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A dissertation submitted in partial fulfilment of the requirements for the degree of Master of Business Administration

2013

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DECLARATIONS

I, Madala Moyo, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

Student’s signature __________________                   Date_____________

Supervisor’s Signature __________________       Date:_____________
ACKNOWLEDGEMENTS

My profound gratitude and appreciation go to the Almighty God for the life, strength and wisdom in completion of this work. Without Him, this work would have being a complete failure. Words cannot fully express my gratitude to Dr. Z. Nyandoro, my supervisor for his consistent support, comments and encouragement during the preparation and completion of this dissertation. To all the lecturers, the valuable knowledge and words of wisdom that I acquired during the study definitely changed the way I view the world. Thank you so much and God bless you all. Special mention goes to my employer, the Zimbabwe Revenue Authority for affording me the time to attend lessons at University of Zimbabwe and also allowing me to use the organization as a case study. I also wish to acknowledge the encouragement and support I got from my managers at work and fellow workers for without their insights, this study would not have been successful.
ABSTRACT

The broad objective of the study was to assess the efficacy of corporate governance frameworks in State-Owned Enterprises (SOEs) in Zimbabwe against a backdrop of a strong view that many state owned enterprises lack sound structures of good corporate governance. The poor administration of state owned enterprises, dismal financial and operating performance, corporate fraud, corruption, inefficiency and ineffectiveness, lack of external capital inflows and many other unethical and immoral conducts in state owned enterprises are indications which have been ascribed to a lack of good corporate governance structures.

The research study findings showed that good corporate governance has implications for organisation or company behaviour towards shareholders, employees, banks, customers and society. Corporate governance provides adequate information pertaining to the developments taking place in the company or organisation as a result enhancing organisational performance. The research findings also showed clearly that the Board of Directors should establish the values of the company or organisation in support of the vision and the mission statement. It is the responsibility of the board to establish and ensure communication of principles and standards of ethical business practice for the company or organisation in support of such values.

The research study gives fair discussion of the principles and mechanisms of corporate governance. The study developed a framework of good corporate governance based on the following key corporate governance structures; composition and selection procedures of the board, the roles, responsibilities and performance of the board and malpractice focusing on risk, internal controls, monitoring, disclosure and transparency. Using statistical tools and processes, the study concluded that good corporate governance in key to the performance of State Owned Enterprises. The findings of this research study will benefit the organization immensely in dealing with corporate governance issues and specifically malpractices and corruption.
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CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.0 INTRODUCTION

The most serious challenges within the public sector remain the depletion of human resources and physical infrastructure as well as the desperate need to upgrade and develop outdated administrative practices. These practices have rendered public institutions unable to cope with the increasing demand for essential services. If not addressed, such a state of affairs will continue to curtail the development of the political and economic systems at the national and regional levels, seriously hindering the attainment of national development goals, including the Millennium Development Goals (MDGs) (UN-ESCWA, 2010:3). This chapter gives a general overview of the study covered in this dissertation which is a study of the efficacy of corporate governance frameworks in State-Owned Enterprises (SOEs) a case study of the Zimbabwe Revenue Authority (ZIMRA). It includes a general background of the authority, a general statement of the research problem, research objectives and research questions.

1.1 BACKGROUND OF THE STUDY

The performance of state-owned-enterprises is of paramount importance to the country’s population and other private business sectors. Consequently, the governance of these entities is critical to ensure their positive contribution to the overall country’s economic efficiency, effectiveness and competitiveness. This is buttressed by

“OECD experience has also shown that good corporate governance of state owned entities is an important prerequisite for economically effective privatization, since it will make the enterprises more attractive to prospective buyers and enhance their valuation,” http://www.oecd.org, accessed 19 April 2013.

Zimbabwe experienced an economic decline that was caused by a number of factors. Lack of capital support, shortages of foreign currency, liquidity crunch and a
variety of supply-side bottlenecks such as electric power, fuel, and imported inputs were some of the factors leading to the economic decline. The demise of quality corporate governance was caused by the skills flight that was witnessed during the stated period. Following the establishment of the inclusive government, stimulating investment was adopted and corporate governance frameworks in state owned enterprises was introduced with the creation of the Ministry of State Enterprises and Parastatals9 in year 2009.

The 2013 national budget statement recommends the implementation of economic governance and this entails “… improving regulation and operational efficiency of institutions that offer essential services like licenses, electricity, water etc. ’It further asserts that “fighting rent-seeking behavior and corruption should be prioritized.

1.3 GENERAL OVERVIEW OF THE OPERATING ENVIRONMENT
The global competitiveness report 2010 -2011 states “that Zimbabwe continues to be among the lowest ranked countries, although there have been some improvements in individual areas. The assessment of public institutions, while still weak, has improved measurably, specific areas of improvement are ethics and corruption, government inefficiency” According to the 2010 CZI Report on manufacturing sector survey, capacity utilization remains a key challenge. The three major capacity constraints have been attributed to lack of working capital, antiquated plant and machinery and low demand. The various capacity constraints are summarized in the pie chart in figure 1.1: The isolation of Zimbabwe and imposition of different sanctions and trade restrictions by the European Union coupled with a demise of quality corporate governance processes starting from the year 2000 to 2008 is emanating from the Land reform Programme.

According to The national budget statement (2013) identified the following, among others, as the main “structural challenges that are bedeviling this economy”

- Challenged political environment
- Low domestic savings
- Decayed infrastructure and attendant bottlenecks
- Low foreign direct investment
- Low per capita income
- Uncompetitive production structures
- Lack of effective policy implementation
- Weak institutions, also lacking in role clarity

1.4 THE STATE-OWNED ENTERPRISES IN ZIMBABWE

In Zimbabwe, State-owned enterprises are in utilities and infrastructure industries, such as energy and power, water, and mining, agriculture, financial services, health, education and arts, tourism, science and technology, transports and telecommunication. State owned entities provide varied goods and services to the public, private institutions and community. They are providing a platform upon which other economic activities can ride and grow. These enterprises are strategic enablers that enable economic growth, justifiable development, creation of wealth through the trade and manufacturing sectors including the financial, mining and retail
sectors. A list provided by the Ministry of State-owned enterprises and parastatals is given on appendix 1.

The introduction of the multicurrency system in January 2009 ushered in a period of stability for the country and state owned enterprises have shown some improvement in corporate governance, capacity utilization and productivity (Fiscal policy, 2012). This policy observes that quality corporate governance processes are critical for state owned enterprises to function effectively (Fiscal policy, 2012)

The Ministry responsible for State Enterprises and Parastatals came up with a corporate governance framework for the enterprises to adopt, hence, the study of corporate governance in these entities or organizations to establish whether the policy is being implemented, let alone, known by the entities.

1.2 STATEMENT OF THE PROBLEM
The Ministry responsible for State Enterprises and Parastatals (www.sep.co.zw, assessed 23.5.2013) observed that state owned entities play an important role in the ownership landscape and in global markets. The way these entities are governed and managed has a significant impact on their performance and value, as well as on public finances, economic growth, development and competitiveness. All listed companies are subject corporate governance compliance rules, regulations and guidelines through the Zimbabwe Stock Exchange (ZSE), a factual challenge exist in that most of the state owned entities are not listed and therefore not subject to ZSE regulations, “this leaves the Companies Act (Chapter 24.03) and the enabling Acts as the only corporate governance regulatory instruments for unlisted private and state-owned enterprises. Given that the Companies Act and the enabling Acts only provide for broad corporate governance guidelines, there is no comprehensive and enforceable corporate governance instrument to regulate the entities. There exists a strong view in Zimbabwe that many state owned enterprises lack sound structures of good corporate governance.

The weak corporate governance framework has a undesirable effect of the performance of companies, organizations and businesses, the economy and the quality of life of the ordinary people in the country. The cited poor administration of
state owned enterprises, dismal financial and operating performance, corporate fraud, corruption, inefficiency and ineffectiveness, lack of external capital inflows and many other unethical and immoral conducts in state owned enterprises are indications which have been ascribed to a lack of good corporate governance structures.

The views on the absence of corporate governance in state owned enterprises have negative implications. However, study contributes to the building up of empirical research evidence on corporate governance in State Owned Enterprises. This research study seeks to explore, investigate, analyse and empirically test the effectiveness and efficiency the of corporate governance structures in state owned enterprises.

1.3 RESEARCH OBJECTIVES
1. To examine the organizational structure framework and management control mechanisms in ZIMRA.
2. To explore the organizational and human factors influencing malpractices and corruption.
3. To assess the employees’ perceptions on the effect of malpractices (corruption) in job performance.
4. To make recommendations for ZIMRA management and future researchers.

1.4 RESEARCH QUESTION
1. What are the organizational structure framework and management control mechanisms being implemented in curbing malpractices and corruption within selected departments in ZIMRA?
2. What are the causes of malpractices and corruption in the authority?
3. What are employees’ perceptions on the impact of malpractices in the organizational operations?
4. What recommendations can be made in line with the study’s findings?

1.5 RESEARCH HYPOTHESIS
H0: Corporate governance framework affects Board of Directors’ performance
H1: Corporate governance framework does not affect Board of Directors’ performance.
1.6 JUSTIFICATION OF RESEARCH
The area of study is stimulated by the need to ascertain the efficacy of corporate governance guidelines being implemented in state-owned enterprises and how they may curb malpractices such as corruption and related problems. The following will benefit from this research;

The government, ZIMRA board of directors, management and stakeholders: The study will benefit the government, ZIMRA board of directors, management, and other interested stakeholders by raising alarm or awareness on the importance of corporate governance frameworks in state-owned enterprises. It also helps ZIMRA board of directors, management and its stakeholders in coming up with organizational structure framework and management control and monitoring mechanisms in state owned entities specifically revenue administrations. The study will assist these entities to ensure they meet the requirements of the law, rules, regulations and shareholder expectations of integrity, transparency, accountability, responsibility and openness.

State owned enterprises, organizations and institutions: It is expected that solutions identified will assist other state owned companies, organizations and institutions to address their challenges on the day to day running of the organizations and improve their performance.

Academia: The information on the efficacy of corporate governance gathered in this study can be used by scholars or academics as secondary data through the literature review and the findings. The findings of the study can be used as a reference in academics.

1.7 SCOPE OF STUDY
This research will focus on the Zimbabwe Revenue Authority. This should represent other state owned enterprises on matter of corporate governance framework. The findings should therefore be a fairly representation of the effectiveness, presence or absence of corporate governance frameworks in state owned entities.
1.8 ZIMBABWE REVENUE AUTHORITY AND ITS FUNCTIONS

“The Zimbabwe Revenue Authority (ZIMRA) was established on 19 January 2001 as a successor organisation to the then Department of Taxes and the Department of Customs and Excise following the promulgation of the Revenue Authority Act on February 11, 2000.

The Zimbabwe Revenue Authority, which derives its mandate from the Revenue Authority Act [Chapter 23:11] and other subsidiary legislation, is responsible for assessing, collecting and accounting for revenue on behalf of the State through the Ministry of Finance. ZIMRA’s mandate is to:-

1. Collect revenue.
2. Facilitate trade and travel
3. Advise Government on fiscal and economic matters
4. Protect civil society

1.9 DIVISIONS IN ZIMRA

Figure 1.2: Divisions in ZIMRA

Source: own diagram based operational situation

Below is a description of the main divisions of the Zimbabwe Revenue Authority as well as their primary roles:

* Investigations and Technical Services Division:
The main functions of this division are to recoup lost revenues, promote voluntary compliance through a programme of focused audits, research, pre- and post-importation checks, and the enforcement of controls.

**Domestic Taxes**
- to assess, collect and enforce the payment of all revenue and facilitate trade
- to foster a positive image of the Authority through good client service
- to educate the Authority’s clients about their rights and obligations in terms of all the statutes administered by the Zimbabwe Revenue Authority

**Customs and Excise**
- To facilitate the smooth entry of all travellers into the country through the country’s borders and ports of entry
- To assess, collect and enforce the payment of all revenue and facilitate trade
- To foster a positive image of the Authority through good client service
- To educate the Authority’s clients about their rights and obligations in terms of all the statutes administered by the Zimbabwe Revenue Authority

**Infrastructural Development:**
This division is concerned with the planning and coordination of new projects. The division is also in charge of Information Technology (IT) - maintaining and operating the computer system.

**Internal Audit Division:**
This division is there to evaluate controls and processes within the Authority in order to ensure high quality operations and to provide an independent and objective quality assurance system.

**Human Resource and Administration Division:**
This division provides human resource management services to the Authority. These services include, among others, industrial relations, recruitment, selection and promotions.

**Finance and Planning Division:**
This division is headed by the Director Finance and Planning and is divided into two areas namely: coordination of the strategic planning process and overseeing the entire financial management function.

**Legal and Corporate Services Division:**
This division is there to advise generally on all legal matters affecting the Authority.
Loss Control Division:
The division is there to enforce compliance with revenue laws and to enforce regulatory controls with Integrity, Transparency and Fairness. The effectiveness of the division shall be realised through the ability to capacitate establishments not only in reducing losses but by directly contributing to the core organizational mandate of collecting revenue” , accessed 19.4.13

1.9 DISSERTATION OUTLINE
This dissertation consists of five chapters which are organised as the follows;

Chapter one introduces the whole study and contains the background, problem statement, research objectives, research proposition, justification and scope of the study.

Chapter two provides literature review on the efficacy of corporate governance in state-owned enterprises.

Chapter three provides the methodology. It discusses how the research was carried out, that is; research approach, sampling methods, research instruments, data processing, analysis and presentation.

Chapter four presents a discussion of the study findings.

Chapter five presents the conclusions and recommendations of the study, as well as the area of further research.

1.10 CHAPTER SUMMARY
This Chapter provided introduction and background information of the study. The background information relayed information on the background of ZIMRA in relation to corporate governance issues. The statement of the problem was also provided. The chapter went on to provide the research objectives and the research questions of the study. The justifications of the study cited the benefits of the study to ZIMRA board and management, stakeholders of ZIMRA, other state owned enterprises and the academia. The dissertation outline was also provided in this chapter. The next chapter presents the literature review on corporate governance.
Chapter Two

Literature Review

2.0 Introduction
Good corporate governance of State Owned Enterprises is a major challenge in many African counties. State Owned Enterprises are deeply implicated in dismal financial and operational performance problems because of their provision of poor products and services, inefficiencies and losses. This chapter reviews literature on the efficacy of corporate governance in these enterprises. The literature review focuses more on the corporate governance frameworks, the organizational and human factors influencing malpractices and the effect of malpractices (corruption) in job performance. The study seeks to evaluate the effectiveness of corporate governance in State Owned Enterprises using the Zimbabwe Revenue Authority as a study case.

2.1 Definition of Corporate Governance
There is no single accepted and acknowledged definition of corporate governance. Knell (2006:5 & 6) started by defining governance and it is defined as

“to control and regulate the exercise of influence, to maintain good order and adherence to predetermined standards of behaviour.....Corporate governance is then defined as “the regulating influence applied to the affairs of a company to maintain good order and apply predetermined standards”

Solomon and Solomon (2004:14) based on their research came to a conclusion that corporate governance:

“is the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity”

Ghillyer (2010:108) defined corporate governance as: “the process by which organisations are directed and controlled”.

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Corporate governance is associated more specifically with the structures and processes related to management, decision-making and control in a company. It is explained that corporate governance is about the way in which boards oversee the running of a company by its managers and how board members are in turn accountable to the shareholders and the organisation or company. Corporate governance has implications for organisation or company behaviour towards shareholders, employees, banks, customers and society. Zimbabwe Leadership Forum (ZIMLEF) website provides this definition of corporate governance as “the system by which companies are directed and controlled.” It further explains that corporate governance involves regulatory and market mechanisms, and the roles and relationship between a company’s management, its board, its shareholders and other stakeholders, and the goals for which the corporation is governed. It also provides the main external stakeholder groups which include shareholders, debt holders, trade creditors, suppliers, customers and communities affected by the company’s activities. Internal stakeholders are the board of directors, executives and other employees, (http://www.zimlef.co.zw/services.html, accessed 18.5.13)

Monk and Minow (2008:3) asserted that one factor that can make the difference between smart and dumb choices, are corporate governance. In essence, corporate governance is the structure that is intended to make sure that the right questions get asked and that checks and balances are in place to make sure that the answers reflect what is best for the creation of long–term, sustainable value.

The Organisation for Economic Corporation and Development (OECD), described corporate governance as involving

“A set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set and how the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interest of the company and its shareholders and should facilitate effective monitoring” (OECD 2004:11)
2.2 CORPORATE GOVERNANCE IN ZIMBABWE

Zimbabwe has undergone several changes in both the structure and conduct of business. Several years ago the economy witnessed moral bankruptcy, unethical behaviour and absence of executive accountability experienced by some organisations. The result of all this was business failures and the eventual collapse of a number of corporations resulting in significant economic and social costs to the country as a significant number of people lost their jobs. Rampant corruption designed to cripple the economy and diminish the condition of livelihood of the Zimbabwean people was experienced, (http://nccg.co.zw, accessed 19.5.13). Good corporate governance requires corporate boards to be accountable, loyal, responsible, transparent and independent in order to act in the best interests of the organisation and society. This National Code of Corporate Governance (NCCG) was conceived with the following objectives in mind;

- Encourage leadership to adopt high standards of corporate governance and integrate decisions with strategy and sustainable development.
- Introduce a well-defined national and ethical value system and define the precision with which entities should be governed, controlled and directed.
- It is further aimed, in every way possible, to eradicate corruption, encourage disclosure, improve performance, competitiveness, quality of corporate governance and consequently, give a solid and sound governance foundation for key overseeing management and board of directors.
- Promote ethical and responsible decision making as well as safeguarding integrity in business leadership and management by building high performance boards of directors anchored on transparency, accountability and fairness as central value components.

It is also observed by the same committee that some of the benefits accruing from the Code include:

- The injection of much needed investment
- Elimination of any corruptive conduct in corporate governance improves the image of the country
- Impact positively on the operational efficiency of corporations and business
- Economic growth and poverty alleviation
Every state enterprise or parastatal should adhere to and implement the principles of sound corporate governance policies, procedures and practices, as required by the Public Finance Management Act (Chapter 22:19) (PFMA). Anecdotal evidence points to the current culture of people in various institutions not adhering to or complying with statutory and regulatory frameworks in place. The question is; what is it that could be done to make sure that people in general, businessmen/women, directors and senior managers in particular comply with and conform to set principles and laws, http://nccg.co.zw, accessed 19.5.13.

The Institute of Directors Zimbabwe strongly believes that Zimbabwe should have its own national code on corporate governance that should take into account the country’s peculiar corporate governance challenges. They observed that as a country, Zimbabwe has been ‘dogged’ by continued negative publicity emanating from company closures, reduced industrial capacity utilization, high unemployment, banks going under curatorship and others closing, abuse of shareholder funds or assets, fraud, environmental contamination, among others; http://www.iodzim.com, accessed.25.5.13.

Zimbabwe has a the Ministry of State Enterprises and Parastatals and there is a department responsible for spearheading the promotion of good corporate governance practices in State Enterprises and Parastatals as well as monitoring the overall performance of State Enterprises Parastatals;http://www.mosep.gov.zw, accessed 25.5.13.

2.3 CORPORATE GOVERNANCE THEORETICAL FRAMEWORKS
There are a number of theories that have affected or influenced the development of corporate governance. Mallin(2007) highlighted that the main theory that has affected corporate governance is the agency theory. He pointed out that stakeholder theory is also coming into play as companies increasingly become aware that they cannot operate in isolation and that, as well as considering their shareholders, they need also to have regard to a wider stakeholder constituency. The CorporateGovernment theories are shown below:
2.3.1 AGENCY THEORY
Solomon and Solomon (2004:17) cite Ross (1973) as the first person to explore the agency problem and also recognise that the first detailed theoretical exposition of agency theory was presented in Jensen and Meckling (1976). They defined the managers as the agents and the shareholder as the principal. The shareholder (owner) delegates the day to day decision making in the company to directors who are the agents. The challenge that arises as a result of this system is corporate ownership is that the agents do not necessarily make decisions in the best interest of the shareholders. One of the principal assumptions of agency theory is the goals of the principal and agent conflict. Blair (1996) cited by Mallin (2007) pointed out that managers are supposed to be the agents of a corporation’s owners’, but managers must be monitored and institutional arrangements must provide some checks and balances to make sure they do not abuse their power. The costs resulting from managers misusing their position, as well as the costs of monitoring and disciplining them try to prevent abuse, have been called agency costs.
2.3.2 TRANSACTION COST THEORY
Solomon and Solomon (2004:21) “Transaction cost theory is based on the fact that firms have become so large that they, in effect, substitute for the market in determining the allocation of resources.”,). Mallin (2007:12) expounded and said that the transaction cost economics views the firm itself as a governance structure. The choice of an appropriate governance structure can help align the interests of directors and shareholders.

2.3.3 STAKEHOLDER THEORY
Solomon and Solomon (2004) suggested that a basis for stakeholder theory is that companies are so large and their impact on society so pervasive that they should discharge accountability to many more sectors of society than solely their shareholders. They further state that stakeholders include shareholders, employees, suppliers, customers, and creditors, communities in the vicinity of the company’s operations and the general public. The stakeholder theory is demonstrated in figure 2.1 below

Figure 2.2 stakeholder theory

![Stakeholder Theory Diagram]

Source: own diagram adapted from Ghillyer (2010:28)
The table below shows the stakeholders and their interest in an organisation:

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Interest in the organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders</td>
<td>Growth in the value of company stock</td>
</tr>
<tr>
<td></td>
<td>Dividend income</td>
</tr>
<tr>
<td>Employees</td>
<td>Stable employment at a fair rate of pay</td>
</tr>
<tr>
<td></td>
<td>A safe and comfortable working environment</td>
</tr>
<tr>
<td>Customers</td>
<td>Fair exchange – a product or service of acceptable value and quality for the money spent</td>
</tr>
<tr>
<td></td>
<td>Safe and reliable products</td>
</tr>
<tr>
<td>Supplier/vendor partners</td>
<td>Prompt payment for delivered goods</td>
</tr>
<tr>
<td></td>
<td>Regular orders with an acceptable profit margin</td>
</tr>
<tr>
<td>Retailers/wholesalers</td>
<td>Accurate deliveries of quality products on time and at a reasonable cost</td>
</tr>
<tr>
<td></td>
<td>Safe and reliable products</td>
</tr>
<tr>
<td>Government</td>
<td>Tax revenue</td>
</tr>
<tr>
<td></td>
<td>Operation in compliance with all relevant legislation</td>
</tr>
<tr>
<td>Creditors</td>
<td>Principal and interest payment</td>
</tr>
<tr>
<td></td>
<td>Repayment of debt according to the agreed schedule</td>
</tr>
<tr>
<td>Community</td>
<td>Employment of local residents</td>
</tr>
<tr>
<td></td>
<td>Economic growth</td>
</tr>
<tr>
<td></td>
<td>Protection of the local environment</td>
</tr>
</tbody>
</table>

Table 2.1: Stakeholder interest, Source: Ghillyer (2010: 28)

2.4 CORPORATE GOVERNANCE CONCEPTUAL FRAMEWORK

Kim et al (2003) observe that the goal of every firm is to increase its shareholders’ wealth. However, the firm’s value diminishes when it does not have the trust of its shareholders. Without the trust of investors, firms will not be able to obtain new capital and grow. The entire economy suffers when trust is broken. Mallin (2007) supports Kim et al (2003) by stating that a company with good corporate governance is generally perceived as more attractive to investors than one without. According to the governance framework 2013-2017 Department of Education, Training and Employment (DETE) document, figure 2.3 is considered an important overview of corporate governance. It explains that corporate governance arrangements must continually evolve to ensure that organizational and service delivery objectives are met effectively, efficiently and transparently.
Balachandran V and Chandrasekaran (2011:87) came up with important objectives of corporate governance which the researcher considered essential for the country and specifically state owned enterprises to adopt and it is important to note that
corporate governance extends beyond corporate law. It is integral to the very existence of a company.

1. **Strengthening investor confidence** - a country need to encourage corporate governance by ensuring company’s commitment to higher profit.

2. **Transparency** – corporate governance ensures commitment of the board in managing the company in a transparent manner to maximise the stakeholders’ value.

3. **Balanced board** – there is an important aspect of corporate governance that non-executive directors and independent directors should take care of the interest of stakeholders.

4. **Review board policies and procedures** – good corporate governance exists for the interest of both company and stakeholders.

5. **Board’s decision to shareholders** – corporate governance should provide adequate information pertaining to the developments taking place in the company.

6. **Long term vision of the board** – corporate governance ensure the board leads the company forward so as to maximise long term value and shareholders’ wealth.

Kim at el (2006:92) is of the view that an appropriate approach for a corporate governance rating system is first to have a rating of the corporate governance in a given country for example, how transparent are accounting and reporting practices generally in the country, are there existing corporate governance practices in place, is there a code of best practice, to what extent is that code complied with, what sanctions are there against companies which do not comply? With regard to individual company the ratings will generally be based on: the company’s approach to the rights of shareholders; the presence of independent non-executive (outside) directors; the effectiveness of the board; the accountability and transparency of the company.

The Cadbury Code of best practices is cited by Mallin (2007:123) as having influenced the development of corporate governance in many countries.

Singh (2005:260) states that the OECD’s corporate governance rating is based on the following principles: Fairness to all stakeholders, Transparency, Accountability
Responsibility, and Shareholder’ wealth creation and business ethics and social responsibility.

Balachandran and Chandrasekaran (2011:86) observed that corporate governance is important for business and its development and provide good reasons why countries should embrace corporate governance. Mallin (2007:32-33) citing China and Greece, highlights that the principles focus on public entities, nonetheless, all companies are encouraged to utilize these principles to improve corporate governance. She further asserts that these principles are non-binding, however, their value as key elements of good corporate governance have been recognised and have been incorporated into codes in many different countries.

2.5 THE OECD PRINCIPLES OF CORPORATE GOVERNANCE
The Organisation for Economic Co-operation and Development (OECD) 2009 came up with some principles of corporate governance in 1999. The following OECD principles were reviewed and revised in 2004:

<table>
<thead>
<tr>
<th>Principle</th>
<th>Narrative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ensuring the Basis for an Effective Corporate Governance Framework</strong></td>
<td>The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.</td>
</tr>
<tr>
<td><strong>The Rights of Shareholders and Key Ownership Functions</strong></td>
<td>The corporate governance framework should protect and facilitate the exercise of shareholders’ rights.</td>
</tr>
</tbody>
</table>
The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active cooperation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the company.

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board’s accountability to the company and the shareholders.

Table 2.2: OECD principles of corporate governance

Source: Mallin (2007: 32.)

2.6 THE SEVEN CHARACTERISTICS OF GOOD CORPORATE GOVERNANCE:

The King Report on Corporate Governance for South Africa (2002) provides seven characteristics of good corporate governance principles and practices:
Discipline - a commitment by a company’s senior management to adhere to behaviour that is universally recognised and accepted to be correct and proper.

Transparency - a measure of how good management is at making necessary information available in a candid, accurate and timely manner – not only the audit data but also general reports and press releases.

Independence - the extent to which mechanisms have been put in place to minimise or avoid potential conflicts of interest that may exist, such as dominance by a strong chief executive or large shareowner. These mechanisms range from the composition of the board, to appointments of board committees and external auditors, the decisions made, and internal processes established, should be objective and not allow for undue influences.

Accountability - Individuals or groups in a company, who make decisions and take actions on specific issues, need to be accountable for their decisions and actions.

Responsibility - responsibility pertains to behaviour that allows for corrective action and for penalising mismanagement. Responsible management would, when necessary, put in place what it would take to set the company on the right path.

Fairness - The systems that exist within the company must be balanced in taking into account all those that have an interest in the company and its future. The rights of various groups have to be acknowledged and respected.

Social responsibility - A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitative, and responsible with regard to environmental and human rights issues. A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking those factors into consideration.

2.7 WHAT HAPPENS WHEN CORPORATE GOVERNANCE FAILS?

According to Solomon and Solomon (2004) the Enron saga presents a poignant illustration of what happens when corporate governance is weak and when the checks and balances are ineffective. They further asserted that if there was unethical behaviour at the highest level, little if anything, can avoid eventual disaster.

Monetary policy statement by the Minister of Finance (2013) observes that the global financial crisis and its dampening effects on global economic activity, which almost brought the international financial system to a screeching halt, was largely attributed to failures and weaknesses in corporate governance arrangements.
Cadbury (1992) cited by Ghillyer (2010:111) observed;

*That the code of best practice was designed to achieve the necessary high standards of corporate behaviour. By adhering to the code, companies will strengthen both their control over their businesses and their public accountability. In so doing they will be striking the right balance between meeting the standards of corporate governance now expected of them and retaining the essential spirit of enterprise*."

Maureen and William (2010) reported that revenue authorities (RAs) have been adopted by some countries as an alternative delivery model for improved revenue administration. They are sometimes seen as a possible solution to problems such as low rates of tax compliance, ineffective tax administration staff, and corruption’

Knell (2006: 17) observed that;

"in both Enron and WorldCom, the rot stemmed from the top. A regime of dishonesty was encouraged and few had the nerve to blow the whistle; The executives involved were totally driven by their personal reward. Boardrooms were totally lavishly rewarded friends who would not create waves or ask difficult questions. The independent Non-Executive Directors (NEDS) were heavily rewarded and their independence was questionable. The watch dogs (auditors) were bribed with generous non-audit work, making their audit report somewhat fanciful”.

Millstein and MacAvoy (1998) cited by Mallin (2007) found that companies with active and independent boards appear to perform much better that those with passive, non-independent boards. She further cites McKinsey ‘s survey concluded that the majority of investors would be prepared to pay a premium to invest in a company with good corporate governance and the survey observed that good corporate governance in relation to board practices includes a majority of non-executive directors who are truly independent and good responsiveness to shareholder requests for governance information. The survey concluded that the investors perceive and believe that corporate governance is important that leads to the willingness to pay a premium for good corporate governance. Mallin (2007) cites many authors of various studies that have concluded that there is sufficient
evidence in support of the view that good corporate governance improves the long term performance of companies.

Ghillyer (2010) explained that good corporate governance plays a vital role in underpinning the integrity and efficiency of financial markets. Poor corporate governance weakens a company’s potential and at the worst can pave the way for financial difficulties and even fraud. He states that if companies are well governed, they will usually outperform other companies and will be able to attract investors whose support can finance further growth. Balachandran and Chandrasekaran (2011) pointed out that the ultimate objective of corporate governance is corporate success. They argue that companies displaying good corporate governance have attracted investors worldwide and augment their resources easily and have a strong backing of stakeholders resulting in a good corporate image. Strong corporate governance enables a company to lower its cost of capital and in turn enhances shareholder value. Corporate governance deals with conducting the affairs of the company in such a way that there is fairness, openness, integrity, accountability and its actions benefit the greatest number of stakeholders. Evidence suggests that companies that do not employ meaningful corporate governance procedures pay a significant risk premium when competing for scarce capital in the security markets.

2.8 REQUIREMENTS TO STRENGTHEN CORPORATE GOVERNANCE
Balachandran and Chandrasekaran, (2011 :91) provides requirements to strengthen corporate governance:

- **Enforcement of rights by minority shareholders** – encourage shareholder activism.
- **Quality of audit** – government to strengthen the quality of audit so as to make auditor accountable for the disclosure of information in the annual report and monitor audit firm
- **Ensuring the independence of directors** – an appropriate and acceptable system that ensures independence of board to discharge their duties.
- **Awareness of adoption of corporate governance practice** – efforts for propagation of corporate governance norms amongst company for better compliance.
Amendment to bankruptcy laws – for prompt implementation of the provisions
Accountability of the board to stakeholders –
Upgrading the efficacy of the system – ensure the quality and effectiveness of the legal, administrative and regulatory framework
Report on corporate governance – make statutory compliance for listed and non-listed companies

2.9 THE ROLE OF BOARD OF DIRECTORS IN CORPORATE GOVERNANCE
An extract of the Cadbury Code of Best Practice (1992) clearly emphasises the central role of the board of directors, the importance of a division of responsibilities at the head of the company and the role of the non-executive directors. The code’s section about directors is shown in table 2.1 below:

<table>
<thead>
<tr>
<th>The board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every company should be headed by an effective board, which is collectively responsible for the success of the company.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chairman and chief executive officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company’s business. NO one individual should have unfettered powers of direction.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Board balance and independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>The board should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board’s decision making.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Appointments of the board of directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.</td>
</tr>
</tbody>
</table>
**Performance evaluation**

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

**Table 2.3: Codes section about directors**


Kim et al. (2003) identified five broad functions of the board of directors:

- To hire, evaluate, and perhaps even fire top management, with the position of CEO being the most important to consider;
- To vote on major operating proposals (e.g., large capital expenditures and acquisitions);
- To vote on major financial decisions (e.g., issuance of stocks and bonds, dividend payments and stock repurchases);
- To offer expert advice to management;
- To make sure the firm’s activities and financial condition are accurately reported to its shareholders.

Kim et al. (2003:47) observes that as the board is part of a company’s structure at the top, it is considered the “most important internal monitor”. They also point out that a good board is one that consists of members who have different backgrounds and considers independent boards as important.

Ghillyer (2010:109) recommended six steps to effective corporate governance by the board. The following are the six steps that should be followed by the boards for it to be truly effective:

- **Create a climate of trust and candour** - the board of directors and the senior executives should be working in partnership towards the successful achievement of organisational goals rather than developing an adversarial relationship where the board is seen as an obstacle to the realisation of the CEO’s strategic vision.

- **Foster a culture of open dissent** - proposals should be open for frank discussion and review rather than subject to the kind of alleged rubber-stamping. Dissent ensures that all aspects of proposals are reviewed and discussed thoroughly.
Mix up roles-rotation of assignments can avoid typecasting and conscious effort to switch between “good cop” and “bad cop” supporting and dissenting roles can ensure positive debate of all key proposals are reviewed and discussed thoroughly.

Ensure individual accountability – rubber stamping generates collective indifference – how can you consider yourself accountable if you were only voting with a clearly established majority? If there is significant fallout from a major strategic initiative, all members should consider themselves accountable. This approach would address any pretence of being ambushed or in the dark.

Let the board assess leadership talent- the board members should actively meet with future leaders in their current positions within the organisation rather than simply waiting for them to be presented when a vacancy arises.

Evaluate the board’s performance- Effective corporate governance demands superior performance from everyone involved in the process.


Provide superior strategic guidance to ensure the company’s growth and prosperity

Ensure accountability of the company to its stakeholders, including shareholders, employees, customers, suppliers, regulators and community.

Ensure that a highly qualified executive team is managing the company.”

2.10 BOARD OF DIRECTORS SUBCOMMITTEES

The Board of Directors may appoint various sub-committees which should report regularly to the main board and although the board delegates various activities to these sub-committees, it is the board as a whole that remains responsible for the areas covered by the sub-committees. The Cadbury Report recommended three strong sub-committees that should be formed, namely the audit, remuneration and the nomination committees.
Ghillyer (2010: 108) states that an **audit committee** has a primary responsibility to oversee the financial reporting process, monitor internal controls, monitor the choice of accounting policies and procedures and oversee the hiring and performance of external auditors in producing the company’s financial statements, observed. Ghillyer (2010:109) argued that a corporate committee represents a more public demonstration of the organisation’s commitment to ethical business practices. The committee monitors the ethical performance of the organisation and oversees compliance with the company’s internal code of ethics as well as any state regulations on corporate conduct.

### 2.11 COMPOSITION OF THE BOARD OF DIRECTORS

The King Report 111 by the Institute of Directors in South Africa provides that the Board of Directors should comprise a balance of executive and non-executive directors, with the majority being independent non-executive directors as this reduces the possibility of conflicts of interest. The Report also provides that the Board of Directors should be led by an independent non-executive chairperson who should not be the Chief Executive Officer of the company. The appointment of the Chief Executive Officer of the company should be by the board and should be an effective and ethical officer. The Board of Director should ensure that there is an appropriate balance of power and authority on the board. No one person or a block of persons should be able to dominate the board's decision making.
Singh (2005:278) gives reasons why the position of a chairman and a chief executive officer should be assigned to two persons. Among other reasons, he quotes Lord Acton who said “power corrupts and absolute power corrupts absolutely”. Hence, he highlights that combining two positions in one person is an open invitation to corrupt and unethical practices, soon than later and an all-powerful chairman and CEO may even run the company as his personal fiefdom or captive organisation, thus preventing the actualisation of a firm’s potentials to the detriment of owners, shareholders and society at large.

2.12 CODE OF CORPORATE PRACTICES AND CONDUCT

The board of Director should ensure that the company or business complies with all relevant laws and regulations and that it communicates with its shareholders and relevant stakeholders, both internal and external, openly and promptly with substance prevailing over form. The King 2 Report recommended principles of corporate practices and conduct which the researcher felt were important in this study. The principles are as follows;

**Boards and Directors:** The board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and affairs of the company. Delegating authority to board committees or management does not in any way mitigate or dissipate the discharge by the board and its directors of their duties and responsibilities.

**Board Composition:** Companies should be headed by an effective board that can both lead and control the company. The board should comprise a balance of executive and non-executive directors, preferably with a majority of non-executive directors, of whom sufficient should be independent of management so that shareowner interests (including minority interests) can be protected.

**Chairperson and Chief Executive Officer:** There should be a clearly accepted division of responsibilities at the head of the company, to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The chairperson should preferably be an independent nonexecutive director. Given the strategic operational role of the chief executive officer, this function should be separate from that of the chairperson. Where the roles of the chairperson and chief executive officer are combined, there should
be either an independent non-executive director serving as deputy chairperson or a strong independent non-executive director element on the board.

**Directors:** The board should ensure that there is an appropriate balance of power and authority on the board, such that no one individual or block of individuals can dominate the board’s decision taking. Non-executive directors should be individuals of calibre and credibility, and have the necessary skill and experience to bring judgment to bear independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance.

**Remuneration:** Levels of remuneration should be sufficient to attract, retain and motivate executives of the quality required by the board. Companies should appoint a remuneration committee or such other appropriate board committee, consisting entirely or mainly of independent non-executive directors, to make recommendations to the board within agreed terms of reference on the company’s framework of executive remuneration and to determine specific remuneration packages for each of the executive directors. This is, ultimately, the responsibility of the board. This committee must be chaired by an independent non-executive director.

**Board Meetings:** The board should meet regularly, at least once a quarter if not more frequently as circumstances require, and should disclose in the annual report the number of board and committee meetings held in the year and the details of attendance of each director (as applicable).

**Board Committees:** Board committees are an aid to assist the board and its directors in discharging their duties and responsibilities, and boards cannot shield behind these committees.

**Board and Director Evaluation:** The board, through its nomination committee or similar board committee, should regularly review its required mix of skills and experience and other qualities such as its demographics and diversity in order to assess the effectiveness of the board. This should be by means of a self-evaluation of the board as a whole, its committees and the contribution of each individual director.

**Dealings and Securities:** Every listed company should have a practice prohibiting dealing in its securities by directors, officers and other selected employees for a designated period preceding the announcement of its financial
results or in any other period considered sensitive, and have regard to the listings requirements of the JSE in respect of dealings of directors.

**Company Secretary:** The company secretary, through the board, has a pivotal role to play in the corporate governance of a company. The board should be cognisant of the duties imposed upon the company secretary and should empower the company secretary accordingly to enable him or her to properly fulfil those duties. In addition to extensive statutory duties, the company secretary must provide the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the company. The company secretary has an important role in the induction of new or inexperienced directors, and in assisting the chairperson and chief executive officer in determining the annual board plan and the administration of other issues of a strategic nature at the board level.

**Risk Management:** The board is responsible for the total process of risk management, as well as for forming its own opinion on the effectiveness of the process. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company. The board should set the risk strategy policies in liaison with the executive directors and senior management. These policies should be clearly communicated to all employees to ensure that the risk strategy is incorporated into the language and culture of the company.

### 2.13 WHY SOE NEED CORPORATE GOVERNANCE

The OECD came up with guidelines on how countries can manage State Owned Enterprises more effectively and making these enterprises to be competitive, efficient and transparent. The guidelines highlight that the government plays a positive role in encouraging good corporate governance across all sectors of the economy. The Guidelines establish the core elements of a good corporate governance regime. They provide standards and good practices, as well as guidance on implementation, and should be adapted to the specific circumstances of individual countries and regions. These are explained under the following headings;

- The legal and regulatory framework
- The state as the owner
- Equitable treatment of all shareholders
Relations with stakeholders
Transparency and disclosure requirements
The responsibility of the Board of Directors

The OECD guidelines try to find a balance between the government’s responsibility such as the nomination and election of the Board of Directors members, while at the same time refraining from undue political interference in the day to day running of the enterprises. Another important area is to make sure that there is a level-playing field in the market where privately owned entities can compete with State Owned Enterprises and that there is no competition distortion in the way the governments use their regulatory or supervisory powers. The guidelines are summarised in the table below:

<table>
<thead>
<tr>
<th>Principle</th>
<th>Narrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Legal and Regulatory Framework for State-Owned Enterprises.</td>
<td>There should be a clear level-playing field in markets where the private and public entities compete equally in order to avoid market distortions. There should be a clear separation between operational practices and the legal form under which State owned Enterprises operate. Any additional obligations and responsibilities of State owned Enterprises should be legislated and disclosed in a transparent manner. State Owned Enterprise should compete in the market on an equal footing with other private companies.</td>
</tr>
<tr>
<td>State Acting as an Owner.</td>
<td>The government should act as a well-versed and energetic owner and create a clear and consistent proprietorship policy, making sure that the governance of state-owned enterprises is carried out in a transparent and accountable manner, with the necessary degree of professionalism</td>
</tr>
</tbody>
</table>
and effectiveness. The government should develop and issue an ownership policy detailing its objectives, role in the corporate governance and implementation of its ownership policy. It should allow full operational autonomy, not be involved in the day-to-day management and should allow boards exercise their responsibilities and respect their independence. should exercise its ownership rights according to the legal structure, Be represented at the general shareholders meetings, Establish transparent board nomination processes and actively participating in the nomination of boards.

**Equitable Treatment of Shareholders**

The government and state-owned enterprises should recognise the rights of all shareholders ensure that all shareholders are treated equitably and should develop an active policy of communication and consultation and observe a high degree of transparency towards all shareholders. The participation of minority shareholders in shareholder meetings should be facilitated in order to allow them to take part in fundamental corporate decisions such as board election.

**Relations with Stakeholders**

The national ownership policy should recognise and respect stakeholders’ rights established by law or through mutual agreements and request that they report on their relations with stakeholders. The board should be required to develop, implement and communicate compliance programmes for internal codes of ethics. These should be based on country norms, in conformity
with international commitments and apply to the company and its subsidiaries.

**Transparency and Disclosure**

Develop efficient internal audit procedures and establish an internal audit function that is monitored by and reports directly to the board and to the audit committee or the equivalent company organ. SOEs, especially large ones, should be subject to an annual independent external audit, disclose financial and non-financial information based on international standards.

**The Responsibilities of the Boards of State-Owned Enterprises**

The boards of state-owned enterprises should have the necessary authority, competencies and objectivity to carry out their function of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions.

<table>
<thead>
<tr>
<th>Table 2.4: Summary of OECD guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: OECD guidelines on State Owned Enterprises (2005)</td>
</tr>
</tbody>
</table>

Mwaura (2007: 48 - 60) in his law journal identified some reasons for the poor performance of parastatals. One of the reasons is that the objective of some State Owned Enterprises is to foster private sector activity rather than their own growth. He pointed out that the need to assist private sector partly undermines the efficiency and solvency of these entities as the need to be profitable is rarely on the agenda of the enterprises and they lose the benefits that can accrue from completion. Mwaura considers the nomination and selection of the Board of Directors as another reason for the poor performance of State Owned Enterprises. The President of the country is given a strong measure of control over appointments and is allowed to provide for the management of these enterprises. The President determines the compositions of the board of Directors and generally consists of:
THE chairperson appointed by the President
The Chief Executive Officer
The permanent Secretary of the Parent Ministry

Due to political nature of the appointments, the Board of Directors is composed of directors with little or no business experience or relevant technical expertise as a result making it difficult to for directors to act in the best interest of the enterprises. This has detrimental effects on the managerial capacity of the Boards of Directors and on the morale of competent employees. It is succinctly stated that the appointment of qualified personnel enhances the performance of the Board of Directors by raising the standard of care expected from these directors. Another reason given is the of lack of autonomy in the Board of Directors which impacts negatively on its efficiency and effectiveness, as an independent board is key to appropriate and good corporate governance. The government performs the role of appointing the directors and issuing directives. As such the position of these directors differs from those in the private sector. For example, these directors may escape liability for considering the interest of the government rather than that of the enterprise or the wider community. Another reason identified is that of overlapping regulations. There are State Owned Enterprises that governed by specific Acts as well as subjected to the direct regulation by Parliament. Parliament scrutinises these enterprises under the legislation that establishes them as a result the board is impaired in their ability to make commercially sound business decisions. There is also the reason of coming up with fraudulent transactions by State Owned Enterprises, either to counter inflation or to make some basic goods affordable to consumers. It is also stated in the journal that to assess how effective the State Owned Enterprise’ Board of Directors are in discharging their duties and responsibilities, it is of paramount importance to consider what functions of an effective board ought to be. The lack of powers to impose sanctions on the Chief Executive Officer and other senior managers of the enterprise limits the ability of the enterprises to meet their goals.
2.14 COUNTRY CASE STUDIES

**South Africa**—Southern Africa Resource Watch (SARW) Corporate Governance Practices of South African Mining Companies with Operations in South Africa (2010: 44) observed that South African mining companies are showing signs of progression from the history of poor corporate governance; most companies are still falling short of expectations with cases of corruption, human rights abuses and environmental degradation. The organisation proposes that the state must increase its vigilance and ensure corporate compliance with established national statutory provisions. Violations of human rights and good corporate governance practices should not be optional for business. It further affirms that corporate governance is part of the cost of doing business.

**Kenya**—Fordham International Law Journal (2007) on the Failure of Corporate Governance in State-Owned Enterprises and the Need for Restructured Governance in fully and partially Privatized Enterprises reported that the poor performance of parastatals has had adverse effects on the economy of Kenya. It reports that although the initial objective of having parastatals was to foster the development of the private sector and the provision of public services, the current state of parastatals' management, and the way that they are regulated, militate against the attainment of such objectives. It clearly observed that that the regulatory framework in place is ineffective. Corporate governance in the private sector, it observed, differs significantly from that of parastatals.

**Malawi**—An assessment of corporate governance in Malawi was conducted in June 2007 by the World Bank, as part of the Reports on Observance of Standards and Codes Program. The bank reported that the government of Malawi should move to quickly strengthen the corporate governance framework for parastatal companies. This includes clarifying the roles of the various government bodies that execute ownership rights of government and reducing the fragmentation of oversight bodies, developing an ownership policy, insulating the board nomination process from the political process, and providing training and improving corporate governance at the company level.

It is, therefore, important to note that corporate governance deals with conducting the
affairs of the company in such a way that there is fairness, openness, integrity, accountability and its actions benefit the greatest number of stakeholders. State owned enterprises should adopt good corporate governance principles for their success and long term sustainability. It is evident from the principles and practices above that company have to consider and take into account the values and principles ascribed to in the society they are operating. It is no longer optional for companies to behave in ethically and environmentally acceptable way in the course of doing business. Companies are now expected to act and contribute to a healthy, well-functioning and developing society.

2.15 CHAPTER SUMMARY
This chapter reviewed literature for the study. Literature was developed by looking at the important concepts addressing the research study. The chapter focused on defining the concept of corporate governance, role of the board, the composition and the corporate governance practices and conduct. It also looked at the benefits and how important corporate governance can be to a company or organisation. The presence and effectiveness of corporate governance ensure accountability, transparency, responsibility and discipline on the part of managers and the Board of Directors. This literature was used to discuss research findings presented in chapter four of this study.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION
This chapter presents the study research methodology. A critical literature review was carried out based on corporate governance and OECD guidelines. The study information was sourced and collected from different sources. The study largely relied on historical events and available information. The study focused on a case study of the Zimbabwe Revenue Authority in order to narrow down the research topic. The main aim was to try and establish the efficacy of corporate governance in state owned enterprises in Zimbabwe. Collection of data was essential to draw a meaningful conclusion to this research study. A predominantly quantitative research method was employed to collect data for this study. The data collection methods ensured that the data gathered was reliable so as to assist the researcher to make meaningful conclusions.

3.2 RESEARCH DESIGN
A research design provides a framework for the collection and analysis of data. The research design generally can be defined as the plan for providing a sound and conclusive answer to research questions. It provides a platform upon which answers to the research questions are going to be obtained. Whitey (1958) cited by Krishnasway et al (2006: 25) gives eight dimensions that are useful in deciding the design for a research study. They are;

- Objective
- Area of thinking
- locus of location
- relationship sought,
- method of gathering evidence
- kind of data
- the procedure and
- time
A comprehensive definition of a research design is given by Blumberg (2011:147), "a research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of data. A research design expresses both the structure of the research problem and the plan of the investigation used to obtain empirical evidence on relations of the problem."

The descriptive research design was considered appropriate since it describes or picture business situations as they occur naturally and it enabled the researcher to dig facts on the efficacy of corporate governance frameworks in State-Owned Enterprises in Zimbabwe. It was also established that due to time constraints, the researcher was not going to gather the required information from every employee of the organisation and a sample had to be drawn from the population.

### 3.2.1 Types of research design

The research design chosen is based on questions to be answered and the research objectives. The following are some of the types of research designs:

- **Exploratory research**
- **Explanatory research**
- **Descriptive research**

The researcher embraced or used a descriptive research design in which the facts, observations, attitudes, perceptions, opinion and views of the respondents towards the subject were measured and analysed.

Krishnasway et al (2006: 163) explains descriptive research as fact finding with adequate interpretation. They highlight that descriptive uses simple analysis of data, develops thinking and elaboration of patterns and obtains tentative generalisations as hypotheses.

Saunders et al ( ) highlights that the way the questions are asked would result in descriptive, explanatory or exploratory answers concluding that “research purpose most often used in the research methods’ literature is the threefold one of exploratory, descriptive and explanatory”.

38
Robson (2002: 59) cited by Saunders et al (2: 140) state that the object of
descriptive approach is to portray an accurate profile of persons, events or
situations. The descriptive research design was considered appropriate since it
describes or picture business situations as they occur naturally and it enabled the
researcher to dig facts on the efficacy of corporate governance frameworks in State-
Owned Enterprises in Zimbabwe.

3.3 RESEARCH PHILOSOPHY
There are many research philosophies that can be used by researchers. The
following are some of the philosophical perspectives identified by Saunders et al,
(2007:119)
  ➢ Positivism
  ➢ Realism
  ➢ Pragmatism
  ➢ Interpretivism/phenomenology
This study made use of a positivist approach to research. According to Fisher
(2007:17)
  “The intention of positivism is to produce general laws that can be used to
predict behaviour, in terms of probability at least, if not with absolute
certainty”.
Blumberg (2011: 499) defines positivism as
  “a research philosophy that builds on the principles that the social world can
be viewed objectively, research is value free and the researcher is
independent. It assumes that the social world can be observed by collecting
objective facts and consists of simple elements to which it can be reduced”,

The research philosophy used in the research study was mainly based on the
positivistic paradigm since a major part was the use of empirical findings. The
benefits of positivism are that it places emphasis on numerical analyses and
objectivity. The researcher had greater opportunity to control the research process.
3.4 RESEARCH STRATEGY
According to Yin (2003) cited by Saunders et al (2007:141) each of the following strategies can be used for exploratory, descriptive and explanatory research. He further point out that the choice of strategy is guided by research questions, objectives, the extent of existing knowledge, the amount of time and available ,as well as philosophical underpinnings. Research strategies include;

- Experiment
- Survey
- Case study
- Action research
- Ground theory
- Ethnography
- Archival research

3.4.1 A survey
A survey is where a sample of subjects is drawn from a population and studied to make inferences about the population. Blumberg (2011: 207) attributes the great strength of the survey as a primary data-collecting approach to its versatility while Lancaster (2005:146) highlights that survey research is essentially an approach to data collection that involves collecting data from large numbers of respondents. Saunders et al (2007:601) stated that a survey also includes other techniques such as structured observation and structured interviews. The most critical stage of the survey is to select the sample and to ensure that it is not biased and is representative of the population from which it is drawn. The survey strategy was used because of its simplicity and objectivity.

3.4.2 Case study
Fisher (2007:13) points out that case study enable us to give a holistic account of the subject of our research. In particular, they help the researcher to focus on the interrelationships between all the factors, such as people, groups, policies and technology, which make up the case studies.

Yin (2006) cited by Fisher (2007:60) identifies characteristics of a case study as follows
“it investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and its contents are not clearly evident

It has a single site, such as a team or an organisation, but many variables

A case study uses a variety of research methods and can happily accommodate qualitative data and qualitative material

Case study researchers tend to use theoretical propositions developed prior to the study to guide the data collection”

Krishnasway et al (2006: 171) explains that a case study is a complete analysis and report of an individual entity with respect to different aspects of its totality. It can be used as a rejecter of hypotheses but cannot be strongly used as a hypothesis verifier. It can depict development over time or cultural aspects of an organisation,

Blumberg (2011:256) considers a case study as shedding light on a phenomenon from a multiple perspectives and allows one to detect unexpected patterns and potential explanations.

A case study approach was realized as appropriate because the technique is suitable to get empirical data from a particular contemporary phenomenon within real life situation using multiple sources of evidence. A case study provides explanatory information and a detailed level of analysis that results when a study confined to a small number of subjects. A case study provides a good source of ideas about the behaviour of subjects under study.

3.5 POPULATION AND SAMPLING TECHNIQUES

A population is a group of interest to the researcher. The population in this study was the entire Zimbabwe Revenue Authority staff, managerial and non-managerial. The Commissioner General and members of the executive also participated as part of the population. The population was chosen to assist the researcher in conducting a qualitative research.

It was not possible to involve all employees of the organisation, thus a sample was used to represent the views of the ZIMRA population. Sampling provided a valid alternative to the population as;

It was impracticable to survey the entire population
The time constraint prevented surveying the entire population
The results were wanted quickly

There are several different sampling techniques used in the field of research. Sampling techniques available to a researcher can be divided into two types, Saunders et al (2007:213)

- Probability or representative sampling
- Non-probability or judgemental sampling

3.5.1 Probability sampling
- Simple random
- Systematic sampling
- Stratified sampling
- Cluster sampling

3.5.2 Non-probability sampling
- Quota
- Snowball
- Convenience
- Purposive
- Self-selection

The researcher used simple random sampling for selecting respondents from the managerial and non-managerial employees. Random sampling gives each and every member of the population an equal chance of being selected for the sample. As observed by Fox et al (1999:147) that this characteristic of random sampling indicates that every member of the population must be identified before the random sample is drawn, a requirement usually fulfilled by obtaining a list that includes every population. The researcher had access to the complete list of the population on the intranet of the organisation.

3.6 DATA COLLECTION METHODS
The researcher used questionnaires. A questionnaire is a list of questions which respondents are asked to answer. A good questionnaire must be able to drill deep into feelings, attitudes and perceptions.
Using Saunders et al’s (2007:363) observation, the choice of the questionnaire was influenced by a variety of factors related to research questions and objectives and in particular the following:

- Characteristics of the respondent from whom data is collected
- Importance of reaching a particular person as a respondent
- Size of the sample taking into account the response rate
- The number of questions needed to collect the data,

Bancroft and O’Sullivan (1993:75) recommend that questionnaires should be accompanied by a covering letter describing the reasons for the survey and assuring the respondents of anonymity. This was done by the researcher as explained below.

3.7 RESEARCH PROCEDURE

Primary and Secondary sources of data was used in this research study.

3.7.1 Secondary data

Secondary data can be defined as the data which is collected by someone else prior to and for a purpose other than the current project being carried out. Making up one of the most important sources of secondary data are governments and supranational institutions such as International Monetary Fund, United Nations, European Union, Organisation for Economic CO-operation and Development (OECD) and World Bank. The main benefit, as highlighted above, of such sources of data is that they provide data that is of distinct high quality and accuracy. The researcher made use of this data and this complimented the primary data gathered. Country case studies data was used to make meaningful conclusions of the research study.

3.7.2 Primary data

Primary data can be defined as data that is collected specifically for a project being undertaken. The data for this research study were collected using a survey questionnaire. Suitable questions were modified from previous researches and individual questions created using literature gathered.

3.7.2.1 Pilot study

Ten questionnaires were administered during the pilot testing process to the staff and management of ZIMRA. It was found that the questionnaires were too long;
there were some ambiguous questions, typing errors and grammatical errors. The researcher corrected the errors and made the questions easy to understand. Those who participated in the pilot test were not included in the final administration.

3.7.2.2. Administration
The questionnaire was used as the standardised form of data collection from a sample of the organisation employees and management. The researcher administered questionnaires that were completed by the respondents (self-administered questionnaires) and these were administered electronically using internet as well as delivered by hand to each respondent and collected later for colleague in the same section or division.

The survey questionnaire comprised of 18 questions which were related to the respondent’s perception regarding corporate governance. After the supervisor had validated the questionnaire, these were distributed to the employees of the organisation. The researcher assured confidentiality of the survey results since the identities are not important. The researcher also understood that people’s consciousness may also affect their honesty and effectiveness in answering the questions as they were dealing with their employer, so the researcher gave people the option of being anonymous. Respondents were given time to respond and send back the questionnaire through email or print and advise so that these could be collected for those in office around Harare.

3.7.2.3 Data analysis
Data analysis is explained as editing and reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. The secondary and primary data was put in summary form by constructing appropriate tablets and charts in order to enhance interpretation and presentation. The data analysis was done keeping in mind the research questions and objectives, using graphs, tables pie charts and narrations. The diagrams, bar charts, tables, pie charts are structured and labelled clearly to avoid possible misinterpretation.
Levine et al (page 52) note that regardless of whether we are dealing with a sample or a population, the best way to examine such mass data, of over 20 observations, is to present it in summary form by constructing appropriate tablets and charts in order to enhance data analysis and interpretation.

The presentation was done keeping in mind the research questions and objectives, using graphs, tables, pie charts and narrations. The presentations were done using SPSS programme and excel spreadsheet.

3.8 VALIDITY AND RELIABILITY
Krishnasway et al (2006: 144) point out that Validity is relevant to any aspect of measurement—the instrument, the process of measurement and the product of the measurement. It is of paramount importance to keep the “are we measuring what we think we are measuring?” question in mind when talking about validity. They say validity means the measurement must be unbiased and free from systematic errors. Reliability is related to the variable error of measurement.

Reliability indicates stability, dependability and predictability and also internal consistency of a test. Bryman and Bell (2007: 40: 41) pointed out that reliability is concerned with the question of whether the results of a study are repeatable, while validity is concerned with the integrity of the conclusions that are generated from a piece of research.

The information collected was reliable in that it was from knowledgeable employees who represented the population in the selected classes of the population. Data from primary sources and secondary sources were also compared as a measure to find out the validity of the collected information

3.9 RESEARCH LIMITATIONS
This is an investigative, exploration and assessment research of the effectiveness of corporate governance in state owned enterprises. ZIMRA was taken as a case study and subjected to an evaluation to determine the efficacy of corporate governance in the state owned enterprises. In undertaking this research, a number of challenges and limitations were encountered that included the following:
Reluctance by some managers to complete the questionnaire thinking that the research did not seek authority to conduct the research in the organisation

Greater reluctance by some managers to discuss freely and respond giving details on matters of overall management of the organisation. The research was marred by suspicions as the questionnaire was sent through email.

Little regard and interest for the research exhibited by some respondents who did not answer all the questions. The respondents avoided open ended questions.

Lack of cooperation and unwillingness on the part of respondents to participate in the study as some respondents deleted the questionnaire from their inboxes without reading. In some cases, despite reminders, some questionnaires were returned partly completed

3.10 CHAPTER SUMMARY

This chapter considered the methodology used in conducting the study. The use of the questionnaire to enhance variability and reliability was explained. Focus was also given on the sampling techniques and data collection methods used in the study. The administration of the research instrument and how data was analysed was clearly given in this chapter. The next chapter will focus on data presentation and discussion
CHAPTER FOUR

RESULTS PRESENTATION

4.0 INTRODUCTION
This chapter the researcher presents the research findings, discusses the research results and also interprets them in the context of the problem statement and objectives of the research study. The tools for analysing data mentioned in chapter four are used to present the findings. The results are explained followed by a discussion of the implications and the link to literature.

4.1 RESPONSE RATE
As explained in chapter three, questionnaires were the source of primary data which was used in this chapter. A total of 160 questionnaires were sent for administration to staff and management of ZIMRA and 36 were successfully completed. This gives a response rate of 22.5%. The response rate is high enough to proceed with the analysis using SPSS and Microsoft Excel and come to a conclusion of this research. Below is the pictorial presentation of the information.

Figure 4.1 Response rate

4.2 DEMOGRAPHIC INFORMATION

4.2.1 Position in the organisation
Figure 4.1 above shows that 61% of the respondents were supervisors, 30% were managers and 2.8% were directors. The result shows that the researcher targeted to
collect information from supervisors going up since these were considered to be the ones who appreciate the subject matter.

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td>Manager</td>
<td>11</td>
<td>30.6</td>
</tr>
<tr>
<td>Supervisor</td>
<td>23</td>
<td>63.9</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Table 4.1 Position in the organisation**

These are the people who are considered to be having higher knowledge of the subject as these are people with higher levels of education and many of them have professional qualifications.

**Figure 4.2 Position in the organisation**

**4.3 DURATION IN THE ORGANISATION**

Table 4.2 above shows that 39% had spent between 10 and 15 years, 22% had spent over 15 years and another 39% had spent between 6 and 10 years. This shows that the researcher targeted experienced staff and this can contribute positively to the reliability of the research findings.
4.4 THE ORGANIZATIONAL STRUCTURE FRAMEWORK AND MANAGEMENT CONTROL MECHANISMS IN ZIMRA

The section is going to provide an analysis and discussion on the organisational framework and management control mechanisms of ZIMRA. This section looked at whether corporate governance provides effectiveness and efficiency in the organisation, the issue of transparency discussed in the literature review and the expectations societies in which it operates.

Table 4.3: Attributes of corporate governance

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Mean Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>To efficient and effective management</td>
<td>2.3</td>
</tr>
<tr>
<td>Honesty and accountability of management</td>
<td>2.8</td>
</tr>
<tr>
<td>Improves client confidence</td>
<td>2.0</td>
</tr>
<tr>
<td>Reduces complacency and fraud</td>
<td>1.9</td>
</tr>
<tr>
<td>Compliance with laws and morals</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Table 4.2: years in the organisation

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 - 10 years</td>
<td>14</td>
<td>38.9</td>
</tr>
<tr>
<td>10 - 15 years</td>
<td>14</td>
<td>38.9</td>
</tr>
<tr>
<td>over 15 years</td>
<td>8</td>
<td>22.2</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.2 above shows that the average mean response for all variables was approximately equal to 2.16 which is agree on the likert scale used in the questionnaire. This implies that respondents agreed that the framework at ZIMRA promotes efficient and effective management, honesty and accountability of management, client confidence, reduction of complacency and fraud and compliance...
with laws and morals. According to the OECD report of 2004 the corporate governance framework should promote transparent and efficient markets, consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. The OECD report supports these findings.

On the issue of compliance, findings are supported by Ghillyer (2010) who argued that the framework provides the organisation with the ethical performance of the organisation and oversees compliance with the company’s internal code of ethics as well as any state regulations on corporate conduct. Ghillyer (2010) added that poor corporate governance framework weakens a company’s potential and at the worst can pave the way for financial difficulties and even fraud.

According to the Southern Africa Resource Watch of 2010, the state must increase its vigilance and ensure corporate compliance with established national statutory provisions. The OECD guidelines on State Owned Enterprises addresses issue if the board and states that the boards of state-owned enterprises should have the necessary authority, competencies and objectivity to carry out their function of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions.

4.5 SYMPTOMS FOR LACK OF GOOD CORPORATE GOVERNANCE

<table>
<thead>
<tr>
<th></th>
<th>Inefficiencies</th>
<th>Uncertainties</th>
<th>LackOfInformation</th>
<th>Shirking and moral hazard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3</td>
<td>3.3</td>
<td>4</td>
<td>3.3</td>
</tr>
<tr>
<td>Mode</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 4.4: Symptoms for lack of good corporate governance

Table 4.4 above was an analysis of the symptoms of lack of good corporate governance. The analysis was done using modewhich is a number with the highest frequencyand the mean. The scale from the questionnaire was as follows: 1=strongly agree , 2 = agree , 3 = neutral , 4 = disagree, 5 = strongly disagree
The analysis shows that respondents agreed that ZIMRA sometimes experience inefficiency and stakeholder conflicts. The data was silent on role uncertainties and high potential of shirking and moral hazard in the contract relationship which was also supported by the mean response. The effectiveness of corporate governance mechanisms determines the rate at which it minimizes or avoids potential conflicts of among stakeholders. The shared experience by the OECD report suggested that a website could be developed which allows easy access to information. Such website could provide information both on the company or organisation functions as well as performance. The ZIMRA website has received positive comments from the general public that it is educative, informative and addresses the concerns of the tax paying public. The website address is http://www.zimra.co.zw

4.6 EFFECTIVENESS OF THE CORPORATE GOVERNANCE FRAMEWORK
This section provides an analysis on the effectiveness of the corporate governance framework. The analysis majors on the sub committees of the board in terms of its skills and resources.

Figure 4.3: Effectiveness of subcommittees
Table 4.5: Subcommittees effectiveness

<table>
<thead>
<tr>
<th></th>
<th>Sub Committees have got adequate and sufficient resources to perform their duties.</th>
<th>total</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td></td>
<td>30</td>
<td>3</td>
<td>6</td>
<td>17</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>b</td>
<td>Sub Committees advise the Board, Commissioner General, Senior Management and line Management on the environment in which the Authority is working in, identifying threats and opportunities alike.</td>
<td>33</td>
<td>1</td>
<td>8</td>
<td>15</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>c</td>
<td>Sub Committees have got adequate level of computer literacy.</td>
<td>33</td>
<td>1</td>
<td>3</td>
<td>23</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>d</td>
<td>Sub Committees have got adequate level of business knowledge, rules and regulations</td>
<td>33</td>
<td>2</td>
<td>19</td>
<td>11</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>Sub Committees have got adequate skills and knowledge to meet their demands of the job</td>
<td>31</td>
<td>1</td>
<td>16</td>
<td>13</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Figure and table 4.3 above show that the average response on issues around resources and skills of sub committees was 2.57 which are approximately 3. The figures in the table show the actual respondents for each question. The majority of the respondents were neutral. According to the likert scale used in the questionnaires this stands for neutral which means respondents were undecided on those issues. This implies that they were not decided to conclude that sub committees have got adequate resources, adequate level of computer literacy, adequate business knowledge and adequate skills to meet the demands of their jobs. Information technology has had a profound effect on processes within companies and organisations. Accordingly, boards need to ensure that the necessary skills are in place to ensure that their responsibilities in internal control systems are adequately discharged.

The Cadbury report states that the board may appoint various sub-committees which should report regularly to the main board and although the board delegates various activities to these sub-committees, it is the board as a whole that remains responsible for the areas covered by the sub-committees. The Report recommended three strong sub-committees that should be formed, namely the audit, remuneration and the nomination committees. It is important that these committees should function properly with adequate resources and have adequate level of business knowledge. The findings show that the functions of the subcommittees are not disclosed and the majority are not aware of their existence.
4.7 BOARD COMPOSITION

Figure 4.4: Composition of the board

Figure 4.4 above shows that 100% of the respondents indicated that the board of ZIMRA is made up of both executive and non-executive members. Companies should be headed by an effective board that can both lead and control the company. The board should comprise a balance of executive and non-executive directors, preferably with a majority of non-executive directors, of whom sufficient should be independent of management so that shareowner interests (including minority interests) can be protected. The ZIMRA board composition is supported by various sources. The Combined Code (2006) provides that the board should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board’s decision making.

Balachandran and Chandrasekaran (2011) pointed out that the ultimate objective of corporate governance is corporate success. They argue that companies displaying good corporate governance have attracted investors worldwide and augment their resources easily and have a strong backing of stakeholders resulting in a good corporate image. Strong corporate governance enables a company to lower its cost of capital and in turn enhances shareholder value. Corporate governance deals with conducting the affairs of the company in such a way that there is fairness, openness
.integrity, accountability and its actions benefit the greatest number of stakeholders. ZIMRA performance is testimony that a properly constituted board performs well, see table below. This shows that good corporate governance enables better performance of a company or organisation for the benefit of all stakeholders.

Table 4.6: ZIMRA performance in collections, Source: ZIMRA website

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Collections</th>
<th>% Collections</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>USD 1,051,489,093</td>
<td>USD 988,478,184</td>
<td>94%</td>
<td>-6%</td>
</tr>
<tr>
<td>2010</td>
<td>USD 1,919,333,105</td>
<td>USD 2,238,240,231.58</td>
<td>115%</td>
<td>15%</td>
</tr>
<tr>
<td>2011</td>
<td>USD 2.5 billion</td>
<td>USD 2.8 billion</td>
<td>111%</td>
<td>11%</td>
</tr>
<tr>
<td>2012</td>
<td>USD 3.233 billion</td>
<td>USD 3.454 billion</td>
<td>107%</td>
<td>7%</td>
</tr>
</tbody>
</table>

4.8 SELECTION OF BOARD MEMBERS

97.2% of the respondents highlighted that the board members of the organisation are selected by the ministry and only 2.7% said it is selected by the board committee. This gives an implication that the board is selected by the ministry, see figure 4.6. The Board of Directors of the Zimbabwe Revenue Authority are appointed by the Minister of Finance in consultation with the President. This is in terms of section 5 of the Revenue Authority Act (Chapter 23.11).

Mwaura (2007) enumerated many reasons highlight the challenges of a Board of Directors appointed by a minister or the President. He stated that because of the political nature of the appointments, the Board of Directors is composed of directors with little or no business experience or relevant technical expertise. This has detrimental effects on the managerial capacity of the Boards of Directors and on the morale of competent employees. Another reason given is the of lack of autonomy in the Board of Directors which impacts negatively on its efficiency and effectiveness, as an independent board is key to appropriate and good corporate governance. The government performs the role of appointing the directors and issuing directives. The board is not given autonomy to make commercial business decisions and as a result lack of powers to impose sanctions on the Chief Executive Officer and other senior managers of the enterprise limits the ability of the enterprises to meet their goals.
The King II Report provides that the Shareowners are responsible ultimately for electing or removing board members, and it is in their interests that the board is properly constituted. In practice, the board as a whole usually plays a major role in selecting its own members, and should accordingly plan for its own continuity and succession. In order for boards to properly discharge their responsibilities, there should be an effective programme of continuing rotation of appointments in respect of each individual director. However, the OECD guidelines are clear and provide the insightful points on the selection processes. It states that the government should act as a well-versed and energetic owner and create a clear and consistent proprietorship policy, making sure that the governance of state-owned enterprises is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness. It should allow full operational autonomy, not be involved in the day-to-day management and should allow boards to exercise their responsibilities and respect their independence. The guidelines categorically state that the government should establish transparent board nomination processes and actively participating in the nomination of boards.

**Figure 4.5: Board selection**

![Bar chart showing who is responsible for electing board members]

**4.9 BOARD OF DIRECTORS AND COMPOSITION**

1=Yes  2=No  3=Not aware
A= List of board members disclosed
B= Chairman and CG positions held same person
C= Independent directors constitute more than 2/3
D= Chairperson is independent director
E=ZIMRA has remuneration committee
F=ZIMRA has audit committee
G=Skill and Experience mix in the board members

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>1.03</td>
<td>2.00</td>
<td>1.56</td>
<td>1.44</td>
<td>2.03</td>
<td>1.56</td>
<td>1.58</td>
</tr>
<tr>
<td>Mode</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 4.7: Board structure and composition

Table above shows that respondents agreed that the list of board members is disclosed, chairperson is an independent director, chairman and CG positions are held by different persons, there is skill and experience mix in the board members and independent directors constitute more than 2/3 of the board. This is signified by the mean responses which are approximately equal to 1 which is yes to the questions on the lirket scale.

The rest are approximately equal to 2 which is no and this means that respondents are saying thatZIMRA has no remuneration committee.

On the issue of holding more than one position, literature highlights that combining two positions in one person is an open invitation to corrupt and unethical practices, soon than later and an all-powerful chairman and CEO may even run the company as his personal fiefdom or captive organisation, thus preventing the actualisation of a firm’s potentials to the detriment of owners, shareholders and society at large. The Commissioner General and the chairperson positions of the Zimbabwe Revenue authority are held by two distinct individuals with different backgrounds. This makes a balanced board in terms of its composition.

Companies should appoint a remuneration committee or such other appropriate board committee, consisting entirely or mainly of independent non-executive
directors, to make recommendations to the board within agreed terms of reference on the company’s framework of executive remuneration and to determine specific remuneration packages for each of the executive directors. It is expected from respondents not to recognise the remuneration committee as this deal with bread and butter issues. Generally, employees are not content with their remuneration.

The issue of subcommittees in corporate governance is key and Ghillyer (2010: 108) states that an audit committee has a primary responsibility to oversee the financial reporting process, monitor internal controls, monitor the choice of accounting policies and procedures and oversee the hiring and performance of external auditors in producing the company’s financial statements. Epstein and Roy (2006) highlighted that the performance of the board can be on three core objectives which are provision of superior strategic guidance to ensure the company’s growth and prosperity, ensuring accountability of the company to its stakeholders, including shareholders, employees, customers, suppliers, regulators and community and ensuring that a highly qualified executive team is managing the company.

4.10 BOARD OF DIRECTORS PERFORMANCE

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>1.82</td>
<td>2.76</td>
<td>2.19</td>
<td>2.29</td>
<td>1.97</td>
<td>2.15</td>
<td>2.48</td>
<td>2.37</td>
</tr>
<tr>
<td>Mode</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 4.8: Board performance

A=Board appoints and approve commissioner and senior management
B=Board approve the organisation’s strategic plan
C=Board appoint external auditors
D=Responsibilities clearly documented
E = Board have independent access to senior management
F=Board have induction
G=Board meet at least four times
H=Board provide balanced assessment of ZIMRA performance
The majority of managers agreed that the board play a pivotal role in organisational strategic planning and that the non-executive directors are afforded the opportunity to meet senior management. The analysis shows that the board sometimes approves and appoints senior management, appoints external auditors, document its responsibilities clearly and sometimes have independent access to senior management. The external audit provides an independent and objective check on the way in which the financial statements have been prepared and presented by the directors when exercising their stewardship to the stakeholders. An annual audit is an essential part of the checks and a balance required and is one of the cornerstones of the corporate governance.

A small percentage (5%) of the managers and supervisors (9%) highlighted that the external auditor of all parastatals in Zimbabwe is the Auditors General and is appointed by the Ministry. This is not an independent body as it lacks basic resources in the execution of its functions. The Auditor general’s office does not have computers and other basic items for the job. It was highlighted by the respondents that ZIMRA is too big for the Auditor General’s office. An observation was that there has not been any report that has been made public by the Auditor for the organisation.

4.11 MAL PRACTICE

4.11.1. Risk, internal controls, audit and compliance
This section provides an analysis of the malpractice focusing on risk, internal controls, audit and compliance. The analysis is as follows;

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>2.21</td>
<td>2.18</td>
<td>2.03</td>
<td>1.94</td>
<td>2.03</td>
<td>2.56</td>
</tr>
<tr>
<td>Mode</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 4.9: Risk, internal controls , audit and compliance

A=Corruption frequently part of business
B=Clients confronted with illegitimate practices
C=Staff report corruption issues to loss control
D=Corruption reported to higher offices
E=Falsification of declaration
F=Strong system against corruption in place

The analysis shows that malpractice issues sometimes occur as evidenced by an average mean response of 2 and mode of 2 as well. However, respondents argued that there is a strong system in place to work against malpractices at the organisation such as whistle-blowers.

4.11.2 Enforcement, monitoring disclosure and transparency
1=Yes  2=No  3=Neutral

<table>
<thead>
<tr>
<th></th>
<th>mean</th>
<th>mode</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Does the organization provide and disclose information according to statutory requirements?</td>
<td>1.34</td>
<td>1</td>
</tr>
<tr>
<td>b</td>
<td>Does the organization have an appropriate system and processes that ensures that reports and disclosures are prepared?</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>c</td>
<td>Has the organization made public the external audit report?</td>
<td>1.5</td>
<td>1</td>
</tr>
<tr>
<td>d</td>
<td>Is attendance of directors at board meeting disclosed to the public?</td>
<td>1.7</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 4.10: Enforcement, monitoring and transparency

The analysis shows that the organisation provides and discloses information according to statutory requirements and that it has appropriate system and processes that ensure that reports and disclosures are prepared. However, it was found that respondents disagreed that the external audit reports are made public and the attendance of directors at board meeting are disclosed to the public.

4.12 METHODS USED TO CURB MALPRACTICES, CORRUPTION AND THEIR IMPACT

The researcher then proceeded to establish the methods which are used by ZIMRA to curb corruption. Corruption can be described as misuse or abuse of power, office and authority. It takes many forms and can be described in a variety of familiar
terms, bribery, theft, fraud, extortion, intimidation and favouritism. These are negatives in terms of ethical conduct, in terms of professionalism and in terms of the organisational values, which are integrity, transparency and fairness. The table below shows the frequency this question was tackled by the respondent

**Figure 4.6: Respondents to the question**

<table>
<thead>
<tr>
<th></th>
<th>Director</th>
<th>Manager</th>
<th>Supervisor</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responders to the question</td>
<td>1</td>
<td>11</td>
<td>2%</td>
<td>1</td>
</tr>
<tr>
<td>to the question</td>
<td>1</td>
<td>7</td>
<td>11</td>
<td>0</td>
</tr>
</tbody>
</table>

The figure shows that this question, which is answering one of the objectives of the study, was avoided by many respondents. This could mean that the respondents were more comfortable answering only closed questions. The majority of managers (63%) attempted to answer this question. Only 47% of the supervisors came up with ways to curb corruption. The following are the ways highlighted by managers that can be used to curb malpractices or corruption in the organisation:

- **Posters** – placards, notices and advertisements about corruption.
- The advertisements that are being beamed on TV screens in town go a long way in educating the general public. Taxpayer education programs could be strengthened through interactive television and radio programs and pamphlets.
- **Whistleblowing** – caller anonymous, toll free lines to be made public at all ZIMRA offices and all calls recorded and followed up.
- **Automation of processes**, the introduction of information technology is potentially helpful in reducing face-to-face contacts between clients and tax officials. Modernizing the tax processes provide a more effective control system to help reduce corruption. Computerized systems, emails and telephone communications should be the norm, rather than personal contacts.
Punish offenders; it was highlighted that those dismissed should be named. If an organization is tolerant of corruption, its employees eventually become accustomed to it and believe that it is right to be corrupt. Punitive action against corrupt officials can have an important deterrent effect. Stringent laws for punishment of corrupt officials, along with the confiscation of property amassed through bribery, will help reduce corruption.

**Rotation of staff** – it was highlighted that staff rotation minimises familiarity with clients. Officers should not be allowed to be at one station for a long period of time.

Cameras - CCTV equipment can provide instant alerts when problematic trouble occurs, ensuring that crime against ZIMRA, theft and touts activities are all substantially reduced and covered.

Investigative journalism, where plain cloths officers pretend to be customers and seeing what is happening, who is doing it can be introduced to curb corruption.

Loss control spot checks – the organisation has loss control division as highlighted in chapter one. Its effectiveness and efficiency in coming up with ways to deal with the scourge are very paramount.

Asset declaration, respondents stated that individual’s life style should be audited on a regular basis matching income with assets acquired.

Management by Walking Around, this was highlighted by a senior manager in the organisation. In the same way that a doctor makes rounds to check on patients, ZIMRA managers are encouraged to walk around the yard, the offices and talk to customers, employees and meet some of the suppliers.

The 47% of the supervisors enumerated the following in response to the question on ways to curb corruption;

- Whistleblowing – caller anonymous, toll free lines to be made public at all ZIMRA offices.
- Loss control spot checks – the organisation has loss control division as highlighted in chapter one. Its effectiveness and efficiency in coming up with ways to deal with the scourge are very paramount.
- Post clearance audits – these are measures by which the Customs satisfy themselves as to the accuracy and authenticity of declarations through the
examination of the relevant books, records, business systems and commercial data held by persons concerned. Corruption can be curbed or minimised if the Authority intensifies customs post clearance audits.

Corruption can be reduced through improved transparency. The media can be of help here. If the press can report corruption, the incentive to obtain bribes by officials will be much lower, as the probability and costs of getting caught are likely to be higher.

Simplifying the tax system will reduce the opportunities for corruption. Whenever possible, the system should have few rates, few exemptions, readily determinable taxable bases, easy-to-calculate tax liabilities. Not only would such a system reduce compliance costs, but it would also help reduce corruption problems. ZIMRA is in the process of changing the Income Tax Act and this was seen by supervisors as a way of dealing with the corruption scourge.

Asset declaration and interviews, the respondents stated that the Loss control division should hold regular interviews with staff members suspected of being engaged corruption emphasising the 3Rs, resist, reject and report. It should be inculcated into people’s mind that the 3Rs be part of the person.

The following ways were brought up by both managers and supervisors:

- An effective measure to reduce corruption is to offer incentives to employees and developing professional staff. Incentivising staff in terms of offering housing loans and car loans, employees become part of the organisation and as a result shun or reject corruption.
- Suggestion boxes, these should be made available and accessible by any person. Suggestion boxes may also exist internally, within an organization, such as means for garnering employee input on corruption by colleagues and management.
- Asset declaration, employees to declare their assets and be made aware that acquiring assets by unscrupulous means is not permitted.
- Whistleblowing – caller anonymous, toll free lines to be made public at all ZIMRA offices.
- Loss control spot checks, loss control division should make regular spot checks on people particularly at border stations.
The impact of malpractices and corruption were analysed. The researcher highlights that this question was poorly addressed by the respondents. The majority of both managers and supervisors mentioned loss of revenue. A total of six managers made mention of the fact that not only are the acts contrary to our values of integrity, transparency and fairness, they act against the core objective of collection of revenue for the state and facilitation of trade. They also stated that the impact is very high such that this has fuelled corruption and bribing in awarding of tenders to suppliers of goods and services resulting in poor quality goods and poor service delivery. The majority of supervisor who attempted this question mentioned loss of revenue as the major impact of the malpractice and corruption. There were nine supervisors who answered this question. They also highlighted that malpractice and corruption portray a negative image of the organisation and country at large. Malpractices and corruption damage the country’s reputation and the public confidence in the justice system of the country.

4.13 ROLE OF STAKEHOLDERS IN FIGHTING MALPRACTICES AND CORRUPTION

This was another question that was poorly attempted by the respondents. The following table shows the statistics of the respondents;

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Responders to question</th>
<th>% of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Manager</td>
<td>11</td>
<td>5</td>
<td>29</td>
</tr>
<tr>
<td>Supervisor</td>
<td>23</td>
<td>10</td>
<td>58</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>17</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.11 respondents to the question

1. The government

腿部 Legislation criminalising corruption – the government should be in the forefront in fighting corruption. This can be done by coming up with legislation that makes it an offence to be engaged in commercial corruption
The government should provide the political will to enforce the anticorruption Act and support for the corruption commission.

The government should quickly come up with policy documents which enhance corporate governance.

1. Ministry of finance

The figure below shows how the respondents answered this part of the question. The figures relate to the actual number of people who provided the response. The majority stated that the Ministry should provide adequate funding to the organisation for salaries, technological equipment and other resources.

**Figure 4.7: Ways to curb corruption by Ministry.**

- **provide funding for salaries/automation**: 17
- **avoid corrupt activities**: 13
- **avoid political interference**: 10
- **Improve transparency**: 13
- **simplify tax system**: 12
- **Appoint competent board**: 8
- **other reasons**: 5

- Appoint competent board members – the board members are appointed by the ministry of finance. The ministry should appoint people on merit and not on political affiliation.

- Provide funding for automation of processes -the introduction of information technology has also been potentially helpful in reducing face-to-face contacts between clients and tax officials. The Ministry responsible should avail adequate funding to purchase computers and other technological gadgets to compliment the automation of the processes.

- Provide funding for Cameras- CCTV equipment can provide instant alerts when problematic trouble occurs, ensuring that crime against ZIMRA, theft and touts activities are all substantially reduced and covered.
Corruption can be reduced through improved transparency.

Simplifying the tax system will reduce the opportunities for corruption—the respondents are of the view that the tax legislation should be simplified. Whenever possible; the system should have few rates, few exemptions, readily determinable taxable bases, easy-to-calculate tax liabilities.

Provide funding for employees remuneration- An effective measure to reduce corruption. Incentivising staff in terms of offering competitive salaries in the region, housing loans and car loans. Employees become part of the organisation and as a result shun or reject corruption.

2. Clients
The respondents were unanimous in suggesting that the clients should refrain from corrupt activities and should report all malpractices to the responsible authorities, including ZIMRA’s Loss Control Division. The following are the respondents’ views.

- Refrain from corrupt tendencies- customers to resist, reject and report corrupt activities.
- Pay and declare taxes honestly

3. Employees
- Make use of suggestion boxes-The box is used for collecting information with input from customers, travellers, truck drivers and visitors. Suggestion boxes may also exist internally, within an organization, such as means for garnering employee input on corruption by colleagues and management.
- Intensify post clearance audits – these are measures by which the Customs satisfy themselves as to the accuracy and authenticity of declarations through the examination of the relevant books, records, business systems and commercial data held by persons concerned.
- Think tank Task force team on corruption - guard, officer, manager, and station manager should form a strong team to work with customers, travellers, suppliers and any stakeholder in getting information on corrupt activities.
- Loss control spot checks – the organisation has loss control division as highlighted in chapter one. Its effectiveness and efficiency in coming up with ways to deal with the scourge are very paramount.
Make correct Asset declaration – employees to be honest and truthful in their asset declarations.

Refrain from corrupt tendencies- employees to resist, reject and report corrupt activities.

4. Suppliers

Refrain from corrupt tendencies- resist, reject and report corrupt activities.

Suppliers should report cases of corruption on the provided hot line numbers and should desist from offering bribes in return for services. Ensuring a continuous supply of good products and services and avoiding payment of kickbacks to procurement officers.

Should not offer kickbacks in return for renewal of contracts

4.14 CHALLENGES IN IMPLEMENTATION OF CORPORATE GOVERNANCE PRACTICES.

This was an open ended question and the majority of supervisors avoided answering it. The pie chart below shows weight in percentages of the challenges provided the respondents. Managers were the affected lot in this question and highlighted the following;

Figure 4.8: Challenges in implementing corporate governance

Political meddling and interference from the Ministry and other interested stake holders especially at border posts. This is supported by Mwaura (2007) in his law journal. He pointed out that political interference by the Minister
makes operational activities to be affected. The Minister gives directives on how some issues should be handled.

Lack of resources and lack of support from other arms of government. The Authority works closely with the Ministry of Home Affairs, Ministry of Defence, Ministry of Agriculture and other Ministries. The challenge is that the Ministries feel that the Authority is given too much powers at border posts as a result personnel from these Ministries do not cooperate when it comes to corporate governance matters.

There is lack of communication within the organization especially when it comes to the board’s functions, their recommendations and decisions.

Corruption is said to be at all levels therefore no one is willing to impose stiffer measures on offenders.

Companies do not cooperate; they try to fix ZIMRA when they seek services from the Companies owing ZIMRA monies. Some companies go on campaigning not to pay tax. Individuals say bad statements in social circles about ZIMRA.

Some Police officers who do not wear uniforms act as ZIMRA Officers at Border Posts and disappear as soon as they have done any corrupt activity.

Some Government Officials also promote corruption and point their finger at ZIMRA Officials.

ZIMRA should have enough uniforms for every officer who joins the Authority.

There must be openness on how corporate governance is formulated and how it is implemented. All stakeholders including workers should be involved in issues of corporate governance.

4.14 CHAPTER CONCLUSION

This chapter presented the research results of the analysis of data which was collected from staff and management of ZIMRA. The results presented the statistics: the mean, mode, variance and standard deviation. The analysis was followed by an immediate discussion which was linking it to literature review in chapter two of this study. The next chapter provides conclusions and recommendations based on study findings.
CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION
This chapter seeks to interpret the research findings and outcomes and discusses these in light of the research problem and research questions. The chapter then draws conclusions from the research outcomes and findings, makes recommendations before ascertaining area for further study.

5.1 KEY FINDINGS WITH RESPECT TO THE EXTANT LITERATURE.
5.1.1 CORPORATE GOVERNANCE FRAMEWORK
Corporate governance is associated more specifically with the structures and processes related to management, decision-making and control in a company. It is explained that corporate governance is about the way in which boards oversee the running of a company by its managers and how board members are in turn accountable to the shareholders and the organisation or company. Corporate governance has implications for organisation or company behaviour towards shareholders, employees, banks, customers and society. It is important to note that corporate governance extends beyond corporate law; it is integral to the very existence of a company or organisation. Corporate governance ensures commitment of the board in managing the company or organisation in a transparent manner to maximise the stakeholders' value. Corporate governance should provide adequate information pertaining to the developments taking place in the company. The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the company. Corporate governance deals with conducting the affairs of the company in such a way that there is fairness, openeness, integrity, accountability and its actions benefit the greatest number of stakeholders. Although it has become apparent that the effectiveness of corporate governance is essential in any business, respondents feel that ZIMRA sub committees are not visible and accurate disclosures should be made on all material matters regarding the organisation.
5.1.2 BOARD COMPOSITION AND SUB COMMITTEES
All companies and organisations should be headed by an effective board, which can both lead and control the company or organisation. The company or organisation should have executive and non-executive directors including independent directors. There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company’s business. In directing the company the board should exercise leadership, enterprise, integrity and judgment based on fairness, accountability, responsibility and transparency. The study found and concludes that the list of board members is disclosed and chairperson is independent director. The study also concludes that the chairman and CG positions are not held by the same person, independent directors do constitute more than 2/3.

5.1.3 MALPRACTICE:
The board should establish the values of the company or organisation in support of the vision and the mission statement. It is the responsibility of the board to establish and ensure communication of principles and standards of ethical business practice for the company or organisation in support of such values. The board should assume responsibility and accountability to all stakeholders for compliance with such principles and standards. The management of a company or organisation, on the other hand, should support ethical behaviour, leading by example and foster an environment within which ethical business practice is promoted, developed and maintained and ensure compliance with established principles and standards of ethical behaviour and practice. Employees should comply with established standards in their day-to-day activities and be held accountable for their ethical conduct and be subjected to appropriate disciplinary measures for failing to do so. Suppliers should refrain from corrupt, resist, reject and report corrupt activities. Suppliers should report cases of corruption on the provided hot line numbers and should desist from offering bribes in return for services, ensuring a continuous supply of good products and services and avoiding payment of kickbacks to procurement officers. The study concludes that corruption is frequently part of business, clients confronted with illegitimate practices. There is a strong system against corruption in place as highlighted above.
**5.2 CONCLUSION**

The study concludes that the corporate governance framework for ZIMRA should be more transparent and consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. The study concludes that ZIMRA should appoint a remuneration committee and other appropriate board committee to manage important aspects of the organisation. A majority of the respondents were not aware of the subcommittees of the board. The study also concludes that the Authority should appoint and make known various sub-committees which should report regularly to the main board and although the board delegates various activities to these sub-committees, it is the board as a whole that remains responsible for the areas covered by the sub-committees. This committee must be chaired by an independent non-executive director. In order to obtain input on the remuneration of the other executives the committee should consult the chief executive officer, who may attend meetings by invitation. However, a chief executive should play no part in decisions regarding his/her own remuneration.

Performance of the board should be on three core objectives which are provision of superior strategic guidance to ensure the company’s growth and prosperity, ensuring accountability of the company to its stakeholders, including shareholders, employees, customers, suppliers, regulators and community and ensuring that a highly qualified executive team is managing the company.

**5.3 RESEARCH HYPOTHESIS**

H0: Corporate governance framework affects board performance

H1: Corporate governance framework does not affect board performance

The study concludes clearly that the Authority’s board is composed of a balance of executive and non-executive directors, with a majority of non-executive directors, who are independent of management so that shareowner interests can be protected and performance and results are achieved.
The study met its objectives. The literature review undertaken on this research study brought out a number of corporate governance issues that allowed the researcher to examine the organizational structure frame work and management control mechanisms in the Zimbabwe Revenue Authority. The literature has strongly supported corporate governance principles and mechanisms. The study survey that was undertaken to explore the organizational and human factors influencing malpractices and corruption brought out information which indicated a deep understanding of the corruption scourge and how the organization can curb or deal with the malpractices and corruption. The findings will benefit the organization immensely in dealing with malpractices and corruption. Finally, the discussion given will add knowledge for the benefit of society.

5.4 RECOMMENDATIONS
Seeing that good corporate governance increases accountability, transparency and shareholder value and brings enormous benefits and advantages to companies, businesses and organisations, it is being recommended that the fundamental and good corporate governance principles and mechanisms be incorporated in relevant legislation in Zimbabwe so that all companies implement and adhere to the principles and practices of corporate governance.

After establishing the specific corporate government structure in the Zimbabwe Revenue Authority it is recommended that corporate governance practice codes be developed to govern the specific state owned enterprises such as energy and power, water, mining, agriculture, financial services, health, education and arts, tourism, science and technology, transports and telecommunication

After reviewing the Institute of Director’s objectives in coming up with a National Code of Corporate Governance it is recommended that the government establishes an Institute of good corporate governance that will promote and enhance corporate governance provisions in the country.

The MBA course by Graduate School of Management has made me a knowledgeable person in issues of corporate governance and it is recommended
that the Ministry of Higher and Tertiary Education should formulate a course study to be taught in colleges and Universities. Corporate governance course is currently not taught in existing degree programs though are covered by professional bodies such as the Institute of Chattered Secretaries and Administrators (CIS) and other universities that offer courses in corporate governance. This will promote corporate governance among the future managers and employees of companies and organisations.

There is evidence that shows that managers may be lacking in corporate governance education. It is recommended that corporate governance education be offered to these stakeholders. This could be offered as part of the induction process through short courses at a local University in the evening so as not to disrupt the activities of firms with participants in the program.

5.5 AREAS FOR FURTHER RESEARCH:
This research study focused on the effectiveness of corporate governance in State Owned Enterprises using ZIMRA as a case study. The study brought out a number of important recommendations worth considering. It will be useful however, to undertake further study to determine marked differences between State Owned Enterprises and companies listed on the Zimbabwe Stock Exchange in corporate governance framework and structures.
REFERENCES

2. Ministry of state enterprises and parastatals ,website .sep.co.zw
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14. king report on corporate governance for south Africa 2002,
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30. **The 2013 national budget statement.**

31. **Zimbabwe Revenue Authority website, http://www.zimra.co.zw/**

32. **REPORT Expert Group Meeting on Strengthening Good Governance Practices in Conflict Affected Countries: Current Priorities and Future**
Interventions Section on Emerging and Conflict Related Issues (ECRI) 27 – 28 February UN-ESCWA, Beirut, Lebanon

33. The CZI state of the manufacturing sector survey 2010, czi.co.zw
## APPENDICES

### Appendix 1: Parastatals in Zimbabwe

<table>
<thead>
<tr>
<th>AGRICULTURE</th>
<th>MINING,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pig Industry Board (PIB),</td>
<td>Minerals Marketing Corporation of Zimbabwe (MMCZ),</td>
</tr>
<tr>
<td>Grain Marketing Board [GMB],</td>
<td>Kwekwe Roasting Plant Pvt Ltd,</td>
</tr>
<tr>
<td>Tobacco Research Board (TRB),</td>
<td>Jena Mine Pvt Ltd,</td>
</tr>
<tr>
<td>Agricultural and Rural Development Authority [ARDA],</td>
<td>Sabi Gold Mine Pvt Ltd,</td>
</tr>
<tr>
<td>Cold Storage Company (CSC),AGRIBANK,</td>
<td>Mine Pvt Ltd,</td>
</tr>
<tr>
<td>Agricultural Research Council (ARC),</td>
<td>Zimbabwe Mining Development Corporation [ZMDC]</td>
</tr>
<tr>
<td>Tobacco Industry and Marketing Board (TIMB)</td>
<td></td>
</tr>
</tbody>
</table>

| TRANSPORT | | |
|-----------| | |
| Civil Aviation Authority of Zimbabwe (CAAZ), | | |
| Central Mechanical and Equipment Department [CMED], | | |
| Air Zimbabwe Holdings, | | |
| ZUPCO Private limited, | | |
| National Railways of Zimbabwe [NRZ], | | |
| Zimbabwe National Road Administration [ZINARA], | | |
| Traffic Safety Council of Zimbabwe [TSCZ] | | |

| TELECOMMUNICATIONS | | |
|-------------------| | |
| ZIMPOST, | | |
| ZARNET, | | |
| NETONE Pvt Ltd, | | |
| Postal and Telecommunication Regulatory Authority [POTRAZ] , | | |
| Tel One | | |
| Transmedia, | | |

| HEALTH | | |
|--------| | |
| National Pharmaceutical Company | | |

| ENERGY AND POWER, | | |
|------------------| | |
| | | |

<p>| FINANCIAL SERVICES, | | |
|-------------------| | |
| IDBZ, | | |
| POSB | | |
| National Indeginisation and Economic Empowerment Fund | | |
| Zimbabwe Revenue Authority [ZIMRA], | | |
| SEDCO, | | |
| National Social Security Authority [NSSA], | | |
| State Procurement Board (SPB) , | | |
| State Enterprises Restructuring Agency (SERA) | | |
| Competition and Tariff Commission, | | |
| Zimbabwe Investment Authority [ZIA] | | |</p>
<table>
<thead>
<tr>
<th>Environment</th>
<th>Education and Arts</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATPHAM, National AIDS Council of Zimbabwe (NAC), Zimbabwe National Family Planning Council (ZNFPC), Medicines Control Authority of Zimbabwe [MCAZ]</td>
<td>Zimbabwe Power Company, Rural Electrification Authority (REA), National Oil Company of Zimbabwe [NOCZIM], ZESA Holdings</td>
</tr>
<tr>
<td>Environment Management Authority, Allied Timbers Private Ltd, Environmental Management Authority (EMA), Forestry Commission Company (FCC)</td>
<td>National Gallery of Zimbabwe, National Library and Documentation Services, Zimbabwe Schools Examination Council [ZIMSEC], Zimbabwe Institute of Public Administration and Management [ZIPAM], National Arts Council of Zimbabwe, Sport and Recreation Commission (SRC)</td>
</tr>
<tr>
<td>New ZIANA, Broadcasting Authority of Zimbabwe (BAZ), Zimbabwe Broadcasting Holdings (ZBH)</td>
<td></td>
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<tr>
<td>Information</td>
<td>Trade</td>
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</tr>
<tr>
<td>New ZIANA, Broadcasting Authority of Zimbabwe (BAZ), Zimbabwe Broadcasting Holdings (ZBH)</td>
<td>ZITF Company, Zimtrade,</td>
</tr>
<tr>
<td>Commerce</td>
<td>Science and Technology</td>
</tr>
<tr>
<td>Consumer Council of Zimbabwe</td>
<td>Scientific and Industrial Research and Development Centre [SIRDC], Research Council of Zimbabwe, Bio - Technology Authority of Zimbabwe</td>
</tr>
<tr>
<td>Trade</td>
<td>Water</td>
</tr>
<tr>
<td>ZITF Company, Zimtrade,</td>
<td>Zimbabwe National Water Authority [ZINWA],</td>
</tr>
<tr>
<td>Commerce</td>
<td>Tourism</td>
</tr>
<tr>
<td>Science and Technology</td>
<td></td>
</tr>
<tr>
<td>Science and Industrial Research and Development Centre [SIRDC], Research Council of Zimbabwe, Bio - Technology Authority of Zimbabwe</td>
<td>National Museums and Monuments of Zimbabwe, Zimbabwe Tourism Authority (ZTA),</td>
</tr>
<tr>
<td>Commerce</td>
<td>Tourist Information and Trade Fair (ZITF)</td>
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<tr>
<td>Science and Technology</td>
<td></td>
</tr>
<tr>
<td>Scientific and Industrial Research and Development Centre [SIRDC], Research Council of Zimbabwe, Bio - Technology Authority of Zimbabwe</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 2: QUESTIONNAIRE

SECTION A: GENERAL QUESTIONS

1. What is your position in the organisations?
   (a) Director 
   (b) Manager 
   (c) Supervisor 
   (d) Other, Specify

2. How long have you been in this organisation?
   a. Less than one year
   b. 1-5 years
   c. 6-10 years
   d. 10-15 years
   e. Over 15 years

3. Does the corporate governance framework in ZIMRA suffice the following?
   (Tick the relevant answer below)

   1=strongly agree  2=Agree  3=Neutral  4=Disagree  5=strongly disagree

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>To facilitate the efficient and effective management of the organisation</td>
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<td>b</td>
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<tr>
<td>To promote honesty and accountability in management</td>
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<tr>
<td>c</td>
<td></td>
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<tr>
<td>Help the organization’s value of transparency by improving client confidence</td>
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<td>d</td>
<td></td>
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<tr>
<td>To reduce the opportunities for complacency and fraud</td>
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<tr>
<td>e</td>
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<tr>
<td>organization comply with the laws and moral expectations of the societies in which it operates</td>
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</tbody>
</table>
4. The following are the symptoms for lack of good corporate governance in the organisation. Do you sometimes experience these symptoms?

*(Show your answer by ticking relevantly)*

1=Strongly agree  2=Agree  3=Neutral  4=Disagree  5=Strongly disagree

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
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<td>b</td>
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<tr>
<td>c</td>
<td></td>
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<td>d</td>
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</tbody>
</table>

a. Inefficiencies and stakeholders conflicts

b. High role uncertainties between ministry of finance and the board

c. Lack of information about performances and management policies of the organisation

d. High potential of shirking and moral hazard in the contract relationship

SECTION B: EFFECTIVENESS OF THE CORPORATE GOVERNANCE FRAMEWORK

5. Which committees are in your board of directors?

________________________________________________________________________

________________________________________________________________________

6. Below is a Likert scale which requires you to tick appropriately against the statements that are provided in the table below. **SA**= Strongly Agree. **A**= Agree. **N**=Neutral, **D**= Disagree, **SD**= Strongly Disagree

<table>
<thead>
<tr>
<th></th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
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<tbody>
<tr>
<td>a</td>
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<tr>
<td>b</td>
<td></td>
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<tr>
<td>c</td>
<td></td>
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<tr>
<td>d</td>
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<tr>
<td>e</td>
<td></td>
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</tr>
</tbody>
</table>

a. Sub Committees have got adequate and sufficient resources to perform their duties.

b. Sub Committees advise the Board, Commissioner General, Senior Management and line Management on the environment in which the Authority is working in, identifying threats and opportunities alike.

c. Sub Committees have got adequate level of computer literacy.

d. Sub Committees have got adequate level of business knowledge, rules and regulations

e. Sub Committees have got adequate skills and knowledge to meet their demands of the job
7. Does your organisation have a mechanism to ensure that the Board recognises its responsibilities as regards corporate governance, including financial reporting and internal control?
   a. Yes
   b. No

SECTION C: BOARD MEMBERS AND SUB COMMITTEES

8. What is the composition of your board?
   (Tick where applicable)
   a) Executive and non-executive [ ]
   b) Executive only [ ]
   c) Other specify ________________________________

9. In your organisational boards who is responsible for selecting or electing board members?
   (a) The Commissioner General [ ]
   (b) Board Committee [ ]
   (c) The Ministry [ ]
   (d) Any other. Please specify ________________________________

10. Board of directors’ structure and composition

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Not aware</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Is a complete list of ZIMRA board members disclosed?</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>b. Are the chairman and CG positions held by same person?</td>
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<tr>
<td>c. Do independent directors constitute more than 2/3 of the board?</td>
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<tr>
<td>d. Is the chairperson an independent director?</td>
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<tr>
<td>e. Does the organization have a remuneration committee</td>
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<td></td>
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<tr>
<td>f. Does the organization have an audit committee</td>
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</tbody>
</table>
11. Board of directors’ conduct and performance

<table>
<thead>
<tr>
<th>Question</th>
<th>Never</th>
<th>Sometimes</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Does the board appoints the Commissioner General and approves senior</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>management appointments?</td>
<td></td>
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<tr>
<td>b. Does the board approve the organization’s strategic plan?</td>
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<tr>
<td>c. Does the board appoint external auditors?</td>
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<tr>
<td>d. Are responsibilities of the board clearly documented?</td>
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<tr>
<td>e. Does the board have independent access to senior management staff?</td>
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<tr>
<td>f. Does the organization have an induction and orientation programme for</td>
<td></td>
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<tr>
<td>the new board</td>
<td></td>
<td></td>
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<tr>
<td>g. Does the board meet a minimum of four times a year?</td>
<td></td>
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<tr>
<td>h. In your opinion, does the board provide balanced and understandable</td>
<td></td>
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<tr>
<td>assessment of the organization’s performance?</td>
<td></td>
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</tbody>
</table>
SECTION D: MAL PRACTICE

12. Risk, internal controls, audit and compliance

<table>
<thead>
<tr>
<th></th>
<th>Never</th>
<th>Sometimes</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>How frequently do you think corruption is part of the business culture in ZIMRA?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Clients are confronted with challenges related to illegitimate business practices, irregular payments and corruption?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>Staff can report issues about corruption to the responsible authorities (loss control)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>Have you ever reacted against corruption by raising the issue at a higher organisational level?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>Falsification of declarations occurs with the help of collaborators within ZIMRA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>A strong system of protecting internal whistleblowers both internal and external ones is in place in the organisation?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13. Enforcement, monitoring Disclosure and transparency

<table>
<thead>
<tr>
<th></th>
<th>yes</th>
<th>no</th>
<th>neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Does the organization provide and disclose information according to statutory requirements?</td>
<td></td>
<td></td>
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<tr>
<td>b</td>
<td>Does the organization have an appropriate system and processes that ensures that reports and disclosures are prepared?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Has the organization made public the external audit report?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>Is attendance of directors at board meeting disclosed to the public?</td>
<td></td>
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</tr>
</tbody>
</table>

14. What methods are used by ZIMRA to curb corruption?
15. What is the impact of malpractices and corruption to the organisation?


16. What, in your opinion, can be done by the following stakeholders to fight malpractices and corruption in ZIMRA?
   a. Government
   b. Ministry of Finance
   c. Clients
   d. Employees
   e. Suppliers
   f. Any other agency (please specify)

17. What challenges does your organization face in implementing corporate governance practices?


18. Please state any other recommendation which you have pertaining the way corporate governance is being implemented?


END OF QUESTIONNAIRE

THANK YOU FOR YOUR PRECIOUS TIME AND EFFORT.