Developing an Integrated Corporate Governance Model for Zimbabwe's SOES: The Case of Grain Marketing Board

B Maiwasha

orcid.org/0000-0002-0052-0191

Thesis accepted in fulfillment
of the requirements for the degree
Doctor of Philosophy in Public Management and Governance
at the North-West University

Promoter: Prof MT Lukamba

Graduation: June 2023

Student number: 33022143

DECLARATION

I declare that I am the sole author of this thesis. To the best of my knowledge, the work has not been submitted in any previous application for a degree, at this or any other institution.

DEDICATION

I dedicate this thesis, to my mother, Eunice Pangeti and father, Maxwell Maiwasha (late)**.**

ACKNOWLEDGEMENTS

During the study, I came across various persons and organisations who contributed to my research in innumerable ways and deserve special thanks. I wish to thank the following;

1. My esteemed supervisor, Prof M.T. Lukamba for his invaluable advice, and supervision throughout the research. His continuous encouragement and grant confidence in my capabilities inspired me and nurtured intellectual maturity that will help me in the future.
2. Northwest University, for granting me the opportunity to study and giving me financial assistance through the Postgraduate bursary.
3. The Grain Marketing Board (GMB) headquarters, especially the Chief Executive Officer, and the Human Resource Department for authorizing my research. I am grateful to all the GMB officials who agreed to take part in the study.
4. The Ministry of Lands, Agriculture, Mechanisation and Irrigation, for granting me permission to conduct interviews with officials in the ministry.
5. Corporate governance experts from various academic and professional institutions who agreed to participate as key informants in the study.
6. Colleagues and Lecturers from the then, Department of Political and Administrative Studies, who helped me to put up different ideas and encouraged me during my research. I would like to express special thanks to Prof G. Zhou, Prof A. Nhema, Prof E.V.M Masunungure, Dr. A. Madhekeni, Dr. L. Chigova, Dr. M.Matambo, and Ms. G.T Gweshe.
7. My husband, Eng. Silence Matsvaire, and my daughter Havilah, who at some point had to endure my absence during the course of the study. Special thanks to my husband, for all the technical drawing he assisted with.
8. Associates and friends who supported me during the study. Special mention to Dr. Dorothy Sikoya Kanyemba, and Dr. Freeman Mateko.
9. My mother and siblings; Lovemore, Tinashe and Faith, who were pillars of strength throughout my studies.

ABSTRACT

Entrenching the best corporate practices in Zimbabwe's state-owned enterprises has been on the governmental agenda for decades. Despite pockets of progress, transforming the fortunes of SOEs has remained obstructed by an unconducive political arena. In the advent of political and economic adversities, state-owned enterprises became entangled in the web of unaccountable and non-transparent governance that characterised most, if not all, of the country's major public sector institutions. Consequently, a vicious circle of a strangled and poor-performing state enterprise sector dependent on and bailed out by the government emerged. Using Grain Marketing Board (GMB) as a case study, the research develops an integrated corporate governance model to redress corporate governance deficiencies within the country's State-owned enterprises. The research is precipitated by the search for a more sustainable model to insulate the state-owned enterprises in Zimbabwe from political and economic catastrophes.

Based on an interpretive and qualitative exploration of the GMB case, the research examined the corporate governance approaches and challenges of the country's state enterprises. The research was grounded on the principle-agent and contingency theories to illuminate the angle adopted by the enquiry in reviewing the corporate governance phenomenon. The research further reflected on international best practices on corporate governance and the country's experiences to establish the fundamental principles of good corporate governance. This provided a benchmark for assessing state enterprise governance practices in Zimbabwe. The model development strategy employed by the study entailed reviewing the data obtained from both academic and grey literature and then integrating the data with findings from fieldwork. The data mined from the field was based on the views of different corporate governance experts as well as key informants from GMB headquarters, and the Ministry of Lands, Agriculture, Mechanisation and Irrigation. All participants in the study were purposively chosen. Data were analysed using content and thematic analysis techniques.

The major research findings revealed that the current decentralised governance model in Zimbabwe's state-owned enterprises was no longer fit for purpose. The model created multiple- but inefficient controls and accorded the Minister excessive powers. The existence of multiple and conflicting institutional actors accompanied by a political incursion from the Minister has birthed assorted types of corruption at state-owned enterprises and diminished the entities' operational efficiency. The study also unearthed the indelible effects of the politico-economic ecology on state-owned enterprise governance and performance in Zimbabwe. Interestingly,

the findings of the study coincided with the problem that necessitated the study, that, most state-owned enterprises are not abiding by the generally accepted standards of good corporate governance and have lost operational viability. This situation has caused the SOEs to depend heavily on the national fiscus.

Cognisant of the ecological idiosyncrasies of state enterprise governance in Zimbabwe and the current governance challenges at the GMB, the research proposed an integrated corporate governance model that annihilates corruption and depoliticise the countries' state-owned enterprises. The centralised model of governance entrusts the state enterprise ownership/ regulatory function to a specialised, Centralised Ownership Agency, independent from the government. The study proposed that the specialised agency work together with the parliament to cushion the state owned enterprises from politics and restore their commercial function. Other key features of the model proposed include professionalised SOEs boards, marketisation of state-owned enterprises, outcome-based performance, monitoring and evaluation framework, high transparency and disclosure standards, better remuneration schemes and incentives, and empowerment of the Auditor General. The model deals with the principle agent problem by reducing SOEs agency costs and increasing their performance as expounded by the principle agent theory. At the same time, the model is context-specific in line with the assumptions of the contingency theory that there is no one-size-fits-all corporate governance model.

KEY WORDS:
Corporate Governance, Developing Countries, Performance, Public Sector, State-owned enterprises, Sustainability

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LIST OF ACRONYMS

AfDB-African Development Bank and Organisation

ACGN-African Corporate Governance Network

ADB-Asian Development Bank

AG-Auditor General

AGM-Annual General Meeting

BaSSREC- Basic and Social Sciences Research Ethics Committee

BCBS-Basel Committee for Banking Supervision

BCCI-Bank of Credit and Commerce

COA-Centralized Ownership Agency

COVID-19-Corona Virus Disease 2019

CSC-Cold Storage Company

DGCC-Delaware's General Corporation Law

ECA-Economic Commission for Africa

ESAP-Economic Structural Adjustment Programme

FBOs-Family Business Organisations

FDI-Foreign Direct Investment

FRC-Financial Reporting Council

GDP-Gross Domestic Product

GLCs-Government Linked Companies

GMB-Grain Marketing Board

GNU-Government of National Unity

GoZ-Government of Zimbabwe

IFRs-International Financial Reporting Standards

IMF-International Monetary Fund

IOSCO-International Organisation for Securities Commission

IRBM-Integrated Results Based Management

JSE-Johannesburg Stock Exchange

LDCs-Least Developed Countries

MoFED-Ministry of Finance and Economic Development

MP-Member of Parliament

NDS 1-National Development Strategy 1

NEPAID-New Economic Partnership for Africa Development

NRZ-National Railways of Zimbabwe

OECD-Organisation for Economic Co-operation and Development

OPC-Office of the President and Cabinet

PECGA-Public Entities Corporate Governance Act

PEEPA-Public Enterprise Evaluation and Privatization Agency

PFMA-Public Finance Management Act

POTRAZ-Postal and Telecommunications Regulatory Authority of Zimbabwe

SEC-Stock Exchange Commission

SEPs-State Enterprises and Parastatals

SERA-State Enterprise Restructuring Agency

SNA-System of National Accounts

SOEs-State-owned Enterprises

SOX-Sarbanes Oxley Act

SSAA-Sub-Saharan Africa Anglophone

TIMB-Tobacco Industry and Marketing Board

TSP-Transitional Stabilisation Programme

USA-United States of America

USD- United States Dollars

UK-United Kingdom

ZANU PF-Zimbabwe African National Union-Patriotic Front

ZESA-Zimbabwe Electricity Supply Authority

ZETDC-Zimbabwe Electricity Transmission and Distribution Company

ZIMCODE-Zimbabwe Code on Corporate Governance

ZMDC-Zimbabwe Mining Diamond Company

ZPC-Zimbabwe Power Company

ZSE-Zimbabwe Stock Exchange

ZWL-Zimbabwean Dollars

CHAPTER ONE: INTRODUCTION

1.0 INTRODUCTION

Entrenching the best corporate practices in State-Owned Enterprises (SOEs) is currently a pressing issue in most developing countries. Principally, SOEs are catalysts for socio-economic development but they have gradually turned into huge financial burdens, especially in Africa, where they normally rely on national budgets handouts for survival (Magang and Kube, 2018; Mashavave, 2017; OECD, 2014a; World Bank, 2017). Wilson (cited by Turner and Hulme (1997: 180) accentuates that:

> In good and bad times, public enterprises have on the whole been a waste of money. The overwhelming evidence from across Africa from governments' own reports, World Bank missions, and scholarly studies- clearly demonstrates that they have consumed far more resources than they have generated. Rather than contributing, they have depleted national resources. All too many public enterprises sit like huge white elephants over the African landscape, voraciously consuming what has been produced by others.

In Zimbabwe, the government has championed diverse SOE governance reforms yet without qualm, the SOE sector remain legendary for poor performance. Referring to a different context but relevant to this study, Zhou (2012a: 175), described the public enterprise sector in Zimbabwe as "a sad tale of loss-making and debt-ridden entities with a voracious appetite for fiscal support". Despite the quest to revive the SOEs, attaining sound corporate governance remain a daunting task given there is no one best model of corporate governance. Contemporary literature is replete with diverse corporate governance models and approaches, most of which have their application and origin in developed countries (Corrigan, 2014; Orazalin and Mahmood, 2019; Wong, 2018). To this effect, the study develops an integrated corporate governance model to redress corporate governance deficiencies in Zimbabwe's SOEs and a case study of the Grain Marketing Board (GMB) is employed. This chapter forms the basis of the study by detailing, amongst others, the background to the research, statement of the problem, research questions and objectives, the significance, limitations, and delimitations of the study, central theoretical statement, research design and methodology as well as ethical considerations guiding the enquiry.

1.1 BACKGROUND OF THE STUDY

Corporate governance reform has become a major policy issue not only in governing companies but in the management of national economies (Chanda *et.al,* 2017: 1267). "The frequency of corporate failures evokes nation states to continuously improve corporate governance approaches to minimise economic risks and foster public as well as investor confidence in the financial market" (Ruparelia and Njugana, 2016: 154). To this end, corporate governance can be regarded as the antidote to corporate governance crisis. It seeks to cultivate ethical governance and build strong corporate culture. According to Khan (2011: 1), corporate governance "is a broad term that defines the processes, customs, policies, laws and institutions that direct the organisation and corporations in the way they act, administer and control their operations". Relatedly, Chimbari (2017: 214) defines corporate governance as "a set of processes, customs, values, codes, policies, laws and structures governing the way a corporation is directed, controlled and held accountable". Well-governed organisations perform better, thus, emphasising the need for good corporate governance (Zvavahera and Ndoda, 2014: 2). From the above scholarly definitions, corporate governance can be seen as the hallmark for efficient and effective corporations. A broader conceptualisation of the term is done in chapter two under the definition of key terms section.

A review of both classical and contemporary literature on corporate governance credit the rising tide of corporate governance to the dramatic collapse of gigantic companies like the Bank of Credit and Commerce International (BCCI) in 1991, Enron in 2001, Rank Xeron, Worldcom, Qwest and Tyco in 2002, Parmalat in 2003, and Lehman Brothers, a 158-year-old investment bank in 2008 (Cadbury Report, 1992; Cheffins, 2009; Claessens and Yurtoglu, 2012; Clarke, 2017; Rezart, 2016; Sarbanes Oxley Act, 2002; World Bank, 2000). Globally respected and well-established companies were involved in different kinds of unethical business practices including profit falsification, excessive secrecy, debt concealment, naked short selling, money laundering and the manipulation of financial statements through creating accounting practices, among others (Bello, 2016: 476). The collapse of the aforementioned companies reveals the negative consequences of bad corporate practices. In response to the spectacular corporate spates, different committees were established to interrogate the variegated causes of the scandals and develop suitable recommendations. Accordingly, considerable recommendations in the governance of companies emanated from committees such as the Tread way Commission of 1987, Cadbury Committee of 1992, Green bury Committee of 1995, Sarbanes Oxley Committee of 2002, and Higgs Committee 2003 (Ndlovu *et al.*, 2013).

As gleaned from literature, the United Kingdom (UK) and the United States of America (USA) stood as the trend setters in so far as the corporate governance discourse advanced in the Western world. Perhaps this explains why the UK and America models of corporate governance have in most instances perceived as the golden standards. In light of this view, Haskovec (2012: 7) establishes that the first widely recognised code of corporate governance was released in the UK in 1992 under the leadership of Sir Adrian Cadbury and it was titled 'The financial aspects of corporate governance'.

> The Cadbury Committee encapsulated its recommendations in a Code of Best Practice and arranged for enforcement by persuading the London Stock Exchange to add the Code as an appendix to the London Stock Exchange's listing rules, with listed companies becoming obliged either to comply with the provisions of the Code or explain why they had failed to do so (Cheffins, 1997: 76-77).

The development of the code established by the Cadbury committee set in several similar bodies and internationalised corporate governance (Mees, 2015). The Sarbanes Oxley Act (SOX) in the United States was passed by President George, W. Bush in July 2002 and yielded far-reaching effects to the corporate world both domestically and internationally (Altintas, 2010; Jackson, 2010). In agreement, Kalbers (2009: 190) elucidates:

> For public companies, SOX instituted numerous reforms for corporate governance and established additional and more severe criminal penalties for fraudulent financial reporting. For independent auditors, SOX significantly reduced the profession's self-regulation, while simultaneously providing the profession with a boon in revenues, primarily from the new requirement to audit and report on the effectiveness of internal control of audit clients. The Act provided for the formation of the Public Companies Accounting Oversight Board, a private-sector, non-profit corporation to oversee the auditors of public companies. SOX set numerous new, or expanded, rules and standards for auditing, quality control, and ethics for independent auditors.

Later, there was a complete review of the Cadbury code in the UK and the name changed to UK Corporate Governance Code. The code became administered by the Financial Reporting Council (FRC), under different chairs. According to Clarke (2017), after the 2008-2009 financial crises, a modernised corporate governance code for UK companies, was issued to replace the 'Combined code'. In addition to the UK code, the FRC, also issued a Stewardship code in July 2010 to enhance the quality of engagement between institutional investors and companies (Jackson, 2010). Several revisions to the UK code followed in 2012, 2014, and 2016 (Clarke, 2017). Corporate governance developments in the UK, confirm the publication of the UK Corporate Governance Code of 2018, by the FRC to replace the 2016 Corporate Governance Code (Ernest and Young, 2018). The above thus, shows that corporate governance law has been modified from time to time. The advent of different forms of legislation reflects a greater need to improve corporate governance mechanisms to deal with evolving corporate crisis.

The research observes that in sharp contrast with the UK scenario, the United States has an unusual feature in its corporate governance approaches. The USA has no single national code of corporate governance serving as a generally accepted benchmark of practices. As of "2008, 25 unique codes could be identified" (Haskovec, 2012: 20). This validates the assumptions of the political theory that each country has its corporate governance systems that reflect its political ideologies (Roe, 2003). At present, USA companies are governed by a variety of legal regimes relating to corporate governance matters. According to Niles *et al.* (2018: 1), these include the "State law and Federal statutory rules and regulations of different government agencies, the Securities and Exchange Commission (SEC) and self-regulatory organisations such as Stock Exchanges that impose requirements on companies whose securities are listed and traded on such exchanges". In addition to those sources of law, the US corporate regime derives principles from a variety of non-legal sources. Each state has its corporate governance code with Delaware's General Corporation Law (the DGCL), being the most common for large, and publicly traded companies. Additional federal regulations imposing corporate governance regulations include the Sarbanes Oxley Act of 2002, the Dodd-Frank Wall Street Reform and the Consumer Protection Act of 2010 (Niles *et al.* , 2018).

The forces of a progressively globalised world, democratisation, International Financial Institutions (IFIs) reforms and corporate governance scandals in the West forced several developing countries to prioritise corporate governance principles (Ayandele and Isichei, 2013). The heated debate about corporate governance in developing countries was accentuated further by the impact of the 1997-1998 Asian financial crisis (Foo and Witkowska, 2011; Rwegwasira, 2000). The Asian crisis revealed widespread deficiencies in corporate governance as well as in the ability of supervisors to regulate and control financial institutions in the region (Rwegwasira, 2000). From these sentiments, it cannot be disputed that in both developed and developing countries, the major stimulus for corporate governance has been the pervasiveness of corporate governance crisis.

African countries have also been caught in the web of corporate governance. In particular, the 1989 Report on Sub-Saharan Africa showed the need for most African countries to pursue good corporate governance (Ayandele and Isichei, 2013). It is key for one to note that the principle of ‘ubuntu’ which emphasised good virtues had always existed in the African community and became reinforced in corporate settings through adoption of corporate governance. The first widely recognised national code of corporate governance in Africa was released in South Africa in 1994 (Haskovec, 2012; Markkanen, 2015). This was an outcome of the first King Report, a committee had been established by the Institute of Directors in 1993 to make recommendations regarding South Africa’s corporate governance. The second King Report followed it in 2002 (King II), and in 2009, the third King Report (King III) was established. The King IV Report was later released on 1 November 2016. The Reports established “recommended standards of conduct for Boards and Directors of Listed Companies, banks, state-owned enterprises and other private and non-profit entities” (Kanyone and Sausi, 2015: 31). At present, the King Code IV is the generally-accepted national code of corporate governance in South Africa. It is key to note that the King Code has been influential to corporate governance in countries beyond South Africa, for example in Zimbabwe, it initially guided corporate governance law in the private sector. This shows how South African corporate governance regulation has served as benchmark for other African countries. According to the African Corporate Governance Network (ACGN) (2016: 6), “South Africa continues to be a leader internationally in corporate governance, especially in defining the application of global standards for its small island economy and continues as the top-ranked country in the Ibrahim Index of African governance”.

Combined efforts to amplify good corporate governance practices remain visible in the works of international organisations such as the World Bank and the Organisation for Economic Cooperation and Development (OECD). A typical example include; the OECD Principles which were promulgated in 1999 to provide a framework that governments could adopt to improve the legal, institutional and regulatory framework for corporate governance. The principles received worldwide recognition as an international benchmark for corporate governance. They have been adopted by various governments, investors, and institutions in both OECD and non-OECD countries (Ruparelia and Njugana, 2016). The principles were revised in 2004 to capture more corporate governance developments. The research notes that although the principles are pertinent and many countries have developed their corporate governance codes from them, their aptness to African countries like Zimbabwe has not been ascertained.

Other examples include; the OECD Guidelines for State-owned enterprises, originally adopted in 2005 and revised in 2015, the World Bank Toolkit for State owned enterprises in 2014, the

New Economic Partnership for Africa Development (NEPAID) Peer Review Principles, and the Economic Commission for Africa (ECA) Principles for corporate governance of firms (Economic Commission for Africa 2007; Milhaupt and Pargendler, 2017). To date, several developing countries have introduced codes of corporate governance to improve corporate governance practices in organisations (Afolabi, 2015). For example, countries like; Egypt, Ghana, Kenya, Malawi, Mozambique, Nigeria, Tunisia, Uganda, Zambia and Zimbabwe have established different institutional mechanisms to foster good corporate governance (African Corporate Governance Network, 2016; Balbuena, 2014).

Notwithstanding the world-wide variegated corporate governance reforms, corporate scandals persist, especially in developing countries. This has raised questions "about why corporate organisations failed despite implementing and practicing corporate governance" (Salami *et al.,* 2014: 251). A clear and succinct answer to that question is elemental in the prognosis of the root causes of the problem as well as in the formulation of strategies to deal with the predicament. In light of the above, Chanda *et al.* (2017) observed that little is known about the extent of understanding and views concerning the corporate governance concept and its potential outside the world's richest countries. On the other hand, Ruparelia and Njugana (2016) reiterate that poor corporate governance is one of the major factors contributing to poor economic performance in developing countries. Mashavave (2017: 209) echoes that, "Africa, in particular, continues to be plagued by a myriad of corporate governance challenges that turn away investors who can bring Foreign Direct Investment (FDI) to the continent". In support of the view, Okeahalam and Akinboade (2003: 6) stress that, "what makes the African situation difficult is the fact that African economies are very much transition economies and the challenge is to take cognisance of the peculiarities of the sub-region and develop mechanisms and strategies to improve its corporate governance". This therefore demonstrates the need for more researches in Africa to understand the challenges and ideals of corporate governance within the African region.

Appraisal of corporate governance literature points to the absence of a 'one-size-fits-all' model of corporate governance and the efficiency of specific corporate governance approaches can vary in different contexts (ACGN, 2016; OECD, 2004; Markkanen, 2015). Relatedly, the contingency theory establishes that there is no one best model of governance (Baier, 2008). This implies that the same governance mechanisms would not work as well in less developed African countries as they would in more developed countries. This creates a strong case for a home-grown corporate governance model that applies to the African continent. However, the

ACGN (2016: 119) contends that "there are challenges to developing an Afrocentric harmonised governance system, owing to the various dynamics and various stages of development of different African countries". The African Development Report (2011) holds that there are barriers to promoting good corporate governance in most African countries which include: poor economic governance, lack of enabling legal and regulatory framework, absence of well-constituted boards, weak self-monitoring, and compliance, and lack of timely and accurate disclosure of information. Although these corporate governance problems cut across different sectors, they tend to be more severe in the SOE sector (Milhaupt and Pargendler, 2017). For this reason, SOEs are of central concern in this study. "Occupying an often uncomfortable space in which the imperatives of a business jostle with demands for socially defined outcomes, SOEs and their governance practices demand clear analysis and understanding" (Corrigan, 2014: 1).

SOEs are enterprises where the state has significant control, through full, majority or significant minority ownership (World Bank, 2014a; IMF, 2016). The "SOEs are one of the largest sectors of the economy in many African countries and are important contributors to national development processes" (OECD, 2014a: 1). SOEs are mostly found in strategic sectors such as energy, mining, infrastructure, and other utilities, and in some countries, financial or health services (Armstrong, 2015; OECD, 2018). Thus, SOEs are the bedrock for the general development strategy of most countries. According to Corrigan (2014), SOEs are key to the state's developmental initiatives and they influence the country's corporate governance landscape. This means that the highest standards of corporate governance of SOEs are critical to ensure financial sustainability and sustaining global growth (OECD, 2018). Ensuring that SOEs are accountable, transparent, efficient, effective, and viable is, therefore, important for the country's efficient allocation of resources, competitiveness, economic development and poverty alleviation (Performance Management Guidelines for State Enterprises and Parastatals 2017: 6). As captured by the stakeholder theory, the effectiveness of an organisation is depended upon its capacity to create and distribute sufficient value to its stakeholders (Clarkson, 1995 cited by Mainardes *et al.*, 2011).

The majority of the enterprises in Africa were created upon the attainment of independence as catalysts for social service provision, poverty reduction, employment creation, economic growth, and socio-economic development (Magang and Kube, 2018; Tangri, 1999). As indicated earlier, in Zimbabwe SOEs have been the major drivers of the economy since independence. Thus, the SOEs were a cornerstone for the overall development strategy in most

African economies. However, in the post-1980s these ‘treasure troves’ of Africa gradually turned into huge financial burdens. The SOEs were criticised for their lack of productivity, efficiency, and transparency, and remained subject to demands for reforms from a myriad of sources (Hyden, 1983; Mashavave, 2017; Mwaura, 2007; Turner and Hulme, 1997; United Nations, 2008). Despite a decade of donor-supported SOE reforms, the performance of the SOE sector in most African countries remained below expectations (Nellis, 2005).

Several SOEs structural reform programs have been instigated in the subsequent years but according to the OECD (2014a: 1), “distinct challenges remain for improving SOEs efficiency, including their underperformance which results in poor returns on invested government capita, and, in many cases, ongoing government subsidies”. Although the underperformance of SOEs in Africa can be attributed to many factors, there is no qualm poor corporate governance is at the core of the problem (Performance Management Guidelines for State Enterprises and Parastatals, 2017). The SOEs “continue to have tremendous governance problems and are losing the survival context” (Munduga, 2014: 3). Against this background, revamping the SOEs sector in Africa is a key developmental issue.

The above sentiments hold much water when one closely examines the corporate governance deficiencies in most SOEs in Sub-Saharan Africa. For example, in South Africa the South African Broadcasting Corporation (SABC) reported a “loss of approximately R395 million in its 2014/ 2015 financial statements, whilst its chief operating officer’s salary increased from R2,8 million to R 3,7 million” (Thabane and Snyman-Van Deventer, 2018: 4). The South African Airways, in turn, changed seven Chief executive officers within four years and other SOEs such as Eskom, the Post Office and Telkom also had high board and executive management turnover, and poor performance, resulting in regular bailouts. This also birthed challenges concerning the division of power between their boards and the various shareholder ministers (Thabane and Snyman-Van Deventer, 2018). In Botswana, the allegations of bad governance in SOEs are awash. For instance, in Botswana Development Corporation (BDC), there were reports of incompetent management and corruption in the awarding of the multimillion Pula tender (*Sunday Standard*, 2011 as cited in Magang and Kube, 2018). Additionally, in the Botswana Meat Commission (BMC) there were reports of poor corporate governance, conflicts of interest by some board members and syphoning money out of BMC from lucrative European markets (Kohonani 2015 and Boy 2013 as cited in Magang and Kube, 2018: 151).

In Zimbabwe contemporary highly publicised spectra of corporate governance deficiencies in SOEs further illuminates the necessity of corporate governance reforms. The majority of state enterprises are characterised by odious debts, dilapidated infrastructure and equipment, under capitalisation, skills deficits, vandalism and looting by top-ranking government officials, politicians' mismanagement and outright corruption (Magure, 2012; Mutanda, 2014; Zhou, 2012). According to Chimbari (2017: 216) "weak corporate governance coupled with unbridled political interference in the operation of SOEs has been the major cause of poor performance in SOEs". Even though the SOEs are supposed to be self-sustaining, most of them are heavily reliant on funding from the government (Mashavave, 2017; Zvavahera and Ndoda, 2014). This precipitates the need to embrace good corporate governance ideals to better the performance of the entities and relieve the treasury. Consequently, the Government of Zimbabwe has persistently announced policy measures to revive these entities in annual budget statements. In the 2011 National budget, the government pronounced the inception of the first phase of the reform program which earmarked enterprises such as; the Agribank, Air Zimbabwe, Grain Marketing Board (GMB), Cold Storage Company (CSC), National Railways of Zimbabwe (NRZ) as well as the mobile operators (Net-one and Tel-one) (Zimbabwe National Budget Statement, 2011). In the 2013 and 2016 National budgets, the government emphasised the need to reform the public enterprises and monitor their compliance with the provisions of the Corporate Governance Framework (Zimbabwe National Budget Statement, 2013, Zimbabwe National Budget Statement, 2016).

In the 2018 National budget, the government categorically stated that "state enterprises that exhibit potential will be reformed, while those which cannot be rehabilitated will be privatised or face outright disclosure" (Zimbabwe National Budget Statement, 2018: 49). The annual budget statement for 2019 indicated that the implementation of the public enterprise reform programme was gaining momentum, and a total of 46 enterprises had been earmarked for the reforms (Zimbabwe National Budget Statement, 2019). In 2020 the government pledged to fast-track the implementation of public enterprise reforms whilst enforcing the provisions and regulations of the Public Entities Corporate Governance Act (Zimbabwe National Budget Statement, 2020: 115). As reported in the Transitional Stabilisation Programme document, the government 10 earmarks a myriad of public enterprise reforms including privatisation, liquidation, merging, rebundling as a way to improve the productivity and efficiency of the parastatal sector (Transitional Stabilisation Programme (TSP), 2018-2020).

Apart from the aforementioned policy pronouncements, the government has made great strides to address corporate governance deficiencies within the state enterprise sector through the adoption of various legislative frameworks. For example; in November 2010 the Ministry of State Enterprises and Parastatals introduced the Corporate Governance Framework for State Enterprises and Parastatals in a bid to revamp the performance and viability of the state enterprises. The government later launched the Zimbabwe Corporate Governance Code (ZIMCODE) in April 2015 in line with the OECD benchmarks that reflect good international corporate governance practices (World Bank, 2017). This was a remarkable development given that the country did not have any legislated national code on corporate governance since the attainment of independence in 1980. Before the advent of the code, "corporate practices in Zimbabwe were regulated by the Companies Act (chapter 24: 03) and the Zimbabwe Stock Exchange (ZSE) Act (chapter 24: 18), (ZSE) listing requirements, Public Finance Management Act (chapter 22: 19) as well as rules of professional bodies such as Institute of Directors of Zimbabwe (IoDZ) and the Johannesburg Stock Exchange" (JSE) (Maune, 2015: 168). The government also introduced the Public Entities Corporate Governance (PECG) Act in 2018. Contrary to the Corporate Governance Framework which is largely focused on the governance of State Enterprises and Parastatals, the Public Entities Corporate Governance Act applies to all the public sector entities in the country.

Regardless of such fairly comprehensive frameworks, numerous reports by the Auditor General and Portfolio Committee on Public Accounts have continued to unravel cases of malpractices and financial irregularities, especially from SOEs. Public enterprises remain "a drawback through their inefficiencies, with their contribution to the economy falling from around 60% to current levels of about 2%" (Zimbabwe National Budget, 2018: 49). Against this background, developing a context-specific, integrated governance model to guide corporate governance approaches in Zimbabwe's SOEs becomes indispensable. The model will be based on international best practices on corporate governance and informed by the research findings to suit the context of Zimbabwe. A governance model that takes note of the peculiar exigencies of SOEs is the lynchpin to sustainable corporate governance approaches within the state enterprise sector of Zimbabwe. The idea is to attain high corporate governance standards in SOEs elementary for the country's sustainable development. Interest in GMB, Zimbabwe sprouted from the fact that agriculture is the mainstay of the country's economy, yet the sector is currently grappling with a host of challenges (*The Herald*, 24 August 2017). GMB is a wholly state-owned enterprise established in 1931 under the Maize Control Act (Grain Marketing Act

Chapter 18: 14). There are currently 107 state-owned enterprises and parastatals in Zimbabwe and the majority of them have been failing to make meaningful contributions to the economy (World Bank Report, 2017; The Herald, 6 November 2020). The research aims to use the findings from GMB to develop a further model for Zimbabwe's state-owned enterprises to improve their productivity, efficiency, and accountability.

1.2 PROBLEM STATEMENT

According to section 195 (1) of the Constitution of Zimbabwe, state-owned enterprises should "conduct their operations so as to maintain commercial viability and abide by the generally accepted standards of good corporate governance" (Constitution of Zimbabwe, 2013). Despite this constitutional provision, numerous reports by the Auditor General and Portfolio Committee on Public Accounts have continued to unravel corporate scandals and financial irregularities from the bulk of SOEs in Zimbabwe. For example, the audit report for 2013 indicated that the Tobacco Industry and Marketing Board (TIMB) was failing to capture receipts from farmers timeously and some of its lease agreements were not up to date (GoZ, 2013). The same parastatal also sent some of its board members and staff to China, Tanzania and India on business without the cabinet's approval for the trips (GoZ, 2016). In 2013, Agribank was reported to be procuring goods and services without the required supporting documents as required by the company's policy and there was no evidence of collateralisation of loans and advances. The bank incurred a net loss of US$ 9 268 000 during the year ended 31, December 2013 and as of that date, the accumulated losses amounted to US$ 31 713 000 (GoZ, 2013).

The audited reports for Cold Storage Company (CSC) for the years ended December 31, 2011, and 2012 showed that the valuation of property, plant and equipment was last performed in 2009, a period when the economy was emerging from hyperinflation and the values assigned to property, plant and equipment were generally overstated. CSC was also not following the correct procedures when moving dead animals from the registers, thus contravening the Animal Health Act (GoZ, 2013). The audits conducted at the Agriculture Rural Development Authority (ARDA), indicated that the SOE incurred operating losses amounting to US$ 19 103 928 during the three years ended December 31, 2011, 2012, and 2013 and as of 31 December 2013 the authority's current liabilities exceeded its current assets by US$ 3 237 881 (GoZ, 2016). According to the Auditor General, the authority did not maintain accounting records for Sanyati and Katiyo estates for 2011, 2012 and 2013 and the financial statements of the authority for the three years were not following the international financial reporting standards (GoZ, 2016). In the case of GMB, the parastatal audit for the year ended December 31, 2013, revealed that the performance evaluation of the main board and all its committees were not carried out in line with the best practices (GoZ, 2013). The board detected several fraudulent transactions which involved some employees since it had not fully implemented an Enterprise Risk Management Framework and there has been no comprehensive review of the adequacy of existing internal controls (GoZ, 2013). The end-of-year audits for 2014, 2015, and 2016 also revealed that some GMB board members were still holding positions after the expiry of office tenure (GoZ, 2014, 2015, 2016).

The Auditor General's report for the financial year ended December 31, 2018, further exposed the governance crisis bedeviling Zimbabwe's state enterprise sector. Amongst many things, the report pointed out the accountability issues that continue to affect Air Zimbabwe. The SOE could not provide supporting documentation for operating expenses amounting to $13 705 014 and petty cash amounting to $654 587. It had not accounted for all air crafts and no minutes of its board and management meetings were available for the period under review (GoZ, 2018: x). The same audit report revealed that the Zimbabwe Electricity Supply Authority (ZESA) had continued to ensure computer equipment that was no longer in existence, actually, some of the equipment had been stolen in 2010 (GoZ, 2018). Additionally, the report unraveled that some assets could not be located during the physical verification exercise at Zimbabwe Mining Diamond Company (ZMDC). An enquiry by the Auditor General showed that "some of the assets were moved around offices and still had old asset numbers, while others were either attached by debt collectors or stolen" (GoZ, 2018: 136).

The report also showed a lack of due diligence by SOEs when procuring goods and services which resulted in some payments being made without subsequent delivery. Notable cases included Zimbabwe Electrification Transmission and Distribution Company (ZETDC) which has not taken delivery of transformers for nine years after making a payment of USD 4.9 million to Pito Investments. The same contractor was also paid in advance an amount of USD 561 935 by the Zimbabwe Power Company (ZPC) in 2016 and had not delivered. In addition, ZPC also paid ZAR 196 064 in 2016 to York International for gas that has not been received. Grain Marketing Board (GMB) also made an advance payment for maize worth $1 014 163 in 2016, and to date, this has not been delivered (GoZ, 2018: x). The audit report further noted some variances at GMB with regard to the depot-to-depot transfers of maize. It revealed that the GMB board did not have a normal loss policy and as a result, it could not be ascertained whether these variances were within an acceptable range. It emerged from the same report that the controls over safeguarding inventory at GMB were weak. As a result, inventory worth $74 219 was stolen through forged maize purchases and depot-to-depot transfer documentation at some depots. By the time the board noticed the anomaly, staff responsible for manning the depot weighbridge and security were no longer employees of the board. The staff included temporary employees, hence the board could not recover the loss (GoZ, 2018: 48). These cases mirror the rot in public entities as they continue haemorrhaging millions of dollars from botched deals (*The Sunday Mail*, 30 June 2019).

The above exposition shows that challenges that continue to plague SOEs are of a corporate governance nature and this has caused them to struggle in terms of delivering their statutory mandate (Portfolio Committee on Public Accounts Report, 2016). The poor corporate governance systems are epitomised by board members that are not required to sign performance agreements, absence of clear key performance indicators, failure to meet statutory deadlines for financial reporting, fraudulent activities and lack of compliance with the Public Finance Management Act and Audit Office Act (World Bank Report, 2017). Irrespective of the underperformance of these entities, management at most parastatals continue to enjoy huge salaries and benefits which breach the Cabinet's directive of packages not to exceed 30% of total revenues (Zimbabwe National Budget, 2018: 50). There is increasing concern that SOEs have not been able to fund themselves, a situation that has triggered the entities to be dependent on financial bailouts by the government (Mutize and Tefera, 2020; Transitional Stabilisation Programme (TSP), 2018-2020). If this problem is not addressed SOEs will continue to be a financial burden on the national fiscus. Eventually, the decline of SOEs which form strategic segments in the country's development agenda wields a negative bearing on the entire economy and the effects can be far-reaching to the general populace. Therefore, there is a need to review the current SOEs governance model to overhaul the corporate governance and management culture within SOEs in the quest to improve productivity, efficiency, and accountability (The Herald, 27 November 2020). Inspired by this setting, and the absence of a study of its kind, the research develops an integrated corporate governance model to obtain sustainable governance approaches in Zimbabwe's state enterprise sector.

1.3 RESEARCH QUESTIONS

The main research question of this study is:

- What might be the best governance model to ensure sustainable corporate governance approaches at GMB?

Secondary-specific research questions of this study are:

1. How does corporate governance contribute to the performance of SOEs?
2. What lessons can Zimbabwe draw from international cases and best practices on corporate governance?
3. What are the ecological idiosyncrasies of SOEs in Zimbabwe?
4. Which legal and institutional frameworks guide corporate governance approaches in Zimbabwe's SOEs and how effective are they?
5. What corporate governance approaches and challenges are at GMB?
6. Which appropriate governance model can be adopted for GMB?

1.4 RESEARCH OBJECTIVES

The main objective of the study is to:

- Develop an integrated governance model for sustainable corporate governance approaches at GMB.

Secondary-specific objectives of this study are to:

1. Examine the contribution of corporate governance to the performance of SOEs.
2. Review international cases and best practices on corporate governance and draw lessons for Zimbabwe.
3. Determine the ecological idiosyncrasies of SOEs in Zimbabwe.
4. Analyse the legal and institutional frameworks guiding corporate governance approaches in Zimbabwe's SOEs.
5. Empirically investigate corporate governance approaches and challenges at GMB.
6. Determine the appropriate model that can be adopted for GMB.

1.5 SIGNIFICANCE OF THE STUDY

A good deal of academic research on corporate governance in SOEs in Africa concentrated on SOEs' governance structures, corporate governance and performance of the SOEs as well as SOEs' compliance with international best practices of corporate governance. For example, Mwaura (2007) looked into the failures of corporate governance in SOEs in Kenya, Thabane and Snyman-Van Deventer (2018) investigated corporate governance deficiencies in South African SOEs and Magang and Kube (2018) examined the compliance of Botswana SOEs with the best practice governance principles. In Zimbabwe, Ncube and Maunganidze (2014) researched corporate governance and executive compensation in Zimbabwean State- Owned Enterprise, Zvavahera, and Ndoda (2014) centred on corporate governance and ethical behavior of SOEs, Chavhunduka, and Sikwila (2015) interrogated the ZIMCODE and SOEs connection, juxtaposing with international best practices and Chimbari (2017) offered an alternative approach through analysing the ZIMCODE within the context of legal and political dynamics in the public sector.

However, there is a dearth of knowledge on how best to improve corporate governance approaches in developing economies like Zimbabwe. According to Orazalin and Mahmood (2019: 8) a "dearth of credible research hinders corporate governance reforms and governments in developing countries are looking for more empirical research to develop appropriate corporate governance practices". Therefore, the research is crucial as it fills this knowledge gap through the development of an integrated corporate governance model suitable for Zimbabwe's SOEs context. Building on what is already known about corporate governance, the study analyses the model (s), principles, and frameworks guiding corporate governance approaches at GMB, Zimbabwe. It develops an integrated governance model based on the strengths and weaknesses of the existing governance approaches at GMB and the peculiar context within which Zimbabwe's SOEs are enmeshed.

1.6 LIMITATIONS OF THE STUDY

The major limitation emanated from the Corona Virus Disease (COVID-19) context in which the study was conducted. Due to the COVID-19-induced restrictions, most government departments streamlined their operations, and employees were required to work from home. This led to some participants cancelling appointments they had initially scheduled with the researcher. As a consequence, the study response rate became lower than expected. Instead of the envisioned 31 participants, the research ended up with 21 participants.

The study could not conduct semi-structured, face-to-face interviews with all respondents as planned since most participants denied direct personal contact with the researcher for fear of COVID-19. Just a few participants agreed to face-to-face interviews upon the researcher's production of the COVID-19 vaccination card and the rest opted for telephone interviews. The research, therefore, could not maximise the stronger connections, trust, and persuasion that come with face-to-face communication.

Challenges were faced in this inquiry as it required classified information on the agricultural sector of Zimbabwe. Additionally, issues to do with parastatal management in Zimbabwe are political and therefore participants seemed hesitant to give their contributions due to mistrust and suspicion. The researcher had to assure the respondents that their information will be used with the greatest confidentiality. The researcher provided evidence to show that they are a bona fide student at NWU conducting the study for academic purposes only. Furthermore, the researcher informed the respondents that participation was voluntary and they were free to stop whenever they felt uncomfortable.

Another limitation is that the research employed qualitative research methods which makes it difficult to generalise findings. However, this did not affect the study given the intention of the study was not to generalise findings but to obtain a thick description and detailed understanding of corporate governance practices and challenges at GMB to develop an appropriate SOE governance model. The value of qualitative research lies in the particular description and themes developed in a specific context (Creswell, 2014).

1.7 DELIMITATION OF THE STUDY

The research is confined to GMB, Zimbabwe Headquarters in Harare. It did not compare corporate governance practices among different SOEs. The period covered by the research is 2010-2020.

1.8 CENTRAL THEORETICAL STATEMENT

Given the self-seeking nature of humans, the argument is that no SOE manager will run the firm as efficiently as an owner-manager would run his own firm (Chang. 2007: 14). This problem would not exist if the owners (principals) of SOEs, can perfectly monitor the SOE managers (their agents). However, it is inherently difficult to verify (although managers know) whether poor enterprise performance is due to shirking by the managers or circumstances beyond their control (Chang, 2007). This is called the principal-agent problem (Ayee, 2005). A corporate governance model, therefore, provides a mechanism to minimise agency costs and ensure alignment of the agent-principal relationship (Yusoff and Alhaji, 2012). An integrated governance model that is context-specific curtails SOEs' governance deficiencies and ensures that they perform to expected levels. It is a critical component and an anchor to the performance and viability of state-owned enterprises (World Bank, 2000; OECD, 2004; World Bank, 2014a; OECD, 2014a; ACGN, 2016).

1.9 RESEARCH DESIGN AND METHODOLOGY

A research design denotes a "logic or master plan of research that throws light on how the study is to be conducted" (Tripathy and Tripathy, 2017: 27). A good design, one in which the components work harmoniously together, promotes efficient and successful functioning (Maxwell, 2005). The research methodology denotes the different steps that were taken by the researcher to investigate the state of corporate governance at the Grain Marketing Board of Zimbabwe (Mishra and Alok, 2017). This section presents an overview of the design and methodology that guided the research. It describes and analyses planned and selected research methods to shed more light on the nature of corporate governance approaches at GMB and develop an appropriate integrated governance model.

1.9.1 Research Approach and philosophical assumptions

A research approach is "a plan of action that gives direction to conduct research systematically and efficiently" (Mohajan, 2017: 3). There are three research approaches in social science research, namely the qualitative research approach, the quantitative research approach and the 'mixed methods' (Ritchie and Lewis, 2003). Each research approach involves philosophical assumptions as well as distinct methods or procedures (Creswell, 2014). For this study, a qualitative research approach embedded in an interpretive philosophy was followed. Qualitative research was primarily employed to discover a new understanding of models, principles, and frameworks guiding corporate governance approaches in SOEs in Zimbabwe and to determine the most appropriate governance model applicable to them. Through the use of qualitative research, the study mined detailed, concrete and in-depth data (Chandra and Shang, 2019). The use of qualitative research was influenced by the aims of the research and the specific research questions that needed to be answered (Ritchie and Lewis, 2003). The main research question addressed in this study required qualitative research to analyse the corporate governance practices and challenges at GMB and develop an appropriate governance model. Qualitative research "explores questions such as what, why and how, rather than how many or how much; it is primarily concerned with meaning rather than measurement" (Keegan, 2009: 11). Chandra and Shang (2019: 3) advance that "like a focused infrared laser, qualitative research can powerfully get to the heart of a social issue, belief or value". Thus, a qualitative research approach was applied to examine corporate governance approaches in Zimbabwe's SOEs from participants' perspectives and interpretations to obtain holistic, contextualised, and comprehensive views.

Data obtained through qualitative research provided the basis to analyse the theoretical foundations of the study. Qualitative data helped in assessing the assumptions of the principal-agent theory that in the absence of a proper governance model agents would make decisions and follow courses that further their self-interests (Williamson, 1985). In addition, qualitative data from the study was useful in assessing the claims of the Contingency theory that the most appropriate governance model for GMB should be determined by its environmental context (Harney, 2016).

The research was informed by the belief that the practicalities of corporate practices in Zimbabwe's SOEs are best understood by accessing the meaning and value that study participants assigned to them (Lapan, *et al.*, 2011). Therefore, the study was guided by interpretivist philosophical assumptions which challenge the view that conventional knowledge presents an objective, and unbiased understanding of the world, (Keegan, 2009). The aim of interpretivist enquiry, therefore, is to "shed light on how shared meanings and their relation inform or structure the social world and the study of the social world" (Schaffer, 2016: 2).

1.9.2 Research Design

This research was an interpretative qualitative exploration of a single case study. A case study may be understood as the intensive study of a case or phenomenon where the purpose of that study is to shed more light on a larger class of cases or a population (Gerring, 2007). If "a case study is focused on one individual or group, it is called a single-case design. If the case targets multiple individuals and the same phenomena or it targets various communities related to a similar phenomenon, then this type of design is called a multi-case design" (Lunenburg and Irby, 2008: 96). A cases study research, designates small-case research (Tight, 2017) and this helps to elicit rich and comprehensive data about the case. Punch (2004) expounds that the case study seeks to develop an in-depth and comprehensive understanding of the case in its natural context. Focusing on GMB as the case study, the research sought to derive meaning related to what contributes to poor corporate practices in SOEs in Zimbabwe according to the participants, as well as their thoughts on the strategies for better SOE governance. The overall aim was to develop an integrated model that leads to sustainable corporate governance approaches in SOEs. Although a case study is a distinctive form of empirical enquiry, many research investigators nevertheless disclaim the strategy. The greatest concern is the absence of rigor in case study research which may cause biased findings and conclusions (Yin, 2009).

1.9.3 Target population

A target population denotes the group of people to whom the results of the research applied (Whitley and Kite, 2013). Based on the objectives of this study, the target population was drawn from GMB, Ministry of Lands, Agriculture, Mechanisation and Irrigation as well as corporate governance experts with specialist knowledge, experience, and capacity to contribute to SOE governance issues. The researcher estimated participants' level of expertise for inclusion purposes by looking at a combination of factors including their years of experience, and position in the organisation. Lower-level employees/shop floor workers at GMB and the Ministry were exempted from this population as they did not possess extensive knowledge on the corporate governance of state-owned enterprises. Participants with less than five years of work experience were also excluded from the study as they lacked historical information important to the study. To avoid reporting bias, the research population comprised both female and male participants with the features sought by the study. The detailed demographic description of the participants is outlined in chapter six.

1.9.4 Sample distribution and sampling method

In this study, purposive (judgmental) sampling was employed to select key informants with insightful contributions on the nature of corporate governance approaches in Zimbabwe's SOEs, the challenges militating against good corporate practices within the SOEs as well as the best governance model that guarantees sustainable corporate governance approaches in Zimbabwe's SOEs. Jupp (2006: 247) defines purposive sampling as a form of "non-probability sampling in which decisions concerning the individuals to be included in the sample are taken by the researcher". Judgemental sampling allows the selection of participants with the necessary attributes sought by the research (Babbie, 2007). However, the main disadvantage of using purposive sampling rests on the subjectivity of the researcher's decision making.

Based on Morse (1994), 30-50 interviews are appropriate in a qualitative study. Eventually, the appropriate research sample size depended on when the saturation point is reached. The saturation point is reached by the researcher when the additional interview does not yield any new data on the issues that are under investigation (Mason, 2010). In light of this view, Marshall (1996) expounds that appropriate sample size for qualitative research is simply one that adequately answers the research questions. The sample size for this research was initially estimated at 31 but due to the COVID-19 induced limitations, the research ended up with 21 participants. For fear of COVID-19, some participants cancelled appointments they had initially scheduled with the researcher. Despite the limitations, the researcher was satisfied that the data gathered in the study sufficiently answered the research questions. The sampling method and distribution of the study sample are depicted in **Table 1.1.**

Table 1.1: Sample distribution and sampling method

Institution	Designation	Sampling Method	Sample size
GMB, Zimbabwe Headquarters	Directors Managers Board members	Purposive	8
Ministry of Lands, Agriculture, Mechanisation and Irrigation	Directors Deputy Minister	Purposive	6
Various institutions	Corporate governance experts	Purposive	7

Source (Author's creation)

1.9.5 Participants Recruitment

All participants with specialist knowledge, experience, and capacity to contribute to the study were recruited by the researcher. Initial contact with potential candidates from GMB and the Ministry was done by requesting their e-mail addresses from the human resources departments. The digital Linked-in platform was used to get profiles and initial contacts of the corporate governance experts. Before approaching potential participants for consent and participation, the researcher extended an email invitation with recruitment letters and information sheets detailing the title and purpose of study, the criteria for qualifying to participate, the nature of participation expected of them, the benefits of the research, participants rights as well as contact information if they needed any further clarification. Any questions raised by the participants were answered by the researcher through email. The researcher emailed informed consent forms to all participants and those interested in participating signed and emailed back their completed consent forms. Participants were given at least one week to consider their participation.

1.9.6 Data collection methods

Taking into consideration that the study was based on a qualitative approach and supported by a case study research design, data were collected through semi-structured interviews and documentary search. The subsequent section discusses the aforementioned methods, justifying their selection as well as highlighting their inherent strengths and weaknesses.

1.9.6.1 Semi-structured Interviews

An interview is literally an interchange of views between two persons, conversing about a subject of mutual interest (Brinkman, 2013: 3). The study employed semi-structured interviews as the primary research method. Corporate governance is largely a management issue, therefore semi-structured interviews were conducted with the executive, management, and board members at GMB as they could provide breadth and depth of information through their experiences and interpretation of corporate governance practices (Klandermans and Staggenborg, 2002: 92). Semi-structured interviews were also conducted with key informants from the Ministry of Lands, Agriculture, Mechanisation and Irrigation, such as Directors, Deputy Directors, and the Permanent Secretary as well as corporate governance experts who were articulate and knowledgeable about corporate governance practices at GMB. Crabtree and Miller (1999: 73) define key informants as individuals who possess special knowledge, status, or communication skills, and who are willing to share their knowledge with the researcher. The semi-structured interview guide was utilised as the research instrument to hold interviews with the selected respondents. The interview guides consisted of questions connected to the objectives of the study to ensure an in-depth exploration of appropriate data.

Initially, the study planned to conduct semi-structured face-to-face interviews with respondents but this was made difficult with the advent of the unprecedented COVID-19 global pandemic. As a result, the researcher blended face-to-face interviews with telephone interviews. In both cases, the researcher personally conducted the interviews with the research participants. The researcher did not force participants to reveal any information that they did not wish to reveal. Participants determined the place and mode of interviews expedient to them. In addition, the interview schedules were determined by participants' availability. Participants received the interview schedules a day or two before the interviews. The interviews took around one hour to thirty minutes. The researcher sought permission from respondents to audio record the interviews and not more than one interview session was conducted with each participant. The researcher adhered to all the COVID-19 measures and World Health Organisation (WHO) protocols including proper sanitisation, wearing of masks, and social distancing.

The semi-structured interviews were ideal for this study as they are flexible, accessible and intelligible, and, more important, capable of disclosing important and often hidden facets of human and organisational behaviour (Q.qu and Dumay, 2011). The semi-structured interviews were useful for interpreting the state of corporate governance at GMB and developing an appropriate governance model. Rubin and Rubin (2012) confirms that qualitative interviewing helps rebuild events the researcher has never experienced through mixing descriptions from separate interviews. Nevertheless, the wealth and quality of data gathered are strongly dependent on the skill of the interviewer and the confidence inspired in respondents (Bless *et.al*., 2006). In this study, the researcher had been trained on the data collection methods to be used, and the confidentiality and privacy of respondents were guaranteed prior to conducting the research as a precautionary measure.

1.9.6.2 Documentary research

Analysis of written, printed or electronic documents was done to gain greater understanding on the nature of corporate governance approaches in Zimbabwe's SOEs and beyond (Taylor *et al.*, 2006). The research used documentary evidence to complement primary data gathered through semi-structured interviews. Academic and grey literature including Government reports, official records, published research and newspaper articles augmented empirical data from interviews to clearly answer the research questions in the study. The secondary data obtained from the documents was used to review some gaps in the current corporate governance approaches at GMB as well as develop an integrated governance model for SOEs in Zimbabwe. The documentary sources provided a wealthy of information on corporate governance as sought by the study. As Punch (2004: 190) advances, documents, "both historical and contemporary, are a rich source of data for social research". Documentary analysis saves a great deal of time, cost and trouble for most social science researchers, especially those working on their own or in small teams (Tight, 2019). However, Creswell (2009) notes that some documents are inaccurate and protected information may not publicised.

1.9.7 Data analysis methods

Qualitative data analysis is a process of "resolving data into its constituent components, to reveal its characteristic elements and structure" (Dey, 1993: 31). It involves preparing the data for analysis, conducting different analyses, moving deeper and deeper into understanding the data, and making an interpretation of the larger meaning of data (Cresswell, 2009). In this study, no co-coders or transcribers were used as the researcher transcribed the qualitative data herself. Qualitative data from interviews were analysed using thematic analysis. Maguire and

Delahunt (2017) define thematic analysis as the process of identifying patterns or themes within qualitative data. The researcher identified common themes that capture the most salient patterns in the data relevant to answering the research question (Braun and Clarke, 2013). The following themes were extracted from the data collected:

- Corporate governance approaches at GMB;
- Principles of Corporate Governance at GMB;
- Corporate governance model in State-owned enterprises in Zimbabwe;
- GMB's corporate governance challenges; and
- GMB's corporate governance environment.

The themes were used to depict recurring opinions and views of the key informants. Thus, thematic analysis was used on what Braun and Clarke distinguish as semantic and latent themes. The semantic level involves analysing data within the explicit or surface meanings of the data and the researcher does not look for anything beyond what a participant has said or what has been written (Braun and Clarke, 2013). The latent approach involves identifying or examining the underlying ideas, assumptions, and conceptualisations – and ideologies - that are theorised as shaping or informing the semantic content of the data (Braun and Clarke, 2013). Thematic analysis was relevant to this study as it is appropriate in any study that seeks to discover meanings using interpretations. Thematic analysis confers accuracy and intricacy and enhances the research's whole meaning (Ibrahim, 2012). While thematic analysis is a flexible data analysis technique, its flexibility can lead to inconsistency and lack of coherence when developing themes derived from the research data (Nowell *et al.*, 2017).

Qualitative data obtained from documents were analysed using content analysis. Das and Bhaskaranj (2008) define content analysis as a method where the content of the message forms the basis for drawing inferences and conclusions about the content. Drawing from Bhattacherjee (2012), the researcher conducted the following steps in analysing data from documents: First, the researcher began by sampling the documents to choose texts with more relevant content. Second, the researcher divided each text into segments or separate units of analysis (unitising). Third, the researcher applied codes to each unitised text segment. Finally, the coded data was analysed to determine which themes occur most frequently, in what contexts, and how they are related to each other. Content analysis was used because of its unobtrusive nature, that is, content analyst seldom has any influence on the subjects being studied because the documents have already been written (Babbie, 1998). Content analysis also leads to "valid and replicable findings from contextual data, thereby enhancing existing knowledge" (Gupta *et al.*, 2019: 146). Nevertheless, content analysis is limited to the examination of recorded communications and the communications must be recorded in some fashion to permit analysis (Babbie, 2007).

1.9.8 Trustworthiness of the research

For a qualitative research design, it is challenging to delineate reliability and validity given that the research is subjective (Pole and Lampard, 2002). Many naturalistic investigators have, however, preferred to use the concept of 'trustworthiness' to distance themselves from the positivist paradigm (Cresswell, 2014; Shenton, 2004). Guba proposes four criteria that he believes should be considered by qualitative researchers in pursuit of the trustworthiness of a study. By addressing reliability and validity issues, Guba's constructs correspond to the benchmarks employed by the positivist researcher: "a) credibility (in preference to internal validity); b) transferability (in preference to external validity/generalisability); c) dependability (in preference to reliability); d) confirmability (in preference to objectivity)" (Shenton, 2004: 64). The trustworthiness of this research was ensured by applying the following criteria: credibility, dependability, authenticity, and confirmability.

As a means to ascertain the credibility of data, triangulation of data sources was done. Comparing data from different qualitative methods, (interviews and documentary accounts) produce more insights that go beyond the knowledge made possible by one approach and thus, contribute to promoting quality in research (Flick, 2014: 184). The questions on the interview schedules were checked by the dissertation supervisor to ensure that they were phrased properly and as clear as possible. To ensure the authenticity of data from interviews, the researcher checked transcripts for obvious mistakes made during transcription.

Confirmability and dependability of the study was assured through member or respondent validation. Ritchie *et al.* (2014: 358) note that member or respondent validation involves taking research evidence back to the research participants to see if the meaning or interpretation assigned is confirmed by those who contributed first and to check the completeness of the coverage of the subject under investigation. For the dependability of documentary data, the researcher ensured that there was no drift in the definition of codes during the process of coding. This was done by constantly comparing data with the codes and by writing memos about the codes and their definitions. The trustworthiness of the study was ascertained through the use of a rich description to convey the findings of the study. Detailed explanations of the entire research process were useful in making the results realistic and richer (Creswell, 2014).

1.9.9 Ethical considerations

Ethics is concerned with morality in research (Babbie, 2016). Questions on "how to protect the interests of those who are ready to take part in the study together with scandals referring to manipulated data have repeatedly drawn research ethics to the foreground" (Flick, 2014: 48). Driven by a genuine desire to protect respondents, the study abided by the ethical standards of research. According to Creswell (2009) ethical procedure during data collection involves gaining the agreement of individuals in authority (gatekeepers) to provide access to study participants at research sites. The study was conducted after clearance and approval by the Basic and Social Sciences Research Ethics Committee (BaSSREC) of the Faculty of Humanities at the Northwest University. Authorisation letters for permission to conduct research were sought from GMB and the Ministry of Lands, Agriculture, Mechanisation and Irrigation. Participation in the research was entirely based on informed consent.

This study comprised adult subjects capable of deciding on whether to participate or not. The researcher explained the purpose of the research to all the respondents and made it clear that participation was voluntary. As attributed by Martyn and Traianou (2012) respondents must be free to choose what is best for them. Participants were free to withhold any information or withdraw the data they had generated. In addition, the research subjects were informed about the possible risks of participating in the research as well as the measures to be taken to manage the risks as shown in **Table 1. 2**.

The benefits of the study outweighed its potential risks. The direct benefits included an improvement in service delivery by state-owned enterprises through better corporate governance and increased contribution of the SOEs to the national fiscus. An information sheet and informed consent form with full and open information about the nature of the research were emailed to all the participants by the researcher. As mentioned earlier, candidates were given time to consider their participation. The information sheet made it clear that the respondents were not going to be paid to be part of the research. The information sheet also allowed participants to contact the BaSSREC chairs if they had any questions or complaints about their rights and welfare as research subjects. The interviews with participants were only conducted after they conceded to participate in the study through signing the informed consent form.

Table 1.2: Probable research risks and mitigatory measures

Probable/possible risks/discomforts	***Strategies to minimise risk/discomfort***

1. Since you will be expected to answer questions about the corporate governance of state enterprises, it is possible that you may find it difficult to disclose information you consider to be sensitive.	-The researcher assures you that your information will be used with the greatest confidentiality and for academic purposes only. You are also free not to answer any questions whenever you feel uncomfortable. - The researcher will also furnish all the interested participants with a finished copy of the research results with the study designs so that participants can determine for themselves the credibility of the study. - In the event that the researcher wishes to publish the research results, authorisation will be sought first from GMB authorities and participants in the study
2. You may feel upset due to the sensitivity of the interview questions	-The researcher will offer a single session of counselling free of charge to all participants when necessary
3. You may also become tired due to the length of the interview	-Participants will be allowed to take a break during interviews

Source (Author's creation)

The researcher respected the participants' need for anonymity during the data collection process by ensuring that all information collected was not directly linked to its source. Participants' statements and comments were not to be shared or made known to their employer. The researcher disassociated names from responses during the coding and recording processes. Furthermore, the actual names for individuals and places were replaced with codes or study IDs to protect the identities of participants (Martyn and Traianou, 2012). Babbie (2002), accentuates that a research project guarantees anonymity once the researcher and readers, cannot identify a given response with a given participant.

Anonymity was guaranteed by making sure that participants' names and any identifying information were not used in any part of the research report. All the information and responses were kept confidential and separately from consent forms. Confidentiality (that is, protection of any information about participants) was also ensured. Only the researcher and the study leader had access to the data collected from participants. Data were kept safe and secure by locking hard copies in cupboards in the researcher's office and storing electronic data in password-protected files on a password-locked device.

When reporting research findings, the researcher pledged to provide an accurate and detailed account of information. Fabrications, fraudulent materials, omissions and contrivances are both non-scientific and unethical (Denzin and Lincoln, 2008: 194). The findings were communicated in clear and straightforward language. Each institution represented in the study was furnished with a copy of the research report at the end of the study. The report will also be made available to all participants upon request.

The research may be published in scientific journals, for example, the Journal of Public Administration and Governance, and the International Journal of Public Sector Management. No confidential information from participants and any of their identification information will be published without their approval. Any information that would harm the participants will not be disclosed. If the researcher wishes to publish the research results, authorisation will be sought first from GMB authorities and participants in the study. Upon completion of the research, the promoter as the overseer of the study, will on behalf of NWU secure proper filing and safekeeping of all materials and data from the research. **Table 1.3** below, shows a summary of the research design and methodology of the study.

Table 1.3: Research design and methodology summary

RESEARCH DESIGN AND METHODOLOGY SUMMARY	
Research design and methodology	**Application in the study**
Research Approach	Qualitative Research
Philosophical Assumptions	Interpretivist
Research Design	Single-case study design
Sampling Techniques	Purposive
Data Collection Techniques	Semi-structured interviews and documentary search
Data Analysis Techniques	Thematic analysis and content analysis
Ethical Compliance	NWU Research Committee ethical clearance. Informed consent; anonymity; privacy and confidentiality; avoidance of harm, honesty and voluntary participation.

Source (Author's creation)

1.10 CHAPTER LAYOUT

The study can be broken down into seven chapters:

Chapter One: Introduction

This chapter is introductory. It forms a firm foundation for all the subsequent chapters. The chapter presents the general orientation of the study focusing on the background of the study, statement of the problem, research objectives and questions, significance of the study, central theoretical statement, limitations and delimitations, ethical considerations and the preliminary organisation of the study. It also encompasses the research design and methodology employed in gathering, analysing and interpreting data to answer the relevant research questions in the study.

Chapter Two: Corporate governance and State Owned Enterprises: A Theoretical, Empirical and Contextual exposition

The chapter reviews the available literature on corporate governance and SOE performance. Previous research related to corporate governance and SOEs is analysed, synthesised and critiqued to gain a deeper understanding of the present study. The chapter provides an exposition of the heuristic value of corporate governance in SOEs. It further interrogates the corporate governance landscape and challenges in SOEs, particularly in developing economies. The chapter also examines the key concepts and theories guiding the study.

Chapter Three: International cases and Best practices on Corporate Governance

Chapter three reviews the international cases and best practices available on corporate governance so as to derive lessons for Zimbabwe. The chapter analyses corporate governance experiences from both developed and developing countries. Such an analysis goes a long way in informing corporate governance approaches at GMB and assists in the development of an integrated governance model tailored to its particular internal and external environment.

Chapter Four: Ecological idiosyncrasies of State-owned enterprises in Zimbabwe

Chapter four captures the influence of the politico-economic ecology of post-independent Zimbabwe on the state-owned enterprise governance landscape. A good understanding of the country’s ecological idiosyncrasies is integral in interrogating the nature of SOEs' governance and the consequential development of an integrated state enterprise governance model.

Chapter Five: Chapter Five: Legal and Institutional landscape for State-Owned Entities in Zimbabwe

Chapter five reviews the legal and institutional architecture for SOEs in Zimbabwe. The chapter interrogates the effectiveness of the regulatory apparatus for the state enterprise sector. Such an analysis is cardinal in assessing the application of corporate governance approaches by the SOEs and informs the development of an integrated state-owned enterprise governance model.

Chapter Six: Corporate governance approaches and challenges at GMB: Empirical findings

The chapter briefly expounds on the research design and methodology employed to achieve the main objective of the study and answer the research questions stated in chapter one. The chapter presents and discusses the key findings of the research.

Chapter Seven: Summary, Conclusions, and Recommendations: An integrated corporate governance model for SOEs in Zimbabwe

Chapter seven forms the final chapter of the thesis. In this chapter, an integrated model to enhance the sustainability of corporate governance approaches at GMB in particular, and in Zimbabwe's SOEs in general, will be recommended taking into account contextual variables and dynamics in developing economies. The model will be grounded on empirical findings, literature review and lessons drawn from best practices in corporate governance.

1.11 CHAPTER SUMMARY

Although embedding best corporate practices in Zimbabwe's SOEs has been an item on the governmental agenda for years, the state enterprise sector remains branded by corporate governance ills. Resultantly, the contribution of the sector to the economy continues to fall down beyond expected levels. Ensuing from this backdrop, the study is premised to develop an integrated corporate governance model for Zimbabwe's SOEs in an attempt to attain sustainable corporate governance approaches. This chapter was introductory. It laid the basis for all subsequent chapters. In the following chapter, extant literature, empirical researches and theories of corporate governance are reviewed to gain a deeper understanding of corporate governance in state-owned enterprises.

CHAPTER TWO: STATE-OWNED ENTERPRISES AND CORPORATE GOVERNANCE: A THEORETICAL, EMPIRICAL AND CONTEXTUAL EXPOSITION

2.0 INTRODUCTION

This chapter is a review of germane and pertinent literature within the caption of corporate governance**.** It involves "locating, analysing, synthesising and organising existing research and documents" (Roberts, 2010: 86-87), related to the concept of corporate governance to obtain cutting-edge knowledge on the subject area. The chapter begins by defining the frequently employed terms in the study, before tracing the etymology of corporate governance. It proceeds to discuss and examine corporate governance approaches, models, factors and theoretical constructs. The chapter further captures the contribution of corporate governance to SOEs performance, environmental determinants of corporate governance and the corporate governance landscape in developing economies in general, and Africa in particular. Finally, it presents the inescapable SOEs governance challenges, the conceptual framework derived from the study and a synoptic view of the extant research on corporate governance and SOEs.

2.1 DEFINITION OF KEY TERMS

2.1.1 Corporate governance

Corporate governance is a term frequently used in literature but to date, there is no agreement pertaining to what it entails. According to Chanda *et al.* (2017: 1267) the "interdisciplinary nature of the concept, coupled with business environment dynamisms and fluidity has been advanced as an explanation for why a universally accepted definition has failed". Corporate governance generally focuses on interactions among the management, investors or shareholders, board of directors and other corporate stakeholders (Simpson, 2014). The "theory of corporate governance is premised on the link, on one hand, the balance between the owners of the resources that provide investment funds as well as take the risk and on the other, the board of directors that provide stewardship of the organisation financial and physical assets" (Chavhunduka and Sikwila, 2015: 653). Khan (2011) designates corporate governance as a broad processes, customs, rules, and regulations that direct and control the organisation. The definition closely relates to the one given by Chimbari (2017: 214) he defines corporate governance as a "set of processes, customs, values, codes, policies, laws and structures governing the way a corporation is directed, controlled and held accountable". Taken together, the definitions show that good corporate governance is important in balancing interests of diverse stakeholders and enhancing accountable management practices in organisations.

For Spanhove and Verhoest (2007), corporate governance is all about the deployment of power in an appropriate manner for the defined purpose of the organisation. In agreement, the World Bank (2000) establishes that corporate governance is about nurturing enterprise while ensuring accountability in the exercise of power and patronage by firms. In contrast, Shleifer and Vishny (1997) define corporate governance in terms of how the supplier of finance in a company assure themselves that the organisation will get a return on their investment. This means that corporate governance should build a conducive environment for investments (da Costa 2017). While literature is awash with definitions for corporate governance, the most common definition is the one given by the Cadbury Report. It defines corporate governance as "the system by which business corporations are directed and controlled" (Cadbury Report 1992: Introduction section 2.5). According to Ruparelia and Njugana (2016: 737),

> This is the most comprehensive definition that is accepted by most of the countries and multilateral organisations like the World Bank Group, the United Nations (UN) and the Basel Committee for Banking Supervision (BCBS), the International Organisation for Securities Commission (IOSCO), the Asian Development Bank (ADB) and the Islamic Financial Services (IFS).

Although common, this definition can be criticised for focusing only on the relationships between the board of directors and management. In reality, corporate governance is a network of relationships between multiple stakeholders (OECD, 2004). All the other groups or individuals who can affect or are affected by the activities of the organisation are equally important. As deliberated by Sabbaghi (2016) corporate governance involve eliminating or mitigating conflicts of interests among different stakeholders and ensuring that the assets of the company are used efficiently and productively, in the best interest of investors and other stakeholders. It is imperative to note that the corporate governance arrangement determines the distribution of power among different stakeholders in the organisation (Khan, 2011). Waweru (2014) points out that, a functional corporate governance system attracts investment, as well as strengthen corporate governance performance. Zvavahera and Ndoda (2014) emphasise the need for good corporate governance by advancing that well-governed institutions perform better.

Drawing from the above definitions, the research defines corporate governance as a complex network of interactions and mechanisms amongst diverse stakeholders within an organisation that determines the extent to which the organisation obtains the highest value creation. Even though there is no single agreed definition for corporate governance, the majority of the scholars referred, emphasise that corporate governance revolves around the need to protect the rights of shareholders and stakeholders as well as the contribution of corporate governance to the sound performance of organisations. It is, however, imperative to note that corporate governance originated from the private sector, hence, distinct corporate governance approaches or methodologies for the public sector may not be available.

2.1.2 Public Sector

The World Bank (2012: 1) describes the public sector as comprising of:

> …upstream core ministries and central agencies, downstream bodies, including sector ministries, and non-executive institutions. Upstream bodies include core ministries and agencies at the centre of government, such as the Ministry of Finance and the offices that support the head of government, which have functions that cut across sectors. Downstream bodies include both sector ministries and agencies, including education and health providers which deliver and fund services under the policy direction of government. They also include a diverse group of more autonomous bodies such as regulators and State-Owned Enterprises and corporate bodies which, in many countries, still provide the majority of infrastructure services despite extensive privatisation. Non-executive state institutions include judiciaries, legislatures and institutions such as Supreme Audit Institutions.

The System of National Accounts (SNA) 1993, chapter 19, defines the public sector as the national, regional, local government as well as institutional units governed by government. It consists of governments and all publicly controlled or funded agencies, enterprises, and other entities that deliver public programs, goods and services (Dube and Danescu, 2011; Ian, 2009; Ross, 2011). From these definitions, one gathers that the public sector denotes a section or segment of the economy whose activities are under the influence and direction of the state. It refers to the national, provincial and local avenues used by the government to provide essential public goods and services. Notably, such goods and services should be provided by the State through the tax payer’s money. The goods are thus, non-rival and non-excludable in nature (Khan and Khandaker, 2016; Musgrave and Musgrave, 1980).

Public sector organisations of different countries are shaped by many factors and they can be classified into different types. Dube and Danescu (2011: 3) outline a three-fold typology of public sector organisations as follows: “*(a)* **Core government**- includes all departments, ministries or branches of the government that are accountable to the central authority (legislature, council, cabinet or executive head); *(b)* **Agencies**- consist of public organisations that are a part of the government and deliver public programmes, goods or services but they exist as separate legal entities and operate with a partial degree of independence, and *(c)* **State owned enterprises"**.

2.1.3 State owned enterprises

SOEs are enterprises where the state has significant control, through full, majority or significant minority ownership (Sanusi, 2016; Weylandt, 2016; World Bank, 2014a). They are legal bodies that operate as private organisations in strategic areas such as agriculture, transport and telecommunications (Magang and Kube, 2018). On the other hand, Chavhunduka and Sikwila (2015) define an SOE as a type of organisation originating from the state. In support of this view, Khongmalai *et al.* (2010) echo that most SOEs exist to meet the social goals of the State. Landoni (2018: 223) adds that "in their widespread form, SOEs are bureaucratic organisations owned by the government which pursues stability in lieu of change". A common feature emerging from the definitions is the close association between an SOE and the State. The State is like the 'parent' and the SOE represents the 'child'. This has implications on the independence of the SOEs as most governments feel obliged to interfere in SOEs affairs. A broader definition has been adopted by the OECD (2015: 5) which states that,

> Any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership and control should be considered as a state owned enterprise. This includes joint stock companies, limited liability companies and partnerships limited by shares. Moreover, statutory corporations with their legal personality established through specific legislation should be considered as SOEs if their purpose and activities, or parts of their activities, are of a largely economic nature.

From the definition above, it is evident that countries differ with respect to the range of institutions they consider state owned enterprises. Perhaps the differences emanate from diversities between countries. The SOEs are known by different names such as; government corporations, government business enterprises, public enterprises, local corporations, municipal owned enterprises, mixed enterprises, indirect or direct holdings of the government, non-profit organisations, crown corporations, public sector units, and other various combinations of these elements (International Monetary Fund 2016; Nasir 2017). In line with the OECD terminology, this study adopts the term SOE, for its simplicity and popularity among scholars and practitioners.

According to Macavoy *et al.* (2012) SOEs have three distinguishing characteristics. First; they must belong to the government, second; they must be engaged in the creation of goods and services for sale, third; the sales revenue of SOEs should bear some relationship to cost.

Research submits that there is an extensive range of legal forms for SOEs (Price Waters and Coopers (PWC), 2015). In practice, SOEs share many qualities. They play an important role in economic growth and the delivery of critical public services such as health, education, water and energy (Kyoungsun, 2018; OECD, 2018). They are key mechanisms used by the government in development (Khongmalai and Distanont, 2017). Thus, SOEs represent a firm mainstay of the national economy (Belfellah and Bourkha, 2016). The SOEs can be viewed as avenues through which the State provides goods and services to its people.

A review of classical and contemporary literature on state enterprises indicates that the problems of trying to assure efficiency, conflicting objectives, insufficient SOE autonomy, inadequate measures for judging performance, and lack of incentives linked to performance, poor returns on invested government capital and bureaucratic rather than commercial management styles are strikingly similar in all sectors and have prompted attempts at reforms in socialist and market economies alike (Kirckpatrick and Cook, 1988; Milhaupt and Pargendler, 2017; OECD, 2018; Shirley, 1983; United Nations, 2008). It is trite to say, despite these challenges, SOEs remain critical institutions in developing countries where the public sector is usually the dominant sector.

2.1.4 Performance

Although the concept of performance is common in academic literature, its definition is difficult because of its many meanings (Gavrea *et al*., 2011: 287). Chow *et al.* (1994) advance that the definition and measurement of performance is a challenge for researchers because organisations have many, frequently conflicting goals. This implies that performance is a subjective reality. Literature reveals that performance has an abstract character and its definition is made by reference to other concepts (Dobrin *et al*., 2012: 313). Noting this conceptual problem, Campbell (1990) described the literature on the structure and content of performance as a 'virtual desert'. According to Carlson (2013), viewing performance as an essentially contested concept warns us against seeking some overarching semantic field to cover its seemingly disparate usages.

Organisational performance involves the measurement of the overall effectiveness of an organisation (Dobrin *et al.*, 2012; Pang and Chin-Shan, 2018; Venkatraman and Ramanujam, 1986). The word is associated with: productivity, efficiency, effectiveness, economy, profitability and competitiveness (Ion and Criveanu, 2016). Different authors defined performance diversely but the majority of them recognise financial and non-financial performance as the two main dimensions of performance (Khan and Naeem 2018). Chin-shan *et al.* (2009) elucidate that the financial performance approach considers quantitative indicators such as sales growth, profit rate, return on equity, and earnings per share while the non-financial performance approach looks at qualitative indicators such as market share, product quality, and technological efficiency. Khan and Naeem (2018) further establish other measures of organisational performance as: innovation performance, quality performance, and human resource results like low employee turnover, high employee motivation and job performance.

The definitions above shows that although there is no convergence to what performance really is, there is agreement that performance is positive and associated with fulfilment of desired results which can be measured by numeric or non-numeric indicators. Guided by the locale of the study, that is, the public sector, the research delineates performance as the aptitude of an organisation in attaining its commitments, not only the financial aspects but related social equity objectives.

2.1.5 Sustainability

According to Kopnina (2015), there are countless derivations of the term sustainability, for example, social sustainability, environmental sustainability, sustainable development, and sustainable future. The concept has different elucidations and can be used in international organisations, governmental institutions, private sector, local authorities, trade unions, and business (Nielson *et al.,* 2010). This shows that sustainability has many dimensions and it is difficult to determine the exact meaning of the term. Sustainability originated from the concept of sustainable development (De sousa Monteiro *et al.,* 2018; Sajjad *et al.,* 2018). According to the Palgrave Handbook of Sustainability (2018) the term 'sustainable development' was defined at a global forum by the United Nations. The classic definition was published in the outcome document called "Our common future" or the Brundtland Report as is sometimes referred to, and read as follows:

> Sustainable development is development which meets the needs of the current generation without compromising the ability of future generations to meet their own needs. It contains within it two concepts: the concept of needs; particularly the essential needs of the world's poor, to which the overriding priority should be given, and the idea of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs…(United Nations, 1987: 141).

From the Brundtland Report's definition, a variegated conceptualisation of sustainability emerged. Dyllick and Hockerts (2002: 131) transposed the concept of sustainability into a corporate framework. They described sustainability as "meeting the needs of a firm direct and indirect stakeholders such as shareholders, employees, clients, pressure groups and communities without compromising its ability to meet the needs of future stakeholders as well". Conversely, Dresner (2008) defines sustainability as non-depletion of investment or wealth. Sijjad *et al.* (2018) define sustainability as a corporate that operates well in the social, environmental, cultural and economic dimensions of sustainable development. According to Kopnina and Quimet (2015) sustainability, can be social (promoting equality, health and human rights), economic (supporting people's well-being and living standards) and environmental (looking at natural resources).

Drawing from the above range of sources, sustainability can be viewed as a post-millennium concept that involves multidisciplinary approaches hinged on the notion of sustainable development. It is a strategic imperative of the modern era. In this study, the sustainability of corporate governance approaches entails the capacity of SOEs to align their policies, strategies and systems with good corporate governance practices and achieve better value for all stakeholders in current and future generations. Embedding sustainability in the corporate governance strategy has multiple benefits throughout the organisation, for instance, the provision of value to stakeholders (Galpin *et al.* 2015; Mundt 2011).

2.1.6 Developing countries

The documentary review indicates that the term 'development' is a contested concept and there have been several conflicts to capture its true meaning (Turner and Hulme, 1997). This conceptual problem shows that an exact definition of a 'developing country' does not exist. Todaro (1977: 62) defines development as "a multi-dimensional process involving major changes in social structures, popular attitudes and national institutions as well as the eradication of absolute poverty". On the other hand, Marton and Tullock (2011: 14) describe development as "the economic aspects of a process of economic, social, political and cultural change in a given society". The two definitions show that development is about meeting desirable economic, political and social target outcomes. The aim of development is thus, to alleviate poverty and provide jobs, education, health, and affordable transport for everyone (Marton and Tullock, 2011).

Baker (2014) defines a developing country as one in which a big proportion of people cannot afford basic needs such as food, health and security. Betzold and Weiler (2018) conceptualise developing countries as those nations eligible to obtain donor aid. Regavan (2012) refers to developing countries as countries that are not yet developed in terms of per capita income, infrastructure, technology, and healthcare. Palekar (2012) adds that developing countries are governed through outdated administration procedures, and suffer from corrupt and political leadership. To a larger extent, these definitions denotes that frail economic structures, archaic governance methods and poverty are salient features of developing countries.

Rajeev (2015) writes that there is no world-wide criterion for what makes a country ‘developing or developed’. One can argue that the absence of definite measures for inclusion or exclusion in the ‘developed’ country classification, is the reason behind the reliance on a several general reference points such as Gross Domestic Product (GDP), high per capita income, advanced technology and high literacy levels. In this light, Baker (2014: 6) cautions that the term ‘developing country’ “is imperfect because as a descriptor, it is often inaccurate”. In fact, many countries conventionally characterised as ‘developing’, ‘under developed’, ‘poor’ or ‘less developed’ are not correctly defined by such labels (Marton and Tullock, 2011). Although developing nations have more economic and social challenges, there is a difference in the scale of sufferance and wide resource distinctions in the national economic context (Ragavan, 2012). Using perceptions on ‘development’ from various authors; a working definition for a developing country is derived. The study defines a ‘developing country’ as any country experiencing excessive economic deprivation, small industrial base and low Gross National Income per capita per year relative to other countries.

2.2 ETYMOLOGY OF CORPORATE GOVERNANCE

While the concept of corporate governance is often presented as new, its practice is ancient as various mechanisms for controlling executive actions have existed since the rise of corporations (Cadbury, 2002; Wells, 2010). Although there are several commonly accepted significant developments that marked the roadmap to the historical development of corporate governance, there is a lack of consensus amongst corporate governance scholars regarding the genesis of corporate governance. Renowned corporate governance scholars such as Cheffins (2012) maintain that there is no definite history of corporate governance. Despite this detail, literature demonstrates that the major impetus for corporate governance over the centuries remain corporate failures (Choughri, 2018; Clarke and Branson, 2012; Leichti, and Finger, 2019; OECD, 2018; Waweru, 2014). The World Bank reports the first corporate failure to transform business laws and practices as the South Sea Bubble in England in the 1700s (World Bank 2000). These laws “targeted financial mismanagement identified as the main causes of corporate failures. They created foundations for the changes which would follow different stock market crashes" (Ruparelia and Njugana, 2016: 154).

The Great Depression of 1930 sparked varied responses from different countries and marked another critical juncture in corporate governance development (Mbele, 2015). Afterwards, Adolf Berle and Gardiner Means produced a publication in 1932 entitled the "*Modern Corporation and Private Property",* contributing an incredible theory of ownership and control which created more interests in the behavioural dimension of organisations and moulded the corporate governance discourse (Bhasa, 2004; Cheffins, 2001). The theory commonly known as the principal-agent theory, has been widely accepted as the basis for corporate governance. It points to the inherent divergence of interests and goals between the company owners (principals) and the employees (agents). The theory is discussed later in this chapter.

Mulili and Wong (2011) provide that corporate governance gained more prominence in the 1980s as the period was branded by stock market crises and the failure of some companies due to poor governance. The disastrous failures of responsibility amongst several European countries prompted demands for higher standards of disclosure, accountability and governance (Clarke and Branson, 2012; Crawford, 2007; Rezart, 2016). It was a reminder on the vital importance of strengthening the society's fabric for the long-term success of businesses and organisations (Crawford, 2007). Against this background, it is clear that corporate governance originated from Europe. The spread of corporate scandals resulted in the development of measures, and systems to address corporate governance deficiencies and save companies from collapsing.

Subsequent corporate scandals across the world demonstrated the extreme excesses and risks associated with corporate failure (Clarke and Branson, 2012). Each crisis or major corporate failure, was met by new elements of corporate governance (Price *et al.*, 2018; World Bank, 2000). While it may be the case that from an analytical perspective the basic terrain of corporate governance is now well known, a declaration of its death is premature (Cheffins, 2012: 23). This is true, considering countries are continuously looking for the best strategies to curtail corporate crisis and foster good institutional governance.

2.3 CORPORATE GOVERNANCE APPROACHES

This section of the study presents diverse corporate governance approaches available in the literature. Corporate governance approaches are of great importance to the study as they determine not only the nature of corporate regulation but also the reinforcement of different corporate governance mechanisms within organisations. Evidence from a documentary search shows that sound corporate governance approaches are a critical component and an anchor to the performance and viability of state-owned enterprises (ACGN, 2016; OECD, 2004; World Bank, 2014a). However, there are problems relating to the general applicability of the corporate governance approaches that have their origin from the private sector (Corrigan, 2014; Wong, 2018). This section discusses the most common corporate governance approaches in literature which include: the shareholder approach, stakeholder approach, rule-based approach and principle-based approach.

2.3.1 Stakeholder Approach

This approach is based on the stakeholder theory (presented by Freeman) which defines stakeholders as 'any group or individual who can affect or is affected by the achievement of the firm's objectives' (Ahmad and Omar, 2016; Rahim, 2011). Freeman (1984) indicates that corporations must simultaneously satisfy the owners, the employees, and their unions, suppliers and customers to be successful (Parmar *et al.*, 2010). Besides, managers in different functional disciplines ought to be more responsive to the external environment by carrying forward the notion of "internal stakeholders" as the conduits to external groups (Mai and Dao, 2013: 4). This concept is typically functional in big organisations, where the impact of companies on society is significant (Dao and Tran, 2017). However, it is unfortunate that the role of stakeholders has not been largely incorporated into the strategic plans of many companies (Davies, 1999).

2.3.2 Shareholder Approach

The primary focus of the shareholder approach differs from the stakeholder approach. According to this approach, the corporation belongs to stockholders and must be run in their interest. This conception finds forms the basis of the shareholder value doctrine, according to which the organisation must meet the expectations of shareholders, and create value (Chilosi and Damiani, 2007). However, the shareholder-value belief is criticised for emphasising only the interest of shareholders (Adnan and Tandigalla, 2017). According to Stout (2012), the shareholder approach is ill-advised as it values only the shareholders' interest. The underlying problem of corporate governance in this approach stems from the principal-agent relationship arising from the separation of beneficial ownership and executive decision-making. This means the interests and goals of the principal and the agent are divergent due to a separation between ownership and control (OECD, 1999).

2.3.3 Rules based (Compliance) approach

According to Davies (1999: 63) the compliance approach focuses on the "regulatory requirements for corporate governance and at its basic, it seeks the issue as one of ticking boxes and being able to make declarations in respect of the Cadbury, Greenbury and Hampel codes". In support of these sentiments, Nakpodia *et al.* (2018) note that the rule-based approach, which forms the basis for Sarbanes–Oxley Act (2002) in the US, for example, requires mandatory compliance. Davies (2006) reiterates that the approach is common in the US because capital markets are controlled by the Stock Exchange Control (SEC). Thus, with the rule-based approach organisations are compelled to stick to the legal requirements or risk a penalty. Hoogervorst (2009) states that rules and legislation are indispensable to control the conduct and performance of enterprises. One may not that the rule-based approach is a necessity in countries like Zimbabwe where most organisations, including the State-owned enterprises have been defiant to voluntary compliance. In this respect, mandatory compliance is the panacea to bad corporate governance. However, literature suggests that there is no real evidence that the compliance approach has a comparative advantage to its followers (Davies, 1999).

2.3.4 Principle-based approach (Comply or explain)

The principles-based approach to corporate governance involves creating a broad set of best practices that listed companies should abide by (ACCA, 2012). From this conceptualisation, one can deduce that the principle-based approach is applicable in countries with open and accountable governance systems. For example, countries such as Botswana where there is a history and culture of transparency. Arjoon (2006: 57) adds that the "principles-based approach (comply or else scenario) may work better in sectors where there is a lower degree of complexity and less public interest such as family-owned companies and corporations with one or just a small number of controlling shareholders as it is appropriate to have some flexibility in applying governance practices". In line with Arjoon, Talbot (2013) holds that the comply or explain approach is the antidote to the problems of command and control regulation, that enables companies to adopt governance processes in a form that suits their size and nature. Davies (2016: 28) lists the advantages of the principle-based approach over rules as follows:

- Principles are easy to understand but are not rigidly defined as rules, principles relate to individual behaviour in order to shape group behaviours whereas rules are undifferentiated,
- Principles should have a universal acceptance whereas rules may be specific to a certain group,

- Principles usually reflect universal values which are easy to recognise whereas rules need to be defined in order to be enforced and
- Often rules are preventative rather than enabling, clouded in negative rather than positive terms and rules tend to change with circumstances.

Verheij *et al.* (1998), however, claim that the differences between rules and principles are merely a matter of degree. This reveals that although rules and principles may differ in degree, they both seek to achieve the same goal, which is, regulating corporate behaviour.

2.4 CORPORATE GOVERNANCE MODELS

This section provides an overview of the major corporate governance models in the literature. Different corporate governance models are applied globally and notable ones include Anglo-Saxon, Continental European, Value-based, Islamic models and Family Business Organisations (FBOs) and some country-specific prominent models such as Japan, Germany, France, China and India (Ahmad and Omar, 2016). Values-based, Islamic and country-specific models possess noticeable differences from the elementary models (Ahmad and Omar, 2016). Documentary evidence, however, depicts the existence of two dominant corporate governance models; the Anglo-Saxon governance and the Continental European governance models (Mahmoud, 2016; Sam, 2007). According to Chhillar and Lellapalli (2015: 695) "the models are possible ends of the spectrum with the "stockholder model" (external control exercised by the stockholders in the firm) and the "stakeholder model" (internal control exercised by the various stakeholders such as creditors, bankers, employees, etc.) being the two extremes." The two authors argue that in reality corporate governance models neither belong to the Anglo-Saxon nor the Continental Europe continuum, but they lie somewhere in the middle, depending with idiosyncrasies of their countries.

2.4.1 The Anglo-Saxon model (market-based)

The Anglo-Saxon model is originally the corporate governance system of the USA and UK and it is based on the shareholder theory which states that the prime responsibility of corporate managers is to maximise shareholder's wealth (Ahmad and Omar, 2016). Shareholders who play a fundamental role in this governance system are the owners of the corporations, who invested funds in the organisation (Chhillar and Lellapalli, 2015). Based on the concept of market capitalism, the Anglo-Saxon system is founded on the belief that self-interest and decentralised markets can function in a self-regulating, balanced manner (Cernat, 2010). The Anglo-Saxon model is therefore inclined towards the individualistic business societies. Ahmad and Omar (2016) mention that the model has many names such as; shareholder model, American model, Anglo- American model, Market Centric Model, Principal- Agent, Outsider model and Finance model.

There is a great emphasis on an Anglo-Saxon or Anglo-American model across the world (Clarke, 2009; Xu and Wang, 1997). According to Yeoh (2007: 71) The Anglo-Saxon corporate governance model is held in wide and high regard across the world for its thoroughness in the promotion of greater corporate transparencies and the development of a framework where the respective organs of the corporation can work together for the overall interest of shareholders. One of the key advantages of the Anglo-Saxon model is its flexibility as a form of governance (Tobin, 2012). The Anglo-American system relies on the market to exert discipline on firms, to push for greater transparency and accountability such that investors are empowered to punish any firms failing to furnish financial information in a timely and accurate manner (Sam, 2007: 276).

However, this model of corporate governance is plagued with countless problems, though it is considered successful by academic researchers. Bhasa (2004: 9) argues that scandals in world-class companies like Enron, Tyco International, Adelphia, World-com, ImClone, Grubman, Citigroup and GE have exposed the 'futility' of such a model. Additionally, the model can been criticised as agencies may not protect the shareholders' wealth due to self-centredness. In light of this view, Mostovicz *et al.* (2011: 614) state that "there is no guarantee that agents would act in the best interests of the owners since those involved in agency relationships express their opportunistic nature and look to maximise their own different goals and interests". Perhaps the most fundamental criticism of the Anglo-American model is its basic assumption that investors carry greater risk than employees when the success of every organisation depends on a combination of effort from different stakeholders. For example, employees contribute their human capital, while shareholders contribute financial capital.

2.4.2 Continental European/ German corporate governance model (institutionally-based)

Chhillar and Lellapalli (2015: 696) state that this model is "prevalent in Germany and continental Europe, which differs from the USA and the UK in social, economic, judicial and cultural dimensions". The Continental European model, also known as the stakeholder model, is common in the German and Latin countries (Ooghea and Langhe, 2002). The stakeholder model takes a broader perspective and believes that managers' fiduciary duty is to safeguard the legitimate interests not only of shareholders but of a broader group of internal and external stakeholders such as employees, customers, suppliers, management itself, the government, social groups and the environment at large (Ahmad and Omar, 2016: 77). According to Ayuso and Argandona (2007) the organisation should meet the interests of the stakeholders for two reasons. First, it can be considered that their demands have intrinsic value (normative approach) so the organisation has the responsibility to meet its legitimate claims. Second, addressing the interests of stakeholders who are perceived to have influence can improve the organisation's profitability (instrumental approach).

The Continental European model is characterised by some other major differences in ownership, board structure, nature of management and control. Merendino (2013: 142) mentions that "the model adopts the insider-system, known also as "relationship-based" which is a network-oriented corporate system". He further explains that;

> This model uses a bank-oriented perspective. Differently from the Anglo-Saxon countries, the company ownership is focused on few stakeholders that own the majority of the capital shares. Thus, the firm's institutional asset is characterized by a high degree of ownership concentration and the main shareholders are banks, others family firms and the internationals investors (the so called block holders).

Whereas in the Anglo-Saxon governance model, there is only one board (the board of directors) which is in charge of both management and governance (that is, supervision and control) of the company and integrates an audit committee composed of non-executive directors only. In the Continental European model, "there are two boards: one is in charge of the governance of the company (known as a supervisory board) and one is in charge of the management of the company (the management board)" (Alves and Vicente, 2012: 4). While the formation of the supervisory board differs among countries, the employees are usually given powers to appoint or recommend members of the supervisory board (Ahmad and Omar, 2016).

However, some challenges beset the Continental governance model. Connelly *et al.* cited by Mostovicz *et al.* (2011) highlight that adopting this stakeholder approach is inherently difficult in terms of representing and balancing the interests of multiple stakeholders. On the other hand, Bhasa (2004) states that disagreements can also be found among multiple stakeholders. Apart from that, the model faces two fundamental challenges – which stakeholders are represented on the Board of Directors and how are they represented?

This section reviewed dominant corporate governance models in developed economies. The inevitable deduction from the discussion is that neither of the systems is decidedly superior to the other in guaranteeing good economic performance and development. All the corporate governance models possess different pros and cons, thereby attesting to the absence of a 'one-size-fits-all model of corporate. The multi-million dollar task, however, is to determine the most appropriate corporate governance models for developing countries like Zimbabwe.

2.5 THEORETICAL PERSPECTIVES ON CORPORATE GOVERNANCE

This study draws its theoretical foundations from the principle agent theory. Acknowledging that corporate governance is a broad area, characterised by the absence of an overarching and unifying theory, the research augments the principle agent theory with the contingency theory. The two theories provide a basis for determining the most suitable and context-specific corporate governance model for SOEs in Zimbabwe. Other corporate governance theories in literature include; the agency theory, stewardship theory, stakeholder theory, resource dependence theory, political theory, legitimacy theory, social contract theory, institutional theory and transaction cost theory. Nonetheless, enlightening as the theories are, they might fall short in terms of comprehensiveness to the study given that "…in these theories, the archetypical firm is a private firm. But the focus on private firms misses a significant component of the global economy: state owned enterprises" (La Porter *et al.* cited by Peng *et al.*, 2016: 2). This section reviews some of the dominant theories in corporate governance literature, in particular, the principal-agent theory, stakeholder theory, stewardship theory, political theory, institutional theory and contingency theory.

2.5.1 Principal agent theory

The research draws its major theoretical lenses from the principal-agent theory, which is the most common corporate governance theory in literature. Yusoff and Alhaji (2012) buttress that much of the research into corporate governance is based on Berle and Means', agency theory which focuses on the separation of ownership that cause principal-agent problems in modern organisations. Ferris and Graddy (1998) further stress that the principal-agent theory was primarily developed to resolve the challenges of information asymmetry in the design of contracts. The premise of the principal-agent theory is therefore "a contractual relationship between one party (principal) engaging another party (agent) to perform a service (s) on behalf of the principal, which involves some decision-making authority being yielded to the agent" (L'huillier, 2014: 304). In the case of SOEs, the principals are the government and the tax payers whilst the agents refer to the SOEs board, management and employees. The SOEs as the agents must provide effective services and deliver goods that resonates with the needs and demands of the citizens who are the tax payers.

Ayee (2005) identifies the two problems faced by the principal in choosing the agent. First, the principal cannot have full knowledge about the agent when choosing them and this is called the “adverse selection” problem. Second, the principal may not have the full details of the agent’s performance and lacks adequate information concerning their agents which is the “moral hazard” problem. As a result, if left on their own, agents would prefer different options to those that would be chosen by principals. Arising from this problem is how to induce the agent to work in the best interest of the principle (Yusoff and Alhaji, 2012). This points to the need for effective mechanisms to monitor the behaviour of the agent (s). To this end, the study develops a corporate governance model that seeks to regulate the SOEs and align their functions with their constitutional mandate. However, Chanie and Mihyo (2013) assert that the principal agent theory is biased since it portrays a negative picture of the agent and does not consider the agent’s devotion towards the principal’s goals. Furthermore, Boston *et al.*, (1996: 32) suggest that the use of a simple agency theory model to describe, explain and analyse “complex social interactions, and constitutional relationships can be misleading and inappropriate”, particularly in circumstances where an agent has multiple and competing principals. Adding to these critics, Obaji *et al.*, (2015: 317) contend that organisations should be run for the benefit of all stakeholders, rather than just owners.

2.5.2 Contingency theory

Developed in the 1950s and the 1960s, the contingency theory is driven by the insight that there is no one best way to govern an organisation (Baier, 2008). According to Harney (2016), a one-size-fits-all approach is inappropriate, as the effectiveness of organisations is dependent on the context in which they are applied. The role of the environment is predominant in the contingency theory; it is defined mainly as the task environment compromising various organisations such as owners, unions, suppliers, and regulatory groups that mater to the organisation (Demers, 2007; Ghofar and Islam, 2015). The internal environment includes inputs, transformation processes and outputs, and the external environment denotes the political, economic, social, technological and legal macro-environment (Elearn, 2009).

In line with the assumptions of the contingency theory, Berghe cited by Palmer (2011: 4) contends that “one global corporate governance model and one underlying corporate and capital market law cannot exist, simply because of many differences among nations and industries”.

This signals the need for a flexible approach to corporate governance. Based on this view, the researcher believe that the most appropriate governance model for SOEs can only come from the alignment of the SOEs' characteristics to their internal and external environment. The contingency theory, nevertheless assumes that the context or environment in which organisations operate are fixed or outside the control of the organisation. According to Zeithaml *et al*. (1988) this deterministic view of the organisation is flawed since managers can select and influence their environments, instead of embracing limitations.

2.5.3 Stakeholder theory

The stakeholder theory was developed by Freeman (1984) as an attempt to incorporate corporate accountability (Abdullar and Valentine, 2009). According to Yusoff and Alhaji (2012), the theory posits that an organisation exists to balance and satisfy the interests of its different stakeholders. In the case of SOEs, the entities seek to serve and balance diverse stakeholders including, regulators, employees, citizens, and the government. Carroll (1989) cited by Pesqueux and Damak-Ayadi (2005) advances that the stakeholders can be subdivided into: (1) 'primary' stakeholders – those with direct influence to the organisation and (2) 'secondary' stakeholders –those with no direct influence to the firm but are impacted by its performance.

Mai and Dao (2013) distinguish the organisational stakeholders as either internal or external. Culpin cited by Pesqueux and Damak-Ayadi (2005) offers a further distinction between institutional stakeholders; economic stakeholders and 'ethical' stakeholders emanating from ethical and political pressure groups. Special attention to those who can facilitate or hinder the success of an organisation's goals is the hallmark of the stakeholder theory (Nwanji and Howell, 2007). Within this framework, the survival and sustainability of an organisation are depended upon their capacity to create and distribute sufficient wealth or value to ensure that each group of primary stakeholders continued to be part of the system (Mainardes *et al.*, 2011: 232). Engagement and dialogue with stakeholders allow for transparency and accountability which form the bedrock of effective and sustainable corporate governance practices. Nevertheless, Fernando (2006) notes that the main problem with the stakeholder theory is the difficulty in defining who constitutes a genuine stakeholder.

2.5.4 Political theory

According to the political theory of corporate governance, corporate governance arrangements inside the firm, interact deeply with a nation's politics (Gourevitch, 2003; Roe, 2003). The theory put forward that the government determines the delegation of power and authority in state entities and as a result, there is an entrance of politics into the governance structure of the organisations. This is true in countries like Zimbabwe where SOEs operations have been heavily shaped by national politics. The SOEs are infused with the ruling party members to the extent of being used in partisan distribution of resources. Therefore, the allocation of corporate power, profits and privileges are determined in the government's favor (Abdullar and Valentine, 2009; Driver and Thompson, 2018).

Leong (2005) establishes that political systems determine corporate governance systems. Milhaupt and Pargendler (2017) echo the same sentiment that the nature of SOE governance is closely associated with the nature of political governance in a specified country. This means "the ability of corporate stakeholders to influence decision-making at a micro level is subject to the framework at a macro level and the framework in turn is affected by a particular jurisdiction in which they are operating" (Htay and Salman, 2013: 91). Consequently, one can deduce that the political features of a country determines corporate arrangements of firms. Dine and Koutsias (2013) opine that each country has passed a set of laws that shape the structure of its firms in a way that reflects dominant ideological and political principles prevailing in its society.

2.5.5 Stewardship theory

The stewardship theory traces its origins back to the human relations school of management, organisation theory and the disciplines of sociology and psychology (L'huillier, 2014; Magang and Khube, 2018). It differs from the agency theory assumption that general managers are self-seekers. The theory claims that managers are self-motivated and good stewards of an organisation's resources (Naomi 2010). In addition, "managers as stewards are in the best position to maximise the interests of stakeholders, including shareholders, since they are most familiar with the dynamics of corporate strengths, weaknesses, opportunities, and threats" (Deloitte and Nyenrode, 2018: 6-7). Accordingly, the stewardship theory views managers as responsible stewards important to the success of the firm (Yusoff and Alhaji, 2012). The theory thus, paints a positive picture of an accountable and enthusiastic management. L'huillier (2014) holds that central to the stewardship model is a culture of trust between the principal and the manager and in situations where the "principal" is not defined and where there are multiple and competing stakeholders, the culture of trust is between the manager and the primary stakeholder(s).

The stewardship theory takes a more relaxed view of the separation of the role of chairman and CEO and supports the appointment of a single person for the position of chairman and CEO and a majority of specialist executive directors rather than non-executive directors (Yusoff and Alhaji, 2012). The stewardship theory has also received a fair share of criticism. Grundei (2007) blamed the theory for portraying an extremely good picture of the steward. Other critics have doubted the adequacy of the theory. While others criticise the theory for being lacking systematic empirical testing (Dutzi, 2005).

The above review demonstrates the variegated corporate governance theories. As evident from literature, different corporate governance theories have diverse assumptions and this makes them applicable in varied contexts. Be that as it may, each theory has its merits and shortcomings. The next section deliberates on corporate governance factors.

2.6 CORPORATE GOVERNANCE FACTORS

This section of the research is an exposition of internal and external corporate governance factors vital to an organisation's performance. These constitute controls earmarked at aligning the behaviour and activities of an organisation's key actors with its strategic goals. A study on the effects of internal and external mechanisms on governance and performance of corporate firms in Nigeria (2002-2006), by Babatunde and Olaniran (2009) revealed that the type of governance environment a firm operates in has implications for its overall performance.

2.6.1 Internal corporate governance mechanisms

Internal mechanisms are measures taken within the organisation to monitor the activities of employees and detect inefficiencies and take corrective actions to achieve organisational aims (Ayandele and Isichei, 2013). They include but are not limited to the following: board structure and performance, audit committee quality, management system and code of ethics.

2.6.1.1 Board structure and performance

The board is defined as the link between the owners and the management entrusted with the daily duties of the organisation (Yaacob and Basiuni, 2014). The key issues in board structures that have implications for the quality of corporate governance include, whether there are two-tier structures; in conglomerates, there may be a two-tier boards with one board at the divisional (sub) level and another at the corporate level (Ayandele and Isichei, 2013). Others include; board size, committees, composition, compensation, tenure, evaluation, and the split of chairman and Chief Executive Officer (CEO) roles (Darko *et al*., 2016; Muhammad, 2018; Roundatable, 2012).

2.6.1.2 Audit committee quality

According to Yameen *et al.* (2019: 212) the audit committee offers sufficient protection against fraud in line with the best practices. Audit committee's members are in charge of overseeing internal control and financial reporting, so they should possess a certain level of financial competence (Khanchel, 2007). The audit committee size, independence, diligence and integrity are also considered relevant to the effective discharge of its duties (Apadore and Zainol, 2014; Yatim *et al.,* 2006).

2.6.1.3 Management System

Internal corporate governance mechanisms also include the management system that provides guidance and direction, and creates a conducive environment for better performance (Mbu-ogar *et al.,* 2017). The issues of interest here which impinge on the quality of corporate governance include the existence and quality of internal control systems and procedures, including the internal auditing system, employee training, compliance monitoring, reporting practices, remuneration disclosure, regular review of code and an effective whistle-blowing system (Ayandele and Isichei, 2013: 52).

2.6.1.4 Code of ethics

Corporate governance mechanisms within an organisation may encompass ethical codes of conduct. Ethical codes are "written documents through which corporations hope to shape employee behaviour and produce change by making explicit statements as to desired behaviour" (Stevens, 1994: 64). The code of ethics provides a set of ethical principles and corporate values. It addresses the moral integrity of individuals in the company because it identifies the values that employees must respect in their tasks, for example, honesty in their actions, tolerance of diversity and courtesy of service (Arrigo, 2006: 93).

2.6.2 External Corporate Governance Mechanisms

These are the controls that external stakeholders exercise over the organisations to ensure that they abide by common standards of fairness, transparency, accountability and responsibility to protect shareholders, consumers, workers, the environment and even competitors from abuse practices (Babatunde and Olaniran, 2009: 334). They include; government regulations including those imposed by regulatory agencies, competition, media pressure, criteria for listing companies on the stock exchange, strong regulatory legislations that promote good governance; shareholders activism, takeovers and managerial labour market (Ayandele and Isichei, 2013: 53).

2.7 CORPORATE GOVERNANCE AND SOE PERFORMANCE

As granted by the World Bank (2014: 16) only a few empirical studies specifically analyse the direct impacts of corporate governance on SOEs performance. Research on the effects of corporate governance on organisational performance has essentially focused on "corporation-shareholder relationship, and specifically large and listed firms" (Simpson, 2014: 238) in the private sector. Kyoungsun (2018: 5) explains that this is due to the limited availability of data on SOE performance, he notes that while publicly traded companies are required to disclose detailed data on corporate governance and financial performance, SOEs in most countries are not required to disclose to the public. Moreover, the fact that SOES are hybrid organisations, pursuing both financial and social goals (Liechti and Finger, 2019), makes it difficult to measure their performance comprehensively (Kyoungsun, 2018). To this end, limited to no disclosure implies that SOEs management do have much incentives to improve on corporate governance as their laxity in performance is often concealed.

Literature demonstrates the existence of mixed and inconclusive findings pertaining to the interconnection between corporate governance and corporate performance. This causes hardships in providing a parsimonious and detailed comprehension of the causality between corporate governance and the performance of organisations. Dozens of empirical studies have concluded a positive correlation between governance and corporate performance (Deloitte and Nyenrode, 2016: 8). The bulk of the studies concentrated on the private sector (Adams and Mehran, 2012; Adebayo *et al.*, 2014; Bhatt and Bhatt, 2017; Cheung *et al.*, 2008; Dalton *et al.*, 1999; Darko *et al.*, 2016; Jackling and Johl, 2009; Kappler and Love, 2004; La Porta *et al.*, 2002; Li and Tang, 2007; Mishra and Mohanty, 2014; Mudashuri *et al.*, 2014; Sami *et al.*, 2011).

On the other hand, other researchers have found a non-positive relationship between adherence to corporate governance practices and organisational performance. For example, Detthamrong *et al.* (2017) assessed the association between corporate governance and firms' performance in Thailand using 493 firms and established that there is no relationship between firms' performance and corporate governance. In the same manner, Reddy *et al.* (2008) discovered no relationship between governance and operating performance in a study of firms in New Zealand.

A handful of researches on corporate governance and SOE performance also exist, in most cases with empirical evidence from specific country contexts (Amad, 2014; Miring'u and Muoria, 2011; Miriuki *et al.*, 2017 in Kenya), (Curi *et al.*, 2016 in Lithuania), (Fan *et al.*, 2007 in China), (Kyoungsun, 2018 in the Republic of Korea) and (Warganegara *et al.*, 2012 in India). It is expedient to note that research on the connection between corporate governance and performance have employed different governance variables, both individual and composite. The most commonly used variables are: board independence, board composition and size, board remuneration, board committees, ownership structure and characteristics of the Chief Executive Officer (CEO). Although there is substantive evidence that each of these variables can enhance corporate performance, Deloitte and Nyenrode (2016: 13) caution that there is no one-size-fits-all approach to applying them in real practice.

As already indicated, there is literature paucity regarding the influence of corporate governance on SOE performance. The World Bank (2014a: 16) and other scholars such as Claessens and Yurtoglu (2012) and Simpson (2014) however document that good corporate governance positively affects the outcome of all organisations, private sector or state owned. The current section of the study, therefore, banks on this anecdotal evidence and proceeds to examine the contribution of corporate governance to the performance of state owned enterprises drawing from a blend of available literature in both private and public sector contexts. In so doing the study attempts to close the literature cavity on the direct impacts of corporate governance on state owned enterprises' performance.

The study advance that good corporate governance leads to better SOE performance through ensuring the following: alignment of SOEs goals with shareholders’ interests, healthier relationships with stakeholders and the society, accountable and transparent management, improved operational efficiency, reduced risks, mismanagement and corruption, increased access to alternative sources of finance, reduced national fiscal burden as well as better SOEs reputation and recognition.

2.7.1 Alignment of SOEs goals with shareholders’ interests

As highlighted under the theoretical review, corporate governance is grounded in the agency theory perspective, where the primary responsibility of a board is to monitor the management and protect the shareholders from any conflict of interest that arises due to the separation of ownership and control (Bhatt and Bhatt, 2017; Deloitte and Nyenrode, 2016). In the case of SOEs, the chain of delegation is such that shareholders (the electorate/general public) do not have a direct relationship with the management of SOEs because SOE managers’ report to the Minister under whose portfolio the SOE falls (Magang and Kube, 2018; Magang and Magang, 2016). This takes away the conventional power of removing non-performing directors at annual general meetings (AGM) through a shareholders’ vote as is the case under public limited corporations (Magang and Kube, 2018: 153), thereby typically causing the agency problem. This explains the poor performance standards by SOEs in African countries like Zimbabwe where SOEs report to the Minister but are not directly accountable to the electorate. An effective corporate governance system, therefore, mitigates the agency problem by aligning the interests of managers and directors with that of shareholders (Vintila and Gherghina, 2012; Warganegara *et al.,* 2012). It helps SOEs to operate within standards that keep them well focused on their objectives and hold them accountable to the shareholders for their actions (Obaji *et al.*, 2015).

As noted by Okeahalam and Akinboade (2003: 3) the quality of governance is of absolute importance to shareholders as it provides them with a level of assurance that the business of the company is being conducted in a manner that adds shareholder value and safeguards its assets. Therein improved governance in SOEs denotes value creation for all shareholders. Firstly, it guarantees the attainment of SOEs economic and social goals. Then second, it reduces the fiscal burden of SOEs and increases their net contribution to the budget through higher dividend payments (World Bank, 2014a: 17).

2.7.2 Healthier relationships with stakeholders and the society

Besides providing cost-effective protection for shareholders and investors effective corporate governance helps SOES to take into account the interests of a wider range of constituencies as well as of the communities in which they operate (OECD, 1999: 7). Consistent with this view, Chanda *et al.* (2017: 1276) highlights that the purported benefits of good corporate governance practices accrue to a wide range of stakeholders and at different levels. Consequently, this enhances the image and reputation of a company and makes it more attractive to investors, suppliers, customers and other stakeholders of the company (Radebe, 2017; Todorovic, 2013). Healthier relationships between an entity and its stakeholders birthed from good corporate governance practices are thus, the basis for better value creation and satisfaction for all stakeholders and the community at large.

2.7.3 Transparent and accountable SOE management

Mohamad (2004: 5) writes that effective corporate governance provides managers with oversight and holds them accountable in their management of corporate assets. In the same vein, Chanda *et al.* (2017: 1277) asserts that good corporate governance practices induce high standards of accountability, transparency, ethical conduct and strategic resource allocation, which in turn results in economic emancipation. In furtherance to these views, Curi *et al.* (2016:

1340) advance that transparent and accountable governance allows state owned enterprises to operate in a sound competitive and regulatory environment that maintains an open trade environment and underpins domestic and international economic growth. Simpson (2014: 239) echoes that good public sector governance correlates strongly with, long-term growth and poverty reduction. Above and beyond, better governed and accountable SOEs are more easily able to raise financing for infrastructure and other critical services through the capital markets. In turn, SOE issuances can help develop capital markets (World Bank, 2014). Management transparency has been the missing link at most state enterprises in Zimbabwe. For example, annual audit reports by the Auditor General indicate failure by several SOEs to submit their financial accounts for auditing.

2.7.4 Improved operational efficiency

SOEs can suffer from inefficiency and poor performance compared to some private sector companies (Kyoungsun, 2018: 20). As earlier stated this emanates from lack of stringent performance disclosure and assessment mechanisms. The challenges can be addressed by adopting robust corporate governance systems that help them to protect and nurture scarce resources thereby ensuring that societal needs are met (Mohamad, 2004: 4). Radebe (2017: 274) opines that through good corporate governance practices SOEs can gain good ethical practices to avoid excess wastage of company resources. In light of this, Okeahalam and Akinboade (2003: 5) posit that corporate governance principles stimulate the performance of corporations by creating and maintaining a business environment that motivates managers and entrepreneurs to maximise firms' operational efficiency, returns on investment and long–term productivity growth. Meanwhile, Mohamad (2004) reiterates that debt and equity capital will go to those corporations capable of investing it in the most efficient manner for the production both of highly demanded goods and services as well as those with the highest rate of return. This entails the importance of optimum resource utilisation by SOEs management to create better value for stakeholders.

2.7.5 Reduced risks, mismanagement and corruption

Corruption remains a serious problem in SOEs and can influence the financial strength and valuations of the companies, negatively affect investor perceptions, lead to the misallocation of scarce government resources, and constrain overall economic and financial growth (World Bank, 2014: 17). In light of this, strong corporate governance framework is critical to SOEs as it acts as a regulatory system to cleanse impurities among stakeholders or unethical dilemmas from the organisation intrinsically (Tuan, 2014: 13). It leaves employees with little room to manoeuvre and engage in unethical behaviour, corruption, ambiguities, or inconsistencies that might increase risks (Choughri, 2018: 51). Additionally, good corporate governance provide an early warning system before difficulties reach a disastrous phase (Warganegara, 2012: 38).

Given the above account, it is no overstatement to designate corporate governance as the elan vital of organisations. However, it is paramount to note that the quality of an organisation's governance practices is dependent not only upon its corporate governance factors but also on the broader environmental contexts in which it exists. In line with this view, Mudashuri *et al.* (2014: 177) affirm that the performance of a company is influenced by many factors other than just good corporate governance. They further accentuate that the social, legal, economic and political environment are frequently important. The subsequent section reviews the environmental determinants of corporate governance.

2.8 ENVIRONMENTAL DETERMINANTS OF CORPORATE GOVERNANCE

Literature based on corporate governance reveals significant differences among countries (Adegbite, 2015; Baydoun *et al.*, 2013; Cooke and Wallace, 1990; La Porta *et al.*, 2000; Mensah, 2002; Wang, 2014). It is well documented that corporate governance systems differ from country to country and from industry to industry (Roudaki, 2017: 315). What the salient national differences in corporate governance are and how they should be best conceptualised remain hotly debated (Aguilera and Gregory, 2003: 447). The influence of institutional quality, in particular the macro environment, on corporate governance is, however, irrefutable.

Regrettably, despite evidence that most corporate governance deficiencies are traceable to institutional weaknesses little has been written on the issue. This drives the current study to investigate the corporate governance deficiencies in Zimbabwe's SOEs and develop lucid prescriptions. As highlighted by Waweru (2014: 456) prior studies on corporate governance have failed to reflect unique institutional, cultural and contextual differences in corporate governance mechanisms across different countries. The researchers have neglected how interdependencies between the organisation and its diverse environments lead to variations in the effectiveness of different corporate governance practices (Filatotchev and Nakajima, 2010: 591).

This research advances that corporate governance is largely a function of a variety of environmental factors which include: the economy, capital markets, political systems, cultural values and religion as well as legal and regulatory frameworks. For that reason, the socio-economic factors, political and legal system of the country should be blended in the introduction and adoption of corporate governance models (Roudaki, 2017: 311). This means that the environmental idiosyncrasies of SOEs in Zimbabwe will largely determine the model that best suits the entities. A major study by Afolabi (2015) demonstrates the inextricable association between corporate governance and the environment. Focusing on three selected Sub-Saharan Africa Anglophone (SSAA) countries (Ghana, Nigeria and South Africa), the author investigated the impact of external factors on the corporate governance system of a firm. He discovered the following:

- In all the selected countries the impact of the political environment affected the corporate governance system;
- Macroeconomic policies seemed to hinder good corporate governance practices in the region;
- Societal and cultural factors seemed to deter the corporate governance system in Ghanaian firms;
- The accounting system in each country played a very vital role in promoting sound corporate governance system;
- Ownership structure of firms delayed promotion of sound corporate governance Ghanaian and Nigerian firms

Wakaisuka-isingoma *et al.* (2016:4) identify the legal environment as a key element of the corporate governance system of a country. The writers argue that the legal framework of a country shows that accountability and transparency cannot be achieved unless there are appropriate rules and regulations in place. Likewise, Gregory (2000: 68) designates corporate governance as a function of the legal and regulatory system. Du Plessis (2009: 146) further expound that at its broadest, the governance of corporate entities comprehends the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in institutions. In this vein, Isukul and Chizea (2015: 4) argue that for corporate governance framework to be effective, it is essential that the legal and regulatory institutional establishments are sound and investors can rely on them when they enter a contractual agreement.

From these works, it can be seen that well-designed laws with clear and robust enforcement mechanisms form the bedrock of effective corporate governance systems. On the other hand, some authors caution against the possible counter-effects of strong corporate governance regulation. In their article entitled, "*Corporate Governance and Regulation: Can there be too much of a good thing*?", Bruno and Claessens (2006) advance that increasing the number and severity of country-level regulations may not always lead to superior performance as the straight-jacket imposed by strong corporate governance can be costly, it limits managerial freedom of initiative and thereby negatively affects organisational performance. This tallies with the findings of a study by Rapp *et al.* (2011) on the effects of regulation using the German Code. The researchers found that soft regulation of corporate governance works well than hard or mandatory governance regulations. They observed that even without powerful external monitoring, firms suffering from high agency costs voluntarily choose higher compliance levels and are rewarded by the capital market for their compliance.

Along with the regulatory milieu, the economic trends and structures of a country have profound influences on its corporate governance system. In their analysis of corporate governance practices in different economies, Tsamenyi *et al.* (2007: 320) state that the factors giving rise to corporate governance and structural characteristics of developing countries will make the type of corporate governance unique from that of developed economies. Often times, developed countries such as United States and Germany have better corporate governance laws that protect the rights of investors and encourage greater financial disclosure attracting a greater measure of external finance than other countries in Latin America, Asia and Africa (Adegbite, 2015; La Porta *et al.*, 2000). Afolabi (2015) displays the linkage between economic performance and corporate governance by stipulating that in an environment where there is over expenditure, budget deficit arises, weakening the economy and consequently, this reduces investor confidence.

Empirical studies on the political economy of corporate governance have challenged the well-established law-economics tradition-based view by advancing the idea of the 'political school' in corporate governance (Haque *et al.,* 2006: 1). Scholars subscribing to the political economy of corporate governance believe that the diversity of corporate governance is relative to political economy (Aguilera and Gregory, 2003; Bebchuk and Neeman, 2005; Gourevitch, 2003; La Porta *et al.*, 2000; Roe, 2003; Wang, 2014). Roe (2003) is known for championing the 'political school' in his book entitled, "*The political determinants of corporate governance*", where he stresses the primacy of politics in corporate governance. Roe argued that corporate governance arrangements inside the firm, interact deeply with a nation's politics. This shows that, political forces determines the degree of shareholder diffusion and the relationships among all stakeholders of the firm. A large number of studies grounded in Roe's political theory of corporate governance have emerged.

Gourevitch (2003) extends Roe's model by analysing the alternative preferences of the interest groups with reference to class-based (left versus right divisions) and sector-based or cross-class coalitions. Again, using data from the Zimbabwe Stock Exchange (ZSE) Mangena *et al.* (2012) applied Roe's theory in exploring the nexus between corporate governance and firm performance for the period 2000-2002 (a relatively stable political and economic environment, and post-presidential election period) and 2003-2005 (a hostile political and economic environment). Consistent with the theory, the authors discovered that board size, ownership concentration and executive directors share ownership increased while the proportion of non-executive directors reduced in the post-presidential election, a period where firms reshape their corporate boards and ownership structures in order to cope effectively with the threats posed by the political and economic crisis. Pangano and Volpin (2005) and Bebchuk and Neeman (2005) proposed political economy models of corporate governance in explaining the country-level variations in investor protection.

Other scholars have pinpointed cultural differences as the reason behind many diversities in corporate governance structures and processes in different countries (Cheung and Chan, 2007; Hofstede, 2001; Litch, 2001; Rafiee and Sarabdeen, 2012). Litch (2014: 4) claims that no institutional analysis of corporate governance would be complete without considering the cultural environment in which such systems are embedded. He contends that in a corporate governance setting cultural orientations have a bearing on a broad set of questions, including, models of corporate finance, primary approaches to stakeholders, shareholding structures, self-dealing, executive compensation, and disclosure. Baydoun *et al.* (2013: 9) echo that honesty and trust are the key ingredients of an effective corporate governance framework and these ingredients are influenced by the cultural and religious characteristics of societies. Roudaki (2017: 315) establishes that the ideology and culture of a country determine corporate governance mechanisms as well as the choice of corporate law. Against this backdrop, for corporate law to operate as designed, there must exist a widely shared social norm of law abidingness and law enforcement (Litch, 2014).

The research by Gantenbein and Volonte` (2012) provides an important insight into the cultural influence in the practice of corporate governance. The authors conducted a study to determine the impact of cultural differences on corporate governance using firms located in Germanspeaking and French-speaking areas of Switzerland. One of their findings was that Swiss-German boards were more likely to be two-tiered as the boards resemble the Germany system where the board of directors is normally separated from the management board. On the contrary, in the Swiss-French area the probability of an executive being also a board member was higher, resembling the French system.

Another study by Sulaiman and Ahmad (2017) on two Malaysian companies revealed that the lack of cultural integrity and accountability among top management are the main reasons for corporate failures. Rafiee and Sarabdeen (2012) also discovered that culture has implications for effective adoption of corporate governance in emerging countries where power has been distributed unequally among the members of the society. They observed that in societies with a high power distance culture ordinary people are afraid of disagreeing with managers and they comply with managers' decisions. In contrast, in societies with low power distance culture, people are more willing to disagree with authorities. The findings from the above studies demonstrate cultural influences on corporate governance practices. Impliedly, there is a strong nexus between culture and corporate governance. Established positive cultural orientations induce better organisational performance and in the same manner poor culture is aligned to corporate failure.

This section examined the effect of the environment on corporate governance practices. Collectively, the studies reviewed show that the environment influences the interpersonal and institutional relationships among different countries, and in so doing it determines the diversity in corporate governance systems. This means that the same corporate governance mechanisms that work well in one country, may not be best suited for other countries.

2.9 CORPORATE GOVERNANCE LANDSCAPE IN DEVELOPING COUNTRIES

There is still a gap in the literature on corporate governance in developing countries. As Chanda *et al.* (2017: 1257) observe, most research on corporate governance are concentrated on the richest economies ignoring those in transitional and developing countries where the actual significance of strong governance is arguably paramount. These countries typically require a system that will attract international investment and enhance economic growth through the provision of stability and confidence (West, 2009: 10). This study seeks to fill this lacuna as it endeavours to develop the most appropriate corporate governance model for SOEs in a developing economy like Zimbabwe.

As briefly mentioned in the preceding section, there are marked differences between corporate governance practices in developed and developing economies. The experiences of the developed countries reveal that good corporate governance could reduce risk, stimulates performance, improves access to capital markets, enhances the marketability of goods and services, improves leadership, increases the value of the corporations, and enables the corporation to acquire external finances more easily and at a lower cost (Vasilescu, 2008: 1). Conversely, developing economies face more challenges when applying corporate governance practices (El-kassar, 2015: 495-496). These countries are distinguished by several structural, systemic policy and institutional features which pose peculiar problems in corporate governance (Oman, 2000: 2).

Tsamenyi *et al.* (2007: 319) detail that developing countries are often faced with a myriad of problems such as underdeveloped and illiquid stock markets, economic uncertainties, weak legal control and investor protection and frequent government intervention. At the same time, West (2009: 10) opines that developing countries usually face political uncertainty and social unrest, they may experience conflict internally or in their region, and suffer from economic volatility that may seemingly be related to the whims of the developed countries. Due to these characteristics of the economic and political systems of the developing economies, they are not best suited for the type of corporate governance found in the developed market economies (Mensah, 2002; Siddiqui, 2010). Again, the role of the state is often pervasive in developing countries, and in many such economies, extensive state regulation and state patronage operate to create an unholy nexus of government, big banks and major firms that gives rise to serious and widespread moral hazard problems (Oman, 2000: 3). In light of these sentiments, one may attribute the severe underperformance and frequent bail outs of most state entities in developing countries to these underlying contextual variables.

Literature accentuate that developing nations are yet to develop the proper frameworks pertinent for effective corporate governance systems (Isukul and Chizea, 2015). There is in many of these countries, “a need for further development of the stock exchange, systems for registering share ownership, enactment of laws for the protection of minority shareholder interests, the empowerment of a vigilant financial press, the improvement of audit and accounting standards and a paradigm shift in the mind-set against the widespread tolerance of bribery and corruption” (Mohamad, 2004: 6). Nevertheless, it must be stressed that political will on the part of the ruling elites is critical in changing the pathological corporate governance status quo in developing countries.

In terms of ownership structure, developing economies typically have large and inefficient public sectors. There is the dominance of state owned enterprises or closely-held and managed family companies and listed companies make up a small proportion of the Gross Domestic Product (GDP) (Mensah, 2002; Vasilescu, 2008). A broader perspective on the issue has been adopted by Oman (2000: 3), he elaborates that in developing countries,

> Accounting, auditing and disclosure standards are inadequate for the level of transparency and monitoring necessary for good corporate governance. Product market competition vital for imposing commercial discipline on firms tends to be weak due to oligarchic industrial structures. Insider controlled firms with senior appointments often made on the basis of political or kinship ties, mean that managerial job markets are underdeveloped and senior managerial jobs are not contestable. Above all else, debt market discipline is weak due to uncompetitive (and often state dominated) banking systems while equity markets and institutional investors are too small to serve as a market for corporate control and for evaluating firm performance through investors' entry and exit.

Another major drawback in developing economies is corruption (Makinde, 2005; Olowu, 2016; Sulaiman and Ahmad, 2017). Corruption is a governance issue as it is branded by the failure of institutions and lack of capacity or willingness to manage society by way of checks and balances (Ncube and Maunganidze, 2014: 131). Isukul and Chizea (2015: 5) observe a solid connection between corporate governance and corruption. They stipulate that highly corrupt countries exhibit bad corporate governance practices and similarly, countries with high transparency and accountability have higher levels of compliance and better corporate governance systems. Ahunwan cited by Isuku and Chizea (2015) mentions the special issue of African countries like Nigeria as an example of how corruption in developing countries creates an un-conducive environment for corporate governance to thrive. The same can be said for Zimbabwe, where corruption cascades from the top downwards in most public institutions. This has resulted in many SOEs losing billions of dollars from revenue leakages and illicit financial flows.

Numerous studies have attempted to explain the institutional idiosyncrasies in developing economies and their influence on corporate governance practices. For example, in their qualitative study, Chanda *et al.* (2017) investigated corporate governance practices in Zambia, which unlike most developing countries has experienced considerable political stability since gaining independence and retain plentiful natural resources. The writers concluded that explicit recognition of extant institutional forces is required if any deeper understanding of governance practices in developing nations is to emerge and guide practical improvements.

Another study that set out to account for the institutionally peculiar challenges and deficits inherent in corporate governance in Africa, by Adegbite (2015), revealed that weak institutional contexts make corporate law enforcement and self-regulation initiatives remain in idealism. A similar study by Okapara (2011) on the barriers, issues and challenges hindering effective development and implementation of corporate governance in Nigeria indicated that the main constraints were weak or non-existent law enforcement mechanisms, abuse of shareholders' rights, lack of commitment to the part of boards of directors to their responsibilities, lack of adherence to the regulatory frameworks, weak enforcement and monitoring systems and lack of transparency and disclosure. Tsamenyi *et al.* (2007) also conducted a study on the disclosure practices of Ghanaian Listed firms, and consistent with other previous studies on disclosure in developing countries, the authors found that disclosure practices in Ghana were generally low.

Overall, these studies indicate the *corporate landscape morphologies* in developing countries. They validate the sentiments of Oman (2000: 4) that the challenge of corporate governance development is undoubtedly “more formidable in transition and developing countries because of policy and institutional environments less conducive to the enforcement of corporate governance”. There is therefore a definite need to ensure that orientations towards the antecedents of good corporate governance across varying national economies inculcate the broader perspective of institutional contingencies (Adegbite, 2015: 2). Unfortunately, Siddiqui (2010: 256) reports that the “Least developed countries (LDCs), sponsored and advised by donor agencies, continue to focus on direct transfer of governance models from Anglo-American countries and this obsession with western governance models has led to insufficient regard for how traditional social structures, characterised by families may affect western solutions”. This could mean exacerbated corporate governance challenges in the developing economies as countries rely on ill-fitting corporate governance solutions.

2.10 CORPORATE GOVERNANCE LANDSCAPE IN AFRICA

In Africa the King’s Committee report and code of practice for corporate governance in South Africa which was published in 1994 was a ground-breaking corporate governance model (Corrigan, 2014; Dekker, 2002; Markkanen, 2015). It is sad to note that the African continent has been on the limelight for rampant corruption and poor accountability. Despite such a drawback, there is a growing acceptance of the need for good corporate governance in the continent (Corrigan, 2014). To date countries like South Africa, Ghana, Egypt, Malawi, Nigeria and Zimbabwe have established institutional mechanisms to promote sound corporate governance (African Corporate Governance Network, 2016; Ruparelia and Njuguna, 2016).

Africa for the most part continues to be plagued by various structural impediments that constrain its capacity to attract investment thereby the necessary incentives to improve corporate governance (African Corporate Governance Network, 2016: 5). Several reports have been published by the World Bank and other International Financial Institutions on the severe institutional and managerial weaknesses in Africa, thus signalling the prevalence of corporate crisis both in the private and public sectors (Nellis, 2005; Ruparelia and Njuguna, 2016). The majority of African countries have been found to lack the ability to manage wealth by effectively developing and encouraging indigenous and foreign investors to stake their capital for reasonable returns (Ayandele and Isichei, 2013: 51). As mentioned before, such environmental idiosyncrasies of African countries are the common cause for the never-ending spectra of governance crisis.

The existence of weak legal systems and their effects on economic activities have major implications for the types of corporate governance practices that can be applied effectively across Africa (Ruparelia and Njuguna, 2016: 158). Important to note is the major threat to good corporate governance in Africa posed by its political environment which is hardly conducive and makes it extremely difficult for efficiency to fruitfully navigate. The governance systems and structures in the majority of these countries have their backgrounds in the countries' colonial past and this largely determines the trajectory and the nature of their corporate governance (Markkanen, 2015: 30). Rwegwasira (2000: 263) expounds that African countries have experienced the predicament of dragging corporate governance models of their colonisers, in one from or the other, into their system. This means that most of English-speaking Africa are aligned to the British model, the French-speaking to the French model and the Portuguese-speaking to the Portuguese version of governance (Rwegwasira, 2000). It is no overstatement that the institutionally peculiar challenges and deficits inherent in Africa have contributed to poor corporate governance in the SOEs.

2. 11 STATE OWNED ENTERPRISES CORPORATE GOVERNANCE CHALLENGES

Documentary search reveals that efforts to advance corporate governance in SOEs have lagged those of the private sector, where changes have been wide-ranging in the past decades (World Bank, 2006: 1). Correspondingly, literature on governance and accountability has focused on the private sector, particularly listed companies in developed economies (Phuong *et al.*, 2020; Simpson, 2014). Be that as it may, corporate governance of state entities affect diverse stakeholders at different levels, hence it deserves even more attention. Consonant to this argument Simpson (2014), observed that while disreputable behaviours in the corporate sector impact the shareholders, the same behaviour in the public sector impacts all taxpayers and more stakeholders.

Anatomically, the corporate form of the SOEs differs from that of the private enterprise, particularly as far as the separation of ownership is concerned (Chimbari, 2017: 215). As Corrigan (2014: 2) highlights, "SOEs are in the unique position of being the property of the same entity that is ultimately responsible for their legal and regulatory environment, politicians rather than career business people. The scope for favouritism and conflicts of interest is extensive". As a result, there are several governance challenges specific to SOEs, which are grounded in the intrinsic closeness between the government or policy makers and the enterprise (Chene and Freeman, 2013: 2). Against this backdrop, Wong (2018: 3) establish that entrenching good corporate governance practices in SOEs, including those listed at the stock exchange and therefore subject to the same regulations as the privately owned firms is daunting because of the added complexity of their operating model.

Appreciating the teething troubles in the state owned enterprise domain provides key insights that help the study develop a befitting integrated corporate governance model. Much of the literature available contends that the unique governance challenges facing SOEs in most cases include, among others, multiple and often competing goals and objectives, lack of competition, multiple principals, politicised boards and management low levels of transparency and accountability, weak protection of minority shareholder and fewer tools available to incentivise and discipline employees. Drawing heavily from the World Bank (2014a) and a range of extensive sources this section discusses the generic SOE governance challenges.

2.11.1 Multiple and often competing goals and objectives

Although there is general acceptance of "shareholder value" as the goal for privately held companies, SOEs typically have multiple and potentially competing goals (World Bank, 2014a: 14). State-owned enterprises (SOEs) are an example of a hybrid organisation. On one hand, they are referred to as enterprises, which indicates that they incorporate market-based elements, such as generating revenue. On the other hand, 'state-owned' refers to the fact that these organisations must meet certain societal expectations in terms of objectives and governance (Liechti and Finger, 2019: 514). This inevitably creates ambiguity in their goals.

SOEs may face price controls, output targets, requirements for comprehensive service (for example, rail, telephony, mail), employment goals, community development targets, pressures to correct past social injustices, requirements to provide social services, and financial targets such as returns on capital (World Bank, 2010:1). As noted by Vagliasindi (2008: 13) SOEs strategic goals are therefore difficult to be clearly defined, due to the presence of multiple and sometimes conflicting objectives. This difficult in specifying the goals of SOEs has many serious consequences, mostly dysfunctional ones (Chun and Rainey, 2005: 1). First, it results in the complexity of measuring the performance of SOEs comprehensively (Kyoungsun, 2018: 5). Secondly, managers may aim to achieve all of the objectives and end up achieving none (World Bank, 2014). Additionally, governments may also interfere in company affairs for political gain under the cover of their different policy goals and mandates (OECD, 2015: 30). Referring to the Zimbabwean context, Chimbari (2017: 215) elaborates that very often, there is an undeniable interplay between politics and the governance of SOEs as a result of state's involvement in the appointing of parastatal boards of directors. Consequently, the majority of state enterprises have been used as institutions of looting or instruments of established predation (Chigudu, 2020: 3).

2.11.2 Protection from competition

Even if SOEs in some countries may make a profit when well-managed and do not rely on constant government bail outs, conventional wisdom is that SOEs have worse corporate governance than non-SOEs because SOEs are usually not profit-oriented and less constrained by the market (Yu-hsin and Yun-chieng, 2019: 4). Contrary to private enterprises, SOEs do not generally encounter the pressures of competition as most of their operations are monopolistic in nature. Furthermore, SOEs are often protected from two major threats that are essential for policing management in private sector corporations, that is, takeover and bankruptcy (Khan and Khandaker, 2016; OECD, 2005). As posited by Armstrong *et al.* (2005: 4) should a private enterprise fail, it goes out of business and the owners lose their investment but state enterprise are likely to be rescued by the government and even if they are closed down, their losses are usually absorbed. This preferential treatment may give SOEs advantages that crowd out the private sector and lead to anticompetitive behaviour with other market participants (Kowalski *et al.*, 2013; World Bank, 2014a).

Moreover, managers of SOEs have weaker incentives to perform, and their principals have less efficient means of monitoring them since they are less exposed to the disciplining and learning forces of markets (Goldeng, *et al.*, 2008: 1265). In line with this view, the bulk of state-run entities in post-independent Zimbabwe are monopolies and this has reduced incentives for management to strive for allocative and operational efficiency. Accordingly, despite the noble intent for the creation of SOEs, in many cases and many countries they are often less productive than companies in the private sector (Price Waters and Coopers, 2011:6). This is a classic problem in Africa, where many SOEs frequently depend on national budgets handouts for survival (Magang and Kube, 2018; Mashavave, 2017). By the same token, many SOEs in Zimbabwe have been making great losses and continue to burden the exchequer. The public enterprises lack competitive pressure to be innovative and raise adequate funds to sustain their operations.

2.11.3 Politicised Boards and management

For good governance to prevail, board members and executive managers or officials must have the qualifications, experience and integrity to lead SOEs. If they do not, this casts doubt on the reasons for their appointment by the shareholder ministers and boards respectively (Thabane and Snyman-Van Deventer, 2018). SOEs however, often lack a board of directors with the required experience and range of competencies to perform the classic corporate governance roles: to guide strategy, oversee management, and ensure a robust internal control system (World Bank, 2014a). Referring to the context of developing countries, Chul and Zulfiqar (2017: 4) expound that in most cases SOEs boards are manned by members from the ruling political party or the government who are difficult to remove or replace.

Unsurprisingly, SOE boards are weak, and decision-making is heavily influenced by the government (World Bank, 2010: 1). This shows that political interference in public enterprises results in subjective decision making and compromises professionalism. Ireri (2016: 40) cites the case of Kenyan SOEs where the appointment of board of directors is guided by politics, ethnicity and patronage. This makes it difficult for directors to act in the best interests of SOEs because the State sometimes requires them to pursue political interests to meet the expectations of a strategic element of the electorate. It explains why ministerial powers are often used to further political motives, such as enhancing the image of a political party (Mwaura, 2007: 50).

2.11.4 Little transparency and accountability

Although publicly owned, many SOEs often have weak internal controls and processes, inadequate accounting and auditing practices, and weak compliance procedures, with low levels of financial and nonfinancial disclosure and few if any requirements to publicly report their accounts or other information (World Bank, 2014a). The lack of independent and professional SOE board members also weakens oversight of the companies' operations and management. Not only does such an environment weaken competitiveness, but it is also breeds corruption. Baum *et al.* (2019: 8) confirm that lack of transparency leads to lower accountability and greater opportunities for corruption. For example, the lack of audited information on SOE operations (in line with international standards) will prevent the uncovering of financial and strategic weaknesses. This in turn will make it harder to ensure that the SOEs are working in accordance with the public's best interest (Baum *et al.,* 2019). The unproductive misuse of SOEs often clogs up resources, savings and capacity from both the public and the private sector. The opportunity cost of this is that resources are channelled away from critical priority areas (Price Waters and Coopers, 2011: 6). One may argue that in the absence of robust accountability mechanisms, the SOEs continue to lose vast resources that could otherwise be invested and used to turn around their fortunes.

2.11.5 Weak shareholder and stakeholder protection

According to the World Bank (2014a) many SOEs have minority shareholders and like other controlling shareholders, the state may ignore minority rights, including carrying out transactions that benefit management or other SOEs at the expense of outside shareholders. The role of government as a single or dominant shareholder result in substantial political interference in the running of the SOEs (Thabane and Snyman-Van Deventer, 2018: 1). One challenge is to ensure that SOEs are adequately independent from government, whilst also meeting the stated objectives of the government as a shareholder (Balbuena, 2014: 19). Another challenge stems from the fact that politicians and bureaucrats do not benefit financially and otherwise if an SOE is highly profitable but may be blamed when things go wrong. As a result, they are much more risk-averse than private shareholders – ministers and their civil servant subordinates, rationally, seek to avoid anything controversial within their portfolios for which they could be blamed (Vagliasindi, 2008: 13). Goldeng *et al.* (2008: 1249) reiterates that since returns from an SOE are not passed on directly to government representatives appointed to follow the company, but channelled into a public budget that no specific individual can take advantage of as a principal, the incentives to closely scrutinise the accounts the actions and efforts of managers are vastly reduced in SOEs.

2.11.6 Multiple Principals

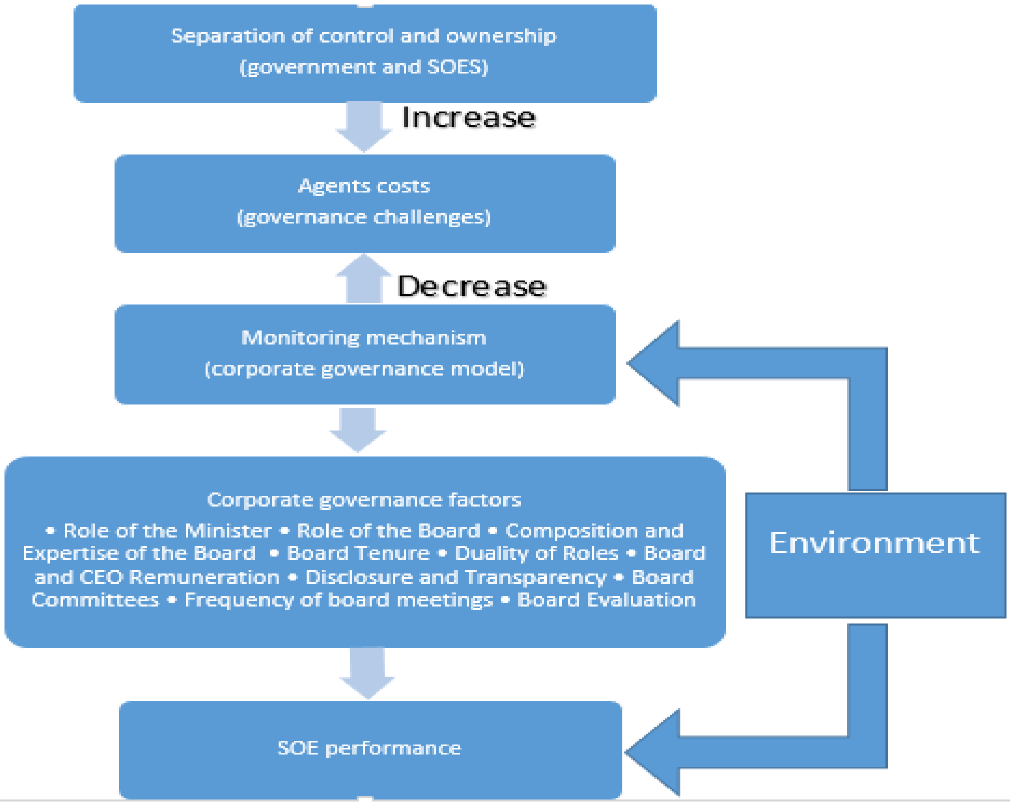
SOEs often have a powerful array of stakeholders, including employees, consumers, local communities, and state-owned creditors, therefore balancing their competing interests can be a challenge (World Bank, 2014a). Whilst the private sector has a single principal and agent, namely the shareholders and the managers (Mwaura, 2007: 68), there are multiple principles in SOEs. SOEs are therefore likely to suffer more severe agency problems than private firms. SOEs are run by directors and managers who do not and, by definition, cannot own the corporations, as they are owned by the state and, therefore, the citizenry, consequently, agency problems may be acute due to this divergence of interests (Thabane and Snyman-Van Deventer, 2018: 7). In addition, the state likely behaves as an 'opportunistic principal' meaning that it defines vague, unclear, conflicting, or changing expectations for SOEs. This leads to different problems for the SOE as an agent, which cannot be sure if its decisions and activities are in line with what the principal expects and will expect in the future (Liechti and Finger, 2019: 514).

It can be deduced therefore that in order to minimise the governance problems related to the varying self-interests in the multiple-principal model, there is a need to reduce the number of principals in charge of SOEs' oversight. However, it is key to note that restructuring the complex web of accountabilities is not easy.

2.12 CONCEPTUAL FRAMEWORK

Based on the literature reviewed and the theoretical framework, the study advance that a corporate governance model determines the effectiveness of various internal and external governance mechanisms in reducing SOEs agency costs and increasing their performance. In turn, the broader, political, technological, economic, and social environment determines the most appropriate corporate governance model for the SOEs and their performance. The diagram below depicts the dimension taken by the study in analysing and understanding corporate governance in SOEs.

Figure 2.1: Conceptual framework



Source: Author's (conceptualisation)

2.13 SUMMARY OF EXTANT STUDIES ON CORPORATE GOVERNANCE AND SOES

This section provides a summation of the extant literature on corporate governance and state owned enterprises, highlighting the similarities, differences and gaps identified by the study.

Table 2.1: Previous research on corporate governance and SOEs

Scholar	Brief description of study and Research Methodology	Major Findings
Kyoungsun, H. (2018)	Using 320 SOEs in Korea examined the effects of corporate governance on the performance of state owned enterprises (Quantitative research methodology)	The study found board size, corporatisation, and transparency and disclosure related to the performance of SOEs.

Yaacob and Basiuni (2014)	Using case study, R examined the State owned enterprise governance model in Asian emerging markets (Qualitative study)	The study found that the governance model was similar to the Anglo-American model, with a unitary/one-tier board.
Warganegara *et al.* (2012)	Examined the impact of governance practices on the operating performance of Indonesian SOEs (Quantitative methodology)	Results indicated a substantial improvement in the quality of corporate governance practices in publicly listed Indonesian SOEs. The study found a direct relationship between corporate governance quality and SOE operating performance
Simpson, S.N. (2014)	A study on boards and governance of SOEs in Ghana, 2010. (Quantitative methodology)	SOEs exhibited major weaknesses in the areas of board performance evaluation, criteria for board appointment and balance of executive directors and non-executive directors
Xu efeng, L. (2009)	A study on governance deficiencies in Shanghai SOEs (Quantitative methodology)	Corporate governance challenges found include: over the proportion of state equity, absence of clear division of function between government and SOEs, absence of internal power balance and sound supervision.
Bhat *et al.* (2018)	A study on corporate governance impact on firm value in the context of Pakistan SOEs and non-SOEs (Quantitative methodology)	The results for SOEs indicated a positive and significant relationship between board independence and firm value
Phuong *et al.* (2020)	Examined how politics and institutions shape SOEs in Vietnam (Mixed methodology)	Results indicated that SOE governance is a mixture of direct state control via ownership and indirect control through multiple actors such as ministers,

		supervisory boards-which run through the political ideology of the ruling part
Tan, L. and Wang, J. (2007)	Modelling an effective corporate governance system for China's listed SOEs (Qualitative methodology)	The study proposed the adoption of the Singaporean Temask model for China's listed SOEs
Curi *et al.* (2016)	The relationship between corporate governance practice and its impact on both whole state run SOEs and majority state-run SOEs in Luthania (Quantitative methodology)	The study found board quality, and strategic planning to be effective internal corporate governance mechanisms. Wholly state-run SOEs were found to be more efficient than majority-run.
Miring'u, A.N. and Muoria, E.T. (2011)	Corporate governance effects on the performance of commercial state corporations in Kenya (Quantitative methodology)	The study disclosed a positive relationship between Return on Equity (ROE) and board size and composition
Amad, J. (2014)	Examined the relationship between corporate governance and financial performance of SOEs in Kenya (Quantitative methodology)	Found a positive relationship between corporate governance and the financial performance of SOEs.
Muriuki, W. *et al.* (2017)	Using 125 SOEs in Kenya examined the influence of corporate governance on SOEs performance (Quantitative methodology)	The study found that board strategic involvement, board CEO-chair collaboration and board member knowledge and skills influence organisational performance
Kanyane, M. and Sausi, K. (2015)	Examined SOE's governance landscape in South Africa (Qualitative methodology)	The study found that SABC and PRASA among other SOEs are, muddled with antagonism, animosity and corruption, which besmirch the whole operation of the SOEs and need mature treatment

Chavhunduka, M.D and Sikwila, N.M. (2015)	Examined the implementation of Zimbabwe corporate governance code (ZIMCODE) by State Owned Enterprises in Zimbabwe (Quantitative methodology)	The study developed the Nested model to facilitate the implementation of the ZIMCODE
Zvavahera, P. and Ndoda, G.R. (2014)	Examined the impact of corporate governance and unethical behaviour on the performance of state corporations in Zimbabwe. (Mixed methodology)	The study found that bad corporate governance and unethical behaviour had serious negative implications on both organisational and employees' performance in SOEs.
Chimbari, P. (2017)	Conducted a riposte to the work by Chavhunduka and Sikwila (2015) on the implementation of ZIMCODE by SOES in Zimbabwe (Qualitative methodology)	Results showed that the principles-based soft law approach to corporate governance is incompatible with Zimbabwe's public sector landscape. The study argued for a rules-based legislative solution that will impose stringent regulatory oversight.
Mashavave, M. (2017)	Using a case study of Air Zimbabwe examined a corporate governance perspective of SOEs (mixed methodology)	Results indicated poor corporate governance compliance at Air Zimbabwe which led to corruption and lack of transparency. No performance monitoring mechanisms for the board were in place.
Mumba, B.Z. (2019)	Using Hwange Colliery Mine, examined corporate governance practices in Zimbabwe's SOEs (Qualitative methodology)	Results indicated that little or no priority was attached to corporate governance principles at the SOE.
Mukahanana, M. (2014)	Examined the relationship between corporate governance and performance of SOEs in	Found some linkages between performance and remuneration and board composition, showing that

	Zimbabwe (Quantitative methodology)	corporate governance has an impact on SOE performance

Source: (Author's conceptualisation)

Similarities

The bulk of the studies**:**

1 Agree on the purported benefits of corporate governance to organisational performance
2 Perceive a positive and significant relationship between corporate governance and organisational performance
3 Employ quantitative research methodologies to test the relationship between corporate governance practices and organisational performance

Divergences

1. Mixed and inconclusive findings on the relationship between corporate governance and organisational performance
2. Debates on the best corporate governance theories and models
3. Empirical studies were conducted in different contexts

Gaps

1. Most researches on corporate governance concentrated on the developed economies creating difficulties on the transferability of the models to the developing countries context
2. Few and limited empirical studies exists on the effects of corporate governance on SOEs performance. Corporate governance concomitant with the private sector, especially publicly traded companies.
3. The majority of studies on corporate governance and organisational performance do not take into account the environmental and institutional contingencies that influence the quality and nature of corporate governance practices
4. The bulk of the studies employ financial measures of performance mostly, Return of Equity (ROE), Return on Assets (ROA) and earnings per share, thereby ignoring the social aspect of performance which is crucial for public sector organisations
5. Absence of a unifying theory of corporate governance, resulting in different standpoints by researchers and academics when dealing with corporate governance issues
6. The language and concepts of corporate governance borrowed from the private sector create conceptual problems in the public sector. For instance, one may debate on whether

corporate governance in the public sector should be labelled, ‘public corporate governance’, ‘public sector governance’, ‘public corporate governance’ or just ‘corporate governance’.

Contribution:

- Taking from previous research, the study develops a context-specific corporate governance model for SOEs in Zimbabwe, a developing country.

2.14 CHAPTER SUMMARY

This chapter presented a comprehensive overview of extant research and scholarly works on corporate governance. It constitutes the definition of key terms, the etymology of corporate governance, corporate governance approaches, models, factors, concepts and theories. In addition, the chapter covers the contribution of corporate governance to SOE performance, environmental determinants of corporate governance and the corporate governance landscape in developing economies. Finally, it highlights SOEs governance challenges and summarises existing literature on corporate governance and SOEs. The following chapter (three), presents international cases and best practices in corporate governance.

CHAPTER THREE: STATE OWNED ENTERPRISE GOVERNANCE: INTERNATIONAL BEST PRACTICES AND EXPERIENCES

3.0 INTRODUCTION

The preceding chapter gave a theoretical, empirical and contextual exposition of corporate governance. The first chapter detailed the background and orientation of the study. The two chapters sought to substantiate the research premised to develop an integrated corporate governance model for SOEs in Zimbabwe. It would be fallacious, however, for the study to construct a befitting SOE governance model without an appreciation of international principles, models and applications of corporate governance across the globe. Accordingly, the thrust of this chapter is to review the international best practices and experiences on state owned enterprise governance which may assist as benchmarks to assess corporate governance implementation in Zimbabwe's SOEs and offer guidance in the development of an appropriate SOE governance model. Granted, the study is against a 'copy-and-paste' approach to corporate governance, but there is no harm in borrowing a leaf from the globally accepted standards given no country is an island.

This chapter is organised into two main sections. The first section provides an overview and critique of international best practices on corporate governance. It interrogates the principles of corporate governance put forward by international organisations such as the Organisation for Economic Corporation and Development (OECD) and the World Bank. The second and last section surveys corporate governance approaches and practices of SOEs from five different countries (Botswana, Colombia, Norway, South Africa and Singapore) with diverse milieus and exigencies. As is the case with Zimbabwe, state owned enterprises in the selected countries are of great significance and their governance is a major policy issue.

3.1 CORPORATE GOVERNANCE BEST PRACTICES

A review of corporate governance principles is essential to the study given that they are considered a global benchmark for the numerous national and institutional governance guidelines developed around the world. According to the Business Roundtable (2016) the corporate governance principles are intended to support organisations to apply standard corporate governance practices. The principles are thus, a mirror of good corporate governance morals.

They assist in the assessment and improvement of the legal, institutional and regulatory frameworks that underpin high-standard corporate governance. Consequently, the principles denote a world-wide consensus on how best organisations can be governed to advance accountable, transparent and sustainable economies. In this study, corporate governance principles are discussed within the rubric of the *OECD revised principles of corporate governance* (2015b), *OECD guidelines on corporate governance of state owned enterprises* (2015a), *World Bank's Toolkit for corporate governance of state owned enterprises* (2014a) and *OECD guidelines on corruption and integrity in state owned enterprises* (2019).

3.1.1 OECD principles of corporate governance

The OECD principles are commonly accepted as the principal international code of good corporate governance endorsed by governments. The principles were publicised in 1999 to provide a basis for governments to improve their corporate governance architecture (Ruparelia and Njugana, 2016). They were first revised in 2004 and a second review was conducted in 2014/2015 to capture international developments (OECD, 2015b: 3). The OECD principles are be flexible and can be adopted in diverse cultures, and settings in different nations, hence, many countries' corporate governance codes are developed from these principles (Gyamerah and Agyel, 2016). The principles may provide guidance and suggestions for stock exchanges, investors, companies, and other parties that have a role in the process of developing good corporate governance. As such, the main purpose of the principles is to serve as a source of reference (Bouchez, 2007: 1).

It is imperative to note that the principles are applicable to publicly traded corporations, both financial and non-financial. Nevertheless, to the extent they are deemed applicable, they might also be a useful tool to improve corporate governance in companies whose shares are not publicly traded (OECD, 2015b: 9). This means the principles are also valuable to SOEs that are not listed on the stock exchange. The OECD revised principles cover six areas: ensuring the basis for an effective corporate governance framework; the rights and equitable treatment of shareholders and key ownership functions; institutional investors, stock markets and other intermediaries; the role of stakeholders in corporate governance; disclosure and transparency and the responsibility of the board (OECD, 2015b). The principles are expounded below.

- **Ensuring the basis for an effective corporate governance framework**

The OECD (2015b) stipulates that the corporate governance framework should provide the basis for transparent and efficient allocation of resources as well as fair markets. It should be in line with the law and strengthen supervision and enforcement. A clearly defined and regulatory framework is essential for communicating key expectations to shareholders, boards, management and all other stakeholders, including the general public (OECD, 2015b). Although sound regulatory frameworks are fundamental to good corporate governance, one may argue that effective implementation of the provisions is the missing link in countries like Zimbabwe where corporate scandals have persisted regardless of the adoption of comprehensive corporate governance codes and laws.

- **The rights and equitable treatment of shareholders and key ownership functions**

The principle stipulates that the corporate governance framework should safeguard and shareholders' rights and guarantee equitable treatment of all shareholders. In addition, all shareholders should have the chance to be recompensed for violation of their rights (OECD, 2015b: 18). The basic rights of shareholders include: securing a method of ownership registration; conveying or transferring shares; obtaining relevant and material information on the firm on a regular and timely basis; participating and voting in annual general meetings; electing and removing members of the board and sharing in the profit of the firm (OECD, 2015b). Organisations can therefore help shareholders exercise their rights by effectively communicating information that is understandable and accessible and by encouraging shareholders to participate in general meetings (Australian Securities Exchange Corporate Governance Council, 2014: 3). It is clear that this principle seeks to promote participation and engagement of all shareholders. The principle however, does not apply to wholly-state-run SOEs where the State would be the sole shareholder.

- **Institutional investors, stock markets and other intermediaries**

According to this principle, the corporate governance framework should provide sound investment throughout the investment chain and provide stock markets to function in a way that contributes to good corporate governance (OECD, 2015b: 29). The principle recommends that institutional investors acting in a fiduciary capacity should disclose their corporate governance and voting policies with respect to their investments including the procedures that they have in place for deciding on the use of their voting rights. Apart from that, the corporate governance framework should require that proxy advisor, analysts, brokers, rating agencies and others provide analysis or advice relevant to a decision by investors, disclose and minimise conflicts of interest that might compromise the integrity of their analysis or advice. Furthermore, for companies listed in a jurisdiction other than their jurisdiction of incorporation, the applicable corporate governance laws and regulations should be clearly disclosed. Insider trading and market manipulation should also be prohibited and stock markets should provide fair and efficient price discovery (OECD, 2015b). In light of the aforementioned, one may advocate for laws that penalises SOEs for insider trading. This increases investor confidence and deter offenders from dabbling in insider trading. Sound investments by SOEs will help to generate revenue for the entities and relief the national fiscus.

- **Role of stakeholders in corporate governance**

The principle advance that the corporate governance framework should recognise the rights of all stakeholders set by the law and through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprise (OECD, 2015b: 34). In the case of SOEs, the stakeholders are diverse. They include the general public, whose interests must not be neglected as they constitute the tax payers, important to the survival of the organisation. Ahmad and Omar (2016: 77) note that the board is responsible to safeguard the interest of not only the shareholders but also other stakeholders. Thus, the principles recognise that a fruitful relationship with stakeholders is essential to generate organisational value and this entails involving stakeholders in the corporate governance process.

- **Disclosure and transparency**

With regards to the disclosure and transparency principle, the OECD states that a corporate governance framework should promote timely and accurate disclosure on all important matters about the organisation, including, financial and non-financial performance of the company (OECD, 2015b). The principle thus, seeks to enhance transparency and accountability of organisations. This is important even in the public sector domain where resources are collectively owned by the tax payers. The principle recognises that investors and shareholders need information about the performance of the corporation (its financial and operating results), as well as information about corporate objectives and material foreseeable risk factors to monitor their investment. According to Bouchez (2007: 112), shareholders and potential investors require access to regular, reliable and comparable information in sufficient detail for them to assess the stewardship of management, and make informed decisions about the valuation, ownership and voting of shares. Enhanced corporate transparency and disclosure are believed to mitigate the principal-agency problems by reducing information asymmetry between outsiders and corporate insiders and between institutional shareholders and minority shareholders (Hassouna *et al.,* 2017: 3). Regrettably, transparency and disclosure have remained aliens in public enterprises in Zimbabwe. As mentioned in the previous chapter, some of the public enterprises do not submit their financial accounts for auditing to the Auditor General. Likewise, other enterprises have outdated websites that do not give substantive information about the entities and their activities. This calls for compulsory disclosure requirements for the SOEs to ascertain compliance.

- **Responsibilities of the Board**

The principle articulates that the corporate governance framework should guarantee the planned leadership in the company, as well as effective accountability and monitoring systems (OECD, 2015b). The board provide an important mechanism to mitigate the agency problems between investors and management (Kao *et al.,* 2019). This brings to the fore the need for effective as well as professional board of directors. Literature reveals that to be effective, the board members should adapt to their working environments and know the business procedures of the corporations they lead (Khongmalai and Siengthai, 2010).

Key to note is the fact that board structures and procedures vary across countries. Some countries have mostly two-tier boards that separate the supervisory function and the management functions into different bodies. Other countries have 'unitary' boards, which bring together executive and non-executive board members. In some countries, "there is also an additional statutory body for audit purposes" (Bouchez, 2007: 113). The OECD principles are, however, applicable to all board structures charged with governance and management of enterprises (OECD, 2015b).

3.1.2 OECD guidelines on corporate governance of state owned enterprises

The OECD guidelines on corporate governance of SOEs are recommendations to governments on how to ensure that SOEs operate efficiently, transparently and in an accountable manner (OECD, 2015a: 3). Unlike the general guidelines elucidated before, these guidelines are specific to the SOEs and they explicitly highlight means for balancing the state's ownership functions while avoiding unnecessary political incursion in the running of the SOEs. They seek to provide solutions to the unique governance challenges confronting SOEs (OECD, 2015a).

“Primarily outlining the best practices as to the behaviour of the state as a shareholder, the SOEs guidelines are, perhaps counterintuitively, less about how SOEs ought to act and more about how the state or owners ought to act” (Rajavvori, 2017: 10). The guidelines on corporate governance of SOEs were first adopted in 2005 as a complement to the OCED principles of corporate governance. Whilst the latter are largely applicable to the private sector, the former are applicable to SOEs whether they operate domestically or internationally. The OECD best practices for SOEs are briefly illuminated below.

- **Rationales for State ownership**

According to the principle of rationales for state ownership, the state exercises the ownership of SOEs in the interest of the general public. Impliedly, the state should not use SOEs for consolidating political power as the case in some politically independent African States where SOEs have been the mainstay of the ruling party. The principle plainly demonstrate that the major goal for state ownership of public enterprises should be better value creation and efficient resource allocation. (OECD, 2015a). In this regard, the government’s ownership policy should clearly state the reasons for state ownership, how it will be executed as well as the relevant duties of government representatives involved. Additionally, the state should make clear the motivations for owning specific SOEs and subject these to periodic assessment (OECD, 2015a). Notably, this principle may help governments, especially in African countries to demarcate the boundaries between State and the SOEs. As literature revealed in chapter two, these countries often lack conducive political environment to strengthen the governance of SOEs and attract investors.

- **The State’s role as an owner**

As shown earlier by literature review, different types of state ownership models exist in corporate governance. The OECD (2018) identify five variegated ownership models for commercially operating state owned enterprises. These are depicted in **Figure 3.1** below; centralised, dual model, twin track, coordinating agency and decentralised models. It is paramount to note that the OECD guidelines recommend that ownership rights should be centralised in a single ownership entity, or if this is impossible, carried out by a coordinating body (OECD, 2015a: 18). The main advantages of the centralised model are the clear line of accountability from the SOE to the government, the ability of the government to exert close fiscal supervision and to form a coherent SOE policy, and the fact that it allows the best use of the typically limited human resources within the civil service to undertake the specialised job of exercising the government ownership function (Vigliasindi, 2008: 11). The OECD guidelines further advise that governments should simplify and standardise the legal forms under which SOEs operate while their operations should follow common corporate standards. Moreover, in executing its role as owner, the government should not interfere in the management of parastatals – this goes especially for the boards of SOEs (Weylandt, 2016: 4). In the context of Zimbabwe, one may argue that this is fundamental in creating a conducive environment for the SOEs to run efficiently and effectively in line with their constitutional mandate.

Figure 3.1 Types of ownership model structures

CENTRALISED OWNERSHIP	**CENTRALISED MODEL**	**One government institution carries out the mission as a shareholder in all companies and organisations controlled by the state. This institution can be either a specialised ownership agency or a designated government ministry. Financial targets, technical and operational issues, and the process of monitoring SOE performance are all conducted by the central body. Board members are appointed in different ways but instrumental input comes from central unit.**
	Dual model	Two government institutions –often one line-ministry per SOE plus the finance ministry - share in the ownership function commanding each individual SOE. Typically, one ministry sets financial objectives and another ministry formulates operational strategy.
	Twin track	Functionally equivalent to the centralised model, but with two individual portfolios of SOEs overseen by two different government institutions. This model has often been referred to as “dual”, but in practice, it differs materially from the dual model in that only one government body is involved in the ownership of each SOE.
DECENTRALISED OWNERSHIP	Coordinating agency	Specialised government units act in an advisory capacity to other shareholding ministries on technical and operational issues, and their most important mandate often is to monitor SOE performance. The more limited role of these central agencies, coupled with the autonomy that line-ministries thus maintain, leads to considerable overlap with the decentralised model.
	Decentralised	No single institution or state actor acts on the responsibilities of the ownership function. Public perception often perceives line-ministries to be de facto running the SOE as an extension of their ministerial powers. For each of the three ownership function responsibilities, a unique state unit or a mix of state units subsume the role.

Source: OECD (2018: 24)

- **SOEs in the marketplace**

Consistent with the rationale for state ownership, the legal and regulatory framework for SOEs should provide a level operational ground and objective competition in the market (OECD, 2015a). The state's ownership and regulatory functions should be detached. In addition, SOEs stakeholders and other interested parties should have access to redress through fair legal processes when they consider that their rights have been violated. As a guiding principle, SOEs competing in the marketplace should not be given preferential treatment against other competitors. They should not be exempt from the application of general laws, tax codes and regulations. In addition, SOEs should face market consistent conditions regarding access to debt and equity finance (OECD, 2015a). It may be deduced that once the SOEs are exposed to objective competition, there are incentives for their management to innovate and expand revenue base. Competition also strengthens SOEs governance standards as the organisations seek to attract and retain customers. Competition should however be regulated to avoid exorbitant pricing and exploitation of the general populace.

- **Equitable treatment of shareholders and other investors**

According to the principle, where SOEs are listed or otherwise include non-state investors among their owners, the state and the enterprise should recognise the rights of the shareholders and ensure shareholders' equitable treatment and equal access to corporate information (OECD, 2015a: 22). The state should develop an effective policy of communication and consultation with all stakeholders and facilitate effective participation of minority shareholders. National corporate governance should be adhered to by all listed and, where practical, unlisted SOEs (OECD, 2015a). In Zimbabwe, the Public Entities Corporate Governance Act applies to all public entities in the country. While the Act does not dwell on investors and shareholders rights it has key provisions detailing contractual rights of different SOEs stakeholders.

- **Stakeholder relations and responsible business**

This principle stipulates that governments, state ownership entities and SOEs themselves should respect the rights of all stakeholders (OECD, 2015a: 23). The SOEs should observe high standards of ethical conduct and where relevant listed or large SOEs should report stakeholder relations. The boards of SOEs should follow national customs, consistent with international standards. In addition, the boards should ensure and communicate internal controls, ethics and compliance mechanisms (OECD, 2015a). This entails that SOEs should not be used to fund political rallies and campaigns. Impliedly, the principle means that SOEs should operate as private sector entities that treat business as separate from owners. As gleaned later in this chapter from Singapore's Temasek model, cushioning SOEs from state politics is the bedrock for better and accountable governance.

- **Disclosure and transparency**

The principle states that SOEs should follow high standards of transparency and disclosure, and be subjected to the same audit standards as listed firms (OECD, 2015a). In this respect, SOEs should disclose substantial performance information about the public enterprise based on the internationally agreed principles of corporate disclosure. Examples of such information include a clear statement on the objectives of the enterprise and their fulfilment; financial and operating results of the enterprise; governance, ownership and voting structure; the remuneration of key executives and board members; board member qualification and selection processes; foreseeable risk factors and relevant measures to mitigate them, and any financial assistance or commitments, received or made on behalf of the SOE (OECD, 2015a). Finally, SOEs financial statements should be subject to an independent, high-quality external audit, and the ownership entity should publish an aggregate report on SOEs, especially online to facilitate the access by the general public (OECD, 2015a). Nevertheless, in ailing economies like Zimbabwe, the Auditor General's office may not be capacitated to conduct audits for all SOEs at once. On the other hand, the SOEs equally lack capacity to hire private external auditors like Earnest and Young. These challenges have affected transparency and disclosure in SOEs over time.

- **The responsibilities of the Boards of SOEs**

According to this principle, the boards of SOEs should have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions (OECD, 2015a: 26). To achieve this, the boards should be assigned a clear mandate and ultimate responsibility for the enterprise's performance. In addition, the functions of the board should be based on broad governmental objectives set by the government and board members should be qualified, independent and objective. There should be measures to limit political interference and any conflict of interest that may prevent board members from conducting their duties effectively. The chair should assume responsibility for boardroom efficiency and as a guiding principle, the chair should be separate from the Chief Executive Officer (OECD, 2015a).

3.1.3 World Bank Toolkit for corporate governance of SOEs

The World Bank Toolkit provides a comprehensive and overarching framework for the corporate governance of SOEs. Drawing on global good practices, reform experiences, and a growing body of knowledge, the toolkit is designed to assist practitioners in creating, implementing, and monitoring SOE corporate governance reforms and in building the capacity to carry them out (World Bank, 2014a: xv). Although the toolkit's key focus is on commercial SOEs at the national level in which the government has significant control through full, majority, or substantial minority ownership, the framework is still applicable to both non-commercial SOEs and even municipal SOEs. According to the World Bank (2014), municipal SOEs are those that are locally owned and are usually smaller in size than provincial and centrally-owned enterprises. Whilst municipal-SOEs are not common in African countries like Zimbabwe in countries like Sweden, they comprised 74% of the total number of Swedish SOEs, and contributed 40% of total SOE revenues in 2013. Similarly, "89% of all German SOEs are owned by municipalities, contributing 62% of all SOE income" (Price Waters and Coopers, 2015: 11). The toolkit provides SOEs with essential tools and information for making practical corporate governance improvements. Beneath is a synopsis of the corporate governance principles for SOEs by the World Bank. Most of the principles are similar to the ones expounded by the OECD guidelines above.

- **Establishing a sound legal and regulatory framework**

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. To attain clear and sound corporate governance frameworks for SOEs the Toolkit recommends;

(a) Bringing SOEs under company law and applying other laws and regulations to SOEs to create a level playing field

(b) Listing them on the stock markets to create capital market discipline

(c) Developing modern SOE laws and regulations

(d) Uniting SOEs under a national code of corporate governance or creating a specific SOE code to codify good practices.

- **Creating proper ownership arrangements for effective state oversight and enhanced accountability**

A critical goal is to separate the state's ownership functions from its policy-making and regulatory functions to sharpen the focus on ownership issues and minimise the conflicts of interest that may arise when the roles are combined, especially in sectors and activities where the private sector is present. According to the Toolkit, proper ownership arrangements for SOEs can be attained by;

(a) Identifying and separating the state's ownership functions from its policy-making and regulatory functions

(b) Developing appropriate arrangements for carrying out ownership functions

(c) Creating safeguards against government interventions

(d) Centralising the state's ownership functions to bring focus, consistency, and good practices to the SOE sector.

- **Developing a sound performance-monitoring system**

A strong performance-monitoring regime sets objectives and targets that provide clarity to SOE boards and management on the expectations of the government (as principal). Clear goals, accompanied by measurement and accountability for results, establish a framework in which the SOE board can set and execute strategy with an appropriate degree of autonomy while providing ownership units (and the government generally) with sufficient assurance that SOEs will be held accountable for their performance. In this respect, the World Bank Toolkit recommends the following;

(a) Defining SOE mandates, strategies and objectives

(b) Developing key performance indicators and targets, both financial and nonfinancial

(c) Establishing performance agreements between SOE owners and SOE boards

(d) Measuring and evaluating performance to hold SOEs accountable for results and ensure good performance.

- **Promoting financial and fiscal discipline**

The principle states that applying financial and fiscal discipline to state-owned enterprises (SOEs) can reduce government liabilities and simultaneously strengthen incentives for improved SOE governance and performance. Reducing preferential access to direct and indirect public financing also increases the commercial orientation of SOEs and helps level the playing field with the private sector. Additionally, identifying and financing the true cost of public service obligations and managing the fiscal burden and potential fiscal risk of SOEs help in instilling financial and fiscal discipline.

- **Professionalising SOE boards**

Because the professional board bears the ultimate responsibility for the stewardship and performance of the company, its composition and functioning have a significant impact on the governance of the SOE and therefore on its operational and financial performance. The Toolkit issues the following as means to professionalise SOEs boards;

(a) Developing a structured and transparent process for board nominations

(b) Defining the respective roles of the state, as owner, of boards, and of management and empowering boards with core responsibilities such as strategy setting, choosing and overseeing the chief executive officer (CEO), and managing risks

(c) Enhancing board professionalism through the separation of chair and CEO and development of board committees, and the like

(d) Putting in place board remuneration and evaluation policies and practices

(e) Providing training to members of boards of directors.

- **Enhancing transparency and disclosure**

Transparency and disclosure are vital to holding state-owned enterprises (SOEs) accountable for their performance. An effective reporting regime requires SOEs to abide by the same reporting, control, and audit frameworks as other significant corporate entities; to produce financial statements according to high-quality accounting standards; to increase the effectiveness of nonfinancial reporting and to disclose publicly both financial and non-financial information.

- **Protecting shareholder rights in mixed-ownership companies**

According to Shaver (2019: 1006), mixed ownership occurs when SOEs are partially owned by sovereign states and partially by private investors. The Word Bank Toolkit (2014a) put forward that mixed-ownership may result in imminent problems amongst the government and other shareholders. It recommends the following important steps in addressing mixed ownership issues;

(a) Overseeing minority government stakes

(b) Promoting shareholder participation and equitable treatment of shareholders

(c) Encouraging participation in shareholders' meetings

(d) Ensuring representation of minority shareholders on SOE boards

(e) Protecting against abusive related-party transactions.

3.1.4 OECD guidelines on anti-corruption and integrity in SOEs

Several studies have affirmed that SOEs may be susceptible to corrupt or irregular practices that emanate from both within an SOE as well as by external forces (OECD, 2019: 3). External forces denote the outside macro-environment which spans political, economic, social matters, technology and legislation and affect the effectiveness of the organisation (Elearn, 2009: 75). The guiding principles on anti-corruption and integrity in SOEs, therefore, represent a global consensus on promoting integrity and combating corruption in state owned enterprises. They are broadly informed by the Group of twenty (G20) high-level principles on preventing corruption and ensuring integrity in SOEs, endorsed by the G20 leaders in 2018 (OECD, 2019: 5). The principles were adopted by the OECD Council meeting at the ministerial level on 22 May 2019, are meant to draw on and complement existing global standards, including SOEs guidelines and the OECD principles of corporate governance. The guidelines apply to all SOEs pursuing economic activities, either exclusively or together with the pursuit of policy objectives or exercise of government authority or a governmental function (OECD, 2019). The guidelines are briefly highlighted below.

- **The integrity of the State**

The principle recommends states to apply high standards of conduct, setting an example for SOEs as the ultimate owner (OECD, 2019: 17). The principle is indispensable as corruption is one of the root causes of poor governance in African countries like Zimbabwe, both at national and institutional levels. Notably, higher ethical standards should begin with integrity of the State. To achieve this, the World Bank states that representatives of the ownership entity should: undergo human resource management practices on efficiency and transparency; be subject to conflict of interest rules; be subject to provisions on handling sensitive information to mitigate risks of insider trading; establish clear procedures for reporting illegal or irregular practices and be held accountable to the relevant representative bodies, including the national legislature (OECD, 2019). The state should also establish ownership arrangements that are conducive to integrity, for example; ensuring that applicable laws criminalising bribery of public officials apply equally to the representatives of SOE governance bodies, management and employees; prohibiting the use of SOEs as vehicles to engage in bribery; encouraging professional dialogue between the ownership entity and state authorities responsible for the prevention of corruption and setting an appropriate framework for communication that includes maintaining accurate records of communication between the ownership entity and SOEs (OECD, 2019).

- **Exercise of state ownership for integrity**

As a guiding principle, there must be clarity in the legal and regulatory framework and the state's expectations for anti-corruption and integrity. The ownership entity should be assigned a role for executing ownership and in cases where representatives of government, including those of the ownership entity, give instructions that appear to be irregular, SOEs should be able to seek advice or to report it through established reporting channels (OECD, 2019: 20). Furthermore, the state should act as an active and informed owner with regards to anticorruption and integrity in SOEs. Among other things, there should be reporting systems to allow the government to regularly monitor and assess SOE performance against established objectives and pre-determined benchmarks; assess SOE compliance with applicable corporate governance standards and assess their alignment with the state's expectations with regards to integrity and anti-corruption. The state should consider developing mechanisms to measure and assess the implementation of disclosure requirements by SOEs. This is vital in countries where some SOEs do not submit their financial accounts for auditing.

- **Promotion of integrity and prevention of corruption at the enterprise level**

This principle recommends states to put in place healthy ownership policy that ensures effective internal controls, ethics and compliance measures that prevent, detect and mitigate corruption-related risks, and enforce rules within SOEs (OECD, 2019). It emphasises that governments should ensure that SOEs are overseen by effective and competent boards of directors that are empowered to oversee company management and to act autonomously. To this effect, governments should take the following actions: encourage SOEs to take a risk-based approach and to adhere, to the extent feasible, to good practices. The state should, without intervening in the management of individual SOEs, take appropriate steps to encourage integrity in SOEs, expecting and respecting that SOE boards and top management promote a corporate culture of integrity. The state should encourage appropriate channels for oversight and reporting at the enterprise level and ensure that investigative and disciplinary procedures exist to promote compliance and address violations of relevant laws or the company's integrity mechanisms. Similarly, special attention should be given to managing conflict of interest and, relatedly, the movement of actors between public and private sectors (OECD, 2019).

- **Accountability of state-owned enterprises and the State**

The final principle recommends adherents to ensure proper detection of corruption in SOEs and that key processes are entrusted to institutions that are insulated from influence or suppression of said processes or dissemination of public information regarding their conduct (OECD, 2019: 27). To this effect, states should take the following actions: encourage strong, transparent and independent external auditing procedures for SOEs, ensure that SOEs publish annual reports on their performance, including audited financial statements and take action and respect due process for investigations and prosecutions. Stakeholder engagement should be encouraged at all stages of governmental decision-making processes to promote accountability and public interest (OECD, 2019). One of the ways to promote accountability is to engage all state enterprise stakeholders by inviting them to Annual General Meetings (AGMs). Unfortunately, some of the SOEs do not hold the AGMs in practice.

3. 2 CRITIQUE OF THE BEST PRACTICES

This section outlined international best practices on corporate governance in particular; the OECD principles of corporate governance (2015b), OECD guidelines on corporate governance of SOEs (2015a), World Bank's Toolkit for corporate governance of SOEs (2014a) and OECD guidelines on corruption and integrity in SOEs (2019). Taken together, the best practices stress the following basic principles: the state should act as an informed and active owner; the state should not interfere in the management SOEs; the state should develop a sound performance monitoring system for SOEs; the legal and regulatory framework for SOEs should be clear and promote a level playing field for SOEs and private enterprises; the state should ensure equitable treatment of shareholders and protection of investors and SOEs should observe high standards of transparency and disclosure. The international principles fundamentally provide insights into how best SOEs governance can be strengthened to obtain the greatest value creation. A common factor behind the principles is the drive to assist SOEs to operate with great efficiency just like private enterprises. While the international principles are applaudable in their goal of promoting good governance of SOEs, they have been criticised for lacking detailed guidance on the institutional practices that are necessary to achieve them. Milhaupt and Pargendler (2017: 534) argue that "although the destination is marked, there is no road map provided to assist in reaching the destination”. In addition, the international guidelines underscore the importance of creating a level playing field between SOEs and private enterprises, yet the two sectors are not interchangeable and their comparability is problematic. Consonant to this view, Mihaiu *et al.* (2010: 133) note that the objectives pursued by the public and private sectors are different, the private sector aims for profit, while the public sector seeks not only to obtain economic benefits but also to improve public welfare. Another limitation that emerges from the principles is balancing between the goals of state ownership and avoidance of political interference in the management of SOEs. This is highly problematic given the state is inherently a political actor. Yet still, these limitations cannot downplay the potency of the international best practices in fostering an all-inclusive consensus on how best SOEs can be governed. It is vital to note that the best practices are principle-based and non-prescriptive so that they retain relevance in varying ecological contexts. In consequence, the success of the principles heavily depends on how they are applied in given circumstances.

3.3 EXPLORATIONS OF INTERNATIONAL SOES GOVERNANCE EXPERIENCES

Having reviewed the international principles of corporate governance, this section of the study explores international experiences on state owned enterprise governance. Such an exploration enriches the study with detailed knowledge of different international approaches to SOE governance, indispensable for the development of a robust corporate governance model for SOEs in Zimbabwe. The study examines case experiences from five distinct countries which reflect dynamic environments: Botswana (Africa), Colombia (South America), Norway (Europe), Singapore (Asia) and South Africa (Africa).

In selecting the above countries varied factors were considered including; geographical location, stage in economic development, membership in reputable organisations like the OECD and relative importance of SOEs to the countries' domestic economies. Norway and Singapore were included as they are highly regarded for sound SOE governance. For both countries, SOEs operating in the oil sector are of strategic importance. Whereas Norway is a developed country, Singapore and Colombia are not officially considered developed countries though, in terms of GDP per capita, they are not far behind developed economies. Colombia, Norway and Singapore are interesting cases given that they are all members of the OECD. Botswana and South Africa were selected as they are easily comparable to Zimbabwe. They are all developing countries and they are on the same continent. Furthermore, South Africa has for the most part made commendable success in defining the application of good corporate governance in the African continent.

3.3.1 Botswana

In Botswana, State-owned enterprises (SOEs), known as “parastatals,” are majority or 100 percent owned by the government (United States Department of State, 2017). As a former colony of the United Kingdom, Botswana follows the Anglo-American corporate governance model (Markken, 2015: 57). The state-owned sector is a remnant of a nationalisation policy embarked upon in the 1980s which put the State at the centre of industrial development policy (Balbuena, 2014: 24). Botswana’s SOEs have gone through several reforms including; the Privatisation Policy of 2000, the Privatisation Master Plan of 2005 and the Corporate Governance Code drafted by the Botswana Institute of Directors (Public Enterprise Evaluation and Privatisation Agency (PEEPA), 2012). In January 2016, the government issued a sale offer of 49 percent of the stock of the state-owned Botswana Telecommunications Corporation to Botswana citizens only. In February 2017, the government issued an expression of interest for the privatisation of its national airline. Conversely, the Government of Botswana has created new SOEs such as the Okavango Diamond Company, the Mineral Development Company, and Botswana Oil Limited in recent years (United States Department of State, 2017).

As highlighted by the Botswana Investment and Business Guide (2016: 198) in Botswana private and government owned enterprises are governed by the same business registration and licensing laws and they are not prohibited from competing against each other. The governance structures of SOEs, are defined by the respective Acts of parliament that ‘gave birth’ to these corporations (Magang and Khube, 2018: 150). The SOEs are also bound by the corporate governance principles set out in the Code of Corporate Governance. As part of the broader corporate governance framework, PEEPA promotes the adoption of good corporate governance practices within the SOEs which would spell out the obligations of government and SOEs, including how social obligations would be financed (Ramaphane, 2011: 25).

In Botswana, the ownership and oversight of SOEs are decentralised under the auspices of the respective shareholding ministries (Balbuena, 2014: 24). SOEs belong to different line ministries which are representatives of the shareholders. Reporting by SOEs is also made to the respective ministries under whose portfolio the SOEs fall (Government of Botswana, 2013: 31). As such, the appointment of directors, chief executive officers, chairmen and other high-ranking executives are the prerogatives of ministers who head ministries which respective parastatal corporations fall under (IMF, 2020: 12). According to the Botswana Investment and Business Guide (2016: 98), the appointment of board members and CEOs is very much politically motivated. The board appointees are connected to the Minister and may fear to challenge the Minister's decisions (Magang and Magang, 2016: 1051). Any semblance of balance in skills and expertise is by coincidence and not through a deliberate action by the appointing officers. As a result, board committees are not as effective and fall short of their required obligations (Botswana Accountancy Oversight Authority, 2018).

The SOEs board appointments are provided for in the establishing Acts. Ministers ordinarily hire senior Ministry officials to work on the boards of SOEs (Ramaphane, 2011: 25). However, the Acts are likely to limit the roles of the board members to advisory and monitoring. The Acts also state that the dismissal of board members is determined by the Minister in charge of the SOEs (Magang and Kube, 2018: 150). Some of the reasons cited across the various acts for removal include, inter alia, absence from (without reasonable cause) three consecutive meetings of the board, inefficiency, physical or mental incapability that may hinder a member from discharging their duties, contravention of the SOEs Act, unprofessional conduct as pronounced by relevant statutory bodies and failure to declare interests in accordance with respective sections of the Act(s) of the SOE (Magang and Magang, 2016: 1050).

The Acts place board control around the Minister(s) such that even director remuneration is subject to the approval by the Minister(s) under whose portfolio an SOE falls. Similarly, the boards of SOEs in Botswana do not have the leeway to appoint chief executive officers of SOEs/parastatals. Instead, the boards of directors may make recommendations to the respective Minister(s) as to whom the boards deem fit to occupy the position of CEO of the respective parastatal. However, the Minister(s) is not under an obligation to endorse this recommendation (Magang and Kube, 2018: 150). As the appointing authority, the Minister(s) may also remove and or terminate the appointment of a CEO or director in a parastatal board under his/her portfolio. In a worst-case scenario, the Minister(s) is/are single-handily empowered by the Act(s) to dissolve the entire board of directors of an SOE/parastatal.

Depending on how they are constituted, SOEs are audited by private sector consultants or the Auditor General. Botswana Railways and Air Botswana are under the ambit of the Auditor General and the rest of the SOEs are audited by independent auditors appointed by their Boards of management under the terms of their governing statutes. However, by a long-standing arrangement, these entities provide the Auditor General with the audited accounts and reports of their organisations for purposes of review and inclusion of the review results to the National Assembly (Auditor General's Report, Botswana, 2018: 96). The SOEs are required by the Botswana law to publish annual reports (Botswana Investment and Business Guide, 2016). The reason behind this kind of culture is to demonstrate the financial performance of the company, and terms of effectiveness. Furthermore, ministries together with their respective SOEs are compelled on an annual basis to appear before the Parliamentary Public Accounts committee to provide reports and answer questions regarding their performance (United States Department of State, 2017).

It is important to note that challenges in SOE governance loom large in Botswana. Adherence to good corporate governance principles is generally low, there is a lack of clear and consistent ownership policy and adoption of best practice framework is still discretionary due to decentralised ownership (IMF, 2020; PEEPA, 2012). Furthermore, financial oversight is made difficult due to delays in the publication of audited financial statements (IMF, 2020: 12). Given that, the corporate governance review findings of Botswana Accountancy Oversight Authority for the year ended 31 December 2018 revealed that most SOEs were technically insolvent as their continued existence (going concern status) depended upon continued support and bailout by the government (Botswana Accountancy Oversight Authority, 2018).

3.3.2 Colombia

Colombia is Latin America's fourth largest economy and its short-term growth prospects are strong by OECD standards (OECD, 2015c: 13). Latin American corporate governance system is more flexible and lies in between the Anglo-Saxon and the Germanic/European corporate governance models (Alam *et al.*, 2019: 187). As in many other Latin American countries, national State-Owned Enterprises (SOEs) in Colombia remain important actors despite a recent history of intense privatisation (World Bank, 2014b: 96). According to the OECD Report (2017: 39), as of 16 March 2016 Colombia had 102 fully and partly owned SOEs with an asset value of USD 115. 9 billion or 32% of the national Gross Domestic Product (GDP). As granted by Shaver (2019: 1015) though only three Colombian SOEs under Federal government control have ever been listed (Ecopetrol, ISA and Isagen), they constitute an outsized proportion of both the Colombian's state portfolio and Colombia's capital market as a whole. The writer further accentuates that Ecopetrol, which is also Colombia's largest company-alone forms

46.7% of the country's market capitalisation. Milhaupt and Pargendler (2017: 501) reiterate that until recently, Colombia had few listed SOEs which together accounted for over fifteen percent of market capitalisation and fifty percent of the total value of SOEs.

Colombian SOEs fall into two broad categories: Industrial and Commercial state companies that are statutory corporations wholly owned by the state and whose origin and norms are established by law (*Empresas Industriales y Comerciales del Estado*) and Mixed ownership in which the state has a stake and which can take any legal form and are generally governed by the norms applicable to the private sector (*Sociedades de Economia Mixta*) (Colombia, 2016; Colombia Insolvency, laws and regulations Handbook, 2015; OECD, 2012). Both forms of SOEs must be authorised by statute, are subject to financial and managerial oversight by the Comptroller General's office, must disclose business information to Congress and are bound to the Colombian Budget law (Shaver, 2019: 1014).

Colombian SOEs, are in general subject to private law and structured as commercial companies (Colombia, 2016). The Commercial and Industrial SOEs competing in the market are regulated by law 489 of 1998 which stipulates that these companies must follow the same requirements as private companies with no advantages. Furthermore, listed SOEs with mixed ownership must follow the same requirements as other publicly listed companies to address minority shareholders' rights (OECD, 2012: 10). In light of this, Colombia has actively pursued the issuance of SOEs shares to private investors, including successfully listing securities on stock exchanges in the United States, Canada and Germany, all the while taking steps to protect the minority shareholders rights (Shaver, 2019: 1028). Listed SOEs are also subject to Colombia's Securities Market Law and its Corporate Governance Code (C´odigo Pa´ıs) on a "comply or explain" basis (Milhaupt and Pargendler, 2017: 502).

While the Ministry of Finance and Public Credit (MFPC) plays a strategic role in the ownership oversight of Colombian SOEs, mainly in relation to budgetary oversight, Colombia basically functions under a decentralised SOE governance model (OECD, 2012). Accordingly, SOEs are assigned to different ministries that include principally the MFPC, the Defence Ministry (MD), the Mines and Energy Ministry (MME), the Ministry of Communication Information and Technology (MCIT), as well as others that include; the Ministry of Agriculture, the Ministry of Transport and the Ministry of Health and Social Protection (OECD, 2015c: 24). Central government control takes form of 'tutelage' by the ministries or administration departments for which the SOEs are an instrument for coordination for the implementation of their policies

(OECD, 2017: 41). Complementing these institutional arrangements, other relevant public sector entities may play key roles, intervening at different stages of the budgeting and oversight processes. For example, the National Planning Department (*Departamento Nacional de Planeación* - DNP) takes significant responsibility for oversight of SOEs and control of royalties, and the National Council of Economic and Social Policy (*Consejo Nacional de Política Económica y Social - CONPES*) is responsible for financial programming of some enterprises (World Bank, 2014b: 97) and the CONFIS sets out policies regarding dividends, debt and equity structuring, and defines investment plans (OECD, 2012: 10). SOEs are in addition, subject to the individual and sector-specific supervision of bodies such as the Financial Superintendence, the Utilities Superintendence, the Comptroller General's office and the General Accounting Office (OECD, 2017).

Typically in Colombia, a board, with the director, chairperson (president,) or CEO of the company, is in charge of the direction and management of SOEs. There are no specific rules guiding the appointment of board members, directors, or presidents of SOEs (World Bank, 2014b: 100). The nomination process differs both between and within the different ministries. The MFPC relies on the direction of the Investment Banking and the Secretary-General (legal counsel) to propose a list of candidates based on their professional experience, the company's profile and restrictions established by the law. The Ministry's Asset Committee then approves the list, which is later subject to Annual General Meeting approval through an electoral quotient system, a proportional voting system allowing minority shareholders to group their votes (OECD, 2015d: 12).

On the contrary, the World Bank (2014b: 102) reports that in some cases, directors and managers are appointed, retained, and promoted based on their political allegiance, which can generate uncertainty within the organisation. This may also create perverse incentives for appointees, as in such cases, directors and managers tend to devote a significant amount of resources to goals determined by political expediency, sometimes at the expense of sound long-term policies for the companies, they guide (World Bank, 2014b). Generally, the board of directors appoints and removes the CEO following general corporate law and the boards of SOEs are comprised of a majority of independent directors. SOEs under the Defence Ministry nevertheless vary greatly in practice from other ones under the MFPC portfolio due to the strong military culture (OECD, 2012; OECD, 2015d). Most board members appointed are either active or retired military officers (OECD, 2015d: 15).

With regards to the remuneration policy for directors, the MFPC establish a scale of fees based on SOEs assets and payment capacity and within these limits, allows shareholders' meeting to set fees they deem appropriate (OECD, 2015d). In terms of audit, all Colombian SOEs are audited and some voluntary rotate their auditors (OECD, 2017). In contrast to many other countries, Colombia's Comptroller General's office is charged under the Constitution with protecting public resources and assets and recovering goods. For this, it audits the management of all state entities, including those enterprises in which the state has only a small ownership stake, and it is empowered to act in cases of violation of fiscal responsibility and has judicial police powers (OECD, 2015c: 31). Based on demands by line ministries, many SOEs also prepare annual reports on their performance which discuss their results not only from a financial perspective (OECD, 2017: 75-76). In March 2014, a new law requiring all SOEs to make information regarding their operations publicly available was introduced (Colombia, 2016: 93). Meanwhile, financial and performance objectives in service delivery are defined by the SOE Boards. These objectives must be aligned with national goals, as codified in the National Development Plan, and have to be approved by shareholders (World Bank, 2014b).

The general assessment of the firm-level practices of Colombia's listed SOEs has been very positive and Ecopetrol, together with the other listed SOEs has been hailed as model of strong corporate governance (Milhaupt and Pargendler, 2017: 504). Beyond the good examples of corporate governance, Colombian SOEs still face challenges. According to the World Bank (2014b: 103), some of the issues that present specific challenges are the lack of a centralised ownership structure; the existence of reporting standards based on local norms instead of international requirements (International Financial Reporting Standards - IFRS); and, for some SOEs, insufficient separation between commercial and political objectives. To that effect, the Colombian government has taken several actions to strengthen the corporate governance of SOEs. In addition, the corporate governance framework for SOEs has undergone an important transformation aimed at establishing a framework broadly consistent with the Recommendation of the Council on Guidelines on Corporate Governance of SOEs (OECD, 2017: 76). Colombia has cited the desire to accede to OECD as a driving force behind the corporate governance reforms (Shaver, 2019: 1029). Remarkably, on the 28th of April 2020, Colombia officially became an OECD member (OECD, 2020).

3.3.3 South Africa

South Africa's corporate governance code of best practices developed in 1994, (King Report) provided a ground-breaking corporate governance model for Africa (African Corporate

Governance Network, 2016: 70). Like many other Commonwealth countries, South African corporate structures generally resemble those of the UK (West, 2009: 11). It therefore, follows that South Africa's corporate structures fit the Anglo-American model. In agreement with the views of West (2009), Waweru (2014: 556) advances that the King Report was published by the King Committee and draws extensively from the UK Cadbury Committee of 1992. In contrast to King I and King II, King III and IV Reports apply to all entities, both private and public regardless of the manner and form of their incorporation or establishment (Price Water Coopers, 2011; Kanyone and Sausi, 2015). Unlike private and public companies, the major shareholder in SOEs is the government (Ngwenya and Khumalo, 2012: 98). The King IV Code on Corporate Governance (King Code), which is recognised as one of the world's leading corporate governance codes, set out principles and recommended practices that an organisation should apply to substantiate a claim that it is practicing good governance (Calkoen, 2020: 275).

As of May 2012, there were around 715 SOEs in South Africa, comprising commercial and non-commercial SOEs and their divisions. Together the asset base of all SOEs is reported to be over R1 trillion, equivalent to about 27 percent of Gross Domestic Product (Kikeri, 2017: 2). The Government of South Africa adopted a market-style management approach for the SOEs while avoiding outright privatisation. With this transformed obligation, South Africa's SOEs have pursued investment opportunities outside Africa (Corrigan, 2014). The main legislative and regulatory corporate governance framework in South Africa includes among others, the Constitution of the Republic of South Africa of 1996, the King Reports on Corporate Governance, the Companies Act 71 of 2008, Public Finance Management Act 1 of 1999; Local Government: Municipal Finance Management Act 56 of 2003 and Protocol on corporate governance in the public sector (Balbuena, 2014; Mashamaite, and Raseala, 2019; PWC, 2011; Vagliasindi, 2008). With regards to the ownership structure, South Africa follows a decentralised model with several bodies involved in exercising the state's rights as owner or shareholder. Various ministries exercise the state's ownership rights such as voting the state's shares, nominating board members, monitoring performance and holding SOEs accountable for results—and the line minister, as the shareholder representative, has executive authority over SOEs (Kikeri, 2017).

The board of the SOE should appoint the Chief Executive Officer (CEO) and ensure that an effective succession plan for all directors and key executives is in place and adhered to (Nevondwe *et al.*, 2014: 267). The Executive Authority also has the power to appoint and dismiss the Board of an SOE. Consequently, while the board may recommend candidates for the position of CEO, it is ultimately the government, as often the only, or certainly the major shareholder, that makes this decision (Thomas, 2012: 450). This institutional requirement inevitably blurs the accountability for performance between the board and the shareholder when the board has little or no real authority over a CEO who is ultimately responsible for the operational management of the organisation (Ngwenya and Khumalo, 2012; Thomas, 2012). Notably, the board should ensure that the company has an effective and independent audit committee. In addition, the audit committee should comprise at least three non-executive members, to be appointed by the company shareholders (Republic of South Africa Companies Act 71 of 2008). In cases where the board is unable to comply with any of the responsibilities stated in the Public Finance Management Act, it must promptly report the inability, together with the reasons to the Executive Authority and the Treasury (Nevondwe *et al.*, 2014).

Despite South Africa's commendable success in defining the application of good corporate governance in the African continent, attempts to integrate and promote the role of SOEs in the economy have been stymied by the lack of clear policies and by concerns about SOE governance more broadly (Kikeri, 2017; Mashamaite and Roseala, 2019). Most of the South African SOEs are struggling due to weak management, dishonesty, and political interference from the ruling party. Contrary to good corporate practice, the legal frameworks of the SOEs contain innumerable overlapping laws and regulations that constrain good governance. For instance, the existing legal framework for board appointments is scattered across various documents leading to confusion and conflict in the process.

In many cases, the founding legislation of the SOE gives the executive authority the power to appoint and dismiss the board and the CEO (Kikeri, 2017). Meanwhile, the Protocol on Corporate Governance for the public sector states that the board should appoint one of its members, preferably an independent non-executive director as the chair, which may conflict with the founding legislation. A SOEs' Articles of Association may also codify the recruitment and appointment process (Kikeri, 2017). Likewise, there exist incongruences between the PFMA and the Companies Act and the fact that the two legislative frameworks were not originally earmarked to grapple with the specific issues confronting public entities on a day-to-day basis creates another problem (SOEs Policy Dialogue Report, 2012: 10). Furthermore, South Africa's fragmented ownership structure creates coordinating problems and potential conflict may also arise when line ministries act as shareholders, policy maker and regulator.

Analysing the governance landscape of SOEs in South Africa, Kanyone and Sausi (2015: 38) point out that "inconsistencies in the legal and governance frameworks of the SOEs have brought about many illicit practices, including abuses of the subsidiarity principles. In many instances, the subsidiaries of SOEs are not transparent and their financial records are not linked to that of the parental entities". In the meantime, Gumede (2019) notes that the accumulated annual costs of South Africa's dysfunctional SOEs, in terms of job losses, deterring investments and reducing economic growth are now so huge that they are now a threat to the country's economic sustainability.

3.3.4 Norway

Norway's corporate governance systems are branded by well-developed international capital markets (Garanina and Kaikova, 2016). It follows the Nordic corporate governance model which according to (Thomsen, 2016: 2- 7) shares many features with other European countries but is not common. The Norwegian government has extensive ownership of enterprises in the financial and non-financial sectors (IMF, 2009: 6). About 70 state enterprises are managed directly by the relevant government ministries and approximately 35% of the stock exchange's capitalisation is in the government's hands (United States Department of State Report, 2019). In addition to the sheer significance of state ownership in its advanced economy, Norway also stands out given its acclaimed institutional arrangements. The Norwegian model for the oil sector—premised on the separation of policy, regulatory, and commercial functions—has become a blueprint for resource-rich countries (Milhaupt and Pargendler, 2017: 495).

The separation between the state's role as shareholder and regulator is the hallmark of the Norwegian governance regime (Calkoen, 2020; World Bank, 2014a). In this regard, the relationship of SOEs to the state is equivalent to that of an outsider shareholder, responsibility for the management of the company resides in the board and executives and inter-ministerial decision making on SOE operations are prohibited-even for unusual or controversial issues (World Bank, 2014a: 56). The OECD (2003: 14) affirms that "Norway moved in the direction of governance through the general framework with independent boards (without government participation) much earlier than most countries". For commercial state owned enterprises, the state preserves common goals of profitability, better value creation and high productivity (OECD, 2014b). This is achieved through classifying the state owned enterprises as independent entities free of the state's direct influence. The state as an alternative, exercise its ownership interests through the annual general meetings and involvement in nomination and election of board members (OECD, 2014b; World Bank, 2014a).

Norway has followed the trend toward centralisation of shareholdings by allocating interests in most commercial SOEs to the "ownership department" of the Ministry of Trade, Industry and Fisheries, especially since 2001 (Milhaupt and Pargendler, 2017). Important exceptions to centralisation however persist, for example, shareholdings of some SOEs in the energy sector are administered by the Ministry of Petroleum and Energy. Yet still "even here there is the separation of functions" (Milhaupt and Pargendler, 2017: 495-496). State ownership in Norway takes different forms and is regulated by different legal instruments. The basis for the administration of public corporations is laid out in the constitution whereby the *Storting* (Norway's parliament) is given authority to instruct the government on matters concerning state ownership (IMF, 2009: 6). Important guidelines for corporate governance are also established in the Norwegian Corporate Governance Code of Practice for Corporate Governance (NCCG) (Calkoen, 2020: 213). Furthermore, Norway's listed SOEs are subject to the same corporate and securities laws governing private firms, including the Public Limited Liability Companies Act and stock exchange regulation.

According to the World Bank (2014a: 56), Norway's boards and executives are responsible for the appropriate management and protection of SOEs. The boards of directors are appointed by the shareholders, either directly, at the annual general meeting or indirectly by the Corporate Assembly. The board members are chosen based on competence and a distinctive trait of the Norwegian system is that currently serving Members of Parliament and civil servants in the Ministries or central government are prohibited to serve on SOE boards (OECD, 2003; Milhaupt and Pargendler, 2017). Additionally, following Norway ownership policy, remuneration for leading personnel in SOEs must be competitive but not market-leading, with an opportunity for capped incentive compensation but no stock options (World Bank, 2014a). The board structure in Norway lies between the one-tier (Anglo-Saxon type) and two-tier (Continental type) models, with the majority of listed companies using a two-tier system. The CEO is responsible for the day-to-day management, while strategy, internal control, risk management and other activities are run according to the competence of the board (Garanina and Kaikova, 2016: 348). The board of directors appoints the CEO, who may not be a board member, and sets his or her salary (Milhaupt and Pargendler, 2017).

Another special feature of the Norwegian governance model is the obligation to appoint a corporate assembly in companies with more than 200 employees (Calkoen, 2020; OECD, 2003). The principal tasks of the corporate assembly consist of board elections and, following a recommendation from the board of directors, resolving matters regarding significant investments concerning the company's resources and an alteration of a company's operations (Calkoen, 2020: 214). Another fundamental characteristic of the Norwegian model is that employees are entitled to elect members to the board of directors and corporate assembly. The main rule regarding employee representation is that one-third of the members of the board of directors or one-third of the members of the corporate assembly or both are elected by and among the employees. The employee representatives act as ordinary members of the board or corporate assembly and have the same authority and responsibility as the members elected by the general meeting (Calkoen, 2020).

Norway's company legislation also contains requirements relating to gender representation on the board of directors (Calkoen, 2020; Garanina and Kaikova, 2016). The requirements (established in 2002 for fully state owned companies and in 2006 for listed companies) stipulate that the board should comprise at least 40% of each gender (OECD, 2014b: 43). Despite Norway's success in implementing sound corporate governance practices, the Norwegian government has argued that challenges associated with state ownership persist. For instance, conflicts between ownership of companies and the state's other roles and the risk of a concentration of powers weakening the private sector. Norway continues to seek to improve the effectiveness of its SOEs through better governance (OECD, 2014b; World Bank, 2014a).

3.3.5 Singapore, Temasek model

In general, the Singapore corporate governance system is based on the Anglo-American model, particularly the Cadbury Report (Chen, 2019: 5). As part of the post-independence plan, Singapore's economic development strategy has relied heavily on what is known in that country as government-linked companies (GLCs) (Chang 2010; Peng and Phang, 2018). The People's Action Party (PAP) government assumed a proactive entrepreneurship role by establishing GLCs in key sectors such as transportation, finance, manufacturing, shipbuilding and services (Chang, 2010: 74). As espoused by Yeung (2002: 82) since the late 1980s, many former large state owned enterprises have now been listed in the stock exchange of Singapore (for example, Singapore Airlines, Keppel Corporation and *Sembawang* Holdings). He further notes that these former SOEs have since been known as GLCs because the state remains a significant influence over their management. The government through Temasek Holdings has significant equity in many of Singapore's largest companies (Rajan and Thangavelu, 2009:8).

From the outset, the Singapore government was aware of the risk of political interference in the corporate governance of the GLCs. As a result, it developed a highly visible and well-tailored regulatory regime to prevent politics from influencing the GLCs (Hill and Thomas, 2015: 529). Consonant to this view, Milhaupt and Pargendler (2017: 519) advance that "the government interposed Temasek between itself and GLCs to insulate the latter from political influence and reinforce the GLCs' commercial orientation". Temasek Holdings which was formed in 1974 under a Companies Act, took over from the country's Ministry of Finance as the arm responsible for state investments (Musacchio and Pineda, 2019). It serves as a Holding company to monitor the activities of its companies, collate all the information of various government investments and keep the Minister of Finance and cabinet informed about the performance of these companies (Yeung, 2002: 81). The government does not use Temasek to further its social objectives, thereby allowing Singaporean SOEs to pursue profitability and efficiency in a way similar to private companies (Musacchio and Pineda, 2019: 151). Temasek Holdings and its subsidiaries are registered companies under the Companies Act, subject to all the same requirements as private businesses (Ramirez and Hu Tan, 2003: 5). However, as a government-owned enterprise, Temasek Holdings is subject to scrutiny by the government and the general public (Anwar and Sam, 2006:47).

The most apparent and striking feature of the Temasek Model is its success across many measures (Wei Jie, 2018: 221). While Temasek initially focussed on investing primarily in local companies, it later diversified its portfolio to undertake equity investments in Asia and the rest of the world in 2002 (Temasek Holdings, 2016). The company invests not only in Singapore (which accounts for 31% of its portfolio) but also in many other parts of the world, including Asia ex-Singapore (41% of its portfolio), Europe, North America, Australia, and New Zealand (24% of its portfolio combined) (Chen, 2016: 313). As of 31 March 2019, Temasek had a net portfolio of S$313b equivalent to $US 231b (Temasek Review, 2019: 4). Temasek GLCs substantially contribute to Singapore's Gross Domestic Product, up to 60% (Chang, 2010). In terms of pure market share, Temasek's GLCs account for a remarkable 37% of the value of the Singapore Exchange stock market. In terms of profitability, empirical data has shown that Temasek's GLCs outperform non-GLCs on their return-on-equity ratio as well as their return-on-assets ratio (Wei Jie, 2018: 221). Temasek's Articles of Incorporation provide that its board of directors, not the Ministry of Finance (MOF) as the controlling shareholder, has authority to determine the number of dividends to be paid to the government (Milhaupt and Pargendler, 2017).

Temasek's own board comprises extremely qualified, highly accomplished and widely respected Singaporean and international directors, the majority of whom are independent, non-executive directors and private sector business leaders (Chen, 2016; Puchniak *et al.*, 2017; Sim *et al.*, 2014). There is no ministerial representative on the board and approximately forty percent of the senior management team of Temasek is comprised of non-Singapore nationals whose political allegiances likely have little bearing on their motivations and performance (Milhaupt and Pargendler, 2017: 520). In addition, Temasek's chairman and CEO positions are held by different people in line with the American-style independent director model that it purports to follow (Puchniak *et al.*, 2017).

The Minister of Finance has the right to appoint, reappoint, or remove board members in Temasek. However, this is subject to the President's concurrence, which provides an additional layer of insulation from any undue government influence (Sim *et al.*, 2014: 16). According to the Singaporean Constitution, the President should consider the recommendations of the Council of Presidential Advisers in making appointments. "If he decides against the council's advice and refuses to concur with an appointment, Parliament may overrule his decision with a resolution supported by no less than two-thirds of its elected members" (Chen, 2016: 321). To prevent a financially imprudent government from squandering past reserves, the President's approval is needed before a draw on past reserves can occur. Temasek's Chairman and CEO facilitate this by certifying statements of reserves and past reserves to the President at prescribed intervals (Sim *et al.*, 2014).

Temasek's measures of concrete performance help with enhanced result control. It uses the Economic Value added method to assess the financial performance of SOEs under its portfolio (Musacchio and Pineda, 2019: 153). Temasek declares that the company's base salaries reflect market benchmarks and that bonuses are driven by performance and some bonuses can be deferred up to twelve years to account for the sustainability of returns over the market cycle (Chen, 2016: 323). For monitoring purposes, Temasek provides annual statutory financial statements to the MOF audited by an international audit firm (Sim *et al.*, 2014). Although under the Singapore Companies Act, Chapter 50, Temasek is an exempt private company and is not required to publish its statutory consolidated financial statements, it publishes Group Financial Summary and portfolio performance in its yearly reviews (Temasek Review, 2019: 47).

As a result, Temasek is often viewed as setting the "gold standard" for transparency by a government-owned investment fund, receiving the highest possible rating in the Linaburg-Maduell Transparency Index (Milhaupt and Pargendler, 2017; Puchniak *et al.*, 2017). Almost every available metric for corporate performance points to Temasek and its Government-Linked Companies being extremely successful (Puchniak *et al.*, 2017: 335). In contrast, some scholars like Rajan and Thangavelu (2009: 9), argue that government intervention in terms of its ownership and management of GLCs has caused their dominancy in local economic activity, thereby curbing private sector initiative by pre-empting local business opportunities.

3.4 INTERNATIONAL EXPERIENCES: KEY LESSONS

On the whole, the above review demonstrates the diversity of corporate governance across the globe. Each country follows a particular pattern of SOE governance mirroring the institutional peculiarities between countries. This confirms the absence of a 'one-size-fits-all' model for achieving high-quality corporate governance. As already revealed in chapter two, SOE governance appears to be closely correlated with the quality of national governance within a given country. Closer scrutiny of Norway and Singapore validates these sentiments. Although the two countries are highly regarded as setting the 'golden standard' for SOE governance, they have followed completely different corporate governance models. While the state holding company (Temasek) is at the core of Singapore's corporate governance, Norway has abjured a holding company approach and has not even completely centralised the ownership of SOE shares. It cannot be disputed, however, that the common ground that exists between the two countries is a reputation for transparency and accountability, along with lawfulness. A range of lessons can be drawn from Norway and Singapore.

The corporate governance systems in both countries have managed to insulate state owned enterprises from state politics. Singapore, through the Temasek Holding Company, has shown that a centralised model of ownership by an autonomous coordinating agency gives room for SOEs to pursue their mandate effectually. Norway's corporate governance system attests that the separation of the shareholder, policy making and regulatory functions by the state is the hallmark of independent SOE governance. The prohibition of currently serving Members of Parliament, Ministers and civil servants on SOEs boards in Norway and Singapore further insulate SOEs operations from political interference. Apart from that, board independence and competence in both countries promote objectivity and allow the boards to act in the best interest of SOEs. The Temasek Holding Company particularly obtains more autonomy by splitting the Chairman and the Chief Executive Officer roles and hiring a large pool of highly skilled and respected Singaporean and international directors.

Another special feature of Norway's SOE governance is gender parity in the boardroom. This is made possible due to the country's company law which dictates that the board for both fully state owned companies and listed companies should comprise at least 40% of each gender. In addition, Norway's corporate governance system garners more transparency and accountability by empowering employees to elect representatives to the board of directors and corporate assembly. More prominently, the existence of a corporate governance assembly in bigger companies creates checks and balances on the board of directors, chairman and Chief Executive Officer as well as management. Again, Singapore's Temasek Holding Company exhibits higher levels of transparency and accountability as it publishes its Group Financial Summary and portfolio performance in its yearly reviews even though it is an exempt private company. There is no qualm that SOE governance approaches in Norway and Singapore dovetail with international corporate governance principles. As a result, it comes as no surprise that SOEs in these two countries have profound influence both domestically and internationally. In light of this interpretation, chapter two of the study indicated an association between the nature of corporate governance practices and an organisation's performance.

Lessons can also be taken from the Colombian corporate governance regime where SOEs also remarkably contribute to the National Gross Domestic Product. The caveat that the Ministry of Finance and Public Credit should establish the remuneration scale for the board of directors based on SOEs assets and payment capacity creates a fair remuneration policy and curbs any opportunities for rent-seeking behaviour in executive compensation. Furthermore, the fact that Colombian law grants the Comptroller General's office judicial police powers to protect public resources and act upon any fiscal irregularities instils discipline in SOEs. Perhaps, a principal take away from Colombia is the greater strides taken by the government over the years to underscore major corporate governance reforms for SOEs. The country finally attained membership in the OECD. As accentuated by Shaver (2019) membership in an organisation like OECD has several advantages. First, it provides countries the opportunity for close inspection from a third party, aiding them in charting development and reform pathways. Second, it provides politicians with domestic political cover for pushing reforms. Third, the accession process cements a political commitment to the OECD values which promotes a country's reputation among international emerging investors.

The case studies of Botswana and South Africa confirmed that most corporate governance models in Africa are remnants of colonisation. Corporate governance structures in both countries generally resemble those of their colonial master, the United Kingdom. Different lessons can be drawn from these two case studies. In the case of Botswana, it is evident that the Minister holds most of the power in relation to the management of state enterprises. Similarly, in South Africa, the government through the Minister wields excessive power over the board and CEO appointments. This affects the independence and transparency of the board of directors and management of the SOEs. A lesson may therefore be drawn that excessive powers by the Minister can compromise effective governance of SOEs and may become avenues for political patronage and corruption.

In South Africa, the multiplicity of laws combined with the absence of a dedicated SOE law has reduced the prospects of sound SOEs governance. It can thus be deduced that consistent and overarching SOEs legislation based not only on legislative reform but also on the practical application on the ground is key to SOEs' strict adherence to good corporate governance. Even though South Africa is an icon of good corporate governance in Africa in many respects, its SOE governance system is confounded with many challenges as is the case with Botswana. On the contrary, poor corporate governance practices in SOEs of Botswana have been epitomised by government financial bailouts. Most African countries continue to be dogged by various structural barriers that constrain their capacity to improve their corporate governance systems.

3.5 CHAPTER SUMMARY

This chapter focused on international best practices and experiences in SOE governance. The chapter started with an account of the global standards on corporate governance and then proceeded to review country experiences on SOE governance. Such an exposition allowed the study to draw a range of lessons imperative in the development of an appropriate governance model for SOEs in Zimbabwe. A survey of five countries from different jurisdictions pointed out that there is no convergence to a single SOE governance model around the globe. Rather, SOE governance approaches and practices in various countries hinge on the countries' dynamic economic, political and legal settings. This affirms the theoretical framework of the study which contends that one global corporate governance model cannot exist, simply because of many differences among nations and industries. The following chapter interrogates the corporate governance ecology for SOEs in Zimbabwe.

CHAPTER FOUR: ECOLOGICAL IDIOSYNCRASIES OF STATE-OWNED ENTERPRISES IN ZIMBABWE

4.0 INTRODUCTION

The previous chapter reviewed international best practices and experiences in the corporate governance of state enterprises. This chapter examines the political and economic environment for state owned enterprises in Zimbabwe. The ecology of state enterprises in Zimbabwe has been a bulwark against their effective performance and reformation. The dynamic but nebulous macro environment in the post-independence epoch altered the state enterprise developmental pendulum. It conceivably ignited a governance crisis in the majority of the country's state-owned enterprises, consequently, occasioning their palpable failure. The state enterprises that initially served as locomotives for socio-economic development when the country gained independence withered into conduits of corruption and patronage. Disturbingly, their legendary failure has not only prejudiced the general citizens of good social service delivery but also denied the country the much-needed economic recovery.

This chapter of the study captures the influence of the politico-economic ecology of post-independent Zimbabwe on state-owned enterprise governance. A deep understanding of the country's ecological idiosyncrasies is integral in interrogating the nature of SOEs governance and its consequential performance. The chapter begins with an overview of SOEs in Zimbabwe. It proceeds to examine the dynamic environment in Zimbabwe embodied in drifting paradigms (developmental state, neo-liberal state, predatory state, Government of National Unity and the New Dispensation) (Masunungure and Chimanikire, 2006; Ndimande and Moyo, 2018), and how it relates to state enterprise governance, and reformation experiences. The chapter ends by locating the effects of the politico-economic exigencies on the state enterprise sector.

4.1 OVERVIEW OF SOES IN ZIMBABWE

As documented in the literature, SOEs differ from country to country (Zvitambo and Mhizha, 2019). This fact precipitates the need to explore the current and historical state of the state enterprise domain in the context of Zimbabwe. This part of the chapter provides thereof, a brief account of the state-owned enterprise domain in Zimbabwe.

In Zimbabwe, SOEs are established outside the central government. They have a key role in the provision of basic services like water, transport, health, telecommunications, and education (Chavhunduka and Sikwila, 2015). The SOEs are subject to the scrutiny of parliament and their mother ministries and this places the responsibility of the SOEs under the minister in charge of the ministry (Zvavahera and Ndoda, 2014; Ncube and Maunganidze, 2014). It is paramount to note that the idea of state-owned enterprises in Zimbabwe originated from the colonial British system of governance (Mandaza, 2015: 2). Documentary evidence demonstrates that the colonial state used the state enterprises as key instruments for ensuring its control over strategic economic activities and promoting white supremacy (Masunungure and Zhou, 2006). During the time public enterprises gained prominence due to their critical role in the economy. It cannot be discounted that SOEs remained important in post-independent Zimbabwe as avenues for political gains by the ruling elites. At the dawn of independence in 1980, the new government inherited twenty public enterprises spread across different sectors of the economy (Makuyana and Odhiambo, 2014; World Bank, 2017; Zhou, 2012a). These included the "Rhodesia Iron and Steel Company, the Grain Marketing Board, the Rhodesia Railway Lines, the Agricultural Marketing Board, the Rhodesia Air Lines, the Cotton Marketing Board, the Tobacco Marketing Board, the Industrial Development Corporation, the Rhodesia Broadcasting Corporation, the Cold Storage Commission, the Sugar Industry Board, the Agricultural Finance Corporation, the Cotton Research Board, and the Maize Control Board" (Zhou, 2012a: 175).

The number of State-owned enterprises and parastatals in Zimbabwe has since increased to around 107 (The *Herald,* 6 November 2020; World Bank, 2017). The SOEs have been instrumental to address inequalities, averting poverty and changing the fortunes of the black populations under the auspices of a 'welfare state' (Mandaza 2015; Mutize and Tefera, 2020). It must be noted that the ZANU-PF-led government changed the names of existing state enterprises and added many new ones in the fields of agriculture, telecommunications, transport, power, energy, mining, water, banking and finance (Moyo, 2015: 10). In light of this, the motivations and rationales after independence resulted in a comparatively large public enterprise sector (Nellis, 2005: 5). It is also worth mentioning that the development of the state enterprise sector after independence was not done through expropriation or nationalisation but through construction of new parastatals (Godana and Hlatshwayo, 1998: 10).

Distressingly, over time the state-owned enterprises gradually turned into a major setback to the economy due to their poor performance and loss-making status (Mashavave, 2017; Mungwari, 2019; World Bank, 2017). While many factors can be attributed to SOEs' underperformance, the research claims that poor corporate governance is at the apex of the problem. While it was possible to underwrite public enterprise inefficiencies with huge subsidies during the immediate post-independence decade, going forward, a host of exogenous and indigenous problems had emerged to constrain their fiscal capacity (Zhou, 2001: 230). Although the Government introduced diverse policy measures to change the operations of state enterprises (Zhou, 2012a: 175), there was often a substantial depreciation of value from Zimbabwe's SOEs (Chitiyo *et al.*, 2019: 10). As a consequence, there has been low confidence in the public enterprises (Transitional Stabilisation Programme (TSP) 2018-2020). Against this backdrop, it is critical to consider fundamental ecological exigencies in Zimbabwe and how they have moulded the state-owned enterprises.

4.2 EVOLVING ECOLOGY AND THE STATE ENTERPRISE SECTOR

Ecology encapsulates how organisms interact with each other and their environment. The organisms are constrained by the surrounding environment, which is complex and changes across space and time (Ghazoul, 2020: 1-2). Referring to the context of public administration, Riggs (1980: 109) defines 'ecology' as "the interactions between authoritative decision-making systems and their environments". As Zhou (2017:16) puts it, "the ecological contexts change in structure, composition, and characteristics over time, in response to the dictates of the environment's subject dynamics". In this chapter the term 'ecology' is delimitated to the interplay between often unpredictable ideological, political and economic dynamics that set and direct the operational parameters for state enterprises, determining their opportunities and challenges. This section traces the evolving macro environment of post-independent Zimbabwe encapsulated in drifting paradigms (developmental state, neo-liberal state, predatory state, coalition government and the 'new' dispensation). The politico-economic ecology captured by each distinct paradigm dictated the trajectory for the state enterprise sector governance.

4.2.1 Developmental state

The developmental state concept was first introduced by Chalmers Johnson (1982). It is used to refer to a state that enjoys high levels of autonomy from different segments of the capitalist class as well as labour unions and has a strong institutional capacity, both of which allow this specific form of state to implement a set of successful state-interventionist policies in pursuit of developmental goals (Mollaer, 2016; Leftwich, 1995). Deductively, a developmental state is one with autonomy and the capacity to catalyse socio-economic development for the benefit of its citizenry through distinctive policy and maintenance of a conducive political and economic environment. It is necessary here to clarify the limitations in the applicability of the developmental state concept in the context of African countries like Zimbabwe. The first limitation is the "impossibility theorem". This is a notion used to argue that the developmental state approach is not viable in Africa due to weaknesses in state capacity, predatory rule, and governance deficiencies (Meyns and Musamba, 2010: 30-35). Another limitation is the existence of diverse conceptualisations which makes the exact features of a developmental state difficult to reach. Conscious of these limitations, the study does not seek to determine whether or not Zimbabwe was a developmental state at independence but looks at the initial post-colonial experiences that were branded by state-led interventions and socio-economic development initiatives as expressionistic of developmentalism. In this case, a basic depiction of a developmental state is deployed.

Zimbabwe gained its political independence in 1980. While the new state was constrained to operate according to the logic of the colonial masters, the ruling elite prioritised consolidating state power and creating conditions of peace and national unity; embarking on vigorous resettlement, reconstruction and rehabilitation programme, and establishing the political, economic and social basis for the transition to socialism (Dashwood, 2000: 20). The state had the daunting task of realigning the inherited socio-economic structures to suit the new policy imperatives. As the first generation leaders, ZANU PF needed to redress colonial injustices that had been birthed by the skewed distribution of income and wealth. The implementation of interventionist and social welfare policies such as the Health-for-all, Education-for-all, and the Agricultural policy was part of this broad national developmental agenda (Zhou, 2012a, Saunders, 2019).

Likewise, the creation and subsequent phenomenal expansion of the public enterprise sector reflected the developmental orthodox (Zhou, 2000). It is trite to say, several theoretical justifications for public enterprises during that time also influenced the State to expand the sector. Reeling under pressure to provide results, newly emerging African governments had little choice but to use public enterprises as instruments of state intervention (Zhou, 2001: 230). Building on a vibrant and well-functioning economy that the country had inherited from Britain (Kararach *et al.*, 2016: 3) and the socio-economic circumstances prevailing at the time the government made substantial improvements in the public enterprise sector. Inherited SOEs such as the Grain Marketing Board, National Railways of Rhodesia, Cold Storage Commission, Rhodesia Iron and Steel Company, and Rhodesia Broadcasting Corporation, among others were restructured and new ones established in line with the socio-economic imperatives of the new era (Zhou and Zvoushe, 2017: 193). For instance, the Grain Marketing Board was expanded through the establishment of additional depots in the communal areas to increase the market for rural producers and reduce their transport costs (Dashwood, 2000: 54).

By the end of the 1980s, there were clear signs that the country was faced with a myriad of economic problems. Consonant to this view, Zhou and Zvoushe (2017: 193) advance that despite notable successes in the areas of education, health and smallholder agriculture, the Gross Domestic Product at 2.7%, lagged behind the population growth of 2.8 %. They further state that the government's fiscal deficit had risen to 10% of the GDP while central government debt was around 71% of the GDP. The contribution of the public enterprise sector which was one of the key instruments of state intervention also remained far below expectations (Zhou, 2001: 230). Mlambo (1997: 50) attests that

> …the economic performance of many public enterprises was not impressive. Ineptitude on the part of management, corruption and too much government interference in the day-to-day running of the parastatals made the public owned enterprises, with a few notable exceptions, commercial disasters which drained the public coffers through government subsidies designed to keep them afloat.

A combination of drought, unsustainable fiscal burden, international recession, and the vulnerability of the economy to outside shocks, imposed serious limits on economic transformation (Besada and Moyo, 2008; Dansereau and Zamponi, 2005). With regards to the "political front, reality proved that there was more continuity in terms of politics of repression and authoritarianism" (Ndlovu-Gatsheni, 2020: 62). While trying to uplift the previously impoverished black people, the same state tended to repress them politically. This view is buttressed by Sue (2011:7) who argues that the incoming ZANU PF Government did not just inherit the political economy of the white settler state but also the power of the colonial state, and the monopoly of the use of force and legislative capacity. It is therefore not surprising that the new rulers were concerned with the twin objectives of staying in power and building an economic base for themselves (Tangri, 1999: 9).

Through a highly cartelised and patronage-based economy, politics and economics became interwoven in Zimbabwe (Noyes, 2020: vii), and the same cascaded into the state enterprise sector, being a creature of the State. The economic embargo later imposed by the Western countries on Zimbabwe after the land reform programme of 2000 exacerbated the economic and political challenges and further stifled development (Chingono, 2010; Dashwood, 2000; Saunders, 2019). Thus, from the views of various scholars, it is clear that state enterprise development in Zimbabwe has been negatively affected by politically motivated state interventions and macroeconomic crises induced by both internal and external factors. This indicates that SOEs are largely shaped by prevailing macro-economic conditions.

4.2.2 Neoliberal state

A distinctive feature of Zimbabwe's second decade of independence was a shift to a market-based approach- a diametrically opposite policy to the state-interventionist doctrine. During this decade, the government abandoned "social welfarist/ developmentalist" policies (Mate, 2018: 13), and joined a growing community of developing countries that implemented International Monetary Fund (IMF)/ World Bank (WB) Economic Structural Adjustment Programmes (ESAPs) (Mlambo, 1997: 1). This implied a radical and unexpected rupture in the role of the state from an interventionist to laissez-faire (Masunungure and Zhou, 2006). It is not clear however, why the ruling government decided to abandon the welfarist stance it had adopted at independence. Consonant to this view, Kawewe and Dibie (2000: 82) elaborate that Zimbabwe's adoption of ESAPs in 1991 was a reversal of a previous government's position of rejecting the same structural reforms with the same conditionalities in the 1980s when many sub-Sahara Africa's early birds to SAPs adopted them. In the Framework for Economic Reform (1991-95) (ESAP Document), the Government of Zimbabwe adopted neo-liberal macro-economic policies and the implementation of policy measures such as deregulation, exchange liberalisation, commercialisation, privatisation, and public enterprise reforms should be interpreted within this discourse of liberalism (Zhou and Zvoushe, 2017). The Government undertook to implement a public enterprise reform programme, aimed at eliminating the large budgetary burden of the public enterprise sector and making the public enterprises more efficient (Godana and Hlatshwayo, 1998; IMF, 1999).

In light of the above, a timetable was established for public enterprises to reduce direct subsidies as part of a phased action aimed at increasing the autonomy of the public enterprises, raising the flexibility of price setting, and stepping up private-sector competition through deregulation (IMF, 1999: 212). According to Godana and Hlatshwayo (1998), some of the public enterprises which received earlier restructuring programmes include the National Railways of Zimbabwe (NRZ) and the Zimbabwe Electricity Supply Authority (ZESA). The major Agricultural body, the Agricultural Marketing Authority (AMA) was abolished in 1994 while other public enterprises were commercialised to allow for competition (Mlambo, 1997). Unfortunately, the outcomes of the economic reforms fell far short of expectations. "The economy, beleaguered by a surge of competitive imports, rising input costs, high real interest rates, shrinking domestic markets, and spiralling private and public debt, slumped precariously towards deindustrialisation" (Saunders, 2019: 5). To this end, one observes that the neoliberal state reforms left the country in a 'worse off' scenario. Contrary to projected outcomes, the reforms had detrimental effects on SOEs and the country's overall developmental matrix. The ADB (1999) attributed this dichotomy between projected ESAPs aims and the real impact to principal factors such as the severe droughts experienced in 1992 and 1995; adverse terms of trade and falling commodity prices, as well as a persistently high budget deficit that fuelled inflation and dampened private sector initiative.

The deleterious effects of ESAP left the government weakened in bargaining with competing interests (Dansereau, 2000 cited in Mate, 2018: 13). The independence euphoria gradually phased out and in its place emerged a restive civil society that was increasingly questioning the state's capacity to translate independence ideals into tangible deliverables (Zhou, 2000: 195). As argued by Kawewe and Dibie (2000) the SAPs further marginalised the Zimbabwean people more than they were ever before, by creating an environment that threatened peace and social justice. While the commercialisation of government parastatals eased the financial burden of the government (Mlambo, 1999), the public enterprises continued to pose a drain on the fiscus (Zhou, 2000). The IMF (1999) advanced that progress on privatisation was slower than expected because of conflicting views on divestiture policy and delayed development plans to use for promoting indigenous ownership of productive assets. On the other hand, Zhou (2000) pinpoints the key barriers to public enterprise reforms as (i) the lack of government's political credibility in the eyes of investors, and (ii) the absence of enabling policy frameworks, institutional, legal, and regulatory contexts to guide the implementation of the public enterprise reforms.

It is clear from the above that SOEs reform policies adopted during the ESAP era, did not yield desired transformation. The packages of ESAP could have been appropriate elsewhere, but they definitely did not suit the country's macro environment. To this end, the paradoxical outcomes of ESAP invigorated the Government to adopt home-grown policies such as the Zimbabwe Programme for Socio-economic Transformation (ZIMPREST) to offset the ramifications of the ESAPs.

4.2.3 Predatory state

A predatory state emerges when the rent-seeking behaviour of the political elites become detrimental to the society (Evans, 1992). Amplifying this view Quimpo (2009), establishes that a predatory state is a good ground for corruption, fraud and abuse of public institutions for political mileage. Masunungure and Bratton (2011) further expound that, predatory states pursue political violence and at the same time, benefit from illegal extraction of resources. A clear understanding of a predatory state is essential as it reveals the political and economic predation perch in Zimbabwe reflected in the pattern of actions and choices that were pursued by the ruling elites, especially in the millennium decade.

On the economic front, there was a devaluation of the local currency and distortion of fiscal policy planning (Mate, 2018; Noyes, 2020; Zhou and Zvoushe, 2017). The economic crisis deepened the political opposition originally created by ESAP and saw the birth of the Movement for Democratic Change (MDC) in 1999 (Brett, 2006). It is clear from these literature sources that the ruling political party was gradually losing popularity and had to devise means to remain into power. Noyes (2020: 3) highlights that,

> …faced with the vibrant political hazard, the ruling government cracked down on dissent, orchestrated a series of violent elections, violently expropriated land from white farmers without compensation, engaged in large-scale corruption, and printed money to pay off veterans of the liberation war and distributed patronage to other key bases of support.

Masunungure and Bratton (2011: 23) agree with Noyes by stating that the ruling party followed "a no-holds-barred effort to retain office regardless of the costs to the country's legal and administrative institutions or the development of the economy and society". In the words of Ndlovu-Gatsheni (2020: 62), "the ZANU PF political elite that had presented itself as committed socialists concerned with the welfare of the people had started chewing its leadership code". These actions precipitated a political and economic crisis that earned Zimbabwe pariah status on the international stage, with the United States and the European Union imposing 'smart sanctions' targeting selected government officials and the ruling ZANU PF (AfDB and OECD, 2004; Saunders, 2019). In this light, one may argue that the political leaders lost popularity at home and international community level. A national political crisis exacerbated the looming economic turmoil from the ESAP. Lamentably, the targeted sanctions meant reduced access to foreign credit lines by the country's institutions, SOEs included.

The political and economic disturbances fuelled the repositioning of state institutions, undermining their structures and decision-making powers (Saunders, 2019), and therefore reducing the state itself into a predatory one (Mandaza, 2015: 6). Commenting on this state, Masunungure and Bratton add that a Joint Operations Command (JOC) of security agencies that had roots in the colonial era became the (unofficial) decision-making body in the party-state. The incursion of the military into the politico-economic affairs of the country was the genesis of the interventionist military in Zimbabwe. Diverse scholarship has designated the phenomenon as 'militarised party, state conflation, military commercialisation, military capture and or the securocrats state' (Mandaza, 2015; Moyo 2016; Mungwari, 2019). The political culture of the militarised elite which was forged in the crucible of the national liberation war led rulers to feel entitled not only to rule Zimbabwe in perpetuity but to seize the nation's wealth as they saw fit (Masunungure and Bratton, 2011: iv).

These developments had far-reaching effects on the public enterprise sector which became feeding troughs for ruling elites (Rusvingo, 2014; Mandaza, 2015). It is important to note at this point, that the only hope for the sector was for the government to expedite reformation. In this regard, the Government embarked again on public enterprise restructuring. Parastatals like Postal and Telecommunication (PTC) of Zimbabwe, ZIMPOST, Net-One and Tel-One; Zimbabwe Broadcasting Corporation; Zimbabwe Electricity Supply Authority were broken into smaller business-oriented units under a 100 percent state-owned holding company (Zhou, 2012a). Though the unbundling of public enterprises was meant to ensure efficiency and separate the role of the Government as a regulator from its role as an investor, it, unfortunately, created top-heavy board structures and the new entities ended up competing against each other (Zhou, 2012a). Furtherance to that, the reforms never saw the light of the day as they opposed the interests of the military.

The military corps were deployed in state enterprises and parastatals as shareholders, managers and labourers (Moyo, 2016). In a similar vein, Mutanda (2014) and Magure (2012) note that current or former military officers were appointed to strategic public organisations such as the Air Zimbabwe, National Oil Company of Zimbabwe (NOCZIM), the National Railways of Zimbabwe (NRZ) and the Grain Marketing Board (GMB). Consequently, political hegemony took precedence over good management of SOEs, as former military officials headed the state enterprises based on sworn loyalty to the ruling party which falsifies the precepts of institutional relevance of SOE (Mutondoro *et al.*, 2015: 31). In sum, for the most part, the third decade of independence was dented by political and economic crisis that indisputably undermined the quality of governance in most public enterprise institutions. Efforts to reform the public enterprises reforms were suffocated by the political elites' desires to continue looting from the institutions.

4.2.4 Coalition Government

The end of the third decade of independence presented a modicum of peace and stability in the form of an inclusive Government of National between three main political parties, ZANU PF and the two MDC formations. Literature indicates that, "three political protagonists–Mugabe, who stayed on as President, Tsvangirai, who assumed a newly created post of Prime Minister, and Mutambara as Deputy Prime Minister– accepted a deal to divide state power and govern cooperatively" (Masunungure and Bratton, 2011: 32). As espoused by Besada and Werner (2010) the incumbent government had a daunting task. Key priorities of the state revolved around the resurgence of donor engagement with the state and strengthened government consultations with business, labour and civil society around economic recovery (Saunders, 2019). This entails that the new government's mandate was to bring about an economic rebound. Policies like the Short Term Recovery Programme (STERP) (2009) and the Medium Term Plan (MTP) depicted such economic rebound ambition. Most importantly, there were major reflections on the public enterprises as critical players in the national socio-economic drive. The establishment of the Ministry of State Enterprises and Parastatals (initially, the Department of State Enterprises) to regulate all state-owned enterprises and the Restructuring Agency (SERA) (semi-autonomous Agency responsible for the implementation of the restructuring programme) attested to the restructuring agenda (Zhou, 2012a).

The public enterprises were exposed to a battery of reform programmes, including restructuring, corporate governance and regulatory and remuneration policy (Moyo, 2016). In 2010 the Ministry for State Enterprises and Parastatals adopted the Corporate Governance Framework for State Enterprises and Parastatals as part of efforts to revive the sector (Besada and Werner, 2010). According to Moyo (2015: 15), this formulation was intended to make SEPs responsive to a clearly defined mandate and support the social and developmental objectives of the government. It is argued that the persistence of a politico-military oligarchy coupled with inter-party fighting, negated any prospects of fruitful reforms launched by the inclusive Government (Zhou and Zvoushe, 2012).

Sadly, despite three decades of reformation, the public enterprises in Zimbabwe remained perennial loss-makers. In the words of Zhou (2012: 1), the public enterprise sector remained "a sad tale of loss-making and debt-ridden entities with a voracious appetite for fiscal support". The expiry of the GNU steered the 2013 elections and following its electoral victory, ZANU-PF returned to unilateral power (Saunders, 2019). The ruling government adopted Zimbabwe Socio-Economic Transformation Agenda (ZIMASSET) blueprint that served as the national development plan up to 2018. The evolving policy agenda included succession disputes and factional politics, corruption in SOEs and the expanding public debt (Zhou and Zvoushe, 2017). The sentiments above indicate that even the government of national unity failed to reform the SOEs. Transforming the fortunes of the public enterprises remained a distant dream. The cardinal question is whether the government deliberately failed to reform the SOEs, or there was insufficient political will to do so.

4.2.5 New Dispensation

President Emmerson Munangagwa "came to office in 2017, following a military-backed transition of power from former president Mugabe and won a national election in August 2018, inaugurating what is now termed, the new dispensation" (Chitiyo *et al.*, 2019: 3). Interestingly, Mnangagwa, Mugabe's former aid, is allegedly a key player in Zimbabwe's long-term party-military alliance that kept ZANU-PF in power for years (Noyes, 2020). The study portends fundamental questions concerning the ability of the new leadership to usher in the positive and much-needed change transformation in the governance of state institutions. The new regime certainly has a bearing on the nature of public enterprise governance. As shown in chapter two, corporate governance of state firms mirrors national governance systems. Literature reveals that the new administration has achieved several milestones, notably, the enactment of the Public Entities Corporate Governance Act in 2018 and the establishment of a Corporate Governance Unit under the Office of the President and Cabinet (OPC) (IMF, 2020).

The Government has pledged to reconfigure many public enterprises to capacitate the sector's contribution to the national vision 2030, which targets to translate the country into a middle economy status by 2030. As reported in the Transitional Stabilisation Programme document, the government earmarks a myriad of public enterprise reforms including privatisation, liquidation, merging and rebundling as a way to improve the productivity and efficiency of the parastatal sector. While some believe in the prospects and success of these reforms, other scholars foreground the failure of such piecemeal reforms putting into perspective the government's track record of paying lip service to governance issues and reforms (Noyes, 2020; Zvitambo and Mhizha, 2019). Meanwhile, the intractability of the military as a tried and true tactic of controlling the politico-economic affairs of the country remains unquestionable. In fact, as Noyes (2020) observes the military's influence has increased under the New Dispensation regime. It remains an issue of conjecture whether or not the public enterprise revitalisation will see the light of the day in the face of the country's evolving politico-economic arena.

4.3 EFFECTS OF THE POLITICO-ECONOMIC EXIGENCIES ON SOES

It is clarion clear that the country's ecology has been a bulwark against effective reformation and good governance of the state enterprise sector. The State that is principally responsible for granting SOEs an enabling environment to undertake their activities paradoxically suffocated SOEs development through its predatory leaders. Mugova and Sachs (2016: 224) affirm that “the politics of control and regulation has often been motivated by short-term gains and self-interests of the ruling elite”. Consequently, the SOEs which constitute a vast swathe of the economy have been operating at a trouncing pace despite years of restructuring and reformation. Having illuminated the political-economic landscape of SOEs in Zimbabwe in the previous section, this part of the chapter discusses the effects of the ecological exigencies on SOEs operations, which include but are not limited to; governance malfeasance, military commercialism, partisan appointments, systemic corruption, operational inefficiency and poor service delivery.

4.3.1 Governance malfeasance

As alluded to by the Former President, Robert, Gabriel. Mugabe in one of his State of the Nation Address, “It is very clear that, over many years and due to a variety of reasons, the level of compliance with good corporate governance principles at many, if not most of our parastatals/State enterprises, has fallen to levels well below what might be regarded as even “minimally acceptable” (President’s State of Nation’s Address, 25 August 2015: 4). The sentiments dovetail with the Public Accounts Committee (2020:5), analysis together with a forensic audit conducted on Zimbabwe National Roads Administration (ZINARA) in 2017 that exposed the maladministration at most SOEs. According to the Public Accounts Committee findings, ZINARA went beyond its function under the Roads Act which is to finance road maintenance by road authorities, and entered into contracts with dubious contractors for special road construction projects which it had no legal power to undertake. Distressingly, in most of the contracts, there was no delivery of purchases, no performance of work and no oversight by ZINARA (*Economic Governance Watch*, 2 May 2021). Furthermore, Murwira reports that ZINARA spent USD 4 000 on each director in buying and installing gym equipment at their residences, and more than USD 60 000 was also spent on hairstyles as allowance with one boutique pocketing more than USD 25 000 on having hair done for ZINARA female managers (*The Herald*, 27 May 2021).

Whilst the Committee findings cannot be extrapolated to all the SOEs in the country, they are a clear indication of the governance malfeasance rampant in Zimbabwe’s state enterprise sector. The idea is buttressed by the IMF Country Report for Zimbabwe (2020), which revealed the persistence of corporate governance deficiencies in most SOEs, manifested by lack of adherence to the principles of good governance, nominations of members of SOEs’ boards outside the PECG Act and its regulations, and failure by many SOES to submit quarterly and annual reports to the Ministry of Finance and Economic Development.

4.3.2 Military Commercialism

As advanced by Rose-Ackerman (2004), all political systems need to mediate the relationship between wealth and public power. In Zimbabwe, Chimbari (2017) argues that it is the failure of the government to mediate this relationship in the public sector that has led to dysfunctional state-owned enterprises captured by self-serving political interests. The ruling elites have exploited the SOEs as their personal property (Rusvingo, 2014). The research notes that protracted economic growth combined with the malevolent effects of political instability birthed permeable borders between the government in power and SOEs management. The SOE sector has been the agency of the politics and economics of patronage that has thrived on its links with the State. A complex system of patronage networks and webs built around ZANU PF liberation struggle ideologies have facilitated the incursion of the military into the affairs of SOEs (Bratton and Masunungure, 2011; Mungwari, 2019; Noyes, 2020).

A study by Moyo (2016: 352) confirms the deployment of military and senior government officials in numerous structures of SOEs to reward them financially and appease them politically. The author mentions some instances where the Ministry of Finance has not been given managerial authority over profits from production operations or other forms of extra-budgetary revenue from military-controlled SEPs, including the Marange Diamond mining operations. The evidence thus supports the idea that the majority of the SOEs in Zimbabwe have become feeding troughs for most government officials who turned to them whenever they are broke (Mutanda, 2014; Rusvingo, 2014). As indicated earlier, this explains the lack of political will to institute and support relevant public enterprise reforms.

4.3.3 Partisan Appointments

The most vexing prosaic problem is the interplay of politics in the appointment of SOE leadership that has resulted in a board of directors that are ill-equipped to manage the SOEs (Mutize and Tefera, 2020; World Bank, 2017). This compromises the quality of service delivery in the SOEs and contradicts good corporate governance best practices which dictate that the Board must have expertise in the business of the State-Owned Enterprise and its members should be drawn from various fields which complement each other (OECD, 2015a). Evidence from documentary review indicates that SOEs board of directors, who are statutorily appointed by the Minister, have tended to be "weak and powerless to provide any effective restraint on predatory leaders who were driving spoils out of the arrangement" (Ncube and Maunganidze, 2014: 132). In some cases, management has taken advantage of the board of directors' weaknesses to abuse SOEs' funds (Zvitambo and Mhizha, 2019). Consistently, cases of corruption, profligate spending on executive prerequisites, insider loans, lack of adherence to auditing reporting guidelines, and outright disregard of tendering procedures have been reported frequently at most state enterprises and parastatals (Bhoroma, 2020). A good illustration of SOEs boards' failure in Zimbabwe can be gleaned from the salary gate scandal of 2013 where the Chief Executive Officers (CEOs) from several SOEs including, the Zimbabwe Broad Cast Company, Premier Medical Aid Society, and Air Zimbabwe were getting hefty salaries despite being in debt distress and going for prolonged periods without compensating low-level workers (Mutanda, 2014; Transparency International, 2015).

4.3.4 Systemic Corruption

Enterprise governance is about building trust, credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good enterprise performance (Maune, 2017: 5). Unfortunately, with the economy in the doldrums, opacity has become an accepted and almost expected way of doing business, especially in most public enterprises in Zimbabwe (Mutanda, 2014). The bulk of the SOEs is characterised by corrupt business conduct that includes fraud, graft, nepotism, bribery, abuse of power, ghosting, favouritism, bid-rigging, and embezzlement among other key indicators (Ncube, 2021: 2153). Reasoning along the same lines Rusvingo (2014) reiterates that the struggling state enterprises have been abused by top government officials who use them to fund political campaigns and personal trips overseas. According to Mungwari (2019: 66), the situation has its roots in state capture which guarantees the protection of those involved in corruption due to their strategic connectedness with the ruling elite.

A broader perspective is shared by Vuuren and Goredema (2007:188) who accentuate that corruption scandals reflect a deep-rooted human factor decay in state institutions, as the government has systematically dismantled its national integrity system while restricting the space for legal investigation. In light of the same view, Transparency International (2015: vii), argues that “transparency and accountability in Zimbabwean institutions are at an ebb, and this foregrounds the failure of SOEs to transform themselves into viable commercial entities”.

4.3.5 Operational inefficiency

The deterioration of the macro-environment has further undermined SOEs technical efficiency and their potential contribution to the country’s national development. As noted by the World Bank (2017: 27), expensive or unavailable financing, low rates of revenue collection and operational inefficiency have prevented most SOEs in Zimbabwe from covering their long-run marginal costs. Despite multifarious constitutional, legal, administrative, and institutional reforms, the SOE sector continues to operate with losses and increasing liabilities (IMF, 2019: 52). Public enterprises have been chronically recording large losses, piling pressure on the treasury in the form of bailouts and debt assumptions (Moyo, 2015; Ncube, 2021). Disappointingly, the financial support they receive from the treasury has hardly yielded the corresponding benefits in the form of economic development or efficient services delivery (Hadebe, 2015: 48). Rusvingo (2014) expressed concern about the deficits reported in most SOEs. He laments that "public money is recklessly spent on projects whose returns are atrocious resulting in the reported deficits". These accounts are a clear manifestation of the board's failure to exercise risk oversight. The absence of effective oversight has caused state-owned enterprises to accumulate liabilities through extensive financial leakages and complex cross-debt which intensify systematic financial risks.

4.3.6 Poor service delivery

According to Zvavahera and Ndoda (2014), public enterprises in Zimbabwe are required by law to deliver high-quality and reasonably-priced services to the public. This is contrary to the realities in the SOE sector. As noted by Chigudu (2020: 2) what is obtaining currently in the state enterprises and parastatals does not reflect a good picture, with reports showing that senior managers and directors are living large while there is poor service delivery. In the same vein, results from studies by Madekutsikwa (2015) and Ncube (2021) confirm that the directors and executives appointed to leading positions in SOEs find an opportunity to enrich themselves at the expense of service delivery. It is pertinent to note that ineffective service delivery by public enterprises inflicts damage on innocent citizens and further widens the gap between the 'haves' and the 'have nots'. In his review of systemic corruption in Zimbabwe, Zinyama (2020), identified ineffective delivery of social services as one of the impetuses for the low standard of living among the majority of Zimbabweans. The sentiments dovetail with Chigudu (2020) who argues that due to politicisation of public institutions, many of them tend to bypass the common good, eventually obstructing the possibilities of realising equitable social development and inclusive growth.

4.4 CHAPTER SUMMARY

The purpose of this chapter was to analyse the ecological idiosyncrasies within the SOEs landscape in Zimbabwe, demonstrating how the same has defined the nature of governance of SOEs governance and performance. Documentary evidence has shown that the politico-economic ecology in post-independent Zimbabwe branded in drifting paradigms, has been a major debacle to the effective governance and performance of the SOE sector. The inimical effects of the macro-environment have rendered the developmental imperatives of the SOEs, a facade. Grappling with the twin evils of political turmoil and economic collapse, the public enterprise institutions have become ducts of corruption, loathing to be reformed by multifarious reforms. More desolately, SOEs dysfunctionality continues to prejudice the general public of good social service delivery and to choke the much-needed socio-economic recovery in Zimbabwe.

CHAPTER FIVE: LEGAL AND INSTITUTIONAL LANDSCAPE FOR STATE-OWNED ENTITIES IN ZIMBABWE

5.0 INTRODUCTION

The preceding chapter illuminated the political and economic panorama of SOEs in Zimbabwe. This chapter interrogates the legal and institutional landscape upon which the management and governance of state enterprises are premised. A review of the legal architecture is imperative as it determines the effectiveness of the regulatory context for the state enterprises. SOEs in Zimbabwe are governed by a cocktail of legal, regulatory and institutional frameworks. The legal frameworks to be discussed include; the Constitution of Zimbabwe Amendment no 20, Corporate Governance Framework for State enterprises and Parastatals, Public Entities Corporate Governance Act chapter 10: 31, Public Finance Management Act chapter 22: 19, and the Public Procurement and Disposal of Public Assets Act Chapter 22: 23. The institutional frameworks will comprise the following; Corporate Governance Unit, Ministry of Finance, and the parent ministry. Such analyses will go a long way in assessing the nature and application of corporate governance approaches at SOEs as well as informing the development of an integrated state-owned enterprise governance model.

5.1 LEGAL FRAMEWORKS

5.1.1 Constitution of Zimbabwe Amendment 20 Act, 2013

As the practice in many jurisdictions, the national constitution of Zimbabwe lays a firm regulatory framework for all public enterprises. The constitution being the supreme law provides succinct measures toward effective compliance with corporate governance standards in the management of SOEs in the country. According to section 9 of the Constitution of Zimbabwe,

> The State must adopt and implement policies and legislation to develop efficiency, competence, accountability, transparency, personal integrity, and financial probity in all institutions and agencies of government at every level and in every public institution, and in particular— (a) appointments to public offices must be made primarily on the basis of merit; (b) measures must be taken to expose, combat and eradicate all forms of corruption and abuse of power by those holding political and public offices.

The provision is inclusive of the State Enterprises and Parastatals and it makes evident the expectations for state institutions to operate within the rubric of good governance. This dovetails with chapter 9 of the Constitution which establishes the following principles for good public administration; impartiality and fairness, accountability, transparency, efficacy, efficiency, disclosure of information to the public, coordination and participation (Constitution of Zimbabwe). If upheld, these principles can improve the corporate governance of public enterprises in Zimbabwe by creating a regulatory environment that mitigates unethical behaviour in the entities. Section 195 of the constitution further designates the need for commercial entities which are wholly or partially controlled by the state to conduct their operations in respect of good corporate governance principles of transparency, accountability, justice and responsiveness (Constitution of Zimbabwe). All these sections put together seek to ensure that the governance matric of public entities is in consonance with the internationally recognised practices of corporate governance.

5.1.2 Public Entities Corporate Governance Act (PECGA) Chapter (10:31) of 2018

The Public Entities Corporate Governance Act of 2018 Chapter (10:31) which repealed the Zimbabwe Code on Corporate Governance (ZIMCODE) is one of the legal frameworks for effective public governance and leadership in Zimbabwe's public enterprises. The Act is the legislated Code of corporate governance for all the public entities in the country. Before the Code, most organisations used to rely on the King Code IV of South Africa and the National Code of Corporate Governance. The PECGA can therefore be dubbed the 'King Code of Zimbabwe'. The Act has several provisions to guide and better manage public entities in line with chapter 9 of the Constitution. Section 12 of the Act provides that there is a need for remuneration of non-executive members of public entities which is fair and reasonable. Section 13 and 14 set out the conditions of service of executive members and the remuneration of boards in public entities. These measures are meant to ensure strategic guidance of state enterprises, consistent with the ethos of good governance.

By and large, the legal framework is a yardstick to set principles and standards with which public entities in the country should comply with. Interestingly, public entities in Zimbabwe have been characterised by a surge in executive overcompensation albeit poor wages to the employees in public entities coupled with embezzlement of funds rendering public entities ineffective (Mutanda, 2014; Transparency International, 2015). Chimbari (2017) elucidates that CEO's pay must be correlated to firm size, profitability, cash flow, and growth perspectives, labour market, and compensation practices. It appears that there is limited compliance of management and directors to the corporate governance principles and frameworks in the country which then undermines the performance and growth of the SOEs in the country.

The major criticisms of the Act parsed by the research are that it foregrounds the bureaucratic control of public entities in Zimbabwe. Parts III and IV of the Act give the authority to direct, control, appoint and oversee the management of public entities to the Permanent Secretaries of line ministries, line ministers, and the minister responsible for the Corporate Governance Unit (which is currently in the office of the President and Cabinet) to the minister responsible for Finance and the President and Cabinet. Part III establishes that boards and CEOs of parastatals should wait for the approval of the president to implement certain decisions in the parastatals (Public Entities Corporate Governance Act of 2018 Chapter 10:31). This creates a gap in the governing legal framework which makes the public entities vulnerable to political control and manipulation of public entities for political gains. Ideally, management and control of the public entities should be separate from each other to enhance prudent stewardship of public resources (OECD, 2015a). One may argue that the practice is not seen visible in Zimbabwe's public entities which makes them more susceptible to political corruption, cronyism, and politics of patronage undermining the effectiveness of the public entities in the delivery of public goods and services. Parastatal heads (directors and boards) remain redundant and ineffective in this matter.

This explains why the performance of public entities remains stressed despite implementing the new legal frameworks. In a similar disposition, Mahoso (2018) notes that Zimbabwean parastatals continue to be burdened with bureaucratic controls undermining their ability to effectively operate and compete with other entities in the private and international space. Mahoso further states that the complex nature of public entities cannot be adequately managed with a small number of bureaucrats to ensure that the entities are productive and effective. Consonant to this view, Chigudu (2020) argues that the skills, and knowledge required to govern the public enterprises in Zimbabwe are scarce as the senior management appointments are often not on merit. The deficiency of skills and competencies required to effectively manage and control the state entities in Zimbabwe continuously weighs on public service delivery. This takes place regardless of the need to recruit employees and management of the SOEs on merit.

5.1.3 Corporate Governance Framework for State Enterprises and Parastatals, 2010

Following criticisms of the governance crisis in the state enterprise landscape, the Government attempted major strides to restore the ethical standards lost in the sector. In 2010 the Government of Zimbabwe through the Ministry for State Enterprises and Parastatals adopted the Corporate Governance Framework for state enterprises and parastatals in a bid to revamp the state enterprise sector. This was an enormous development done under the auspices of the

Government of National Unity (GNU). According to Moyo (2015: 15), the framework was a direct response to the acknowledgment of the need to make State enterprises and Parastatals responsive to a clearly defined mandate and support of the social and developmental objectives of the government. It emphasised the African philosophy of "Ubuntu" which is anchored on respect for human dignity and preservation of life (Zimbabwe Corporate Governance Framework for State Enterprises and Parastatals, 2010: xvii). The Corporate Governance Framework is based on the 'apply or explain' principle which as gleaned in chapter two of the study enables companies to adopt governance processes in a form that suits their circumstances. The framework outlines the objectives, principles, and ethical standards to guide and bide all state enterprises in Zimbabwe (Corporate Governance Framework for State Enterprises and Parastatals, 2010).

It is pertinent to note that the Corporate Governance Framework seeks to complement the existing legislation that governs the operations of the state enterprises and parastatals and in the event of any inconsistencies, that legislation takes precedence (Corporate Governance Framework for State Enterprises and Parastatals, 2010: xix). Disappointingly, most state enterprises have not religiously adhered to the Corporate Governance Framework since its inception in 2010. The infiltration of politics in SOEs governance can be viewed as the major reason for non-compliance. As accentuated by scholars like Chigudu (2020), the reluctance to uphold the Corporate Governance Framework is a clear demonstration that self-regulation for the public sector corporate governance in the country may never work.

5.1.4 Public Finance Management Act (PFMA) (Chapter 22: 19) of 2009

The Public Finance Management Act is the prime Act governing public finance management activities in Zimbabwe. The Act makes it mandatory for all state enterprises and parastatals' financial statements to be prepared in line with the International Financial Reporting Standards (IFRSs). The PFMA is meant to strengthen the fiscal framework for all public entities by clarifying the roles and responsibilities of different fiscal players, putting in place rigorous reporting requirements, enhancing the corporate governance framework, extending coverage to public enterprises, local authorities, and joint venture companies, among others (Zimbabwe National Budget, 2010: 163). In this regard, the PFMA provides an extensive regulatory fiscal management framework. In accordance with section 35 (7) of the PFMA, all state enterprises are required to submit annual reports. Despite the relevance of the PFMA, it has not been aligned with the national constitution. Furthermore, the Act has not been cross-referenced with other fiscal frameworks such as the Public Procurement and Disposal of Public Assets Act

(Chapter 22: 23), the Public Debt Management Act (Chapter 22: 21), Statutory Instrument 135 of 2019 (Public finance management general regulations) and Statutory Instrument 144 of 2019 (Public finance treasury instructions, 2019) (AFRODAD, 2019: 1). It is noteworthy that any lacuna in the legal and regulatory frameworks can breed corruption in the handling of public resources. The implications loom large for the public enterprises that are of strategic value to the country's development.

5.1.5 Public Procurement and Disposal of Public Assets Act (Chapter 22: 23) of 2017

The Public Procurement and Disposal of Public Assets Act repealed the Procurement Act (Chapter 22: 14). The Act outlines clear rules for the control and regulation of public procurement and the disposal of public assets. The Act seeks to ensure that all public procurement and disposal of assets is conducted in such a manner that fosters honest, efficient, open, accountable, fair, transparent, competitive and cost-effective contracting. It also provides for the establishment of the Procurement Regulatory Authority of Zimbabwe (PRAZ) and its functions. It is disheartening to note that the public procurement procedures advanced by the Act have been breached time and again, especially during disaster situations. A good example is a COVID-gate scandal (*the 2020 medical supply scandal*) which saw the manipulation of the tendering process and inflating of the price of Public Procurement Equipment by senior government officials thereby prejudicing a huge chunk of taxpayers who are already burdened with the effects of the COVID-19 pandemic (Anti-Corruption Trust of Southern Africa, 2020). This brings to the fore the need to revamp procurement laws and procedures to accommodate transparent and swift procurement during emergencies.

5.1.6 Companies Act of 2019, and other individual Acts of Parliament

In Zimbabwe, public enterprises are distinguished into state-owned enterprises and parastatals. State enterprises are generally governed by the Companies and other Business Act Chapter (24:31) of 2019 which repealed the Companies Act Chapter (24: 03) of 2009. Some of the general corporate governance issues covered in the Act include; standards for qualification and independence of the board of directors, the number of independent and non-independent board of directors, rules for disclosure and review of potential conflicts of interest, succession planning for both directors and officers, penalties for against persons who breach their duties, among others. On the other hand. Parastatals are governed by various individual Acts of Parliament. These are the acts establishing the public entities and they detail their conditions of operation.

5.2 INSTITUTIONAL FRAMEWORKS

SOEs in the country have traditionally reported to their line ministries in their respective sectors (World Bank, 2017). The institutional landscape for the administration of state enterprises has been varyingly constituted. During the Government of National Unit (GNU) era 8 institutional players were directly involved in the administration of SEPs and these include the SEPs themselves, the mother ministry, SERA, Office of the President and Cabinet (OPC), the Ministry of Finance, Inter-ministerial Committee on Commercialisation and Privatisation of Parastatals, cabinet and the ruling party ZANU PF (Moyo, 2015: 15). In the new Dispensation, the institutional scope for the state enterprise has mainly revolved around the following institutions; Corporate Governance Unit, Ministry of Finance, Parent ministry, Auditor General, and legislature. This section provides a cursory review of the roles, responsibilities and functions of such institutions.

5.2.1 Corporate Governance Unit (CGU)

The Corporate Governance Unit (CGU) in the Office of the President and Cabinet (OPC) is responsible for implementing the corporate governance checklist in all public entities. The unit has made major strides to strengthen corporate governance through the enactment of the Public Entities Corporate Governance Act. As enunciated by the Public entities Corporate Governance Act (Chapter 10: 31), the CGU should be headed by a person of the grade of Permanent Secretary and consist of such other members of staff as may be necessary for the performance of its functions. The Unit, staff members shall be public officers and form part of the Civil Service. Some of the functions of the Unit as stipulated in section 6 of the Act include; advising line Ministries with regard to the regular evaluation of the performance of public entities and their boards and employees; and advising line Ministries with regard to the drawing up of performance contracts.

In addition to the above, the Unit is mandated to oversee the line Ministries, establish and maintain a comprehensive database to identify suitably qualified candidates for appointment to boards of public entities; and to advise on the provision by line Ministries of programmes for the professional development of board members and senior staff members of all public entities (Public entities Corporate Governance Act). The head of the Unit is required by the law to report to the Minister on its activities during the previous calendar year, not later than the 1st of October in each year and this should be done through the Office of the Chief Secretary to the President and Cabinet. The Unit is also supposed to report any contravention of the Corporate Governance Act, or of a performance contract, and note whether the contravention has been rectified or not by the date of completion and delivery of the Unit's annual report (Public entities Corporate Governance Act).

5.2.2 Ministry of Finance and Economic Development (MoFED)

The Ministry of Finance and Economic Development is the backbone of fiscal management in Zimbabwe. It is both constitutionally and statutorily charged with stewardship and protection of all public resources and finances, subject to the law. The Ministry is responsible for approving SEP budgets and borrowing and assessing their financial status (World Bank Report, 2017:33). As the treasury, the MoFED enforces expenditure restraint in all government institutions, including SOEs through the budget. It controls all the activities of the state enterprises, for example, the remuneration framework and salaries for the boards. Through treasury controls, spending ministries and state bodies should submit expenditure reports to the Ministry before funds applied can be released. The Public Finance Management Act (Chapter 22: 18) summarises the roles of the Ministry of Finance to include; developing and implementing a macroeconomic and fiscal policy for the country, monitoring the public finances of Zimbabwe; coordinating all international and inter-governmental financial and fiscal relations; and advising the Government on the allocation of public resources as between Ministries, reporting units, public entities, constitutional entities and any programmes of Government independent of the foregoing.

The daunting challenge with the treasury has been the brink of a political and economic precipice (IMF, 2019). The chaotic political climate in the country has ignited economic challenges. The hyperinflationary environment has continued to corrode the purchasing power of the Zimbabwean dollar, as a result, financially exposing some state-owned enterprises reliant on the national fiscus (Chimbari, 2017; Ncube, 2021).

5.2.3 Parent Ministry

The line ministries play a critical role in the administration and management of state enterprises and parastatals. The Ministry is responsible for the appointment of members of the board for the public entity in accordance with section 11 of the Public Entities Corporate Governance Act (Chapter 10: 31) as well as the requirements of the entity’s establishing Act. The parent Ministry should also ensure that; the board is refreshed regularly bringing new and sound viewpoints into discussions and decision making; the board is held accountable and responsible for the efficient and effective governance of the organisation; the organisation complies with all applicable laws, and the level of remuneration for members of the Board and top management is sufficient to attract and retain the calibre of individuals needed to run the organisation successfully (Corporate Governance Framework for State Enterprises and Parastatals, 2010). The line ministry also monitors the board through performance contracting. Section 16 of the Public Entities Corporate Governance Act outlines the conditions for the dismissal or removal from office of a board member and further provides that in such case, "unless the line Minister has been given at least seven days' written notice of the intended dismissal or removal from office," he or she shall promptly inform the head of the Unit of the dismissal or removal from office of a board member of a public entity.

Notwithstanding such clarion clear procedures, the line ministries have been famous for the appointment and dismissal of the board of directors. In light of this challenge, Zhou (2000) posits that the parent ministry, as an extension of the government should adjust from the position where it directly controls the public enterprises, to a new position where it merely regulates the sector by creating a conducive atmosphere for ensuring competition in the sector under its jurisdiction.

5.2.4 Parliament

The parliament of Zimbabwe is an integral institution that safeguards all public resources and finance. In accordance with section 299 of the Constitution, the parliament should exercise oversight of state revenues and expenditures. According to Zhou (2012b: 39), the parliament provides an institutional mechanism through which fiscal discipline and accountability are instilled in public enterprises. Such oversight aims at ensuring that expenditure has been properly incurred, and any limits and conditions on appropriations have been observed (AFRODAD, 2019: 4). It ensures that the state and its institutions follow public finance management best practices as enshrined in the country's constitution. The parliament also monitors public expenditure through formal mechanisms of reporting (Zhou, 2012b). In safeguarding public resources, the parliament is informed by the normative values of transparency, efficiency, economy, effectiveness, honesty, integrity and fairness. However, the effectiveness of the parliament in its oversight role is debatable putting into perspective the pervasiveness of corruption and fraud in public enterprises. This can be attested by the rampant adverse reports from the Auditor General and the Public Accounts Committee.

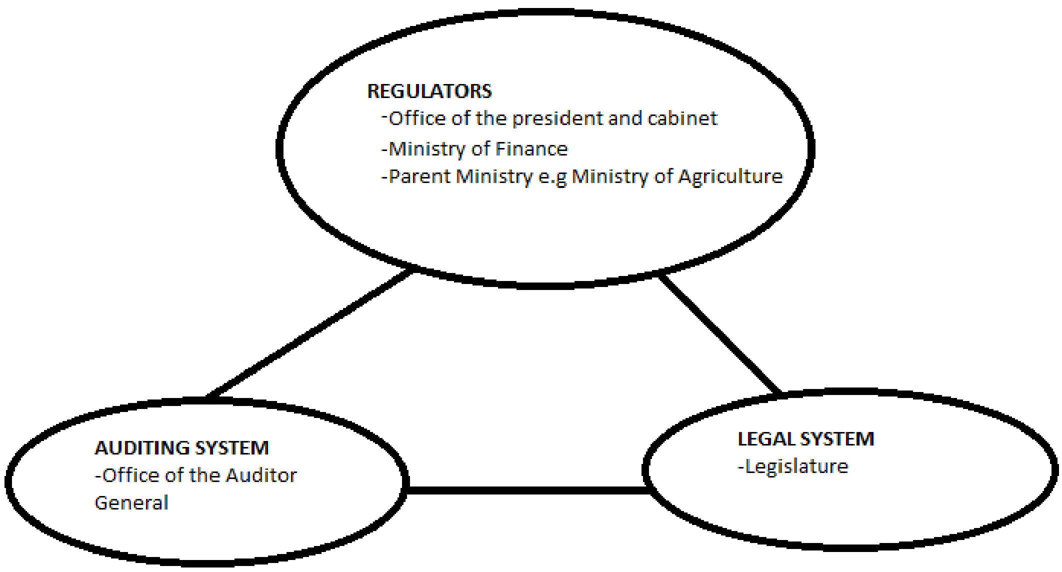
5.2.5 Auditor General (AG)

The office of the Auditor General is established in line with section 309 of the national constitution. According to section 309 (2) the key duties of the Auditor General include; auditing the accounts, financial systems and financial management of all departments, institutions, and agencies of government, all provincial and metropolitan councils and all local authorities; conducting special audits of the accounts of any government organisations; and safeguarding of public funds and public property. The duties and powers of the AG are amplified in the Audit Office Act (Chapter 22: 18), which details how the office should be constituted, and administered as well as its mandate. The Auditor-General is required by the law to comply with international standards on Supreme Audit Institutions (ISSAIs) and the International Standards on Auditing (ISAs). The AG is allowed to report directly to parliament if the relevant Minister delays tabling the audited reports in parliament (Public Finance Management Act Chapter 22: 19, Section 15(2)). Notwithstanding the tremendous work by the Auditor General, The public sector landscape in Zimbabwe has been characterised by fiscal leakages. The office of the AG lacks sanctioning powers and as a result, there is remission of fraud, and impunity as if the law did not exist at all. In addition, the office has experienced skills attrition with staff leaving for greener pastures. This has deleterious effects on the smooth-functioning of the office.

5.2.6 State-owned Enterprises key institutional players in Zimbabwe

It is clear from the above review that SOEs oversight oscillates around many institutional players. This section is a diagrammatic presentation of the current key institutional players in the state enterprise landscape identified in the preceding section.

Figure 5.1 Key institutional players in the administration of SOEs in Zimbabwe



Source: Author's creation

5.3 ANALYSING THE EFFECTIVENESS OF THE LEGAL AND INSTITUTIONAL FRAMEWORKS

The frameworks and principles of corporate governance in the country aim to ensure that they curtail the ravaging cooperate scandals to ensure the effective performance of the entities in the country (Nyakurukwa, 2021). Despite distinguished loopholes, it is apparent from the above review that the legal and institutional frameworks for the SOEs in Zimbabwe provide a fairly comprehensive corporate governance architecture (SAPST and ZIMCODD, 2019). The clauses and caveats underpinning the corporate governance infrastructure pave the way to good corporate governance standards. In this respect, the legal and institutional frameworks offer mechanisms of accountability to restrain the abuse of power by duty bearers and contribute to better performance of the state enterprise sector. In contrast, the performance of public entities has been a different story with corporate governance deficiencies ceaselessly increasing (Chigudu, 2020). This raises a cardinal question why despite years of implementing corporate governance and ethical standards in Zimbabwe, corporate malfeasance and corruption have remained the emblem of many public entities? This question dovetails with the observation that a cocktail of reforms has been made to enhance the effectiveness of the state enterprise sector but to date, there is a marginal change.

Hence, the debate on the effectiveness of the country's approach to correcting the corporate governance challenges through the Corporate Governance Act and ZIMCODE, emphasising the need for a rules-based corporate governance system that would impose stringent regulatory oversight over the country's SOEs (SAPST and ZIMCODD, 2019). Commenting on the issue, Chimbari (2017) highlights that an act of complicity of wilful blindness has become a default mode from the political leaders as they remain silent despite noting the abuse of offices and breaches in corporate governance frameworks by managers and directors. Ideally, the publication of corporate breaches and scandals in public enterprises should result in arrests and prosecution of the perpetrators. In reality, however, perpetrators have been immune to justice despite the serious damages they cause to SOEs (Moyo 2016; Muzapu *et al.* 2016). As a consequence, SOEs have gained popularity for failing to meet their performance expectations.

Mpedzisi (2021) notes that Zimbabwe has about 107 SOEs which contribute about 2% to the Gross Domestic Product. Yet in the past, the SOEs were engines for economic development, contributing around 40% of the GDP. Consonant to these sentiments, literature points to a commonly held view among scholars that the corporate governance landscape in public sector entities is in bad shape and a major cause for the declining performance of the public entities (Ncube and Maunganidze, 2014; Muzapu *et al.*, 2016; Chimbari, 2017; Chigudu, 2020; Chigudu, 2021).

Whilst Zimbabwe aims to achieve an upper-middle-income economy by 2030, poor corporate performance in the public sector can stand as an albatross to the realisation of this development objective. It is from the backdrop that well-governed public enterprises form the cornerstone for national socio-economic development in the country. Therefore, awakened to the realities of ineffectual corporate governance standards and performance, there is a strong case to strengthen the implementation and enforcement of the frameworks for corporate governance in State Owned Entities in the country. The performance of the SOEs should be restored to a point where they become independent of the national purse. This can only be accomplished through effectual corporate governance and management of public enterprises.

5.4 CHAPTER SUMMARY

This chapter presented, analysed, and discussed the legal and institutional landscape for SOEs in Zimbabwe. The aim was to determine the effectiveness of the current legal and institutional architecture in fostering robust corporate governance approaches in the state enterprise sector. It was established through a literature review that despite Zimbabwe's SOEs having fairly comprehensive legal and institutional frameworks, there is a huge implementation gap resulting in never-ending corporate scandals and poor performance in these public entities. A religious application and adherence to the State enterprise governance frameworks is the lynchpin to effectual corporate governance approaches and better performance of the SOEs. The next chapter presents the findings of the study.

CHAPTER SIX: CORPORATE GOVERNANCE APPROACHES AND CHALLENGES AT GMB: EMPIRICAL FINDINGS

6.0 INTRODUCTION

As stated in chapter one, the study reported here seeks to develop an integrated corporate governance model for Zimbabwe's SOEs. The previous chapter illuminated the legal and institutional landscape for SOEs in Zimbabwe. Chapters one to five contributed to this study by exploring the conceptual, and meta-theoretical underpinnings of corporate governance in state-owned enterprises locally, regionally, and internationally. The compendium of chapters thus constituted part of the documentary review adopted as data collection instruments to answer objectives one to three of the study. This chapter depicts an empirical account of the study. It presents the major findings of the study in a thematic fashion to inform research objective number four. The last objective will be covered in chapter seven.

The study adopted a qualitative research methodology in collecting, analysing and interpreting data. Data from purposively-sampled participants were gathered through semi-structured interviews and substantiated by way of documentary search. Data were analysed using codes and themes derived from the interview schedules and recurrent views from the participants. A detailed description of how the study was conducted is given under the methodology section in chapter one. Not all responses from the participants were selected as relevant extracts to quote in this chapter and the responses of participants are not arranged in any chronological order.

6.1 AN OVERVIEW OF THE GRAIN MARKETING BOARD

GMB is the country's Strategic Grain Reserve. The Grain Marketing Board was incorporated in terms of the Grain Marketing Board Act [Chapter 18:14]. The Board's main activities are buying and storing grain, manufacturing silo products, and managing the Strategic Grain Reserve and the Input Scheme on behalf of the Government of Zimbabwe (Auditor General, 2018: 46). The GMB commands a large share of grain marketing, and commercial and non-commercial mandates (Zimbabwe Public Expenditure Review, 2019: 19). The GMB's non-commercial mandate is to maintain a Strategic Grain Reserve. It, therefore, holds the responsibility of ensuring food security at the household level, and since 2002 it has been the sole importer of grains into Zimbabwe (Altana and Kojo, 2008: 22). Its commercial mandate encompasses packaging (the Silo brand) and producing stock feeds (the Country Feed brand). The Grain Marketing Board has been split through the unbundling route resulting in the formation of two entities; the Strategic Grain Reserve which is the non-commercial entity and the Silo which is commercially run (GMB's 2013/2014 Annual Report).

Despite its national Strategic reserve status and exposure to commercialisation, GMB is on the record for poor performance (Altana and Kojo, 2008; World Bank, 2017; Zhou, 2012a). In light of this, Altana and Kojo (2008: 22) designate GMB as "traditionally the largest loss-making parastatal" in Zimbabwe. **Table 6.1** and **6.2** shows losses made by the GMB enterprise, between 2010 and 2020. Data were captured from GMB's annual reports that were availed to the researcher during the research. GMB performance challenges have continued in recent times. As shown by the World Bank (2017) survey of public enterprises in Zimbabwe, poor corporate governance is behind the GMB's performance. For years, the country has faced food insecurity resulting in the Government subsiding the public enterprise. While the study acknowledges that State-owned enterprises are initially not meant for profit-making, an argument is put forward that the state-funded entities must at least break even and desist from overburdening the national fiscus. The argument holds water putting GMB into perspective as one of the commercial state-owned enterprises in the country.

Table 6.1 GMB's Profit/ Loss per year in United States Dollars (USD)

Year	Profit/loss in United States Dollar (USD)
2010	**(18 709 283)**
2011	**(6 210 184)**
2012	**(6 708 955)**
2013	**1 422 739**
2014	**(50 996 264)**
2015	**(58 116 899)**
2016	**(42 227 009)**

Source: Author's compilation from GMB's Annual Reports

Table 6.1 depicts the profit and losses made by GMB from 2010 to 2016. The country was using United States dollars during the time. GMB witnessed more losses than profits due to low selling prices and high operating costs (GMB Annual Reports 2011-12; 2013-2014; 2014-2015; 2015-2016).

Table 6.2 GMB's Profit/ Loss per year in Zimbabwean Dollars (ZWL)	
Year	Profit/loss in Zimbabwean Dollar (ZWL)
2018	**(67 570 049)**
2019	**(175 414 235)**

Source: Author's compilation from GMB's Annual Reports

Table 6.2 shows the losses made by GMB from 2018 to 2019. The research did not manage to find GMB's Annual Report for 2017. During the period shown, the country had reverted to the Zimbabwean dollars and this explains why GMB losses are recorded in local currency. The organisation was still experiencing financial losses during the period, mainly due to poor pricing mechanisms and macroeconomic instabilities (GMB Annual Report, 2018-2019).

6.2 RESEARCH EXPERIENCE

The researcher followed the due process in applying for the gatekeepers' permission and the study was conducted in line with the ethical principles for human research accepted by the Basic Social Sciences Research Ethics Committee (BaSSREC) of the Faculty of Humanities (North-West University). Notwithstanding these gaits, the research encountered limitations that were beyond the control of the researcher. The following limitations were experienced;

- The major limitation emanated from the COVID-19 context in which the study was conducted. Due to the COVID-19 induced restrictions, most government departments streamlined their operations, and employees were required to work from home. This led to some participants cancelling appointments they had initially scheduled with the researcher. As a consequence, the study response rate became lower than expected. Instead of the envisioned 31 participants, the research ended up with 21 participants.

- The study could not conduct semi-structured, face-to-face interviews with all respondents as planned since most participants denied direct personal contact with the researcher for fear of COVID-19. Just a few participants agreed to face-to-face interviews upon the researcher's production of the COVID-19 vaccination card and the rest opted for telephone interviews. The research, therefore, could not maximise the stronger connections, trust, and persuasion that come with face-to-face communication.

- Challenges were faced as the researcher was initially denied the gatekeeper's permission from the case study (Grain Marketing Board of Zimbabwe). The Board could not approve the research two consecutive times citing the inaccessibility of board members. The researcher noted that issues to do with parastatal management are highly political and therefore the board members could have been hesitant to give their contributions due to mistrust and suspicion. The researcher had to contact the Chief Executive Officer (CEO) and liaise with the Human Resources Director of the organisation to provide convincing evidence that they were a bona fide Ph.D. student at NWU and the study was being conducted for academic purposes only. The gatekeeper's permission was finally granted and to further avoid mistrust by the research participants, the researcher produced GMB's letter of approval and assured the respondents that participation was voluntary and they were free to stop whenever they felt uncomfortable. The researcher faced limitations in finding some of the information that was deemed confidential by the GMB officials. Be that as it may, sufficient data to meet the objectives of this study was collected.

- Another limitation that is key to note, is the use of a qualitative case study design. The strategy makes it difficult to generalise the study findings. Despite being distinctive in eliciting rich and comprehensive data about a case, the case method lacks systematic procedures. This may result in biased findings and conclusions (Yin, 2009: 14).

6.3 CLASSIFICATION OF THE STAKEHOLDER GROUP OF PARTICIPANTS

As mentioned earlier, a sample size of 21 participants (n=21) was purposively identified in the study. The study inferred from an extensive range of participants drawn from GMB, the Ministry of Lands, Agriculture, Mechanisation and Irrigation and diverse corporate governance experts with specialist knowledge to contribute to SOE governance issues. The classification of participants is presented in **Table 6.3** below.

Table 6.3 Stakeholder group of participants

Stakeholder Group	Sample	Randomly allotted reference code
Grain Marketing Board, Headquarters	8	K10, K13, K17, K21, K24, K28, K33, K37
Ministry of Lands, Agriculture, Mechanisation and Irrigation	6	K6, K8, K20, K25, K31, K34

Corporate governance experts	7	K15, K19, K26, K27, K30, K36, K39

Source: Author's compilation

Table 6.3 shows the participants selected for the study. The participants included directors, managers and other top officials from GMB, and the Ministry of Lands, Agriculture, Mechanisation, and Irrigation as they were perceived to be more knowledgeable about corporate governance. Participants also included corporate governance experts with insightful contributions on the nature of corporate governance approaches in Zimbabwe's SOEs. The researcher allotted reference codes for all the participants. The codes were used in the reporting of findings to avoid any possible identifying characteristics of research participants.

6.4 DEMOGRAPHIC DESCRIPTION OF THE PARTICIPANTS

The interview schedule administered to participants contained two sections. The first section was on the demographic description of the participants. The majority of the participants were males (17) whilst the remaining 4 were females. Most women were excluded from the target population as they occupied lower profile positions and presumably had limited knowledge of the corporate governance matter. In terms of age, the majority of participants were in the 41-50 years category (14 respondents) and the remaining group of participants (7) belonged to the 30-40 years bracket. The research sought to find out the period spent by the respondents in their organisations, ministry or field of expertise. 15 respondents indicated that they had above 15 years' experience, while 4 had between 6-10 years and the remaining 2 had between 11-15 years. In terms of academic qualifications, all the respondents were at least holders of undergraduate degrees. 2 of the respondents were professors who had moved from academics to consultancy, 5 respondents had PhDs, 7 had master's degree qualifications and the remaining 7 had basic degrees attained at various universities. **Table 6.4** beneath, illustrates the demographic distribution of research participants.

Table 6.4 Demographic distribution of participants

Demographic variable		Frequency
Age	30-40 years	**7**
	41-50 years	**14**
Gender	Females	**4**
	Males	**17**
Experience	6-10 years	**4**
	11-15 years	**2**
	16 years and above	**15**
Professional qualifications	Degree	**7**
	Masters	**7**
	Doctorate	**5**
	Professors	**2**

Source: Compiled by Author

The second section of the interview schedule was semi-structured, incorporating both open-ended and closed-ended questions. Different themes were developed both from the open-ended questions that were featured in the schedule and the recurrent views of the participants. In this respect, the study employed the convergence of opinion approach to the qualitative stakeholder groups. *Ceteris paribus* (holding all things constant), recurring themes pointed to a common phenomenon. This was buttressed by evidence from the documents analysed including media reports; local, regional and global publications on corporate governance as well as relevant government publications. The following themes were extracted from the data collected:

- Corporate governance approaches at GMB;
- Principles of Corporate Governance at GMB;
- Corporate governance model in State-owned enterprises in Zimbabwe;
- GMB's corporate governance challenges; and
- GMB's corporate governance environment.

6.5 PRESENTATION AND ANALYSIS OF EMPIRICAL FINDINGS

6.5.1 Corporate governance approaches at GMB

The first theme sought to establish the views and opinions of key informants on the nature of corporate governance approaches at the Grain Marketing Board. Participants were asked to give their expert opinion on the internal and external corporate governance factors at GMB. As revealed through the literature review, in Chapter two of the study, the nature of the corporate governance approaches of an organisation is vital to its overall performance. Concerning the internal and external corporate governance mechanisms at GMB, the study examined some of the following factors: board of directors, corporate governance model, and corporate governance principles. This section parses the views of the participants on the highlighted corporate governance factors at GMB. The views are corroborated with evidence from documentary review.

6.5.1.1 GMB Board of Directors

In capturing the views of the participants on the corporate governance approaches at GMB an exploration of the board appointments, structure and composition was taken. The study also sought to determine board meetings, remuneration, and effectiveness. The Board of Directors is mandated to provide oversight and control organisations to ensure that organisations are run prudently and effectively. It is charged with the responsibility to ensure that accountability and transparency are part of the organisation, through checks and balances in the administration of the public entities (Ncube and Maunganidze, 2014; Chimbari, 2017). Documentary evidence submits that the effectiveness of the board rests on the ability to judiciously execute its roles and responsibility with independence and autonomy (OECD, 2015a).

6.5.1.1.1. Board Appointments, Structure, and Composition

The interviews held with key informants from GMB and the Ministry of Agriculture (14 participants) established that GMB has a unitary board and that the majority of the board members are independent non-executive members. The key informants unanimously agreed that the board members are appointed by the Corporate Governance Unit in the Office of the President and Cabinet with the approval of the Minister and in turn, the board appoints its own chairman. During the semi-structured interviews with research participants, it was also revealed that there is a separation between the Board Chairperson and the Chief Executive Officer of GMB. This also accords with the corporate governance standards for SOEs which as shown in chapter three of the study, dictate that the chair should be separate from the Chief Executive Officer (OECD, 2015). With regards to board appointments at GMB, K15 espoused that;

> Long back there was no database of nominees and the Minister would choose even his friends to be board members for parastatals. But now things have since changed, for one to be appointed as a board member, you need to send your CV (curriculum vitae) to the Corporate Governance Unit. The Corporate Governance Unit will nominate candidates with optimal attributes for the job and the nominees will eventually be sent to the Minister for approval.

Contrary to K15, a large proportion of key informants (18 out of 21 participants) expressed dissatisfaction with the nature of board appointments in Zimbabwe's state enterprises in general. One respondent from the Ministry of Agriculture asserted that; "on paper, boards are appointed based on law but in reality, the whole process is political". This point was buttressed by K6 who lamented that,

> In Zimbabwe board appointments are not based on merit as stipulated by the law, politics influences the whole thing. I can tell you for a fact, they talk of a database for the appointments but there are never any advertisements on board member posts arising in these state-owned enterprises. I just wonder where they take the names of the so-called nominees. For me, the Minister can still choose his kith and keens for board appointments because he is not compelled to stick by the recommendations of the Corporate Governance Unit in selecting and approving the board of directors.

Similar sentiments were expressed by key informant K33, who argued that "In Zimbabwe, the structure and composition of the board go beyond gender, qualifications, and representation. It is about the political background of the people. It is about how many soldiers, cadres, and senior ZANU PF Political Bureau members are appointed". In the same vein, a research expert and consultancy on state enterprise governance in Africa added that:

> …the main purpose of a state-owned enterprise board is not to serve the parastatal but to serve the interests of the ruling elites. It is a public secret that sometimes military personnel is strategically deployed to SOEs like the Grain Marketing Board (GMB), getting twin salaries as both military and GMB employees. The ruling elites also appoint senior ZANU PF (ruling party) members who are given the SOEs as their home because they do not have a place either in parliament or cabinet. That's why the same people rotate in the SOE boards and have passivated themselves in the close to 107 SOEs.

The views and opinions of the participants above therefore point to the eminence of politics in board appointments in SOEs in Zimbabwe. This is contrary to corporate governance best practices which depicts that board appointments must be based on meritocracy. The selection criteria should consider skills, competencies, and experience instead of political background and affiliation.

Concerning the Chief Executive Officer (CEO) appointment, the study revealed that the board had the mandate to appoint the CEO but with the approval of the Minister and the President. As articulated by K24, "As the board, we advertise, conduct interviews and recommend candidates but the rest is not within our reach. The Minister and the President will have the final say". Commenting on the procedure for appointing the CEO, K19 designated the whole process as a political strategy meant to perpetuate the ruling party's stay in power. According to the respondent, "both the board and the CEO become the Minister's puppets due to the nature of their appointments which is largely compromised. You can agree with me that he who pays the piper determines the tune. That is why the board's decisions are never transformative. How many times have we heard that maize meal meant for the public has been diverted to certain ZANU PF rallies and campaigns?" Documentary evidence affirms that the selection of the leaders for state-owned enterprises in Zimbabwe is anchored on a system of political patronage as the Minster appoints people believed to be in his camp and those loyal to his faction (Mutondoro *et al.*, 2015: 33).

Taken together, these findings capture the pervasiveness of politics in SOEs in Zimbabwe. The politicisation of the board appointments affects board independence, and puts the board members at the whims of the Minister and other ruling elites. It further results in SOEs being run by people chosen based on political affiliation and factionalism, the majority of whom lack the necessary credentials to manage the SOEs. The net effect is the board's failure to enhance good governance of the public entities.

Regardless of the anticipation and excitement about the need to revamp the performance of Zimbabwean SOEs by introducing a veneer of good corporate governance, the appointment of board members based on political cronyism and patronage is a direct albatross toward good corporate governance ethics and principles (Zvavahera and Ndoda, 2014; Chimbari, 2017; Mashavave, 2017). It contradicts corporate governance best practices which advance that the boards of SOEs should have the necessary authority, competencies, and objectivity to carry out their functions of strategic guidance and monitoring of management (OECD, 2015a).

Looking at the board appointment laws in Zimbabwe's state enterprises, the Public Entities Corporate Governance Act (PECGA) in section 11, provides that the term of office for a member of the board of a public entity shall not exceed four years, and the appointment may be renewed for only one further such term. In accordance with section 11 (4), "a person shall not be appointed to the board of a public entity if he or she is a member of two other such boards". Section 11 (7) of the Act further expounds on the criteria to be followed by the Minister, noting that:

> …a line Minister shall ensure that, so far as practicable- ensure that, (a) there are equal numbers of men and women on the board of every public entity for which he or she is responsible; and (b) all Zimbabwe's regions are fairly represented by the members of the board of every public entity for which he or she is the line Minister; and (c) the members of the board of every public entity of which he or she is the line Minister have an appropriate diversity of skills,

> experience or qualifications for managing the entity, including skills, experience or qualifications in the fields of law, accountancy and one or more of the engineering disciplines; but all appointments to such boards shall be made primarily on the basis of merit.

Contrary to the above legal provisions, the study indicated that the current board at GMB does not have a diversity of skills. As granted by respondents K21, K33, and K39, the current board (during the time of the study) did not have anyone from an accountancy and auditing background. The implication is that the board could be misled by the management on financial management issues due to the board's knowledge asymmetry. It is somewhat surprising that, unlike the Public Entities Corporate Governance Act, the GMB Act lacks legislated educational qualifications for one to be appointed as a board member and simply states that the board members should be familiar with agriculture and be entrepreneurial. This creates an implementation gap and gives leeway for the Minister to abuse power during the appointment of the board members.

The notion is consistent with the views of most participants (15 out of 21 respondents) who expressed concern that the lack of alignment of corporate governance legislation could give room to political interference by the Minister since, the PECGA does not override the establishing Acts domiciled in the line ministries.

The study also discovered that the GMB board currently does not meet the gender balance recommendation by the PECGA. It emerged from the key informant interviews conducted with key informants at GMB that for the past years the board has been under-represented in terms of gender. K10 highlighted that the current board only had two females. Gender imbalance in the country's Strategic Grain Reserve could undermine the effective representation of women in food security issues. This negates the enjoyment of fundamental human basic rights by women in Zimbabwe. The GMB board, however, met fair representation in terms of region and race. The respondents from GMB, gave an account that the board members were from diverse regions including Harare, Bulawayo, and Mutare. In addition, they all agreed that the board was manned by two white men.

The GMB board had all the committees prescribed by the Public Entities Corporate Governance Act. As interviewee K33 put it, "Currently we have all the board committees being functional. There are four committees, namely the; Audit, Internal Controls, and Risk Management Committee; Finance Committee; Human Resources and Remuneration Committee; and the Corporate Strategic Planning and Projects committee". Surprisingly, it also emerged from the study that the Audit committees were not handled by the board members due to a lack of expertise. Ideally, the board members must have fundamental knowledge on financial matters and auditing in order to effectively monitor the operations of their organisation. As reported by the GMB officials the committees were manned by experts hired from outside GMB to assist the board. On the question of the frequency of board meetings, respondents K24, K28, K33 and K37 established that the GMB board met at least 4 times a year, once per quarter, as required by the PECGA. This is commendable because board meetings provide important forums for strategic deliberations about the SOE. The respondents further mentioned that in between, there are committee meetings which are then fed into the board meetings.

6.5.1.1.2 Board Remuneration

Before the enactment of the Public Entities Corporate Governance Act, there was no coordinated and consistent approach to setting the remuneration of non-executive directors (NED) of State Enterprises and Parastatals (SEPs) in Zimbabwe. This problem was further compounded by the decentralised ownership model for SEPs, with the respective line ministries exercising the role of the owner (World Bank Guidelines for Setting Non-executive Directors' Remuneration for State-owned enterprises and Parastatals in Zimbabwe, 2020). In reaction to the question on board remuneration, approximately half of the participants unanimously agreed that the current board remuneration practices at GMB were governed by the provisions of the Public Entities Corporate Governance Act (PECGA).

The respondents expounded that before the PECGA, GMB board members were better remunerated with additional benefits but now they are only getting 'little' seating allowances. One interviewee noted, "At the moment the board is a national service because the allowances are pegged by the Corporate Governance Unit (CGU) at a standardised rate. Honestly, this arrangement doesn't make sense considering that state enterprises are different". And another commented that, "the Act does not recognise the difference between parastatals but treat them as the same. This is not practical because they are performance differentials across the SOEs. We have the likes of POTRAZ performing well, for example, and on the other hand, we have non-performing SOEs like Air Zimbabwe. And we say the board remuneration should be the same?"

Respondent K6, from the Ministry, alluded to the notion of inadequate board compensation in Zimbabwe and felt that the board compensation does not match the volume of work that the board has to do. She conceitedly mentioned that "If it were me personally, I wouldn't seat in any state enterprise board because that is a mere charity service". A top GMB official interviewed in the study posed a rhetorical question, "Surely you expect one to exert 100% effort when they get few dollars as board allowance?" The findings, therefore, clearly suggest that the current remuneration framework for the board in SOEs in Zimbabwe is not competitive enough to motivate the board of directors.

Interestingly, the study discovered that in many countries besides Zimbabwe, board remuneration for state-owned organisations is still comparably lower than other firms. A survey of different countries by the OECD in 2017, indicates that the remuneration of SOE board members, compared with other firms, falls below market levels for the competencies and experience required. The study conjecture that this is probably because governments, in general, would like to minimise or avoid public controversy over excessive pay in the public sector. Despite this common trend, it should not be discounted that in Zimbabwe, board compensation not only falls below the market levels but is a disincentive to the board of directors. The board seating allowances do not take into account the size and nature of the state enterprise organisations. Yet alone the amount of work to be done by the board. Regrettably, the implications may be a lack of commitment by the board members, poor quality board decisions, and overall poor performance of the state enterprise.

Respondents interviewed in the study contended that the remuneration for the Non-executive Directors (NEDs) in Zimbabwe's SOEs is bound to be different from that of executive directors. This is so because the duties of NEDs are primarily advisory, guidance and oversight. Since NEDs are not employees of the entity, their compensation for services rendered is often referred to as 'fees' rather than remuneration, and this is the terminology commonly used in Zimbabwe (World Bank Guidelines for Setting Non-executive Directors' Remuneration for State-owned enterprises and Parastatals in Zimbabwe, 2020). In this light, the following key principles should guide the process of setting NEDs remuneration;

1. Board remuneration should reflect the market conditions to the extent that this is necessary to attract and retain highly qualified directors
2. Remuneration policies of civil servants serving on SOE boards should be carefully considered to ensure the right incentives
3. Fair compensation for the level of effort; the fees must be commensurate and proportionate with the level of effort and responsibility expected of the directors

4. Equitable; the fees must be equitable among the directors, arrived at using the same policies and processes
5. Incentives; should not create incentives for inappropriate behaviour; ethical and prudent management are essential attributes of a strong system of corporate governance
6. Transparency; fees must be appropriately disclosed - Clear process: SEPs must have clearly defined policies and processes for arriving at the level of fees (World Bank Guidelines for Setting Non-executive Directors' Remuneration for State-owned enterprises and Parastatals in Zimbabwe, 2020).

6.5.1.1.3 Board effectiveness

Concerning the effectiveness of the board, participants held contrasting views. Almost all the participants from GMB, (7 participants) admitted that the board was effective in executing its functions. One of them commented as follows, "There are a number of corporate governance factors that our board has accomplished, and one remarkable thing is the board's compliance to the legislation governing GMB, for example, the GMB Act". Another key informant affirmed that:

> The board has been good in delivering its mandate and following corporate governance principles. The board has enforced corporate governance systems that are in line with the recommended corporate governance standards. For example, all the board committees prescribed by the PECGA are in place. The board members also declare conflict of interest according to the declaration of interest policy drafted. Additionally, all board members have signed a Code of ethics pledging that they will abide by the corporate principles and ethical behaviour.

On the contrary, other key informants did not support the idea that the GMB board was effective. The participants speculated that the Board's role is compromised due to politics. According to participant K39, "The structure and composition of the board currently put together are not helpful. There is no board effectiveness at GMB and this manifests itself in the form of the rampant corruption scandals". This view is supported by corruption allegations against GMB awash from the media. For instance, during a Question and Answer session in the parliament in 2018, Honourable Muliswa, a Member of Parliament (MP) posed the following question to the GMB CEO, Mr. Mutenha, "Is it political parties that distribute Presidential inputs because there are sloganeering and people in political party structures get involved to the extent that in Norton, a ZANU PF (ruling party) chairperson called Mavhangira runs the depot and the manager is petrified? (*The Newsday*, January 24, 2018). Another shining example is the allegations made to the former GMB CEO, Mr. Chikaura by the Parliament's Portfolio Committee on Public Accounts, that he used his influence as both the GMB board

Chairperson and the CEO of the Infrastructural Development Bank of Zimbabwe to transfer $ 160 000 meant for investment by the grain Utility to a private firm without the authority of the board (*The Herald,* 20 November 2015). Commenting on the same matter Ncube writes that,

> The GMB has been in chaos and turmoil since the days of the Kumbirai Kangai GMB scandal in 1997. GMB has been used as a tool for personal enrichment and has been weaponised as a tool for corruption instead of using it as an instrument to fight hunger and reinforce the nation's food security. Behind GMB scandals are politicians, greedy managers, and some unscrupulous millers who do not care about the people (Bulawayo24 News, 19 December 2019).

Another respondent from GMB conceded to the allegations and, revealed in confidence that in some cases the board members at GMB are the masterminds behind the corruption and looting at the organisation. The respondent pointed out that "the Board members sometimes go and import maize from other countries like Malawi and Zambia and then sell the same maize at big profits to GMB". The implication of this inhospitable behaviour by the board is a lack of transparency and which cascades down to the lowest grade. One cannot discount that the Ministers of SOEs have banked on such board failures to interfere in SOEs affairs. It is a norm in Zimbabwe to find the Ministers dissolving the board and appointing a new one anytime. Consonant to this view, K19 argued that "…the boards in Zimbabwe are changed now and again as if the Ministers will be changing wet diapers".

Contrary to the study, Mangena *et al.* (2011: 7), in their study on *Corporate boards and firm performance in an environment of political and economic crisis*, justify partisan boards as devices for the survival of state enterprises in countries like Zimbabwe. The authors put forward that,

> …the environment in Zimbabwe… might call for larger boards to help cope with the threats of the severe political and economic crisis. In this context, firms may expand their boards, for example, by appointing directors with political connections. Political connections are a valuable resource for firms. Politically connected firms could (1) get preferential access to scarce critical resources such as fuel and foreign currency and (2) ward off the threats of the political environment such as extortion by war vets.

The findings of the research are broadly consistent with earlier studies that perceive politicised SOEs boards as the root cause of poor corporate management of the SOEs, and their consequent failure (Corrigan, 2014; Muzapu *et al.*, 2016; Ruparelia and Njuguna, 2016). The findings corroborate with the political theory as shown in chapter two of the study, which explains that the government determines the delegation of power and authority in state enterprises and as a consequence, there is an entrance of politics into the governance structure of the organisations. With this in mind, one is critical of the deleterious effect of politics on the governance structures of state-owned enterprises in Zimbabwe. At the same time, attention is drawn to the conceptual premise of the study that the performance of an organisation is determined by the effectiveness of its corporate governance structures.

6.5.1.2 Principles of Corporate Governance

Effective state enterprise governance is anchored on the application of sound corporate principles. As such, robust corporate governance standards have a positive bearing on how an organisation mobilises, deploys, and accounts for its resources. In light of this view, the National Development Strategy (NDS) 1 stresses the need to uphold the principles of good governance to bring meaningful transformation and benefits to all Zimbabweans in a fair, just, and transparent manner. From the interviews held with participants, it was clear that GMB's governance oscillated around various corporate values. Key principles recurring from the data set included; disclosure and transparency, independence and neutrality, sound remuneration, rule of law, and performance management and evaluation. This section discusses these core governance principles in place at GMB. The principles provide a reference point for the board of directors and managers when stirring the SOE. They provide a defined framework for assessing the assertiveness of corporate governance standards employed at GMB.

6.5.1.2.1 Disclosure and Transparency

Transparency and disclosure were identified by many participants (16 out of 21 participants) as part of the core principles of corporate governance at GMB. The principles obligate the public entities to ensure that the management of public enterprises is done in a transparent manner (Gyamerah and Agyei, 2016). Transparency and disclosure as corporate governance principles aim to help the stakeholders, the public, and investors with the ability to make informed decisions about the running of the SOEs. According to the Organisation for Economic Co-operation and Development (2015a), transparency and disclosure are key to holding SOEs accountable for their performance. Implied is that, if the principles of transparency and disclosure are followed judiciously, the country has the potential to experience growth and development through the performance of the SOEs. Commenting on this principle, interviewee K13, allied transparency and disclosure to the overall performance of SOEs in Zimbabwe. According to the participant,

> …transparency and disclosure are one of the fundamental corporate values at GMB. This is so because SOEs occupy a strategic position in the development of the country and as such, a high level of transparency and accountability enhances the ability of SOEs to effectively and efficiently provide public goods and services. In the case of GMB, the entity is responsible for national food security, making many, if not all

citizens, interested stakeholders. Hence, the need for even more accountability from the parastatal.

Practitioners from GMB shared a common view that GMB avails both financial and non-financial information to the public through various platforms such as the GMB website, GMB annual reports, the Annual General Meeting (AGM), and the audited financial statements by the Auditor General. Participant K33 added that “the Annual reports for GMB are also tabled by the Minister in parliament and this facilitates disclosure considering that the members of parliament represent the voice of the people of Zimbabwe”. This is remarkable given that other state enterprises in the country have gained notoriety for not submitting financial accounts for audit by the Auditor General. For instance, the Auditor General’s report for the year ended December 31, 2021, revealed about 53 public entities that had failed to submit their accounts for audit. Documentary evidence supports the disclosure of financial and non-financial information of the SOEs to their stakeholders, investors as well as members of the public to make them understand how the public institutions are being run (OECD, 2015a).

One of the interviewees in the study believed that disclosure and accountability are the antidote to rampant corruption and stressed that, “transparency and disclosure must not be just showcased as legislated principles for the GMB whilst application is knee-jerking. But transparency and disclosure must be adhered to by all the SOEs in this country as a long-term barricade against corruption and abuse of funds”. The study findings, therefore, dovetail with much of the literature on corporate governance which documents corruption as affecting the viability of Zimbabwe’s SOEs (Chimbari, 2017; Muzapu *et al.*, 2017; Chigudu, 2020) and undermining their ability to grow and be effective in performance.

A recurrent theme in the interviews was the lack of a functional and effective whistle-blower policy to protect the public from exposing wrongdoing in public entities that undermined the transparency and disclosure principle. Referring to the same, Chimbari (2017) opines that the frameworks for whistle-blower protection in the country appear to be insufficient considering that the public does not have the legal support to effectively report on poor practices in public entities. Some participants (9 out of 21 participants), felt that the policy makers were deliberately hesitant to establish an effective whistle-blowers policy as they were culprits in SOEs corruption scandals, while others (3 out of 21 participants) argued that the lack of political will by the government was behind the lackadaisical approach to the application and development of the whistle-blower policy. One may agree with sentiments from the participants. This is so because the government has for long not expedite the enactment of the whistle-blower protection Act of Zimbabwe.

It generally appears from the study results that the fulfilment of transparency and disclosure in public enterprises, GMB included, remains intractable owing to insufficient legal frameworks to support public disclosure of information in public entities. Taking a glance at legal frameworks in other countries like the UK and the USA (Chimbari, 2017, Chigudu, 2020), should awaken the policymakers and political leaders that the efficacy of corporate governance frameworks and policies should be realised by complementing corporate governance frameworks with the whistle-blower protection frameworks.

6.5.1.2.2 Independence and neutrality

Other core principles governing corporate practices at GMB were found to be independence and neutrality. Independence and neutrality speak on the need by SOEs to be run in a manner that reflects high corporate standards which are internationally recognised without being controlled and performing to cherish the interests of any party (OECD, 2015a). This denotes that the management of SOEs should be freed from political interferences and other forces which can denigrate the performance of the entities.

The respondents were asked to comment on the state of independence and neutrality at GMB. Two divergent and conflicting discourses emerged. The first one was that politics has percolated SOEs to the extent that there is no independence in the entire state enterprise sector in Zimbabwe. The group of respondents (14 out of 21 participants) who believed in this view speculated that the principle of independence and neutrality was being violated on account that the appointment of the board of directors to SOEs was often based on political expediency in lieu of competencies and professional skills. The same sentiments emerged from the documentary review which confirmed that current governance practices of SOEs in Zimbabwe have been riddled with patronage and manipulation, thereby undermining the principles of independence ad neutrality (Muzapu *et al.*, 2016; Moyo, 2016).

Ideally, political actors should be separated from the management and control of public entities to insulate the public entities from political interference (Mashavave, 2017; Chigudu, 2020). International best practices on corporate governance depict that the state should promote independence and neutrality in SOEs as the responsible owner of the public entities. The study reckons that this pays dividends and translates to better management and improved service delivery by the SOEs. One of the respondents representing the views of corporate governance experts commented that, "… the principle of neutrality is a theory when it comes to SOEs in Zimbabwe, including the GMB. The reality we have seen is that political authorities interfere in the management of SOEs affairs and the appointment of their leaders. The absence of autonomy has to date undermined the quality of leadership in these SOEs". Another participant from GMB noted, "For an entity like GMB, there is no independence or neutrality because food security is a political issue. The decisions by the board are not usually technical and economic as envisaged. Sometimes we even receive directives to sell maize at prices lower than the buying prices for political mileage".

On the contrary, the other cohort of participants (5 out of 21 participants) argued that state-owned enterprises by their nature are creatures of the government and cannot be expected to be neutral or independent. These participants did not conceive independence and neutrality as realities but as myths for all state enterprises regardless of the country of operation. As earlier realised, conventional wisdom for the creation of state-owned enterprises point to the need to fulfil policy objectives of the State. From this angle, the views of the participants are valid. Another interviewee strongly argued that "state-owned enterprises are the engines of the economy in Zimbabwe and the State cannot leave them to operate anyhow in the name of independence and neutrality." Overall, the results of the study indicate that neutrality and independence are difficult to attain in Zimbabwe's SOEs governance landscape. What is not obvious is whether this sprouts from the anatomy of the SOEs themselves or an institutionalised culture of political predation by the ruling elites.

6.5.1.2.3 Sound Remuneration

The study results point to sound remuneration as another principle of corporate governance in place at GMB. In line with the best practices on corporate governance, sound remuneration seeks to ensure that there is the provision of sound incentives or remuneration to the agents to ensure that there is motivation and effectiveness of the organisations (OECD, 2015a). Both literature and field research designated the remuneration of workers in the SOEs as very crucial to ensure that there is a reduction of corruption and goals and objectives of the entities are met. Notwithstanding that, the findings reflected a great controversy regarding the question of what constitutes sound remuneration and how it is determined. This could be gleaned from the mixed views of the participants' responses. In accordance with the OECD Board practices (2011), the challenge goes beyond the level of executive and director remuneration, even though that is the focus of much political discourse, to encompass how remuneration and incentive arrangements are aligned with the longer-term interests of the company.

Concerning the current remuneration levels at GMB, there were mainly two contradictory views. The first was that there is no sound remuneration at the institution. This line of thought was shared by a large number of practitioners (13 out of 21 participants) from the state enterprise sector and the Ministry of agriculture. The respondents complained that state-owned enterprise employees were generally underpaid in Zimbabwe. One of the interviewees representing the views of the executive at GMB lamented that “at the moment the practice of sound remuneration is being breached for the entire government workers due to protracted economic crisis in Zimbabwe. I don’t want to lie, most of us are entangled by huge debts because we cannot afford to pay rent, or buy groceries, let alone clothes. You just continue going for work because half a loaf is better than none”. The same sentiments were shared by K8 and K20 from the Ministry who explained that meagre salaries have been the main cause of poor performance in public enterprises due to low motivation levels.

Commenting on the issue, respondent K37 noted that moonlighting had become common as most of the workers at GMB were now thriving on informal activities to cover up for the salary deficits. The views of K37 corroborated with those of K10 who remarked that “As we are earning salaries below the poverty datum line, coming to work is no longer about productivity but about ascertaining job security. Even if the job does not pay adequately, we continue holding on because one day the economic state may revert back to normal”. The above sentiments expresses the participants’ displeasure with their current remuneration. It also explains why most public sector organisations have become havens of informal traders.

Together, these results suggest that the current remuneration at GMB yonder from the precepts of sound remuneration. The escalation of the economic crisis in Zimbabwe has been detrimental to both individual and organisational performance. The effects will inversely lead to stunted economic growth and abject poverty in the country. The vicious circle between poverty and economic performance cannot be discounted.

The second line of thought was shared amongst corporate governance experts who represented the views of academics selected for the study. This division of participants, strongly believed that there was excessive executive and board remuneration in Zimbabwe’s state-owned enterprises and this caused the financial crisis that loomed large in the state enterprise sector for years. As argued by K39, “Eh madam Maiwasha, the executive and board for state enterprises in Zimbabwe are notorious for getting heft salaries. This is regardless of the collapse of the entities they are in charge of. I am sure you are aware of the salary gate scandal that rocked the sector between 2013 and 2014". This view was backed by another respondent, K19, who remarked that the "chief executives of state-owned enterprises enjoyed outrageous salaries when the state enterprises were making great losses. This statement reflects that the top leaders did not have the welfare of the SOEs at heart.

To this end, the participants believed that the principle of sound remuneration was extinct in the case of state-owned enterprises in Zimbabwe. Though the views are different and significant, they should be comprehended with caution. A lot has since changed in the governance landscape of SOEs in the country. One can note that before the Public Entities Corporate Governance Act was enacted, Zimbabwe did not have a legislated salary cap for the state owned enterprises' executives. The absence of legislated regulation for executive compensation, therefore, led to unfettered executive compensation in the state owned enterprise sector envisaging a violation of the sound remuneration principle. As a consequence, the practice denigrated the integrity and performance of the public entities and detracted the entities from attracting foreign investments. Ultimately their ability to induce effective service delivery declined.

The findings from the corporate governance experts rest well with evidence from a documentary search which unearthed the 'salary gate' scandal from 2013 to 2014 implicating high-ranking officials heading the SOEs, for perpetuating extravagant executive reward structures (Chimbari, 2017; Rusvingo, 2014; Transparency International, 2015). The astronomical salaries that the parastatal bosses were receiving while the rest of the ordinary employees went for months without getting paid, revealed the archetype malfeasance that had dominated the SOE sector. Despite the presence of corporate governance principles to govern the behaviour of public officials in public entities in the country, several corporate scandals and breaches of the values persist (Chigudu, 2020; Mpedzisi, 2021). In light of this problem, the managers and executives of public entities should be tied to their performance (Muzapu *et al.*, 2016). This creates a sense of equality and integrity as well as enhancing efficiency in the utilisation of resources in public enterprises.

6.5.1.2.4 Rule of law

Practitioners and scholars in corporate governance emphasise the role of regulatory frameworks as the cutting edge for good governance practices. The extent to which an organisation aligns with its internal and external legal controls will determine the soundness of its governance. In this view, the OECD (2015a), provides that laws and legal frameworks should be applied in the management of the corporates and the stakeholders should be able to comply with those laws and principles to ensure that behaviours and resources for the organisation are well-managed.

In the context of GMB, the findings obtained through semi-structured interviews with key informants showed the existence of different pieces of legislation detailing its corporate governance requirements. The key legislative infrastructure for the GMB included the Grain Marketing Board Act Chapter 18:14, Constitution of Zimbabwe Amendment number 20, Public Finance Management Act Chapter 2, and the Public Entities Corporate Governance Act of 2018. The highlighted legal architecture provides legal corporate requirements that managers and other stakeholders should comply with. As stated before, compliance creates effective governance of public entities. From this viewpoint, the performance of the public entity is bound to improve as compliance with the legal frameworks enhances transparency, accountability, responsiveness, competitiveness, and the ability to control and manage corruption (Muzapu *et al.*, 2016, Chigudu, 2020).

The research noted that the principle of the rule of law was not religiously adhered to by the GMB enterprise. As reported by K17, “the problem at GMB and other Zimbabwean State enterprises in general, is not the absence of sufficient legislation but rather, it is the lack of the rule of law as evidenced by the never-ending spectra of corporate scandals.” In the same vein, K39 remarked that “GMB senior officials are often implicated in fraud and unethical conduct but without proper action taken by the responsible authorities to punish and deter their behaviour”. A different perspective was given by respondent K30, who responded as follows, “One cannot get a clean fish from a sewage pond. The concept of the rule of law should start with the government and spread downwards. If the government itself is defaulting it becomes very hard, for the public enterprises to follow any legal framework”. To this end, K30 insinuated that the lethal governance challenges facing GMB and other state-owned enterprises are symptomatic of the governance challenges at the national level.

The same idea was parsed out by one of the participants representing the corporate governance experts. He argued that “the issue of rule of law is a big issue in Zimbabwe. The governance crisis in public enterprises is not the heart of the problem, but rather a signal of the bigger problem at the national level. The real problem is the politicisation of all country structures and institutions. This politicisation is evidenced by the breach of law even by watchdog institutions such as the Zimbabwe Anti-Corruption Commission (ZACC)”.

In their different perceptions, the respondents therefore appeared to agree that despite the adoption of various legal architecture, public enterprises in the country still experienced corporate governance malfeasance. Together, their accounts imply that GMB just like many other public enterprises in Zimbabwe, observed the principle of the rule of law more in the breach than in practice.

The findings of the study matched the documents that the researcher came across during data gathering. Documentary evidence revealed that public entities such as GMB abdicated the responsibility of complying with fiscal laws. GMB had significant accounts owed to and from other SOEs and the central government and did not comply with the PFM Act and Audit Office Act (Government of Zimbabwe and the World Bank, 2017a: 19). Consistent with the Report, a survey by SAPST and ZIMCODD (2019) indicated that 10% of the SOEs surveyed were sending their financial statements to the Accountant General, while 3.3% reported they were sending them to auditors and the rest were failing to do so. This speaks to ineffectual corporate governance practices by SOEs, underscored by the Auditor General's reports from time to time. It illuminates what was emphasised in chapter five (section 5.3) of the study that public enterprises in the country are notorious for non-compliance with the established corporate governance laws resulting in an unceasing spiral of corporate scandals. SAPST and ZIMCODD (2019) further implored the Parliament to take a leading role in the issue given that the submission of regular financial reports is important to guard against and detect any corporate malpractices.

Other responses to the question of the rule of law at GMB pointed to the fragmented and overlapping legal and institutional infrastructure which confused the management of the state enterprises. One participant selected from the corporate governance experts identified as K15 argued that "the coordination of the state-owned enterprises in Zimbabwe has been littered with multi legal and institutional frameworks and this has caused a lot of challenges". The sentiments were buttressed by K28, K6, and K8 who unanimously reported that the problem was even worse before the enactment of the Public Entities Act in 2018 when there was no specific corporate governance law uniting the SOEs. In addition to that, some participants complained that GMB and other SOEs were still heavily reliant on their established Acts that had since become overtaken by events. As one of the participants put it, "imagine, the GMB is still governed by the GMB Act, which was enacted in 1931. How then do we expect such an outdated legal framework to effectively capture all of the GMB's current mandates in this era?"

The study gathered that the GMB Act was initially meant to serve colonial interests, this renders the parliamentary act archaic considering developments that have materialised from the colonial period to the current atmosphere. The GMB and other state-owned enterprises have since evolved and there is a great need for the authorities to align their legislative instruments in order to liberate these entities from the vestiges of the past that facilitated their misuse by the ruling elite for political mileage. It must be emphasised, however, that such an alignment is not a one-day event and calls for political will on the part of the government.

6.5.1.2.5 Performance monitoring and evaluation

In the current study, respondents were also asked about the nature of performance management at GMB. According to the World Bank Toolkit for corporate governance of SOEs (2014a), a robust performance-monitoring regime sets objectives and targets that provide clarity to SOE boards and management on the expectations of government (as principal). Interviews conducted with over half of the participants showed that the SOE was using the Integrated Results-Based Management (IRBM) system. It is interesting to note that 16 out of the 21 participants of the study considered the performance evaluation system ineffective. For instance one of the participants from GMB described the IRBM system as, "complicated and practically unattainable". Supportive of this statement, K26 argued that "I am yet to see any state enterprise in Zimbabwe that has mastered the IRBM. To be honest the system is not user-friendly. It was just introduced by the government to move away from giving every employee the 13^{th} cheque (bonus). It does not have clearly understood objectives in terms of how employees score or perform. Even the facilitators of the IRBM seemed not to understand the same system".

Further analysis by K13, K15, K18, and K33 revealed that the IRBM system was introduced without proper stakeholder consultations and this made the employees perceive the system as punitive. These sentiments agree with findings from the literature review which confirms that the IRBM in the public sector has been handicapped by a weak buy-in from the top management to lower levels (Madhekeni, 2013; Mavhiki *et al.*, 2013). Surprisingly, a handful of respondents still believed in the efficacy of the performance management system obtained at GMB. For instance, K20 submitted that the performance management systems in place were clear and aligned to the National Development Strategy 1 to ensure accountable performance by the SOE. Accordingly, K20 responded as follows,

> Before the National Development Strategy (NDS) 1, there were no clear performance indicators to assess state owned enterprises in Zimbabwe. The

> Chief Executive Officer would just report directly to the line Minister and this was not effective. But now each state-owned enterprise has been given themes drawn from the NDS 1 and these agreed performance indicators will be effectively assessed.

In support of K20, K13 submitted that NDS 1 was a clear monitoring framework for SOEs in Zimbabwe. The interviewee further remarked that the performance of GMB as an enterprise was expected to align with the broader themes of the NDS 1 which is the current national economic blueprint. She emphasised that "in accordance with the dictates of the NDS1, GMB and the other state-owned enterprises were supposed to be winnowed from the government's financial support that had for a long time created a dependency syndrome and undermined the SOEs' capacity to effectively perform". It is key to note that without actual implementation, such SOEs reforms remain rhetoric. This bring to the fore the need for government to ensure the provisions of the NDS1 are put into practice.

Apart from the IRBM, the study also found that performance contracts were a legislative requirement in place to monitor the board and management at GMB. Performance Contracting can be defined as a lawful contract between the government or its agency and the management of public sector organisations as well as other independent entities involved in the delivery of public goods (Gakure *et al.*, 2013; Mutinda, 2017). As part of the performance management orientation in government, the aims of performance contracting include; clarifying the objectives of public service institutions and their relationship with the government and facilitating performance evaluation based on results instead of conformity with bureaucratic rules and regulations (Odeka *et al.*, 2017: 44). On the same wavelength, the "Corporate Governance Principles for the state enterprises in Zimbabwe" as approved by the Cabinet on the 4th of March 2014 demonstrate the entrenchment of performance contracting in state-owned enterprise legislation. The principles include the following;

- CEOs and other senior management staff at Public Enterprises to be placed on performance-related contracts;
- Performance-related contracts to spell out the minimum requirements which, if not met, shall constitute grounds for termination of service;
- Performance related contracts to spell out what a CEO is entitled to as a severance package under the different scenarios of termination of service;
- Boards to evaluate the performance of CEOs quarterly and brief Line Ministers on the results thereof.

As reported by K26, and K33 the board is mandated to formulate a strategic plan and enters into performance contracts with the CEO and management. The board then conducts annual reviews and the results are reported to the responsible line Minister. The study discovered that this is following part V of the Public Entities Corporate Governance Act which stipulates that, "The board of every public entity shall annually review its current strategic plan and every current performance contract with senior staff members of such entity, and report the results of its review to the line Minister and the Minister".

Interestingly, there was strong evidence from the study that the performance contracting system was deemed to be as ineffective as the IRBM. A sizeable number of participants from GMB (5 out of 8 participants) remarked that the performance contracts, though required annually were not sometimes done. Adding on K24 said, "the performance contracting system is flawed due to some of the unrealistic goals that the board and management are expected to achieve. For example, how can they expect GMB to increase its silos by 5000 metric tonnes of maize when it does not have adequate funding?"

What is clear from the above findings is that there are documented provisions for performance monitoring and evaluation at GMB to ensure that the parastatal does not operate as a personal fiefdom. While the law is not mute about performance management requirements for the SOEs in Zimbabwe, implementation and adherence to the provisions remain cosmetic. This can be attributed to the lethal performance of most state-owned entities besides GMB. This section discussed the participants' views regarding diverse corporate governance factors at GMB. The ensuing section presents and analyses the study findings on the corporate governance model of Zimbabwe's SOEs.

6.5.2 Corporate governance model in State-owned enterprises in Zimbabwe

Drawing from the responses from participants this section analyses the corporate governance model currently guiding the Grain Marketing Board and other SOEs in Zimbabwe. As revealed in chapters two and three of the study, there are diverse corporate governance models and there is no convergence to a single model across the globe. Despite the variegation, it is pertinent to note that each governance model is often based on a country's ecological idiosyncrasies including, the historical, legal, institutional, economic, cultural, and technological factors. An exposition of the corporate governance model in place for Zimbabwe's SOEs is particularly important to the study as it provides a clear reflection of the governance/ownership functions, oversight responsibilities and autonomy of the SOEs.

Like other previous researchers, the study noted a dearth of information on the corporate governance models for state enterprises. Referring to the Asian context but commenting on the same issue, Yacob and Basiuni (2013) expound that the corporate governance models for SOEs are often a mystery because the state-owned companies are secretive and tend to be very difficult to study. This holds much water in African countries like Zimbabwe where the current study attested that SOEs are sceptical to release corporate governance-related information to researchers. Regarding the question of the current corporate governance model for SOEs in Zimbabwe, divergent and conflicting views emerged. It was crystal clear that the SOEs did not have a cast in stone, documented SOEs governance model.

One of the dominant views emerging from the study was that Zimbabwe as a country did not have a clear corporate governance model for State enterprises since time immemorial. Subscribers to this school of thought argued that the government of Zimbabwe failed to define the governance philosophy that would turn around both the fortunes of the SOEs and the country at large. In support of the highlighted view, participant K30 argued that

> …eh the problem is the lack of ideological clarity by the ruling party. By this, I mean that the country's leadership as a whole has not decided on the ideological framework for managing the economy since 1980 when Zimbabwe gained its independence. They absolutely do not know whether the state-owned enterprises are supposed to be run as commercial or non-commercial. That is the reason why you find many state-owned enterprises just operating on heavy losses as social entities, including those that are deemed to be economic.

Another interviewee alluded to the notion of the absence of a distinct state-owned enterprise governance model in Zimbabwe and opined that,

> Just as much as the State philosophy has drifted back and forth between statism and neo-liberalism and other ill-defined paradigms, the state-owned enterprises' governance philosophy has never been clear. The government has not taken clearly defined measures to make the state enterprises commercial and competitive in line with the global changes.

The above responses attest the absence of a definite governance model for SOEs in Zimbabwe. One may argue that this was a deliberate move by the State to keep the state-owned enterprises within the ruling party's whims. On the other hand, it cannot be reduced that the country's leadership genuinely lacked a clear standpoint about the nature of SOE governance to adopt.

Another popular view from the study was that the country followed the Anglo-American model for its state owned enterprises given its former colonisation by Britain. The proponents of this view established that the board in Zimbabwe's state enterprises is a unitary which is one of the gages that define the Anglo-American boards. While the participants were correct about the Anglo board structure, a key problem with their explanation is that there are other features of the Anglo model that do not relate to the Zimbabwean governance context. For instance, Zimbabwe's state enterprises are not driven by the market-based system of governance. If they fail to perform they are not exposed to hostile take-overs but are usually bailed by the national government. As shown in chapter two of the study under section 2.4, this does not tally with the Anglo governance model. In the Anglo-American or market system of corporate governance;

> Corporate control by shareholders is through discipline take-overs, mergers and acquisitions. If a company with a given productive asset base performs poorly and or the shareholders' value is neglected by the management's decision and behaviour, investors tend to react by selling the shares of that company in their portfolios with the resultant falling share price exposing that company to a hostile takeover by other investors who certainly assume they can get better performance and value for their shareholders from the same asset base if better management were introduced (Rwegwasira, 2000: 262).

Another difference is that of ownership. As granted by Mugova and Sachs (2016: 227) with the Anglo-Saxon model, "the focus is on the company's shareholders whereas in Zimbabwe's SOEs shareholders are not the centre of governance and their contribution is at the periphery". In the context of Zimbabwe, separation of ownership and control is usually very minimum, and this could explain why corruption problems are rife (Chimbari, 2017; Mugova and Sachs, 2016). It is therefore clear that the governance model for state-owned enterprises in Zimbabwe does not fall under the Anglo-US model. If the state enterprise governance model is not inclined towards the Anglo-Us model, the cardinal question becomes-is it aligned with the Continental or stakeholder model adopted by German and other Latin countries? Again the study probes into the characteristics of the Continental governance model to approximate the answer.

As shown in chapter two of the study, despite meagre variations, the Continental governance model usually has two boards and management must safeguard the legitimate interests not only of shareholders but of a broader group of internal and external stakeholders. It is therefore evident that the model yonder from governance characteristics found within the state-owned enterprises in Zimbabwe. In light of this perspective, Mugova and Sachs (2016) reiterate that the archetypal Continental governance system focuses on a broader group of stakeholders, which most often in Zimbabwe, various groups are often not well represented in corporate governance. From these findings, it cannot be discounted that Zimbabwe's state enterprise governance model is neither Anglo-American nor Continental.

The majority of the participants consulted in the study (18 out of 21 participants), agreed that the governance model in the state enterprises is Afro-centric. One that is based on the African culture and values, and commonly dubbed, 'Ubuntu'. Viewed from this angle, the philosophy of "Ubuntu" is anchored on respect for human dignity and the preservation of life (Zimbabwe Corporate Governance Framework, 2010: xvii). It is important to bear in mind the possible pitfalls that emanate from such a governance model that accommodates extended family and tribe. As documented in the literature, the governance system is prone to a legion of problems and some of them according to (Mugova and Sachs, 2016: 227) include nepotism and lack of consideration of competence and expertise. This revelation implies that there is a need to consider better governance models that accommodate African values but at the same inculcate the ethos of good corporate governance and save public enterprises from poor performance as well as collapse.

Research findings from documentary and empirical evidence indicated that the State is either the owner or key shareholder in all the state enterprises in Zimbabwe. As mentioned earlier the majority of the state enterprises, including GMB have a unitary board. Half of the participants were in agreement that contrary to the OECD guidelines (2015a) for good state enterprise governance, there was no explicit government ownership policy in place to define among other things, the reasons for state ownership, the state's role in the governance of the SOEs, how the state will implement its ownership policy and the respective roles and responsibilities of those government offices involved in its implementation. The eccentric corporate structure of the SOEs means that the State determines governance responsibilities such as appointment and selection of board members. Though the governance arrangements are likely to cause lesser shareholder rights problems eminent in corporate governance models with minority and majority shareholders, it has its own downside.

As alluded by most participants (16 out of 21 participants), there are no boundaries between the State and the state-owned enterprise affairs. This risks the incursion of political interference into the business of the state enterprises. And further weakens corporate governance of the state enterprises domain. As observed by the OECD (2004), a lack of strong corporate governance would make it easier for SOEs to maintain non-viable businesses or non-sustainable debt through non-payment of claims by trade vendors, financial institution creditors, utilities, and tax authorities. Some of the respondents in the study reiterated that efforts were underway by the government to winnow loss-making state enterprises from governmental financial support.

This rhetoric has been there in the past and could be a daunting task to implement on the ground. The fact that most SOEs in Zimbabwe serve social obligations validates the argument.

6.5.3 Key Corporate governance Challenges at GMB

Despite some pockets of progress evidenced by improvements in legal architecture, the corporate governance landscape for many state-owned enterprises in Zimbabwe, inclusive of GMB has remained constrained. A constellation of drawbacks to GMB's good-practice principles emerged from both documentary sources and the study participants. The study found out that the challenges affecting corporate governance of GMB as a state enterprise institution range from systemic, structural, institutional, and organisational. This section contributes to the objectives of the study by discussing the key corporate governance challenges at GMB.

6.5.3.1 Political intrusion

In the current study, unfettered political interference emerged as an indelible barricade to corporate governance practices at GMB. The fact that the State is the major shareholder in the SOEs often creates an opportunity for the elites to consolidate power and control in the name of public interest. Approximately, half of those interviewed in the study argued that GMB as the National Strategic grain reserve dealing with agriculture and food security was vulnerable to political incursion. One of the participants representing corporate governance experts highlighted that in Zimbabwe "the concept of public enterprises has become abused as parastatals have become an extension of the State". This response was confirmed by a key official from GMB who commented that "politics pervades the entire operations of GMB. In most cases, instructions granted by the Minister are not business-wise but earmarked for appeasing the electorate. For example, it is not uncommon to be instructed to sell maize at abnormally lower prices". Another respondent from GMB alluded to the same notion of unbridled political interference. According to him, "GMB as a state institution is heavily compromised, especially when it comes to the distribution of food and agricultural inputs we are directed to prioritise certain individuals and areas. Imagine that sometimes we are told not to sell agricultural inputs to certain farmers because of their political affiliation".

Other accounts given by the respondents in the study attested to earlier findings of the study that, the board at GMB was largely compromised due to political appointments and dismissals. In light of this, a key informant from GMB elaborated that "in reality, the board at GMB does not have plenary powers, as the board members blindly follow the Minister's demands and directions for fear of being dismissed". As observed by Transparency International (2015) in their State of Corruption Report for state-owned enterprises in Zimbabwe, the Minister's word is law in the management of state enterprises and parastatals in Zimbabwe. From this evidence, it is indisputable to assert that political independence of public enterprises in Zimbabwe is a distant reality and the lack of it has been at the centre of the governance crisis of public entities in the country**.** As Chigudu (2021) opines, political intrusion results in corporate failures in the management of public entities. Consequentially, it shrinks investor confidence and the overall image of the country.

Whilst the study results may not be generalised to all the state-owned enterprises in Zimbabwe, they precipitate the need for structural adjustments in the governance of the state enterprise sector to redress their performance problems. Similar, to the findings of this study, a study on corporate governance practices at Air Zimbabwe by Mashavave (2017) indicated that political interference was one of the major impediments to the enforcement of good corporate governance in Zimbabwe's state-owned enterprises. Another study by Zvitambo and Mhizha (2019) raises an important point that SOEs in developed countries are regulated by market forces whilst in developing countries politics is the key regulator. The studies, thus far, provide evidence of why public enterprise reform has remained an abstraction despite years of government oratory on the agenda.

6.5.3.2 Incessant Corruption

Another lethal challenge facing GMB is incessant corruption. Responses from a big share of participants (14 participants) affirmed that corruption had become a common culture in the public sector in general and at GMB, in particular. As one interviewee from GMB remarked, "corruption is a way of life here in the public sector because if you do not find your way out you will not survive the Zimbabwean economy that favours the rich and the politician". Concomitantly, another respondent representing the governance experts dubbed GMB as a, "a feeding home for the minister and other big wigs in ZANU PF, who constantly undermined the powers of the board due to their political connectedness". In the current study participants K33, , K6, K19, and K13 pointed to the existence of assorted types of corruption at GMB, including abuse of office and power, bribery, fraud, moonlighting, favouritism, insider trading, conflict of interest, flouting of tender procedures, and embezzlement of funds. As granted by Transparency International (2015: 44), weak internal controls, inadequate accounting, and auditing practices, with low levels of financial and non-financial disclosure in state enterprises and parastatals have all conspired to provide the breeding ground for corruption.

Different opinions emerged with regard to the causes of corruption at GMB. One of the interviewees in the study attributed the problem to a lack of effective governance frameworks in the state enterprise sector. This was dismissed by another interviewee from the Ministry of Agriculture who believed that, "adequate governance frameworks for the SOEs are in place but what is missing is the political will to implement them". It is interesting to note that most of the participants in the study blamed the management and the board for not being able to obliterate corruption in the state-owned enterprise organisation. Ordinarily**,** the board and management should safeguard the interests of the SOE and ensure the effectiveness of its operations. This entails the use of power and resources in public enterprises that translate to meaningful service delivery through the skills and competencies held with both.

On the other hand, Zvitambo and Mhizha (2019) blamed the political leaders in Zimbabwe for taking advantage of the boards and management to loot resources from the state enterprise sector. Consistent with the views of some of the participants, the authors further indicated that there is a limited political will to address the bad state of corporate governance in public entities which are supported by a system of managers who are manipulated by the top political officials. This view is backed by Chimbari (2017: 217) who argues that there has "been political unwillingness to institute and enforce corporate governance reforms to enhance probity, lucidity, accountability and good governance in the public sector in Zimbabwe". Commenting on the issue, Munyede (2021) suggests that capping the term of office of the managers and directors could be the remedy to address the perpetual exploitation of resources in SOEs in Zimbabwe. This ought to be necessitated by a reform initiative in the appointing and management of the SOEs to ensure that the management gains autonomy and independence from the political hand for effective functionality.

6.5.3.3 Inadequate Resourcing

A common view held amongst the study respondents was that GMB operations were mainly affected by a lack of adequate financial resources. In their accounts of the current financial status quo at their institution, most respondents from GMB claimed that the lack of financial resources had stalled the desired productivity of the entity. As respondent K28 commented, "GMB funding is predominantly reliant on the national fiscus since the Treasury has the overall decision-making powers. For example, as an entity we cannot even determine a pay rise for our employees". Expanding on the sentiments of K28, another interviewee from GMB added that, "for state-owned enterprises, there is absolutely no financial freedom. The entities have to keep their expenditures within the required framework by the Treasury". In tandem, K37 remarked that "Most of the public enterprises in Zimbabwe are not liquidated. They are operating below 20% capacity and have dilapidated old infrastructure". The responses of the participants reflect financial incapacitation of GMB to be self-reliant. To this end, one may not expect the same parastatals battling resource shortages to deliver effectively.

Documents reviewed in this study corroborate with the study findings. As established by Zhou (2012a: 176) although the post-independence decade saw GMB expanding its operations from three depots in 1980 to 60 by 1990, it has remained among the highest loss-making agricultural marketing boards, heavily dependent on state subsidies. It is key to note that the entire state-owned enterprise sector has been a remnant of the national economic crisis in the country in the post-2000s. The majority of public enterprises in Zimbabwe are operating under untenable operational frameworks of dilapidated infrastructure and equipment, huge debts, undercapitalisation, skills deficits, vandalism, and looting by top-ranking government officials and politicians. They are generally operating below optimal levels, failing to service bills, and facing frequent threats of industrial action from employees (Zhou, 2012a). A study by SAPST and ZIMCODD (2019) found that some of the key SOEs in Zimbabwe were operating with net liabilities, that is, current liabilities higher than current assets, and thus not in a position to meet short-term financing obligations. Likewise, Muzapu (2016) reports that some state-owned entities have struggled to the extent of failing to meet contractual obligations to their employees. The evidence demonstrates that the state enterprise sector has continued to struggle financially in recent times. In agreement, the Performance Management Guidelines for State-owned enterprises (2017: 19) expound that,

> SEPs largely rely on depressed revenue (due to the state of the economy), debt, and other sources of finance including government transfers to fund basic operations. When the country adopted a multicurrency regime in 2009 with the US$ as the main functional currency, most SEPs started with very low capital bases and few have been able to raise capital from the markets. The government had no resources to capitalize SEPs. This left SEPs with inadequate funding to fund capital projects, especially rehabilitation and upgrading of infrastructure in the capital intensive sectors like utilities and network

One of the participants in the study raised an important point that various strategies and resolutions by the board to raise more resources and expand the GMB enterprise had not seen the light of the day as they are dependent on treasury approval. According to him, "the GMB enterprise is 100% percent owned by the government. This means you are limited by the treasury in everything you attempt to do as an organisation in terms of innovations and expansions. If we were at liberty to make decisions there are so many ideas that could be implored to make GMB commercial and raise adequate resources for the entity". To this end, the results of the study indicate that though GMB is considered a commercial state-owned enterprise it is largely dependent on the government. This situation has not only thwarted the financial independence of the entity but also limited its ability to expand. Standing as an independent legal entity in all aspects, including financial matters would force public enterprises like the GMB to be innovative and possess better resource endowments. As revealed in chapter three of the study, in countries like Colombia, Norway, and Singapore state-owned companies with commercial objectives maintain a general objective of commercial profitability, a high level of value creation, and the highest possible rate of return on investment over time (OECD, 2014). This has caused the state enterprises to contribute greatly to turning the economic fortunes of the countries.

6.5.3.4 Too many regulators

The study discovered through the participants consulted, that serious problems abound in the corporate governance of GMB due to the presence of multiple and often conflicting regulators. As highlighted by K13, K8, and K15, GMB is regulated by different institutions operating under diverse legal frameworks and this makes it hard to determine the lines of authority. The same revelations emerged from the documentary reviews that unravelled the existence of a multiplicity of institutional actors in the public enterprise domain. For example, the World Bank Report (2017), noted that the oversight of state-owned enterprises and parastatals in Zimbabwe includes many institutional actors and requires significant coordination. According to the World Bank 2017,

> …line ministries provide overall policy direction for the State owned enterprises and parastatals and appoint the board that oversea their management and operations, the Office of the president and Cabinet (OPC) designs overall corporate governance framework for SEPs, whilst the Ministry of Finance and Economic Development (MoFED) is responsible for approving SEPs budgets and borrowing and assessing their financial statements. The State Enterprise Restructuring Agency coordinates the SEP reform agenda and other sectorial regulators approve tariffs and technical operating rules.

Commenting on the issue, a participant representing the views of corporate governance experts and selected for the study argued that the presence of multi regulators is a source of great confusion and creates potential coordination problems for GMB as a state institution. The respondent noted that, "they say too many cooks spoil the pudding. This is exactly the same case with GMB and other public enterprises in this country which have too many regulators that are incidentally entangled in a power struggle." This view was buttressed by a key informant from GMB who stated that, "traditionally, as a parastatal, we are expected to report to the ministry. The advent of many regulators over time had caused difficulty for us. As you know, it is always impossible to please many masters". Another participant from the Ministry held a different view, he remarked that, "in essence, multiple institutional actors provide effective oversight over the entity considering that it has social and policy objectives". This finding supports the idea that multiple oversight institutions work hand in glove for the benefit of public enterprises. It is somewhat surprising that the same SOEs continue to face performance and corporate governance challenges despite having extensive oversight institutions. One may refer to the case of South Africa, which as shown in chapter three of the study, attests to the coordination problems and potential conflicts that arise if state-owned enterprises operate under fragmented authority. It is pertinent to note that, in the absence of clarity of roles by the regulators, the accountability of a state-owned enterprise diminishes.

6.5.3.5 Weak internal auditing

Evidence from the interviews held with the study participants showed that effective and efficient corporate governance practices at GMB were also undermined by weak internal audits. A functional internal auditing framework is key to an organisation's internal control system. As granted by the World Bank (2020: 55), an internal audit is an essential component of corporate governance that improves the company's control and monitoring environment and mitigates the risk of fraud. Five of the respondents interviewed from GMB noted the presence of professionally qualified internal auditors in line with globally recommended corporate governance standards.

Unfortunately, the study participants conceded to the pervasiveness of fraud in the organisation. Thus, a red flag to the effectiveness of the internal audit department despite it being properly constituted. As respondent K10 commented, "One tends to wonder if the internal audits exist at all, considering the porousness of the internal controls that have bled GMB from time to time". Commenting on the role and functioning of the internal auditors in state-owned enterprises, an official from the Ministry indicated that in most cases the auditors are compromised in delivering their mandate, in that way jeopardising the integrity of the entities. An expert representing those from academia submitted a different view on the issue. Exonerating the internal auditors she highlighted that "let's not blame the auditors for being compromised, and remember that SOEs are highly political. The auditors' independence is certainly not guaranteed in an economy where there are downturns and everyone fears for their jobs".

Another respondent noted that the major problem in the organisation's internal audit was, "how best to marry the internal audit function with the institutional goals". A broader view about the misalignment between GMB and its internal auditors emerged from respondent K13, who argued that,

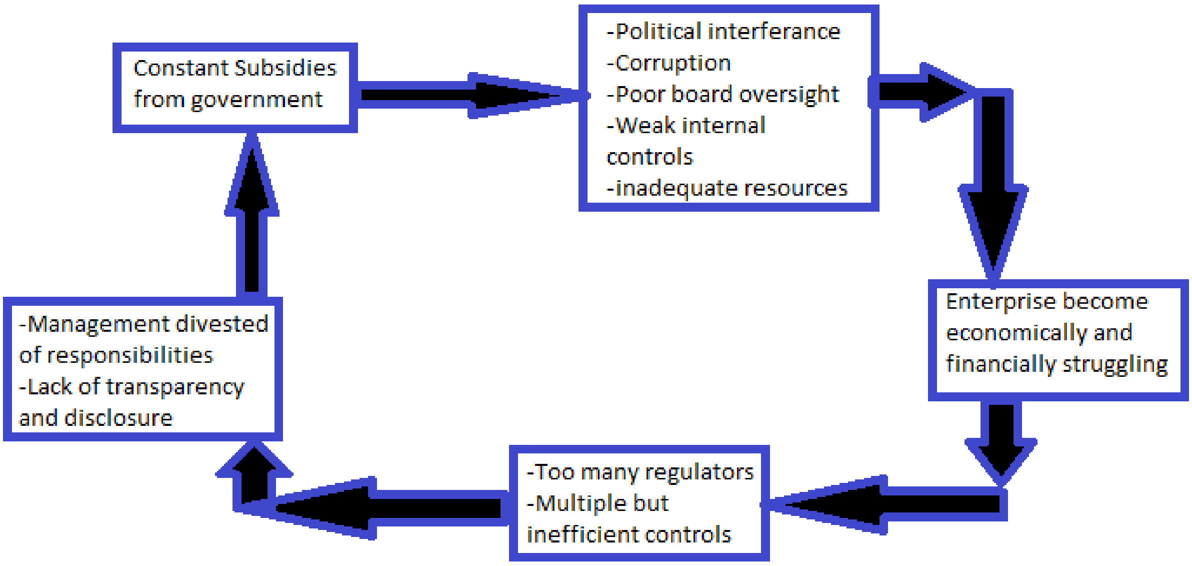
> …the biggest challenge with the organisation's internal control system is that the internal auditors are detached from the company's overall mandate. For me, the internal audit department is untouchable, it is like a mini-parastatal within GMB itself. You find that sometimes they don't give the audit committee and the board the outcome of their audit. Sometimes they tell you point-blank that they do not report to you. This is one of the reasons why GMB has ineffective internal control systems.

The results suggest that the board does not have power over the internal audit and the effects are seen in the form of the organisation's poor risk management. Another revelation from the study findings is that there is no clear reporting procedure for the internal auditors at GMB. The World Bank (2020) depicts that state bodies' internal auditors should report to the board-level audit committee or directly to the board if there is no audit committee. The World Bank further notes that this reporting line is very important in ensuring internal auditors' objectivity and ability to provide key information to the board. As mentioned before, the board at GMB currently does not have members conversant with finance and audit issues.

This could limit the board's oversight of the internal audit function. As a consequence, the state-owned enterprise's capacity to safeguard assets and manage possible risks and exposures is compromised.

This section of the chapter discussed the key corporate governance challenges at GMB. The aim was to determine the barriers to the effectiveness of state-owned enterprises in Zimbabwe. This is important in providing appropriate solutions to improve the governance of SOEs in the country which in turn assist the entities to deliver their broader mandate and contribute to the national economy. The section has shown how political interference, corruption, weak oversight, among other factors, account for fragile governance and poor performance at GMB. This results in the enterprise being financially dependent on the government. The situation is demonstrated by **figure 6.1** below. The next section highlights the operational context of GMB and how it impacts the organisation's performance.

Fig 6.1 The vicious circle of corporate governance at GMB



Source: Adapted from Zimbabwe Public Expenditure Review (GoZ and World Bank 2017b)

6. 5. 4 GMB's operational context

As gleaned from chapter four of the study, contextual idiosyncrasies impact the corporate governance of organisations and their consequent performance. The study identifies the external environment as a powerful contextual variable with undeniable effects on all organisations, including state-owned enterprises. With this in mind, it is of great significance to examine the operating milieu of GMB as a government-owned enterprise. This section discusses the study findings on the influence of the broader environmental factors on GMB.

On the question of the impact of the operational context on GMB, the study found out from a large number of respondents (17 out of 21 participants) that the deepening economic crisis since the post-2000 period had left GMB grappling with financial and operational challenges. In their responses, the participants set out the different challenges that economic hardships had posed to GMB and other SOEs in general. Drawing from his 20 years of working experience, one of the key informants highlighted that "because of its huge debts, GMB cannot borrow funds needed for its sustenance". He added that "as government entities, we have no option but to do our transactions in the local currency and the lack of foreign currency has created a liquidity crisis in the organisation". The same views were shared by another key informant from the same organisation who responded as follows, "the current macro-environment affects not only GMB but all the state-owned enterprises. Because of inflation, viability is next to zero in SOEs in terms of operation. Most public enterprises are required to use the Zimbabwean dollar, yet when they go to purchase they need United States dollars (USD)". This entails that whilst most state-owned enterprises in Zimbabwe are largely blamed for not delivering effectively, it is the environment amplifying their governance crisis.

Another interviewee representing corporate governance experts pointed to sanctions as the root cause of the financial challenges affecting state-owned enterprises in Zimbabwe. According to the respondent, "in any country, the economy provides enablers or disablers to the functions of organisations. Regrettably, in Zimbabwe sanctions have been our worst enemy crippling every public sector business. The State entities in Zimbabwe are disadvantaged because they cannot do business with other countries especially the global northern countries due to these sanctions". A different perspective was given by another corporate governance expert, who dismissed the notion of sanctions being responsible for Zimbabwe's economic crisis. As he opined, "politics is behind the collapse of the economy. Decades of political impasse directly caused delicate structures that bred, corruption, fiscal imbalances, and the resultant economic instability". The views of the participant were buttressed by K28 who blamed politics for the perpetual economic struggles affecting state enterprises. According to the respondent;

> The reason why state-owned enterprises like the GMB are facing financial viability challenges is the nature of the State in which they operate. The State has allowed politics to decide the running of the entire country. During the Government of National Unity, from 2010 to 2013, there was an improvement in the performance of public enterprises because an independent unit, the Structural Enterprises Restructuring Agency (SERA) had efforts to build the capacity of the state-owned enterprises. Now that the Office of the President and Cabinet (OPC), took over in the form of the Corporate Governance Unit, the challenges of the SOEs have gotten worse.

The above comment indicates that the State is responsible for most corporate governance challenges bedevilling the SOE sector. Politicising state institutions has harmed their financial viability. As a result, the entities have not been able to contribute to national development as before. It is sad to note that the authorities are both the causes and the victims of the current state of the state-owned enterprises in Zimbabwe.

The majority of participants interviewed agreed that the macroeconomic hardships in the country birthed abuse of offices by staff at GMB to compensate for the meagre salaries they get. The participants reported cases where some employees connive with politicians and farmers to smuggle agricultural inputs or divert food earmarked for distribution to everyone. On a different note, K13 argued that protracted economic struggles caused bureaucratic pathologies in the public sector. The participant lamented, "GMB is a baby of the government and it has no option but to follow all the tender procedures which are cumbersome. As a result, the enterprise delays in paying suppliers. This makes GMB buy materials or goods at exorbitant prices because sellers fear losing to inflation".

In accordance with the results of the present study, data from several sources seconded that Zimbabwe's decades of macro-economic volatility affected the performance of both private and public sector firms in Zimbabwe (Mugova and Sachs, 2016; Zvitambo and Mhizha, 2019). A report by the Institute of Development Studies (2020) on '*State-owned enterprises and public finances in developing countries'* confirms that in times of economic crisis, the majority of SOEs are adversely affected and their contribution to the national budget becomes negative. The findings of the study suggest that state-owned institutions in countries like Zimbabwe operate under economic constraints and there is a weak institutional capacity to handle the economic pressure. The result is perpetual poor governance.

6. 6 CHAPTER SUMMARY

The chapter presented and analysed empirical findings on corporate governance approaches and challenges at GMB. Data were gathered through semi-structured interviews with key informants (from GMB, Ministry of Agriculture, and corporate governance experts) and corroborated by documentary evidence. The findings unearthed the ecological morphologies behind the poor corporate governance of GMB, in particular excessive political meddling. Porous boundaries between the State and GMB birthed a corrupt and compromised public enterprise whose decimation goes beyond the ordinary eye. The key findings of the study speak great volumes about the inappropriateness of the current decentralised SOEs governance/ownership model in Zimbabwe. This brings to the fore the need for an integrated corporate governance model that annihilates corruption and at the same time depoliticises state-owned enterprises in the country in line with global corporate governance standards.

The next chapter focuses on the conclusions reached by the study in the context of the major findings elucidated in this chapter. Appropriate recommendations based on the theoretical and empirical expositions in this study will be proffered to fulfil the fundamental goals of the study. The chapter also concentrates on the realisation of the key objective of the study, which is to develop an integrated governance model for sustainable corporate governance approaches at GMB.

CHAPTER SEVEN: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS: AN INTEGRATED CORPORATE GOVERNANCE MODEL FOR STATE-OWNED ENTERPRISES IN ZIMBABWE

7.0 INTRODUCTION

The previous chapter presented and analysed the major findings of the study. This final chapter is envisaged to address the core research thrust stated in chapter one. Based on the research in the preceding chapters, the chapter presents an integrated corporate governance model proposed for State-owned enterprises in Zimbabwe as the key contribution of this study. The model is a culmination of empirical, theoretical, and analytical review. Though proposed for the GMB enterprise, the model can serve as a point of departure for the Government and be applied to the entire State-owned enterprise sector in the country. The model is a genuine quest for sustainable corporate governance approaches in the State enterprise sector in Zimbabwe. This transformational intent underpins the study's aim.

This chapter presents an overview of the study. It begins with a summary of the study and then proceeds to present the important conclusions and recommendations reached in light of the research findings and the problem under investigation. The chapter further presents an integrated corporate governance model developed for GMB. The chapter ends by recommending possible future studies on State-owned enterprise governance.

7.1 SUMMARY OF THE STUDY

This section presents a synoptic view of the entire study. A summary of the research problem, research objectives, research methodology, and the key chapters of the study is given to delineate the locus of the research. Relevant references to previous chapters shall be made, where necessary, to avoid unnecessary repetition.

7.1.1 Research Problem

The research problem was formulated in the form of a statement in chapter one (section 1.2). The central problem in the research revolved around the failure of most SOEs in Zimbabwe to maintain commercial viability and abide by the generally accepted standards of good corporate governance. The SOEs that used to be locomotives of the country's economy have become dependent on the government from time to time. The Auditor General's Reports and Parliamentary Portfolio Committee on Accounts findings over the years attest to the vicious circle of poor performance of the SOEs (Refer to Section 1.2 in Chapter One). This speaks huge volumes about the inadequacy of the current SOEs governance model. Against this backdrop, the study sought to redress the performance levels of the state enterprises through the development of an integrated, context-specific corporate governance model.

7.1.2 Research Objectives and Questions

The primary objective of the study was to develop an integrated governance model for sustainable corporate governance approaches at GMB. Different specific objectives were formulated to operationalise the primary objective. Chapter one (section 1.4) of the present study cited the following as secondary research objectives;

1. **Objective 1:** To examine the contribution of corporate governance to the performance of SOEs.
2. **Objective 2:** To review international cases and best practices on corporate governance and draw lessons for Zimbabwe.
3. **Objective 3:** To determine the ecological idiosyncrasies of SOEs in Zimbabwe.
4. **Objective 4:** To analyse the legal and institutional frameworks guiding corporate governance approaches in Zimbabwe's SOEs.
5. **Objective 5:** To empirically investigate corporate governance approaches and challenges at GMB.
6. **Objective 6**: To recommend an appropriate corporate governance model for GMB.

In line with the research objectives, relevant research questions were developed. The primary research question was: What might be the best governance model to ensure sustainable corporate governance approaches at GMB? The following secondary research questions were developed and answered.

1. **Question 1**: How does corporate governance contribute to the performance of SOEs?
2. **Question 2**: What lessons can Zimbabwe draw from international cases and best practices on corporate governance?
3. **Question 3:** What are the ecological idiosyncrasies of SOEs in Zimbabwe?
4. **Question 4**: Which legal and institutional frameworks guide corporate governance approaches in Zimbabwe's SOEs and how effective are they?
5. **Question 5**: What corporate governance approaches and challenges are at GMB?
6. **Question 6**: Which appropriate governance model can be adopted for GMB?

Based on the exposition above, **Table 7.1** below links the study objectives and questions to different chapters.

Table 7.1 Link between research questions and research objectives and chapters

Research Questions (RQ)	**Research Objectives (RO)**	**Chapter (s)**
RQ1. How does corporate governance contribute to the performance of SOEs?	**RO1**. To examine the contribution of corporate governance to the performance of SOEs.	**Chapter Two**
RQ2. What lessons can Zimbabwe draw from international cases and best practices on corporate governance?	**RO2.** To review international cases and best practices on corporate governance and draw lessons for Zimbabwe.	**Chapter Three**
RQ3. What are the ecological idiosyncrasies of SOEs in Zimbabwe?	**RO3.** To determine the ecological idiosyncrasies of SOEs in Zimbabwe.	**Chapter Four**
RQ4. Which legal and institutional frameworks guide corporate governance approaches in Zimbabwe's SOEs and how effective are they?	**RO4.** To analyse the legal and institutional frameworks guiding corporate governance approaches in Zimbabwe's SOEs.	**Chapter Five**
RQ5. What corporate governance approaches and challenges are at GMB?	**RO5.** To empirically investigate corporate governance approaches and challenges at GMB.	**Chapter Six**

RQ6. Which appropriate corporate governance model can be adopted for GMB?	**RO6.** To recommend an appropriate corporate governance model for GMB.	**Chapter Seven**

Source: Author's creation

7.1.3 Research Methodology

The study is an interpretive exploration of a single case study. Data from semi-structured interviews held with purposively chosen key informants was corroborated with documentary evidence to provide a detailed examination of the GMB's corporate governance practices. This provided an opportunity to clarify the barriers to effective governance of SOEs in Zimbabwe. Data from interviews and documents were respectively analysed through thematic and content analysis. The study adhered to ethical standards established by the Basic and Social Sciences Research Ethics Committee (BaSSREC) of the Faculty of Humanities at Northwest University and Australian Macquarie University to protect all the participants in the research.

7.1.4 Summary of the Key Chapters

Chapter One forms the backbone of the study. The chapter provides a general orientation of the study by illuminating the corporate governance deficit problems in Zimbabwe's SOEs. Based on classical and contemporary literature review, the chapter traces corporate governance developments and challenges at global, regional, and local levels. The chapter helps to focus the study on the context of SOEs in Zimbabwe and paves the way for the development of an integrated corporate governance model for the SOEs. The chapter includes; the background of the study, statement of the problem, research objectives and questions, significance of the study, central theoretical statement, limitations and delimitations, ethical considerations, and the preliminary organisation of the study. The research design and methodology of the study are also found in the same chapter.

Chapter Two provides a theoretical review of corporate governance to elicit deeper meaning to the current study. The chapter contributes to the study by locating, analysing, synthesising, and organising extant research and documents related to the corporate governance of SOEs. It discusses corporate governance approaches, models, factors, and theoretical constructs. The chapter further captures the contribution of corporate governance to SOEs' performance. Generic state enterprise governance challenges and the environmental determinants of corporate governance are also discussed in the same chapter. Based on the extant research and literature reviewed, the chapter presents the conceptual framework derived for the study.

Chapter Three is an exposition of international cases and best practices in corporate governance. The chapter contributes to the study by delineating the acceptable global standards of corporate governance from which a range of lessons can be drawn for Zimbabwe. An appreciation of the corporate governance benchmarks assists the study in proposing recommendations to strengthen the governance of SOEs in Zimbabwe.

Chapter Four presents the ecological idiosyncrasies of SOEs in Zimbabwe. The chapter reviews how the post-colonial economic and political dynamics embodied in changing paradigms have impacted the governance landscape of the state enterprise sector. The inimical effects of the nebulous macro-environment undermined the efficiency and transparency of the SOEs. Thus, negating SOEs' developmental imperatives. The chapter helps to garner sufficient knowledge about the root causes of the current governance and performance deficits in the majority of the SOEs.

Chapter Five analyses the legal and institutional landscape for SOEs in Zimbabwe. Illuminating the effectiveness of the regulatory architecture for the state enterprises is pertinent as it determines the mode of governance in the sector. The chapter demonstrates the presence of fairly comprehensive legal and institutional frameworks for SOEs in Zimbabwe, but a huge implementation gap is noted. The gap inevitably accounts for a spectrum of corporate scandals in public enterprises.

Chapter Six presents the empirical findings of the research. The chapter examines corporate governance approaches and challenges at the GMB. The chapter also unravels the environmental morphologies behind the performance of GMB as a state-own enterprise. The key findings of the research pinpoint the flaws of the current state-owned enterprise governance model in Zimbabwe. This precipitates the need for an integrated corporate governance model that revitalises the governance of state-owned enterprises in the country in line with global standards.

Chapter Seven denotes the final chapter of the research. The chapter provides a synopsis of the whole study. It further presents the conclusions and recommendations reached in a study that sought to develop an integrated corporate governance model for SOEs in Zimbabwe. Based on empirical findings, theoretical review and lessons drawn from best practices on corporate governance, the chapter proposes a governance model for the Grain Marketing Board enterprise. The chapter also presents suggested future studies on the research topic.

7.2 CONCLUSIONS

The overall conclusion reached as far as the primary objective of this study is concerned is that a decentralised state-owned enterprise governance model is no longer fit for purpose in terms of transforming the economic fortunes of SOEs in Zimbabwe and facilitating their contribution to the national fiscus. The model which seemed appropriate in the early epochs of independence (the 1980s-1990s) has been rendered ineffective by a changing political and economic arena. Entrusting the SOEs ownership function to different institutions has birthed SOEs governance catastrophes through political incursion. The governance malaise is responsible for the poor state of performance in state-owned enterprises. With this in mind, the study concludes that meaningful transformation of the SOEs lies in addressing the barriers that undermine their capacity. SOEs should be independent to pursue their mandate effectually. In this light, the SOEs governance model should insulate them from political meddling through a clear separation of the entities from the State.

7.3 RECOMMENDATIONS: AN INTEGRATED CORPORATE GOVERNANCE MODEL FOR STATE-OWNED ENTERPRISES IN ZIMBABWE

Based on the research findings, the study recommends a restructured governance model for GMB. The proposed model is conceptualised based on the corporate governance challenges faced by the state-owned enterprise as well as its broader environment. The model was developed using the following strategies:

Strategy 1

Empirical Review- the strategy involved blending face-to-face semi-structured interviews with online interviews to elicit data grounded in the expertise and experiences of key informants. The data provided a rich source to understand corporate governance approaches and challenges at GMB and develop a contextually attuned state-owned enterprise governance model.

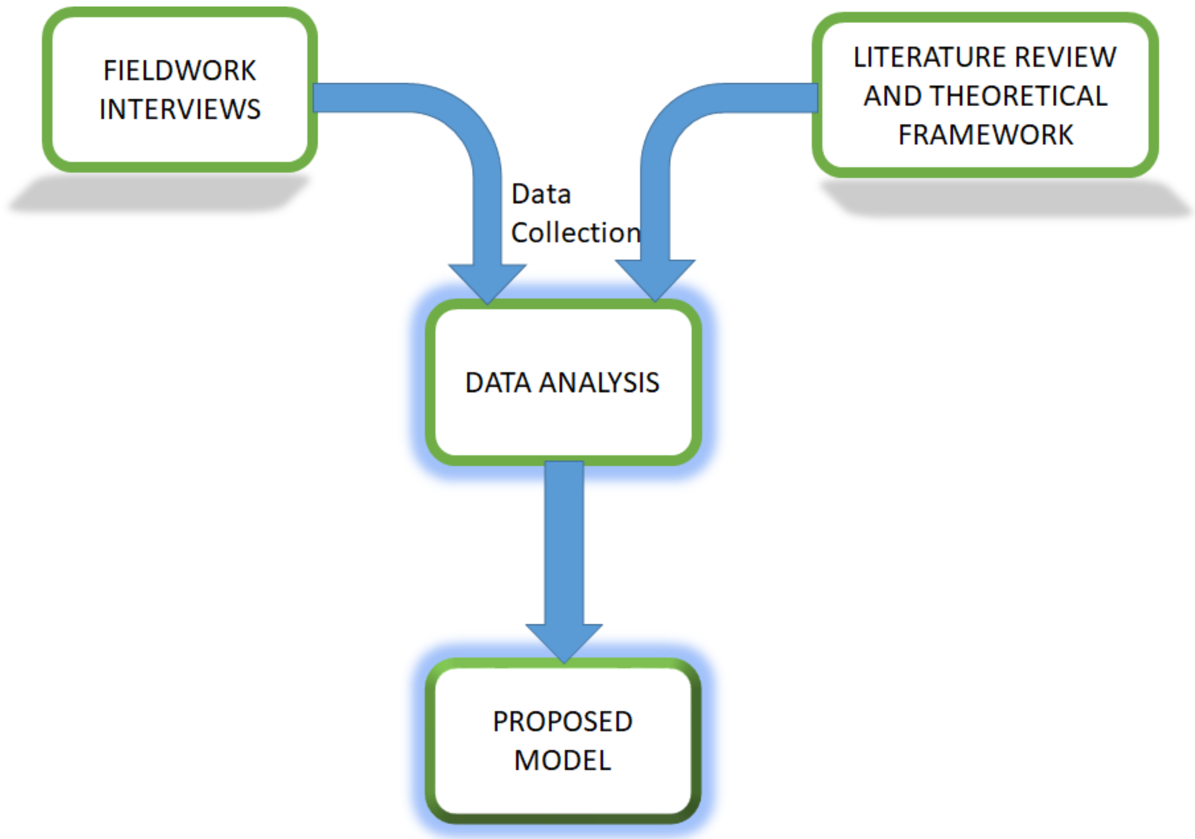
Strategy 2

Literature review- the strategy involved reviewing both academic and grey literature on corporate governance, such as government reports, international reports, white papers, articles, books, newspapers, and other published research. The review also included an exploration of the principle-agent and contingency theories that underpinned the theoretical framework of the study. Examining what is already known at the theory and praxis level of corporate governance illuminated the principles of good corporate governance and provided the basis for a better-designed research model.

Strategy 3

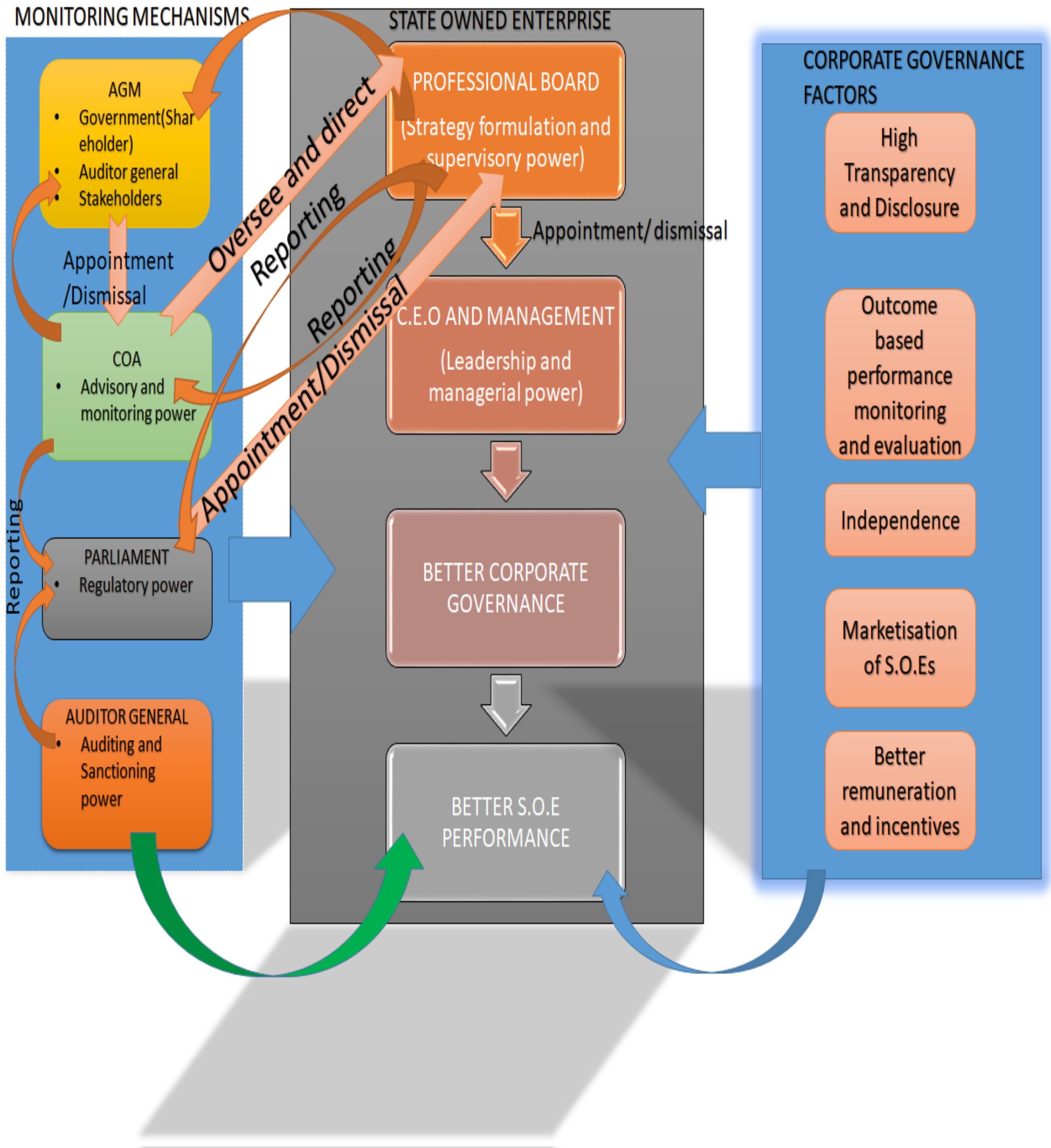
The strategy involved analysing data from semi-structured interviews and relevant documents using content and thematic analysis techniques to make sense of participants' responses and documentary evidence. The integration of the knowledge and insights gained from the research contributed to the overall design of the proposed state enterprise governance model. **Figure 7. 1** is a diagrammatic representation of the strategies followed in the study.

Figure 7.1 model development strategies employed



Source: Author's creation

Figure 7.2 An integrated corporate governance model for GMB



Source: Author's creation

Figure 7.2 depicts an integrated corporate governance model for GMB. The separation between the State's role as shareholder and regulator is the hallmark of the model. The Central Ownership Agency (COA) assumes the role of the State in controlling the SOE. The influence of the government as a shareholder is only through the Annual General Meeting (AGM). The COA monitors financial, operational, and technical issues of the SOE to ensure high-performance standards.

The COA works hand in glove with the parliament and the Auditor General to provide robust monitoring mechanisms for the SOE. A professionalised SOE board, appointed by and reporting to the parliament, stirs the organisation towards good corporate governance standards. The board and its executive capitalise on good corporate governance approaches in the form of high transparency and disclosure, outcome-based performance management, independence, marketisation (competition), and better remuneration and incentives. As a result, there is better governance and SOE performance. The key features of the model are explained beneath.

7.3.1 Important features from the proposed governance model

1. Centralised Ownership Agency (COA)

The study findings showed that currently the ownership functions for the state-owned enterprises are shared between the line ministries, the Corporate Governance Unit and the Ministry of Finance and Economic Development to form a decentralised governance model. At the same time, both literature and empirical findings point to the incursion of politics as obstructive to the decentralised SOEs governance model which accords excessive powers to the line Minister and other ruling elites. Although the Corporate Governance Unit was established to oversee all SOEs, it is pertinent to note that the unit which is housed in the Office of the President and Cabinet (OPC) is currently not organized as an independent entity from the government. Additionally, it may be argued that the OPC is already overwhelmed to provide adequate oversight, dealing with many issues, such as the COVID-19 Pandemic, procurement, and restoration of the economy.

To this end, the study proposes the establishment of an independent specialised agency to perform the SOEs ownership function. The nominations and appointment of the Central Ownership Agency (COA) must be decided by both State and non-state shareholders via an election at the Annual General Meeting of shareholders (AGM). Centralising the ownership function in one entity will ensure professionalism, clear lines of accountability, and a coherent State-owned enterprise governance policy. The key function of the specialised agency is to insulate the SOEs from politics and reinforce a commercial purpose.

2. Professionalising SOEs Boards

As shown through the study results in Chapter Six, despite the powers and functions of SOEs boards being bestowed in various statutes, the boards are largely compromised due to political appointments and dismissals by the Line Ministers. Delinking the SOEs boards from the line

Ministries is, therefore, essential to depoliticise and professionalise the SOEs. In addition, the board members must be empowered to execute their oversight role as SOEs' central control mechanisms without fear. The security and independence of the board must be guaranteed to enable the board of directors to discharge their duties effectively. To this end, the board must independently choose its preferred chief executive officer. The Chief executive officer will be accountable to the board, and in turn, the board will be accountable for the overall performance of the entity. Board independence will further be realised by changing the board's appointment and removal process. The nomination of potential board members must be conducted by the parliament on the recommendation of the Centralised Ownership Agency (COA). The COA must conduct a background check on the candidates to ascertain their suitability. In selecting the board members the parliament should follow merit-based criteria and evaluation procedure as set forth by section 11 (7) of the Public Entities Corporate Governance Act Chapter as well as the Acts establishing the publicly owned entities. As demonstrated in chapter three of the study, a good mix of skills in the board is a good sign of a professional board.

The board must report to the Centralised Ownership Agency and the parliament regularly. The board must also present performance reports to shareholders during the Annual General Meeting. On the other hand, the COA should constantly monitor the SOEs to ensure they are operating in tandem with their constitutional mandate and generating sufficient revenue. As for the removal of the board of directors, the parliament must comply with section 16 of the Public Entities Corporate Governance Act on provisions on the disqualification for appointment to the board. If it is reasonable, the dismissal of the board of director (s) must be done based on a two-thirds majority vote in parliament.

3. Empowerment of the Auditor General

As shown from the beginning of the study, the Auditor General (AG) in Zimbabwe does not have sanctioning power. As a consequence, the majority of the SOEs have been reluctant to act on the AG's recommendations. Some of the SOEs have even developed tendencies of not submitting annual financial reports for auditing by the AG. These tendencies militate against the spirit of transparency and accountability which forms the basis of good corporate governance. To avoid the recurrence of these malpractices, the AG should be empowered to act on cases of misuse of public funds. As gleaned from the Colombian case in chapter three, the AG needs to be given the constitutional power to protect and recover all public goods and resources.

The study proposes that the AG’s office should be allowed to take action against fiscal and resource abuse in public enterprises by taking cases directly to the anti-corruption commission, and working hand in glove with the parliament to ensure that perpetrators of corruption and violators of fiscal laws in the public sector are investigated, convicted and arrested accordingly. This brings to the fore the need for the political will of the government to abate corruption and sanction whoever is caught on the wrong side of the law despite political affiliation.

4. The marketisation of the State-owned enterprises

The governance of state-owned enterprises should shift from being politically determined to being market-driven. One way to allow efficiency to fruitfully navigate the State-owned enterprises is to privatise. Due to the social costs of privatisation, the study recommends marketisation. This is so to regulate the affordability and availability of goods and services offered by the SOEs. It is pertinent at this juncture to ascertain that privatisation and marketisation are not synonymous. Privatisation involves the transfer of activities and or responsibilities from the public to the private sector. On the other hand, marketisation denotes the introduction of various competitive or market incentives in public enterprises without necessarily changing their ownership (Hansen et. al, 2020).

The study recommends the advent of competitive mechanisms and quasi-market instruments (marketisation) in the state-owned enterprise sector to capitalise on the public entities, foster their financial discipline and enable them to deliver their commercial mandate. To uphold the values of Ubuntu that underpin the country’s corporate governance, the Centralised Ownership Agency should regulate the market system and avoid exploitation of the general public. Furthermore, in line with the international corporate governance standards, the legal and regulatory framework for the SOEs should ensure a level playing field and fair competition in the marketplace.

5. Outcome-based performance monitoring and evaluation framework

The research findings revealed that the current performance management framework in place at GMB was largely ineffective. The performance management system was based on inadequate data and reporting. Moreover, although performance contracts existed between the board members and the Minister, the contracts had no tangible outcomes and/ or consequences making them compliance-based rather than outcome-based.

To this end, the study recommends strengthening the current performance management framework for all SOEs in Zimbabwe by establishing a continuous results-based performance management system. The performance management system must be explicit about the financial and non-financial performance indicators for the diverse state-owned enterprises and how these can be measured and assessed. Alongside result-based performance management, performance contracts for the SOEs leadership should now be signed between the board and the parliament. The performance contracts must also have clear and measurable indicators aligned to the organisation's strategic goals. In cases where the management and board do not meet the targets set in their contracts, there must be consequences for failure. This is vital in keeping the SOEs' management and executives effective. State enterprise management assessments should be based on 360 degrees feedback. This entails that subordinates should take part in the assessments because the performance of management depends also on how well they manage their subordinates.

The study recommends performance-based rewards to motivate the most committed and productive employees, for example, at the end of each month, quarter or year. This is crucial if the SOEs are to reinforce a performance culture. Likewise, non-performers should be sanctioned to ensure that other employees do not repeat detrimental behaviours.

6. High transparency and disclosure standards

The study findings showed that information to do with SOEs performance is normally shrouded in secrecy and this affects SOEs' accountability. It was revealed that the SOEs did not in practice, hold Annual General Meetings (AGMs) and this made it difficult for the public to know their mode of operation. In this regard, the study recommends high transparency and disclosure standards for all SOEs in Zimbabwe. Transparency at its best means that information is not only accessible, but also that it is comprehensive and, easier to understand.

Mandatory reporting structures are recommended for the SOEs as is the case with listed firms. The SOEs should be compelled to avail information relating to their long-term strategic plans, budgeting, and performance in the public domain. This means that the SOEs' financial and non-financial performance reports must be easily accessible to the public. SOEs arrears, incomes, liabilities, as well as transfers from the government, must be clearly outlined in every financial report to enable the public to determine the management of public finances and the impact of funded programs and projects. To better strengthen transparency and disclosure requirements, the Special ownership agency must ensure that every state-owned enterprise in Zimbabwe holds an Annual General Meeting at least once a year as prescribed by section 33 (3) of the Public entities Corporate Governance Act (Chapter 10:31).

7. Better remuneration schemes and incentives for Board and management

The study recommends better remuneration schemes for the members of the board and SOEs management. The study findings in chapter Six showed that remuneration for the board and executive in the country's SOEs have been far below market levels. To attract and retain experienced, and competent SOEs leadership, the specialised ownership agency should continuously review the remuneration for SOEs leadership and determine whether they guarantee the sustainability of the SOEs. Better remuneration schemes not only help to incentivise the board and management but is also key in reducing corruption tendencies. In line with this sight, the study recommends that board remuneration must not be uniform across the state enterprise sector but performance differentials among SOEs must be recognised.

7.4 AREAS RECOMMENDED FOR FURTHER RESEARCH

Based on the identified limitations of the research, the study recommends the following for future studies;

1. The study is based on a qualitative, single research design which limits the generalisability of research findings. In that respect, the study recommends the construction of the same research based on a quantitative research design to generate comprehensive data on state-owned enterprise governance that can be generalised. In addition, further studies on the same topic applying a larger sample of state-owned enterprises will be greatly essential in the re-assessment or expansion of the model built in this study.

2. The study findings, together with literature showed the effects of the macro environment of corporate governance and the performance of SOEs in Zimbabwe. There is a need, however, to investigate corporate governance practices and approaches in other contexts beyond Zimbabwe. In this regard, the study recommends future comparative studies on the impact of the environment on state-owned enterprise governance.

7.5 CHAPTER SUMMARY

The chapter marks the end of a study that sought to develop an integrated corporate governance model for state-owned enterprises in Zimbabwe. The chapter is organised in terms of the summary of the study (research problem, research objectives, and questions, research methodology), research conclusions, as well as recommendations. The study has shown the indelible effects of the politico-economic ecology on state-owned enterprise governance and performance in Zimbabwe.

Most importantly, the study findings revealed that a decentralised governance approach is no longer fit for purpose as the presence of multiple and often conflicting regulators birthed avenues for unbridled corruption and patronage in public enterprises. As politics emerged as the key regulator in the state enterprise sector, the plenary powers of the board have been usurped by different political actors, including the Minister under the guise of regulation. Based on these theoretical and empirical expositions, the study proposed a state enterprise governance model that suits the corporate governance challenges of SOEs in Zimbabwe and their operating context. The model that seeks to insulate SOEs from political interference, confines the role of the State to a shareholder.

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APPENDIX A

INTERVIEW SCHEDULE FOR MANAGEMENT AT GMB

Name of researcher:	Barbra Maiwasha
Programme:	PhD Public Management and Governance
Title:	Developing an integrated corporate governance model for Zimbabwe's SOEs: the case of Grain Marketing Board (GMB)

SECTION ONE: BACKGROUND INFORMATION OF RESPONDENTS

A. **Gender (Male) [ ] or (Female) [ ]**

B. **Level of Education………………………………………………………….**
C. **Current Position……………………………………………………………….**
D. **Work experience in the SOE: [0 -5], [6-10], [11-15], and [16 and above]**

SECTION TWO

1. What is your opinion about the current corporate governance practices at GMB? In what ways do you think the nature of corporate practices affects your organisation's performance?
2. What specific legal frameworks and principles guide SOE governance in Zimbabwe and to what extent are they effective in regulating GMB's performance?
3. From your knowledge as management, are there any internal and (or) external mechanisms in place to ensure GMB's compliance with these frameworks?
4. What key government institutions are responsible for setting SOE governance policy in Zimbabwe, for example, setting SOE objectives, appointing boards and senior management and monitoring SOE performance? What measures are in place to insulate SOEs from undue political interference by these government institutions?

5. From your understanding, what is the formal process of nominating, appointing and dismissing boards at GMB?
6. As a follow-up question, do you think the structure and composition of boards at GMB contribute to the attainment of the organisation's statutory mandate? (Please elaborate on your answer).
7. How is the compensation of the Chief Executive Officer (CEO), board of directors and other key executives at GMB determined? Are there any performance contracts tied to their contracts and remuneration?
8. Who are the primary lenders of GMB? Do you think the SOE has preferential access to finance over other private enterprises?
9. As an organisation, do you have any performance monitoring system in place? If so, what financial and non-financial indicators are monitored?
10. What measures are there to ensure the disclosure of both financial and non-financial information of GMB?
11. From your understanding, what challenges affect corporate governance at GMB?
12. In your view, what key aspects should be considered in developing an appropriate integrated corporate governance model for SOEs in Zimbabwe?

Thank you for your valuable contribution.

INTERVIEW SCHEDULE FOR GMB BOARD MEMBERS

Name of researcher:	Barbra Maiwasha
Programme:	PhD Public Management and Governance
Title:	Developing an integrated corporate governance model for Zimbabwe's SOEs: the case of Grain Marketing Board (GMB)

SECTION ONE: BACKGROUND INFORMATION OF RESPONDENTS

A. **Gender (Male) [ ] or (Female) [ ]**
B. **Level of Education……………………………………………………….**
C. **Current Position………………………………………………………….**
D. **Work experience in the SOE: [0 -5], [6-10], [11-15], and [16 and above]**

SECTION TWO

1. As the Board, what is your opinion about the current corporate governance practices at GMB?
2. From your knowledge, which key legal and institutional frameworks govern corporate governance practices at GMB and how effective are they?
3. How does SOE legislation define the powers and duties of boards? Please elaborate on your answer highlighting whether the mandates and working procedures of the board are well defined and disclosed to board members.
4. What is the nature and composition of the Board at GMB? In what ways do you think the board's structure impacts its effectiveness?
5. Corporate governance best practices emphasise the importance of splitting the chairmen and CEO roles in organisations, what is the current position at GMB?
6. As a follow up question, what do you think are the implications of combining the Chairmen and CEO roles?

7. What role does the Board play in the appointment and compensation of the CEO and other key executives?
8. From your assessment, how does board compensation at GMB compare with private sector and is it enough to attract qualified and experienced board members?
9. How often do you meet as a Board and are there any stipulated penalties for frequent absconding from board meetings?
10. As a Board, do you have any audit committees? If so, how are the committees selected and how do they function and report?
11. In what ways do you think the environmental context of GMB affects the operations of the Board and the entire organisation?
12. What key aspects do you think should be considered in developing an integrated corporate governance model for SOEs in Zimbabwe?

Thank you for your valuable contribution.

INTERVIEW SCHEDULE FOR OFFICIALS FROM THE MINISTRY OF LANDS, AGRICULTURE, WATER AND RURAL RESETTLEMENT

Name of researcher: Barbra Maiwasha

Programme: PhD Public Management and Governance

Title: Developing an integrated corporate governance model for Zimbabwe's SOEs: the case of Grain Marketing Board (GMB)

SECTION ONE: BACKGROUND INFORMATION OF RESPONDENTS

A. **Gender (Male) [ ] or (Female) [ ]**
B. **Level of Education…………………………………………………………..**
C. **Current Position…………………………………………………………….**
D. **Work experience in the SOE: [0 -5], [6-10], [11-15], and [16 and above]**

SECTION TWO

1. As the mother ministry, what role do you play in setting the governance policy for SOEs under the agricultural sector?
2. From your knowledge, is there a state ownership policy document or law that defines the overall objectives of state ownership in Zimbabwe? If so who is responsible for implementing and overseeing its implementation?
3. How do you see the nature of the relationship between GMB and the ministry and to what extent does it guarantee transparency and accountability of the organisation?
4. What is the formal process of nominating, approving and appointing the board and CEO at GMB?
5. Which legal frameworks currently guide SOE governance and from your analysis, how effective are they?
6. Is there a policy or law to determine the compensation of the CEO, Board and key executives in SOEs?

7. What are the channels for disseminating GMB's annual report and other information to non-state stakeholders?
8. Are SOEs in Zimbabwe, subject to the same legislation as private enterprises? If not, how does this affect their performance?
9. The Auditor General's findings have continued to unearth corporate governance scandals in most SOEs despite the adoption of corporate governance. From your understanding what accounts for this scenario?
10. As a ministry, how do you monitor the overall performance of GMB?
11. How would you describe the environmental context for SOEs in Zimbabwe? In your view, how does this environment impact SOEs?
12. In your view, which key aspects should underpin an integrated corporate governance model for SOEs in Zimbabwe?

Thank you for your valuable contribution.

INTERVIEW SCHEDULE FOR CORPORATE GOVERNANCE EXPERTS

Name of researcher:	Barbra Maiwasha
Programme:	PhD Public Management and Governance
Title:	Developing an integrated corporate governance model for Zimbabwe's SOEs: the case of Grain Marketing Board (GMB)

SECTION ONE: BACKGROUND INFORMATION OF RESPONDENTS

A. **Gender (Male) [ ] or (Female) [ ]**
B. **Level of Education…………………………………………………………….**
C. **Current Position……………………………………………………………….**
D. **Work experience in the SOE: [0 -5], [6-10], [11-15], and [16 and above]**

SECTION TWO

1. What is your expert opinion about the current corporate governance practices in Zimbabwe's SOEs?
2. In your view, what are the critical success factors for good SOE governance?
3. As a follow-up question, do you think Zimbabwe's state enterprise sector has these critical factors given that most SOEs have a long record of mismanagement and poor financial accountability?
4. What is your comment on the effectiveness of the legal and institutional frameworks that regulate SOEs in Zimbabwe?
5. What can you say regarding the performance of boards in most SOEs in Zimbabwe?
6. From your experience, how does the nature and composition of boards impact organisational performance?
7. Are SOEs in Zimbabwe subject to the same legislation as private enterprises? If not, how does this affect their performance?

8. Documentary evidence suggests that in many African countries, SOE governance, interacts deeply with national politics. What measures do you think can be put in place to insulate Zimbabwe's SOEs from undue political interference?
9. From your knowledge, how does the broader environmental context in Zimbabwe affect SOE governance?
10. As a corporate governance expert, what do you think is the significance of developing a context-specific, corporate governance model for Zimbabwe's SOEs?
11. In your view, which key aspects should underpin an integrated corporate governance model for SOEs in Zimbabwe?
12. Are there any other issues you might want to further amplify regarding corporate governance in SOEs?

Thank you for your valuable contribution.

APPENDIX B

NWU®
NORTH-WEST UNIVERSITY
NOORDWES-UNIVERSITEIT
YUNIBESITI YA BOKONE-BOPHIRIMA

Building F13, Room 116
Basic and Social Sciences Research Ethics Committee (BaSSREC)
21081719@nwu.ac.za

DATE: ……………………..

BaSSREC Authorization
Prof Jacques Rothmann — Digitally signed by Prof Jacques Rothmann Date: 2021.11.03 11:01:03 +02'00'
Approved 3 November 2021

PARTICIPANT INFORMATION LEAFLET AND CONSENT FORM

Title of the research project	Developing an integrated corporate governance model for Zimbabwe's State owned enterprises: the case of Grain Marketing Board
Ethics number	**NWU-00630-21-A7**
Principal investigator	Barbra Maiwasha
Student number	33022143
Address	**5 Mutepe Rujeko Marondera, Zimbabwe**
Email address	**bmaiwasha@gmail.com**
Contact number	**+263 774 062 408**

You are being invited to take part in a research project that forms part of my study for a Doctor of Philosophy Degree in Public Management and Governance. Please take some time to read the information presented here, which will explain the details of this project. Please ask the researcher any questions about any part of this project that you do not fully understand. It is very important that you are fully satisfied that you clearly understand what this research is about and how you could be involved. Also, your participation is **entirely voluntary** and you are free to decline to participate. If you say no, this will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point, even if you do agree to take part. Prior to publication of the study's results (or the point that publication is in process), you may also withdraw the data you generate.

This study has been approved by the **Basic Social Sciences Research Ethics Committee (BaSSREC) of the Faculty of Humanities of the North-West University (NWU-00630-21-A7)** and will be conducted according to the ethical guidelines and principles of the international Singapore Statement on Research Integrity (2010) and the ethical guidelines of the National Health Research Ethics Council. It might be necessary for the research ethics committee members or relevant authorities to inspect the research records to make sure that we (the researchers) are conducting research in an ethical manner.

APPENDIX C

DATE: ....

PARTICIPANT INFORMATION SHEET

TITLE OF THE RESEARCH PROJECT: DEVELOPING AN INTEGRATED CORPORATE GOVERNANCE MODEL FOR ZIMBABWE'S STATE-OWNED ENTERPRISES: THE CASE OF GRAIN MARKETING BOARD

REFERENCE NUMBERS: Student No 33022143

PRINCIPAL INVESTIGATOR: Barbra Maiwasha CONTACT NUMBER: (+263) 0774062408

ADDRESS: 5 Mutepe Street,
Marondera

You are being invited to take part in a research project that forms part of my study for a Doctor of Philosophy Degree in Public Management and Governance. Please take some time to read the information presented here, which will explain the details of this project. Please ask the researcher any questions about any part of this project that you do not fully understand. It is very important that you are fully satisfied that you clearly understand what this research is about and how you could be involved. Also, your participation is **entirely voluntary** and you are free to decline to participate or withdraw from the research at any stage. If you say no, this will not affect you negatively in any way whatsoever. Before the publication of the study's results (or the point that publication is in the process), you may also withdraw the data you generate.

The Basic Social Sciences Research Ethics Committee (BaSSREC) of the Faculty of Humanities of North-West University (NWU Vaal Triangle Campus) approved this study**.** It will be conducted according to the ethical guidelines and principles of the international Singapore Statement on Research Integrity (2010) and the ethical guidelines of the National Health Research Ethics Council. It might be necessary for the members of the research ethics committee or relevant authorities to inspect the research records to make sure that we (the researchers) are ethically conducting research. **What is this research study all about?** *This study is on the corporate governance of state-owned enterprises in Zimbabwe, with a specific focus on the Grain Marketing Board. It will involve the use of semi-structured interviews to collect data. The researcher has been trained to use the methods mentioned in the previous sentence. The objectives of this research are:*

(f) To examine the contribution of corporate governance to the performance of SOEs.

(g) To review international cases and best practices on corporate governance and draw lessons for Zimbabwe.

(h) To determine the ecological idiosyncrasies of SOEs in Zimbabwe.

(i) To analyze the legal and institutional frameworks guiding corporate governance approaches in Zimbabwe's SOEs.

(j) To empirically investigate corporate governance approaches and challenges at GMB.

(k) To determine the appropriate model that can be adopted for GMB.

What will you be expected to do?

You will be expected to answer a few interview questions aimed at assessing your perception of corporate governance of state-owned enterprises in Zimbabwe. This activity will take around one hour to thirty minutes of your time. The researcher will not force participants to reveal any information that they do not wish to reveal. With your permission, I would also like to audio record the interview using a digital device. The research will blend face-to-face interviews with telephone interviews. In both cases, the researcher will personally conduct the interviews with the research participants. You are free to determine the interview mode and place expedient to you. Only one interview session will be conducted with each participant. The interview schedules will be determined by your availability. Participants will receive the interview schedules a day or two before the scheduled interviews. The researcher will adhere to all the COVID-19 measures and World Health Organisation (WHO) protocols including proper sanitisation, wearing of masks, and social distancing.

Why have you been invited to participate? Because:

*You are above the age of **EIGHTEEN (18)** and you can consent/ agree on your own to voluntarily participate in this study.*

You are part of the senior management, executive, or board in the following government institutions; Grain Marketing Board (headquarters), Ministry of Lands, Agriculture, Mechanisation and Irrigation, OR, a corporate governance expert.

*You have at least **FIVE (5)** years' work experience.*

You will be excluded from the study*:*

If you do not have expertise or knowledge of corporate governance practices at GMB and do not meet the above-mentioned criteria.

Will you benefit from taking part in this research? *The direct benefits for you as a participant will probably be an improvement in service delivery by state-owned enterprises through better corporate governance coming because of your contribution to this study. Indirectly, another benefit will probably be that the research findings may help to reveal the strengths and weaknesses of state-owned enterprise governance in the country. The study aims to identify and recommend a corporate governance model that can enhance the* *corporate governance approaches of such institutions.* The research is of potential value to the Zimbabwean Government and scholars interested in the corporate governance field.

***Your participation will not influence your work in any way*. Your statements and comments will not be shared or made known to your employer.**

Are there risks involved in your taking part in this research and how will these be managed? *The risks in this study, and how these will be managed, are summarised in the table below:*

Probable/possible risks/discomforts	***Strategies to minimize risk/discomfort***
Since you will be expected to answer questions about the corporate governance of state enterprises, it is possible that you may find it difficult to disclose information you consider to be sensitive.	*-The researcher assures you that your information will be used with the greatest confidentiality and for academic purposes only. You are also free not to answer any questions whenever you feel uncomfortable*. - The researcher will also furnish all the interested participants with a finished copy of the research results with the study designs so that participants can determine for themselves the credibility of the study. - In the event that the researcher wishes to publish the research results, an authorisation will be sought first from GMB authorities and participants in the study.
You may feel upset due to the sensitivity of the interview questions	-The researcher will offer a single session of counselling free of charge to all participants when necessary
You may also become tired due to the length of the interview	-Participants will be allowed to take a break during interviews

However, we do believe that the benefits to you and to science (as noted in the previous section) outweigh the risks we have listed. If you disagree, then please feel free not to participate in this study. We will respect your decision.

Who will have access to the data? *Anonymity (that is, in no way will your results be linked to your identity) will be guaranteed by making sure that your names and any identifying information will not be used in any part of the research report. All your information and responses will be kept confidential and separately from your consent forms. Confidentiality (that is, I/we assure you that we will protect the information we have about you) will be ensured. Only the researcher and the study leader will have access to the data collected from you. Data will be kept safe and secure by locking hard copies in cupboards in the researcher's office and storing electronic data in password-protected files on a password-locked device. Upon completion of the study, the promoter as the overseer of the study, will on behalf of NWU secure proper filing and safekeeping of all materials and data from the research*.

What will happen to the data: *A research report in form of a full thesis for academic purposes will be compiled based on the analysis and findings of the data collected from this study. In all of this reporting, you will not be personally identified. This means that the reporting will not include your name or details that will help others to know that you participated (e.g., your address or the name of your school). This is a once-off study, so the data will not be re-used. Also, the research may be published in scientific journals, for example, the Journal of Public Administration and Governance, and the International Journal of Public Sector Management.*

Will you be paid/compensated to take part in this study and are there any costs involved? *No, you will not be paid/compensated to take part in the study. The researcher will bear all the costs involved in travelling and or phoning to conduct the interviews.*

How will you know about the findings? *A pdf copy of the research abstract, report, and summary will be made available to your institution upon completion of the study. However, upon request, you can also receive the same pdf for your perusal.*

Is there anything else that you should know or do? You can contact (*researcher)* Barbra Maiwasha at 0774062408/0718 434 038 if you have any further queries or encounter any problems.

You can also contact the chair of the Basic Social Sciences Research Ethics Committee at 016 910 3441 or chrizanne.vaneeden@nwu.ac.za if you have any concerns or complaints that have not been adequately addressed by the researcher.

You will receive a copy of this information and a consent form for your own records if you need one.

APPENDIX D

PARTICIPANT CONSENT FORM

Declaration by participant

By signing below, I …………………………………..………… agree to take part in a research study entitled:

I declare that:

I have read and understood this information and consent form and it is written in a language with which I am fluent and comfortable.

I have had a chance to ask questions to both the person obtaining consent, as well as the researcher (if this is a different person), and all my questions have been adequately answered.

I understand that taking part in this study is voluntary and I have not been pressurised to take part.

I understand that what I contribute (what I report/say/write/draw/produce visually) could be reproduced publically and/or quoted, but without reference to my personal identity.

I may choose to leave the study at any time and will not be penalised or prejudiced in any way.

I may be asked to leave the study before it has finished if the researcher feels it is in my best interests, or if I do not follow the study plan, as agreed to.

I consent to an audio recording made of the interview with me.

Signed at (*place*) ....…........................ on (*date*) ……….....……….. 20....

Signature of participant Signature of witness

- I would like a summary of the findings of this research Yes ☐ No ☐

The best way to reach me is:

Email: ____

Declaration by researcher

I *(name)* ……………………………………………….……… declare that:

I encouraged the participant to ask questions and took adequate time to answer them.

I am satisfied that he/she adequately understands all aspects of the research, as discussed above

Signed at (*place*) ....…...................... on (*date*) …………....……….. 20....

Signature of researcher……………………………………………………….

APPENDIX E

GMB
GRAIN MARKETING BOARD

179-187 S.Machel Avenue, Eastlea, HARARE
Box CY77, Causeway, HARARE
Email: publicrelations@gmbdura.co.zw
Website: www.gmbdura.co.zw
Hotline: +263-242-701898 Tel: 263-242-701870-95,
+2638688007109
Fax: +263-4-251294

19 October 2021

ATTENTION: MS. B. MAIWASHA
5 Mutepe
Rujeko
MARONDERA

Dear Madam,

APPLICATION FOR PERMISSION TO CARRY OUT A RESEARCH

Reference is made to your application letter requesting to carry out a research entitled, **"Developing an Integrated Governance Model for Sustainable Corporate Governance Approaches in Zimbabwe SOEs: The case of Grain Marketing Board".**

Please be advised that your application has been successful on condition that the information gathered will be strictly used for academic purposes and kept confidential. Furthermore, you are required to submit your report to this office once you are through with the dissertation.

Yours faithfully,

N. MAKONI
HUMAN RESOURCES MANAGER
FOR AND ON BEHALF OF GRAIN MARKETING BOARD

GRAIN MARKETING BOARD
HEAD OFFICE
HUMAN RESOURCES MANAGER
19 OCT 2021
P. O. BOX CY 77, CAUSEWAY
HARARE, ZIMBABWE
TEL: 242 - 701870 - 95

Cc: *Chief Executive*
Corporate Secretary
Enterprise Risk Manager
Training and Development Officer
Personal File

Signature: .... **Date.** 20/10/21 **Cell.** 0774 62468

APPENDIX F

All correspondence should be addressed to

"THE SECRETARY"

Telephone: 706081/9
Fax: 734646
Telex: ZIM AGRIC: 22455 ZW

MINISTRY OF LANDS, AGRICULTURE, WATER AND RURAL RESETTLEMENTS
Ngungunyana Building
1, Borrowdale Road
Private Bag 7701
Causeway
Harare

School of Government Studies
Department of Public Management and Administration
North-West University (Vaal Triangle Campus)
South Africa

5 August 2020

Attention: Professor MT Lukamba

REQUEST FOR AUTHORITY TO UNDERTAKE ACADEMIC RESEARCH THESIS: "DEVELOPING AN INTEGRATED GOVERNANCE MODEL FOR SUSTAINABLE CORPORATE GOVERNANCE APPROACHES IN ZIMBABWE SOEs: THE CASE OF GRAIN MARKETING BOARD (GMB)"

The above matter refers.

It is my pleasure to advise you that your application requesting to undertake field research on Developing An Integrated Governance Model For Sustainable Corporate Governance Approaches In Zimbabwe State Owned Enterprises: The Case Of Grain Marketing Board (GMB) has been approved.

However, please be advised that the research findings that your representative, Ms Barbra Maiwasha will undertake should not be subjected to external consumption and must solely be for use by your organisation. In addition, upon completion of the research interviews and production of the research report, the Office of the Secretary for this Ministry would be grateful to being favoured with a copy of the research report and findings. It is our hope that the research findings will help the Ministry as a reference point in coming up with strategic interventions and actions in the study areas you would have undertaken.

PERMANENT SECRETARY
MINISTRY OF LANDS, AGRIC., WATER, CLIMATE & RURAL RESETTLEMENT
05 AUG 2020
No. 1 BORROWDALE RD, CAUSEWAY

Dr. J. Basera
SECRETARY FOR LANDS, AGRICULTURE, WATER AND RURAL RESETTLEMENT

cc Ms Barbra Maiwasha
5 Mutepe
Rujeko
Marondera

APPENDIX G

22558497:BARBRA_MAIWASHA-PhD_full_Dissertation-plagiarism_check_(002).docx

ORIGINALITY REPORT

11%	11%	4%	4%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

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