Barriers to effective corporate governance principles in state-owned enterprises in Zimbabwe

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ABSTRACT

The purpose of this article is to discuss the barriers to effective corporate governance principles in state-owned enterprises (SOEs) in Zimbabwe in order to have an influence on policy debates. This study used a qualitative research approach, and a case study research design was followed, in order to attain the objective of the research. Semi-structured interviews were carried to get the views of the respondents on barriers to effective corporate governance principles in SOEs in Zimbabwe. Respondents chosen were members of the audit committees (ACs), permanent secretaries (PSs), chief executive officers (CEOs), senior managers (SMs), board of directors (BoDs) and chief audit executives (CAEs). Respondents were chosen due to their ability to act on the study’s findings and recommendations. Data was analysed using Atlas.ti version 8. The study revealed that there are cases of poor and mis-governance in SOEs in Zimbabwe. Egregious cases include non-adherence to corporate governance rules and laws, degenerating against the Public Finance Management Act, [Chapter 22:19] as well as paying ignore in the submission of the financial statements which are audited. The article therefore, recommends that for an emerging country like Zimbabwe to enjoy the advantages of effective corporate governance principles, reviewing the legislations which are currently there as well as strengthening the enforcement strategies of the regulatory institutions is of paramount importance. The findings are limited to a Zimbabwean case study alone. Be that as it may, great lessons can be drawn for other developing economies from the case study. Apart from classifying cases of poor or mal-governance in SOEs in Zimbabwe, the article gives recommendations for policy in-order to improve corporate governance in SOEs in Zimbabwe. There is a dearth of study on barriers to effective corporate governance principles in SOEs in Zimbabwe; therefore, there is a gap in the literature. Hence, the paper makes an original contribution to the literature. Finally, the paper advocates fruitful avenues for future research on the future of corporate governance.

Introduction

Businesses have an internal governance system and this is particular to the way the business works. Corporate governance is a framework of regulations sets of rules and practices which comprise a company and the way the company operates. Corporate governance provides the structure for defining, implementing, and monitoring a company’s goals and objectives (SERA, 2014). Improving organizational culture by applying the principles of Good Corporate Governance (GCG) can prevent fraud (Hamdani & Albar, 2016). Corporate governance enhances ethical behavior which is more acceptable to legal standards that companies are required to follow and a company’s best interest is to comply with work ethics and code of conduct as an acceptable societal law. According to Florio (2014) an SOE is an organization that is possessed or co-possessed by the state, which internalizes a communal undertaking among its aims while functioning mostly in a market setting, SOEs remain accountable only to the government for its governance and existence. SOEs as entities formed by the government to carry out commercial and public benefits on its behalf, whilst satisfying the government’s promise of a sustainable economy with a sustained financial status.

The article-based case studies on scandals which took place in global companies such as Satyam Computer Services, Enron, Tyco, and WorldCom and so on. These companies collapsed as there was no corporate governance strategy for checks and balances as part of checking financial records of these corporations and books of accounts. Loopholes such as very pitiable levels of transparency, accountability and disclosures were rampant. The collapses were also as a result of the principles of corporate governance not being applied in the governance of the affairs of the corporations (Samaduzzaman et al., 2015). Zimbabwean SOEs has not been spared from this highlighted corporate governance challenges, even though these SOEs are stamped as the backbone of the economy. Great denunciation has been put forward against SOEs in Zimbabwe for poor good governance practice as there is
ceaseless governmental interventions daily, bad mechanisms of internal control, auditing standards and transparency and disclosure systems. The desire of this paper is to discuss the benefits and the barriers towards adherence to good corporate governance in SOEs.

Literature Review

Benefits of Corporate Governance in Global Organizations

A corporate governance structure is designed to prevent the downfall and wreck of the organization. Corporate governance is ensured to show the culture, issues, styles and structure of the organization and this differs from one corporate organization to another. Effective corporate governance is guided by several principles which are integrated. The focus on corporate governance has increased over the past years and this is evident in the number of international corporations who have adopted the best code of practices such as the Commonwealth. Multinational corporations and regional economic developments are paramount in the globalization of industries, and the financial markets motivate the need for good corporate governance. The collapse of large companies in World power countries such as China, United States of America, and Australia prompted an urgent need for accountability, corporate governance, and listing standards. A comprehensive rule and documented industrial law is usually drafted to forestall future events arising due to poor governance (Subramaniam & Ratnatunga, 2003).

Corporate Governance Index

A corporate governance reform is used to ascertain if the implementation of corporate governance principles and codes has a positive impact on the performance of firms. Over the years several corporate governance’s mechanisms were investigated to determine firm performance. The most frequently used factors were CEO duality, the board size, numbers of non-executive directors and board committees, structure and concentration of proprietorship, managers’ welfare, and incentives schemes. Recently more variables have been introduced known as the corporate governance indexes. Firm performance was approached in researches based on prices in the market, accounting ratios, and total factor profitability. The most used performance measures were Tobin’s Q, return on equity, return on asset and economic value. Mirela-Oana Pintea reviewed a global decade study on the relationship between different mechanisms of corporate governance, firm performance and corporate governance indexes. The theoretical research tool was used to gather information on this study. The results of the study presented positive, negative, and neutral correlation between corporate governance and firm performance. Hence, the study was inconclusive and the results were based on participative observation method (Mirela-Oana & Melinda-Timea, 2015).

Barriers, Obstacles or Challenges to Implementing Corporate Governance

Political will and good ways or culture of CG are ideal systems of bailing out some SOEs since most of them have been in a quagmire for a long time. This makes it possible for the government to list on public stock exchanges SOEs that are strategic to the growth of the economy as a way of bailing them out of the doldrums. SOEs are now conduits for corruption; poor CG; battlefields for political endeavours; having monopolistic features in some structures, being grossly inefficient and undermining achievements for structural reform programmes impacted adversely in the performance of SOEs. Failure to give in to structural reform and poor CG have left many SOEs losing their profits as well as performing badly. According to Gumede (2018), some SOEs are seen by analysts as failures and being inefficient for a long time. Some people muse that SOEs can be taken out of this quagmire if political will and good CG structures are put in place and strongly observed (Estrin & Pelletier, 2018). Accountability, effective controls and transparency could be ensured by good CG (Frederick, 2011). The business model of most SOEs is not viable, leading to perennials losses, that is, expenditure always outweighs revenues, triggering the need to constantly seek government bailouts in the form of subsidies and guarantees, thereby affecting the fiscal budget. SOEs have failed to transform to varying operational environments for a number of years. The main corporate governance barriers or challenges facing SOEs are highlighted in the next section.

Interference by Politicians

The norm in most SOEs in Africa is that the minister superintending the public entity ministry is the one who chooses the Board of Directors for a named SOE. This being the case, the board will pursue the political agendas of the given minister and fail to balance the agenda of the public and that of making the SOE profitable and viable (Corrigan, 2014). This results in most Chief Executive Officers (CEOs) and board members in most SOEs being criticised particularly when the SOEs are failing to adhere to the corporate governance challenges, Treasury regulations, the Companies Act and the Public Finance Management Act. It has been noted that there is excessive political interference in some SOEs impacting negatively on performance (Kanyane & Sausi, 2015). In most cases, CEOs and board members are given the mandate to run the SOEs because of their affiliation to named political
Barriers to effective corporate governance principles …

parties and hence this results in flawed management. There are also conflicting interests when it comes to the
bonuses, remuneration, the appointment of the board of directors and their performance of duty (Matsiliza, 2017).
Some studies and reports have drawn special attention to undue political interference of activities undertaken by
the SOEs as a severe problem (Sherbourne, 2013).

There exists political interference as noted by ethicalboardroom (2015) which dissuades the SOEs from
striking an optimal balance between commercial and social expectations. Fighting political squabbles or factions
has made many Boards of Directors to avoid their mandate and sabotage becomes highly pronounced, leading to
the board failing concentrating on core goals, mandates, objectives and oversight roles (Mail And Guardian, 2017).

Having Conflicting and Innumerable Objectives

Economic efficiency and commercial performance are required for the performance of SOEs, hence creation of
employment and affording goods and services to poor members of the community is a mandate of SOEs. The way
SOEs are run is evidence of control by government as the main shareholder. Approving price increases for SOEs by
the regulatory arms and government takes a long time. Failing to put into action reforms and restructuring exercise
are some of the challenges because some politicians and employee unions disregard good CG principles in order
to avoid retrenchment of workers.

Weak Capitalisation

Inadequate capitalisation of SOEs is rampant. This is due to the bad business models for most SOEs where
operational costs outweigh revenue. The public, for example, the poor, enjoy in a country where there is transport,
electricity, broadcasting, rail and communication among others. Low capitalisation and poor balance sheet results
in SOEs failing to obtain enough revenue and the government intervenes after a long time to bail them out by
issuing guarantees (International Monetary fund (IMF, 2018). Many CEOs, Board of Directors and senior
management are always in acting capacities, are in competent, have low skills mindset or no experience. A profit-
oriented strategic business model that is clear, considerable and embedded in commercial SOE experience, integrity,
business ethics and professionalism is key for profitability of SOEs.

Nepotism and Corruption

Most appointments in SOEs in Sub-Saharan Africa do not follow any consistent, well-laid out procedure in terms
of recruitment process, conducting interviews and assessment due to cronism and nepotism (OECD, 2018). In
Zimbabwe, a number of SOEs have been exposed to corruption and nepotism. For example, at Zinara and among
other entities, a woman was employed as a general hand at the canteen by merely producing a fake ordinary level
certificate, which further resulted in her being promoted to the post of a vehicle licensing clerk. Nepotism and
corruption is perpetrated in SOEs (Mail And Guardian, 2017; OECD, 2018), that is, friends, spouses and relatives
of CEOs, senior managers, Board of Directors and politicians are given jobs and contracts in SOEs. Another corrupt
case of nepotism in was mentioning that executives are still being employed after reaching the age of retirement,
some retired and rehired as consultants with the so-called special skills and some are given school fees allowances
even though they have over 60 years old. SOEs are established in order to alleviate issues to do with failure by the
market as well as to make sure economic and social policies are reasonable achieved at costs which minimum.
Where there is mis-governance and undue political interference, SOEs proved to be inefficient. For example,
politicians or public officers are who are corrupt can use their influence politically as well as their favouritism tactics
to exert an influence and have an impact on the management choice as well as on policies for hiring employees

Lack of Internal Controls

Internal controls, if put into effect and observed, lead to good CG. Internal controls are always there, but there is
often no follow up by management and failure to put internal controls into action is cancerous. Absence of internal
controls is seen when the enterprise fails to protect the assets of the entity, boost accountability, increase efficiency
and to cease fraudulent activities (OECD, 2018). A control measure to put in place is internal auditing and other
setting up of committees for control purposes. Financial statements should be audited and published within six
months, according to International Standards Reporting best practices (PWC, 2015). Players of oversight roles such
as ministers superintending SOEs, executives, Board of Directors and accounting officers are not given prepared
and audited financial reports. In most emerging countries, the Auditor General fails to audit all public entities due
to a lack of the ability to audit accounts, substandard financial statements and incomplete accounts.

Inefficient Monopolies

Monopsony power is commonly observed in SOEs due to policies that are ideal for them, dearth of competition
and the fact that the key shareholder is the government. Inefficient and inequitable use of resources is pronounced
in SOEs of emerging economies. Too much bureaucracy; lacuna of price controls; centralisation of decision-making processes; absence of incentives for investors; monopolistic standing; and restrictions on dismissal and recruitment of employees leads to lack of competition in SOEs.

Dearth of Oversight and Transparency

Financial disclosure is attributed to absence of precise accounting standards, lack of strong auditing practices and absence of financial statements (OECD, 2018). This lead to a lack of transparency and accountability in SOEs’ performance by the public and accounting officers. If accountability and transparency are lacking, it is difficult to play oversight roles, leading to concealment of what SOEs have spent, accumulation of debts, overburdening fiscal budgets and creating room for corrupt activities and expenditure of an irregular nature. The OECD indicates that a strong performance monitoring system should be functional in most SOEs in order to ensure oversight, transparency and accountability can be easily executed (OECD, 2018). In the next section, IAFs definition, roles and the challenges are explored.

Corporate governance examines the overall networks of formal and informal settings within the managerial cadre. This hierarchy includes general employees, customers, creditors, local communities, and society. Rujitha in 2012 conducted a study on the challenges encountered in the present-day practice of corporate governance in India. The report expatiated on the lack of regulations and audit committee in bad corporate governance and deficiencies in the establishment in good corporate governance. A summary of the report was based on the disparity of the companies act, listing of stock exchange and good practices (Rujitha, 2012).

Farinha, reviewed and argued on the theoretical and empirical literature of consequences and types of problems arising due to lack of proper corporate governance in organizations. The study focused on the disciplinary measures adopted when conflicts of corporate governance arise in personnel of the organization especially managers and shareholders. The study also elaborated on the issue of managerial entrenchment and the link between firm value and corporate governance. Corporate governance is often regarded as an important element in corporate performance. The results of the study presented positive, negative, and neutral correlation between corporate governance and firm performance. Hence, the study was inconclusive and the results were based on participative observation method (Farinha, 2003).

The Role of Corporate Board of Directors in Corporate Crises

The role of corporate directors in corporate crises is very important at ensuring good corporate governance. A project related to this matter of interest was investigated by a group of governance program specialists at the Institute for corporate responsibility, George Washington University School of Business. The project analyzed issues related to policies and enhanced how theoretical models of corporate governance could be put into practical use. The project on Challenges in Corporate Governance was coordinated in October, 2013 by John Forrer and Cynthia Glassman on the seventh program on Challenges in Corporate Governance at the Centre for Law, Economics & Finance; George Washington University School of Business United States of America. Results of the studies on this matter initiated a panel which addressed how corporate directors dealt with new models on the challenges of corporate governance.

Emphasis was based on the importance of how diverse the boards were and the roles of members of the board especially the directors. This was in relation to risk management and welfare and compensation of executives. The study expatiated that since the board of directors was elected by the shareholders, they were accountable to them. In the study, the roles of the board of directors were investigated to include overseeing the financial reports, risk management of the Chief Executive Officers (CEO) in high hierarchy management succession and strategic corporate governance issues. Corporate crises may be internal or external and a routine process may not be entirely dependent on most of the time to solve the crises. In several cases, the board may need extra time to deal with sensitive matters and an intense approach to appropriately deal with urgent matters. Internal matters arising such as bankruptcy, health, ethics, fraud, and other illegal activities are investigated.

External events such as cyber-attacks, weather events such as hurricanes and volcanoes, shareholders arguments and reaction of activists are also discussed. The role of the board is to act swiftly when such crises arise to preserve the company’s image and prevent damage. The panel was set up due to these matters and to prevent the occurrence of crises also making provision for a short- and long-term plan of a successor in event of the removal of the CEO. The Board is likely to employ an external expert to evaluate the problem/crises and likely need the assistance of an external expertise to investigate and evaluate the issue. Once the facts are established by the set-up panel, the Board must then discuss the issue in a swift and timely manner for succession of the CEO. It is the discretion of the Board as to whether such matters will be disclosed to the public considering privacy of the CEO and his family. The Board cannot mislead the public hence accurate and complete information to preserve the company’s integrity and reputation is disclosed at all times. When incorrect or incomplete information is given to the public, the panel analysed ways in which the company will learn that it has violated the rules and conduct of
corporate governance. Examples of such ways were highlighted as a complaint from a whistle blower to audit committee chairman, a press conference, articles in newspapers and magazines, blogs, a disgruntled competitor or employee. These groups may inform the general public immediately if the rules of corporate governance by the Board of directors were not met. Steps are initiated to investigate and review allegations to prevent future occurrences and the appropriate channels informed accordingly (Zalewska, 2014).

Corporate Governance in Zimbabwe

Several researchers have aimed to provide an overview of the recent state of corporate governance in Zimbabwe (Besada & Werner, 2020; Chimbari, 2017; Maune, 2015; Obert et al., 2014). An overview was provided by Maune (2015) between 2015 to 2017 on case studies which referred to scandals of large organizations such as Enron and WorldCom. The research was conducted in a qualitative manner and a review of literature was used to back up the results of the study. The findings of the study concluded that Zimbabwe falls under a few countries who have not adopted the national code of corporate governance in the operation of its organizations. Though there is no regulation of a national code of corporate governance, companies and organizations adopt other professional corporate governance models, company’s acts and the Zimbabwe stock exchange code of corporate governance. The study was aimed to provide insight into findings in the practice of corporate governance. It was aimed to provide a form of documentation of an economic model for future initiatives on the issue of corporate governance in organizations (Maune, 2015).

A linear regression was used to determine the positive impact of corporate governance in organizations with relation to the economic growth in Zimbabwe corporate sector. Data was assessed in organizations from a period of 1968 to 2015 and was collected from World archives and databases. There was a positive and negative correlation to this relationship. The result of the study proved that the control of corruption was negatively related to economic growth while political stability positively enhanced economic growth. Meanwhile governing, quality of voice and accountability and the rule of law had no effect on the economic growth in Zimbabwe corporate governance at 5% confidence level. The results of the study will aid in the implementation of policies and solving the challenges and issues surrounding corporate governance in Zimbabwe (Maune, 2015).

Mashingaidze (2014) conducted a study to check the reliability of laid down laws available for the protection of multinational financial companies in Zimbabwe. His research was descriptive and an extensive literature was consulted from documentary reviews and archives of financial and law cooperation. The results of his study revealed that stringent laws and regulations still exist in Zimbabwe corporate sector to protect industries, though there were challenges concerning the enforcement of such laws. This flaw has led to unproductiveness and a lack of confidence in the investment sector in Zimbabwe. The result of the study was useful as a form of documentation for law enforcement agencies, banks and block holders’ equity. The documentation when enforced in companies will attract foreign investment and improve the Zimbabwe financial and economic status (Mashingaidze, 2014).

A review of literature on the subject of corporate governance in Zimbabwe was conducted by Obert and colleagues in 2014. The study emphasized on the failure of board of directors especially in the developing and emerging economies of the world and focused on the corporate governance in Zimbabwe economy sector. The objective of the review was to study reasons why board of directors fail in Zimbabwe corporate sectors and the criteria for the selection of board members. The findings of the research revealed that there is a need for the establishment of a corporate governance code and an awareness of corporate governance practices in Zimbabwe.

Selection of board members based on relationships rather than competence was concluded to be misleading and an oversight on the performance of the Chief Executive Officer (CEO). A model was set up for the selection of board of directors to include gender of the worker, age, educational qualifications, working experience and financial expertise. The noteworthy points to consider in the findings of the study were the preferential selection of board members by the CEO based on personal interests, and there was a need to bring CEO to order as they were accountable to the members of the organizations and stakeholders since companies fail due to this act of negligence. The recommendation of the study was to elect expert directors who were capable and knowledgeable in the field of the principles governing corporate governance (Obert et al., 2014).

Zimbabwe which formerly used to be one of Africa’s most promising economies had begun a financial reform after years of political and economic woes. In the year 2009, there was an introduction of an era which promoted a form of political and economic stability which led to an agenda of prioritizing and restoration of the rule of law, fiscal responsibility, economic and structural reformations. This was aimed at reviving the confidence of domestic and multilateral prospective investors to promote the economy. Economic Planning and Development Minister Elton Mangoma was quoted to say “As Ministers of the government, we will have to mingle a lot more with businesses, consult them a lot more meaningfully, and make sure that if they have any concerns that these concerns are dealt with”. The results of the study acknowledged that Zimbabwe is lacking in resources domestically to boost its per capital income. The study recommended that the economy should consider the aid of the corporate business sector to reform the collapsing economy. Government policies to promote investments were in the area...
of mineral resources, manufacturing companies and health care. An instance was when exchange controls were removed in 2009, allowing business to be transacted in foreign currencies such as US, South African and Botswana currencies. Recently these measures have aided in strengthening the Zimbabwean Investment Authority and facilitated and promoted the country’s foreign investments. In 2009, the Zimbabwean government brought about a Short Term Economic Recovery Program (STERP) to promote government policies with a pledge from the government of Zimbabwe to adhere to the protection of foreign and multilateral agreements and the rule of law especially the Bilateral Investment Promotion and Protection Agreements (BIPPAs) (Besada & Werner, 2020).

Challenges of Corporate Governance in Zimbabwe

Recently, developing countries have faced more challenges in businesses when compared to developing and emerging economies. Challenges are manifested in less established market supply chains, lack of appropriate communications and links, transportsations and a decentralized government which further complicates the business. Mugova & Sachs, in the year 2016 studied some key elements of corporate governance in the banking and manufacturing sectors of the Zimbabwe economy with particular emphasis on the financial, legal and commercial challenges that affect demand and supply in the economy. The study concludes that the government should supply more support to aid corporate governance and recommended better policies to facilitate corporate governance. The findings of the research can be used as a guide on the improvement of policies in corporate governance for use by other developing economies in some countries (Mugova & Sachs, 2016).

Maune (2015) and Mashavave (2017), studied the issue of Air Zimbabwe in the study of corporate governance practices in Zimbabwean’s State-Owned Enterprises (SOEs). The research problem was on the poor and dilapidated performance and the persistent corruption and failure in Air Zimbabwe’s Airport Authorities. The corporation was not making profit and has been depending on government subsidies for operation for some time now. The methodology of the research adapted a quantitative and qualitative approach for the collection of data techniques and data was analysed with the aid of descriptive statistics. A total of 48 Air Zimbabwe top management personnel, staff and Board of directors were interviewed and questionnaires were also used as methods of collection of data. Findings of the study showed that non-compliance to appropriate corporate governance was the major factor which led to corruption, lack of transparency and poor accountability in the collapse of Air Zimbabwe Airline. Furthermore, documentation of a corporate governance policy and a monitoring tool for the Board of Directors to guide in the implementation of corporate governance in the Airline was lacking. From the findings of the study, the research revealed that Board members were appointed based on personal and political interests rather than prior qualifications and requisite airline business acumen. Recommendations of the study were for an enforcement of the rules and policies of corporate governance and the provision of regulations for transparency and compliance (Mashavave, 2017; Maune, 2015).

Corporate Governance and Zimbabwean State-Owned Enterprises

Political and legal actions in the public sector in Zimbabwe usually bring about a burden on the corporate governance of the country. This affects the application of the policy known as the ZIMCODE in State-Owned Enterprises (SOEs). There has been some need for corporate governance in State-Owned Enterprises in Zimbabwe and for solutions to the use of national corporate governance code by enterprises owned by state proprietors. Chimbari in 2017 sought a way of developing a corporate governance model which can be adopted by proprietors of these enterprises. Chimbari further argued that the ZIMCODE is not the most appropriate tool for the inducement of ethical standards in State-Owned Enterprises in Zimbabwe. The author adopted a qualitative approach in sampling and document analysis for the research on the trends and challenges in Zimbabwe’s SOEs. The literatures used for the research were culled from reports, conference proceedings, published articles, and newspapers. The study raised awareness on the corruption and political factors affecting the adoption of corporate governance in SOEs in Zimbabwe. From the results of the analysis, Chimbari (2017) deduced that a rule based legislative reform in the form of a regulatory document is best suited for the public sector and SOEs in Zimbabwe. Such a regulatory law will impose sanctions which must be obeyed by SOEs to improve corporate governance in the country. The study concludes that the principles-based soft law approach to corporate governance is incompatible with Zimbabwe’s public sector and argues for a rule based legislative solution that will impose stringent regulatory laws (Chimbari, 2017).

Research Method

The study was guided by the interpretivism philosophy. In this case, Hennink et al. (2011) and Goldkuh (2012) advocates a view of that interpretivism is the lens commonly used in qualitative research methods. A qualitative research approach and a case study research design were used in this paper (Cresswell, 2014; Hennink et al., 2011). Notably participants were chosen in this article due to the fact they have knowledge of SOEs and these are senior
managers (SMs), audit committees (ACs), chief executive officers (CEOs), chief audit executives (CAEs) and board of directors (BODs) as reflected in the literature.

Population and Sampling

The population consisted of employees both former and current of the SOEs, which were operating in Harare at the time this research was carried out. Non-probability, purposive or judgmental sampling technique was used in this paper and an individual chose the sample based upon some applicable features of sample participants (Babbie, 2012). The sample is selected from senior managers, chief audit executives, chief executive officers, permanent secretaries, audit committees and board of directors in SOEs in Zimbabwe. The sample size is made up of the twenty (20) of the afore-mentioned participants in the study. Five SOEs entities selected for this study were accessed easily and within the geographically proximity of the researchers.

Table 1. List and Aggregate of Respondents

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<thead>
<tr>
<th>List of respondents</th>
<th>Aggregate of respondents</th>
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<tbody>
<tr>
<td>Audit committees (ACs)</td>
<td>2</td>
</tr>
<tr>
<td>Senior managers (SMs)</td>
<td>5</td>
</tr>
<tr>
<td>Board of directors (BODs)</td>
<td>2</td>
</tr>
<tr>
<td>Chief audit executives (CAEs)</td>
<td>5</td>
</tr>
<tr>
<td>Permanent secretaries (PSs)</td>
<td>2</td>
</tr>
<tr>
<td>Chief executive officers (CEOs)</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
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Results and Discussions

Data gathered from interviews was analysed thematically using Atlas.ti version 8. Themes were captured. Thematic analysis is regarded as an important tool in analysing the data which is complex in nature. Phrases and words which were similar in terms of literature on corporate governance were searched. Data meaning and interpretation was done by the researchers and hence codes were allocated as well as that the themes were assigned to the data that was collected (Neuendorf, 2019). In this case, the article followed the six step thematic analysis as enunciated by Braun and Clarke (2013), as follows: Data familiarisation; initial codes generation; Searching for themes; Themes reviewing; Defining themes; and Report writing. As each interview was recorded, the researchers were taking notes at the same time. Each interview audio was given a code as follows: Senior managers, as Participants-SMs; Audit committees, as Participants-ACs; Chief audit executives, as Participants-CAEs; Chief executive officers as Participants-CEOs and Board of directors as Participant-BoDs. From a qualitative point of view, the responses from the participants interviewed that support the results are alluded by the respondents as: ‘‘CG challenges are not insurmountable and this study has observed an array of SOEs CG problems. These include, but are not limited to, many principals, boards that are politicised, corruption, maladministration, conflicting goals and objectives, undercapitalisation and poor debt recovery, among others’’ (Participant SMs, ACs, CAEs).

The findings on SOEs’ CG challenges are important and their benefits significant as indicated by views of the study participants, which shows that the study is consistent with the outcomes of other researchers, notably Claessens and Yurtoglu (2013) that concur that the challenges being faced by SOEs play a critical role in informing government policies on SOEs, such as having the PECG Act and State Enterprises Restructuring Agency (SERA) that oversee the operations of SOEs and the Corporate Governance Unit (CGU), which is located in the Office of the President and Cabinet (OPC). The CGU is responsible for gathering information from the public sector related to CG matters, oversight of public entities in collaboration with line ministries and compliance with the provisions of the Act, coordination and oversight of the induction of the board and training programmers.

‘‘However, these challenges result in sustainable development of SOEs being hampered. Weak internal auditing systems and pitiful levels of disclosure and transparency result in poor CG. Poor auditing standards, lack of transparency, poor internal control methods and disclosure lead to CG challenges in SOEs. Therefore, policies should be put in place in order for SOEs to be viable’’ (Participants PSs, CEOs, BoDs).

The afore-mentioned findings are in tandem with studies carried by Rajagopalan and Zhang (2008), who opine that failure by SOEs in emerging economies to accept the global corporate governance best practice is worrisome.

Conclusions

In the analysis and interpretation of the data gathered, it was noted that most SOEs staff in Zimbabwe are better acquainted with the term good corporate governance and the benefits accruing from it. Be that as it may, it has been noticed that in practice many barriers, issues and challenges are being encountered by SOEs. Henceforth, a
number of recommendations have been postulated in order to enhance the contemporary state in SOEs in as far as good corporate governance is concerned which will render them to be competitive thereby resulting in the sustainability of the entity in the long run.

The role of corporate directors in corporate crises is very important at ensuring good corporate governance. Internal matters arising such as bankruptcy, health, ethics, fraud, and other illegal activities can lead to the collapse of a corporation. Companies do collapse as there is no available corporate governance strategy for checks and balances as part of checking financial records and books of accounts. External events such as cyber-attacks, weather events such as hurricanes and volcanoes, shareholders arguments and reaction of activists are also discussed. Meanwhile for the SOEs governing in Zimbabwe, review of the literature revealed that quality of voice and accountability, and the role of law had no effect on the economic growth in Zimbabwe corporate governance at 5% confidence level. It could be concluded that the implementation of policies may solve the challenges and issues surrounding corporate governance in Zimbabwe. The major flaw in the lack of corporate governance documented policy led to unproductiveness and a lack of confidence in the investment sector in Zimbabwe. The paper is useful as a form of documentation for law enforcement agencies, banks and block holders’ equity.

The documentation when enforced in companies will attract foreign investment and improve the Zimbabwe financial and economic status. A rule based legislative reform in the form of a regulatory document is best suited for the public sector and SOEs in Zimbabwe. Such a regulatory law will impose sanctions which must be obeyed by SOEs to improve corporate governance in the country. The review concludes that the principles-based soft law approach to corporate governance is incompatible with Zimbabwe’s public sector and argues for a rule based legislative solution that will impose stringent regulatory laws. Conclusion may also be deduced that the major reasons for the collapse of SOEs in Zimbabwe were as a result of the principles of corporate governance not being applied in the implementation of the affairs of corporations. Review of literature indicates that indeed there are challenges in SOEs in Zimbabwe and therefore the Government should look at strategies to ameliorate and avert these challenges for the economic development of the country.

In light of the literature reviewed on the benefits and challenges of corporate governance in SOEs in Zimbabwe, the review recommends the immediate address of risk management strategies with intelligent approaches to forestall future threats to corporate organizations. The role of directors should not be underestimated as they act swiftly when crises arise to preserve the company’s image and prevent damage. Expert directors must be elected who are capable and knowledgeable in the field of the principles governing corporate governance. An enforcement of the rules and policies of corporate governance and the provision of regulations for transparency and compliance must be adhered to at all times.

Data gathered from the respondents revealed that the main issue of concern in the management of SOEs is linked to the constitution of board of directors. The independence and objective of the board of directors has been of prime concern and questioned. Qualified expatriates should also be considered when selecting the chairperson and members of the board of directors for SOEs, as this will bring in abundance independence, knowledge and skills to SOEs.

Ceaseless evaluation of the board can assist in enhancing the effectiveness and efficiency of SOEs and hence the performance of the entity can be measured against the set objectives and moreso corrective measures can be taken. The objectives put forward must not be of a contradictory nature and should be set by the board.

The internal audit unit and the internal auditors should be encouraged to work independently and objectively. Qualified internal auditors should be recruited and their independence should be spelt clearly. Internal auditors should properly report to management as this stand as guidance to the entity and thereby enhancing good corporate governance.

In the midst of SOEs, transparency, accountability and disclosure must be considered as of cardinal importance. The government should enforce rules and regulations that will make sure SOEs become more transparent in their daily routine and render enough disclosures to the public since the prime stakeholders is the public. SOEs must produce an annual report since it is ideal for disclosure and also act as a declaring commitment.

Top management must spell out the good corporate governance systems of each and every one and mores, their role must be proactive and should shun activities of a fraudulent nature. Members of staff should shun and report any fraudulent tendencies in SOEs as well as anything that is against good corporate governance in SOEs.

Constraints pinpointed in this article that inhibit the execution and enhancement of corporate governance in Zimbabwe include weak or non-existent law enforcement systems, abuse of shareholders’ rights, dearth of commitment on the part of boards of directors to their responsibilities, dearth of conformance to the regulatory framework, weak enforcement and monitoring methods, and lacuna of transparency and disclosure. In sum, the strict rights and entitlements that come with the ownership of shares in listed companies are not fully exploited by shareholders largely because they are unaware of these rights and this fact is abused by top management and boards of directors.

The research findings of this article have some implications in areas of both academic and organization circles. The article contributes to the body of corporate governance and SOEs knowledge, by identifying vital
corporate governance misdemeanors or impediments which need to rectified in SOEs. Elements of ameliorating barriers, issues and challenges to corporate governance. Furthermore, this article will assist corporate governance and SOEs gurus to take note of areas resulting in barriers to effective corporate governance principles as well as putting stringent measures to curb challenges to corporate governance in SOEs.

The results of this paper should be considered against its limitations. The main limitation of this article lies in its inability to include more public entities across Zimbabwe. This was a study focusing on SOEs. The study could have covered more institutions in the public sector so as to provide a more broad-based analysis. It is recommended that barriers to effective of corporate governance principles in SOEs in Zimbabwe, further be investigated in SOEs, possibly by means of a quantitative study involving many respondents for better generalization of the findings. We recommend that future research of this caliber should put into consideration other SOEs outside Harare and could make use of a quantitative approach and divert from a qualitative approach in order to cover a colossal number of participants. It is further suggested that SOEs in other cities should be considered in order to curb the imbalances of the contemporary study.

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