations exist. (Financial Times, 1997).

The Zimbabwean corporate governance framework (CGF) defines corporate governance as "a set of processes, customs, value codes, policies, laws and structures governing the way a corporation is directed, controlled and held accountable." Para 1.3 of the CGF further states that 'Corporate governance ensures that the organization runs properly, that goals are being achieved and funds are being managed with high standard of propriety and probity'.

Similarly, the Cadbury Report defines the term to mean the system by which companies are directed and controlled (Cadbury A, 1992). Cadbury's view is that corporate governance focuses almost exclusively on the internal structure and operation of the organization's decision-making process. Another view is that corporate governance relates to the interrelationships between a company's management, its board, its shareholders, customers and other stakeholders; provides the structure through which objectives of the company are set; and places a strong emphasis on the welfare of shareholders (Du Plessis JJ, 1994). It, therefore, encompasses matters such as directors' duties, financial accounting and the protection of the interests of various stakeholders.

Scholars and practitioners of corporate governance have given the term a wider variety of definitions. Some economists and social scientists have defined corporate governance largely as "the institutions that influence how business corporations allocate resources and returns" (O'Sullivan M, 2000). John and Senbet (1998) give a more widespread definition which states that "corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected" (John K and Senbet L W, 1998). According to Salacuse (2003), these definitions focus on the informal practices that develop in the absence of effective formal rules and not only on the formal rules and institutions of corporate governance (Salacuse J W, 2003). Also, they encompass not only the internal structure of the corporation but also its external environment (Salacuse JW, 2002).

In support of the economists and social scientists' view, the OECD (2004), Task Force defines corporate governance as follows:

"*Corporate governance involves a set of relationships between a company's management, its Board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the Board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring.*"

According to the OECD Principles of Corporate Governance (2004), corporate governance encompasses not only internal aspects of corporate governance, but takes into account other stakeholders and the impact of the company on them (O'Donovan G, 2003). It also entails that a company, and especially its directors, abide by the provisions of relevant statutes, societal norms, standards and codes of best practices as well as manage the company reliably (Van de Merwe J G et al, 2009). Similarly, in support of this view, Crowther D & Seifi S, (2011), define corporate governance as an environment of trust, ethics, moral values and confidence - as a synergic effort of all the constituent parts - that is the stakeholders, including government, the general public etc., professionals, service providers and the corporate sector.

From a slightly different perspective, the Securities and Exchange Board of India (SEBI, 2003), Committee on Corporate Governance (Murthy C, 2014), views corporate governance as ethical conduct in business in that it is concerned with the code of values and principles that enables a person to conduct a company's business in line with the expectations of all stakeholders (SEBI, 2003). According to the committee, corporate governance is beyond the realm of law. It stems from the culture and mindset of management, and cannot be regulated by legislation alone (Dalei P,Tulsyan P and Maravi S, 2012). From a public policy perspective, corporate governance concentrates more on balancing economic and social goals and individual and communal goals at the same time promoting the "efficient use of resources, accountability in the use of power and stewardship as well as aligning interest of individuals, corporations and society" (Okeahalam CC and Akinboade O A, 2003).

Judging from the above definitions, it is clear that the overall objective of corporate governance is the harmonization of relationships and interests of key stakeholders to achieve organizational goals (OECD, 2004). It can also be concluded that many, if not all, of the principles of corporate governance apply to all organizations, regardless of nature and size (OECD, 2004). Irrespective of the type of ownership and structure, the wider governance agenda advocates that all organizations should act ethically, transparently and in a socially responsible manner (Coyle B, 2003). A government organization for instance, should be managed for the benefit of the general public and to achieve the aims of the government itself.

A charitable organization should be managed in the interests of the charitable activity and with regard to the interests of and concerns of providers of the funding (Clarke T, 2007). Likewise, individuals controlling an organization should not permit self-interest to dominate their decisions but should work for the objectives of the organization. Thus, to deter individuals, especially directors and managers, from pursuing their own interests at the company's expense, shareholders and other stakeholders need corporate governance mechanisms that can discipline directors' and managers' conduct OECD (2004).

3.3 VALUE OF CORPORATE GOVERNANCE

The challenge of corporate governance is to find a way in which the interests of shareholders, directors and other interested parties can all be sufficiently satisfied (Adegbie FF and Fofah ET, 2016). Thus, the majority of the guidelines in the codes of conduct for corporate governance and the codes of best practice are directed towards reducing the potential for conflict and reconciling the interests of the various stakeholder groups (Weil G and Manges LP, 2002). In essence, effective corporate governance establishes a system that guides the relationship between owners, boards, managers and various stakeholders, clarifying the rules and procedures for making decisions on corporate affairs, by whom the decisions should be made and how they should be implemented (Crowther D and Seifi S, 2011). Corporate governance processes, accordingly, inject transparency into the decision-making process, which is valuable to shareholders, potential investors, regulators, customers, suppliers, employees and any other stakeholders who may be affected by a company's actions (Hontz E and Shkolnikov A, 2009).

The extent to which countries attract foreign capital is dependent on their systems of corporate governance and the degree to which companies are duty-bound to honor the legal rights of shareholders and other stakeholders (Horn RC, 2005). Arthur Levitt, the former United States' Securities and Exchange Commissioner confirmed that: "If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere" (Demaki GO, 2013). Levitt's view is supported by Lipman who states that, good corporate governance "enhances the reputation of the organization and makes it more attractive to customers, investors, suppliers, and in the case of non-profit organizations, contributors" (Lipman FD, 2006). This means that "individual and institutional investors will refrain from providing capital or will demand a higher risk premium for their capital from enterprises in countries without effective systems of corporate governance than from similar enterprises in countries having strong corporate governance standards" (Salacuse JW, 2004). International investment thus not only provides corporations with expanding sources of capital, but also encourages the continued integration of sound corporate governance practices, which may help the corporations to gain the trust of investors, reduce their capital costs and induce more stable financial sources (Vaughn M and Verstegen Ryan L, 2006).

Corporate governance in SOEs focuses primarily on making the state an effective owner, by creating "clear and simple lines of political and social accountability, improving board selection and quality, and contributing to the development of clear corporate strategies that reward efficiency and professionalism" (Hontz E and Shkolnikov, 2009). Good corporate governance is important for SOEs in that it increases their productivity and competitiveness as well as helps to ensure that public funds invested in these entities are not mismanaged and are spent effectively (Sullivan JD, 2014). Improving the governance of SOEs thus brings substantial benefits in the form of increased productivity and profitability, improved financial position for the government, better protection and utilization of public assets, reduced corruption,(Hontz E and Shkolnikov A, 2009), greater attractiveness to investors resulting in increased state income and efficient service delivery to the public. In addition, good corporate governance helps to increase efficiency and transparency as well as to prevent public entity failures, thus minimizing adverse social effects (Blume D, 2014).

From the above, it can be concluded that countries and business entities that genuinely observe and embrace the principles of good corporate governance will derive vast benefits. Good corporate governance enables an organization to attract investment, maximize the opportunities available to it, increase transparency and accountability, manage its risks better, and boost its chances of succeeding in the market and to achieve sustainable long-term growth. Every country or business entity should therefore strive to practice good corporate governance for sustainable long-term growth and success.

Despite the acknowledged vast benefits of corporate governance, it has been found that, in some instances, corporate governance has not really added as much value due to the fact that in many instances directors just tick boxes without substantially complying with the corporate governance principles. This means that, whilst good corporate governance frameworks may be valuable, they are not adequate on their own as directors may just comply with the form of corporate governance at the expense of substantive compliance.

As an example, it has been found that the failure of Enron had little to do with insufficient corporate governance standards and procedures, but everything to do with the culture, environment and conduct of the people at Enron (Cunningham GM and Harris JE, 2006). Unquestionably, Enron was considered as having one of the best boards in America before its collapse and was rated highly for its commitment to corporate governance practices. However, its collapse may be an indication that directors just chose to box-tick without necessarily complying with good corporate governance standards.

In another study conducted in South Africa, it was shown that whilst most listed companies in South Africa view corporate governance as an important matter, full compliance with the King Corporate Governance Code is still rare and a substantial number of companies comply only with the letter and not the spirit of the Integrated Sustainability Reporting in South Africa (Johannesburg, 2006). For example, many companies were found not to provide adequate information about their companies' internal operations, such as how directors are evaluated or how much each director is remunerated (Moloi S T M, 2008). It therefore, follows that investors and other stakeholders must recognize that although corporate governance standards might be essential, they are not sufficient on their own to compel directors to act in a manner that achieves good corporate governance (Tebeck K, 2008). For corporate governance to actually add value, directors have to substantively comply with the principles and not just box-tick.

3.4 INTERNATIONAL INITIATIVES ON CORPORATE GOVERNANCE

Globally, it has become well established that, to strengthen companies, be they private or SOEs, there must be continuous investment of capital and human resources as well as customer satisfaction and public confidence in the entities (Cronin P et al, 2014). To be able to attain these objectives, companies need to do more than just create a track record of producing goods and services and having a reasonable market share, but must have good and effective management and be perceived to be properly governed. Proper corporate governance is globally considered as a very important tool to achieve these aims. The realization of the importance of corporate governance for the socio-economic development of countries has motivated a number of initiatives, at national and at international levels, aimed at responding to the corporate governance challenges worldwide. At national level, a number of countries have come up with reforms to prevent the occurrence of further corporate collapses and improve corporate governance practices (Cadbury (1992), Greenbury (1998), Turnbull (1999), Combined Code (2003) and UK Corporate Governance Code (2014). Internationally, these initiatives are being spearheaded by multilateral organizations including the World Bank, (Mason E S and Asher R E, 1973) OECD, 1999 and 2004) and the Guidelines on Corporate Governance of SOEs (2005), CACG Guidelines (1999) UN and ICGN (Global Corporate Governance Principles, November 2009) among others. It is important to note that it is not within the scope of this study to discuss in detail, but to make reference to them where necessary, because Zimbabwe's corporate governance has mostly been based on the principles recommended by these international recognized institutions. The World Bank regards corporate governance as an essential tool in supporting international financial structures, creating a conducive investment environment for developing countries to have access to capital and eliminating corruption in both the private and public sectors (IFC 2009). In furthering efforts to promote good corporate governance practices, the World Bank partnered with the OECD to put together a far-reaching international co-operation framework (Nestor S, 2001). The cooperation between the World Bank and the OECD is structured along two major initiatives: a Global Corporate Governance Forum (GCGF) (Iskande M R and Chamlou N, 2000) and a series of Regional Policy Dialogue Round Tables (Nestor S, 2001).

The principles formulated by the OECD, CACG, UN and ICGN have provided a broad framework for a large number of countries to develop their own specific principles of corporate governance (OECD, 2004). The broad membership of the OECD, CACG, UN and ICGN suggest that these principles reflect the views of a large number of countries with respect to the correct approach for addressing the challenge of corporate governance. The principles recommended by the OECD, CACG, UN and ICGN are minimum benchmarks against which member countries can compare their systems and carry out country-specific initiatives (OECD 2004, ICGN 2009 and CACG, 1999).

To complement the efforts of international organizations like the OECD, CACG, UN and ICGN, African leaders and policy makers have also come up with initiatives to, among other things; promote good corporate governance practices in the continent. Examples of the initiatives are the New Partnership for Africa's Development (NEPAD), (Mekelo A and Resta V, 2005) African Peer Review Mechanism (APRM), (Mangu AM, 2014) Africa Governance Forum (AGF), (Mekelo A and Resta V) Africa Governance Inventory (AGI) (Mekelo A and Resta G, 2005). In the same spirit, a number of organizations have spearheaded the promotion and facilitation of high standards of corporate governance, business ethics and social responsibility for the economic development and social transformation of Africa. Examples are the African Development Bank (AFDB,1963) and Centre for Corporate Governance (CCG)(Center of Corporate Governance, 1999). In addition, the Institutes of Directors from twelve African countries launched the African Corporate Governance Network (ACGN) whose main objective is to strengthen "national corporate governance standards through shared learning, expensive exchanges and dissemination of best practices aimed at addressing on-going corporate governance challenges in Africa (ACGN, 2013).

3.5 THEORIES OF CORPORATE GOVERNANCE

The concept of corporate governance came about as societies tried to effectively manage complex activities. While economists believe that there is no other way of managing transactions outside markets and corporations, social scientists believe that there are many other models where transactions can be managed outside the market and firms. These include culture, the power perspective and cybernetic analysis, information theory, limited life firms, worker control and ownership, compound boards, self-regulation and self-governance. The fact that Governments now own corporations brings emphasis to the fact that transactions can be managed outside markets and corporations. State-owned firms unlike private companies are not only interested in maximizing profit for shareholders, but to provide essential services to the people in a sustainable manner. The presence of these state enterprises also brings in another dimension of increased government control of corporations through legislation. Also, the fact that most of these SOEs are legal monopolies challenges the dominance of markets as the exclusive cradle for the management of transactions. As corporations become larger, their management also become complex. There is growing concern among governments about how these large corporations are directed and controlled to ensure the rights of all stakeholders are protected.

Literature is replete with many theories of corporate governance the fundamental ones being, the agency theory evolving into the stewardship theory and the stakeholder theory and again evolving into resource dependency theory, the transaction cost theory and ethics related theories. This section reviews various fundamental theories underpinning corporate governance. Hawley and Williams (1996), proposed four models of corporate control namely: the Simple Finance Model; the Stewardship Model; the Stakeholder Model; and the Political Model. Tricker (1996), stated that: Stewardship theory, stakeholder theory and agency theory are all essentially ethnocentric. The prevailing theory is the agency theory which is the dominant philosophical base behind the relationships between the financial markets and quoted companies. Often individuals involved in corporate governance apply what they believe is common sense, when in reality they draw subconsciously on long established economic theory and assumptions that are challengeable. Probably, the most influential one in this context is agency theory, which is the one that has helped to shape recent codes of practice in governance.

3.6 AGENCY THEORY

In recent years, some high profile business frauds and questionable business practices in the United Kingdom, the United States and other countries have confirmed the belief that business managers do not act as bona fide representatives of shareholders and other stakeholders, but actin self- interest.

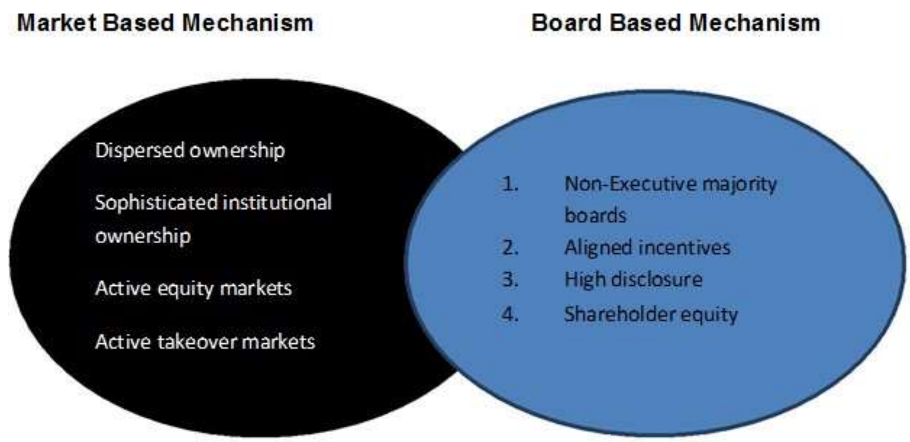
Goergen (1998), observed that much of the contemporary interest in corporate governance has been concerned with mitigation of the conflict of interest between managers and stakeholders. He contends that managers are paid professionals with their own self-interest and in order to prevent managers from making decisions that benefit themselves, but that are detrimental to others, a system of checks and balances is put in place. This system, according to Goergen is called “corporate governance.” Berle and G. Means (1930), argued that with separation of ownership and control, and the wide dispersion of ownership, there was no check on the executive autonomy of corporate managers.

The separation of ownership and control was confirmed by Davis, Schoorman and Donaldson (1997). In the 1970s, the concept was further refined by writers like Jenesen and Meckling, Fama (1980), Alchian, and Demsetz who pointed out the dilemma of the principal who employs and agent to act on his behalf. According to neo-classical economics, the root assumption informing this theory is that the agent is likely to be self-interested and opportunistic. This has resulted in the agent serving their own interests instead of those of the principal (Padilla, 2000). According to Yuwa Wei (2003), this is occurring when the agents have more information and knowledge than the principals or when information asymmetry between principals and agents exists. Norman (2004), observes that two situations then arise out of the principal-agent problem: moral hazard and adverse selection. Moral hazard arises when the agent’s action or outcome of the action, is only imperfectly observable by the principal. A manager may therefore exercise a low level of effort, waste corporate resources or take inappropriate risks. On the other hand, adverse selection arises when an agent has prior information before entering into relations with the principal. Individuals with poor skills or aptitude will present themselves as having superior ones, or people with low motivation will apply for positions that require least supervision.

To counter that problem, the principal will incur agent costs arising out of the necessity of creating incentives that align the interests of the executive with those of the shareholder and cost incurred in monitoring the executive conduct to prevent abuse of owner’s interests. According to (Hawley and Williams, 1992:21), this is the simple finance model that develops rules and incentives through either implicit or explicit contracts to effectively control the behavior of managers (agents) with the desires of the principals (owners). Agency theorists have therefore, preoccupied themselves with finding mechanisms to make executive self-interest to serve interests of shareholders.

The two mechanisms are external market-based mechanisms and board-based mechanisms or internal networks. The external market-based mechanisms include financial disclosures which will give the shareholders information to monitor share price and determine the value of the firm. Other market-based mechanisms include the market for corporate control, which is the potential for takeovers to discipline managers by providing a mechanism whereby ineffective executive teams can be displaced by more effective executive team. The second is the managerial labour market where poor executive performance will threaten an individual, future employment whilstgood performance will have positive reputational and career enhancing effect.

Figure 3:1 Corporate Governance Models



Another mechanism of addressing the principal-agency problem is through external monitoring and internal reform of Boards of Directors. This has included adoption of share-option schemes for executives to align their interests with those of shareholders. Other mechanisms were introduced by the Cadbury Committee's "Code of Best Practice" and its subsequent elaboration by the Greenbury, Hampel, Turnbull, and most recently Derek Higgs. These dealt with the control role of the Board, the independence of non-executive directors who must constitute 50% of the board and their role in audit, nominations and remuneration committees and separation of the roles of the chairman and the chief executive. These reforms were based on the belief that the interests of the owners/shareholders are potentially at risk from executive self-interest in the absence of close monitoring by independent non-executive directors.

However, it is quite clear that for quoted companies, Agency Theory is still firmly in the driving seat, backed by the media, governments, financial markets and a comprehensive governance industry. Research revealed that most executive directors of large quoted companies strongly feltthat governance 'political correctness' had gone too far and was severely damaging the capacity of boards to exercise strategic leadership, using the wisdom of non-executive directors, because of the schisms caused by the policing role of non-executives. They quoted growing animus between executive and non-executive directors. Several chief executives said that they regarded the role of the chairman as being to keep legalistically nervous non-executives 'off their backs'.

Due to the degradation of investment markets into speculative casinos the whole concept of ownership of corporates has changed which calls for a re-look at how companies are managed and controlled. There is need for a paradigm shift at policy, regulatory and governance levels. Government must regulate these companies more since the "so called" owners of the company are no longer pre-occupied with the long-term survival of the company to fulfill its ultimate objective, but are now concerned about quick returns to their investment.

Where institutional investors are the dominant shareholder which is the case in most big companies, the principal-agency problem is worsened by the fact that their investment managers are fiduciary agents of the beneficial owners which creates a situation of agents representing agents (Drucker, 1976), compounding the agency costs

(Jensen and Meckling (1976).

The agency problem is even more prominent where there is dispersed ownership where shareholders own minority interests making it cost-ineffective for any individual to monitor the executive and to have a monitoring board, (Monks, 1994). This is the case with banks were individual depositors cannot afford to monitor the activities of the bank executives. Insider trading laws can also prohibit or inhibit shareholders from obtaining the necessary information to monitor and supervise management. Minority shareholders may lack the power and influence on access information that could reveal corruption or mismanagement. Monks (1976), alleged that some US managers have influenced law making in order to protect them from shareholder intervention.

Ghosal and Moran (1996:14), raised the possibility that the assumption of opportunism on which the agency theory is based, can become a self-fulfilling prophesy whereby opportunistic behavior will increase with the sanctions and incentives imposed to curtail it.

A basic conclusion of agency theory is that shareholder value cannot be optimal as long as managers are allowed to run the corporation at their own discretion, hence allowing them to maximize their own benefits. According to Shleifer and Vishny (1996), this is because there are a lot of uncertainties about future contingencies that will not allow managers and owners of capital to sign complete contracts. It then becomes difficult for such companies being managed under incomplete contracts with their managers to be effective in efficiently raising funds.

This legalistic governance does not affect family companies, private equity backed companies, smaller non-quoted companies, partnerships and the like. This is probably why many of them perform better than quoted companies. To illustrate the market – oriented systems and the internal network-oriented systems, two models are utilized to illustrate this division: the Anglo- American model and the German-Japanese model. Douma and H. Schreuder (2013), pointed out that there are many different models of corporate governance around the world which differ according to the economic system in which they operate. The Anglo-American model emphasizes the interests of shareholders while the coordinated or multi-stakeholder model associated with Continental Europe and Japan also recognizes the interests of workers, managers, suppliers, customers, and the community. In addition, the other related models are the market – oriented model and the network-oriented model.

3.7 RESOURCE DEPENDENCY THEORY

Resource dependency ideas were originally developed by Pfeffer and Salancik (1978). Unlike the agency theory, their original ideas were deductively derived from empirical research. They observed that the board especially the non-executive directors can provide the firm with a vital set of resources both in form of specific skills as counsel and advice in relation to strategy and its implementation. For example, outside directors who are partners to law firms can provide legal advice to the firm which otherwise could be more costly if privately sourced.

Resource dependency theory allows the company to appoint board of directors with different expertise as required at different stages of the firm's life cycle. For instance, a young entrepreneurial firm, even if it's owner-managed, can look to its non-executive directors as a source of skills and expertise that it cannot afford to employ full-time. More mature businesses can rely upon the non-executive as a source of relevant market or managerial experience. According to the International Journal of Governance (2000), directors can also bring resources to the firm, such as information, skills, and access to suppliers, buyers, public, policy makers, social groups as well as legitimacy.

While the agency view of non-executive emphasizes their policing role on behalf of investors, resource dependency theory sees the non-executive primarily as a resource to support the performance of both executives and the company.

Although the resource dependency theory argues in favour of non-executive directors bringing intellectual resources to the company, it does not resolve the agency problem since it is not the board, but the executives that will misappropriate company funds. Apart from bringing essential resources to the company, the non-executive directors still need to monitor the activities of management to ensure that their actions are consistent with those of the owners of capital and/or other stakeholders.

3.8 STEWARDSHIP THEORY

Davis, Donaldson and Schoorman (1997), stated that stewardship theory has its roots in psychology and sociology and holds that managers protect, and maximize shareholders wealth through firm performance, because by doing so, their utility is maximized. Unlike the agency theory, stewardship theory does not stress on the perspective of individualism, but rather on the role of senior management stewards, integrating their goals as part of the organization (Donalson and Davis, 1991). They argue that senior management are satisfied and motivated by organizational achievement and responsibility and organizations will be best served to free managers that are not subservient to non-executive director-dominated boards.

According to Daly et al (2003), it is therefore prudent to unify the role of the chairperson and the chief executive to reduce the agency costs and to have a greater role for the executives and stewards in the organization. Hawley and Williams (1996:29), concurred with this view and advocated for executive-dominated boards or no boards at all. Pfeffer (1972), argued that boards become redundant where there is only one dominant shareholder and that the value of external director should not be to supervise management, but to influence constituencies of the firm.

Howley and Williams (1996:29), argued that the logical extension therefore is, either towards an executive-dominated board or towards no board at all. Pfeffer (1972), found that boards become redundant where there is one dominant shareholder. He further argues that the value of external directors is not so much how they influence managers, but how they influence constituencies of the firm.

In conclusion, Waring (1973), said that the inclination of individuals to act as stewards or self- seeking agents may be contingent upon the institutional context. He further states that the difference between individuals is significant and important and the need for money and approval is determined and limited by the necessity of maintaining the organism in a state of dynamic equilibrium.

While the argument for trusting managers to run corporations in the interest of shareholders for professional and reputational reasons may appear sound, experience of Enron and others indicate to the contrary. While individuals may differ as argued, the risk of entrusting managers with shareholders' funds may be too ghastly to contemplate.

STAKEHOLDER THEORY

The stakeholder theory was first expounded Freeman (1984), advocating for corporate accountability to a broad range of stakeholders. Stakeholder theory challenges agency assumptions about the primacy of shareholder interest. Instead, it argues that a company should be managed in the interests of all its stakeholders. For instance, employees are regarded as key stakeholders and Blair (1999), agreed that employees just as shareholders, are residual risk takers in a firm. She further argued that an employee's investment in a firm's specific skills means that they too should have a voice in the governance of the firm. Apart from employees, other groups like customers and suppliers have direct interest in the firm's performance while local communities, the environment as well as society at large have legitimate direct interest. Corporations should therefore, give stakeholders a direct voice in governance and nominate representatives of minority owners, customers, suppliers, employees and community representatives to the board of directors.

However, (Williamson (1985:300), Guthrie and Turnbull (1995), and Turnbull (1994e:1995e), felt that to have various stakeholder constituencies appoint representatives on the board would be counter-productive. If this has to happen at all such representation should be limited to informational participation (Williamson 1985:308). According to Porter and Blair (1998), stakeholder voice and ownership can be promoted by providing higher short-term profits to short-term rent-seeking investors in exchange for them to gradually relinquish their property rights in favour of strategic stakeholders. This gave rise to employee ownership schemes in manycountries.

However, Sternberg (1996), argued that stakeholder theory is both misguided, mistaken and unjustified as it undermines private property, agency and wealth and is incompatible withbusiness and with corporate governance.

According to the researcher, stakeholder theory is a mere extension of the agency theory in the sense that, instead of the non-executive directors protecting the interests of shareholders, they will be protecting the interests of shareholders and other stakeholders. The proposed representation of stakeholders on the Board is a reasonable proposition as long as the owners of capital have a bigger say.

3.9 POLITICAL THEORY

The political theory argues that the allocation of corporate power, privileges and profits between owners, managers and other stakeholders is determined by how governments favour their various constituencies. Hawley and Williams, 1996), observed that over the last decades, the governments have been seen to have a strong political influence on firms. As a result, there has been growing political influence on the governance structures of firms. Governments would set the macro framework to influence the allocation among stakeholders.

However, according to Hawley & Williams (1996:29), firms have also been influential in molding the US political/legal/regulatory system over the last few centuries.

Roe (1994), like Black (1990), and others argued that, the finance model's nearly exclusive reliance on the market for corporate control was primarily the result of the political traditions of federalism dating back to the American Revolution.

Following the Revolution, there was concern that newly won political freedoms could be lost through foreigners gaining control of corporations (Grossman & Adams 1993:6). As a result, early state legislators wrote charter laws and actual charters to limit corporate authority, and to ensure that when a corporation caused harm, they could revoke the charter. However, 'During the late 19th century, corporations subverted state governments and according to Friedman (1973:456), corporations were buying and selling governments. To curb the increasing corporate power, cumulative voting for minority shareholders was introduced to allow them to elect directors and control corporations, (Gordon 1993).

Under the political model of corporate governance (whether Pound's or Gundfest's version), limits are placed on the traditional economic analysis of the corporate governance problem, and located quarterly in a broader political context with institutional agents monitoring corporate agent, i.e. *Watching the Watchers* (Monks & Minow 1996). All these issues are influenced by government laws and regulations and so, subject of public policy debate for changes and reform. An aspect also neglected by economists, but relevant to the political theory is that national income can be distributed by spreading corporate ownership directly to individuals rather than through institutional intermediaries (Kelso & Adler 1958; Kelso & Hetter 1967, 1986; Turnbull 1975a, 1988, 1991b, 1994b). This can only be done by governments and not the markets. The Political theory to a certain extent provides a solution to the agency problem through government's intervention to protect shareholders, minority shareholders and other stakeholders, but it is not sustainable. This theory would be more applicable to state-owned institutions that arealready governed by laws enacted by governments.

3.10 TRANSACTION COST THEORY

Transaction cost theory was first espoused by Cyert and March (1963), and later described by Williamson (1996). Transaction cost theory is grounded in law, economics and organizations. Its underlying assumption is that firms have become so large that they in effect substitute for the market in determining the allocation of resources. In other words, the corporation can determine price and production. The transaction cost theory is an alternative to the agency problem where managers, instead of using their positions to create wealth for themselves, they arrange the firm'stransactions to their benefit.

3.11 ETHICS THEORIES

Ethics is defined as the study of morality and the application of business which sheds light on rules and principle, which is called ethical theories that ascertain the right or wrong of a situation. According to the International Journal of Governance (2011), these include business ethics theory, feminist theory, discourse ethics theory, and postmodern ethics theory. Business ethics is where the business managers in the course of doing business should consider the impact of the transactions on stakeholders and society that is the rights or wrongs. This is because corporations have become so large that they impact the lives of people in terms of jobs, goods and services, and the environment. Discourse ethics theory on the other hand tries to establish the ethical truth by investigating the pre-suppositions of discourse, (Harbenas, 1996).

Virtue ethics theory is about chastity, moral excellence, and good character. Virtue is a state to act in a given situation and Aristotle called it as with disposition with choice or decisions. Virtue involves two aspects, the effective and the intellectual. The concepts of "effective" in virtue theory suggests doing the right thing and have positive feelings, while the concept of "intellectual" suggests to do virtuous work with the right reason.

The author argues that corporate governance is mainly driven by the agency theory given the nature of modern corporations which are managed by agents on behalf of the owners of the capital who are in most instances shareholders. To ensure that the owners of capital maximize their returns, there was need to put systems in place and a representative of shareholders to put management in line with shareholders' objectives. Other theories are subsidiary to the agency theory. For example, stewardship theory is a result of certain incentives offered to management such as share options to make them spearhead shareholders' needs. Ethics and stakeholder theories are mainly driven by governments regulating corporations in order to protect likely victims from the activities of large corporations such as small shareholders, customers, suppliers, creditors, the environment and communities. As far as state-owned enterprises are concerned, the most applicable theories would be the agency, the political and the resource dependency theories. The applicability of the agency theory has been demonstrated by the recent "salary gate scandal" while the political theory is supported by the fact that corporate governance is governed by Acts of Parliament. The Resource Dependency theory is also applicable as most board members are appointed on the basis of expertise which they can bring to a particular organization. Some of the Acts establishing these state enterprises specify the expertise required on the boards.

3.12 GOOD CORPORATE GOVERNANCE

Good corporate governance is conducting the business with integrity and fairness, being transparent, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in an ethical manner.

Seven characteristics, or principles of good corporate governance are listed in King II namely discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. King II recommends that every organization should report at least annually on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices, while stakeholder reporting is also important. Specific consideration should be given to the development of a code of ethics and issues such as HIV/Aids, the environment, social responsibility and human capital development.

3.13 DISCIPLINE

Discipline in corporate governance means that the senior management should be aware of and committed to adhere to behavior that is universally recognized as correct and proper.

3.14 TRANSPARENCY

Transparency is the measure of how easy it is for outsiders to find out and analyze a company's financial and non-financial fundamentals. Companies should make this information available in timely and accurate press releases to give outsiders a true picture of what is happening within thecompany.

3.15 INDEPENDENCE

For good corporate governance, it is important that all decisions are made objectively with the best interest of the enterprise in mind and without any undue influence from large shareholders or an overbearing chief executive officer. This requires putting in place mechanisms such as having a diversified board of directors and external auditors to avoid any potential conflict of interest.

3.16 ACCOUNTABILITY

People who make decisions in a company must be held accountable for their decisions and mechanisms must exist to allow effective accountability. In public companies, investors hold individuals running the company accountable for their actions by carrying out routine inquiriesto assess the actions of the board.

3.17 RESPONSIBILITY

In a corporate, managerial responsibility means that the management be responsible for their behavior and have means for penalizing the mismanagement. It also means putting in place a system that puts the company on the right path, when things go wrong.

3.18 FAIRNESS

The company must be fair and balanced and take into account the interests of all of the company's stakeholders. In this sense, the rights of each of the groups of stakeholders must be recognized and respected.

3.19 SOCIAL RESPONSIBILITY

A well-managed company must also be ethical and be responsible with regard to environmental and human rights issues. As such, a socially responsible company would be non-exploitative and non-discriminatory.

Other principles of corporate governance are contained in three documents released since 1990: The Cadbury Report (UK, 1992), the Principles of Corporate Governance (OECD, 1998 and 2004), the Sarbanes-Oxley Act of 2002 (US, 2002). The Cadbury and OECD reports present general principles around which businesses are expected to operate to assure proper governance. The Sarbanes-Oxley Act is an attempt by the federal government in the United States to legislate several of the principles recommended in the Cadbury and OECD reports.

3.20 CORPORATE GOVERNANCE MODELS

According to Khongmalai, Tang and Siengthai, (2010), there is a dearth of literature in corporate governance model of state-owned enterprises. There has however, been proposals for a new holistic model by Young and Thyil (2008), an in touch boards model by Strebel (2001), and entrepreneurship model by Strikwenda (2003).

Yaacob (2012), focused on five governance areas namely: governance structure, ownership and shareholders rights, roles of the board, regulatory framework and control mechanisms anddisclosure and transparency.

Tricker (2009), divided corporate governance models into two, the unitary board system common in the United States and the United Kingdom including the Commonwealth countries. Typically, this system consists of shareholders at the top of the hierarchy. The day to day operations of the corporation are in the hands of the board of directors as the governing body with predominance of independent outside directors. In the United States and in many family- owned businesses around the world, it is common for the chief executive officer to hold dual responsibilities of chief executive officer and chairperson of the board.

Davis, Schoorman and Donaldson (1997), argued that the proponents of the Stewardship Theory agree to the dual roles as it gives the incumbent more power to steer the company and make decisions without hindrance from the board. In the UK and other countries, the two responsibilities are separated with the board keeping an eye on the daily activities of managers and employees. Meanwhile, the two-tier system is found in continental Europe, especially Germany and Japan which includes a supervisory board sitting in between the shareholders and management board of directors. The German supervisory board is made up of employees and shareholders' representatives in equal proportions in pursuance to co-determination law. The supervisory board has powers to terminate services of members of the management board. In terms of roles, the supervisory board acts as a monitoring or oversight while the management board wields the decision-making power.

3.21 THE ANGLO-SAXON MODEL

According to A. Cadbury (1992), and C.A. Mallin (2011), the Anglo-American model is centred on a single-tiered Board of Directors that has more non-executive directors elected by shareholders. Because of this, it is also known as the unitary system. Within this system, many boards include some executives from the company who are ex-officio members of the board. Non-executive directors are expected to hold key posts, including chairing audit and compensation committees. The United States and the United Kingdom differ in one critical respect with regard to corporate governance: In the United Kingdom, the CEO generally does not also serve as Chairman of the Board, whereas in the US having the dual role is the norm, despite major misgivings regarding the impact on corporate governance (Bebchuck, 2004). In the US, he found that corporate governance is generally legislated, and many companies have adopted the Serbanes-Oxley Act of 2002 and the Business Corporation Act.

According to Cheffins (2003), the Anglo-American model is categorized as arm's length, since the company's shareholders control their shares at a distance by putting their trust in the company's management to run daily company's activities. The model exists in the US and the UK because the majority of their large companies are listed in stock exchanges. Moerland (1995), noted that 99 percent of the top 400 US firms are listed on a stock exchange, while 67 percent of top 100 UK firms are listed corporations. This means US and UK stockholders are dispersed as opposed to concentrated. This therefore positions the market as a supervisor of corporations and therefore an outsider model.

The principal-agent or the finance model and the market model can be used to analyze the Anglo-American model. The finance model concerns the maximization of shareholder's prosperity which is regarded as the only function of corporations. Friedman (1970), confirmed this view by observing that making profits in a free market for the company's shareholders is the only role of a company in a community. Consequently, other social functions should not hinder the company in realizing its goal, and therefore should be undertaken by other government or charitable organizations. O'Sullivan (1978), endorsed this view and argued that, when corporations are managed properly in order to maximize the value of its shares, the performance of the economy will be improved.

Like the finance model, the market model supported the maximization of shareholders wealth as the key company target. However, it criticized the finance model in that it is too focused on short-term interests of a company's performance, such as short-term return on investment, short- term corporate profits, short-term management performance, short-term stock market prices and short-term expenditure (Letza and Sun, 2004). Letza et al (2008), concluded that in this way, it neglects the corporation's
Long-term value and its long-term competitiveness. As an alternative, the market model suggests that the restructuring of corporate governance reform should be done by encouraging the shareholders and managers to share long-term performance horizons. This includes increasing shareholder royalty and voice, reducing the ease of shareholders' exit, restricting the takeover process and voting rights for short-term shareholders. In summary, Moerland (1995), contends that the Anglo-American model is characterized by dispersed or fragmented ownership of shares, shareholders' wealth maximization as the ultimate goal of the firm's existence and a well- developed financial market as the firm's supervising instrument.

3.22 THE CONTINENTAL EUROPEAN MODEL

Tricker (2000), observed that in some continental European countries, including Germany and the Netherlands, there are two-tiered Board of Directors as a means of improving corporate governance. The Executive Board, made up of company executives, generally runs day-to-day operations while the supervisory board, made up entirely of non-executive directors represent shareholders and employees, hires and fires the members of the executive board, determines their compensation, and reviews major business decisions. This is the insider/control-oriented model pertaining in continental Europe and Japan. This model according to Hertig (2006), propounds a close relationship between the corporations and its capital providers, including shareholders and bankers and other financial institutions as the core element of the model. This is considered an insider model because it allows stakeholders including employees in addition to shareholders to be members of its board (Fannon, 2006). She further contends that the major goal of this model is to counteract the abuse of executive power in shareholder models. The abuse of executive power is a criticism leveled at the Anglo- American model which gives greater power to the executive management who can potentially distort their authority for their own interests at the expense of stockholders and society at large. Letza et al (2008), observes that one of the examples of abuse of executive power is exorbitant executive overpayments, when the executive management is allowed to set their big salaries in a way that does not reflect the performance of the company. He further states that those who favour the insider model argue that the executive power abuse problem cannot be resolved through institutional restraints on managerial behavior including involvement of non-executive directors of boards, audit processes, and threats of takeover.

Unlike the shareholder model, this model views the goal of the corporations as maximizing business value at large. Thus, from the perspective of the stakeholder theory two groups exist: first the primary stakeholders such as minority shareholders, lenders, consumers, employees, suppliers and managers and second the secondary stakeholders, including local communities, the media, the court, the government, special interests groups and the general public.

Letza et al (2008), noted that even the proponents of the insider model also doubt whether corporate reforms such as non-executive directors, shareholders involvement in major decisions and transparency into corporate affairs are in fact appropriate monitoring instruments. What is instead, proposed is management freedom with accountability which involves letting decision making management build up the long-term plans for the company, while the board is strictly responsible to all stakeholders involved in the company.

3.23 THE AMERICAN MODEL

The collapse of some of the huge companies such as Enron, Worldcom and Tyco International in 2001 is considered as heralding the new era in corporate governance. The above catastrophe occurred in spite of the application of corporate governance models discussed above. According to Atkins (2003), this can be assumed that previous American corporate governance was powerless to prevent those companies from bankruptcy. Consequently, the American Congress passed the Public Company Accounting Reform and Investor Protection Act of 2002 (The Serbanes-Oxley Act, 2002). The Act was adopted as a mandatory model where all companies that have registered equity or debt securities with the Security Exchanges Commission were to adhere to it. Atkins the Commissioner of the Securities Exchange Commission argues that, the world needs a strict corporate governance regime which is able to eliminate fraud, corruption and other misdeeds and practices. He further argues that using soft law such as the insider model would not prevent corporate failures.

3.24 THE AUSTRALIAN MODEL

Unlike to American model, Australia is one of the countries utilizing the voluntary model. The Australian Stock Exchange Corporate Governance Council (ASX) explicitly asserts that the Australian Principles of Good Corporate Governance and the Best Practice Recommendation contain a voluntary system. Listed companies might not comply with the Principles, but have to provide sufficient and reasonable arguments as to why they don't i.e." if not why not"? As opposed to "one size fits all." The underlying principle of the Australian Code is that the market can come to its own conclusions about the significance of non-compliance based on circumstances of individual companies. Kamal (2010), believed that the Australian Code could have been adapted from the UK Combined Code on Corporate Governance of 2000. The UK Combined Code states two points: firstly listed companies are free to design the form of disclosure statement because the committee does not provide listed companies with a specific format; secondly there is no requirement for all listed companies to conform to the code. Where listed companies do not adhere to the combined code, they must explain it, this is called the "comply or explain approach." This is to take into cognizance of small listed companies for which the substance of the code may not be applicable. However, both mandatory and voluntary regulation corporate governance models are designed to uphold companies with dispersed shareholding as opposed to those with concentrated ownership. It is argued that the two models are designed to uphold companies with dispersed shareholding and to deal with laws that are needed to support companies with fragmented shareholding.

3.25 THE INDIAN MODEL

The Indian model on corporate governance is based on the Ghandhian principle of trusteeship which is about commitment to values, ethical business conduct and about distinguishing between corporate and personal funds. It is about recognition by managers that they are only trustees of shareholders' funds.

However, Mervin King, a world-renowned authority of corporate governance said he was against legislating corporate governance. He argued that if you start legislating corporate governance you have rigidity. It is impossible to legislate against dishonesty and principles are better than rules. He alluded to the Enron corporate scandal, saying the company's directors and accountants managed to circumvent the 428 procedural rules governing accounting in the USA using what he termed "misdirected intellectual energy". He said what is needed is a good corporate governance culture that ensured that the four basic tenets of common law of faith, care, skill and diligenceare upheld and maintained in the manner companies are directed and controlled.

3.26 CORPORATE GOVERNANCE FACTORS

Many countries have developed corporate governance codes to guide corporates on good corporate governance. However, in most countries compliance with the codes is not mandatory, but codes such as those linked to the stock exchange may have a coercive effect. The most influential guidelines are the OECD Principles of Corporate Governance published in 1999 and revised in 2004. These principles focused on the rights of shareholders, equitable treatment of shareholders, role of shareholders in corporate governance and the role of the Board. The United Nations Intergovernmental Working Group of Experts on International Standards on Accounting and Reporting (ISAR) produced Guidance on Good Practices in Corporate Governance Disclosure. The guidance covers the following factors: auditing; board and management structure and process; corporate responsibility and compliance in organizations; financial transparency and disclosure and ownership structure and exercise of control rights. The OECD Corporate Governance Principles for State owned enterprises dwell on five key corporate governance factors namely: State acting as owner; equitable treatment of shareholders, role of stakeholders and transparency and disclosure.

3.27 STATE AS OWNER

According to the OECD Principles on SOEs, the state as an owner has to balance between the Minister exercising ownership function by appointing a board and establishing a clear and consistent policy, while restraining from putting undue pressure on the board, and interfering with the smooth running of the state enterprise or parastatal.

Under the Zimbabwe Framework on corporate governance for SOEs, the role of the Minister who is representing the owner is to:

- Ensure reliable and competent persons are appointed to the board;

- The board is refreshed regularly;
- The board is held accountable and responsible for efficient and effective governance ofthe organization;
- The organization acts as a good citizen;
- The organization complies with all applicable laws;
- The level of remuneration for board members and management is sufficient to attract andretain skilled personnel; and
- Setting and monitoring good corporate governance standards.

3.28 DUALITY OF ROLES

The OECD principles on corporate governance expect State-owned enterprises to observe high standards of transparency. According to these guidelines, good corporate governance principles require that the Chairperson's position to be separate from that of CEO. However, in the US it is common to have the same person holding the two positions despite the risks involved. Those who argue for non-separation of roles believe in the stewardship theory and believe that putting the roles in one individual could help to avoid management conflicts. It also provides a better understanding of the operational issues, less decision-making hurdles, better integration of strategy and tactics, clearer direction and better decision making. Following the Enron case, some analysts pointed to the dual role of Arthur Anderson as board chair and chief executive officer as a major contribution.

On the other hand, those concerned about the combination of the roles argue that it is hard for the other board members to challenge a powerful CEO/chair. Independent board members can be cowed and neutralized and the evaluation of the entity, board and executive performance becomes biased. They further argue that combination creates two ineffective positions requiring strong communication and human interactions to achieve concerted action.

The argument is, to provide for better checks and balances with the underlying issue being that there is irreconcilable conflict between monitor and executer. However, there is growing consensus that the benefits of separation, outweighs the drawbacks (Frederick, 2011). When the roles are separated, there is need for close cooperation, mutual trust based on clear understandingand respect of their different functions.

In the Zimbabwe Framework for Corporate Governance in State Enterprise and Parastatals, it is stated that to avoid conflict of interest the role of the chairperson and the CEO cannot vest in oneperson.

3.29 ROLE OF THE BOARD

The board is defined as the relationship between the shareholders and management entrusted with the day to day responsibilities of the organization (Styles and Taylor as cited in Okapra, (2011). Tricker (2009), identified four basic functions of the Board, accountability, supervision of executive activities, strategy formulation and policymaking. In a two-tiered board system, the supervisory board is responsible for conformance and compliance while the executive board is responsible for performance.

The role of the board is central to corporate governance as it provides the bridge between owners of corporations and management and is responsible for providing oversight over the running of firms. The OECD Principles provide additional guidance on the role of the Board of state-owned enterprises.

The board should be assigned a clear mandate, should have the authority to act on behalf of theowner. They should have:

- The power to appoint and remove the CEO;
- Review and guide corporate strategy;

- Monitor the effectiveness of the company’s governance;
- Select, monitor and, if necessary, replace executives;
- Align remuneration with the longer term interest of the company;
- Ensure formal and transparent board nomination practice;
- Monitor potential conflicts of interest.

The Cadbury report identified some of the roles of the board as:

- Taking strategic and policy decisions and ensuring their implementation.
- Approve mergers and takeovers, acquisition and disposal of assets and approve loans.
- Ensuring effective communication of its strategic plan.

The boards of SOEs should be assigned a clear mandate and ultimate responsibility for the company’s performance. The board should be fully accountable to the owners, act in the best interest of the company and treat all shareholders equitably.

In the Corporate Governance Framework for SOEs, board is responsible for:

- Establishing a corporate strategy for the state enterprise.
- Ensure the SOE has a strong management team.
- Ensure SEP’s shareholders and stakeholders are informed to its progress and financialposition.
- In concurrence with the shareholder appoint the CEO/MD/GM/DG and other senior management.
- Ensure that an effective succession plan is in existence.
- Ensure effective risk management, internal control and internal audit processes are inplace.
- Ensure safety, health and environmental policy is in place.
- Ensure a human resources policy is in place.
- Ensure that a code of conduct for directors is developed and complied with.
- Ensure SEP complies with all applicable laws.

3.30 FUNDAMENTALS OF AN EFFECTIVE BOARD

In an effort to find possible solutions to improve the efficiency and effectiveness of boards of SOEs, this study examines five elements considered vital to an effective board. The selected elements are role, selection and appointment, composition, remuneration and evaluation of the board. The selection of the critical aspects was based on previous research which identified them as the major components of board effectiveness (John K and Senbet L W, 1998). It is important to note that it is beyond the scope of this thesis to discuss these elements in detail. Only certain aspects of the elements, as they relate to the effectiveness of boards of Zimbabwean SOEs, are focused on. In addition, the general enforcement mechanisms put in place to encourage compliance with good corporate governance are examined and their effectiveness reviewed(Berglof E and Claessens S, 2014).

3.31 ROLE OF THE BOARD

Corporate governance must be evaluated not only in terms of rights, but also in terms of duties and responsibilities (Fernando A C, 2009). As an example, shareholders and the board are expected to perform certain duties in the accomplishment of company objectives. The shareholders contribute to corporate governance by virtue of their obligation to "appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place" The UK Corporate Governance Code, (2014). The shareholders also have a duty to behave responsibly by attending general meetings, voting, and exercising their authority within the organization (Gillan S L and Starks L T, 2000). After appointing the directors, the shareholders expect the former, particularly executive directors, to carry out the day to day management of the company and to ensure that the company observes good corporate governance (Colley.J L et al, 2003).

The extent of the power exercised by and the legal responsibilities of directors vary with the nature of the organization and the jurisdiction within which it operates (Davies P L, 2014). In the past, directors' duties in many common law jurisdictions were owed almost entirely to the company "(Mann R and Roberts B (2015) and Harvey D, McLaney E and Antrill P, 2013) and its members, and the board was required to carry out its duties for the financial benefit of the company (Friedman M, 2015). However, recently efforts have been made to provide for more scope for directors to act as good corporate citizens by considering a wide range of other stakeholders' interests (Mason C and Simmon J, 2013) and the impact of their actions and decisions on the societies and environments in which they operate (Freeman R E and Evan W M, 1990). The directors should thus, whilst seeking to maximize profit for the company, exercise their duties in the best interests of the company, all other stakeholders and the environment (Keay A, 2007).

In most common law countries, directors are subjected to various duties which include statutory and common law duties (Davis G and Whitley D, 2009). In undertaking these responsibilities, directors are bound by a fiduciary duty and a duty of skill, care and diligence to the company (Davies P Gower and Davies, 2008). In a number of jurisdictions, the common law directors' duties of care and skill have become more stringent over time and have been codified in company legislation (Harner M M, 2013). The fiduciary duties include the duty to prevent a conflict of interests, (Langford T L and Ramsay I M, 2014), not exceed the limitation of their powers, (Watson S M, 2011), maintain an unfettered discretion (Ferran E, 1994), and exercise their powers for the purpose for which they were conferred (Davies P Gower and Davies). A director's fiduciary obligation entails that he should undertake his duties in good faith and in the interests of the company (Austin R P, Ford H A J and Ramsay I M, 2004). When a director acts in the company's interests, he should exercise whatever skill he has with the reasonable care expected from a person of his standing.

Furthermore, a director is prohibited from using his corporate position for personal gain or profit and from acting outside his powers (Davies P, 2008). Therefore, directors are obliged to act both within the powers of the company as well as within their fiduciary duties to the company (Adler A, 2014). But it is important to note that ordinarily, directors do not work individually. They act collectively as a board although they are empowered to delegate their powers to individual directors, a committee of the board, an officer of the company or competent specialists (Browne J and Vasudev and Watson S, 2012). Boards, as indicated above, play a crucial role in the successful governance of an enterprise as a number of views have been advanced as to what constitutes the board's role.

Nicholas and Newton ascribe three roles to the board namely; to monitor management (control role), to provide advice and links to external resource (service role); and to set overall corporate strategy (strategic role) (Nicholas GJ and Newton CJ, 2010). According to the OECD, the board is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance and overseeing major capital expenditure, acquisitions and divestitures. The new South African Companies Act introduced a shift in power in the company from the shareholders to the board (Visser C and Pretorious J T, 2014). Section 66 of the Companies Act provides that:

"*The business and affairs of a company must be managed by or under the direction of its board, which has the*

authority to exercise all the powers and perform any of the functions of the company, except to the extent that this act or the company's Memorandum of Incorporation provides otherwise".
Therefore, in South Africa, the board has been granted the ultimate power in the management of the company, subject the Company's Memorandum of Incorporation.

The United Kingdom *Corporate Governance Code* states the board as to:

"*Provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed, set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance .set the company's values and standards and ensure that its obligations to its shareholders and others are understood".*

Specific to the SOEs, the OECD (2004), notes that the board's role is to monitor management and provide strategic guidance in accordance with the objectives set by the shareholders.

However, the role of public entity boards is not as clear as that of private companies' boards due to a number of factors (Vagliasindi M, 2008). First, it has been found that these boards have not been fully empowered or are not sufficiently independent to discharge their duties mostly due to the legal status of the public entity, lack of clear policy objectives (Wilkinson N and Peddler S, 1995) and inadequate regulatory and legislative frameworks (Robinett D, 2006). In many cases, the responsibilities of a public entity board may be performed or greatly manipulated by government which is the 100% shareholder (Mwaura K, 2007). In some instances, it has been found that a government may usurp the power of the boards and run the public entity directly, circumventing the board altogether both through the influence of its board nominees and the objectives and directives given to the management of the public entity (Frederick W, 2011). The board is thus not empowered to address certain fundamental problems as a significant number of the issues that determine the success of the public entity's operations are under government control (Mwaura K, 2007).

For example, government may set and drive the strategy of SOEs; appoint and dismiss board members and the chief executive officer; approve executives' and board members' remuneration and approve financial and major capital expenditures of SOEs (Frederick W, 2011). This creates a complex situation in which various factors contribute to confuse the board as to its powers and their execution (IFAC, 2001). This also has the tendency of undermining the general "objective of reducing political interference" and increasing public entity independence (Robinett D, 2006). It further reduces transparency, as such directives may evade prescribed systems of control and make board accountability fundamentally worthless because the board may have very little to account for.

A second observation has been that public entity boards have customarily focused more on conformity with rules and compliance with the directives of government authorities than on performance and other strategic issues (Indreswri M, 2006) and Wicaksono A, 2009). The conformance mentality has been attributed to governance customs which encourage the setting of comprehensive quantitative performance targets and monitoring accomplishment against such targets as the best way to promote and administer the public entity for positive results (Nedelchev M, 2013). The challenge with focusing excessively on conformance is that boards and state owners may mistakenly believe that they are fulfilling their fiduciary functions yet they are neglecting more important issues such as the effectiveness of the overall business strategy (Bosch H, 2002). An example is a situation where the board may preoccupy itself with the budget setting processes and variations from budgets and plans at the expense of performance and risk management issues.

In the third instance, the absence of sufficient training programs to particularly train and develop public entity board members in many developing countries has significantly contributed to the ineffective discharge of the board's role (OECD, 2012). In some cases, boards of the entities are not properly inducted or tend to attribute little significance to training, especially with regard to their roles and corporate governance issues (Frederick W, 2011). Furthermore, at times board members have neither sufficient time nor the willingness to understand the intricacies of the business, its competitors and the industry environment (Bosch H, 1995). All these factors may compromise the quality of the board's performance and its effectiveness in achieving the objectives of the respective SOEs.

3.32 SELECTION AND APPOINTMENT OF BOARD MEMBERS

The performance of an entity depends largely on the capabilities and performance of its board (Ngoe A O, 2011). It is, therefore, imperative that the appointed directors should have relevant qualifications, background, experience, integrity, diverse skills and/or specialized knowledge to effectively contribute to the organization's business growth. The directors should be able to relate well with all stakeholders and have the ability to translate their knowledge and experience to the benefit of the organization in which they would have been appointed (Arguden Y, 2010).Recent corporate governance codes specify numerous conditions related to appropriate number of directors, diversity in terms of gender and race, their type (e.g. executive, non-- executive and independent directors), requisite skills and recommended restrictions on factors such as age and the number of boards on which directors should sit (Vagliasindi M, 2008). Also, the different codes have strongly advocated for increased transparency in the selection and appointment of board members of SOEs.

However, it has been found that, in a number of developing countries, transparent selection of competent board members and creation of effective boards may not be easily achievable (Vagliasindi M, Robbinett D, 2006).This has been found to be mostly as a result of the absence of specific guidelines for the identification and selection of directors and political interference in the board appointment process (Frederick W, 2011). In the majority of cases, public entity boards are occupied by people chosen for their political loyalty rather than business expertise, (Indreswari M, 2006), for example, senior government or military officials who do not possess relevant qualifications, appropriate technical or commercial skills and experience (Mwaura K, 2007). The same civil servants normally sit on too many boards thus weakening their capacity to learn the intricacies of the business as well as attend to and monitor corporate events (Nellis J, 2006). To worsen the situation, sometimes the appointed board members end up seeking to protect the interests of their ministry or government thus weakening the public entity's corporate governance as well as negatively impacting on the effective implementation of the public entity'sstrategy and fulfillment of its mandate (Ludvigsen S, 2010).

The other established challenge has been that, in some cases, skilled persons are not willing to be appointed to public entity boards because of the excessive interference by governments in the operations of the SOEs which renders the board ineffective and also for fear of the reputational damages associated with being a board member in a poorly performing public entity (Vagliasindi M, 2008). The refusal by some professionals to be appointed as public entity board members exacerbates the already existing challenge in most countries of limited numbers of people who qualify to be board members (Okeahalam C C and Akinboade O A, 2003). Too short tenures and frequent changes in boards have also been found to be detrimental to the successful operations of SOEs (Indreswari M, 2006). For example, it has been found that, in most countries, a change in government is normally accompanied by enormous changes in public entity boards (Bulbuena S S, 2014). As a result of the cited challenges, transparent and merit-based selection and appointment of board members as well as board continuity have been difficult to achieve inmany countries.

3.33 COMPOSITION OF THE BOARD

Board composition is essential to its proper functioning and effective performance (Frederick W, 2011). Most corporate governance promoters acknowledge that board effectiveness is dependent on a properly composed board in terms of diversity, experience, skills and judgments of individual directors and the ways in which they relate as a board in seeking to accomplish organizational objectives (Roberts J, McNulty T and Stiles P, 2005). According to Roberts *et al,* board effectiveness is related to the degree to which non-executives acting individually and collectively are able to create accountability within the Board in relation to both strategy and performance. This means that it is crucial for board members to have interpersonal skills such as being able to work in a group and respecting each other's views if the board is to be effective (Hendrikse K, 1995).

The board members should also have skills and experience that enable them to significantly contribute to debates and respond to the requirements of the company. Thus, the composition of the board in terms of a suitable combination of skills, knowledge and experience (e.g. professional backgrounds and industry experience), board independence (ratio of executive and non-executive directors), size and diversity has been considered important in enhancing the effectiveness of the board (Leblanc R W, 2004). Although some empirical studies have found evidence of positive links between the composition of the board of directors and the performance of the organization, (Uadiale O M, 2010), other researchers have argued that there is a negative relationship (Erickson, 2005) or no prominent relationship between the composition of the board and the company's performance (Bhagat S and Black B, 2002). There has been no agreed position as to the impact of the composition of the board on the performance of the company either directly or through corporate activities thought to affect shareholder wealth (”Nicholson GJ and Kiel GC, 2007).

Promoters of good corporate governance recommend that there should be a sufficient number of independent non-executive directors on the board of directors to create a suitable balance of power and prevent the dominance of the board by one individual or by a small number of individuals (Coyle B, 2004). The other reason put forward in support of the recommendation is that a board composed of a majority of non-executive directors is more effective in that it is able to act in shareholders' best interest, critically review management proposals and control management decisions as the directors affiliated with management (Fairfax D (2010), (Scherrer PS, 2003). In addition, non-executive directors provide the company with opportunities to link with the outside world, thereby assisting it in securing essential resources and expanding networking (Weisbach M S, 1988), (Moloi S T M, 2008).

Another view is that, although non-executive directors are expected to operate independently from management, in practice, they are unable to effectively do so because they rely heavily on the same management to provide them with relevant information to make critical decisions (Turnbull S, 1997). Some researchers have argued that having non-executive directors on the board of directors could negatively affect firm performance due to the fact that non-executive directors may not have access to and adequate knowledge of the company, may have limited understanding of the complexities of the company and also may not be able to commit adequate time to the organization due to the nature of their appointments which are part-time (Schwatz M, Dunfee T and Kline M, 2005). According to this view, the presence of independent directors on a board is no guarantee for company success (Bhagat S and Black B, 1999). In support of their view, they argue that, although the boards of directors of Enron Corporation, Parmalat and WorldCom were varied with both inside and independent directors, the level of corporate oversight was still poor and the board members could not prevent the corporate failures (Dembinski P H et al, 2006), Gwillliam D and Marnet O, 2009).

Therefore, the results of studies investigating the relationship between the existence of non- executive directors on the boards of companies and company performance have not resulted in a conclusive position (Fauzi F and Locke S, 2012). But, it is apparent that proponents for good corporate governance have revealed a clear preference for boards composed of a majority of non-executive directors for the main reason that this promotes a wider perspective, minimizes potential conflict of interest and allows for greater objective decision making (Ongore V O and K'Obonyo P O, 2011). The other area that has been of interest with regard to board composition is the effect of the size of the board on its effectiveness. Attempts to establish whether a direct or indirect correlation exists between the performance of a company and the size of the board has also been inconclusive (Coles J, Daniel N and Lalitha L, 2008).

Some commentators have agreed that boards with diverse members in terms of skill, gender and experience are better able to respond more rapidly to challenges of an uncertain and dynamic business environment (Daily C M, Certo S T and Dalton D R, 1999). They argue that diversity enhances the board's flexibility in its decision-making process due to a wider set of perceptions and views as well as unique and different experiences (Wang J and Dewhirst H D, 1992). Accordingly, a large and diverse board is better able to initiate and implement more extensive policies, strategies, activities and projects (Cox T H and Blake S, 1991). In support of this view, other researchers suggest that the size of the board increases with the complexity and diversity of the company, hence large boards may be appropriate in complex and larger corporations where more resources and expertise are required to maintain sufficient contacts with the external environment (Boone A, 2007, Eisenberg T, Sundgrren S and Wells M T, 1998). Moreover, a small board has the disadvantage that it may be easily manipulated by the chief executive officer (Jensen M C, 1993).

On the other hand, some authors have suggested that large boards can be less effective than small boards because small boards provide a greater opportunity for each director to contribute substantively to the discussions and the decision-making processes (Lipton M and Losch J W, 1992). Their main argument is that while the board's capacity to monitor performance may be enhanced if the number of directors is increased, the benefit may be outweighed by the incremental cost of poorer communication and bureaucratic processes associated with larger groups (Uyar A, Kilic M and Bayyurt N, 2013) . In addition, it is argued that a large board encourages laxity and free-riding among directors as far as the monitoring of the public entity's strategy implementation and effectiveness of management is concerned (Yermack D, 1996). Thus, it has been found that limiting its size may improve board effectiveness. The above contradictory arguments are a clear indication that there is no prescribed right or optimum size of a board, but that the board size should be determined by the specific needs of the organization (Coles J Daniel N and Lalitha L, 2008). It seems that the number that is popularly considered sufficient for a public entity board to be effective is between six and ten as shown in the statutes creating some SOEs (Uhrig J, 2003).

In addition, corporate governance experts support the view that, given the current dynamic global business environment and the emergence of greater power being assigned to a wider set of stakeholder groups, greater demographic diversity (Garba T and Abubakar B A, 2014) amongst members of corporate boards may lead to improvements in a company's performance (Daily C M, Certo S T and Dalton D R, 1999). In particular, one demographic characteristic that has been recognized as beneficial to the company is the representation of women on boards (Miliken FJ and Luis L M, 1996). Unfortunately, similar to the above aspects, research findings on the relationship between the percentage of women on boards and company performance have also been rather conflicting (Ekadah J W, 2009).

On the one hand, it has been argued that there is a positive relationship between the percentage of women on a board and the company's performance (Burke RJ and Mattis M C, 2000). As such, it has been found that boards with women performed much better in terms of governance and share price performance than those with only men (Curtis M, Schmid C, Struber M, 2012). The main reason for this argument is that differences in the gender backgrounds of directors can add different sociological perceptions and understandings to strategy formulation and decision- making processes (Brammer S, Milington A and Pavelin S, 2009). As an example, some researchers found that female directors on a company's board may assist in facilitating strategic change, increase financial performance and provide greater idea generation and innovation. Robinson and Dechant (2015) argue that gender diversity leads to creativity and innovation (DuPlessis J J, Saenger I and Foster R, 2012), as well as enable effective market penetration through matching the diversity of directors to that of customers and employees (Robinson G and Dechant K, 1997).

Others found that female directors are more concerned and give greater emphasis to social welfare, legal protection and transparency in government and business than male directors (Du Plessis J J, Saenger I and Foster R, 2012). Similarly, others argue that, by virtue of their position at the top of the corporate hierarchy, female directors can serve other corporate women in various ways, as role models, as mentors and champions for high-performing women, and as promoters of the recruitment, retention and advancement of women (Bilimoria D and Piderit SK, 1994), in organizations. In support of these views, a significant number of corporate governance codes and statutes have given prominence on the need to promote and observe gender equality in organizations and society at large (examples of legislative instruments that encourage gender equality are the Denmark Act on Gender equality). Furthermore, a number of international and regional instruments have been put in place to promote gender equality and women empowerment.

Contrary to the above, it has been shown that women's impact on company performance is negative (Adams R B and Ferreira D, 2009). The main argument has been that gender diversity on the board may negatively impact the organization's performance because it may increase the likelihood of intra- group conflicts resulting in slower decision-making processes (Goodstein J,Gautam K and Boeker W, 1994) . In addition, it was found that women are more risk averse than men in financial decision making which may adversely affect the organization's resource allocation (Richard O C et al, 2004). Another view is that increased gender diversity may negatively affect the performance of a company as women tend to increase costs due to higher turnover and absenteeism (Cox T H and Blake S, 1991).

Some researchers fail to establish a meaningful relationship between the presence of women on the board and company performance (Campbell K and Minguez-Vera A, 2008). These researchers concluded that companies employing female board members perform neither significantly better or worse than firms with no female board representation (Mkhize M and Msweli P, 2011). The main reasons for failing to establish a relationship was said to be the low number of women that were actually on the boards and the fact that women were disadvantaged by the type of assignment they were traditionally given whilst on the board (Bilimoria D and Piderit S K, 1994). The other observation was that, women managers tend to be scrutinized and cruised more than men, and they tend to be evaluated less favorably, even when performing as effectively in exactly the same leadership roles as men (Ryan M K and Haslam S A, 2007).

From the above, it is clear that there is no conclusive position on the relationship between the board composition and company performance. In spite of the conflicting views, it seems like the majority opinion is in favour of some relationship existing between board composition and company performance. The view is supported by the prominence this aspect has been given in international codes of corporate governance like the OECD Principles of Corporate Governance, ICGN Principles, CAGG Guidelines, and other country specific codes like the King Report, UK Corporate Governance Code, Malawi Code of Best Practice for Corporate Governance. However, achieving the most appropriate board composition for a public entity remains a difficult matter.

First, it has been established that there is a limited number of professional and experienced people from whom to select appropriately qualified directors resulting in inexperienced board members being selected. Secondly, board members are sometimes appointed for political reasons rather than business experience, for example, senior government officials who do not possess relevant qualifications, appropriate technical or commercial skills and experience have been seconded to SOEs to represent government interest (Mwaura K, 2007). Such actions haveresulted in a poor skills mix in boards thus causing ineffectiveness.

A third challenge has been that board gender diversity has not been achieved mostly due to negative perceptions on the capabilities of female board members, stereotyping and mere lack of willingness to implement government's policy on gender promotion (Curtis M ,Schmid C and Struber M, 2012). It has also been argued that women do not tend to be as ambitious in terms of professional development as men. Women have fewer acquaintances on professional networking platforms which reduces their opportunities of board appointments. With regard to board independence and size, research has found that most countries do not experience challenges because the statutes enabling the creation of the entities normally stipulate the number of directors of which the majority are non-executive directors, with the chief executive officer beingthe only executive director.

3.34 REMUNERATION OF DIRECTORS

The structure and level of remuneration is another contentious area with contradicting views on whether directors are, in general, appropriately or excessively remunerated (Ferrarini G, Moloney N and Ungureanu M C, 2010). On the one hand, some commentators believe that board remuneration, especially in SOEs, is not sufficient to attract as well as to motivate directors to offer their maximum efforts towards achieving organizational objectives (Mwaura K, 2007). This is so, especially considering the increasingly high level of obligations required from them and the potential legal liability and reputational risks (Robinett D, 2006). They also argue that, apart from demoralizing directors, poor remuneration discourages them from complying with strict business principles and practices. On the other hand, some commentators are of the opinion that directors are excessively paid, especially considering the fact that, in most cases, their remuneration is not linked to their performance (Theunissen P, 2010).

The main argument is that directors are paid the same packages whether or not the company performs well, which does not make much business sense (McCahery J and Renneboog L, 2001). Non-performance related remuneration could result from directors or managers "who may rationally sacrifice shareholder value in pursuance of their own" personal interests (Bebchuk L A, Fried J M, Walker D I, 2002). This is because managers are better informed on investments and company prospects than the shareholders. Nevertheless, it has been considered imperative that the level of remuneration for members of the board should be sufficient to attract and retain the quality and calibre of individuals needed to run the organization successfully (Bhattacharya A W A and Thakor A V, 1998). At the same time, it has been suggested that the structure of an individual's remuneration package should motivate the individual towards the achievement of performance that is in the best interests of the company, its stakeholders and those of the individual (Talha M, Salim A S A and Masoud S, 2009). Thus, it is strongly recommended that directors' remuneration should be fair and linked to individual and company performance in order to align their interests with those of the shareholders. To assist in the achievement of fair remuneration for directors, most corporate governance codes recommend the establishment of remuneration committees whose main role is to assist the board in determining and administering remuneration policies in the company's long-term interests.

Despite the general acknowledgement that directors need to be adequately remunerated as a performance motivational tool, it has been found that the challenge is that, in most countries, public entity boards, in comparison to their private sector counterparts, are not adequately remunerated (Wicaksono A, 2009). First, the remuneration paid to the public entity directors is far below market levels when considering the responsibilities involved and the competencies and experience required. One of the reasons established is that the responsible government authorities regulate and prescribe remuneration packages without taking into account the prevailing market conditions (OECD, 2012).

In some cases, for example in Australia and Turkey, independent statutory bodies have been set up to determine board remuneration payable to board members of certain SOEs (OECD, 2005). However, it has been established that, whilst government control may be essential to prevent the SOEs boards from abusing the entities' funds and excessively paying themselves, poor remuneration makes it difficult for the entities to attract experienced directors who are able to add the highest value (World Bank, 2014). To further complicate matters, boards may be compelled to cushion themselves by holding unnecessary board meetings so as to earn sitting fees thus enhancing their remuneration.

Secondly, it has been argued that the remuneration paid to directors is, in most cases, not linked to achievement of performance targets (Bebchuk L A, Fried J M and Walker D I, 2002).
Directors are, therefore, assured of obtaining their full remuneration regardless of ineffectively discharging their duties and not achieving organizational goals (McCahery L and Renneboog L, 2001). It has been established that the main reason for non-recognition of performance is that most public entity boards do not have clear policies on performance measurement and the responsible authorities sometimes do not have the capacity to effectively evaluate the boards' performance so as to determine the appropriate remuneration (Budiman A, Lin D and Singham S). A third observation is that, in the majority of situations, the remuneration committees of public entity boards have minimal say on directors' remuneration as their function is, contrary to good practices, just to make recommendations to the relevant government authority which has the final say (Frederick W, 2011). The non-executive directors' remuneration is, thus, more or less dictated by government authority. Therefore, if board effectiveness is to be improved, governments need to do much more to ensure that board remuneration is commensurate with the level of expertise required, the enormous board responsibilities and the liability risk associated with being a public entity board member.

3.35 EVALUATION OF BOARD PERFORMANCE

It seems to be internationally acknowledged that board performance needs to be regularly monitored and evaluated. Although board evaluations are mostly common in large private sector companies, they have gradually become more prevalent in SOEs (Frederick W, 2011). The need to monitor and measure board performance has become more widespread because the board is increasingly held accountable for corporate performance and there is an increase in shareholder activism resulting in investors demanding more from boards than before (Kiel GC, Nicholson GJ and Barclay MA (2005), Frederick W, 2011). In addition, the increase in media and community scrutiny and lawsuits against boards or individual directors has also reinforced the general public expectations that boards should be held accountable for the performance of the companies they preside over. Board scrutiny has also increased due to the escalation in corporate collapses and the increase in board autonomy, which has limited the government's ability to directly assess the performance of boards (Kiel GC, Nicholson GJ and Barclay MA (2005), Frederick W (2011)). Performance evaluation is essential for two reasons. First, it serves as means by which boards can identify strengths, areas of improvement, corporate governance problems as well as particular skills that will best increase board effectiveness and add real value to shareholders and their organizations (Kiel G C and Nicholson G J, 2005). In a similar way, board evaluations are a useful incentive for individual board members to devote sufficient time and effort in carrying out their critical functions, and for the board as a whole to really be the strategic leader and monitor of the public entity (Kiel G C and Nicholson G J). The second benefit derived from evaluation of board performance is that it enables the responsible authorities and other interested stakeholders to assess whether the board is effectively performing its duties in the best interests of the organization and thus enables the former to act accordingly (OECD. 2012). At the same time, the evaluation process enables those responsible for appointing board members to recognize necessary competencies and board member profiles as well as the director development activities essential to address any skill gaps in the boards (Atkinson T and Carter C, 2015).

The enormous benefits of board performance evaluations have caused some commentators to call for and some countries to implement compulsory board performance appraisals to promote board effectiveness, corporate transparency and accountability (Kiel G C and Nicholson G J, 2005). However, internationally, the majority of the corporate governance codes or reports left it to organizations to voluntarily implement board evaluations, although they make specific recommendations on such evaluation. Most board evaluation systems concentrate on the agents performing the evaluation (e.g. self-evaluation, consultants), the issues to be assessed (e.g. accountability, knowledge and contribution), the stakeholders involved (e.g. shareholders, major customers), the way the evaluation is performed (e.g. interviews, observations, surveys) and for what purpose the results are used (e.g. review corporate governance processes, review of board composition and performance) (Clarke T and Klettner A, 2014).

Despite the general agreement on the necessity of evaluation of board performance, it has been found that the majority of SOEs seem to be lagging behind in so far as implementation of systematic and consistent board evaluations is concerned, (Simpson SNY, 2013). Moreover, in some cases where board evaluations have been improperly conducted, they have caused disharmony in the boards and between the board and management (Kiel G C and Nicholson G J,
2005). The first challenge has been identified as lack of formal board evaluation systems in the majority of the SOEs (Filatov A,Tutkevich V and Cherkaev D , 2014). Most governments, especially in developing countries, were found to have no objective and standardized evaluation of board performance tools in place which makes it difficult to conduct effective board performance assessments (World Bank, 2014). The second challenge has been the setting of incomprehensive, uncoordinated and vague performance indicators and lack of capacity to conduct performance assessment by the responsible authorities.

Too much interference by governments on operational issues of SOEs has been established as the third challenge (Wong S C Y, 2004, Salleh M F M and Ahmad A, 2012)). Governments tend to interfere with operational decisions which, under normal circumstances, should be the prerogative of the boards, for example, the appointment of senior managers like the chief executive officer (Robinett D, 2006). The resultant challenge is that managers may be appointed on criteria other than managerial skills and executive leadership which compromises the efficiency of the SOEs (Sule O E and Ugoji I E, 2013, Ireri E, 2009). Similarly, the appointment of directors without considering the relevancy of their skills and competences creates challenges for boards to effectively discharge their duties (Indreswari M, 2006). In addition, the numerous ministerial approval requirements (for example budget and strategic plan approvals) and delays in obtaining such approvals have the overall effect of constraining the ability of directors to make commercial and strategic decisions on a timely basis (Wong S C Y, 2004). The many issues beyond the board's control make it difficult to effectively measure its performance and to attribute poor performance of the entity wholly to the board.

A fourth challenge experienced by boards in effectively discharging their duties and achieving the entities' objectives has been found to be the high turnaround of directors which makes it difficult to achieve continuity, measure performance and does not allow boards to exercise any influence in corporate events (Vagliasindi M, 2008). In some cases, the dismissal of board members was undertaken without using any concrete performance data, but simply based on perception which makes it difficult to assess whether or not evaluation of board performance is at all important. Fifthly, due to the absence of transparency (timely and accurate disclosure) in SOEs, the shareholder and other stakeholders have not had access to sufficient and timely information about the operations and financial position of the public entity such that they have been unable to effectively evaluate whether the board or management have effectively discharged their duties (Wickberg S , 2014).

Evaluation of board performances has been complicated further by the requirement for SOEs to accomplish numerous and contradictory objectives (Omasa J M M, 2014). The entities are expected to operate in a commercially efficient and profitable manner whilst required to provide goods and services at subsidized prices, create employment and to make other decisions "based on political rather than commercial criteria" (Ashipala S M, 2012). Thus, by acting in the best interest of a public entity, the board may violate the shareholder's social, economic or political goals. All these challenges make it complicated to evaluate and conclude whether or not a board has effectively performed its duties.
However, where board evaluations have been properly implemented, enormous benefits have been derived. As indicated above, the evaluation of board performance assists government authorities to assess the overall

functioning of the board, determine the characteristics that the board should have and, in doing so, to improve future board nominations and its supervisory functions. Board evaluations also assist the board to identify its weaknesses (the areas that need to be worked on), areas of strength and help it to cooperate more efficiently and to perform betterin future.

3.36 ENFORCEMENT OF CORPORATE GOVERNANCE COMPLIANCE

The King Committee made the following observation regarding compliance and enforcement: “all principles embodied in a code of corporate governance are effective only if adequate remedies and sanctions exist to enforce compliance with those principles. According to the Committee, rules are only as effective as their enforcement. This is also supported by Berglof and Claessens who found that corporate governance and enforcement mechanisms are "intimately linked" (Berglof E, Claessens S, 2004).

Originally, countries left the issues of corporate governance to self-regulation, but the continued increase in poor corporate governance practices and their disastrous consequences led a number of countries to consider self-regulation as insufficient on its own (Bhasin M L, 2010). For this reason, it was considered necessary to complement self-regulation with some legal and regulatory mechanisms, so as to encourage companies to comply with good corporate governance principles (Chu Ngum P, 2009). As a result, most countries have resorted to applying a combination of codes and principles on one hand, and legal and regulatory instruments on the other (Piccioto S, 2014). In fact, in a number of countries, it is obligatory to disclose and provide explanations where certain code recommendations are not observed. The countries have, therefore, not prescribed corporate governance behavior per se, but require entities to voluntarily implement the recommendations in the corporate governance codes and provide justifications fornon-compliance.

Some countries have resorted to a more prescriptive regulatory approach which makes compliance with good corporate governance principles mandatory (Picciotto S, 2003). These countries do not have national codes or principles under the “comply or explain” framework, instead, all corporate governance issues are covered by either laws or regulations (OECD, 2004). An example is the Sarbanes-Oxley Act (Jahmani Y and Dowling W A, 2008), which is legislation passed by the United States of America Congress to protect shareholders and the general public from accounting errors and fraudulent practices in the enterprises, as well as to improve corporate governance and accountability. Another example is the Securities and Exchange Board of India Act (Sarbanes- Oxley Act of 2002), which seeks to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market, all of which have a significant impact on corporate governance in India (Pujari S , 2015).

A number of researchers have strongly argued that an overly prescriptive approach as contained in the Sarbanes-Oxley and Securities and Exchange Board of India Acts might not solve the corporate governance challenges as there are restrictions to legislating on corporate governance (Anand A I, 2006). Much depends on the reliability and ethical values of the directors and management (Cunningham G M and Harris J E, 2006). One must above all, be wary of the temptation to believe that salvation can only come from the law to the extent that corporate governance, correctly understood, is more a matter of ethics than for regulatory restraint (Van den Beghe L, 2012). Policymakers, investors and other stakeholders have therefore, acknowledged that, although the law is necessary, it is not an adequate factor in coercing directors and management to comply with good corporate governance practices as even the strictest corporate governance standards may not be enough to restrain fraud and other corrupt tendencies.

From the above, it can be concluded that there is no single prescribed way of enforcing good corporate governance principles hence most countries have tried to match whatever enforcement mechanisms they consider necessary to their local environment (Trebeck K (2008), Langtry S, 2005). Corporate governance practices tend to reflect the country’s underlying cultural values (Miles L, 2010, see also Reyes M P, 2014). Transplanted laws may, therefore, not be as effective in addressing the corporate governance challenges, especially in developing countries (Berglof E and Claessens S, 2004, Graham D and Woods N, 2006). A similar argument on the applicability of transplanted laws has been made in respect of other areas of corporate law (Pretorius JT (1999), Havenga M, 2000).

Despite the acknowledgement of the need to enforce compliance with corporate governance principles, many countries, especially developing and transitional countries, do not have effective institutions to enforce such compliance (Millstein I M, 2014). This is mostly because few developing and transitional countries have "adequate courts, judges and public enforcement agencies, and the means for shareholders to institute legal actions on their own". As a result, enforcing compliance has not been effective enough to produce desired results in a number of countries as proved by the continued occurrence of corporate scandals and collapses.

3.37 CORPORATE GOVERNANCE AND BOARD EFFECTIVENESS

Fernando (1996), argued that many large corporations are multinationals, hence they impact on citizens of several countries in various ways albeit negatively. It is therefore, needed to create a corporate culture of consciousness, transparency and openness through a combination of laws, rules and procedures and voluntary practices to enable companies to maximize shareholders' long-term value, increased customer satisfaction and community benefit.

Gompers et al (2003), in his study of USA incorporated companies established that companies with better corporate governance strategies in terms of stockholder rights had returns that were 8.5% more than those with weak rights. Although the score for shareholders' rights alone were not adequate to improve board effectiveness and firm performance, it was proved that board effectiveness had contributed to enhanced firm performance. An investigation by Klapper and Love (2002), for the emerging stock markets established that sound corporate governance was highly correlated to better operating performance and higher market valuation.

In Zimbabwe, Mangena and Tauringana (2006), studied the relationship between quality of corporate governance and firm profitability for the Zimbabwe stock exchange listed companies. The results revealed that firm performance was positively related to the standards of corporate governance. They concluded that sound corporate governance strategies were required, especially for companies operating in unstable economies like Zimbabwe.

In a study by Drobetz et al (2003), on the Germany economy, it was proved that stock prices adjusted quickly to any changes in a company's corporate governance. They however, highlighted that components of corporate governance that markets responded to varied across countries, but the most important strategy was the nature of the board of directors' composition and effectiveness. Laixiang (1999), studied Chinese companies and established that the presence of independent directors was positively correlated to higher returns for the firms. However, no positive relationship could be established in other corporate governance indicators such as board size and shareholder activism. However, Smith (1996), found a positive relationship between shareholder activism and company performance in California. Smith (1996), in a study in Sweden arrived at the same conclusion.

Maher and Anderson (1999), concluded that, if corporate governance had no effect on firm performance then there would be no reason why most governments would show concern for enhancing their corporate governance policies. They analyzed other empirical studies and established that enhanced corporate governance was believed to lead to improved firm performance basically by avoiding expropriation of controlling shareholders and ensuring quality decision making. The existence of the principal- agency problem points to the need for corporate governance to ensure shareholder value as well as stakeholder value. Effectively, shareholder supervision of a company through boards of directors has proved to result in increased profit levels for companies (Frank and Mayer, 1994). Mayer (1994), concluded that the benefits of a large shareholder base outweighed the costs of low diversification opportunities.

Javed and Iqbal (2007), investigated the relationship between corporate governance indicators such as the board, shareholding, ownership, transparency and disclosure and firm performance. They established that board composition, and ownership and shareholdings had a positive impact on performance, whereas transparency and disclosure had no impact. Brown and Caylor (2004), studied US firms and found that better governed firms were relatively more profitable.

Gregory and Simms (1999), also established that good corporate governance contributes to economic growth because foreign investors are willing to pay more for well governed companies that have good board practices, provide information disclosure and financial transparency and have respect for the rights of shareholders.

3.38 CORPORATE GOVERNANCE FRAMEWORK FOR SOEs

The Corporate Governance Framework for SOEs was developed by the then Ministry of SOEs after a stakeholder workshop which was held in Kariba in 2010. The objectives of the frameworkwere to:

- Clarify relationships and reporting structures among stakeholders.
- Provide for transparency and role clarity in terms of responsibilities and accountabilities.
- Provide for financial reporting, internal checks and controls, risk management andcommunication requirements.
- Minimize conflict of interest.
- Improve efficiency and effectiveness in SOEs; and
- Provide for performance agreements, monitoring and evaluation of performance.

The framework was generic in order to be applicable to the diverse entities and their peculiar operating environment. It defined State Enterprises as those generally governed by the Companies Act and Parastatals as those governed by individual acts of Parliament. This may not be an accurate distinction of these SOEs given that the state-owned banks are governed by individual acts, yet they are sometimes characterized as SOEs.

In developing the framework, cognizance was taken of international codes of best practices such as King III Code of South Africa, the OECD Principles on Corporate Governance, the United States Corporate and Auditing, Accountability and Responsibility Act (Serbanes-Oxley) and its subsequent revisions, and the Malawi Code of Corporate Governance. However, the underlying concept of the framework was the philosophy of “Ubuntu” that carries the values of caring, sharing, inclusivity, compassion, and communalism. It is about self-respect, integrity and human dignity.

Although the framework was not legally-binding, state enterprises were expected to be guided by it. The framework covered among other things some of the factors of corporate governance such as:

- Role of the Minister/Shareholder;
- Role of the Board;
- Role of CEO, board size and composition;
- Tenure of the Board;
- Separation of Board Chairperson and CEO;
- Board Committees;
- Board remuneration;
- Frequency of meetings of the Board;
- Board Evaluation;
- Annual General Meetings;

- Protection of Stakeholders;

In terms of the Public Finance Management Act (Chap.22:19), every state enterprise was required to adhere to and implement principles of sound corporate governance, policies, procedures and practices. This means that these guidelines were not voluntary, but coercive.

3.39 LITERATURE SYNTHESIS AND CONCEPTUAL FRAMEWORK

In the literature reviewed, there are both narrow and broad definitions of corporate governance which have influenced different models of corporate governance in different countries. The narrow definition views corporate governance as management of a corporation in order to maximize returns for shareholders or providers of capital. The broader definition recognizes that firms do not just exist to create value to the providers of capital, but for the benefit of society at large.

The broader view is premised on the fact that the nature of modern short-term investments for quick profit makes it necessary for mechanisms to protect other stakeholders through monitoring the executives, using market-based mechanisms or through government's regulatory role.

Many theories on corporate governance exist in the literature with the main ones being the agency theory, and the stakeholder theory. The resource dependency, stewardship, political and ethical theories have also been gaining prominence in recent years and more theories continue to evolve. Although the agency theory continues to be the most prominent and the most widely publicized there is more realization that there are more constituencies interested in the long-term survival of businesses than the myopic shareholder view. In fact, there seems to be some growing consensus that with the changing nature of business transactions, corporate governance cannot be explained by one theory, but a combination of all the theories.

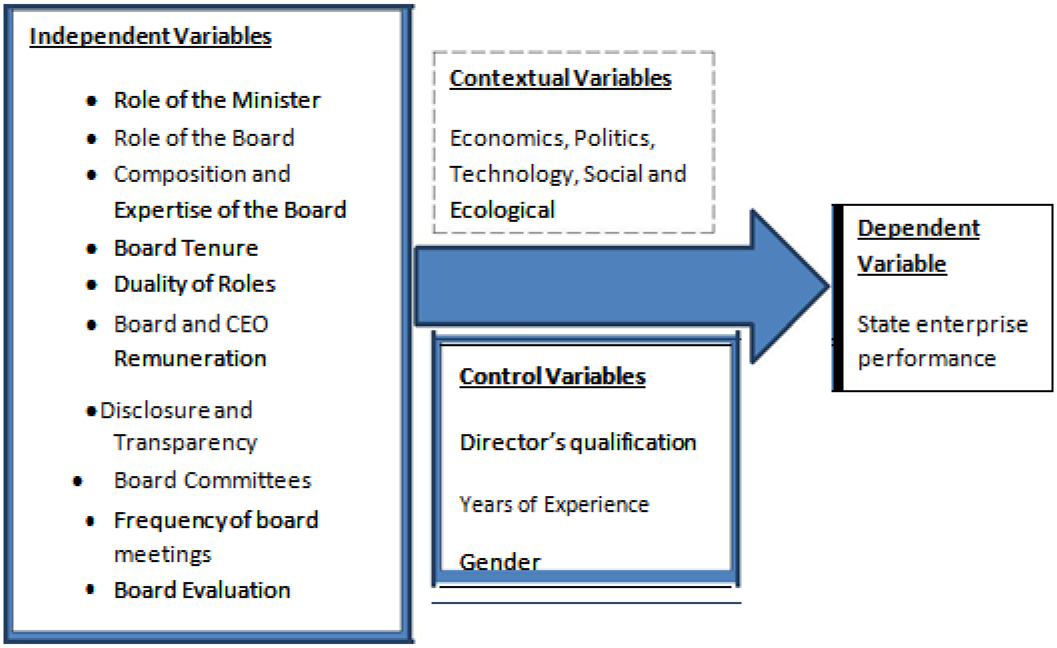
Various models of corporate governance around the world have been discussed. The two prominent models, the Anglo-Saxon model and the Continental European model are based on the agency and the stakeholder models respectively.

The literature review has demonstrated that corporate governance is important in enhancing the performance of firms both private and public and state-owned enterprises. However, it has been acknowledged even with the strictest regulations there have been infringements in corporate governance. It is therefore, important to look at new approaches to corporate governance that integrate existing theories and the subjectivity of social sciences. Literature has also demonstrated that SOEs face different corporate governance challenges from private companies due to their varied roles. In Zimbabwe, efforts have been made to improve corporate governance in SOEs based on international best practices. The following theoretical model will be used to analyze the relationship of various factors on corporate governance on the effectiveness of boards of directors in Zimbabwe's SOEs.

In Zimbabwe, there are several factors that impact on board effectiveness and the performance of SOEs. These include the lack of clarity of the roles of the Minister and the Board in managing the affairs of the given SOE. The political environment therefore, has an impact on the performance of state enterprises as Boards are appointed by the Minister and the CEO's appointment is subject to the Minister's approval. Under these circumstances, the independence of the board is questionable. Good corporate governance practices can help in clarifying roles and ensuring the independence of the SOE Boards, ensuring they are professional and properly constituted. The development of the Corporate Governance Framework for SOEs shows the Government's commitment towards improving their performance through good corporate governance.

The following conceptual framework will help in analyzing corporate governance of SOEs.

Figure 3:2 Conceptual framework



A number of factors of corporate governance have been selected and their impact on the effectiveness of SOE boards and the public entities Zimbabwe will be analyzed taking into account the contextual variables together with the control variables. A selection of performance variables that are measurable will also be identified. The contextual variables, Economics, Politics, Technology, Social and Ecological will not be included in the model because they were not considered necessary.

Corporate governance essentially concerns how organizations are directed, managed, controlled and held accountable to their stakeholders. The purpose of any corporate governance system is to concurrently improve corporate performance and accountability as a means of attracting financial and human resources and to prevent corporate failure. Following rampant worldwide corporate collapses, a number of international organizations have come up with guidelines and procedures on corporate governance to address the various challenges. SOEs have not been spared of the need to observe good corporate governance principles, especially considering their importance both economically and socially. A number of analysts and researchers have established that having an effective board is one of the key elements to a successful public entity. According to the literature analyzed, the effectiveness of the boards in SOEs is achieved through clear and comprehensively articulated roles, empowering boards to discharge their duties with minimum interference, transparent and proper appointment of directors, appropriately composed boards in terms of independence and diversity, evaluating boards' performance and payment of adequate remuneration to motivate board members to exert their best efforts. It has been established that the majority of countries apply a combination of self-regulatory codes and principles and legal and regulatory instruments. But, a number of countries, particularly developing countries, have not had adequate resources toeffectively enforce compliance with good corporate governance standards.

3.40 ZIMBABWE'S CORPORATE GOVERNANCE FRAMEWORK

Zimbabwe obtained its independence in April 1980. The country's first ten years of independence were characterized by rigorous policy making efforts to address inequalities and injustices created by policies before independence (Zhou G and Zhou H, 2012). However, in spite of the commendable efforts by the policy makers, the country started experiencing economic and social challenges in the 1990s, resulting in huge debts, (Bulbuena

S S, 2014), worsened poverty levels and retardation in economic growth (Saunders R, 1996). Since then, the country has implemented a number of policies to economically and socially resuscitate the country. Examples of the recovery programs are the Economic Structural Adjustment Programme (ESAP), (Zhou G and Zhou H, 2012) the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST),(Shizha E and Kariwo MT, 2012, Zhou G and Zhou H, 2001) the Short Term Emergency Recovery Programme (STERP). STERP was a 2009 emergency government stabilization programme, whose key objectives were to stabilize the economy, recover the levels of saving, investment, growth, and lay the basis of a more transformative mid-term economic programme that would turn Zimbabwe into a progressive development state. The Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset) was a Government economic blueprint that aimed to spearhead the turnaround and development of the economy over 5 years (2014 – 2018). Its main aim was to achieve sustainable development and social equity anchored on indigenization, empowerment and employment creation. It identified four clusters namely, food security and nutrition, social services and poverty reduction, infrastructure and utilities and value addition and beneficiation.

Figure 3:3 Zimbabwe corporate governance landscape

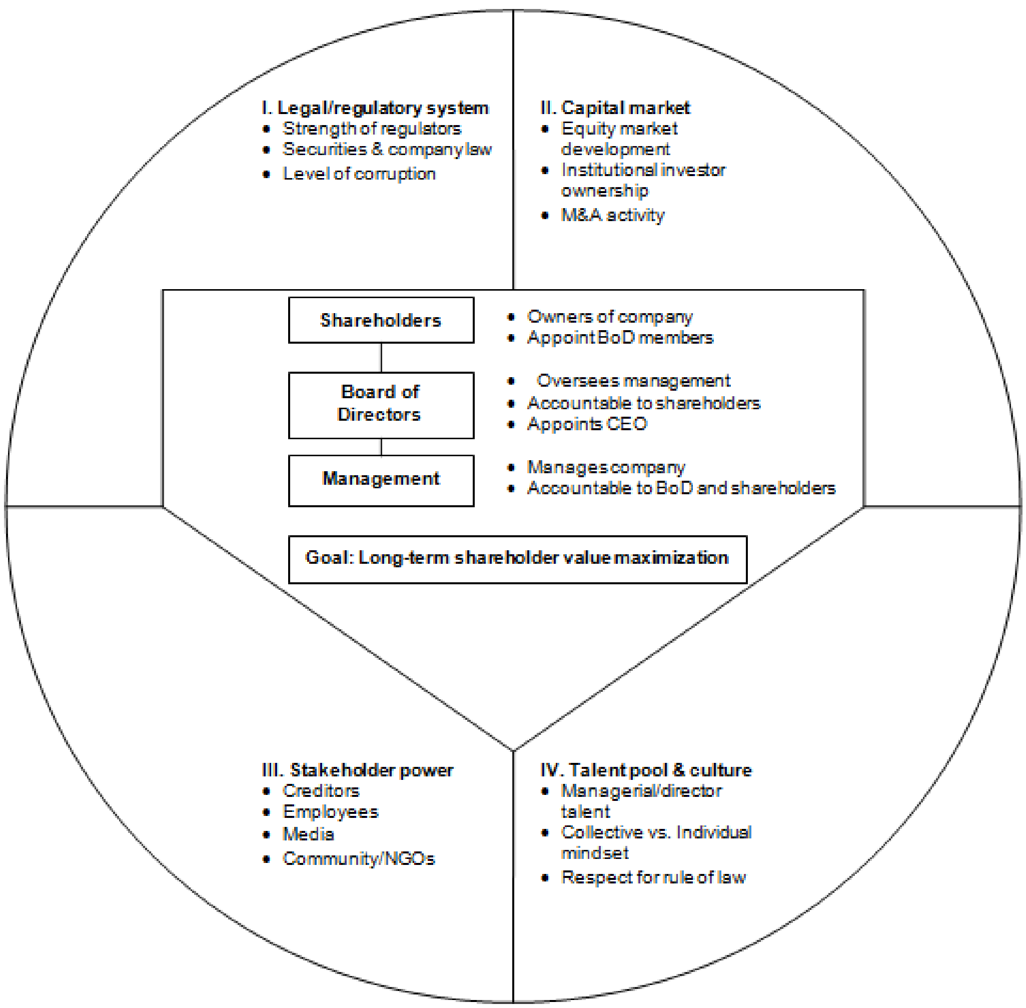
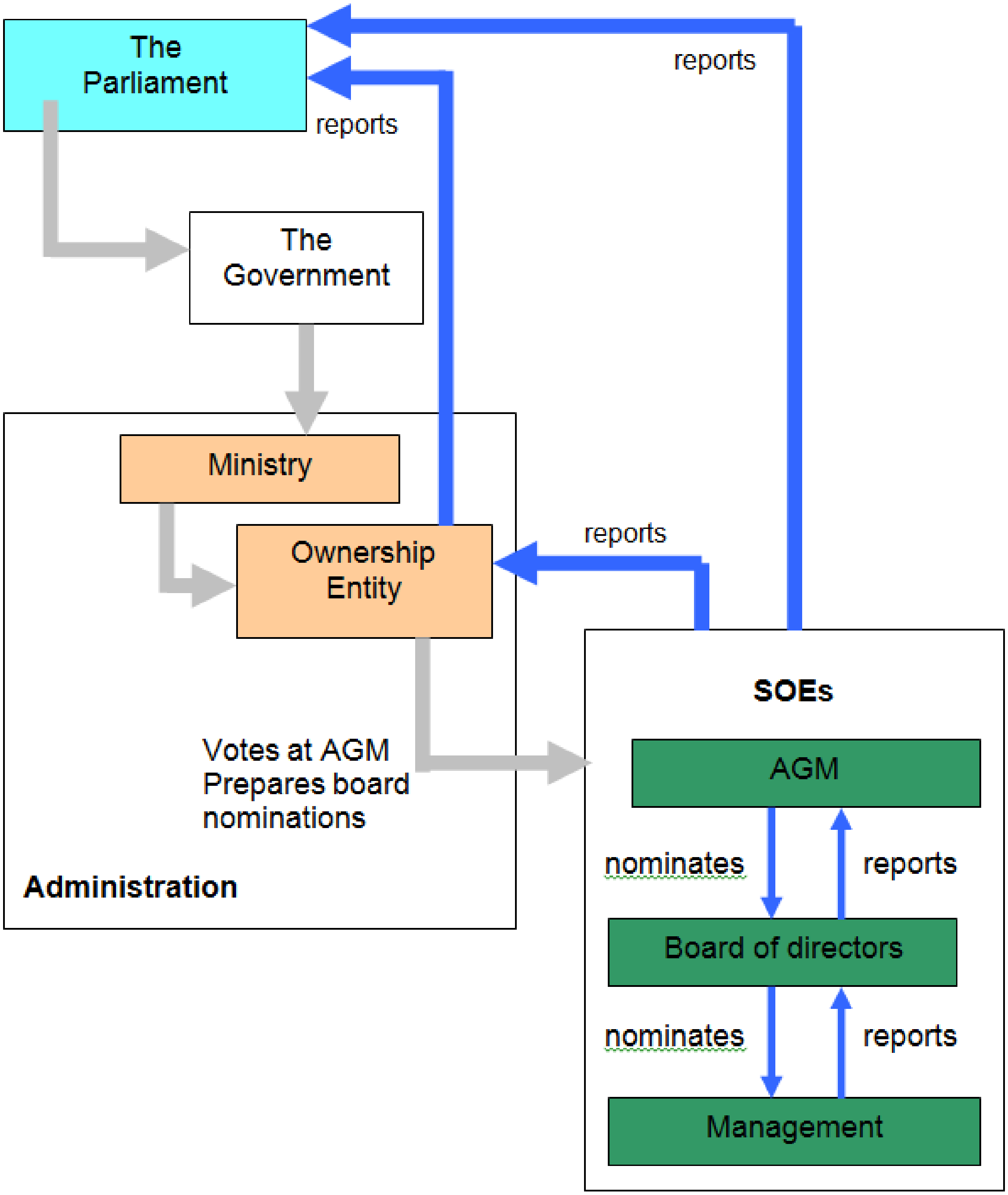


Figure 3:4 Relationships framework in the governance of Zimbabwe's SOEs



Source: McKinsey (2016)

Despite the significant number of policy initiatives, the country has continued to encounter a number of economic and social challenges. These challenges have not spared SOEs which have continued to be a drain to the fiscus due to poor performance financially and otherwise (Zvavahera P, 2014), (Makoshori S, 2015). Over the last two decades, a number of major SOEs have been found not to be financially sustainable and there have been revelations of increased misappropriation of funds allegedly due to a lack of efficient corporate governance systems (Mutanda D, 2014). Furthermore, the entities and the whole country have also experienced pressure from international investors who demand good standards of corporate governance before investing their monies

(Tsumba LL, 2004). The poor corporate governance practices by SOEs have adversely affected their service delivery and have retarded the economic growth and social development of the country (Zvavahera P (2014), Chisango F F T and Dube L G, 2015).

Following the economic and social challenges that Zimbabwe continued to experience and encouraged by international social and economic developments, the country made concerted efforts to restore investor confidence and enhance corporate transparency and accountability in its public and private sectors (Chenga N, 2013).

3.41 OVERVIEW OF CORPORATE GOVERNANCE DEVELOPMENTS INZIMBABWE

Governance issues are not alien to Zimbabwe as traditional chiefs have been recognized as custodians and fountains of knowledge of grassroots democracy as they make consultations with their council machinery or court system before taking any decision (Makahamadze *et al.*, 2009). Pre-colonial chiefs were custodians of peace and human rights. The end result was equitable distribution of resources, justice and harmony (Makahamadze *et al.*, 2009).

The prevalence of lop-sided corporate governance systems, accentuated by greed-driven and rent-seeking inclinations to graft, as well as lack of integrity, is cancerous (Gono, 2004). The rising tide of corporate governance around the globe left traces on the African continent. Corporate governance has attracted a great deal of attention since the mid-1980s when concerns about the way companies were controlled and held accountable were overshadowed by their commercial success unlike the 1970s, which had seen some trying economic struggles around the world (Crowther and Seifi, 2011). After the big corporate scandals such as Enron, Worldcom, Parmalat, and various other failures of global corporations, corporate governance has become the focal point and has increased to the role of business ethics (Rossouw, 2005; Crowther and Seifi, 2011).

The concept of governance is not a new concept, but has existed for many decades. Nowadays, words such as corporate governance, organizational governance or good governance have become so popular (Crowther and Seifi, 2011). The concept of governance has existed as long as any form of human organization has existed (Knell, 2006). The concept of corporate governance is merely to summarize the means by which organizations conduct themselves. Corporate governance has become a current buzzword the world over (Crowther and Seifi, 2011). Corporate governance has gained tremendous importance in recent years. In Zimbabwe, corporate governance has attracted a lot of attention since the financial crisis in 2003 (Muranda, 2006). Several companies have faced difficulties associated with corporate governance flaws in Zimbabwe. Of note are companies such as Air Zimbabwe, Premier Service Medical Aid Society (PSMAS), Zimbabwe Broadcasting Corporation (ZBC), African Renaissance Bank (AFRE), United Merchant Bank (UMB), ENG Capital and Barbican Bank. The major cause of these corporate scandals in Zimbabwe was centered mainly on poor corporate governance (Sifile *et al.*, 2014).

Zimbabwe which became independent in 1980 did not have a legislated national code of corporate governance along the lines of the King Code, Cadbury Code or Sarbanes Oxley Act until the Public Entities Corporate Governance Act was promulgated in 2018. Before this, corporate governance practices in Zimbabwe were regulated by the Companies Act (Chapter 24:03) and Zimbabwe Stock Exchange Act (Chapter 24:18), (ZSE) listing requirements, Public Finance Management Act (Chapter 22:19) (PFMA) as well as the rules of various professional bodies such as the Institute of Directors of Zimbabwe (IoDZ). The ZSE has adopted listing rules based on those of the London Stock Exchange (LSE) and the Johannesburg Stock Exchange (JSE). The IoDZ has been effective in enforcing corporate governance standards as derived from the United Kingdom Cadbury Report and the South African King Report. The Commonwealth Secretariat has worked closely with the IoDZ to provide training to directors and shareholders. From a commercial point of view, corporate governance standards are high in Zimbabwe, even though the fear is that the political governance standards might spill into the area of commerce. However, most SOEs in Zimbabwe have voluntarily adopted provisions of the King II Code while certain prominent members of IoDZ such as Anglo American and ALPHA Corporation have developed their own in-house corporate governance manuals.

Corporate governance is the system by which an organization makes and implements decisions in pursuit of its objectives. Simply put "governance of decision-making and the process by which decisions are implemented (or not implemented) (Crowther and Seifi, 2011). Crowther and Seifi (2011), define corporate governance as an environment of trust, ethics, moral values and confidence –as a synergic effort of all the constituent parts – that is, the stakeholders, including government, the general public, professionals, service providers, and the corporate sector. King (2010), notes that the term "governance ‟comes from the Latin word *gubernare* meaning „to steer‟ thus entails the manner of directing and controlling the affairs of a business enterprise. Thus, for business to be ethically sound, it should implement multi-faceted forms of corporate governance that may among other things involve internal and external stakeholders up to voluntary corporate governance responsibilities King (2010). The following definitions of corporate governance have been provided in Zimbabwe.

Corporate governance refers to the processes and structures used to direct and manage the business and affairs of an institution with the objective of ensuring its safety and soundness and enhancing shareholder value. The process and structure define the division of power and establish mechanisms for achieving accountability between board of directors, management and shareholders, while protecting the interests of depositors and taking into account the effects on other stakeholders, such as creditors, employees, customers and the community (Dhliwayo, 2004).

According to Mukute and Marange (2006), corporate governance is the system by which organizations, including Non-Governmental Organizations (NGOs), are directed, controlled and held to account. It focuses on policy, systems and direction, which is the primary role of the Board. Corporate governance also relates to organizational compliance with relevant laws and regulations and conformance to ethics, standards and codes of best practices. The focus of this article is to provide an overview of the current state of corporate governance practice in Zimbabwe. This overview of corporate governance in Zimbabwe will be outlined as follows; Methodology, Zimbabwe corporate governance books and articles, corporate governance training and workshops, corporate governance associations and consultants, findings and the article will conclude with some future prospects of corporate governance in Zimbabwe.

Zimbabwe responded to international developments and challenges of poor corporate governance practices by creating a solid corporate governance framework to mitigate further occurrences of corporate failure. In developing its corporate governance systems, Zimbabwe adopted a mixture of aspects of the corporate governance structures found in developed markets (La Porta R et al, 2000) and other developing countries (Moyo G, 2012). The corporate governance framework in Zimbabwe has been self-regulatory (Maune A, 2015). Although Zimbabwe has relied on a self- regulatory environment in its approach to corporate governance, some statutory institutions and instruments, such as the Zimbabwe Stock Exchange and the Public Finance Management Act, make it a requirement that specific entities comply with and subscribe to the recommendations of certain corporate governance codes.

The Institute of Directors of Zimbabwe (IoDZ) spearheaded the campaign to adopt principles enshrined in the *Cadbury Report,* the *Combined Code,* the *King Reports* of South Africa, the Malawi *Code of Best Practice for Corporate Governance* and other international corporate governance codes (Mangena M and Tauringana V, 2007). Technical assistance, to enhance the country's corporate governance, was provided by the International Finance Corporation (IFC), the World Bank, the African Management Services Company (AMSCO) and the Government of Denmark. Valuable insights were also drawn from the CACG Guidelines, ICGN Principles and OECD Principles of

Corporate Governance (Moyo G, 2012, Tsumba L L, 2004).

Zimbabwe also participated in and benefited from Africa specific corporate governance initiatives like New Partnership for Africa's Development, African Peer Review Mechanism, Africa Governance Forum and Africa Governance Inventory, (Tsumba L L, 2004). The African Development Bank and Centre for Corporate Governance programs targeted at promoting good corporate governance standards were of additional benefit in the development of the Zimbabwean corporate governance framework (AfDB, 2013). To further confirm its commitment to good corporate governance, Zimbabwe is one of the twelve African countries who are founder members of the African Corporate Governance Network launched in October 2013 (See chapter 3.5 above).

The corporate governance framework in Zimbabwe is determined by the Principles for Corporate Governance in Zimbabwe, Manual of Best Practices, the Constitution and various Acts of Parliament governing SOEs. There is also the Public Finance Management Act (PFMA), National Code of Corporate Governance, Corporate Governance and Public Entities Act, the Zimbabwe Stock Exchange Listing Requirements, common law and the Corporate Governance and Remuneration Policy Framework (Maune A, 2015). However, as indicated above, a number of organizations in Zimbabwe have adopted, in addition to the above instruments, corporate governance principles as outlined in other internationally recognized corporate governance codes and guidelines to promote good corporate governance (Maune A, 2015).

The first corporate governance instrument to be established by Zimbabwe, in 2001, was "*The Principles for Corporate Governance in Zimbabwe: Manual of Best Practices*". The Manual was produced by concerted efforts of several institutions and individuals under the leadership of Minor C A (African Management Services Company) and Van Hoestenberghe K (Carl Bro Group, Denmark). It was developed based on existing local conditions to ensure local ownership and participation. The main aim of the *Manual* is to encourage the highest standard of corporate governance in Zimbabwe by recommending standards of conduct for directors and emphasizing the need for responsible corporate conduct.

The other objectives are stated as to create an enabling environment for business and attract outside investment and to improve the institutional capacity to build good corporate governance in Zimbabwe. The manual focuses more on the qualitative rather than quantitative aspects of good corporate governance in that it extends beyond the existing legal and regulatory framework and seeks to identify key areas of good corporate governance practice which would be voluntarily and effectively applied by all companies, directors and management.

CONSTITUTION OF ZIMBABWE

Zimbabwe repealed its Constitution of 1980 and developed a new Constitution in 2013. The Constitution of Zimbabwe, which is the supreme law of the country, raises the quality of governance demanded of the Zimbabwean society and sets out corporate governance as an inherently vital part of a healthy and prosperous nation. The Constitution states that Zimbabwe is founded on respect for internationally accepted principles of good corporate governance. Section 9 of the Constitution provides for good governance. It states that the government must adopt and implement policies and legislation "to develop efficiency, competence, accountability, transparency, personal integrity and financial probity" in all institutions.

The same section states that public office bearers must be appointed based on merit and measures must be taken to "expose, combat and eradicate all forms of corruption" by such officers. In addition, section 195 of the Constitution provides that companies and other commercial entities owned or wholly controlled by the state must conduct their operations so as to maintain commercial viability and abide by generally accepted standards of good corporate governance namely transparency, justice, accountability and responsiveness, among others. Other examples of sections of the Constitution that seek to promote good corporate governance include sections 56(2).

The Constitution also borrows from the UN *Global Compact Guiding Principles* as regards the universally accepted principles in the areas of human rights, labor, environment and anti- corruption, factors which have a bearing on good corporate governance. The UN *Global Compact's Guiding Principles* are derived from the *Universal Declaration of Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the RIO Declaration on Environment and Development* and *the United Nations Convention Against Corruption.* The UN Global Compact was officially launched at UN Headquarters in July 2000 with nine principles and the tenth principle was added in June 2004 during the first Global Compact Leaders' Summit. The *Guiding Principles* seek to "provide an authoritative global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity". The *Guiding Principles* are a strategic policy initiative that is voluntary in nature and targeted towards businesses that are committed to aligning their operations and strategies with the ten universally accepted principles. Participating states are required to enact and enforce effective policies, legislation and regulations to align their operations and strategies with the principles.

3.42 COMPANIES ACT

The Companies Act (Chapter 24:03) has been in existence since 1951, although part amendments have been undertaken where considered necessary (Chianti T, 2013). The Act governs the constitution, incorporation, registration, management, administration and winding up of companies and other institutions and provides for regulation of powers, duties and remuneration of directors. It imposes a number of statutory duties on directors which, if properly observed, should result in good corporate governance practices. Although the Companies Act does not specifically provide for corporate governance, it ascribes liability on directors for conducting the business of a company fraudulently or recklessly and for falsification of information. It can be argued, for instance, that disregarding good corporate governance principles may amount tofraud and/or recklessness (Moyo N, 2010).

3.43 ACTS ESTABLISHING SOEs

In Zimbabwe, the majority of the SOEs are established through an Act of Parliament. Examples are the Minerals Marketing Corporation of Zimbabwe Act, Zimbabwe Mining Development Corporation Act, the Grain Marketing Act and Tourism Act 15 of 1995. The specific Act provides the main objective of establishing the public entity, how it should be governed and stipulates the functions, powers and duties of the entity. For example, the Grain Marketing Act provides that the public entity should be directed by a board, known as the Grain Marketing Board and the board should be appointed by the Minister, in consultation with the country's President. The Act further stipulates the entity's main objectives, functions, powers and duties. The establishing Acts make various provisions aimed at ensuring that the SOEs are properly governed.

3.44 PUBLIC FINANCE MANAGEMENT ACT (PFMA)

The PFMA (Public Finance Management Act (Chapter 22:19) (No. 11 of 2009), was enacted in 2009 to provide for the control and management of public resources and the protection and recovery thereof; the regulation and control of SOEs; general treasury matters; the examination and audit of public accounts and to provide for matters pertaining to financial misconduct of public officials. The PFMA requires every SOE to adhere to and implement the principles of sound corporate governance policies, procedures and practices. The Act provides for penalties for non-compliance with principles of sound corporate governance policies, procedures and practices which makes it mandatory for SOEs to comply.

3.45 ZIMBABWE NATIONAL CODE OF CORPORATE GOVERNANCE

The *National Code of Corporate Governance* (hereinafter referred to as *National Code),* was developed under the chairmanship of Dube C F, signed by the country's President in 2014 and officially launched in April 2015. According to the Chairman's words, "the crafting of the Code benefited immensely from the codes of other countries, such as South Africa, which have had national codes for a long time. This ensured that the Code would be comparable to the codes in countries which are our major trading partners and its principles and practices would meet international standards." The new corporate governance *Code* is expected not only to enhance the country's standing with the business community internationally and regionally, but also to help entrench sustainable practices through clearly outlined rules, responsibilities and benchmarks for measuring success, all of which ultimately stand to benefit the country over the long term.

The purpose of the *National Code* is precisely to assist business entities at all levels, regardless of the manner and form of their incorporation or establishment, address the corporate governance problems in Zimbabwe and to achieve favorable corporate governance practices which are respected internationally (Besada H and Werner K, 2010). The *National Code* adopts the "apply or explain" approach, which means that business entities should apply the provisions of the *Code* and, where they fail to do so, they should explain or give reasons for the failure or for adopting a different principle or approach. Although the country has adopted its own code of corporate governance, the *King Report, Combined Code,* OECD *Principles of Corporate Governance,* CAGG *Guidelines* and other corporate governance codes have been adopted or used as a basis for developing internal codes by a reasonable number of entities in Zimbabwe (Sifile O et al, 2014). To confirm this assertion, some organizations report that their operations are guided by universally recognized corporate governance codes like the *King Reports* and *Combined Code).*

3.46 PUBLIC ENTITIES CORPORATE GOVERNANCE ACT

The Public Entities Corporate Governance Act requires SOEs to adhere to prescribed reporting requirements, time frames and a host of accountability obligations. The Act places limits on the terms of office of chief executives and board members of SOEs, while also binding them to performance contracts. Appointments shall be on merit, and board members will be dismissed if they fail to draw up a strategic plan, or fail to comply with it. Remuneration has been capped for appointees and permanent secretaries are no longer allowed to sit on the boards of SOEs.

A Corporate Governance Unit, a department in the Office of the President and Cabinet, is being established to monitor and evaluate the performance of public entities and their leadership, with its head holding the same rank as a Permanent Secretary. Bosses at SOEs will have to declare assets and business interests exceeding $100 000 to the office of the President and Cabinet, and failure to comply will result in disqualification from working as a senior officer or to be on the board of an SOE.

Board members shall serve for a maximum of eight years, no one shall sit on more than two boards, and the primary basis for all appointments shall be merit. Ministers are required to notify the Corporate Governance Unit, in writing, and the justification for the appointments. Payments to the board members will be premised on the entity's financial capacity and the standards observed at organizations of a similar size and nature.
Board members will not be allowed to access loans or any other credit facility from an SOE in whose board they sit. CEO's will be appointed on merit via an interview process, be evaluated annually, and serve for a maximum of 10 years. According to Section 17 (1)(c), no chief executive officer shall, even if his or her performance has met such standards, be re-appointed after the tenth annual review, unless the President's approval of the re-appointment is obtained. Similarly, stringent conditions apply for other senior executives at SOEs. Total remuneration and benefits bill should not exceed 30% of the organization's revenue of operational budget for the prior year. Section 22(1) of the Public Entities Corporate Governance Act states that the board of every public entity shall, in accordance with the section, draw up a strategic plan for every SOE for which it is responsible, to set the entity's objectives and priorities for a period of between two and six years, as the board may decide. The Corporate Governance Unit will compile a report on the SOEs sector by the 1st of October of each year, and government shall present the report in parliament for scrutiny within 30 days.

3.47 CORPORATE GOVERNANCE FRAMEWORK FOR STATE ENTERPRISESAND SOES

The *Corporate Governance Framework for State Enterprises and SOEs* (hereinafter referred to as the *CGF)* was a result of a series of extensive stakeholder consultations and officially launched in November 2010. Regional and international best practices were taken into account in drafting the CGF. The Zimbabwean government introduced the *CGF* "after realizing that corruption and unethical behaviors were rampant" in SOEs (Zvavahera P, 2014). The main objective of the *CGF* is to "promote the efficient use of public resources and to require accountability for the stewardship of those resources" in order to enable SOEs to make a "positive contribution to the economy". The *CGF* provides the government, SOEs and stakeholders "with a common frame of reference on corporate governance issues" but is not mandatory. It is applicable to SOEs established through an Act of Parliament and to state enterprises registered under the Companies Act. The *Framework* was designed around four pillars of corporate governance namely; responsibility, accountability, fairness and transparency.

3.48 ZIMBABWE STOCK EXCHANGE LISTING REQUIREMENTS

The Zimbabwe Stock Exchange (ZSE) is a body corporate established by the Stock Exchange Act and has extensive regulatory powers (Mangena M and Tauringana V, 2007). It "provides facilities for the listing of the securities of companies (domestic or foreign) and provides its users with an orderly market place for trading in such securities and regulates accordingly". The ZSE is responsible for developing and periodically reviewing the *Listing Requirements*, thus ensuring legislative changes and market practice (locally and internationally) are accounted for.

The ZSE *Listing Requirements* apply to both applicants for listing and presently listed companies and are aimed at ensuring that the business of the ZSE is carried on with due regard to the public interest. The *Requirements* indicate, *inter alia,* the rules and procedures governing new applications, proposed marketing of securities and the continuing obligations of issuers. The *Listing Requirements* compel companies to include a statement in their annual reports indicating the extent to which they comply with "the principles set out in the Code of Corporate Practice and Conduct as set out in the King Report or Cadbury Report on Corporate Governance" to enable shareholders and potential investors to evaluate how the corporate governance principles have been applied. In cases where the recommended governance structures were not applied, the company is expected to provide an explanation for the non-compliance in the annual reports to shareholders.

3.49 CORPORATE GOVERNANCE AND REMUNERATION POLICYFRAMEWORK.

In 2014, Zimbabwe developed a draft *Corporate Governance and Remuneration Policy Framework* that governs the operations of state-owned enterprises and local authorities with regard to remuneration and corporate governance practices. The *Framework* was approved by Cabinet at its Fifth Meeting of 4 March 2014. The adopted policy framework is still to be enacted as an Act of Parliament (the Public Sector Corporate Governance Act), so that it can have the force of law and carry legal sanctions. Nevertheless, it is important to note that the SOEs have already been instructed by the government to implement the provisions of the *Framework* whilst awaiting its promulgation. The instructions were in the form of directives issued to the SOEs to start implementing the provisions of Framework.

In addition to existing laws and regulations governing operations of business entities, entities in Zimbabwe are also affected by rules and regulations of national voluntary business associations such as Chamber of Mines, Zimbabwe National Chamber of Commerce (ZNCC) and Confederation of Zimbabwe Industries (CZI) and professional bodies such as Institute of Bankers, Institute of Chartered Secretaries & Administrators and Zimbabwe Institute of Management (ZIM) among others. Membership to these associations requires that the individuals observe the rules and regulations thereof. These associations have greatly assisted in the reinforcement of professionalism and ethical conduct as members are obliged to observe these and other values, failure of which they are struck off the membership register.

In the discussion below, the provisions of the various Zimbabwean corporate governance instruments that seek to enhance the effectiveness of the boards of SOEs are discussed. In Chapter 7 it is considered whether these provisions have yielded positive results in assisting boards of SOEs to effectively discharge their duties.

3.50 ROLE OF THE BOARD

The necessity for good corporate governance ignited more interest in the duties of company directors (Bryne M, 2008 and Meyer E and Wet JH, 2013). A director is defined as including "any person occupying the position of director or alternate director of a company, by whatever name he may be called". With the objective of ensuring that the management of companies is in responsible hands, the Act prohibits certain people from being appointed as secretaries. Those disqualified include a body corporate, a minor or other person under legal disability, an unrehabilitated insolvent, a person previously convicted and sentenced for theft, fraud, forgery or uttering and a person disqualified by a court order under section 344 of the Act (Tengende V, 1988).

Most Memorandum and Articles of Association provide for the management of the company by directors who may act individually, corporately as a board or in committees (Christie RH, 1998). Directors can also delegate their powers to management or any other person, but such delegation does not exonerate them from personal liability. Any effort to relieve the directors from personal liability, whether by the Memorandum and Articles of Association, contract of service or any other means is rendered void by the Companies Act (Section 190 of the Companies Act, Also see Volpe PL, 1979). However, the court is empowered to relieve a director from liability if it can be proved that he acted honestly and reasonably.

Traditionally, Zimbabwean directors owed their fiduciary duties almost exclusively to the company and its members, but there has been a considerable departure from this traditional notion and the interests of other stakeholders are now part of directors' fiduciary duties (Sifile O, Susela D K S, Mabvure J T, Chavunduka M D and Dandira M, 2014). In Zimbabwe, directors derive their powers from the Companies Act, the enabling statutes (in the case of parastatals or state-owned enterprises, common law, (Nkala J and Nyapadi T J, 1995), the company's Memorandum and Articles of Association, PFMA, Stock Exchange *Listing Requirements* as well as corporate governance codes. Directors' duties are categorized into fiduciary duties of good faith and the duty to act with the necessary care and skill when performing company duties (Christie R, 1998 and Nkala J and Nyapadi T J, 1995). The directors must act honestly, in good faith (*bona fide)* and in the best interests of the company (Christie RH, 1998, L Piras & Son,1993). The duty to act in good faith in the interests of the company applies equally to all directors, whether executive or non-executive.

The Companies Act specifically provides that directors have the duty to act in good faith, duty to act in the interest of the company, duty to disclose the directors' emoluments and pensions and duty to declare interests in contracts. The duty to act in good faith includes the duty to prevent a conflict of interests, not exceed the limitation of their power, maintain an unfettered discretion and exercise their powers (Tett M,Chadwick N and Volpe PL, 1986) for the purpose for which they were conferred (Tett M,Chadwick N and Volpe PL, 1986). The duty to act in the interests of the company is reinforced by section 186 of the Companies Act which requires a director to inform his company of any personal financial interests he may, directly or indirectly, have in a contract which has been or is to be entered into by the company (Robinson v, 1921). The company must maintain a register of such interests. To ensure that directors observe this obligation, any director or officer of a company who fails to comply with any of the provisions regarding declaration of interest is guilty of an offence. The main reason for imposing penalties is to deter directors from deriving personal benefits at the expense of the company as well as to enhance transparency and independence (Moyo N J, 2010).

In discharging his duties, a director is also required to act with the necessary care and skill which an ordinary man might be expected to take in the circumstances (Christie R, 1998). He is, therefore, not expected to, in the performance of his duties, exhibit a greater degree of care and skill than may reasonably be expected from a person of his knowledge, skill and experience (Volpe PL, 1986). The Companies Act does not explicitly provide for a director's duty to act with the necessary degree of skill and care, but common law has been used to establish whether or not a director has exercised due skill and care (Tett M, Chadwick N and Volpe PL, 1986). A director who fails to observe his duty of care and skill is liable to the company for any loss suffered as a result of such failure (Section 190 of Companies Act imposes liability for negligent conduct of Directors Duties). A director may, however, be excused from liability if he took reasonably diligent steps to become informed about the matter, has no material financial interest in the matter or had properly disclosed such interest, and made a decision rationally in the belief that it was in the best interests of the company.

To assist the directors in performing their duties, the Companies Act provides for the appointment of a company secretary who should be ordinarily resident in Zimbabwe. The secretary qualifies as an officer of the company and therefore, is expected to, like the directors and managers, observe the statutory duties imposed on officers (Tett M, Chadwick N and Volpe PL, 1986). Because of the crucial role played by the secretary in the management of a company, the Act prohibits certain people from being appointed as secretaries, e.g. a minor or other person under legal disability, an unrehabilitated insolvent, a person previously convicted and sentenced for theft, fraud, forgery or uttering and one who has been removed by a competent court from any office of trust on account of misconduct.

The secretary's main role is to ensure that the company and its officers comply with the provisions of the Act and other relevant legislation (Tett M, Chadwick N and Volpe PL, 1986). Like the directors, the secretary may not be relieved of personal liability by the articles, his contract of service or other means. The secretary's other duties include convening meetings of shareholders and directors, writing and keeping the minutes, rendering statutory returns (e.g. the annual return in terms of section 123) and maintaining the statutory registers (e.g. register of directors' shareholding and register of directors and secretaries) as required by section 338 of the Act (Tett M, Chadwick N and Volpe P L, 1986).

Like the Companies Act, the statutes that established the SOEs require that the directors should perform their duties in compliance with the relevant legislation. Directors are also required to declare their direct or indirect interests with companies and institutions dealing with the entities they serve. Failure to observe any of the provisions may result in the directors being charged with misconduct and being stripped of their duties. The various Acts of Parliament which established the SOEs also detail the roles and responsibilities of each of their boards which are derived from the functions and the powers of respective the entities.

The Acts empower boards to source external advice and to meet the associated costs through the entity's financial resources. They also provide for all acts, matters or things authorized or required to be done by the board to be decided by majority vote at a meeting of the board at which a quorum is present. The board is further empowered, in consultation with the Minister, to establish one or more board committees for the better exercise of its functions and powers. The board committees should be properly composed and given clear terms of reference, so as to effectively conduct the business of the board.

Similarly, the PFMA provides that the board has fiduciary duties to "act with fidelity, honesty, integrity and in the best interests of the public entity in managing the affairs of the public entity" and "exercise the utmost care to ensure reasonable protection of the assets and records of the public entity". Directors are empowered to, in writing, delegate any of the powers entrusted or delegated to them under the Act to a committee or an employee of that public entity. However, similar to the provisions of the Companies act, such delegation or instruction shall not divest the directors of the responsibility for the exercise of the delegated power or the performance of the assigned duty.

The directors are also prohibited from using their position or any confidential information obtained by virtue of their position, "for personal gain or to improperly benefit another person". The Act also requires that the board should establish and maintain "effective, efficient and transparent systems of financial and risk management and internal controls" as well as comply and ensure compliance by the public entity, with the provisions of this Act and any other enactment applicable to the public entity. Failure to comply with the provisions of the PFMA constitutes an offence in terms of section 91 of the Act and the director so charged may, upon conviction, be liable to a fine or imprisonment or to both such fine and imprisonment.

The ZSE *Listing Requirements* make it mandatory for companies to comply with and subscribe to certain principles enshrined in the *Cadbury Report* and the *King Reports* and to disclose the extent of their compliance with the *Reports.* Due to the fact that, to qualify for listing the business has to be registered in terms of the Companies Act, all listed companies are expected to comply with the provisions of the Companies Act. The ZSE also requires companies seeking a listing to submit each director's declaration, demonstrating that the directors are free of conflicts of interest between the duties they owe the company and their personal interests. It is also a listing requirement that directors of listed SOEs should retire by rotation at least once in every three years.

Failure to observe the *Listing Requirements* may result in the suspension or termination of the company's listing. Directors who willfully violate the provisions of the *Listing Requirements* may also be charged for misconduct which may result in a fine, imprisonment or both. The sanctions are provided to ensure that directors do not abuse their powers, recklessly carry out their duties and that they are held accountable for their actions. This has the effect of promoting good corporate governance as it encourages directors to observe some of the key principles of corporate governance namely; transparency, accountability and discipline.

The codes of corporate governance namely; the *Manual, CGF* and *National Code* complement the statutory instruments discussed above as regards public entity directors' duties and strongly influence the way that the performance of the directors is viewed. The codes of corporate governance confirm the position that all directors have a legal duty to act in good faith, with due care and skill and in the interests of the company as well as to exercise their powers only for the purpose for which they are conferred. They also articulate what the role of the board is and provide guidance as to how the role should be exercised.

The *Manual* recommends that the directors should perform their roles in a careful, diligent and skillful manner to achieve the long-term growth of an organization. In addition, the directors are required to act "in a transparent, accountable and responsible manner" in the interests of the organization and all stakeholders. In conducting the duties, the board should determine the strategy and policy of the organization, manage risks and monitor management to ensure that the objectives of the organization are achieved in compliance with the relevant laws, regulations and corporate governance codes.

To assist the board in achieving this mandate, the *Manual* recommends that the role of the board should be clearly defined in a written document which should explain the board's authority when conducting organizational activities. The main aim of the written document is to avoid conflict between shareholders, the board and management, mostly resulting from usurping each other's roles or powers. As a second measure, it is recommended that new board appointees should be adequately inducted as regards the business of the organization and be continuously trained, soas to be up to date with internal and external developments.

Thirdly, the *Manual* recommends that board members should have unlimited access to records and information of the organization and be able to consult external experts at the organization's expense in order to maintain their independence from management. In the fourth instance, the *Manual* recommends that the board should establish board committees, which should have clear terms of reference, to assist it in effectively discharging its duties. It is also recommended that the board should appoint a competent board secretary who should be responsible for ensuring that the board functions effectively through provision of board secretarial and advisory services.

Similar to the *Manual,* the *CGF* provides that the board should be held accountable and responsible for the efficient and effective governance of the organization and for ensuring that the organization complies with all applicable laws and/or the memorandum of association of the company, regulations, government policies and codes of business practice. To guide the operations of the board, enable its members to appreciate what is expected of them beforehand and to minimize on government interference in board operations, the *CGF* requires the Responsible Minister and board to sign a performance agreement which sets performance targets for the board. The performance of the board is then evaluated against the set performance targets. To enable the board to make informed decisions and effectively discharge its duties, the *CGF* provides that board members should have unrestricted access to accurate, relevant and timely information about the public entity.

The *CGF* also recommends the establishment of board committees to assist the board to effectively discharge its duties. The board should clearly and formally define the levels of materiality or sensitivity so that, upon delegation of authority, it reserves specific powers and authority to itself. A fourth recommendation is that new and existing board members should be subjected to appropriate and effective induction, education and training programs to improve and maintain the effectiveness of the board. Fifthly, to achieve board efficiency, the board is expected to put in place measures to ensure that the public entity has an effective management team in place and that there is minimal conflict of interest, among board members and management. The board as a whole and each individual director are not allowed to accept any unauthorized payment or commission, any form of bribery, gift or profit for itself or himself as these may compromise the way that duties are discharged. Lastly, the *CGF* recommends the appointment of a board secretary who should be responsible for ensuring that the board functions effectively through provision of guidance and advisory services, arranging board and committee meetings and recording minutes thereof, facilitating board induction and training and guiding both the board and management on issues of corporate governance, among others.

The other corporate governance instrument, the *National Code,* recommends that, in the discharge of its role and functions, the board should conduct itself with honesty and integrity and, above all, it must always act in the best interests of the company that include the interests of the organization and all stakeholders. The *National Code* recommends that the board should have a charter that sets out its role and functions. The *National Code* further recommends that board members, collectively and individually, should adopt clearly defined methods of work, systems, procedures and processes which are designed to achieve effective interaction, decision making and implementation. A third recommendation is that the board should be adequately resourced, obtain independent professional advice when necessary and also put in place procedures and systems on the governance of information, knowledge and experience to act as checks and balances to enable it to effectively perform its functions.

The *National Code* also recommends the appointment of a company/board secretary to assist the board through provision of necessary advice and information, keeping custody of company documents, organizing and duly recording proceedings at board meetings and attesting to the resolutions adopted by the board. Additionally, the *National Code* recommends that new and existing board members should be subjected to formal induction, on-going education and training programs to enable them to effectively discharge their duties. Furthermore, the *National Code* recommends the setting up of board committees to assist the board in efficiently discharging its obligations.

It is clear that Zimbabwe has significantly borrowed from internationally adopted principles of good corporate governance given the similarity of its provisions to those of other countries and those proposed by organizations such as the OECD, CACG and ICGN. The policy makers have tried to put in place measures to ensure that board members are adequately educated about what is expected of them, are equipped and empowered to undertake their duties and are regularly guided and advised by competent professionals.

3.51 SELECTION AND APPOINTMENT OF BOARD MEMBERS

In conformity with the universally accepted principles described above, the Constitution requires that public office bearers, which include board members of SOEs, must be appointed based on merit. Similarly, the Companies Act specifies the kind of persons who should be appointed as directors and disqualifies certain persons from such appointment. In addition, the various Acts of Parliament which established Zimbabwean SOEs detail how members of the boards are to be selected and appointed. The Acts provide that board members should be chosen for their ability and experience in the relevant industry or administration and for their suitability otherwise for appointment as members. The board members are also supposed to be "appointed by the Minister, after consultation and in accordance with any directions the President may give him". The main aim of requiring that the Minister consults and seeks presidential approval is to enhance transparency in the appointment process and to ensure that appropriate directors are appointed.

To complement the establishing Acts, the *CGF* provides that the appointment of the board shall be in accordance with "the provisions of the relevant legislation, that is, the enabling Acts of Parliament or Articles of Association of the Company". Likewise, the *Manual* and the *National Code* advocate for a formal, robust and transparent way of appointing directors to the board that reflects largely the diversity of the shareholders. The *CGF, Manual* and *National Code* further require that board members should be selected based on their skills, qualifications, level of experience, good leadership qualities and core competencies required by the company, so as to be able to effectively discharge their duties. It is also recommended that board appointments should take into account the need for gender balance. The main reason for recommending gender balance in the board is to allow for diversity in perceptions and ideas.

As a way of ensuring that board members have sufficient time to effectively render their services, it is recommended that nominated individuals should not be serving on any other board of an SOE. Furthermore, to promote new and sound viewpoints and ideas into discussions and decision-making for the growth of the entity, it has been recommended that board members should be appointed for a limited period. No board member should serve on the same board for more than two successive terms, except in exceptional circumstances. The main reason for rotating board members is to allow for new members to bring in new energy and perspectives because, generally, what an organization needs on its board in terms of skills, demographics and professional experience changes with time and organizational growth level. The needs of a newly formed organization may be very different from those of a fully developed one; what it needs during a period of growth may not necessarily be what it needs during a period of stability.

However, the CGF recommends that at the expiry of the board tenure, efforts should be made to enable continuity and stability to leadership by retaining at least a third of the board and allowing for smooth hand over processes. Further to the above, Zimbabwe's corporate governance framework seeks to minimize political interference in board appointments. The *CGF* provides that a board member's term of office should not be "affected by the tenure of office of the Responsible Minister" but should be determined by the relevant Act of Parliament or Articles of Association, whichever is applicable. Also, the draft *Corporate Governance and Remuneration Policy Framework* provides for exclusion of the relevant ministry's permanent secretary from board membership.

The above efforts are an indication of Zimbabwe's desire to bring about transparency in the board appointment process with a view to ensuring that appropriately qualified and skilled board members are appointed in SOEs. What remains is to establish how effective the framework put in place has been in achieving the desired transparency and objectivity in the board selection process. This is considered in Chapter 7 below.

3.52 COMPOSITION OF THE BOARD

Like other jurisdictions, Zimbabwe appears to have also adopted the view that board composition may have a positive or negative influence on the performance of an organization. The country's corporate governance framework considers a right sized and properly composed board to be an important factor in building an effective board. It is therefore, recommended that collective knowledge, skills, experience, the nature of the company's business, resources required for conducting the business of the board, the need to have sufficient directors to structure board committees appropriately, potential difficulties of raising a quorum with a small board and the need to comply with regulatory requirements should be considered when determining the number and quality of directors to serve on the board. The size of the board should also be determined in accordance with section 169 of the Companies Act or the statute applicable.

The *Manual, CGF* and *National Code* also suggest that the board should be properly composed in terms of independence. To achieve this objective, it is proposed that boards should be composed of both executive and non-executive directors with the majority of board members being non-executive and the roles of chairman and chief executive officer should not be exercised by the same individual. This is to allow for greater independence and diverse viewpoints and to ensure that power is evenly balanced and exercised in the best interests of the company. The statutes establishing SOEs provide for a board composed of a majority of non- executive directors with the chief executive officer being the only executive director.

In addition, it is recommended that the board should be diverse and well balanced in terms of skills, gender and leadership experience. The *National Code* also recommends that the board should be composed of persons with core competencies required by the company, such as "accounting or financial expertise, legal skills, business and managerial experience, industry knowledge, strategic planning experience, and customer-based experience and knowledge". Similarly, the *CGF* recommends that the board should consist of competent individuals with a relevant complementary expertise and skills mix to enable it to effectively discharge its duties.

To promote gender equality and non-discrimination, the Constitution requires that "the State, all institutions and agencies of government at every level must take practical measures" to promote gender equality. The Constitution requires that all persons should have the right to be protected and benefit from the law. It mandates the government to put in place legislative and other measures to promote the achievement of equality and protection of all persons. The Constitution also requires the setting up of a Gender Commission whose main functions are monitoring, investigating, researching, advising institutions and making appropriate recommendations on issues relating to gender equality.

The country has even created a ministry (Ministry of Women Affairs, Gender and Community Development) to specifically focus on promoting the rights and interests of women. The Ministry, in liaison with other gender-focused institutions, spearheaded the enactment of a number of gender-sensitive legislative instruments. In addition to the Constitution, the Sex Discrimination and Removal Act, Indigenization and Economic Empowerment Act and Labor Relations Act, are examples of some of the statutes that promote gender equality. Zimbabwe has also acceded to a number of international conventions and ratified protocols that address issues of gender equality or representation, for example, the *Convention on the Elimination of All Forms of Discrimination against Women* (December 1979), the *Beijing Declaration on the Platform for Action* (1995) and the *SADC Protocol on Gender and Development* (August 2008).

The *CGF, National Code* and draft *Corporate Governance and Remuneration Policy Framework* embedded the constitutional requirement for gender equality promotion in their recommendations that board composition should take cognizance of the need for gender balance. All SOEs are, therefore, required to ensure that their boards are properly composed in terms of expertise, skills, gender and other required attributes.

3.53 REMUNERATION OF DIRECTORS

Board remuneration is one of the critical elements that contribute to public entity boards' effectiveness in Zimbabwe. The Companies Act provides that directors' remuneration should be fixed by the company in a general meeting whilst the articles of some companies authorize directors to determine their own remuneration. The Act prohibits tax-free payments to directors, loans to directors except in certain circumstances and the issue of shares to directors on more favorable terms than are available to members unless approved by the company in a general meeting. To enhance transparency, the Act requires directors' remuneration, pensions and compensation for loss of office to be fully disclosed in "any accounts of a company laid before it in a general meeting or in a statement annexed thereto". In addition, the statutes establishing SOEs require that board remuneration or any allowance to meet any reasonable expenses incurred by a board member in connection with the business of the board or committee should be fixed by the Minister. It can be concluded that these provisions aim to ensure that board remuneration is determined in a transparent manner and that there is an independent checking mechanism to minimize abuse of authority by the board, as far as its remuneration is concerned.

The principle that the level of directors' remuneration should be adequate to attract and retain appropriately qualified and competent individuals who are able to successfully run the organization has been widely accepted in Zimbabwe. To achieve this objective, the *National Code* recommends that the size and mix of the remuneration package of board members "should attract, retain and motivate persons of high caliber, relevant experience and appropriate skills, but must be affordable to the company." In the same way, the *CGF* recommends that the remuneration for board members should be affordable, sustainable, competitive and reasonable. Moreover, the *National Code* recommends that directors' remuneration should be indicative of the level of commitment and time devoted by them to the company's business as well as their responsibilities and experience. It is thus accepted that performance related elements of remuneration should constitute a substantial portion of the total remuneration package of directors to promote long term success of the company. The corporate governance frameworks also require that the remuneration packages should be transparently determined and fully disclosed. The *Manual, CGF* and *National Code* provide that the annual report of an entity should sufficiently disclose directors' annual remuneration including beneficial and non- beneficial shareholdings.

To assist the board in setting up and administering remuneration policies that comply with good corporate governance, the *National Code* and the Manual provide for the establishment of a remuneration committee which should be composed of independent non-executive board members. The committee should assist the board in setting up and administering remuneration policies that promote fair remuneration in order to motivate board members and enhance their reliability, commitment and effectiveness in creating value for the company and advancing its interests. However, it would appear like this committee might not be so relevant when it comes to public entity board remuneration as this is determined by the Minister.

Chapter 7 analyzes whether or not the efforts put in place by Zimbabwe to match international corporate governance standards with regard to directors' remuneration, have yielded positive results.

3.54 EVALUATION OF BOARD PERFORMANCE

The evaluation of board performance has been acknowledged as a critical aspect in enhancing the effectiveness of boards of SOEs in Zimbabwe. To achieve this, the *CGF* and the *National Code* require the board to sign a performance agreement with the responsible Minister and to evaluate itself against agreed performance indicators and targets on an annual basis. The Minister is in turn supposed to; using an agreed performance management system and with the assistance of outside experts, if considered necessary, appraise the performance of the board at intervals agreed to by the parties. To assist in managing performance, the government has, as part of its "Zim Asset Program", introduced a results-based management (RBM) system to be implementedby all government departments and state-owned enterprises.

The *Corporate Governance and Remuneration Policy Framework* provides that the responsible Minister should appoint appropriately qualified and experienced personnel from the Ministry to attend board meetings and report back on the deliberations. All board resolutions should be submitted to the responsible Minister, all SOEs should hold annual general meetings which should be attended by different government stakeholders and the chief executive officer should, on a regular basis, report directly to the Permanent Secretary on operational issues and significant board decisions. Furthermore, the *Framework* provides for performance related contracts for the board, chief executive officer and senior management that clearly stipulate the minimum performance standards which, if not achieved, can result in termination of service. The main objective of these measures is to assist the Minister in monitoring the performance of the board and thus to enable him to evaluate its effectiveness. Where the board does not perform to expectation or in accordance with the mandate of the organization, the responsible Minister is mandated to change the chairperson and/or the composition of the board. Also, the Minister is empowered to discipline or dismiss any directors for non-performance, corrupt conduct or any behavior which brings the name of the public entity into disrepute.

As another performance measure, the board is expected to produce a special report on corporate governance which should be attached to the annual report. The report should indicate whether or not the public entity is complying with the *CGF,* giving a brief description of how this instrument is being applied, whether or not the entity has been audited and the skills, experience and expertise held by each director in office at the date of the report. It should also state those rules or principles of the *CGF* that the public entity deviated from and the reasons for each deviation, among other issues. In addition, the board is expected to prepare financial statements in accordance with generally accepted accounting principles and standards and to present annual audited financial accounts at the annual general meeting in compliance with the requirements of the Companies Act, PFMA and the responsible Minister. This enhances transparency and allows the responsible Ministers and other interested stakeholders to assess the performance of theboard and public entity, as well as to ask informed questions.

The board evaluation framework set out above clearly has the ability to assist in improving the effectiveness of public entity boards in Zimbabwe. The aim of this research is to find out the extent to which the recommendations and legal provisions have been implemented and whether they have yielded positive results.

3.55 ENFORCEMENT OF CORPORATE GOVERNANCE COMPLIANCE

Zimbabwe has, to a large extent, relied on a self-regulatory environment in its approach to corporate governance because the basic requirements of corporate governance have not been given the force of an Act of Parliament. However, the continued corporate collapses, as a result of poor corporate governance practices, are a clear indication that the voluntary nature of compliance may not be sophisticated enough to generate an absolute transformation in corporate governance standards and practices in Zimbabwe. The country has thus recognized that other interventions are necessary to create a climate necessary to ensure adherence to good corporate governance principles. As a result, the country has come up with a legislative and regulatory framework.

In terms of legislative instruments, the Companies Act, Public Finance Management Act, statutes enabling the creation of the SOEs and the Anti-corruption Commission Act have played a significant role in the enforcement of good corporate governance practices in Zimbabwe's SOEs. The ZSE *Listing Requirements* have also significantly contributed to the promotion of good corporate governance through its mandatory requirement for listed companies to comply with certain corporate governance standards. The Companies Act provides for a number of ways to enable directors to practice good corporate governance as well as for measures to deter directors from violating the provisions of the Act. To enforce compliance, the Companies Act imputes liability to directors for various offences committed in violation of the provisions of the Act. As an example, section 147 of Companies Act requires directors to attach to every balance sheet, laid before a company in a general meeting, a report with respect to the state of the company's affairs, failure of which they will be guilty of an offence and liable to a fine. The other offences for which directors may be liable include making, circulating and publishing false statements in relation to any property or affair of the company, falsification of company books (e.g. minute books, registers or accounts) and failure to submit company returns to the Registrar as required by the Act. The Act also allows for the removal of directors from office as one of the penal provisions for failing to properly carry out one's duties. Other examples of deterrent measures are disqualification and penalties in the form of fines or imprisonment.

The PFMA provides that every public entity should adhere to and implement the principles of sound corporate governance policies, procedures and practices. In the event of failure to comply, the Act provides for disciplinary proceedings to be instituted against any accounting authority of the public entity. The Act further provides that where the accounting authority is a board or other body, every member of the authority is individually liable for any financial misconduct of the accounting authority. To enforce the provisions of the Act, the PFMA provides for the establishment of a Treasury whose main mandate is to "determine the manner in which public resources shall be accounted for" and to supervise and give directions on how public resources should be effectively managed.

The PFMA also provides for the appointment of auditors and audit committees to conduct independent checks on compliance by SOEs with relevant laws and regulations which includes compliance with good corporate governance principles. The majority of the SOEs are audited by the Office of the Comptroller and Auditor General (OCAG) to check their level of compliance. To complement the efforts of the OCAG, an Anti- Corruption Commission has been established in Zimbabwe. Its main purpose is to combat corruption by investigating reported cases of alleged corruption and recommending prosecution of defaulters, where considered necessary. Similarly, an Office of the Attorney General has been established to assist in enforcing compliance. Its main functions are to, *inter alia,* act as the principal legal advisor to the government, represent the government in legal proceedings and "to promote, protect and uphold the rule of law and to defend the public interest."

In addition to the provisions of the PFMA, the Acts that established SOEs provide for dismissal of board members on charges of misconduct as a means of instilling discipline and promoting good corporate governance. As an example, the OSCAR Act empowers the Minister to request a board member to leave his office on the grounds of improper conduct as a member and failure to comply with the terms and conditions of his appointment. Similarly, the ZSE *Listing Requirements* compel companies to include a statement in their listing particulars indicating and explaining the extent to which they comply with the principles set out in the *Code of Corporate Practice and Conduct* of the *King Report* and *Cadbury Report.*

The voluntary codes that aim to guide entities to observe good corporate governance principles include the *Manual, CGF* and *National Code.* In the meantime, organizations have also had to rely on other international codes on corporate governance, for example, the OECD *Principles of Corporate Governance,* CAGG *Guidelines, King Report* and the UK *Combined Code* to assist them in complying with good corporate governance. Furthermore, Zimbabwe developed a draft *Corporate Governance and Remuneration Policy Framework* in 2014. It is anticipated that this *Framework* will be promulgated as an Act of Parliament that governs the operations of state- owned enterprises and local authorities with regard to remuneration and corporate governance practices.

The *Framework's* objective is to ensure that SOEs boards and management observe good corporate governance. Sanctions can be imposed if the provisions of the *Framework* are not observed. To complement the above initiatives, the government has set up a Corporate Governance and Delivery Agency whose role is to ensure that parastatals comply with the *Manual, CGF* and the *National Code* through overseeing the selection and appointment of board members, monitoring operations, reviewing directors and senior management remuneration and overseeing audits.

Further to the above, Zimbabwe has a judicial system which plays a crucial role in the effective enforcement of the above measures. The country's judicial system is derived from section 176 of the Constitution which vests the judicial authority of Zimbabwe in the Constitutional Court, Supreme Court; High Court, magistrates and such other courts as may be established by or under an Act of Parliament. The court system comprises of ordinary courts and special courts. The ordinary courts (Supreme Court; High Court, Magistrates Court) possess both criminal and civil jurisdiction. The special courts derive their existence from section 92(4) of the Constitution and have limited and frequently exclusive jurisdiction in one or more specific area of the law as defined by or under an Act of Parliament. Examples of special courts are the Labor Court, the Administrative Court, and the Special Court for Income Tax Appeals and the Fiscal Appeal Court.

The Institute of Directors of Zimbabwe (IoDZ) has also been actively involved in the promotion of good corporate governance in Zimbabwe. The institution played an integral role in the development of the *National Code* and the *CGF.* To enhance good corporate governance practices, it disseminates information on corporate governance trends around the world as well as provides technical training on directorship and board effectiveness. However, the best the IoDZ can do is to encourage compliance, but it has no powers to compel any entity to observe good corporate governance principles.

The challenge remains to ascertain how effective these enforcement mechanisms have been in promoting good corporate governance and enhancing the effectiveness of SOEs boards, so that the entities do not continue to be a drain to the fiscus, but instead promote economic and social development.

In Zimbabwe, like in most jurisdictions, the issue of good corporate governance has come up mainly in the wake of corporate collapses, the need to attract foreign investment and the necessity to sustain long term company growth. Compliance with good corporate governance has been largely voluntary. The country has tried to conform to internationally recognized corporate governance principles by coming up with localized corporate governance instruments, namely the *CGF, Manual* and *National Code.* The instruments have recommended that, among others, boards should be fully aware of their roles, the board members should be transparently appointed based on merit and relevant experience, the composition of the board should be properly balanced in terms of skills, independence and gender, directors' remuneration should be adequate and performance related and the performance of the board should be regularly and objectively evaluated to assess its effectiveness.

However, due to the prevalence of corporate collapses, Zimbabwe has taken steps to complement the existing self-regulatory corporate governance regime with legislative and regulatory instruments. In this regard, the Constitution, Public Finance Management Act, Acts establishing SOEs, Companies Act, Anti-Corruption Commission Act, *Corporate Governance and Remuneration Policy Framework* and the ZSE *Listings Requirements* require the boards of SOEs to observe good corporate governance at all times. To assist in enforcing the corporate governance principles, the country has set up institutions like Office of the Comptroller and Auditor General, Corporate Governance and Delivery Agency and the Zimbabwe Anti- Corruption Commission.

In addition to these measures, Zimbabwe's entities are also guided by internationally recognized codes on corporate governance like the OECD *Principles of Corporate Governance* and the CAGG *Guidelines* and national codes like the *King Reports,* Malawi's *Code of Best Practice for Corporate Governance* and UK *Combined Code* in their practice of good corporate governance. A number of institutions have supported efforts to promote good corporate governance in Zimbabwe, for example, the Institute of Directors, African Management Services Company, World Bank, Centre for Corporate Governance and African Development Bank.

3.56 CHAPTER SUMMARY

This chapter reviewed literature on corporate governance including the definition and theories. It also reviewed the literature on corporate governance literature in SOEs in Zimbabwe. The Chapter went further to review literature on the relationship between corporate governance and the effectiveness of SOE boards. A conceptual framework was developed to analyze the impact of independent variables on the effectiveness of SOE boards of directors and the performance of SOEs. The literature review went on to define corporate governance for purposes of this thesis, discussed its importance and its value addition to an organization. It also outlined some international corporate governance developments, examined the crucial elements in ensuring an effective board and reviewed mechanisms put in place by countries to enforce compliance with good corporate governance practices. Five major areas were considered as crucial in improving board effectiveness, namely its role, selection and appointment, composition, remuneration and performance evaluation. These five aspects were considered specially to ascertain how they should be structured and managed to enable the boards of SOEs to effectively discharge their duties.

The chapter also examined the corporate governance framework in Zimbabwe with particular emphasis on the framework that has been put in place to enhance the effectiveness of boards of SOEs. The chapter also analyzed the extent to which the framework has enabled boards of SOEs to effectively discharge their duties. The aim was to recommend measures which can strengthen this effectiveness, so that the boards and SOEs can significantly contribute to economic and social development.

CHAPTER 4

3. CASE STUDIES AND DATA PRESENTATION STRATEGIES

4.0 INTRODUCTION

The main objective of this study is to examine corporate governance in Zimbabwean SOEs with particular emphasis on the effectiveness of boards of these entities and the initiatives that the government has put in place to improve corporate governance practices. First, the thesis examines the level of compliance with existing legal and institutional frameworks, regulatory requirements and voluntary corporate governance codes by four selected SOEs. Secondly, the survey examines the challenges encountered by public entity boards in implementing good corporate governance standards. To achieve the objective, a literature analysis was carried out, interviews were conducted with and questionnaires circulated to participants holding current positions in the four selected SOEs. The interviews and questionnaires were designed to obtain in-depth information and to elicit the participants' perceptions of the status of corporate governance in the institutions they work for. The questions were thus chosen to focus participants' answers to the researcher's particular areas of interest.

4.1 THE FOUR CASE STUDIES

Below are brief backgrounds of the four selected SOEs. Their true names have been replaced with code names to conceal their identities as per their request. For purposes of this research study, they are codenamed ROMEO, OSCAR, LIMA and ECHO.

4.1.1 Romeo

ROMEO is a public entity that was established in terms of the ROMEO Act to control and regulate the export, sale and stockpiling of all minerals. ROMEO is a body corporate that is capable of suing and being sued and, subject to the provisions of the Act, "of performing all such acts as bodies corporate may by law perform. Its main functions are to act as the sole marketing and selling agent for all minerals, investigate or cause to be investigated marketing conditions, locally and internationally, for minerals in general or for any particular mineral, purchase and acquire any minerals for its own account and to sell or dispose of such minerals, encourage the local beneficiation and utilization of any minerals and advise the Minister on all matters connected with the marketing and selling of minerals.

4.1.2 Romeo Governance Arrangements

The public entity is controlled by a board, known as the Romeo Board, constituted in terms of the Act. In terms of the Act, the Minister has to consult other key stakeholders and the country's President before appointing board members. Furthermore, the Act obliges the Minister to choose one of the appointed members as chairman of the board and another as deputy chairman of the board. The board members have to meet certain minimum requirements which include professional qualifications and "knowledge and experience in the field of mineral production or international commodity marketing. In addition, the Act limits the number of directors to not fewer than six and not more than ten non-executive board members including the General Manager of the public entity as part of the board. The Act also limits the period that a director may hold office to a period not exceeding three years, although a retiring member may beeligible for reappointment as a member.

To enable the board to effectively exercise its functions and powers, the Act empowers the board to establish one or more committees in which may be vested and on which may be imposed some of the functions and powers of the board. However, the establishment of the committees does not divest the board of such functions and powers. As such, the board is required to stipulate terms of reference for the committees as well as amend or withdraw any decision of any such committee in the exercise of its functions and powers. The Act also provides for how the board is expected to conduct its meetings, how its remuneration is determined and the consequences for poor performance. The Act requires the board to cause minutes of all proceedings of and decisions taken at board or committee meetings to be recorded in books kept for this purpose. The board remuneration should be determined and fixed by the Minister. Where the board or an individual director does not perform duties as expected by the shareholder, the Minister is empowered to request the board member to leave his office. It is important to note that ROMEO is subjected to all legislation and regulatory instruments governing the operations of SOEs, for example, the PFMA, *Manual, National Code* and *CGF.*

4.1.3 Oscar

OSCAR is a public entity which was established in terms of in terms of the Central Mechanical Equipment Department (Commercialization) Act number 14 of 2000. The main functions of OSCAR are stated in the OSCAR Act as; transport and equipment hire services, procurement of vehicles on behalf of the Government of Zimbabwe, fuel supply, driver training and certification of government drivers, and, administration of the Transport Purchase Fund on behalf of the Public Service Commission and Treasury.

Over and above, the OSCAR Act allows it to perform any other functions set out in the Memorandum of Association as a commercial entity whilst prioritizing government to the extent that it is compatible with sound business practice.

4.1.4 Oscar Governance Arrangements

OSCAR is directed by a board, known as the OSCAR Board, constituted in terms of the OSCAR Act. The board is appointed by the Minister after consulting other key stakeholders and the country's President. The people to be appointed as board members should have the ability and experience in the mining industry or administration. The Act limits the number of directors to a minimum of six and not more than ten non-executive board members including the General Manager of the public entity. The Act further limits the period that a director may hold office toa period not exceeding three years, although a retiring member may be reappointed as a member.

The Act requires the board to establish one or more committees to perform the functions and powers of the board on its behalf. The board should specify terms of reference for the committees as well as amend or withdraw any decision of any such committee in the exercise of its functions and powers. The OSCAR Act requires the board to cause minutes of all proceedings of and decisions taken at board or committee meetings to be recorded and kept safely. Board remuneration should be determined and fixed by the Minister. Where the board or an individual director commits acts of misconduct or fails to comply with the terms and conditions of his appointment, the Minister is empowered to request the board member to leave his office. OSCAR is subjected to all legislation and regulatory instruments governing the operations of SOEs, for example, the PFMA, *Manual, National Code* and *CGF.*

4.1.5 LIMA

LIMA is a public entity that was established in terms of the LIMA Act. It is the sole fixed telecommunications parastatal in Zimbabwe. LIMA was established in 2000, its main core business revolves around voice, data and internet products and services. LIMA owns a wide range of telecommunications equipment, varying from various exchanges located in strategic areas, optical fibre networks, radio network systems plus a wide range of high-tech networks including a satellite base station.

4.1.6 Lima Governance Arrangements

The public entity is controlled by a board, known as the LIMA Board, constituted in terms of the Act. In terms of the Act, the board should be appointed by the Minister in consultation with and in accordance with any directions given by the country's President. The Act also obliges the Minister to choose one of the appointed members as chairman of the board and another as deputy chairman of the board. The board should be composed of not less than six and not more than nine members of whom one should be the General Manager and the rest non-executive board members. The Act further limits the period that a director may hold office to a period not exceeding three years, although a retiring member may qualify for reappointment as a member.

The Act also provides for how the board is expected to conduct its meetings, how its remuneration is determined and the consequences for poor performance. The board is required to keep records of all proceedings of and decisions taken at board meetings. The board remuneration to meet any reasonable expenses incurred by a board member in connection with the business of the LIMA Board should be determined and fixed by the Minister, in consultation with the Minister responsible for finance. The Minister is empowered to request a board member to leave his office or to suspend him if he does not perform his duties as expected by the shareholder or commits any act of misconduct. Like all other SOEs, LIMA is required to comply with all legislation and regulatory instruments governing the operations of SOEs, for example,the PFMA, *Manual, National Code* and *CGF.*

4.1.7 ECHO

ECHO was established as a wholly-owned government entity in terms of the ECHO Act to provide for the formulation of environmental quality standards and environmental plans, provides for environmental impact assessments, audit and monitoring of projects and for other matters relative to management and conservation of the environment. The ECHO Act provides for the sustainable management of natural resources and protection of the environment; the prevention of pollution and environmental degradation. In carrying out its mandate, ECHO is expected to comply with all legislation and regulatory instruments governing the operations of SOEs, for example, the PFMA, *Manual, National Code* and *CGF.*

4.1.8 ECHO Governance Arrangements

The public entity is directed by a board, known as the ECHO Board. The board is appointed by the Minister, in consultation with the country's President. The potential board members should be professionally qualified and have "ability and experience in agriculture, business or administration. The Act limits the number of directors to not fewer than six and not more than nine non-executive board members. In addition, the Act also limits the period that a director may hold office to a period not exceeding three years, although a retiring member is eligible for reappointment as a member. Furthermore, the Act also obliges the Minister to choose one of the appointed members as chairman of the board and another as deputy chairman of the board.

To enable the board to effectively exercise its functions and powers, the Act empowers the board to establish one or more committees. However, the board is expected to guide the operations of the committees through provision of clear terms of reference and regular monitoring of the activities and decisions of any such committee. More so, the ECHO Act requires the board to maintain minutes of all proceedings of and decisions taken at board or committee meetings. Like in the majority of SOEs, the remuneration of the ECHO Board is determined and fixed by the Minister. To encourage performance, the ECHO Act provides for the removal of a director if he has been absent without the board's permission from three consecutive board meetings, of which he has been given proper notice and if there was no just cause for the member's absence. The other grounds for dismissal of a board member are improper conduct and failure to comply with the terms and conditions of his appointment.

4.2 PRESENTATION OF RESULTS

The researcher distributed 50 questionnaires to selected participants. Of the 50 questionnaires, 43 responses (inclusive of interviews) were received of which all were usable in that they had fully completed responses to questions. The response rate was therefore 86% and considered satisfactory. The participants included board members, chief executive officers, company secretaries, senior management and shareholder representatives of the SOEs. The sample consisted of four board chairpersons (one woman and three men), eight board members (three women and five men), four chief executive officers (four men), four company secretaries (two women and two men), eighteen senior managers (six women and twelve men) and five shareholder representatives (two women and three men). Of the 43 participants, none had less than 5 years of experience, 16 had between 5 and 10 years of experience whilst the rest (27) had over 10 years of experience. The ages of the participants ranged from 34 to 61 years.

This chapter presents and analyzes the results obtained from the literature examination, interviews and questionnaires. With regard to the interviews and questionnaires, the discussions below are based on the participants’ opinions or perceptions. Each questionnaire was summarized focusing the participants’ responses on the particular areas covered by the research. At first, the study discusses the participants’ views on corporate governance generally, then their views on the specific research areas namely; role, selection and appointment, composition,remuneration and evaluation of the board.

4.3 GENERAL CORPORATE GOVERNANCE

The majority (95%) of the participants articulated well the meaning of corporate governance and had an appreciation of what the *Corporate Governance Framework (CGF) for State Enterprises and SOEs*’ objectives are. All of the participants believed that the *CGF* adequately covers the needs of SOEs because it was drafted in compliance with internationally accepted corporate governance principles. However, they were of the view that the *CGF* had not greatly impacted on the performance of the board of their organizations because no sufficient effort had been made to fully comply with its provisions, starting from the responsible Minister to the board members and management.

All four SOEs did not have a corporate governance committee as part of their board committees at the time of conducting the interviews. However, all the entities had board charters to guide the board members’ conduct. On the assessment of their organization’s corporate governance systems and level of compliance, 52% of the participants indicated that the systems and level of compliance were poor, 37% rated their organization’s systems and level of compliance as fair whilst the rest thought their systems and level of compliance were good.

4.4 ROLE OF THE BOARD

Universally, it has been accepted that boards play a vital role in the successful governance of SOEs. According to the *OECD Guidelines on Corporate Governance of SOEs,* the responsibilities of the board are to formulate, review and implement corporate strategy, set and monitor implementation of performance objectives, monitor the effectiveness of the company's governance practices and recruit company executives, among others.

All the participants were able to articulate well the main responsibilities of the board, although they differed in terms of which of the roles are more important than the other. One of the participants identified the role of the board as including "setting overall strategic plans, managing risk; monitoring the performance of the organization, giving guidance to management and appointing or dismissing the CEO." It has been found that it is the board's critical duty to ensure that the organization achieves its objectives through its effective guidance. In this study, the participants agreed that the board needs to take and accept the ultimate responsibility for the performance of the entity. As a result, the directors need to be knowledgeable about the operations of the entity and the applicable laws and regulations, so as to be able to appropriately drive the company's strategy, guide management and effectively contribute during discussions inboard meetings.

But, according to 44% of the participants, there seems to be a lack of commitment on the part of directors to make meaningful contributions to the boards to which they are elected because of the "misconception that corporate governance is the responsibility of management." Another reason cited for poor commitment was the fact that directors "are thrown at the deep- end without the necessary training" with regard to the responsibilities, obligations and fiduciary duties of their positions. The participants highlighted that there is a lack of a proper working framework that prescribes the way in which board members should carry out their duties. According to participants from all four entities, board members are normally just issued with incomprehensive appointment letters indicating that they have been appointed as board members and thereafter briefed by the Minister on what is expected of them. Thus, none of the entities has a written policy for formal briefing of directors by the appointing authority to ensure that they have a proper understanding of their role.

Despite lack of formal policy or sufficient guidance by the Minister, of the twelve board members, nine indicated that they had been taken through an induction process which consisted of an induction workshop conducted by IoDZ and presentations by management on the operations of the entity. The other three board members indicated that they had not been subjected to formal induction programmes to familiarize with the company's operations, various levels of management they have to deal with and its business environment. They, therefore, had to learn on the job which tended to compromise the quality of their performance and effectiveness in achieving the objectives of the entity. Of the twelve board members, two board members ranked their general understanding of the business of the organization as very good, three as good, five as fair and two as poor. The company secretaries, chief executive officers and some senior managers confirmed that the majority of their board members had a fair understanding of the operations of their entities.

Over and above proper induction, it has generally been found that continuous training and development of directors is crucial in enabling the board to effectively undertake its responsibilities. The majority of the participants commended IoDZ for a good job in, so far as, promoting directors' training and development is concerned. A number of local and international institutions and foreign training facilitators were also said to provide training and development programs for directors in the hope that these will greatly add to the effectiveness of boards, inclusive of those from SOEs. However, some participants highlighted "time constraints and lack of commitment" as the major limitations for directors to attend the training sessions which consequently compromises the quality of their performance and effectiveness.

The second concern raised was the lack of feedback from the appointing authority on whether or not the board was carrying out its responsibilities as expected. All participating board members indicated that there was no formal feedback on whether or not the shareholders' expectations are met. This was also confirmed by all the chief executive officers and company secretaries who indicated that, although board minutes and quarterly reports were being submitted to the ministry, no feedback was received. In addition, participants in all entities indicated that there was no system in place to ensure that the board and the individual members are accountable with respect to their duties and responsibilities. According to one participant, “the only formal feedbacks normally received by board members are dismissal letters which are then followed by press reports that the board has been fired for inefficiency and incompetence.” This view was supported by the majority of the participants.

Concerning the board’s role in strategy formulation and implementation, 94% of the participants believed that the board played a significant role. Although this was not consistently adhered to, two entities were said to review the implementation of the entity’s strategy biannually whilst two conducted the reviews annually. A question was asked as to the time it took for the board to communicate to management the decisions that will have been taken at board and committee meetings. The respondents indicated that this was determined by the importance and urgency of the matter as well as the need to comply with statutory deadlines. In all four entities, management is normally represented by the chief executive officer and company secretary in board meetings and by the chief executive officer, company secretary and heads of key departments in committee meetings. This makes it “easier for the board to delegate authority to the respective heads of departments” that are then supervised by the chief executive officer. More so, it becomes easier to ascribe accountability to the appropriate board member, committee or manager if certain decisions are not implemented timeously. In all cases, the company secretaries were said to be responsible for ensuring that the board resolutions are implemented through following up with the relevant board members/committees and managers.

With regard to the board’s role of policy formulation, participants from all four entities indicated that the board was responsible for formulating policies to guide the operations of their entities. In coming up with the policies, the boards were said to be guided by best practices and the existing legal framework. However, the “policies have to be submitted to the Minister for approval before implementation.” In some cases, ministerial approval was said to take long to be granted, thus delaying the implementation of the policies. On the issue of whether or not the board and its committees are permitted to seek independent professional advice at the organization’s expense, participants from all entities indicated that this was possible provided that prior authority had been granted by the board in a proper meeting or by the board chairman, in consultation, with other board members, where necessary.

The other critical role of the board is to, in consultation with the responsible Minister, appoint the chief executive officer who meets its requirements. Giving the board the opportunity to choose the chief executive officer enables it to choose a competent person who is able to effectively drive the entity under its direction. However, according to all the participating board members and other managers, the main challenge is the involvement of the responsible Minister in the appointment and removal of the chief executive officer which sometimes diminishes the board’s effectiveness, especially where the chief executive officer has a strong and effective relationship with the Minister. The board’s power to give directives and supervise the chief executive officer may thus be compromised to such an extent that it is unable to provide effective governance and discharge its other duties successfully.

Furthermore, because of the involvement of the Minister in the appointment and removal of the chief executive officer, participants from all of the entities indicated that their entities, at some point, had not had any substantive chief executive officer for periods ranging from two to six years. This was said to be as a result of the fact that the Ministers could have been “too busy and did not give the matter the priority it deserves” or boards were too frequently changed before recruiting a chief executive officer. Respondents from one entity indicated that three successive boards had been prematurely dissolved at the stage of short-listing potential candidates for the chief executive officer post resulting in the entity going for five years without a substantive chiefexecutive officer.

It has also been globally acknowledged that it is very important that the board should be empowered and independent enough to undertake its functions. Responses from the majority of the participants (mostly board members) indicated that the board was not sufficiently empowered to perform its roles, largely as a result of too much interference by the responsible Minister in the operations of the entity and lack of clear policy objectives. In most cases, the Minister was said not give clear policy direction and to interfere with the entity's operations both through the influence of its board appointees and directly issuing directives to the chief executive officer, in the process usurping the powers of the board. All the participating board members expressed serious concerns with the Minister dealing directly with the chief executive officer as they highlighted the fact that the chief executive officer and senior managers, because of the easy access to the Minister, "appear to be under the view that they are answerable to the Minister and not to the board." The board members expressed strong reservations on the attendance and participation in the proceedings of board and committee meetings by some public servants. Their view was that this tended to compromise their "independence and objectivity in decision making."

In some cases, the responsible Minister was reported to issue directives to the board without giving the latter the opportunity to question the logic of implementing the directive or proffer alternative solutions. The board is thus not given adequate freedom to make important strategic decisions since a number of the issues that determine the success of the public entity's operations are directed by the government. The participants further highlighted the challenge created by some statutory instruments that require that certain decisions or transactions should not be implemented without prior government approval through the responsible Minister. They argued that, for example, "there is little or no flexibility to adjust the budget in response to changing government directives or the needs of a dynamic business environment" considering the lengthy budget approval process by the ministry.

Contrary to the majority of the participants, three shareholders' representatives and one manager were of the view that the Minister intervenes only when he considers it necessary to give direction and guide the board, hence he cannot be said to be interfering. Overall, 69% of the participants ranked the level of ministerial involvement in the performance of duties by the board as excessive, 21% as sufficient and 10% as inadequate. Those who said the level of involvement was inadequate argued that poor corporate governance in SOEs was a result of lack of involvement and supervision of the board by the responsible Minister. On the contrary, the other participants argued that the responsible Minister was not playing an oversight role, but was interfering with the day to day running of the entity.

It has also been argued that some specific functions are performed better if they are performed by board committees comprising of members with specialized skills in the related field. The Zimbabwean corporate governance framework has, likewise, prescribed the formation of various board committees to assist the board in effectively discharging its functions and responsibilities. The study revealed that all of the four SOEs complied with the requirement to establish board committees. According to the entities' annual reports and confirmation from the participants, all of the entities have remuneration, audit and finance committees plus other mandate specific committees. The participants also indicated that all the committees have comprehensive terms of reference and a clear life span.

However, according to the majority of the participants, what appears to be a challenge is the poor composition of these committees as, in some instances, "the committees consist of members with irrelevant expertise." For example, the participants indicated that on a number of occasions, of all the ROMEO board members, none had a financial background which made it difficult to properly constitute audit and finance committees. Participants from OSCAR also indicated that during 2020, the OSCAR board had no member with legal or human resources experience which compromised the effectiveness of the committees, especially the legal and remuneration committees. The absence of relevant expertise in committees makes it practically difficult to effectively carry out committee responsibilities.

As to how best the board can be supported to effectively perform its role, the majority of the participants highlighted the need for the Minister not to interfere with the entity's operations, but to give only necessary guidance and supervision to the board. All participants agreed that it was crucial to give the board enough independence and powers to effectively discharge its responsibilities and for the Minister to intervene only when it is necessary to do so. They also suggested that there should be clear policy objectives to avoid the confusion caused by contradicting goals. There was also consensus that there are sufficient training and development programs in place for directors and all they need to do is to create time to attend the programs, so as to enhance their knowledge and effectiveness.

As seen from the participants' observations above, in reality, the role of the board for SOEs has not been as clear as portrayed in the various statutes, regulations and guidelines. In addition, the board has not been fully empowered or sufficiently independent to discharge its duties as provided for in the corporate governance framework. The other challenge is the lack of familiarity with board functions and fiduciary responsibilities as well as absence of clear procedural rules to ensure that directors are empowered to make meaningful contributions to the functioning of the board. Board committees have also not been properly composed in terms of relevant expertise and have thus failed to successfully assist the board in effectively discharging its duties. Another challenge that has fuelled the ineffectiveness of boards of the four SOEs is the existence of conflicting policies and delays in approval of important strategic matters.

CHAPTER 5

4. DATA ANALYSIS AND RESEARCH FINDINGS

5.0 INTRODUCTION

This chapter presents an analysis of the data and the findings of the study. This will assist in determining the linkage between the selected corporate governance factors and the effectiveness of SOE boards. The findings will be analyzed with a view to answering the research questions in chapter one.

5.1 SCOPE OF THE RESEARCH

The research involved literature analysis as well as interviewing participants and circulating questionnaires. The participants were randomly selected from board members, chief executive officers, company secretaries, senior management and shareholder representatives of four selected SOEs namely; ROMEO, OSCAR, LIMA and ECHO. The participants were considered appropriate because of their positions, experience and sound understanding of corporate governance and their significant involvement in the operations of the entities. The thesis set out to investigate the perceptions of the selected participants and the questionnaires were designed to find answers to pertinent questions targeted at achieving the research objective. The study proposed that the effectiveness of boards of SOEs has to be improved extensively if these entities are to efficiently achieve their objective of socio-economic development.

The study was motivated by the allegations that poor corporate governance resulting from the ineffectiveness of SOE boards was one of the major causes of inefficiencies in these entities. Secondly, the absence of meaningful research on the effectiveness of the framework put in place by Zimbabwe to enable boards of SOEs to successfully discharge their responsibilities inspired the research. The third aim was to recommend to the policymakers and other interested parties, how best they can get SOEs to effectively discharge their obligations of promoting social and economic development without unnecessarily burdening the taxpayers. The study outlined the research questions, significance of the study, scope of the research and overview of Zimbabwe's corporate governance legal and regulatory framework. It also briefly highlighted the study's assumptions and limitations of the research.

The research involved literature analysis as well as interviewing participants and circulating questionnaires. The participants were randomly selected from board members, chief executive officers, company secretaries, senior management and shareholder representatives of four selected SOEs namely; ROMEO, OSCAR, LIMA and ECHO. The participants were considered appropriate because of their positions, experience and sound understanding of corporate governance and their significant involvement in the operations of the entities. The thesis set out to investigate the perceptions of the selected participants and the questionnaires were designed to find answers to pertinent questions targeted at achieving the research objective.

The study proposed that the effectiveness of boards of SOEs has to be improved extensively if these entities are to efficiently achieve their objective of socio-economic development.

5.2 RESPONSE RATE

Questionnaires were electronically and physically distributed to four (4) SOEs and collected by the researcher. Out of the fifty (50) questionnaires distributed, forty-three (43) were returned, constituting a 86% response rate. One questionnaire was discarded since it was not properly completed. The response rate was affected by the fact that the targeted respondents were senior management in SOEs who are too busy to find time to fill in questionnaires.

5.3 RESEARCH RESULTS

In terms of procedure, a reliability check of the statistical data produced was done by checking errors in data entry and elimination of unwanted data. The data was subjected to the following tests:

a) Cronbach Alpha co-efficient to test reliability.
b) Statistical significance of the data.
c) Cross-tabulation between control variables and the dependent variable.
d) Chi-square tests for testing relationship between the independent and the dependentvariables.
e) Correlation co-efficient to test the relationship between independent and dependentvariables.
f) Regression analysis to test whether independent variables can predict the dependentvariable.

5.4 DEMOGRAPHIC DATA

The respondents of the questionnaire were classified in terms of designation, length of service in the organization, academic qualifications and gender. The analysis looked at whether the responses were influenced by these classifications.

5.5 TEST FOR NORMALITY

The normality test hypotheses are given as follows:

H0: The observed distribution fits the normal distribution.

H1: The observed distribution does not fit the normal distribution.

Accepting the null hypothesis implies assuming that the data is normally distributed. We carried the Kolmogorov-Smirnov test for normality for it is a better test for samples sizes between 3 and 2,000.

The close examination of the p-values above shows that 6 of the 10 p-values are not statistically significant, so we can conclude that a test for normality carried out at a 95% confidence level reveals that our data is generally normally distributed implying that parametric tests can be used to analyze the data and that it can be used to infer on the population.

5.6 RELIABILITY – CRONBACH'S ALPHA

To test the effect of the different factors as predictors of performance, one would want to ensure there is internal consistency within the instrument and that all the study factors were measuring performance perception. The greater the consistency, the greater the reliability of the measuring instrument.

Table 5:1Test of Normality

	Kolmogorov-Smirnova			Sharpir	Wilk	
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
RoleMinT	114	56	.067	.978	56	.380
RoleBodT	124	56	.031	.915	56	.001
CompBodT	083	56	.200*	.973	56	.238
BodCompT	184	56	.000	.934	56	.005
BodTenureT	118	56	.050	.952	56	.026
RemunaratT	106	56	.178	.979	56	.428
BodEvaT	149	56	.003	.971	56	.202
FreqT	211	56	.000	.913	56	.001
DisclosT	131	56	.017	.965	56	.104
PerfT	117	56	.054	.965	56	.107

*This is a lower bound of the true significance.

Table 5:2 Cronbach Alpha

Factor	Cronbach Alpha	NI. Items
Minister	0.397	6
Board	0.775	12
Board Composition	0.694	6
Board Committees	0.732	5
Board Tenure	-0.851	4
Remuneration	0.763	6
Board Evaluation	0.739	5
Frequency	0.076	4
Disclosure	0.749	3
Performance	0.759	9

The table above shows that the Cronbach's Alpha values for the role of the Minister, Board Tenure and Frequency of Board Meetings were below the threshold values of 0.7. Using the 'Cronbach's Alpha "if item deleted' function in Epi Info, these three factors were removed from further analysis, suggesting that the remaining factors were reliable.

5.7 CROSS TABULATION

After carrying out the descriptive analyses, cross tabulations were performed to determine if there were statistically significant differences between perception and gender, designation, length of service and academic qualifications. The study variables were measured on a 5-point strength of a Likert scale (*strongly disagree*, *disagree*, neutral, *agree*, and *strongly agree*).

The study tests the following hypothesis:

H0: People in different positions perceive things the same way.H1: People in different positions perceive things differently.

The tables below are outputs from SPSS statistical package:

Table 5:3 Designation

Chi-Square Tests

	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	110.258[a]	80	.014
Likelihood Ratio	65.336	80	.882
Linear-by-Linear Association	.001	1	.974
N of Valid Cases	56		

105 cells (100.0%) have expected count less than 5. The minimum expected count is .02.

The results show a Pearson Chi-Square value of 0.014 which is statistically significant as it less than 0.05. We reject the null hypothesis at the 5% level of significance and conclude that people in different positions perceive things differently. This may be due to communication and information asymmetries present in organizations.

The study tests the following hypothesis:

H0: Perception is independent of length of service.H1: Perception is dependent on length of service.

The table below is an output from an SPSS statistical package:

Table 5:4 Level of EducationChi-Square Tests

	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	44.794[a]	40	.278
Likelihood Ratio	52.625	40	.087
Linear-by-Linear Association	5.321	1	.021
N of Valid Cases	56		

63 cells (100%) have expected count less than 5. The minimum expected count is 21.

The results show a Pearson Chi-Square value of 0.278 which is not statistically significant as it is more than 0.05. We do not reject the null hypothesis at the 5% level of significance and conclude that length of service does not influence people perception on performance.

The study test the following hypothesis:

H0: Perception is independent of level of education.H1: Perception is dependent on level of education.

The table below is an output from an SPSS statistical package:

Table 5:5 Academic QualificationsChi-Square Tests:

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.670[a]	20	.359
Likelihood Ratio	25.833	20	.171
Linear-by-Linear Association	6.312	1	.012
N of Valid Cases	56		

a. 82 cells (97.6%) have expected count less than 5. The minimum expected count is .02.

The results show a Pearson Chi-Square value of 0.359 which is not statistically significant as it more than 0.05. The null hypothesis is not rejected at the 5% level of significance and conclude that level of education does not influence people perception on performance

The study tests the following hypothesis:

H0: Perception is independent of gender.H1: Perception is dependent on gender.

The table below is an output from an SPSS statistical package

Table 5:6 GenderChi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.670[a]	20	.359
Likelihood Ratio	25.833	20	.171
Linear-by-LinearAssociation	6.312	1	.012
N of Valid Cases	56		

40 cells (95.2%) have expected count less than 5. The minimum expected count is .25.

The results show a Pearson Chi-Square value of 0.359 which is not statistically significant as it more than 0.05. The null hypothesis is not rejected at the 5% level of significance and conclude that gender does not influence people perception on performance

5.8 CORRELATIONS

Correlation was used to measure the magnitude, direction and significance of linear relationships between two variables. The least value taken by the correlation coefficient is a -1 indicating a perfect inverse relationship between the two variables. A value of zero means there is no relationship with the maximum value being a +1 (perfect positive relationship)

The correlation coefficient between variables Performance and Role of Board is 0.164 indicatinga weak positive relationship.

The correlation coefficient between variables Performance and Composition of Board is -0.033indicating a nearly non-existent relationship. The correlation coefficient between

Variables Performance and Board composition is 0.089 indicating a very weak positiverelationship.

Table 5:7 Correlation

	RoleBodT	CompBodT	BodComT	BodTenureT	RemunaraT	BodEvaT	FreqT	DisclosT
Pearson Correlation1								
RoleBodT Sig(2-tailed)								
Pearson Correlation	496**	1						
CompBodTSig.(2-tailed)	.000							
Pearson Correlation	.334*	448**	1					
BodComT Sig. (2-tailed)	.012	.001						
Pearson Correlation	.083	-.091	.000	1				
BodTenure T Sig.(2-tailed)	.541	.506	.999					
Pearson Correlation	.386**	481**	.250	.019	1			
RemuneratTSig. (2-tailed)	.003	.000	.063	.892				
Pearson Correlation	.497**	.406**	.262	.093	.511**			
BodEvaT Sig. (2-tailed)	.000	.002	.051	.494	.000			
Pearson Correlation	.243	.364**	.5.63	-.275*	.330*	.141	.030	1
DisclosT Sig. (2-tailed)	.071	.006	000	.040	.013	.301	.827	
Peason Correlation	.64	-.033	.089	-.054	.348**	.260	.230	.210
PerfT Sig (2-tailed)	.227	.808	.513	.692	.009	.053	.089	.121
N	56	56	56	56	56	56	56	56

The correlation coefficient between variables Performance and Remuneration is 0.348, indicatinga moderate positive relationship.

The correlation coefficient between variables Performance and Board Tenure is -0.054,indicating a very weak

negative relationship.
The correlation coefficient between variables Performance and Board Evaluation is 0.260,indicating a weak positive relationship.
The correlation coefficient between variables Performance and Frequency of Board Meetings is0.210, indicating a weak positive relationship.

The correlation coefficient between variables Performance and Disclosure & Transparency is0.210, indicating a weak positive relationship.

A closer examination of the correlation coefficients shows that only the relationship between performance and remuneration, with a p-value of 0.009 is statistically significant if the test is carried out at the 99% level of confidence. All the other factors have no significant effect on performance.

5.9 REGRESSION ANALYSIS

The goodness-of fit of the regression model can also be tested by regression analysis.

Table 5:8 Regression

Model	R	R Square	Adjusted R Square	Std Error of Estimate
1	.513[a]	.263	0.138	5.276

The value of the Regression Coefficient is 0.513. This value would result in a Coefficient of Determination of 0.263, implying that 26.3% of the variation in performance is being explained by the model. There are other things that explain performance which have not been covered in this study and these would explain the remaining 73.7% variation in performance.

5.10 ANALYSIS OF VARIANCE

We test the goodness-of-fit of the model using analysis of variance (ANOVA). The null andalternative hypotheses are stated as follows:
HO: The model is not a good model to test perception of performance.H1: The model is a good model to test perception of performance.
Below is the ANOVA table from SPSS output.

Table 5:9 ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	466.788	8	58.349	2.096	.055[b]
1 Residual	1308.337	47	277.837		
Total	1775.125	55			

Dependent Variable: PerfT

Predictors: (Constant), DisclosT, FreqT, RoleBodT, BodTenureT, RemuneratT, BodComT, BodEvaT, CompBodT

F-value of 2.096 is small and not statistically significant. The p-value of 0.055 is more than the critical p-value of 0.05 if we are testing at a 95% confidence level so we do not reject the null hypothesis and conclude that the model is not a very good model to test perception of performance.

5.11 COEFFICIENTS

From the table below, Board Composition and Remuneration have p-values of 0.046 and 0.024 respectively and both these are less than the critical p-value of 0.05 if the test is carried out at the 5% level of significance. We can therefore conclude that Board Composition and Remuneration are the only predictors of performance. Thus, the Corporate Governance model of government is not a good model.

5.12 CO-LINEARITYTable 5:10 Co-linearity

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	St. Error	Beta		
(Constant)	12.649	9.379		1.349	.184
RoleBodT	.048	.078	.097	.612	.543
CompBodT	-.561	.273	-.348	-2.053	.046
BodComT	.024	.318	.013	.077	.939
1BoardTenureT	-.380	.425	-.126	-.893	.376
RemuneratT	.586	.251	.377	2.333	.024
BodEvaT	.188	.280	.112	.673	.504
FreqT	.622	.447	.180	1.304	.198
DiscosT	.348	.471	.126	.729	.464

Model	Correlations			Collinearity Statistics	
	Zero-Order	Partial	Part	Tolerance	VIF
(Constant)					
RoleBodT	.164	.089	.077	.629	1.589
CompBodT	-.033	-.287	-.257	.547	1.829
BodComT	.089	.011	.010	.573	1.746
1BodTenureT	-.054	-.129	-.112	.791	1.265
RemuneratT	.348	.322	.292	.601	1.663
BodEvaT	.260	.098	.084	.571	1.751
FreqT	.230	.187	.163	.819	1.220
DisclosT	.210	.107	.092	.543	1.843

An examination of the regression results shows that the variance inflation factors (VIF) were allgreater than 1, but less than 10, indicating that there was no co-linearity amongst the variables.

CHAPTER SUMMARY

In this chapter, the study sought to test the model on whether it can prove the link between selected corporate governance factors and the effectiveness of SOE boards. First, a descriptive analysis of frequency table generated through SPSS statistical package were analyzed to see whether a relationship existed between corporate governance factors and performance. A weakto the medium relationship was found.

A reliability check was done and it was found that three variables (the role of the minister, frequency of board meetings and board tenure) were not reliable and were removed from further analysis.

Cross tabulation was carried out to test the linkage between the control variables (gender, level of education and designation) and performance. It was found that only level of education influenced the perception on performance.

Correlation coefficient was measured to test the relationship between dependent and independent variables. It was found that the only relationship was between remuneration and board composition and performance. Only 26.3% of the variation in performance is being explained by the model. There are other things that explain performance which have not been covered in this study and these would explain the remaining 73.7% variation in performance.
A regression analysis was also done and it was found that the model was not a good model for testing relationship between the dependent and independent variables. We can therefore, conclude that Board Composition and Remuneration are the only predictors of performance. Thus, the Corporate Governance model of government is not a good model. An examination of the regression results shows that the variance inflation factors (VIF) were all greater than 1, but less than 10, indicating that there was no co-linearity amongst the variables.

This chapter presented an analysis of the data and the findings of the study. This will assist in determining the linkage between the selected corporate governance factors and the effectiveness of SOE boards. The findings will be analyzed with a view to answering the research questions outlined in chapter one.

CHAPTER 6

5. DISCUSSION AND CONTRIBUTION OF KNOWLEDGE IN THE FIELD OFSTUDY

6.0 INTRODUCTION

This chapter provides a discussion of the findings of the study and its contribution of knowledge in the field of study. The areas that are covered are the selection and appointment of the board, composition of the board, remuneration of the board, evaluation of board performance and enforcement of corporate governance compliance. The chapter concludes with a chapter summary.

6.1 SELECTION AND APPOINTMENT OF THE BOARD

It is a universally accepted principle that nomination of directors should be based on merit and conducted transparently, professionally and objectively. Potential candidates for board appointment should thus have relevant qualifications and expertise to competently discharge their duties and minimize the risk of being misled by management. Nevertheless, it has been established that, in practice, the manner by which public entity directors are selected and appointed does not always follow a transparent and objective process. According to the participants, in reality, it has been "difficult to find suitable board candidates" and to achieve the objective of selecting board members in a transparent and unbiased manner. The reasons cited for appointment of unsuitable candidates were the limited number of experienced and qualified individuals to serve as directors, poor director remuneration and the greater risk of being sued associated with directorship in SOEs.

The majority (78%) of the participants agreed that the appointment of board members was poor and not transparent, largely due to the fact that there are no specific guidelines for the identification and selection of directors. This has resulted in the responsible Minister and the President, who are mandated to appoint public entity boards, having "too wide latitude in the appointment of board members." Other participants accused the Minister and the President of abusing their power to appoint and remove board members of SOEs as a tool of political influence. Some participants indicated that this was prominent during the period of Government of National Unity where it was clear that board members were "appointed based on their political background and allegiance, tribalism and nepotism, but not competence and relevant experience." In addition, the majority of the participants strongly described the process as lacking transparency and objectivity due to the fact that board positions are never advertised (although it is not a statutory requirement), and the appointment process is not publicized.

The participants were concerned that, in some cases, directors who are "publicly known to be responsible for the collapse of some SOEs have later been appointed to other directorships." As a result, 82% of the participating managers were of the view that most board members are not appointed with the right qualifications and for the relevant industry and professional experience, but based on other undisclosed reasons. They expressed the views that a lot still requires to be done with regard to the appointment criteria to board positions in SOEs as the process was far from complying with the framework put in place by the policymakers and good corporate governance principles in general. All the participating board members were not aware of how they were selected, save for the fact that they were approached and requested to be board members of the entities in question. However, all the participating board members and ministry representatives were of the view that it was an exaggeration and unfair to conclude that all public entity boards lacked the necessary skills as some board members had the relevant skills and experience.

The participating board members indicated that they "actually possessed the required skills and professional experience" which they believed was the main consideration in their appointment. They had this to say; "we carry out our duties responsibly and diligently, but the challenge is that our efforts may be too insignificant to improve the performance of the board and overall corporate governance systems and practices" in the SOEs. Also, the participating board members and managers expressed concern on the appointment of public servants and senior ex-military officers as board members of SOEs because they believed this had the "tendency of intensifying government interference in the functions of the board." The public servants were said to focus more on "achievement of government's interests at the expense of the public entity's interests and good corporate governance." The participants also noted that board members appointed to reward their political support usually refused to participate or vote on issues which they believed would, unfavourably affect the government.

To compound the above challenges, 86% of the participants indicated that the appointment process did not allow for any smooth hand over take over processes as at times the whole board is dissolved without allowing for continuity and stability to leadership. The existing board members in two of the entities indicated that the absence of a hand over take over process "created challenges for the new boards as they had to overly rely on management to continue from where the previous boards would have left." More so, a lot of time was unnecessarily lost with the new boards trying to understand the business of the entity before they could make sound and informed decisions. The participants were also concerned about the too frequent turnaround of boards in the SOEs. Participants in two of the entities indicated that their organizations had been served with three different boards in a period of four years. During the same period, the other entity had been led by one board which had three members retired and replaced by new ones.

The Zimbabwean corporate governance framework limits the period to which a director can serve as a board member to three years and the number of directorships to two. However, in two of the entities, the appointed civil servants and some other board members were said to sit on more than two boards, thus diluting their capacity to understand the business of the entities and devote sufficient time to them. According to the survey results, the term of office of three years has not been consistently observed as some boards have lasted for less than a year as in the case of ROMEO whilst others have served for more than seven years as in the case of three members on the ROMEO Board.

The survey also revealed that the main challenge in selecting appropriate board members for SOEs is the inadequate number of seasoned and skilled professionals in Zimbabwe. This has resulted in the "few skilled and competent professionals serving and spreading their efforts on too many boards across industries" thus, eventually reducing their capacity to effectively contribute to these boards. Some participants also indicated that, in certain circumstances, some skilled persons refuse to be appointed to public entity boards because of the "excessive interference of the parent ministry in the operations of the SOEs which renders the board ineffective" and also for fear of the reputational damage associated with being a public entity board member. On the question of what attracted board members to accept appointment to the board of a particular entity; three reasons were cited by the majority of the board members. The majority (55%) indicated that they had accepted board appointments as part of "national service" and for professional development; 30% cited professional development whilst 15% indicated thatthey had been incentivized by the remuneration.

6.2 COMPOSITION OF THE BOARD

A balanced board in terms of skills mix, personalities, independence and diversity is necessary in building a team that will effectively contribute to issues and challenge viewpoints to ensure decisions are made in the interest of the organization. Results obtained from the survey indicated that compliance with board structures as prescribed by the Zimbabwean corporate governance instruments and other internationally recognized corporate governance codes is a serious challenge for SOEs in Zimbabwe. Of particular concern is the way in which board members are elected which is not based on merit as indicated above. Consequently, boards created are not properly composed as required by good corporate governance standards.

In all four entities, the participants indicated that there were no approved minimum qualifications for directorship. The survey indicated that some board members neither possessed relevant qualifications nor appropriate industry knowledge as prescribed in the legislation establishing the SOEs. According to one participant, "the authorities are not conducting any due diligence and background checks when appointing some of these so called board members at our public institutions." This was said to compromise the efficiency of the board. The survey results also revealed that the maximum board size is ten (including the chief executive officer) for OSCAR, LIMA and ECHO and eight for ROMEO, the maximum years of tenure are three years, but subject to renewal, there is no age limit for directors and no stipulated years of experience in specific areas. Although the maximum number of board membership each director may hold is one according to the *CGF* and two according to the draft *Corporate Governance and Remuneration Policy Framework,* it appeared this was not implemented. One of the participating board members was a member on four boards, two sat on three boards, the majority had two directorships, whilst only two had a single directorship.

Despite the acknowledgement of the importance of gender equality, there is an evident low women representation on the boards in all the four entities as confirmed by the entities' annual reports and participants. Out of nine non-executive board members in ROMEO and OSCAR respectively, only two were women with indications that OSCAR had one female director during the years 2010-2012. ROMEO and ECHO had also one female board member each during the same period. Statistics obtained from the office of the former Ministry of SOEs for the years 2019 and 2020 illustrate the male dominance in boards. Of the 93 SOEs, the majority had a maximum of two women board members (with some not having a single woman on their board), 5 had three women and 2 had four women. Although Zimbabwe provided for the establishment of a Gender Commission in its Constitution of 2013, members of the Commission were only appointed in June 2015. As at end of October 2015, the Commission was still to be allocated a budget to enable it to start operating. More so, judging by the efforts made so far, the country still has more work to do to comply with the provisions of international agreements on gender equality that it has acceded to.

The research results revealed that the SOEs complied with this requirement. All the entities had the maximum prescribed number of directors in most cases, except in two incidents in 2012 where ROMEO had six directors (which is the minimum prescribed number) and OSCAR had seven directors. Of the nine board members in ROMEO and OSCAR, respectively, two were said to be (former or current) senior government officials whereas

ROMEO had only one government official and OSCAR had two government officials in its board. The appropriate board skills mix principle was not observed on a number of times as evidenced by the fact that ROMEO had no legal and finance skills in the boards in existence during the years 2019 and 2020. OSCAR also lacked legal skills in the board that presided during the period 2019 to 2020. During the period January 2014 to December 2014, ROMEO had one board member who acted as the board chairman, i.e. the Permanent Secretary of the shareholder ministry. However, the participants indicated that, these were exceptional circumstances as in the majority of cases the responsible authorities try to have an appropriate skills mix in the board, which skills include finance, accounting, legal and relevant industry experience.

With regard to the recommendation that boards should comprise a balance of executive and non- executive directors, the survey established that the boards of all the four entities comply with this requirement. They have a majority bias towards non-executive directors, since only the chief executive officer who is directly involved in the day-to-day running of the company, serves on the board. However, according to the participants, the majority of the non-executive directors "cannot be considered to be truly independent since they are representatives of the shareholders" of the SOEs and are, in most cases, former or current senior government officials appointed to influence decisions taken at board level in the interest of the government.

6.3 REMUNERATION OF THE BOARD

Good corporate governance requires that the level of remuneration for members of the board should be sufficient to attract and retain the quality and calibre of individuals needed to run the organization successfully. It has also been considered essential that directors' remuneration should be performance related and set in a formal and transparent manner, preferably through an appropriately composed remuneration committee.

According to half of the participants, although the framework provides that directors should be adequately remunerated, the directors in their entities are not adequately remunerated. The participating board members were of the view that they are "grossly underpaid" considering the increase in legal responsibilities directors are expected to carry out, the length of time required for preparation and attendance of meetings as well as the reputational risks associated with directorship in SOEs. The participants from three of the loss making SOEs (ROMEO, OSCAR and LIMA and ECHO) cited financial constraints as one of the reasons for failure to pay remuneration commensurate with the required board expertise and responsibilities involved. Contrary to the above views, seventeen of the participants believed that the board members were being sufficiently rewarded. One participant commented "$400 as sitting allowance for one meeting plus monthly fees of $900 is appropriate remuneration in a struggling economy like Zimbabwe." On the other hand, the rest of the participants indicated that they believed that board members were overpaid considering the time they devote to the entities with some members coming to the meetings unprepared because they would not have read the board packs.

The participants also expressed the view that the above challenges are compounded by the absence of a standard remuneration framework such that each public entity determines its own board remuneration thus creating distortions in the market. In addition, the directors' remuneration was said not be linked to corporate or individual directors' performance. As a result, the non-performance of an individual director or the public entity is not a restraining factor for directors to be accorded their remuneration. The directors may, therefore, lack the motivation to perform in the interests of the shareholders which could adversely impact on the performance of the SOEs. The participants whose view was that the board remuneration is inadequate also highlighted that poor remuneration resulted in the disgruntled board members "opting to place more of their commitment in other better paying activities" and put less effort inthe business of the SOEs.

The participating managers indicated that, in some cases, the boards resorted to approving their fees without ministerial involvement in contradiction to the provisions of the law and corporate governance principles. Also, the participants indicated that boards were holding unnecessary meetings as a means of increasing the board fees, for example, in one entity, instead of holding quarterly meetings as statutorily provided for, the board resolved to hold monthly meetings. One participant commented that “the rate at which some of our boards hold meetings leaves one wondering whether they consider the fact that there is need to create sufficient time to action board resolutions before holding another meeting.” Some other participants also reported that they had received letters from the parent ministry seeking justification for holding more than statutorily provided for board and committee meetings. The managers and ministry representatives added that greed and corrupt tendencies by board members also affected the entities’ board remuneration system. According to one participant, the other challenge is that “some people who are appointed as board members have no other source of income, so they tend to want to maximize on board fees, hence the reason they would call for unnecessary meetings or engage in unethical activities as a means of raising income.”

On the functions of the remuneration committee, it was established that, although all the four SOEs have remuneration committees, the committees have “greater say with regard to management salaries and benefits, but minimal contribution in the setting of board remuneration.” The majority of the participants indicated that the remuneration of the board is set by the Minister with “very little, if any, input from the board.” They highlighted that the remuneration committee makes recommendations to the board which deliberates on the recommendations and subsequently forwards the recommendations to the Minister. However, in their view, the remuneration package eventually approved by the Minister does not appear to have taken into account the remuneration committee’s recommendations and is neither adequate to motivate the board nor linked to performance.
With regard to disclosure of directors’ remuneration, all the participants indicated that directors’ remuneration is aggregately presented in the financial statements and no breakdown is given of individual director’s remuneration. According to the majority of the participants, aggregate disclosure made it difficult for stakeholders to assess the level of individual directors’ remuneration and could, in some instances, be deliberate to avoid transparency and public scrutiny. The above issues point to the fact that Zimbabwean SOEs have not effectively implemented the existing remuneration guidelines hence poor board remuneration remains a major concern in discussions regarding the effectiveness of boards.

6.4 EVALUATION OF BOARD PERFORMANCE

Good corporate governance requires that there be accountability and measurement of performance in the management of companies. The issue of whether board evaluation actually leads to improved board performance was put to all the participants as a direct question and they unanimously agreed that board evaluation is an essential ingredient in corporate governance that can motivate and also compel board members to effectively undertake their responsibilities.

According to the majority of the participants, Zimbabwean SOEs have encountered numerous challenges in conducting evaluations of board performances. First, the initial step of appointing public entity directors was said to defeat the whole objective of coming up with performance contracts to improve the effectiveness of boards. This is because some of the directors who are expected to meet the targets agreed upon with the government “lack the capacity to perform efficiently, as they are appointed on the basis of their close political or other relationships with public officials rather than on merit.” The so appointed directors enjoy political protection and it might thus be difficult to evaluate their performance and remove them from office even when they do not meet the targets set under performance contracts.

Secondly, all participants indicated that the *CGF* and other key instruments had not impacted significantly in their entities as there was no implementation of the recommendations with regard to written job descriptions or performance contracts for all the four boards. They added that, in practice, there were no established processes for setting performance objectives and indicators as well as reviewing performance against the targets, for the board as a whole and for individual directors. Where an attempt to set performance objectives and indicators has been made, like in the case of ROMEO, the performance contracts were said to be "unclear and to lack sufficient detail." The participants further added that the parent ministries lacked the capacity and sufficient commitment to effectively monitor the operations of the boards "making the whole exercise a worthless process."

To further complicate matters, the majority of the participants highlighted the fact that the government has no objective and standardized board performance evaluation tool in place which makes it difficult to conduct effective performance assessments. They highlighted the fact that there had been no significant effort to implement the recently introduced Results Based Management system. As a result, there are no formal board performance evaluations making it difficult to hold directors accountable for poor performance. This, according to eleven of the participants, also presents challenges in assessing the board's needs for specific skills and knowledge and for individual directors to further develop themselves since there is no basis on which to recommend improvements. On the other hand, the participating board members indicated that they are not adequately equipped to perform their duties and evaluate their performance "due to the absence of sufficient guidance from the parent ministry."

Nevertheless, the majority of the participants expressed great concern at the way boards are normally dismissed allegedly based on incompetence despite the absence of comprehensive laid down procedures to enable the shareholder minister to give feedback on performance. The participants highlighted the fact that in some cases the dismissal of boards is announced in the press by the Minister before the individual board members are formally notified of the dismissal. They also cited this as one of the factors that discourage a number of people from accepting appointments to boards of SOEs because of the reputational damage associated with being unjustly published for incompetence in the newspapers.

The third challenge, according to the majority of the participants, is too much intrusion by the parent ministry in operational issues in the form of directives and approvals as highlighted above. The various approvals that have to be undertaken by the Minister delay the boards from implementing strategic plans on a timely basis. In addition, the participants also expressed concern at government directives that require their entities to provide goods and services at unprofitable prices or to undertake certain activities that are not commercially viable. The major risk with this kind of arrangement was said to be that boards end up focusing on accomplishing directives of the parent ministry at the expense of performance related issues. Accordingly, measuring the board's performance and effectiveness becomes a challenge as the board is not in control of most of the issues that are crucial for the success of the entity.

The fourth challenge highlighted by the participants was the numerous changes in boards which result in too many uncompleted projects and significantly compromises the board's performance. They argued that boards are sometimes prematurely dismissed without proper justification. They gave an example of the rampant changes in boards which occurred when new Ministers came into office in 2013 as a clear indication of this fact. Also, the managers of ROMEO and ECHO indicated that their entities have sometimes gone for long periods without boards which negatively impacts on the effectiveness of the boards and efficiency of the entities. The premature dismissal and complete absence of a board makes it difficult for "a new board to pick up from scratch and still effectively discharge its duties."

As a final point, all the participating shareholder representatives indicated that the boards do not provide the parent ministry with sufficient information about the SOEs' operations and financial position of the SOEs. Although the four SOEs produce annual reports, ECHO, LIMA and ROMEO were not compliant with the PFMA requirements as they were not up to date with the publishing of their annual reports. The participants thus argued that such practice makes the annual reports irrelevant for current decision making. In further violation of the PFMA, all four SOEs were reported not to be holding Annual General Meetings which are considered as important channels of informing shareholders on company performance. The majority of the participants agreed that these challenges make it complicated to evaluate and conclude whether or not a board has effectively performed its duties. Therefore, according to the participants, the framework that has been put in place to ensure that boards are properly evaluated has not been implemented and has not assisted the boards to effectively discharge their duties.

6.5 ENFORCEMENT OF CORPORATE GOVERNANCE COMPLIANCE

The continued corporate collapses as a result of poor corporate governance practices have caused a number of jurisdictions to acknowledge that it is important to create a balance between voluntary and mandatory mechanisms to achieve significant transformation in corporate governance practices. As a result, Zimbabwe has come up with a legislative and regulatory framework to instill discipline and enforce compliance with good corporate governance practices. The statutory instruments provide for disciplinary action in the form of fines, imprisonment and dismissal for failure by boards to observe the terms and conditions of their appointment. The challenge, however, is that, like in many other African countries, the capacity to support the implementation of good corporate governance principles in Zimbabwe is undermined by the existence of poor enforcement mechanisms and weak monitoring and regulatory organizations. The lack of enforcement of existing legislative and regulatory measures has thus significantly contributed to poor corporate governance practices in the SOEs. A number of issues were raised by the participants with regard to level of enforcement of compliance with good corporate governance.

There were mixed reactions on the issue of whether corporate governance should be mandatory or voluntary. 28% of the participants preferred that corporate governance should be mandatory given the continued occurrences of corporate collapses as a result of poor corporate governance practices. 51% of the participants were of the view that there is need to balance between mandatory and voluntary corporate governance provisions, so as to encourage compliance given the fact that if corporate governance is left exclusively to voluntary compliance some managers and boards may not feel obliged to comply. These participants argued that although self- regulation would be desirable, the continued corporate governance failures seem to point to the fact that there are some aspects of directors' responsibilities that require certain legislative and regulatory controls. The rest (21%) preferred that compliance with good corporate governance should be voluntary since it is mostly about ethical behavior which is difficult to force someone to observe. The last group believed that directors and managers need to be educated more on the importance of corporate governance, so that they fully appreciate the need to comply without having to be compelled to do so.

Participants were asked whether or not they believed that the current corporate governance framework was sufficient to instill good corporate governance practices in SOEs. In response, the majority of the participants (60%) believed that it was conducive and sufficient to enhance the effectiveness of SOEs boards, but what was lacking was the commitment by the relevant authorities to implement and enforce compliance with the framework in place. The remaining (40%) participants felt that more enforcement mechanisms needed to be created to achieve full compliance. Overall, the participants agreed that the existing procedures, policies and regulations are based on international corporate governance standards and, if implemented properly, should serve as a strategic road map for SOEs. The second challenge highlighted was that only a few SOEs comply with the corporate governance principles as enshrined in the instruments, but the rest comply only with the letter and not the spirit of the principles. This has the tendency of diminishing the benefits of good corporate governance as corporate governance is much more than just ticking boxes.

A third concern raised by the majority of the participants was that, government ministries responsible for actively monitoring SOEs and the boards in particular, and other mechanisms such as independent regulators, do not adequately fulfill their oversight role. Many were said to be generally inefficient and subject to external influence by politicians and other external factors like less supportive legislative or regulatory frameworks and inadequate resources. On the other hand, the Ministry of SOEs which, in consultation with the responsible Ministers, was responsible for monitoring compliance with corporate governance principles by SOEs was said not to be effective in discharging its mandate due to lack of adequate resources (human and capital) and the absence of a standardized board performance evaluation system. The participants wondered how boards continue to be dissolved or dismissed allegedly based on misconduct and incompetence when there is no performance evaluation carried out. One participant believed that the only "logical reason was that the boards were fired for refusing or failing to comply with directives they believed were dubious, unethical or some other such reason that may be contrary to public policy."

The participants indicated that, although the PFMA provides for the auditing of SOEs' financial statements, there are challenges in fully implementing the provisions. This is because the bulk of SOEs (e.g. ROMEO and OSCAR) do not produce financial statements on time. In addition, it was shown that the Office of the Comptroller and Auditor General (OCAG) which is mandatedto audit the majority of the SOEs is inadequately resourced in terms of finances and staff. In addition, the Comptroller and Auditor General (OCAG)'s audit findings are hardly seriously considered and acted upon even if they highlight pertinent issues and major irregularities. This is mostly because the legislative framework does not give the OCAG "sufficient independence and any authoritative powers to coerce ministers, departments and other public agencies to observe and comply with the Treasury Instructions" and corporate governance standards as well as to enforce implementation of its audit findings. Also, according to the participants, in other cases there is cover up on OCAG's findings and recommendations by some associated senior public officials, obstructing the course of justice in the process. This, therefore, makes the auditors an ineffective enforcement tool of the government.

The fourth contributing factor to the poor enforcement of compliance with good corporate governance cited by the participants is the high rate of corruption in Zimbabwe. The main argument was that corruption has the effect that corporate governance-related laws and regulations may not be enforced (or may be enforced selectively) and the reliability of the judicial system may be compromised. Therefore, directors who are incompetent, ineffective in discharging their duties or "guilty of any form of misconduct may go unpunished." The participants expressed concern that there are no consequences for ineffective boards as "in instances where the board has performed so poorly that the entity goes bankrupt, the government has bailed out the entity by injecting money" and even reassigned the board members in questionto other public entity boards.

Above half (63%) of the participants expressed the view that Zimbabwe's Anti-Corruption Commission (ZACC), established to combat corruption, has not been as effective as it should be in investigating and curbing corrupt activities by board members. This, according to the participants, is mostly because the legislative framework in place does not sufficiently empower the Commission to execute its duties independently and to enforce compliance. The other reason cited was that the Commission is underfunded, making it difficult to achieve its intended goals and objectives. Some participants indicated that where criminal charges are being preferred and the matters are referred to the police, the police do not urgently and effectively handle the matter. In some situations, the police were said to be bribed resulting "in matters being irregularly struck off the register or no action being pursued on the matter at all." In some cases, it was reported that, where corruption is involved, court files disappear inexplicably, matters take unnecessarily too long to be heard and judgments are reserved indefinitely or where they are given they raise questions as to their reasonableness.

Lastly, it is universally accepted that at the foundation of good governance "is a predictable, equitable, effective, and efficient legal and judicial system." Consequently, a deficit in the Rule of Law directly affects good corporate governance. Zimbabwe's legal and judicial system has not been spared the criticism that it is unreliable, unpredictable and ineffective, mostly because the law as written and the law as enforced in the courts can differ considerably. According to Moyo (2014), “corruption has thrived in Zimbabwe partly because the state was unable to develop and sustain independent law enforcement and judicial institutions that are committed to the maintenance of the rule of law.”

From investors’ and other interested stakeholders’ viewpoint, the main problem has been the time that it takes to investigate and prosecute cases of corporate mismanagement. According to the participants, the very few directors who have been punished for mismanaging companies and paying themselves exorbitant remuneration which resulted in corporate collapses have not been subjected to punishments commensurate with the gravity of the offences committed. The poor enforcement and implementation mechanisms thus undermine the usefulness of legal provisions and “reduce the confidence of everyone that relies on the legal system.”

In addition, efforts to prosecute directors for mismanagement of SOEs were said to have proved fruitless. For example, in the case of *S v Chikumba* where directors were alleged to have committed acts of misconduct involving criminal abuse of duty, fraud and corruption, the accused directors ended up being freed because the state could not prove its case to the satisfaction of the courts. In the majority of cases, it was reported that the matters do not even reach the courts because the prosecutors would have disqualified the cases for lack of substance. In addition to the above, Zimbabwe’s judicial system was said to be inundated with backlogs and to be often unable to conclude matters because of inadequate physical infrastructure, poor terms and conditions of service for judicial personnel, malfunctioning judicial systems and obsolete laws. More so, the judicial system was reported to lack sufficient independence and transparency. The participants also cited high litigation costs as another prohibitive factor to shareholders and other interested parties who may wish to institute legal action against incompetent directors.

6.6 CHAPTER SUMMARY

Case studies were conducted specifically on four SOEs (ROMEO, OSCAR, LIMA and ECHO) which were selected on a random basis. Survey results from literature analysis, completed questionnaires and interviews were analyzed and discussed. The collected data provided a range of personal opinions based on the participants’ experiences on a number of issues. Overall, the participants agreed that SOEs were performing below expectations hence continued to be a drain to the fiscus. The participants supported the view that boards have a significant role to play in the good governance and success of SOEs. However, the research results indicate a number of concerns that the participants have with the board’s role, appointment, composition, remuneration and evaluation.

While Zimbabwe has an apparently adequate legislative and regulatory framework to enable the practice of good corporate governance, the challenge in creating a fully working corporate governance environment still lies in the implementation of these guidelines and legislative provisions and enforcement of the corporate governance principles. This is primarily due to lack of will power, institutional capacity constraints and the slow recovery in the country’s socio- political and economic fortunes. The country’s SOEs have not been spared from these challenges as they have performed poorly due to a number of factors, one of which is the ineffective discharge of duties by boards. The poor board performance has been attributed to obscure roles of boards, multiple and contracting objectives, subjective board appointment processes, limited director expertise, poor composition of boards, too much ministerial involvement in operational issues, inadequate director remuneration, absence of proper board performance measurement tools and poor enforcement mechanisms.

The research also established that Zimbabwe has a sound corporate governance and legislative framework to promote good corporate governance in SOEs. Zimbabwe continues to experience high-profile corporate collapses despite the existence of corporate governance codes, stringent statutes, rigorous *Listings Requirements* and government regulation. The common challenges experienced by the country in respect of public entity boards include, among others, lack of board role clarity, insufficient experienced and dedicated human resources especially in the running of SOEs, poorly composed boards, the undue meddling in the execution of board duties by the responsible ministries which incapacitates the board to objectively exercise its judgment and come up with sound strategies and decisions, poor regulatory oversight by the responsible authorities and poor enforcement mechanisms.

The next and final, chapter consists of an overall summary of the research, concluding remarks and makes recommendations based on the above findings.

CHAPTER 7

6. GENERAL CONCLUSIONS, RECOMMENDATIONS AND PROSPECTS FORFURTHER RESEARCH

7.0 INTRODUCTION

This chapter provides the general conclusions, recommendations and prospects for further research. These are based on the literature analysis, views and experiences of directors, chief executive officers, company secretaries, senior managers and shareholder representatives chosen from four SOEs namely, ROMEO, OSCAR, LIMA and ECHO. Conclusions are drawn on the basis of the research results. Recommendations on how best corporate governance and the effectiveness of boards in SOEs can be improved are made. The chapter concludes by making suggestions for further research.

7.1 GENERAL CONCLUSIONS

The increase in corporate collapses and amplified attention on transparency and accountability in corporate accounting and reporting has led Zimbabwe, like many other countries, to put in place corporate governance guidelines and regulations. However, questions have been raised on the effectiveness of these guidelines and regulations in actually assisting the corporate governance issues in general and with particular reference to SOEs. With regard to SOEs, the main concern has been whether or not the guidelines and regulations have assisted the boards of SOEs to effectively discharge their duties.

Given the important contribution of SOEs to the economic and social development of all countries, it has been universally accepted that the entities require good corporate governance if they are to effectively contribute to these goals. A number of factors have been found tosignificantly contribute to the achievement of good corporate governance in SOEs. Of these many factors, the present study focused on the board of directors and the role they play in the successful achievement of organizational goals and promotion of good corporate governance in SOEs. In particular, the research focused on the role of the board, its selection and appointment, composition, remuneration and evaluation. The main objective of this research was to establish whether or not SOE boards have been able to effectively discharge their duties and how supportive Zimbabwe's corporate governance framework has been in enabling SOE boards to carry out their mandate.

The extensive range of instruments that have been put in place to improve board effectiveness in Zimbabwe is clear testimony that the country recognizes the crucial role SOE boards play in the promotion of good corporate governance and achievement of corporate objectives. The country maintains a sound legal and institutional infrastructure for corporate governance. This comprises of statutes, a broad range of corporate governance codes, regulations, regulatory agencies and private sector bodies committed to improving corporate governance.

7.2 RECOMMENDATIONS

Corporate governance was defined to mean, systems by which companies are directed and controlled, with major prominence being placed on transparency, independence, fairness and accountability. Corporate governance was considered essential in, *inter alia,* attracting investment both locally and internationally, improving organizational performance and improving the overall management of the entity or country. The study gave an overview of international corporate governance developments that are spearheaded by worldwide organizations that include the World Bank, OECD, CACG, UN and ICGN, among others.

The analysis showed that public SOEs in Zimbabwe were formed to drive socio-economic development through the provision of social goods such as electricity, education, health and water as well as to create jobs, among other things. But, a significant number of SOEs have not been able to effectively provide these goods and services, but have instead, continued to be a burden to governments, requiring subsidies in some cases and operating at huge losses. The poor performance of the SOEs was attributed to many factors, among which, poor corporate governance and board ineffectiveness featured most. Five aspects were considered vital for an effective board namely; role, selection and appointment, composition, remuneration and evaluation. These aspects were examined to establish their impact on the effectiveness of the board.

With regard to the role of the board, the analysis showed that the board's main roles are to monitor management, to provide advice and links to external resources and to set overall corporate strategy. It was found that the boards have not effectively discharged their roles mostly as a result of lack of clarity on the roles due to intricate regulatory and supervisory frameworks, multiple and conflicting objectives, highly controlled and bureaucratic decision-making systems, weak formulation and implementation of strategies and excessive shareholder interference. Concerning board selection and appointment, the review revealed that good corporate governance requires that boards should be transparently and objectively appointed for their relevant skills, experience and other personal attributes. However, it was found that, in most countries, the selection and appointment process is not transparent and objective due to the absence of specific guidelines to guide the process, political interference and lack of sufficient numbers of skilled and experienced persons to be appointed to the boards.

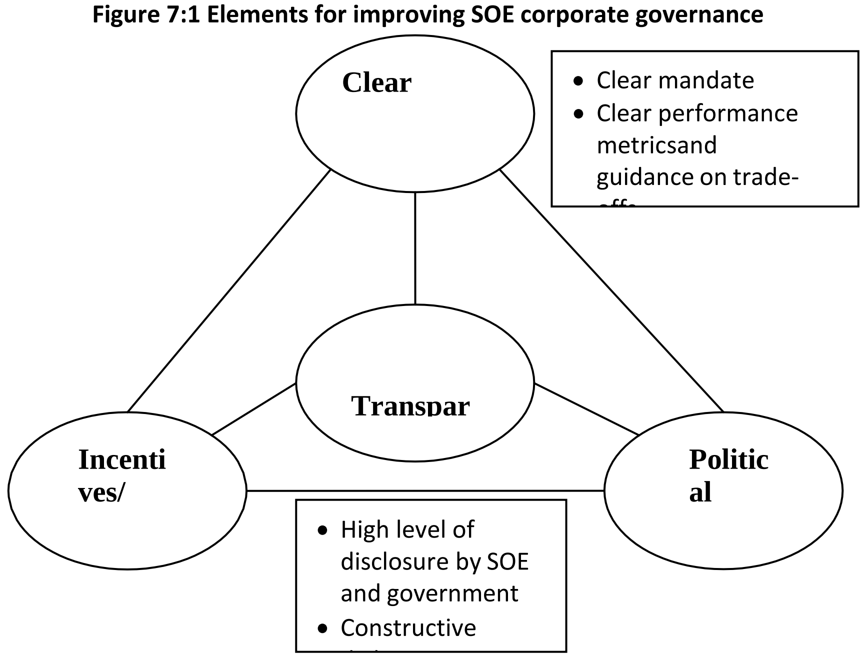
The study also showed that it is good practice, when it comes to board composition, to establish boards that are properly composed in terms of, *inter alia,* independence, skills and experience, size, age, race and gender. But, the literature interrogated showed that there are challenges in meeting the requirements due to the limited number of professional and experienced people from which to select appropriately qualified directors and due to political interference in the appointment of boards. As far as board remuneration is concerned, it was shown that, in terms of good corporate governance standards, the remuneration should be linked to performance and should be adequate to draw and retain properly qualified and dedicated individuals capable of running the organization effectively. It was, however, found that difficulties have been encountered to match SOEs' board remuneration to that of the private sector and to the responsibilities and liability risks associated with being a public entity board member. The main reason for the poor remuneration were found to be financial constraints, absence of remuneration guidelines that take into account market developments and failure to link the remuneration to board or individual board member performance. The research results also showed that, due to the increased focus on the need for board accountability and effectiveness, it has been globally acknowledged that the performance of the board has to be monitored and evaluated on a regular basis. The performance evaluation is necessary to enable the responsible authorities and other interested stakeholders to assess whether the board is effectively undertaking its obligations. It also assists boards to identify their strengths and weaknesses so as to address these issues accordingly. But, implementing board evaluations has been shown to have its share of challenges namely; lack of formal and standardized performance indicators and board evaluation systems, lack of capacity to conduct performance assessments by the responsible authorities, existence of numerous and contradictory objectives to be achieved by the same entity, failure by the SOEs to timely and accurately disclose critical information essential for decision making by the relevant authorities and excessive involvement of the parent ministries in the operations of the SOEs.

As a result of the continued increase in poor corporate governance practices and their devastating consequences, many countries have found it essential to complement self- regulation with mandatory mechanisms so as to encourage organizations to comply with good corporate governance principles. Although some countries have combined voluntary and compulsory mechanisms, others have actually adopted a more prescriptive approach like the Sarbanes-Oxley Act which makes compliance with good corporate governance principles mandatory. Relating to the evaluation of the enforcement mechanisms, the literature analyzed indicated that efforts to enforce compliance have encountered challenges such as inadequate courts, judiciary and public enforcement institutions and weak enforcement of rules and regulations, especially in developingand transitional countries.

The Institute of Directors of Zimbabwe has been in the forefront of promoting good corporate governance in Zimbabwe. On the whole, the country's corporate governance is determined by a legislative framework consisting of the Constitution, various Acts of Parliament, common law and the ZSE *Listings Requirements* and a voluntary system that consists of the *Manual, National Code* and *CGF.* In coming up with its own framework, the country has also significantly borrowed from other codes on corporate governance, for example, the *King Reports, Combined Code,* OECD *Principles of Corporate Governance* and CAGG *Guidelines.* To enhance compliance with good corporate governance standards, the country also enacted a number of laws and institutions to enforce compliance.

Pertaining to the role of the board, the Zimbabwean framework requires that there should be clarity through, for example, the statutes establishing SOEs, individual appointment letters, board charters, comprehensive performance agreements as well as through proper induction and training. It is also required that the board should be equipped and independent enough to implement the entity's strategies, have easy access to information on the entity and to the services of external professional consultants, be assisted by a competent board secretary and properly constituted board committees. As far as the board appointment process is concerned, the framework seeks to achieve transparency and objectivity in the selection and appointment process, so that only appropriately qualified and skilled persons are appointed as board members. In addition, the framework limits the term of office of directors to promote new and sound perspectives into discussions and decision making and limits the number of directorships one can hold to enable directors to devote sufficient time to the business of the entities they are appointedto lead. See figure 7.1 below.

Figure 7:1 Elements for improving SOE corporate governance



- Market and performance based pay and promotion
- ormance

- Consolidated ownership and monitoring
- Arm’s length relationship with other branches of government
- Corporate structure with professional board

Source: McKinsey (2012)

7.3 BOARD COMPOSITION

With regard to board composition, the Zimbabwean framework targets to achieve properly diversified boards in terms of a suitable combination of skills, knowledge and experience, independence, size, nationality, age, race and gender, among others. These factors, if properly balanced, are considered important in enhancing board effectiveness which may lead to improvements in the performance of SOEs. The framework also aims to achieve levels of remuneration that are performance-related and sufficient to attract, motivate and retain appropriately qualified people who are capable of effectively achieving the entities’ mandates. To assist the process of setting up and administering remuneration policies that comply with good corporate governance, the framework provides for the establishment of a remuneration committee and requires that board remuneration should be linked to the performance of the board and the individual director as well as to prevailing market conditions.

Concerning board performance evaluation, the framework aims to encourage assessment of the board’s performance regularly, so that any performance and board skills gaps may be addressed promptly before they get out of hand. Some of the measures instituted to enable the evaluation of board performance include the requirements to produce comprehensive performance agreements, various informative reports, annual audited financial accounts and reports and carrying out of regular evaluations of board performances. Lastly, the enforcement mechanisms put in place target to increase the rate of compliance with good corporate governance by boards and the SOEs, so that they can efficiently promote economic and social development. The enforcement mechanisms include penalties such as fines, imprisonment and dismissal for noncompliance. The institutions created to enhance compliance consist of the Zimbabwe Stock Exchange, judiciary, Comptroller and Auditor General, Anti-Corruption Commission and Corporate Governance and Delivery Agency, among others.

However, very minimal evaluation of the successes of these interventions has been done in Zimbabwe. This was the reason why the present study was carried out to examine whether these interventions are yielding positive results and to identify the factors mostly contributing to the achievement or non-achievement thereof.

In summary, Zimbabwe’s corporate governance frameworks seek to ensure that, first, the role of the board is clear and detailed formally and the boards are fully empowered to perform their duties with minimum government intrusion. As a second measure, the framework requires that the boards should be appointed in a transparent and objective manner, so that properly qualified and experienced persons are appointed as board members. Thirdly, the framework provides for mechanisms that should result in the creation of boards that are appropriately composed in terms of independence and diversity. Zimbabwe has established a Gender Commission in terms of the new constitution. Also, to motivate directors to effectively discharge their duties, Zimbabwe provides for fair, adequate and performance related remuneration. In terms of the new SOEs and Corporate Governance Act, the performance of SOE boards should be evaluated regularly. Appropriate action should be taken if there is poor performance.

Although Zimbabwe has chosen to maintain a voluntary approach to corporate governance, it has relied on its legislative framework and *Listing Requirements* to enforce corporate governance compliance. Zimbabwe has also created regulatory bodies tasked to ensure that SOEs and their boards comply with corporate governance requirements as well as other laws and regulations. Examples of such bodies are the Auditor General, Anti-Corruption Commission and the judicial system. It is important to note that, although they do not have enforcement powers, the Institute of Directors has contributed to the promotion of good corporate governance.

In so far as the self-regulatory framework is concerned, both Zimbabwe has published codes, among which there are guidelines particularly meant to guide SOEs namely, the *CGF, Manual* and *National Code* for Zimbabwe. As far as the legal framework is concerned, Zimbabwe is guided by the Acts of Parliament, Stock Exchange *Listings Requirements* and common law.

Generally, the framework for Zimbabwe is designed to ensure that the effectiveness of the SOE boards is enhanced. This is achieved through empowering boards to discharge their duties depth with minimum government interference and clearly laying out their roles, transparent and objective appointment of directors, formation of properly composed boards, regular assessment of the performance of boards and adequately remunerating the board members to motivate them to exert their best efforts. All the same, Zimbabwe still has to do more and create institutions like a Nomination Panel and Remuneration Tribunal to improve its board appointment and remuneration processes. Zimbabwe needs to establish a framework to promote gender equality. Zimbabwe also needs to develop a standard way of evaluating boards of SOEs in the form of a *Director's Checklist* and legislating for board evaluations to enhance compliance. With regard to enforcement of compliance, Zimbabwe has in place a combination of self-regulatory codes and legal instruments.

The results obtained from the literature analysis, interviews and questionnaires are presented and analyzed. Generally, the research results show that the participants fully appreciate what corporate governance is, the level of corporate governance compliance in the SOEs and the challenges encountered by boards in effectively discharging their duties. The research focused on the board's role, selection and appointment, composition, remuneration and evaluation as well ascompliance enforcement mechanisms.

7.4 ROLE OF THE BOARD

The role of the board was articulated in Zimbabwe's instruments as to set overall strategic plans, manage risk, monitor the performance of the organization and give guidance to management. Despite the acknowledgement of the board's role, the research established that a number of challenges had been encountered by the boards to effectively undertake these responsibilities. These challenges include lack of commitment by poorly inducted and trained directors, absence of a proper working framework, limited board independence, lack of performance feedback fromthe appointing authority, too much interference by the responsible Minister in the operations of the entity, lack of clear policy objectives, poorly composed board committees and delayed government approvals which delay implementation of projects. The research found that the mechanisms put in place by Zimbabwe to enable boards to effectively perform their roles were similar in many respects to those put in place in other parts of the world.

7.5 NOMINATION OF DIRECTORS

It was found that good corporate governance requires that the nomination of directors should be based on merit and conducted in a transparent, professional and objective manner. In addition, the potential board members should be properly qualified and experienced, possess relevant expertise and be capable of devoting sufficient time to the tasks assigned to them. A number of challenges were experienced in trying to fully comply with these good corporate governance standards. The main challenge was found to be the absence of specific guidelines for the identification and selection of directors which resulted in boards appointed based on favoritism and political allegiance. The other challenges were the limited number of experienced and qualified individuals to serve as directors resulting in multiple directorships, poor director remuneration to attract qualified directors, appointments of public servants as board members which fuel government interference in the functions of the board and the frequent turnaround of boards without proper hand over take over processes.

7.6 BOARD COMPOSITION

On board composition, it was found that it is good corporate governance practice to create properly diversified boards in terms of skills mix, personalities, independence, and other demographic aspects such as gender, age and race. This enables the board to effectively discharge its roles, especially if the directors are able to appropriately combine their expertise and viewpoints in the interests of the public entity. The research has shown that Zimbabwe has successfully managed to create boards with a majority of non-executive directors and to separate the role of the board chairman from that of the chief executive officer. Nevertheless the country has experienced challenges such as appointment of unqualified and non- experienced board members, poor women representation on the boards and poorly composed boards in terms of skills mix.

7.7 BOARD REMUNERATION

In respect of board remuneration, the framework that Zimbabwe has put in place requires that the level of remuneration for members of the board should be performance related and enough to attract and retain properly qualified and experienced individuals required to run the organization effectively. Despite the acknowledgement, the country has failed to fully implement its framework such that it has been unable to link board remuneration to performance and to adequately remunerate the directors. This has mainly been caused by the absence of a standard remuneration framework that takes into account the directors' skills, responsibilities, performance and the prevailing market conditions. The challenges have been compounded by financial constraints experienced by the SOEs as shown in the case of ROMEO, OSCAR, LIMA and ECHO. The poor remuneration has resulted in lack of commitment from the directors, poor performance of their duties and engagement in unethical activities as a means of raising income. Furthermore, contrary to good practice, the remuneration committee has no significant role in the determination of board remuneration as the shareholder minister is responsible for fixing remuneration for SOEs.

The research results showed that Zimbabwe has put in place a sound framework to fairly remunerate board members, though has not fully achieved the objective of ensuring that board members are adequately rewarded in recognition of their expertise, responsibilities and performance.

7.8 BOARD EVALUATION

With regard to board evaluation, Zimbabwe acknowledges that board evaluation is a vital tool in motivating and also compelling board members to effectively undertake their responsibilities. The country has thus come up with a voluntary framework aimed at promoting board evaluations. However, according to the research results, Zimbabwean SOEs have encountered several challenges in conducting evaluations of board performances. The challenges include appointment of unqualified directors, incomprehensive and unclear performance contracts, lack of appropriate and standardized performance measurement tools, lack of capacity and sufficient commitment by the responsible authorities to effectively monitor the operations of the boards, too much interference by the parent ministry in operational issues and too frequent changes in boards. This has made it difficult to hold directors accountable for poor performance and to assess the board's needs for specific skills and knowledge.

Zimbabwe's board evaluation framework showed that the country has created a voluntary mechanism to encourage board evaluation. However, Zimbabwe has encountered problems on the issues of poorly crafted performance contracts, ineffective monitoring and evaluation by shareholder ministries and political interference in the operations of SOE boards.

7.9 ENFORCEMENT OF CORPORATE GOVERNANCE COMPLIANCE

The results showed that Zimbabwe has established sufficient voluntary and prescriptive mechanisms to enforce compliance with good corporate governance standards. Though, the achievement of full compliance has been undermined by the existence of poor enforcement mechanisms, weak monitoring and regulatory organizations and absence of a standardized board performance evaluation system to enhance the effectiveness of boards of the SOEs. The other challenges included lack of adequate enforcement powers by Office of the Comptroller and Auditor General and lack of appropriate follow ups on external audit observations, high level of corruption in the country and absence of a proper framework to capacitate and empower the Anti-Corruption Commission to execute its duties competently and independently as well as to enforce compliance. To further complicate the enforcement process is the presence of an unreliable, unpredictable and ineffective judicial system and the prohibitive high costs of instituting legal action.

7.10 GENERAL CONCLUSIONS

This research was motivated by the poor performance of SOEs in Zimbabwe which has resulted in them being a heavy burden on taxpayers. The study sought to establish how effective public entity boards have been in performing their duties in the existing corporate governance framework.

The following conclusions are made based on the analysis of literature and the results from the interviews conducted and questionnaires circulated. Despite the existence of a comprehensive corporate governance framework, Zimbabwe's SOEs have not been spared from the challenges that have been universally experienced by SOEs in other countries. In essence, the research findings revealed that efforts to enhance the effectiveness of boards of SOEs and promote good corporate governance within the entities are adversely affected by a number of issues. First, in practice, boards are not fully empowered to perform their responsibilities due to multiple and conflicting organizational objectives, excessive interference by the government, lack of autonomous powers by the board, lack of director training and development and absence of a proper working framework to guide the boards. As a result, directors lack the powers and commitment that is required to make meaningful and constructive contributions to the running of the business Secondly, the legal and regulatory framework governing the appointment of board members has loopholes that have adversely impacted on the effectiveness of boards. Board members are appointed for the wrong reasons and therefore lack the necessary skills and expertise to effectively direct the respective entities towards achieving their goals. The main challenge is that the framework in place defines the person responsible for appointing the boards ("the Responsible Minister in consultation with the President"), but there are no clear guidelines on academic and professional qualifications and the framework does not specify the process that hasto be followed.

The criteria used in the appointment and dismissal of directors of SOEs have therefore, not been disclosed to the public. This gives the appointing authorities the opportunity to flout the rules and regulations by appointing board members for their political allegiance and other improper reasons which in turn deprive the SOEs of appropriate autonomy. Another challenge is the limited number of persons with adequate and relevant skills in the management of SOEs which has resulted in multiple directorships that incapacitate directors to exert their best efforts. The framework guiding the appointment of SOEs boards has therefore, not significantly assisted the boards to effectively carry out their responsibilities.

In the third instance, due to the irregular appointment of directors, achieving board diversity appears not to be always possible in Zimbabwe, especially with regard to relevant expertise and gender. In some cases, the people who are appointed as directors are usually not well versed with the complexities of the public entity and the industry in which it operates as well as the applicable laws and regulations. The absence of expertise and relevant skills makes it difficult for public entity boards to effectively discharge their duties. Also, gender equality has not been given the prominence it deserves in the selection and appointment of board members. Fourthly, judging from the research results, the directors' remuneration is not yet commensurate with the level of responsibility and potential reputational risks associated with being a board member in SOEs. As a result, the pool from which to choose directors is small because not many people are willing to be directors of SOEs as they would rather concentrate on more rewarding businesses. The remuneration framework has thus not been implemented in such a way that it is able to motivate board members to effectively discharge their duties. The fifth challenge is that there is neither implementation of performance contracts nor is there a systematic way of evaluating board performance. The absence of appropriate performance measurement tools to regularly assess the board's performance has significantly contributed to the ineffectiveness of boards and the poor performance of SOEs. Given the fact that the responsible authorities are not regularly monitoring and evaluating the boards' performance, the boards may not have the motivation to effectively discharge their mandate, especially if they believe that the shareholders are not interested in the outcome of their actions, be it failures or achievements. The absence of monitoring and evaluating the performance of the board compromises its efficiency. It can therefore, be concluded that, although Zimbabwe has created a framework to promote public entity board effectiveness, there has not been sufficient effort to put in place an appropriate implementation framework with regard to board performance evaluation.

It has been universally acknowledged that regulation and legislation is not enough without proper enforcement. An evaluation of the findings on Zimbabwe's enforcement mechanism shows that the country has failed to effectively enforce corporate governance compliance in its SOEs. The country has not put sufficient measures to ensure that the framework it has put in place achieves the desired results. For example, the implementation of performance contracts on their own has not yielded meaningful results in Zimbabwe because the contracts are not properly designed, the government has not shown much commitment in enforcing the contracts and the boards have not been given adequate autonomy to achieve the performance targets. More so, the research results point to the fact that Zimbabwe's relevant authorities have done very little towards empowering the enforcement agents in terms of investigative skills, independence, resources and the legal powers to enforce compliance.

Another major challenge that appears to have weakened the enforcement mechanisms developed by the country to enhance board effectiveness is the high rate of corruption in Zimbabwe. The relevant authorities have not exhibited much political will to eliminate corruption as they have mostly concentrated on the symptoms and not root causes of corruption. As a result, the government needs to establish ways of eliminating corruption, create an adequate legal and judicial framework and be committed and more consistent in the implementation of good corporate governance standards and enforcement of compliance.

Zimbabwe has made commendable efforts to promote good corporate governance in so far as, development of corporate governance guidelines and regulations, implementation of good corporate governance principles and enforcement of compliance are concerned. The country, therefore, has to put more effort to improve the standard of corporate governance in its entities and may learn from other developing countries. This is more so with regard to the quality of enforcement, especially in empowering the directors of SOEs, transparently and objectively appointing directors, creating appropriately composed boards, adequately remunerating the board members and conducting effective board performance evaluations.

7.11 PROSPECTS FOR FUTURE RESEARCH

The conceptual model used in this study was testing the impact of independent variables of selected corporate governance factors and the control variables on the effectiveness of SOE boards in Zimbabwe. The relationship ranged from non-existent to weak. The study tested the impact of the contextual variables of which the most critical ones are the role of the Minister vis- à-vis the board and the socio-economic factors of setting tariffs for these entities. It will be very interesting in future to investigate the impact of the control variables: political, economic, social, ecological and technological on the effectiveness of SOEs.

7.12 CHAPTER SUMMARY

It is clear from the above that Zimbabwe has put in place a credible corporate governance framework to improve the effectiveness of boards and encourage SOEs to fulfill the goals of efficient and affordable service provision. But, the framework has not fully assisted the boards to effectively carry out their mandate. Recent corporate governance scandals by boards of SOEs indicate a disconnection between the country's corporate governance framework and actual practices on the ground. Zimbabwe needs to focus on the implementation and enforcement of the corporate governance standards. Establishing a good framework on paper without implementation will not help the country.

Appendix A: Informed Consent Form

Dear Participant,

My name is Tendayi Munhenga. I am a student at the Gideon Robert University undertaking a Doctor of Philosophy degree. I am conducting a research study entitled "Corporate Governance and Effectiveness of Boards of Directors: The Case of State Owned Enterprises in Zimbabwe."

The purpose of the research study is to critically analyze the effectiveness of boards of Zimbabwean SOEs in discharging their duties and to identify the major constraints faced by the directors in effectively performing their mandates within the existing corporate governance framework. In addition, the research seeks to establish the extent to which the legislatures and policy makers in Zimbabwe have intervened to enhance the effectiveness of SOEs' boards of directors and promote good corporate governance. Finally, the research also recommends how best the boards may be assisted, so that they are able to perform their duties diligently and promote good corporate governance. The results of the study may assist in improving the effectiveness of boards of SOEs and promoting good corporate governance in the entities

This is an invitation to participate in a research study conducted by the researcher. Your cooperation is sought to complete the questionnaire to gather information on the research study. Your participation will involve completing a questionnaire or answering questions in a face to face interview which should not exceed 1 hour of your time. The survey requests your honest responses to questions on current corporate governance practices in your public entity and your opinion on the effectiveness of the practices in promoting board effectiveness and good corporate governance in general. The interview and questionnaire focus on 5 main aspects of public entity boards namely, role of board, appointment of boards/directors, composition of the board, remuneration of the board and evaluation of the board's performance.

Please note that your participation in this study is voluntary. If you choose not to participate or to withdraw from the study at any time, you can do so without penalty or loss of benefit to yourself. The results of the research study may be published, but your identity will remain confidential and your name will not be disclosed to any outside party. In this research, there are no foreseeable risks to you. Furthermore, no information gained from this survey will be identified with the name of the organization and the results will be presented in aggregate in the research report.

As confirmation of your agreement to participate in this study, may you please sign and return the attached consent form. I thank you in advance for your support.

Tendayi Munhenga

Questionnaire for State Owned Enterprise Directors

This questionnaire is part of a research study in pursuance of a Doctor of Philosophy Degree entitled "Corporate Governance and the Effectiveness of Boards of Directors: The case of State- Owned Enterprises in Zimbabwe." It is prepared only for the purpose of gathering information to ascertain the effectiveness of boards of SOEs in Zimbabwe. Respondents are requested to provide honest answers to the questions below. The data furnished and the identity of the respondents will be kept strictly confidential.

Section A – Personal Information

Gender				
Male			Female	

Years of relevant experience				
Less than 5 years			Between 5 and 10 years	
Over 10 years				

Section B – Corporate Governance

1. What is your understanding of corporate governance?

………

………

2. In your view, does a company's performance improve by adopting good corporategovernance practices?

Yes			No	

3. Do you think that corporate governance should be made mandatory or voluntary in Zimbabwe's SOEs? Please explain your answer.

………………………………………………………………………………………………………

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………………………………………………………………………………………………………

4. Does your board comply with Corporate Governance Framework for SOEs introduced inZimbabwe in 2010?

Yes			No	

5. Did the Corporate Governance Framework for SOEs impact on the performance of theboard in your organization? Please state reasons for your answer.

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………………………………………………………………………………………………………

6. Is the current legal and regulatory framework conducive and sufficient to enhance the effectiveness of your board in promoting good corporate governance? Please explain.

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………………………………………………………………………………………………………

7. How would you rate your organization's corporate governance systems and level of compliance?

Yes			Fair			No	

Section C – Role of the Board

1. Does your organization's board of directors have a charter to guide its operations?
……………………………………………………………………………………………………
……………………………………………………………………………………………………

2. Does your organization have a written policy for induction and professional development of directors to ensure that they have a proper understanding of their role and the organization's operations and business?

Yes			No	

3. Were you, as a board member, given clear guidance on what is expected of you and doyou get regular feedback on whether you are meeting expectations?
……………………………………………………………………………………………………
……………………………………………………………………………………………………

4. Does the board have a role in strategy formulation and implementation?

Yes			No	

Please explain your answer.
……………………………………………………………………………………………………
……………………………………………………………………………………………………

5. How often does your board meet to review the implementation of the strategy?
……………………………………………………………………………………………………

6. How soon are decisions taken at board meetings communicated to the concerneddepartments for implementation?
……………………………………………………………………………………………………

7. Does the board establish, and monitor policies directed at ensuring that the Corporation complies with the law and conforms to the highest standards of good corporate governance?

Yes			No	

If so, please briefly explain the process involved.
……………………………………………………………………………………………………
……………………………………………………………………………………………………

8. What system has been put in place to ensure that the board and the individual membersare accountable with respect to their duties and responsibilities?
……………………………………………………………………………………………………
……………………………………………………………………………………………………

9. In your view, is the board adequately empowered to undertake its functions?

Yes			No	

10. How do you rate the level of government/ministry involvement in the performance ofduties by the board?

Excessive		Sufficient		Poor	

Please justify your answer.

…………………………………………………………………………………………………

…………………………………………………………………………………………………

11. How would you rate your general understanding of the business of the organization?

Very Good			Good			Poor	

12. How many board committees does your board have? Please name them.

…………………………………………………………………………………………………

…………………………………………………………………………………………………

13. Are all committees appropriately comprised in terms of experience and qualifications?Please explain your answer.

…………………………………………………………………………………………………

…………………………………………………………………………………………………

14. Do board committees have clear terms of reference setting out their scope of work, roleand responsibilities to enable them to perform their functions properly?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

15. How would you rate the effectiveness of your board committees?

Very Good		Good		Poor	

16. Does your organization have a competent corporate secretary?

Yes			No	

17. How, in your view, can your board best be supported to effectively perform its role?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

Section D: Board Selection and Appointment

1. Does the Corporation have a transparent procedure for the appointment and retirement ofdirectors?
……………………………………………………………………………………………………
……………………………………………………………………………………………………

2. Who was responsible for appointing you to the board?
……………………………………………………………………………………………………
……………………………………………………………………………………………………

3. What criterion was used to select and appoint you?
……………………………………………………………………………………………………
……………………………………………………………………………………………………

4. What attracted you to board service at this organization in the first place and what keepsyou interested as a director?

……………………………………………………………………………………………………
……………………………………………………………………………………………………

5. For how long have you served as a board member in the organization?
……………………………………………………………………………………………………

6. In how many other organizations do you serve as a board member?
……………………………………………………………………………………………………

7. In your opinion, does Zimbabwe have sufficient numbers of skilled and experienceddirectors to meet the needs of its SOEs? Please state reasons for your answer.

……………………………………………………………………………………………………
……………………………………………………………………………………………………

Section E: Composition of the Board

1. What are the specific mandatory requirements for the compositions of members of yourboard of directors in terms of:

a) minimum qualifications, ...
b) board size, ...
c) maximum years of tenure, ...
d) maximum age of directors, ...
e) minimum or maximum years of experience in specific areas, ………………
f) maximum number of board membership each director may hold, ………………

2. How may directors constitute your present board and what are their professionalbackgrounds?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

3. How many of the directors are government officials?

………………………………………………………………………………………………………

4. How many of the directors are women?

………………………………………………………………………………………………………

5. Does your board have the right blend of skills, expertise and personalities, and theappropriate degree of diversity, to enable it effectively discharge its duties?
Please justify your answer.

………………………………………………………………………………………………………

Section F: Board Remuneration

1. Does your board have a Remuneration Committee?

Yes			No	

2. Who is responsible for the final approval of your remuneration as the board members?

Board		CEO		Responsible Minister	

3. Is directors' remuneration linked to corporate and individual performance?

Yes			No	

4. What is the composition of your board's remuneration (for example, sitting allowances,fuel, etc)?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

5. What do you think about the financial compensation for non-executive directors in your organization?

Probably Overpaid		Adequate		Inadequate	

6. What systems would you recommend as a way of rewarding directors to motivate them toeffectively discharge their duties?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

Section G: Evaluation of Board Performance

1. Are directors able to seek independent professional advice at the organization's expense?

Yes			No	

2. Does the board have adequate access to key staff and information to enable it todischarge its monitoring and oversight role effectively? Please explain your answer.

……………………………………………………………………………………………………

……………………………………………………………………………………………………

3. What processes are in place for setting objectives and reviewing performance againstthose objectives, for the board as a whole and for individual directors?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

4. How do you rate the Board's performance in the following key areas?

Area	Score From 5 (excellent) to 1 (poor)
Setting strategy and objectives	
Monitoring implementation of agreed plans	
Monitoring performance	
Financial control	
Taking key decisions	
Managing risk	
Compliance with the law and corporate governance	
Appraising the Chief Executive/Director	
Maintaining a productive relationship with senior management	

5. How do you rate the performance of your board as a whole?

Very Good		Good		Poor	

6. How often does your board review progress against its performance appraisal actionplan? ………

7. Who is responsible for evaluating board performance?

Independent Consultant appointed by Shareholders	
The Individual directors (self-evaluation)	
Board Chairperson and nominations committee	
The Parent Ministry	
Other (specify)	

………………………………………………………………………………………………

8. Is the board evaluated as a group or as individual directors?

Individual			Group	

9. What tools are used to evaluate board performance?

Financial performance tools	
Non-financial performance tools	
Performance Management Scheme e.g. Balanced Scorecard	
Other (specify)	

…………………………………………………………………………………………………
…………………………………………………………………………………………………

10. In your opinion, how effective is the performance evaluation system in assessingdirectors' and board performance? Please support your answer.

…………………………………………………………………………………………………
…………………………………………………………………………………………………

11. What are the main challenges encountered in evaluating board performance?

Lack of evaluation tools	
Reluctance by the board to conduct evaluations	
Weak supervision by the parent Ministry	
Other (specify)	

…………………………………………………………………………………………………
…………………………………………………………………………………………………

12. Do you think that, as a board member you are adequately equipped to evaluate your performance? Please support your answer.

…………………………………………………………………………………………………
…………………………………………………………………………………………………

13. Are you as directors, held accountable for your performance and if so, what penalprovisions are there to punish poor performance?

…………………………………………………………………………………………………

……

14. Did the Corporate Governance Framework for SOEs impact on the evaluation of boardperformance in your organization? Please support your answer.

……

……

15. Is Evaluation of Board Performance regarded as essential in your organization? Pleasegive reasons for you answer.

……

……

16. How do your rate shareholder participation in assessing the performance of the board andholding them accountable for non-performance of the organization? Please explain.

Very Good		Good		Poor	

……

……

17. How do you rate your own personal performance in the following areas?

Area	Score From 5 (excellent) to 1(poor)
Attendance at Board meetings	
Attendance at Committee meetings (where applicable)	
Understanding the organization’s objectives and strategy	
Understanding the role of a Board member	
Working cohesively with your Board colleagues	
Probing issues or proposals that are not clear to you	
Using your experience and skills to enhance Board decisions	
Working productively with senior managers	

18. How does the effectiveness of this organization’s board compare to that of other boardson which you serve?

……

……

Section H– Enforcement of Compliance with Good Corporate Governance Practices

1. Do you think that corporate governance should be made mandatory or voluntary in Zimbabwe’s SOEs? Please state reasons for your answer

……

……

2. In your view, is the current legal and regulatory framework conducive and sufficient toenhance the effectiveness of SOEs boards in promoting good corporate governance?

……

………………………………………………………………………………………………………

3. Which organizations or authorities are responsible for enforcing corporate governancecompliance in SOEs?

……………………………………………………………………………………………………
……………………………………………………………………………………………………

4. How do you rate the effectiveness of the corporate governance enforcement mechanisms?

Very Good		Good		Poor	

5. If you believe the enforcement mechanisms are poor, please list the factors you believecontribute to the poor enforcement?

……………………………………………………………………………………………………
……………………………………………………………………………………………………

6. How do you rate the overall performance of Zimbabwe's judicial system?

Very Good		Good		Poor	

7. If you believe the judicial system is poor, please list the factors you believe contribute tothe ineffectiveness judicial system?

……………………………………………………………………………………………………
……………………………………………………………………………………………………

8. In your view, are the penal provisions for misconduct and poor performance beingeffectively implemented?

……………………………………………………………………………………………………
……………………………………………………………………………………………………

Section I– Overall Comments/ Recommendations

What other comments or recommendations (if any) would you make to assist in improving the effectiveness of board of directors in promoting good corporate governance in your organization?

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

Thank you for your time and cooperation.

Questionnaire for Senior Managers & Others

This questionnaire is part of an academic research in pursuance of a Doctor of Philosophy Degree on "An Empirical Study of Corporate Governance and Board Performance in Zimbabwe's State-Owned Enterprises." It is prepared only for the purpose of gathering information to ascertain the effectiveness of boards of (SOEs) in Zimbabwe. Respondents are requested to provide honest answers to the questions below. The data furnished and the identityof the respondents will be kept strictly confidential.

Section A – Personal Information

Gender				
Male			Female	
Position in the organization				

CEO			Corporate Secretary	
Senior Management			Other	
Years of relevant experience				
Less than 5 years			Between 5 and 10 years	
Over 10 years				

Section B – Corporate Governance

1. What is your understanding of corporate governance?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

2. Does your organization comply with Corporate Governance Framework for State OwnedEnterprises introduced in Zimbabwe in 2010?

Yes			No	

3. Did the Corporate Governance Framework for State Owned Enterprises impact on theperformance of the board in your organization? Please explain your answer.

……………………………………………………………………………………………………

……………………………………………………………………………………………………

4. Do you believe the Framework for State Owned Enterprises adequately covers the needsof State-Owned Enterprises? Please give reasons for your answer.

……………………………………………………………………………………………………

……………………………………………………………………………………………………

5. Does your organization have a corporate governance committee?

Yes			No	

6. How would you rate your organization’s corporate governance systems and level ofcompliance?

Poor		Fair		Good	

Section C – Role of the Board

1. Does your organization have a written policy for formal briefing and professional development of directors to ensure that they have a proper understanding of their role and the organization’s operations and business?

Yes			No	

2. Does your organization’s board of directors have a charter to guide its operations?

Yes			No	

3. Does the board have a role in strategy formulation and implementation?

Yes			No	

Please explain your answer.

………………………………………………………………………………………………

………………………………………………………………………………………………

4. How often does your organization's board meet to review the implementation of thestrategy?

………………………………………………………………………………………………

5. How soon are decisions taken at board meetings communicated to the concerneddepartments for implementation?

………………………………………………………………………………………………

6. What system has been put in place to ensure that the board and the individual membersare accountable with respect to their duties and responsibilities?

………………………………………………………………………………………………

………………………………………………………………………………………………

7. Does the board establish, and monitor policies directed at ensuring that the Corporation complies with the law and conforms to the highest standards of good corporate governance?

Yes			No	

If so, please briefly explain the process involved

………………………………………………………………………………………………

………………………………………………………………………………………………

8. Are directors able to seek independent professional advice at the organization's expense?

Yes			No	

9. Is the board adequately empowered to undertake its functions?

Yes			No	

10. How do you rate the level of government/ministry involvement in the performance of duties by the board?

Excessive		Sufficient		Inadequate	

Please justify your answer.

………………………………………………………………………………………………

………………………………………………………………………………………………

11. How many board committees does your organization have? Please name the committees.

………………………………………………………………………………………………

………………………………………………………………………………………………

12. Are all existing committees appropriately composed in terms of experience andqualifications? Please explain your answer.

………………………………………………………………………………………………

………………………………………………………………………………………………

13. Do board committees have clear terms of reference setting out their scope of work, roleand responsibilities to enable them to perform their functions properly?

Yes			No	

14. How would you rate the effectiveness of your board committees?

Very Good		Good		Poor	

15. Does your organization have a competent company secretary?

Yes			No	

16. How, in your view, can the board best be supported to effectively perform its role?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

Section D: Board Selection and Appointment

1. Who is responsible for appointing your organization's board and what criteria are used?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

2. Would you say board members selection and appointments are done transparently?Please explain your answer

……………………………………………………………………………………………………

……………………………………………………………………………………………………

3. Do you believe that the ownership structure of your organization has got an effect on the appointment, composition and performance of the boards? Please state reasons

……………………………………………………………………………………………………

……………………………………………………………………………………………………

4. In your opinion, does Zimbabwe have sufficient numbers of skilled and experienceddirectors to meet the needs of its SOEs?

Yes			No	

5. If no, what effect do you think this shortage has had on the board appointment process inyour organization?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

6. In the past 6 years, what has been the tenure of the boards in your organization?

……………………………………………………………………………………………………

7. In your view, what practices or structures should be put in place to help to promote transparency and suitable board members selection and appointment in SOEs?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

Section E: Composition of the Board

1. What are the specific mandatory requirements for the compositions of members of yourboard of

directors in terms of:

a) minimum qualifications, ………………………………………………………

b) board size, ………………………………………………………

c) maximum years of tenure, ………………………………………………………

d) maximum age of directors, ………………………………………………………

e) minimum or maximum years of experience in specific areas, ………………

f) maximum number of board membership each director may hold ………………

2. How many directors constitute your present board and what are their professionalbackgrounds?

……………………………………………………………………………………………

……………………………………………………………………………………………

3. How many of the directors are government officials?

……………………………………………………………………………………………

4. How many of the directors are women?

……

5. Does your organization's board have the right blend of skills, expertise and personalities, and the appropriate degree of diversity, to enable it to face today's and tomorrow's challenges successfully?

Please justify your answer.

……………………………………………………………………………………………

……………………………………………………………………………………………

6. Do you think board composition has an effect on the performance of your organization?Please explain your reasoning

……………………………………………………………………………………………

……………………………………………………………………………………………

Section F: Board Remuneration

1. Does your board have a Remuneration Committee?

Yes			No	

2. Who is responsible for the final approval of your remuneration as the board members?

Board		CEO		Responsible Minister	

3. Is directors' remuneration linked to corporate and individual performance?

Yes			No	

4. What do you think about the financial compensation for non-executive directors in your organization?

Probably Overpaid		Adequate		Inadequate	

Section G: Evaluation of Board Performance

1. What processes are in place for setting objectives and reviewing performance againstthose objectives, for the board as a whole and for individual directors?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

2. Who is involved for evaluating board performance?

Independent Consultant appointed by Shareholders	
The individual directors (self-evaluation)	
Board Chairperson and nominations committee	
The Parent Ministry	
Other (specify)	

…………………………………………………………………………………………………

…………………………………………………………………………………………………

3. How often are board performance appraisals conducted?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

4. Is the board evaluated as a group, committee or as individual directors?

Individual		Committee		Group	

5. What are the main challenges encountered in evaluating board performance?

Lack of evaluation tools	
Reluctance by the board to conduct evaluations	
Weal supervision by the parent Ministry	
Other (specify)	

…………………………………………………………………………………………………

…………………………………………………………………………………………………

6. Do you think that the board members are adequately equipped to evaluate theirperformance? Please support your answer.

…………………………………………………………………………………………………

…………………………………………………………………………………………………

7. Are directors held accountable for their performance and if so, what penal provisions arethere to punish poor performance?

…………………………………………………………………………………………………

………………………………………………………………………………………………………

8. Did the Corporate Governance Framework for SOEs impact on the evaluation of boardperformance in your organization? Please state reasons for your answer.

………………………………………………………………………………………………………

………………………………………………………………………………………………………

9. How do you rate the Board's performance in the following key areas?

Area	Score From 1 (poor) to 5 (excellent)
Setting strategy and objectives	
Monitoring implementation of agreed plans	
Monitoring performance	
Financial control	
Taking key decisions	
Managing risk	
compliance with the law and corporate governance	
Appraising the Chief Executive/Director	
Maintaining a productive relationship with senior management	

10. How do you rate the overall performance of your board?

Very Good		Good		Poor	

11. Does your organization hold Annual General Meetings?

Yes			No	

Section H: Enforcement of Compliance with Good Corporate Governance Practices

1. Do you think that corporate governance should be made mandatory or voluntary in Zimbabwe's SOEs? Please state reasons for your answer

………………………………………………………………………………………………………

………………………………………………………………………………………………………

2. In your view, is the current legal and regulatory framework conducive and sufficient toenhance the effectiveness of SOEs boards in promoting good corporate governance?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

3. Which organizations or authorities are responsible for enforcing corporate governancecompliance in SOEs?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

4. How do you rate the effectiveness of the corporate governance enforcement mechanisms?

Very Good		Good		Poor	

5. If you believe the enforcement mechanisms are poor, please list the factors you believecontribute to the poor enforcement?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

6. How do you rate the overall performance of Zimbabwe's judicial system?

Very Good		Good		Poor	

7. If you believe the judicial system is poor, please list the factors you believe contribute tothe ineffectiveness judicial system?

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8. In your view, are the penal provisions for misconduct and poor performance beingeffectively implemented?

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Section I: Overall Comments/ Recommendations

What other comments or recommendations (if any) would you make to assist in improving the effectiveness of board of directors in promoting good corporate governance in yourorganization?

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Thank you for your time and cooperation.

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