GRADUATE SCHOOL OF MANAGEMENT

UNIVERSITY OF ZIMBABWE

An investigation into the impact of board structure on the performance of an organization - The case of Doves Holdings (Pvt) Ltd.

STUDENT NAME

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Dissertation submitted in partial fulfillment of the Master of Business Administration Degree

SUPERVISOR:

DR A. B. MADZIVIRE
Dedication

I dedicate this research to my family, who inspired me greatly, and continued to encourage me when the chips were down in spite of the challenges that I encountered.
Declaration

I, Arthur Mukasi declare that this document is my own work undertaken through research conducted by me, and that it has not been submitted to any college or university before.

Student’s Signature: _____________________________  Date: _____________________________

Supervisor’s Signature: _____________________________  Date: _____________________________
Acknowledgements

First and foremost I would like to thank our Heavenly Father, The Almighty for the blessings and guidance during the course of my studies.

Secondly I would like to offer my sincere gratitude to my project supervisor Dr A B Madzivire for his unwavering support and guidance.

Last but not least I thank my wife Ruvimbo, my daughter Nokutenda and my son Tawananyasha for all the encouragement, support and understanding through the long hours and days spent away from home in pursuit of this program.
Abstract

This study sought to investigate the impact of board structure on the performance of an organisation with a main focus on Doves Holdings (Pvt) Ltd a company in the Funeral Assurance Industry for the period 2008 to 2012.

Doves Holdings was once a market leader in the provision of funeral assurance and services in Zimbabwe before 2009. As at end of 2012, the company was third in terms of market share despite it having the largest asset base. Several strategies were formulated during the period under review to turnaround the organization but the company has failed to retain its position on the market.

The company has a total of 7 directors and 12 senior management staff. The sample size in this study was 19 comprising of directors and management.

A survey research strategy was employed, in this case the use of questionnaires hence minimizing systematic error and reducing and minimising subjectivity. Furthermore, the survey made data analysis easy through the use of quantitative methods of data analysis. A survey was conducted to gather data at Doves Holdings (Pvt) Ltd in Harare. A total of 19 questionnaires were distributed to directors and management of the company. Eighteen questionnaires were returned and validated. The analysis revealed that the boards do have an impact on the performance of the organization.

The research also underscores the need for board independence and this can be achieved by having a proper board structure and composition that does not compromise its independence.

The research also recommends that there should be gender diversity in the board structure. The implications of the results form a good basis for providing practical recommendations to the Funeral Assurance industry, and directions for further research.
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# LIST OF ABBREVIATIONS

<table>
<thead>
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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>I.P.E.C</td>
<td>Insurance and Pensions Commission</td>
</tr>
<tr>
<td>PESTLE</td>
<td>Political, Economic, Sociological, Legal and Economic</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities and Threats</td>
</tr>
<tr>
<td>CBZ</td>
<td>Commercial Bank of Zimbabwe</td>
</tr>
<tr>
<td>DFA</td>
<td>Doves Funeral Assurance</td>
</tr>
<tr>
<td>SBUs</td>
<td>Strategic Business Units</td>
</tr>
<tr>
<td>NCCG</td>
<td>National Code for Corporate Governance</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>ROSC</td>
<td>Reports on the Observance of Standards and Codes</td>
</tr>
<tr>
<td>DPC</td>
<td>Development Policy Center</td>
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CHAPTER 1

INTRODUCTION

1.0 Introduction
The board of directors has been largely criticised for the decline in shareholders’ wealth and corporate failure. They have been in the spotlight for the fraud cases that resulted in the failure of major corporations for example Enron, WorldCom and Parmalat scandals. As a result, various corporate governance reforms have specifically emphasised on appropriate changes to be made to the board of directors in terms of its composition, structure and ownership configuration. This study aims to investigate the impact of board structure on the performance of an organisation with a main focus on Doves Holdings in the Funeral Assurance Industry. The chapter provides the background to the study, statement of the problem, research objectives and questions, research proposition, significance and scope of the study.

1.1 Background of the study
The board characteristics that are of particular interest in this study are board composition, independence, directors’ share ownership and board size. Hence, the impact of each of these characteristics on corporate performance needs to be determined to substantiate the desirable board structure which would produce favorable outcome on the efficiency and effective performance of the company.

Zimbabwe has over the past 10 years experienced a fair share of companies whose performance has dwindled during the period. Such companies were once market leaders in their respective industries but have found their fortunes being overtaken by others. Air Zimbabwe and Caps Holdings are good examples of such companies. During the period 2006-2008, the country experienced economic and political challenges which had a negative impact on most businesses. The period was characterized by hyper-inflation as well as the change in currency from the Zimbabwean dollar to the United States dollar. This had a significant impact on most companies as they had to re-capitalise their businesses. Clients of funeral assurance
companies lost confidence in the sector as most of them could not provide the services required in the event of a claim. In some instances, clients with policies that had matured were requested to start contributing again. Despite all these challenges, some companies have managed to formulate and implement strategies for survival, whilst others have failed. For those companies that have either closed or are struggling to perform some analysts have attributed these unfortunate incidents to corporate governance failures within these institutions and fingers have been pointed at the Board Members as the weakest link.

Such boards have been accused of lacking the required level of independence, expertise and, more often than not, solely serve the purpose of rubberstamping the executive management’s views. Sufficient attention might not have been given to the broader needs of other stakeholders, who then suffer the consequences of lack of adequate fiduciary oversight over the companies’ affairs.

1.1.1 Funeral industry overview

The Insurance and Pensions Commission (IPEC), is the body governing the operations of insurance and pensions industry in Zimbabwe. There are 11 registered funeral assurance companies in Zimbabwe according to a report from the Insurance and Pensions Commission as at June 2012. As at 30 June 2012, funeral companies realised $18m in gross written premiums. This translates to a 27% growth from business written in the same period in 2011. Nyaradzo Group had the largest market share of 43%, Moonlight 13%, Doves 12%, First Funeral 12% and the other 7 companies shared 20% of the market.
Table 1.1: Market Share distribution per company as at June 2012

<table>
<thead>
<tr>
<th>Company</th>
<th>Premium Income</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nyaradzo</td>
<td>8 140 000</td>
<td>45%</td>
</tr>
<tr>
<td>Moonlight</td>
<td>2 306 000</td>
<td>13%</td>
</tr>
<tr>
<td>Doves</td>
<td>2 173 000</td>
<td>12%</td>
</tr>
<tr>
<td>First Funeral</td>
<td>2 113 000</td>
<td>12%</td>
</tr>
<tr>
<td>Fidelity</td>
<td>1 229 000</td>
<td>7%</td>
</tr>
<tr>
<td>Cell</td>
<td>937 000</td>
<td>5%</td>
</tr>
<tr>
<td>Passion</td>
<td>391 000</td>
<td>2%</td>
</tr>
<tr>
<td>Vineyard</td>
<td>315 000</td>
<td>2%</td>
</tr>
<tr>
<td>Foundation</td>
<td>212 000</td>
<td>1%</td>
</tr>
<tr>
<td>Ruvimbo</td>
<td>134 000</td>
<td>1%</td>
</tr>
<tr>
<td>Sunset</td>
<td>43 000</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17 993 000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: June IPEC Report (2012)

Doves had the largest market share before dollarization and had to deal with so many disgruntled clients as they could not fully service their claims during the period 2006-8. The other company that was affected is Moonlight as it also had a large client base. Nyaradzo which is now the market leader was barely 10 years old then and had to deal with a very small client base.

1.1.2 Environmental analysis

1.1.2.1 PESTLE

PESTLE analysis is a method used to analyse external forces that impact a company’s planning ability. It stands for Political, Economic, Sociological, Technological, Legal and Environmental. These forces are out of the company’s control and do have an impact on the strategic planning of the organization. It is important to consider these forces as they help the company to align positively with the forces of change affecting the environment.
1.1.2.2 Political

The period between 2006 up to 2009 witnessed a lot of political uncertainties in Zimbabwe. The country experienced an unending tirade of negative publicity which had a negative impact on business in general (Xinhua News Agency, March 9, 2006). During this period companies in the funeral assurance business had difficulties in selling policies to the rural areas and other urban centers as the environment was not conducive. The formation of an Inclusive Government in 2008 brought hope to the entire economy as it raised expectations of the international community opening up doors to Zimbabwe. Companies started accessing loans from banks and had access to cheaper products like coffins, caskets and hearses imported from other countries.

1.1.2.3 Economic

The economic environment existing during the period 2006-2008 resulted in many corporations folding up their operations as they faced viability difficulties. It was during the same period that major companies which had been headquartered in Zimbabwe such as Coca Cola, decided to move their operations outside the country. Inflation, between 2006 and 2009, remained the biggest challenge to such extent that it was the highest in the world. By November 2008, the estimated Zimbabwe annual inflation rate was at 89.7 sextillion percent. However, dollarisation of the economy in late 2009 resulted in the taming of the inflation scourge that had hit the country. Thus, the dollarisation and the liberalization of the exchange rate enhanced viability of the business sector. However, this is not to withstand the viability problems posed by shortages of the basic goods used in the funeral industry such as embalming amenities, linen, and cascades. The shortage of foreign currency impacted on operations since most suppliers were demanding payment in foreign currency.
1.1.2.4 Social
The economy did not spare the social fabric as well. Due to the economic hardships the average Zimbabwean left the country in search of greener pastures. This had a negative impact on the social ties as families were disintegrated; they had to meet bread and butter issues that socialising was not a priority. Again because of stress, depression and loneliness others indulged in unsafe sexual behavior leading to the spread of HIV and AIDS. The health sector was dysfunctional hence there was no medication and the statistics on the disease were not being verified. The mortality rate increased during this period and culminated in an increase in the number of claims that the funeral companies had to service. To date there has been a decrease in the death rate leading to a decline of the number of claims as well as the cost of servicing the claims.

1.1.2.5 Technological
The fast changing technological developments taking place in the world have taken a slower pace in Zimbabwe compared to other countries in the region and beyond. Business entities, in Zimbabwe, are taking advantage of technology to reach out to its clients even in the remote areas. Mobile phones through Eco-cash are now being used to pay for services and bills whilst a client is in the comfort of his/her home. Technology for the Zimbabwean companies has played a vital role in assisting building of strong customer relationships as well as meeting and exceeding customer expectations.

1.1.2.6 Legal
The government is responsible for putting in place legislation that assists in the operation of businesses. It is supposed to regulate the operating environment of business such that it prevents unfair competitive advantage. However, from 2006 to 2008, the country witnessed major meddling in the business environment through such acts as price controls, controlled bank withdrawals and the ever-changing currency. It all meant that those companies which remained in business by and large
had to adopt survival strategies which at times fell short of neglecting customer requirements and issues of quality.

1.1.3 Porters Five Forces Model

Michael Porter's famous Five Forces Model provides a simple framework for analyzing and assessing the competitive strength of an organisation. The five forces are threat of new entrants, bargaining power of suppliers, bargaining power of customers, threat of substitutes and rivalry among existing competitors to have a view of the forces outside Doves. The model can be used to best advantage alongside other models such as PESTLE and SWOT analysis.

1.1.3.2 Potential Entry of New Competitors

The Commissioner of Insurance came up with capital levels as a prerequisite for any company that would want to enter into the industry. This was done in order to safeguard clients’ funds and also ensure that the investors have the capacity to avail the policyholder’s benefits in the event of a claim. In 2010 the capital required was US$400 000. This was reviewed upwards in 2012 to US$1 500 000, 50% of which has to be attained by June 2013 and the balance by June 2013. This will force other small players in the industry to merge or close down. The new capital level makes it difficult for new players to come in thus reducing competition in the industry.

1.1.3.2 Bargaining power of suppliers

Doves has two manufacturing entities that produce wooden and steel caskets. The major raw materials in the production of these products is timber from Mutare and Chimanimani. The locally manufactured products are complemented by state of the art caskets that are imported from South Africa. The supplier of these products, South African Funeral Supplies (Pvt) Ltd also supplies Doves competitors like Nyaradzo and Moonlight. Because of the demand of the products, the prices are
relatively high and the cost of importation is also high. This in turn has a bearing on the selling prices of Doves products and services.

1.1.3.3 Power of Buyers

Clients in the funeral assurance industry require quality service delivery and security of their funds as they will be contributing on a monthly basis. A company with sound corporate governance practices will normally be favored especially after the closure of several banks in the last decade. Clients would want a guarantee that their money is in safe hands and will get the services when required. The clients in the industry also have few switching costs unless if their policies are fully paid up.

1.1.3.4 Substitute products

The funeral assurance industry has been affected by a number of challenges which include substitute products being offered by banks such as Commercial Bank of Zimbabwe (CBZ), ZB Financial Holdings (ZB Bank), and Central African Building Society (CABS). CBZ introduced a funeral cash plan where its clients will pay a $1 to $5 per month and get a payout of $500 - $5000 in the event that the member or beneficiary has died. This has affected the funeral assurance industry as some of the clients have opted for this product which is more flexible and convenient. The banks are taking advantage of the number of clients to reduce the individual premiums charged thus they have got an edge on funeral assurance companies. Burial societies have also taken a chunk of the industry’s market as some individuals consider managing their own funds and having their own burials.

1.1.3.5 Rivalry among existing competitors

Rivalry among existing competitors is defined as the competition that goes on between firms as they try to increase their market share. The rivalry in the funeral assurance industry usually focuses on product packaging. In 2009, Nyaradzo introduced the provision of buses to carry mourners. In 2010, the other companies in the funeral industry like Doves and Moonlight also bought buses in order to compete with Nyaradzo. In 2011, Nyaradzo introduced the ‘six pack plan’, a product that
covers the family and the in-laws at a premium range of $20-$45. The same year Doves introduced The Doves Combo plan whilst Moonlight had its All in One product whose features and premiums are more or less like the six pack.

It is imperative that an organisation keeps track of the competitive forces that affect its operations. That way the company will be in a position to come up with effective strategies to deal with competition.

**1.1.4 Background of Doves**

Doves Holdings was established in 1902 and the company has been a household name when it comes to Funeral Assurance and Service provision. The Company’s main thrust is the provision of Funeral Assurance policies to clients. Basing on the IPEC report that was published in March 2012, the company ranked third in terms of the number of policy holders and income down from the first position that the company had occupied for over a century. For the period 2000-2012, the company’s ownership structure changed four times and in the last two cases, the owners were both individual shareholders. At one point the Shareholder doubled up as the Chairman of the Board of Directors.

Individual shareholders sometimes are not patient enough to slowly build long term value that institutional shareholders are inclined to, preferring instead rapid short term gains that are normally fraught with high risks.

Doves Holdings has four subsidiaries namely Doves Funeral Assurance, Doves Funeral Services, Silkwood Manufacturing and Silkwood Engineering as highlighted below.
Doves Holdings rides on the synergies and backward linkages within its strategic business units thereby providing products and services at competitive rates. Doves Funeral Assurance (DFA) offers a selection of funeral policy packages which are tailor-made to suite varying individual & corporate needs. The two manufacturing entities produce wooden and steel coffins and caskets that are used in the provision of services. In the event of a claim Doves Funeral Services provides the transport, coffin or casket and the services necessary for the burial of the deceased.

The main sources of revenue for Doves Holdings are Premium Income (82%), Sale of coffins and caskets (12%) and Services (8%). Other services include transport, wash and dress and mortuary. Doves Funeral Assurance thus contributes the largest chunk of the revenue generated.

1.1.4.1 Doves Board Structure

Doves Holdings has the following Boards and Committees

1. The main board which oversees the operations of Doves Holdings. The board has five members, three of which are non-executive members.
2. DFA Sub Board which is meant specifically for Doves Funeral Assurance.

3. Audit, Risk and Finance Committee. The board is chaired by a non-executive chairman.

4. HR Committee which deliberates on all Human Resources issues for the Group. The committee consists of four executive members and is chaired by a non-executive chairman.

All the above boards and committees meet quarterly and are chaired by a non-executive chairman. More attention has been given to DFA as evidenced by the formation of a DFA sub board at the expense of the other SBUs. This had an impact on the operations of the other SBUs as the oversight role was compromised (Doves management report 2011).

1.1.4.2
Wikipedia defines SWOT analysis as a structured planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a business venture. A SWOT analysis can be carried out for a product, place or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective

1.1.4.3 Strengths
The company has a wide branch network, with 24 branches across the country. This makes it easily accessible to the majority of clients in both rural and urban areas. The other strength is that the company boasts of the largest capital base, mainly emanating from the properties that were purchased decades ago across the country. Doves is a brand name and every funeral activity in Zimbabwe is associated with the brand regardless of who the service provider is.
1.1.4.4 Weaknesses
Change of ownership during the past ten years has affected the operations of the company as it has been difficult to formulate and implement long term strategies. Shareholder interference in the organization has also had an impact in the operations of the company. Given the period at which the company has been in existence, the culture in the organization has been very difficult to change as the majority of employees have worked for the company for at least 10 years. The company has a large number of fully paid up policies and this has become a major liability to the company. Most of these policies matured before dollarization and the company has an obligation to deliver services in the event of a claim.

1.1.4.4 Opportunities
The stabilization of the economy during the period 2009-12 is an opportunity for Doves as the people now have more disposable income and can now afford to join funeral policies. The company can also tap the foreign market because of the brain drain that occurred during the hyper inflationary era. In this regard, Doves is developing a new product for the Zimbabweans in South Africa so that they can get decent burials back home in the event of death.

1.1.4.5 Threats
Competition within the industry poses as a major threat to the organization. There are so many new players that have come in bringing with them new products. The financial sector has also ventured into funeral assurance business although they are not providing services, only cash payouts. These financial institutions however do not have the capacity to provide funeral services and hence outsource when the need arises.
SWOT Analysis has the following benefits to an organisation: It can assist a new company to focus on important strategies, refocus the company’s efforts and return on track and also assist organisations to renew their priorities.

1.2 Problem Statement
Doves Holdings (Pvt) Ltd has been mired by a number of challenges over the years from 2000 to date. The challenges are but not limited to loss of market share, lack of capital, low capacity utilisation, low staff morale and lack of strategies to counter the challenges. Whilst some of the challenges highlighted earlier were not peculiar to the company alone, other companies in the industry have come up with strategies to counter these problems for the betterment of their organisations. This paper seeks to determine whether the structure and composition of the boards during this period had a bearing on the performance of the organization.

1.3 Research Objectives
The research objectives are as follows:

i. To determine whether operational challenges being experienced by the organization are a result of the structure of the board.

ii. To determine whether there is an ideal board structure and composition that is considered to be effective.

iii. To investigate whether lack of strategy implementation by management is a result of lack of oversight role of the Board.

iv. To determine whether the fact that the Shareholder was the Chairman of the board has a bearing on the Board's independence.
1.4 Research Questions

The following are the research questions

i. How does the board structure have a bearing on the performance of the organization?

ii. What constitutes an effective board?

iii. What are the underlying causes of lack of strategy implementation?

iv. How independent is the board in decision making?

1.5 Research Proposition

The study proposes that the structure and composition of the board of Directors if not properly constituted results in failure of corporates.

1.6 Justification of Research

It is critical to investigate the impact of the structure and composition of the board on the performance of organisations because as highlighted earlier, the board of directors has been largely blamed for the decline in shareholders’ wealth and failure of corporates and other stakeholders’ expectations. The duty of loyalty and care of the directors of companies in the funeral assurance industry transcends shareholders to encompass policyholders, management and regulators because of the strategic nature of the Industry (Pathan and Skully, 2010). It becomes imperative for the board to balance between the shareholder, policy holder, regulator and other stakeholders.

The performance of the finance, insurance and funeral assurance sectors is cause for concern as they deal with policyholder funds on the promise that they will deliver a service in future. This calls for strict monitoring and control so that such funds are not abused. In trying to establish the main cause of failure in this type of industry, the research will help in coming up with ways of safeguarding the funds of the clients as
the business is mainly based on trust. There has been little or no literature on this area in Zimbabwe and thus this study will fill the literature gap. This will be used as resource material for academics, regulators, consultants and researchers in strategy formulation and implementation.

1.7 Scope of Research
This is a case study of Doves Holdings (Pvt) Ltd and it covers the period 2000 – 2012. The respondents to be engaged during the research are the current and former board members, management, policy holders and regulators. The study will be carried out in Harare since this is where the organisation is headquartered and the major strategic decisions are done there.

1.8 Limitation of the Study
The research will however be not without challenges. The following constraints will be experienced in carrying out the research work:-

- Time frame is limited to extensively cover the subject due to the researcher undertaking the program on a part time basis

1.9 Assumptions of the study
The researcher assumes that:

(i) It will receive maximum cooperation and support from the respondents.
(ii) It will be objective in data collection, analysis, presentation and discussion of the study findings.
(iii) The respondents will provide accurate information to the best of their knowledge.
1.10 Dissertation Structure

The following is the outline of the study:

**Chapter 1** provides the background to the study, statement of the problem, research objectives and questions, research proposition, scope of the research and the significance of the study.

**Chapter 2** reviews the available literature on corporate governance, theoretical underpinnings, constraints and empirical findings from previous studies. The review also provides framework for the discussion of results in Chapter 4.

**Chapter 3** covers the methodology applied during the study. Justification of the methods and instruments used are detailed here.

**Chapter 4** presents the results of the study and an analysis and discussion of the same is done with the aid of statistical tools.

**Chapter 5** focuses on conclusions and policy and research related recommendations arising from the study.
Chapter 2

Literature Review

2.1 Introduction
Corporate governance has become a mainstream concern and has raised so much debate in boardrooms, executive meetings and policy circles throughout the world. Quite a number of events have raised interest in this subject. Claessens (2012) noted that during the wave of financial crises of 1998 in Asia, Brazil and Russia, the behavior of the corporate sector affected the entire economies and deficiencies in corporate governance endangered global financial stability. In the aftermath of these events, not only has the phrase corporate governance become more of a household term, but researchers, the corporate world, and policymakers everywhere recognize the potential macroeconomic, distributional and long-term consequences of weak corporate governance systems.

2.2 Definitions of Corporate Governance

OECD Principles of Corporate Governance (2004) describes corporate governance as “a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined” (OECD Principles of Corporate Governance, 2004).

Corporate governance encompasses how an organization is managed, its corporate and other structures, culture, policies and strategies, and the ways in which it deals with its various stakeholders, (Barrett, 2002). The separation of ownership and management in modern corporations gave rise to the need for corporate governance. The positive theory of agency argues that the managers may behave opportunistically to maximize their own welfare and this agency problem can be mitigated through the protections derived from good corporate governance.
structures, (Okeahalam and Akinboade, 2003). Ehikioya 2007 noted that corporate governance structures encompass the ownership structure, the composition of the board of directors, the size of the board and the independence of the board among others.

2.3 The Importance of Corporate Governance

The importance of corporate governance lies in its contribution both to business prosperity and to accountability. Good governance ensures that stakeholders with a relevant interest in the company’s business are fully taken into account. Globally, there are noteworthy examples of the detrimental effects of bad corporate governance with the case of Enron being the most notable as well as the Lehman Brothers bankruptcy case. There are a number of examples locally, all of which stand to bolster the important role which corporate governance plays. Notable cases are Renaissance and ENG.

The major advantages of good corporate governance lie in the increased ability of properly governed companies to attract institutional and foreign direct investment and to implement sustainable growth (Mensard, 2005). It also lies in the ability to identify and manage their business and other risks within predetermined parameters, thereby limiting their potential liability (Mesnard, 2005). In the contest for scarce skills and human talent, properly governed companies with a reputation for being good corporate citizens are able to attract better caliber employees (Dekker, 2002).

Global Trends in Corporate Governance

The institution of corporations in emerging economies is different from that of the developed countries. Emerging economies are basically identified by poor corporate governance system, block shareholdings, large intervention of families in both management and control, lack of standardised accounting measure and less transparency in reporting data. Despite of underdeveloped equity market and low investor protection right emerging economies rely heavily on the banks and other lending institutions. Arijit Ghosh (2003).
Global trends in corporate governance have seen modern progressive institutions, countries and groups of countries attempting or introducing corporate governance structures to try and improve the way corporations behave, protect stakeholder interests and safeguard the business operating environment. Examples of such countries in Africa that have developed and implemented National Corporate Governance codes include Malawi, Nigeria, Kenya and South Africa.

Zimbabwe has acknowledged the necessity of good corporate governance in its institutions through the drafting and (pending) release of the National Code for Corporate Governance (NCCG) Business Ethics Symposium (2012).

### 2.3.1 Corporate governance as a competitive advantage

Not all corporate failures can be blamed on poor corporate governance. Other factors such as unexpected interest rates hikes, currency and demand fluctuations, natural disasters and health issues such as the HIV/AIDS pandemic may sometimes force an adequately run company out of business. “In light of recent governance failures, shareholders, banks and investors are all becoming increasingly selective about the companies with which they are associated” (Naidoo, 2009). Claessens (2003) argues that the majority of recent corporate failures can be attributed to bad business plans, poor management decisions, fraud, undercapitalisation and the failure to anticipate and deal with risk properly. He argues that the proliferation of governance failures has led if not to financial meltdown, then at least to a discounting of the value of companies in those economies.

### 2.4 Models of Corporate Governance

A number of theoretical perspectives are used in explaining corporate governance and problems which include agency theory, stakeholder model, stewardship theory, institutional theory, transaction cost theory and resource dependence theory that are
to be taken into account in analysing corporate governance situations. Two theories, which are agency and stewardship theory, are explained below.

2.4.1 Agency Theory Model

The theory assumes that due to separation of ownership and control, managers (the agent) may not have significant interest in the firm in the form of stock ownership and they may be driven by self-interest, and unless restricted from doing otherwise, will undertake self-serving activities that could be detrimental to the economic welfare of the principals (Deegan, 2006, p 225). This theory suggests that board composition in the form of representation of outside independent directors will be able to monitor any self interested actions by managers (Kaymak and Bektas, 2008), which may in turn enhance firm performance (Luan and Tang, 2007). The theory also suggests that “CEO duality diminishes the monitoring role of the board of directors over the executive manager, and this in turn may have a negative effect on corporate performance” (Elsayed, 2007, p 1204).

2.4.2 Stewardship Theory

Stewardship theory argues that the agents are not necessarily motivated by individual goals, but rather they are motivated to work in the interest of their principal (Barney, 1990). Outside independent directors are therefore not necessary as agents are best stewards to their corporations and are not motivated by individual goals (Luan and Tang, 2007). The theory however argues for CEO duality. It suggests that the power of the executives and best stewardship role can only be exercised when the role of the CEO and Chairperson of the board is combined, (Ong and Lee, 2000).

2.4.3 Analyses on corporate governance theories

It is very difficult to point one best theory among these theories as they depend on market and goals of the organisation in question (Combined Code, 2006). This study considers that due to the separation of ownership and control, the agent may be
driven by self-interest. The board composition in the form of representation of outside independent directors will be able to provide important monitoring functions in an attempt to resolve the agency conflict between management and shareholders (Bathala and Rao, 1995).

2.5 Corporate Governance Mechanisms

Corporate governance mechanisms consist of a combination of economic and legal institutions that ensure the flow of external financing to the firm, aligns the interests of owners (investors) with managers and other stakeholders, and guarantees a return to investors (Shleifer & Vishny, 2004). Shleifer & Vishny (2004) grouped corporate governance mechanisms into two parts, internal and external mechanisms.

Liu (2005) identified two typical governance mechanisms the conflicts of interest between shareholder and managers, and between majority and minority shareholders. There are internal mechanisms consisting of the ownership structure, board structure, size, executive compensation, and information disclosure and transparency and the external mechanism, which comprises good legal infrastructure and rigorous law enforcement (OECD, Principles of Corporate Governance, 2004). Corporate governance mechanisms can be grouped into internal and external mechanisms.

2.5.1 Internal Mechanisms

The internal mechanism relates to some of the factors like ownership structure, board structure, board size and composition, executive compensation, information disclosure and transparency, internal control and monitoring.

2.5.1.1 Ownership Structure

The agency problem originates from the separation of ownership and control, which creates information asymmetry and agency costs (Fama & Jensen, 2000). Managerial behavior does not necessarily serve the best interests of shareholders.
and management decisions can reflect the manager’s personal interests rather than the shareholders’ interests (Shleifer & Vishny, 2004). It is believed however, that even a modest concentration of ownership is sufficient to provide large investors an incentive to monitor managers, and provide managers with the incentive to work harder (Shleifer & Vishny, 2004).

Alternatively, highly concentrated ownership may be a sign of poor investor protection. In this case, controlling shareholders have strong incentives to monitor management and thereby maximising profits, but minority shareholders are not protected from expropriation by the controlling shareholders and management (La Porta, 2000). In this case, the conflict of interest lays between not only shareholders and management, but now also between the controlling shareholder and minority shareholders. A well-designed ownership structure therefore is one of the most important governance mechanisms in terms of value maximisation (La Porta, 2000).

A good corporate governance system should combine legal protection and a somewhat concentrated ownership structure (Shleifer & Vishny, 2004). The legal protection of shareholders (especially minority shareholders) determines ownership concentration. Research finds that highly concentrated ownership is a result of weak legal protection for investors (La Porta, 2000). This would explain why ownership structures in the US and UK companies are widely dispersed. Good legal protection means that shareholders are less fearful of being expropriated, and are willing to reduce their ownership and divest shares.

In emerging and transition countries with weak legal protection, controlling shareholders are able to expropriate the firm’s assets at the expense of minority shareholders. This phenomenon is often referred to as ‘tunneling’. Johnson et al., (2000) use the term “tunnelling” to describe the transfer of assets and profits out of the company for the benefit of its controlling shareholders. Controlling shareholders are easily able to transfer company’s resources for their own benefit through self-dealing transactions. Such transactions include outright theft or fraud, asset sales, contracts like transfer pricing that benefit the controlling shareholder, excessive
executive compensation, loan guarantees, expropriation of corporate opportunities, and so on.” (Johnson et al., 2000).

2.5.1.2 Board Structure
The board of directors is the overseer of the day –day operations and they are responsible for making sure that the strategic plans have been put into action effectively and efficiently. Even though they are not the owners of the company but having been given the mandate to carry out short and long term operations of the company by the shareholders, effectively it means they do have a big say in how the company should run. For example, the board has the final say in decisions about raising finance, paying out dividends and making major investments, so in short the executive management is held accountable to the board for their performance.

A board of directors is made up of both executive and non-executive directors. Executive directors are individuals who combine their role as director with their position within the executive management of the company. Non-executive directors perform the functions of director only, without any executive responsibilities. Executive directors combine their stake in the company as a director with their stake as a fully paid employee, and their interest are therefore likely to differ from those of the non-executives (Coyle, 2005).

Insider countries like Germany and Japan favor two tier boards, which is a board structure with two boards, a supervisory board of non-executive directors, and beneath it, a management board of executive directors (Hopt & Wymeersch, 2003). The Chief Executive Officer heads the management board and reports to the chairperson of the supervisory board (Coyle, 2005). Responsibilities for governance are divided between the two boards. In the two-tiered board, the executive board, made up of company executives, generally runs day-to-day operations while the supervisory board, made up entirely of non-executive directors who represent shareholders and employees, hires and fires the members of the executive board, determines their compensation, and reviews major business decisions (Hopt & Wymeersch, 2003).
Outsider countries like United States of America and United Kingdom do favour unitary or one tier board (Mallin, 2011). This is a board structure where the organisation has just a single board of directors (Coyle, 2005). This is sometimes referred to as the Anglo-American model (Crawford, 2007) and Zimbabwe favors the unitary board system (Muranda, 2006). The board is composed of a mixture of executives from the company and non-executive directors, all of whom are elected by shareholders (Cadbury, 2000). Non-executive directors are expected to outnumber executive directors and hold key posts, including audit and compensation committees (Coyle, 2003). The United States and the United Kingdom differ in one critical aspect with regard to corporate governance; In the United Kingdom, the CEO generally does not also serve as Chairman of the Board, whereas in the US having the dual role is the norm, despite major misgivings regarding the impact on corporate governance (Mallin, 2011).

The risk inherent in this unitary or monistic board structure model, however, is the possible concentration of power in the hands of the chairperson and CEO, as there is a lack of critical feedback from necessary parties. It is even more dangerous when the same person holds the role of chairperson and CEO (Hilb, 2004). The role of the supervisory board may be reflective of a mere administrative role or ceremonial role in order to fulfill legal requirements (Simanjuntak, 2005).

One advantage of the two-tier structure is that the supervisory board has independence from executive directors, which might enhance transparency (Coyle, 2003). However, it is often so far removed from the company business operations that it lacks important information and expertise necessary to carry out its function and sometimes it is said to be too big, with up to twenty members (Mallin, 2011). The other disadvantage of a two-tier board according to Coyle, (2003) is that corporations are tempted to appoint retired former managers of the company to the supervisory board, and these individuals might retain some influence over operational decisions of their successors. This is not the purpose of a supervisory board (Macey, 2008). In two-tier boards there is need to ensure there are better checks and balances
otherwise there might be risk of power struggle between the two boards, which would hinder a firm’s sustainable (Simanjuntak, 2005).

The advantage of one-tier structure is that the board is composed of independent directors to provide objectivity, and executive directors that are familiar with the company business (Vermeulen, 2002). The disadvantage of the one-tier structure however, is that it is easier for the board to be manipulated internally (Vermeulen, 2002).

In conclusion, it seems difficult to recommend which board structure is superior to the other. Different board structures are implemented to suit different economic and market systems. The present trend throughout the world however, is moving in favor on the one-tier structure (OECD, Principles of Corporate Governance, 2004).

**2.5.1.3 Board Composition**

The composition of the board is an important aspect that helps guarantee the effectiveness of board operations. A modern board consists of individual executive directors (such as the finance or the marketing directors) who deal with a particular function within the company (United States of America National Association of Corporate Directors, 2004). The board will also consist of non-executive and independent directors (Institute of Directors Zimbabwe, 2010). Existing evidence suggests that independent directors are able to help protect the interests of shareholders in specific circumstances when there is an agency problem (Liu, 2005). Furthermore, independent directors monitor management more efficiently than executive directors do.

Large public companies usually set up special sub-committees under the board. For instance, a compensation committee composed of entirely independent directors determines the remuneration level of senior management. Allen (2005) finds that the most important board decisions result from such sub-committees. (Liu, 2005) further argues that the audit, executive, compensation, and nomination committees have a great influence over company activities. Particularly the audit committee, consisting
of independent directors, is generally expected to be an effective monitoring body (Aivazian, 2005). Weir & Laing (2001) supported by Sun et al., (2002) found that whilst overall board composition appears to be unrelated to company performance, the structure of the finance and accounting committees appear to be considerably more influential whereas Pinteris (2002) produced evidence in support of a positive role for non-executive directors on firm performance. Davison, Pilger & Szakmary (2001) concluded that if the nomination committee has a majority of non-executive independent directors, it would be very difficult for conflict of interest to arise in the business conduct of the firm. Another factor to consider on board composition is that of skills balance on the board plays a crucial role in directing where a company wants to be at present and in the future (Coyle, 2005). Skills like marketing, information technology, accounting and human resources management among others are important in having them and so board members nominated should at least bring some of the skills with them (Coyle, 2007). OECD (2004) requires that non-executive independent directors be highly qualified in their area of specialisation and be given a chance of heading key sub-committees to enhance good corporate governance practices.

Mizruchi (2004) suggested that boards are passive when there is satisfactory performance and in boom times. There are therefore advantages in examining boards and accountability in more unique non-routine contexts when boards might behave in different ways. Filatotchev et al., (2006) also pointed to changes in governance systems occur during firm life cycles and suggested a conceptual framework that rejects the notion of a universal governance template. The recognition of the role of outside directors (non-executive independent directors) has been much in the United Kingdom (UK), where a minimum of three non-executive independent directors are required on the board and in the United States (US), the regulation requires that they constitute at least two thirds of the board (Bhagat & Black, 2001). This is expected to work in the favor of shareholders as transparency and performance is enhanced by the use of non-executive independent directors who are capable of challenging the decisions made by the Chief Executive Officer (Hermalin & Weisbach, 2001).
2.5.1.4 Board Size

The other internal mechanism proposed to deal with the agency problem is board size. There are arguments in favor of small board size. The earliest literature on board size is by Lipton and Lorch (1992) and Jensen (1993). Jensen (1993) argued that the preference for smaller board size stems from technological and organizational change which ultimately leads to cost cutting and downsizing. Hermalin and Weisbach (2003) argued the possibility that larger boards can be less effective than small boards. When boards consist of too many members agency problems may increase, as some directors may tag along as free-riders. Lipton and Lorch (1992) recommended limiting the number of directors on a board to seven or eight, as numbers beyond that it would be difficult for the CEO to control.

A large board could also result in less meaningful discussion, since expressing opinions within a large group is generally time consuming and difficult and frequently results in a lack of cohesiveness on the board (Lipton and Lorch, 1992). In addition, the problem of coordination outweighs the advantages of having more directors (Jensen, 1993) and when a board becomes too big, it often moves into a more symbolic role, rather than fulfilling its intended function as part of the management (Hermalin and Weisback, 2003).

This view is not shared by all researchers though, as Dalton, et al. (1999) and Coles, et al. (2008) argue that larger boards may be better for firms with greater advising requirements. Added to this, Raheja (2005) argues, that "optimal board size and composition are functions of the directors' and the firm's characteristics". Besides the size, composition is also considered when discussing the advising requirements as a distinction is made with regards to the independence of directors (outside vs. inside directors).

Very small boards lack the advantage of having the spread of expert advice and opinion around the table that is found in larger boards. Furthermore, larger boards are more likely to be associated with an increase in board diversity in terms of experience, skills, gender and nationality (Dalton and Dalton, 2005). Expropriation of wealth by the CEO or inside directors is relatively easier with smaller boards since
small boards are also associated with a smaller number of outside directors. The few
directors in a small board are preoccupied with the decision making process, leaving
less time for monitoring activities.

Yermack (2000) examines the relation between board size and firm performance,
concluding that the smaller the board size the better the performance, and proposing
an optimal board size of ten or fewer. John & Senbet (2008) maintain that the
findings of Yermack have important implications, not least because they may call for
the need to depend on forces outside the market system in order to determine the
size of the board.

2.5.1.5 Board Meetings
Karamanou & Vafeas (2005) find that frequent board meetings can improve a firm’s
financial performance. This is debatable as some might argue that by holding more
meetings than the previous year may not mean that those board meetings were
fruitful (Coyle, 2005). World Bank (2004) recommended board committee meetings
for remuneration committee and audit committee is at least four, though the audit
committee can exceed especially when considering the need to review the financial
statements, meeting the external auditor for engagement purposes and exit
meetings and attending to whistleblower cases. International Corporate Governance
Network (ICGN) (2002) requires all Board of Directors receive notification of board
meetings at least seven working days in advance of meetings and independent
directors may object if not received. Directors should place items on the meeting
agenda freely (Macey, 2008).

The Board of Directors are supposed to keep meeting minutes, attendance records
and voting records for all meetings over the last twelve months (Asian Development
Bank, 2007). The meeting minutes should be available to all board members. The
independent board members are free to meet without management present as this
may improve oversight by independent directors (Coyle, 2007).
2.5.1.6 Executive Compensation

There is a growing perception that company directors and executives are self-interested actors, using their position in the company to pursue their own ends rather than being focused on pursuing what is best for the company and its stakeholders (McConvill & Bagaric, 2005). This perception is exaggerated by recent news of the record twenty-five year jail sentence handed down to former World.Com boss Bernard Ebbers (Clark, 2005). He was convicted for his part in the fraud that caused the $11 billion collapse of that company, and reports of overly exuberant compensation arrangements at US insurance company Fannie Mae, in which large rewards were provided to company executives even if the company failed or their own performance was not up to standard (McConvill & Bagaric, 2005).

The growing distrust of and skepticism towards, company executives and directors across the developed world has resulted in panoply of new corporate governance requirements enshrined in legislation, in particular, the Sarbanes-Oxley Act in the US or through other regulatory mechanisms, like the New York Stock Exchange rules and the requirements of corporate governance ratings agencies. The assumption underlying such initiatives being that top-down external regulatory mechanisms are needed to “encourage” those in positions of power to put the interests of the company above their own when wearing their corporate hat (Maher & Anderson, 2003). Without such regulation, shirking and rent seeking is inevitable, or so the argument goes (McConvill & Bagaric, 2005).

A counter-argument that has been circling for some time now in the press and academic resources is that such “quack” regulatory initiatives are undesirable, and at least an over-reaction (McConvill & Bagaric, 2005). The initiatives are targeting the very small group of “bad eggs”, but the main effect is to punish the much larger group of good eggs in the boardroom and managerial offices who perform very successfully (Clark, 2005). There are many who have the company’s best interests at heart and want to get on with growing the company and providing returns to stakeholders, rather than having to resort to box-ticking (du Plessis, McConville & Bagaric, 2005). Implied in this argument is that the great majority of company directors and executives are decent citizens with commendable virtues and
objectives, rather than being untrustworthy, grubby animals with their snouts in the trough (Roe, 2005). Further, regulating- through external legislation and “soft law” initiatives- to achieve good corporate governance initiatives is inefficient and simply not necessary, because the same objective can- and indeed is- being achieved inside the corporation through fostering a successful corporate culture which aligns itself with contemporary corporate governance objectives (Coyle, 2005).

The main issue concerning directors’ remuneration is how best a company can manage to lure the executive in rewarding him or her highly contingent, long-term incentive related contract as a way to influence behavior and align management interest with those of shareholders (Aivazian, 2005). The components elements of executive remuneration might be basic salary, personal pension, bonus tied perhaps with annual performance of the company, other benefits like health insurance and holiday allowances (Coyle, 2003). Other long-term benefits might include share options, company share and in some instances a severance pay where the company is committed to giving the individual a minimum severance pay if he or she is forced to leave the company (Coyle, 2003).

2.6 Corporate governance challenges in Africa
In this section, the study identifies and discusses a number of corporate governance challenges in Africa. The broad underlying theme of this discussion is the information asymmetry and the absence of informed and responsive shareholders and monitors. This section of the study attempts to provide reasons why many African countries are still currently ill- equipped to implement corporate governance to the levels that are acceptable in developed market economies. In light of the above, the study discusses the constraints as arising from: a) The structure of ownership and control b) Interlocking relationships with government and the financial sector c) Weak civil and judicial systems d) Absent or underdeveloped monitoring institutions and e) Limited human resource capabilities

In Zimbabwe, enforcement of corporate laws remains the soft underbelly of the legal and corporate governance system. The World Bank’s Reports on the Observance of Standards and Codes (ROSC) publishes a country-by-country analysis of the
observance of OECD’s corporate governance codes. In its 2004 report on Zimbabwe (World Bank, 2004), the ROSC found that while Zimbabwe observed or largely observed most of the principles, it could do better in certain areas. The contribution of nominee directors from financial institutions to monitoring and supervising management is one such area (Muranda, 2006). Improvements are also necessary in the enforcement of certain laws and regulations like those pertaining to externalising of funds and insider trading as well as in dealing with violations of the Companies Act – the backbone of corporate governance system in Zimbabwe.

Following from the preceding discussions are several corporate governance challenges that arise for Africa. Some of these challenges are regulatory in nature, some fall under enforcement, incentive regime, state capacity and responsible corporate citizenship.

2.6.2 Public governance and good governance in Africa

“The commitment of government and the leadership to good governance is an overriding factor in transitional economies where environment conducive to corporate governance has to be created to ensure enterprise sustainability” (Botha, 2001). Where there are companies with controlling shareholders the most effective governance mechanism is for the institution of a set of legal rules that control managerial behaviour and protect minority shareholders.

In Nigeria, there are systems in place that provide laws (rights and obligations), processes (conduct of business) and penalties for violations. Yet the problem of the supervision and enforcement of such laws and processes remains elusive. Judicial means of supervision, including the courts have failed in this regard. Extra-judicial systems for supervision including the registrar of companies and shareholders' associations, who could bring pressure to bear on directors, have also proved ineffective.

A study conducted by the Development Policy Centre (DPC) to evaluate the standard of corporate governance in Nigeria was based on 20 out of 31 questionnaires distributed, which were scored using the OECD corporate governance assessment instrument. The states surveyed were Abia, Bauchi, Kano,
Lagos, Plateau and Rivers. The results showed that the legal and institutional framework for effective corporate governance exists in Nigeria by virtue of laws such as those related to companies and allied matters decree of 1990 and the stock exchange rules for listed companies, among others. The problem, however, lies with compliance and enforcement, which appear to be weak or non-existent. According to CIPE (2001) recommendations made by DPC include the strengthening of the enforcement mechanism of regulatory institutions and the judicial system, and the restoration of shareholder confidence in the rule of law.

In Ghana, constraints facing corporate governance include an inadequate legal framework, which is mainly dominated by the Companies Code of 1969. The Institute of Directors recommends the development of laws that demand more transparency, clarify governance roles and responsibilities, and provide the enactment of competition and solvency laws and strengthening of enforcement mechanisms. Other setbacks in Ghana include government interference in the operations of state-owned enterprises, inadequate management information systems, negligence on the part of shareholders and lack of enforcement of relevant laws. “In Kenya, the Registry of Companies does not have the resources, technology or capacity to effectively monitor the more than 20,000 companies registered” (Gatamah, 2001).

2.10 Chapter Conclusion

The main areas covered in the literature studied were corporate governance, why corporate governance matters, corporate governance mechanisms and corporate governance challenges. Corporate governance is a set of mechanisms, both institutional and market based, that deal with the conflict of interests between shareholders and management, and between majority and minority shareholders. In this chapter, we have introduced both internal and external governance mechanisms, including ownership structure, board of directors, executive compensation, legal infrastructure and enforcement. All these mechanisms were found not to be independent of each other but they are closely interlinked making the structures fluctuating and difficult to analyse. To assist transition economies in their policy decisions regarding corporate governance, it has been suggested that the
traditional market-based approach should be broadened to address the trilateral conflict between managers, minority shareholders and large controlling shareholders. The identity of the large shareholders may also be an important factor, along with who monitors them and their incentives for doing so.

The next chapter presented the study methodology and necessary justifications.
CHAPTER 3

Research Methodology

3.1 Introduction
The purpose of this chapter is to describe the research methodology of this study. Since the aim of the study was to test the effect of corporate governance practices on firm performance, the design of the methodology was based on prior research into these relationships. This chapter describes the method of data collection, the variables used to test the hypothesis and techniques employed to report the results. The chapter discusses the methods adopted for this study and also enumerates the steps involved in conducting the research as well as highlighting the challenges encountered in the process.

It examines approaches that have been adopted by previous researchers to answer similar questions in this field and provides detailed analyses of these to identify their key points and areas in which they could be improved. The method adopted for this study is explained and justified. The possibility of alternative approaches is also examined with their attendant benefits and challenges. Lastly, the chapter argues that the strategy adopted for this study represents the most realistic available given the research questions, scope and other limitations that confront the researcher.

3.2 Research Design
The research design used to analyse data depends on the paradigm adopted by the researcher. Two main designs are identified (Saunders et al, 2007; Bryman and Bell, 2003) which are termed quantitative and qualitative. Some authors have referred to a third approach, the mixed method or triangulation, which is a combination of the quantitative and qualitative approaches (Creswell 1995).
3.2.1 Qualitative research (interpretivist)

Strauss and Corbin, (1999), define qualitative research as any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification. This is carried out when we wish to understand meanings, look at, describe and understand experience, ideas, beliefs and values, and intangibles (Gallet.al 1996). Furthermore, it involves collection of narrative data in a natural setting in order to gain insights into phenomena of interest.

Its main advantages are that it is general, where theories and ideas generated in one setting can be applied to other settings and one can come up with similar findings even in different settings. The researcher also needs to gain full access to knowledge and subjective information to permit inductive inferences, which increases the validity of the method. Kumar (2000) notes that with this method the research questions and methods lead to the formulation of theory and the discovery of a pattern of behavior. In addition, the values and perceptions of the researcher are inextricably linked to the research itself. The qualitative research strategy captures the social dynamics of business, its internal constituents, environments and stakeholders.

Limitations of qualitative methods

Despite the numerous benefits associated with using an inductive or qualitative approach to an investigation, it has a number of disadvantages. Major drawbacks of this method include the difficulty in finding suitable variables to capture the concepts the researcher wants to study.

Welma and Kruger (1999) observe that the use of proxy and surrogate variables for unobservable concepts is not equivalent to measuring the actual variable itself and the method is fraught with problems such as wrong model specification. The problems of wrong specification include the exclusion of important variables, inclusion of irrelevant variables and measurement errors either for the dependent or independent variables (Gronewald, 2004). The idea of using a proxy or surrogate
variable may limit the impact of the established relationship and may cast doubt on the validity of the result from such a study (Gumnesson (2005). Since elements of subjectivity are involved in determining the proxy or surrogate variables, there is room for wide variations in the choice of variables and their measurements and may account for numerous inconsistencies.

Furthermore, under qualitative research there is the problem of generalizability and of replicatability of the methods considering that no two individuals are the same in terms of feeling, emotional make up and other individual uniqueness. The practical problems of access to respondents, especially where the research question relates to issues the respondent considers to be sensitive or not interesting and the possibility of biases arising from the researcher’s own values, culture and perceptions mean that the results may not be separable from the subject of the investigation (Goetz and Le Compte, 2001).

It is, therefore, not uncommon for findings from qualitative research to be criticized by academics as failing to meet certain standards of trustworthiness (Gummersson, 2005). Carson et al. (2001) suggest that these can be achieved by careful use, interpretation and examination of appropriate literature, careful justification of the qualitative research methodologies employed and careful structuring of the data analysis to ensure full and descriptive evaluation and assessment, particularly in relation to data of key significance. Strauss and Corbin (2000), Miles and Huberman (2004) had earlier on attempted to produce criteria to evaluate the credibility, dependability and conformability of qualitative findings.

3.2.2 Quantitative Research (positivist)
Quantitative approach is one in which the investigator primarily uses post positivist claims for developing knowledge and employing strategies of inquiry such as experiments and surveys and collects data on predetermined instruments that yield statistical data (Sidat, 2008). Not only is the research approach based on the development of testable hypotheses and theory but it also espouses the collection of objective data, rigorous measurement and use of statistical methods of analysis.
According to Kenova and Jonnason, (2006), quantitative investigations tend to measure “how often” or “how much”.

The quantitative research strategy favors the positivist epistemological orientation since it uses scientific methods of identifying the research question and sampling technique with a strong theoretical framework. According to Zikmund (2003), questions framed under this strategy are expressed in terms of hypotheses and estimation models in the form of derived equations with which to test the hypotheses. These may be tested with the help of mathematical equations, statistical analyses and econometric measurements, through which the researcher aims to find the answers to those questions (Hair et.al, (2003). With this strategy, data are collected using semi-structured questions.

The quantitative research strategy allows for the establishment of causal relationships between variables and provides important insights into the interrelationships that could exist between very many variables of interest and enhances our understanding of their links (Hair et.al, (2003). Further, because the approach makes use of mathematical and statistical tools which enhance the ability to make inferences and forecasts, it affords generalization and replication of results and may improve study validity and originality (Bryman and Bell 2007). It has the advantage of being able to generalize the results to large populations but is criticized for failing to explain ‘why’ the factors observed may have happened (Collis and Hussey 2003).

Anastas (1988) says that the main advantage of this method is that it places emphasis on numerical analyses and objectivity, reliability and replication of findings. It uses large samples, specific and precise data which results in high reliability though low on validity which is one of its disadvantages. Results from a sample can be extrapolated to the population thus a representative sample is as good as a population itself. However, Berg (2001) argues that it may not always suit social sciences as it should measure what is supposed to measure only using appropriate measures whereas social phenomena cannot be statistically measures.
A review of the literature relating to corporate governance suggests that there is a strong bias towards quantitative research methods and visible Anglo-American positivist dominance (Ferreira and Laux, 2007; Gillan, Hartzell and Starks, 2006; Pham, Suchard and Zein, 2007). Out of a total of about fifteen articles reviewed over ten were biased towards a quantitative approach. In addition, the majority of studies in corporate governance used agency theory as the theoretical framework underpinning their investigations Mintz, (2004), Khanna and Ken (2008), Heath and Norman (2004) and Hua and Zin (2007).

Although there are studies that have used qualitative approaches (Spira, 2003; Gendron and Bedard, 2005; Turley and Zaman, 2007), this study carefully considered the advantages and drawbacks of all the possible methods that could have been used to undertake this investigation as well as the most suitable theoretical framework to adopt. As such, the study was conducted using the positivist epistemological paradigm, with agency theory as the main theoretical framework. This is because it is the most suitable approach considering the nature of the topic itself. Corporate governance as well as the activities of the board are important and sensitive issues to the extent that they can affect a company’s strategic stance, its performance and continue survival (Kang and Zardkoohi, 2005). Furthermore, a positivist approach is also the most appropriate considering data availability, problems with access to participants such as members of the board and the researcher’s skill sets. The study also relies on secondary data as its data source.

3.3.3 Triangulation
Yin (2003) and Bonoma (1985) agree that qualitative rather than quantitative approaches allow researchers to work closely with participants within an organisation and collect information pertaining to their personal thoughts and experiences. On the other hand, Berg, (2001) argues that quantitative research has the ability to verify quantitative data, as many people feel safe only with numbers and statistics, which can be verified and quantified to support findings. To cater for the different perspectives about qualitative and quantitative research, in this study triangulation
was used in arriving at the research findings. Du Plooy (1995) points out that triangulation are an attempt to include multiple sources of data collection in a single research project to increase the reliability of the results, and to compensate for the limitations of each method. This research combined the research approaches in order to take advantage of the strengths of the two approaches, to obviate the weakness of a single approach and to increase reliability and validity of findings.

3.2 Research Philosophy
The researcher examined the important subject of research philosophy, so as to provide a basis for further discussion and analyses of the research questions and methodology later on in this chapter. The topic of corporate governance is robust with various shades of opinion and debates and it is practically impossible to exhaust the contents of the discourse in a study such as this.

The two major research philosophy used in business research are referred to as phenomenological or positivist. McMillan and Schumacher (2007) elucidate that the positivist paradigm takes the view that researchers are seen as independent of the research they are conducting. Reality is viewed as stable, objective and measureable; human beings are assumed to be rational; and research emphasizes facts and predictions and looks to explain cause and effects (Wiersma 1995). The normal process for the positivist approach is to study the literature to establish a relevant theory and develop the hypotheses or propositions, which can be tested for association or causality by deducing logical consequences that are tested against empirical evidence. The positivist paradigm is also referred to as scientific, empiricist, quantitative or deductive (Saunders et al (2003).

May (2001) believes that a social scientist must study social phenomena in the same state of mind as the physicist, chemist or physiologist when he probes into still unexplored region of scientific domain. The phenomenological approach is referred to as hermeneutic, qualitative, phenomenological, interpretive, reflective, inductive ethnographic or action research (Veal 2005). Griseri (2002) describes interpretivism as the group of approaches, which spring out of idea that we construct social reality, that social phenomena are products of human thought and remain dependant on
thought for their meaning and life. Interpretivists argue that reality can only be understood through subjective interpretation of intervention into the reality (Bryman and Bell, 2003). This view of research reflects recognition that social research that emulates natural science can establish regularities and patterns but cannot establish meanings.

The Interpretivists have criticized positivist on the grounds that it assumes that social sciences, whose primary focus is humans and their social involvements, can be subjected to the same or similar methods of analysis as the pure sciences, whose main remit centers around inanimate objects which make, static and mundane, analyses in a laboratory setting ideal for a quantitative approach. Interpretivists see the researcher as a member of a social group in which he/she is a social actor and plays an active role in its formulation and development and in making meanings of its interactions. In terms of the method of data collection, the interpretivist would favour an approach that allows an in-depth inquiry into human behaviour which is capable of generating significant insights into the social dimensions of the enquiry (Kumar 2000). While positivist approaches are often generalizable and replicatable because they are based on a theoretical underpinning, the interpretivist may actually be exploring the possibility of establishing a relationship or a social concept irrespective of whether it is capable of being replicated or generalised so that it might even be the precursor of a “grounded theory”.

3.3 Research strategy
This is concerned with the methodology used to carry out the study. Kaseke (2009) defines a research strategy as the overall approach to the research process. Research strategy should reflect the fact that the researcher has carefully thought about why a particular research strategy is being employed. The research onion approach was used to determine the appropriate strategy.
Figure 1.3  Research Onion

Source Saunders et.al 2007

The nucleus of the research onion suggested by Saunders et al (2007) relates to the data collection technique and the unit of analysis in a study. This aspect of the research is important and plays a crucial role in the research endeavor. As mentioned earlier the choice of the research technique including data collection procedures depends largely on the nature of the investigation, the researcher’s resource availability and skills (Saunders et al, 2007; Bryman and Bell, 2003). In this section the study justifies this choice, drawing on relevant arguments and theories to support this decision (Bloomfield, 2008).

3.3.1 Experiment

According to Bhattacharyya (2003) experiments are studies involving intervention by the researcher beyond that required for measurement. The usual intervention is to manipulate some variable in a setting and observe how it affects the subjects being
studied. The researcher manipulates the independent or explanatory variable and then observes whether the hypothesised dependent variable is affected by the intervention. This method has the ability to uncover causal relationships, replicating findings to rule out or isolate results and that it is convenient and cheap to create the test situations.

### 3.3.2 Case study

Case study method is a qualitative research analysis pertaining to an organisation (Bhattacharyya, 2003). Where quantitative details about an organisation are available, case studies may also provide certain insights to operational details of research questions scientifically. Normally, case study method of research focuses on organisation or at best two or three homogeneous or competing organisations (for benchmarking) unless it is a cross organisational study to authenticate any management practices or approve or disapprove any hypotheses framed by a researcher to establish certain theories.

### 3.3.3 Cross sectional studies

This is a methodology designed to obtain information on variables in different context at the same time (Saunders et al., 1997). Normally, different organizations or groups of people are selected and a study is conducted to ascertain how factors differ. Cross-sectional studies are conducted when there are constraints of time resources. Data is collected once over a short period of time before it is analyzed and reported. It is often used to investigate characteristics of large numbers of people or organizations. However, it does not explain why a correlation exists. It is an inexpensive method and is conducted simultaneously so that there is no chronological order.

### 3.3.4 Longitudinal studies

These are done when a researcher wants to study people or phenomena at more than one point in time in order to answer the research question (Sekaran, 2003). For instance the researcher might want to study employees’ behavior before and after a change in the top management so as to know what effects the change accomplished.
3.3.5 Survey
A survey is a means of "gathering information about the characteristics, actions, or opinions of a large group of people, referred to as a population" (Tanur, 1982). As such, there are many data collection and measurement processes that are called surveys--marketing surveys, opinion surveys, and political polls to name some of the most common. Surveys conducted for research purposes have three distinct characteristics. First, the purpose of survey is to produce quantitative descriptions of some aspects of the study population. Survey analysis may be primarily concerned either with relationships between variables, or with projecting findings descriptively to a predefined population (Glock, 1967). Survey research is a quantitative method, requiring standardized information from and/or about the subjects being studied. The survey research strategy was used for its support for structured research, in this case the use of questionnaires; hence minimising systematic error and reducing subjectivity. Furthermore, surveys make data analysis easy through the use of quantitative methods of data analysis. A survey of Doves management and board of directors was carried out.

3.2 Target Population
According to Gratton and Jones (2010) population refers to everyone who shares those characteristics defined by the researcher as relevant to the investigation. Fraenkel and Wallen (1996) define a population as the entire group the researcher is interested in. In order to make any generalizations about a population, a sample, that is meant to be representative of the population, is often studied. Fraenkel and Wallen (1996) divide the population into two categories, the target and the study populations. The research targeted all board of directors and top management of Doves Holdings (Pvt) Ltd in Harare.

3.3 Sampling
McPhail (2001) defines sampling as a process of selecting a few (a sample) from a bigger group (the sampling population) to become the basis for estimating or predicting a fact, situation or outcome regarding a bigger group. As Saunders et al. (1997) puts it whatever one’s research questions or objectives there will arise a need to collect data to answer the questions or objectives. It is often impractical for a researcher to survey the entire population hence the need for samples. Saunders
et.al (2001) concur with Moser and Kalton (1986) and Henry (1990) that using sampling enables a higher overall accuracy than does a census. However, to yield quality data, the sample must be representative of the population, and must permit accurate collection of data and all population units should stand a fair chance of being included. Supporting this view Zikmund (1997) points out that if properly selected samples are sufficiently accurate in most cases. The purpose of sampling is to gain information about the overall population by selecting a smaller number of individual cases from the population and most importantly it should be representative of population, as described by Gratton and Jones (2010).

3.3.1 Sample Size
Saunders et al., (2003) notes that the sample size should take into account the margin of error, which is the accuracy the researcher requires for estimations made from the sample selected. He also noted that the response rate should be considered when determining the sample size to use. However, Muranda (2004) argues that sample size is strongly linked to the research strategy/method to be used.

The rational for sampling is that the selected elements in a given population would permit the researcher to make inference about the whole population (Saunders, 2003). The sample size selected is a function of cost, time, greater accuracy of results, greater speed of data collection, accessibility frequently prevents researchers from gaining information from the whole population and availability of the population elements. Dowdy et al. (1990) contended that the researcher should obtain data from the subset of the total population in such a way that the knowledge gained is representative of the total population under study. Collection of data from all the elements of the population is referred to as a census (Saunders, 2003). He further argued that the data will be impossible to gather and analyze due to money, time and accessibility constraints.

Doves Holdings has a total 7 board of directors and 12 senior management staff. Given 40 people as the total population, therefore, the sample size in this study was 19 comprising of directors and management staff (Krejcie and Morgan, 1970).
3.3.2 Sampling Techniques

Sampling techniques can be narrowed down to two broad types namely probability and non-probability sampling. Employing random (probability) sampling ensures that the probability of each case being selected from the population is known and is usually equal for all cases, (Saunders et al, 1997). Whilst agreeing with Saunders et al, (1997) and McPhail (2001) defines probability sampling as “a sampling in which the probability of each element in the population being selected is known and can be specified, and each element has a chance of being selected”. On the other hand, non-random (non-probability) sampling is such that the probability of each case being selected from the total population is unknown and cannot answer questions that require statistical inferences about the population’s characteristics. Citing Zikmund (2000), McPhail (2001) describes non-probability sampling as a technique in which the sample units are selected on the basis of judgment or convenience.

Rubin (1987) contend that through non-random sampling, the assessment of reliability is not possible regardless of how careful the researcher is in selecting elements of the sample. Leedy (1992) also agrees that there is no guarantee that the samples represent the population being studied.

3.3.2.1 Non Probability (Random) Sampling

Merriam (1998) defines non-probability sampling as any sampling method in which the observations are not selected randomly. In this case, criteria other than randomness are the basis for selecting observations from the population. Below are non-probability sampling methods.

3.3.2.2 Quota Sampling

The population is divided into segments and a quota of observations is collected from each segment (Hesse, 1995). Its major disadvantage is the unrepresentative nature of the sample drawn with respect to the population from which it is drawn. However, non-probability samples can be useful in exploratory research to obtain initial impressions of the characteristics of a random variable under study.

3.3.2.3 Judgmental Sampling
The researcher attempts to draw a representative sample of the population by using personal judgment. Bless and Higson Smith (1995) contends that the amount of error depends upon the degree of expertise of the person making the selection. In this method, judgment is used by the researcher to select the best sampling units to include in the sample. If properly executed, it enables small samples to be representative, while the researcher has the final say on selection. The method is however fraught with bias as the selection is unscientific and inaccurate.

The study used judgment sampling as a method to select samples. Group of people who have knowledge about particular problem they can be selected as sample element. Sometimes it is referred as a purposive sample because it involves a specific purpose (Sidat, 2008). According to Hair et al., 2003, judgment sampling is more convenience and low cost involvement. Judgmental sampling was also used in this research because of a number of reasons, which include the cost of investigation of a whole population, time constraints, and the cumbersomeness of dealing with a whole population.

3.3.2.4 Convenience Sampling

The sample is drawn for the convenience of the researcher and is not representative of the population Labovitz and Hagedom (1994). In this method, the researcher selects items on the basis of convenience. This normally applies where the population is not well defined, sampling unit is not clear, and a complete source list is not available.

3.3.2.5 Probability (Random) Sampling

Probability sampling includes all selection methods where the observations to be included in a sample have been selected on a purely random (chance) basis from the population Dooley (1995). It is only through the random selection of sampling units from the population to be included in a sample that sampling errors can be measured and, be able to establish the representative nature of the sample drawn. Summarised below are the random selection methods:

3.3.2.6 Simple Random Sampling
This method ensures that each item in the entire population has an equal chance of being included in the sample (Heese, 1995). This method is used when it is assumed that the population is relatively homogeneous with respect to the random variable under study.

3.3.2.7 Systematic Sampling

Elements are selected from the population at a uniform interval that is measured in time, order or space. This method differs from simple random sampling in that each element does not have an equal chance of being selected, thus some randomness is sacrificed. Sampling begins by randomly selecting the first observation. Thereafter, subsequent observations are selected at a uniform interval relative to the first observation Merriam (1998).

3.3.2.8 Stratified Sampling

Wegner (1993) states that stratified sampling divide the population into segments or strata. Each stratum has relatively homogenous elements. Either a specific number of elements are selected at random from each stratum that corresponds to the proportion of that stratum in the population. Stratification can be worthless unless the population can be classified into strata that are homogenous in the state being investigated.

3.3.2.9 Cluster Sampling

The population is divided into clusters, where each cluster is similar in profile to every other cluster. Clusters are then randomly selected for sampling. The sampling units within these randomly selected clusters may then be randomly selected to provide a representative sample from the population. According to Wolcott (1992), cluster sampling tends to be used when the population is large and spread out over a geographical area. In such cases, smaller regions or clusters can more easily be sampled.

Probability sampling selection method, specifically stratified sampling was applied to get the views of all the elements of the targeted population. The sample strata included management and staff. This sampling method ensures that all levels of
management and staff are represented in the study and makes the research results representative of the population under study. Within each stratum questionnaires were randomly distributed on a first come first serve basis as they reported for work. According to Dillon et al (1990) and Saunders et al (1997), a well-planned and administered sample provides a perfect alternative to collecting data from the entire population.

3.4 Sources of data

3.4.1 Primary data
Zikmund (1997) states that primary data are gathered and assembled for the particular research project available. This is supported by Parasuraman (1991), who agrees that primary data is collected specifically for a project. Primary data is expensive to collect, but it is important, as it is possible to formulate structured and unstructured questions that focus on the study topic. This study relied mainly on the data collected through questionnaires as its primary source of information. This constitutes the most important form of data collection given the qualitative nature of the research topic, (Merriam, 1998). The information is crucial to the research project as it specifically addresses issues of interest to the study area.

3.4.2 Secondary data
Secondary data is mostly historical data. It is data that will have been collected and assembled for some other project (Zikmund, 1997). Secondary data are data gathered and recorded by someone else prior to (and for purpose other than) the current project. It is not primarily intended for the study under review. Secondary data is cheaper to collect as opposed to primary data. It is usually gathered from various sources such as websites, various textbooks, journals and company documents like business plans, divisional plans, and annual reports and so on.

3.5 Research Instruments
There are basically three widely used methods for collection of primary data and these are observation, questionnaire and interviews. These are explained below:
3.5.1 Observation
According to Bhattacharyya (2003) information is collected by observing the process at work. The method can be used to study sales techniques, customer movements and customer response. However, the customer’s state of mind, their buying motives, their images are not revealed. Their income and education is also not known. It also takes time for the investigator to wait for particular sections to take place.

3.5.2 Interviews
Interview on samples may be carried out either with a structured framework or with an indirect approach. The structured framework involves use of some predetermined questions. Such predetermination enables the researcher to standardise the responses with some fixed alternatives. The samples here are merely directed to choose answers/responses from different predetermined alternatives. Unstructured or undirected interview approach enables the respondents or the samples to answer the researcher’s queries with greater amount of flexibility. Since no predetermined responses are advised, the researcher may proceed, keeping in tune with the research matter, with greater amount of flexibility too.

3.5.3 Questionnaire
Schwab (2005) defines a questionnaire as measuring instruments that ask individuals to answer a set of questions. Structured questionnaires are easy to analyse and administer whilst unstructured questions will also give respondents a platform to clearly explain their feelings and perception towards the research topic. The questionnaire shall be used in this research. A questionnaire is as tool for gathering data by asking questions from people who are thought to have the desired information. It has the advantages of being effective in producing information on socio economic characteristics, attitudes, opinions and motives and gathering information for planning purposes. The outcome of a research depends on the quality of tools or instruments used to gather data from the respondents. In this study 17 questionnaires were administered to the board, management and staff of Doves Funeral Services as research instruments for collecting data.
3.5.3.1 Nature of the Questions

The development of the questionnaire depended on the use of the Likert Scaling Structure, structured as follows; Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree, Yes or No Options, Low, Medium and High Options as well as the Excellent, Above Average, Average, Below Average and Poor Scaling Structure. These structures offer reasonably high validity and reliability.

In designing the questionnaire consideration was given to the quality of a good questionnaire. Kwesu et al. (2002) states that a good questionnaire should have relevant questions that are aligned to the objectives given. Secondly, he notes that the questions in the questionnaire should have a systematic flow (question ordering). Furthermore, he stresses the need for question clarity with respect to the use of simple language and avoidance of double barrelled questions, i.e. two questions in one question. Kwesu et al. (2002) also says that the questionnaire avoid sensitive/negative questions.

Attention was also given to the length and clarity of the questions (Fowler, 1984; Fraenkel and Wallen, 1996). The development of the questionnaires involve both the closed and open ended questions. The majority of the questions will be closed ended questionnaires due to their ease of application, ability to reduce interview bias, ability to reduce bias based on differences in how articulate respondents are and the relatively simple coding and tabulation. Closed ended questions are simple as respondents have to tick the appropriate answer they prefer. Furthermore, they save time as they are less time consuming for respondents to complete and this may allow the researcher to ask more questions. In addition, closed questions are an appropriate means of asking questions that have a finite set of answers of a clear cut nature. They also provide uniformity of questions and student responses, so they are potentially easier for evaluating the opinion of the sample group as a whole and they can provide better information particularly where the respondents are not highly motivated.
3.6 Data Collection

3.6.1 Administration of questionnaire
There are various ways in which questionnaires can be distributed to respondents. According to Babbie (1973) questionnaires can be distributed through face to face administration, drop and pick, postal, e-mail and telephonic. Questionnaires were distributed by hand to the respondents at their offices. Respondents were left to answer the questionnaire alone and responses were followed after an agreed time with the respondent. People generally view questionnaires negatively and time consuming.

3.7 Validity and Reliability of Research Instruments
According to Kimberlin and Winterstein (2008), the process of developing and validating an instrument is in large part focused on reducing error in the measurement process. Reliability estimates evaluate the stability of measures, internal consistency of measurement instruments, and reliability of instrument scores. Validity is the extent to which the interpretations of the results of a test are warranted, which depends on the particular use the test is intended to serve (ibid).

The questionnaire was drafted in such a way that it would test for reliability. The pattern of questions was such that they tested for consistency for both the semi structured interview and the questionnaire.

The self-administered questionnaire was chosen because:

1. It provides a permanent, verifiable record of data collection.
2. Questionnaires permit respondents time to consider their responses carefully without interference from an interviewer.
3. It is possible to provide questionnaires to large numbers of people simultaneously and efficiently, thereby reducing costs of administering them, with the possibility of a high response rate.
4. Each respondent receive the identical set of questions thus ensuring uniformity. With closed-form questions, responses are standardised, which can assist in interpreting from large numbers of respondents.
3.8 Data analysis
Data collected from the questionnaires was processed first before being analysed. Walliman (2011) refers to data analysis as summarising the mass of collected raw data and to display it in a way which enables one to detect patterns and trends. Questionnaires were screened for anomalies and coded with numbers assigned to each. The data was processed by using a statistical package SPSS and Microsoft Excel.

3.9 Chapter summary
This chapter fairly looked at the research methodology and the corresponding justification of the methodology adopted. It provided a general overview of research methodology and epistemological divides in social science researches. It also enumerated the justifications for using an interpretivist approach and secondary data for these investigations. Finally it reiterates the importance of the annual report as a source of company specific information and provided information about the study sample selection process and industry distribution of the firms used in the study. The study adopted triangulation research method because of its advantages. The next chapter will present the research findings and discussion of the respective findings.
Chapter 4

Data Presentation and Analysis

4.0 Introduction

The literature review in Chapter 2 dealt extensively with the subject of corporate governance and how it is practised at the organisation. It formed the basis of the theory of this subject and supported the primary data. This chapter attempts to analyse all the data collected in the empirical investigation. The findings of the results of the empirical research through the literature review and primary data collection are evaluated. The procedures and the methods used for measuring and the analysis of data follow. It starts by presenting the demographic issues, then issues relating to corporate governance.

4.1 Response rate

Fowler, (1984) postulates that the response rate describes the extent to which the final data set includes all sample members. It is calculated as the number of people who complete the questionnaires and successfully returns them divided by the total number of people in the entire sample including those who for one reason or the other, did not participate.

The data collection was an extensive process where the researcher had to personally visit the respondents and handover the questionnaire. This process was carried out for a period of one month initially during the lunch break and after working hours.

The total number of questionnaires administered was 19 for the sample under study and a total of 18 responses were received. From the received questionnaire feedback, some meaningful results were found and documented. The response rate of 94.7% was considered adequate to proceed with the analysis and draw conclusions. This was in line with Bryman and Bell (2003) who argue that a range of response rates of 30 – 94 per cent or even below 18 per cent in the field of organisational research is rated acceptable. The response rate in this study was high
because the researcher self administered the questionnaires and this proved to be more favorable than postal questionnaires (Saunders, Lewis and Thornhill, 2004).

Table 4.1 below presents the population distribution of respondents to the questionnaire.

Table 4.1: Response rate

<table>
<thead>
<tr>
<th></th>
<th>Questionnaires Distributed</th>
<th>Questionnaires Returned</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>7</td>
<td>6</td>
<td>85.7%</td>
</tr>
<tr>
<td>Management</td>
<td>12</td>
<td>12</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>18</td>
<td>94.7%</td>
</tr>
</tbody>
</table>

4.1. Length of Service at Doves Holdings

Figure 4.1 shows that length of service of the respondents at Doves.

![Figure 4.3 Length in organisation](image)

From the study findings most of the respondents (46%) have served the organization for over 10 years, 15% fall in the range of 6-10 years, 31% have 1-5 years and 8% have less than 1 year. The results show that most of the respondents have stayed long enough with the organisation to be able to understand and articulate the
governance issues within the company. The respondents generally all have an understanding of corporate governance issues within the company and are able to make an informed judgment on the operations of the company.

4.3 Level of education
The study findings revealed that the respondents were qualified enough to understand the needs and expectations of the study as evidenced by the fact that 17 percent of respondents were doctorate degree holders, 28 percent were degree graduates, 33 percent were masters holders, while 22 percent were holders of various other professional qualifications. Furthermore, the findings do show that the respondents had at least some knowledge of corporate governance. These results are illustrated below:

Figure 4.2: Level of education
The above findings are also in line with the studies by Sebora and Wakefield (1998) which showed that in an organization, directors and managers with higher education are better in managing the business operation than those who are less educated. Researches by Castillo and Wakefield (2006) also point that academic background and expertise influence the performance of organisations. Additionally, qualified
board members and management will provide a rich source of innovative ideas to develop policy initiatives with analytical depth and rigour necessary for offering unique perspectives on strategic issues (Westphal and Milton, 2000). Educational qualifications are included in the index for evaluating company’s adherence to corporate governance (Institutional Shareholder Service, 2006).

Yermack’s research (2006) noted that share price reactions are sensitive, among others, to director’s professional qualifications, especially in the area of accounting and finance. As such, board members with higher qualifications would extend knowledge base and stimulate other board members to consider alternatives and enhance a thoughtful solving of problems.

4.4 Gender Composition of Doves Board Members

This section sought to establish the composition of the board of directors in terms of gender distribution and the findings are presented in the figure below:

![Gender Composition of the Board](image)

**Figure 4.3 gender composition of the board**

The findings reveal that of the 7 board members only 1 is female and hence there is no gender balance. The findings suggest the organisation does not recognise diversity especially by gender. This is in line with the research findings by Bilimoria (2000) which revealed few companies actively recruit females and that there is still
sex bias, stereotyping and tokenism on boards where women serve. However, the findings are in contrast with the researches by Daily et al. (1999) for a study of Fortune 500 firms, where women have seats on boards of directors. In addition, women directors do have skills in specific areas such as legal, human resources, communication and public relations. The different range of experiences brought by women is found to be good for governance (Fondas and Sassalos, 2000). Corporate governance gurus elucidate that women on boards would benefit the company’s governance through provision of new skills, abilities, fresh perspectives and intertwining of new ideas to board deliberations (Jamali et al., 2007).

4.5 Occupational background

This section sought to establish the diversity of management and the board in terms of skills from different disciplines and the results are presented in figure below;

![Figure 4.4 Occupational background of Directors and Management](image)

Figure 4.4 Occupational background of Directors and Management

According to the findings in the figure above, the board and management comes from different disciplines with finance and administration (5%), ICT (17%), marketing (11%), operations (22%), insurance (28%) and other disciplines (17%). Interestingly, the findings corroborates with studies by Watson et al., (1993) which suggest that diversity leads to a greater knowledge base, creativity and innovation thereby
enhancing competitive advantage. Studies by Bantel (2003) also point that greater education and functional background diversity in top management teams led to better strategic decision-making and therefore enhancing performance.

4.6 Experience on the Board of Directors
This section sought to establish if the respondents have set on any other company board before joining Doves Holdings and the findings are presented in the figure below:

![Figure 4.5 Experience on the Board of Directors](image)

**Figure 4.5 Experience on the Board of Directors**

The study findings show that the majority of the respondents (53%) have experience on the boards of other companies whilst the difference (47%) did not. This means the majority of Directors bring in experience and knowledge to the company which they have acquired from various boards.

The findings are in line with the researches by Biggins (1999) which points that nomination of people with experience from other company board of directors will stimulate skills and competences as companies demand for more sophisticated talent to enhance organisational effectiveness. Boards with people coming from different industrial sectors and business environment have diverse strategic skills and competencies, which are of paramount importance for good corporate
governance. Research by Milliken and Martins (1996) also confirms that having representation on boards by individuals from other companies satisfies the expectations of board diversity and that also widens the base of wisdom.

4.7 Members serving on different boards.

According to the study findings, 4 board members set on another company’s boards. This shows the company had directors with experience in decision making as well as knowledge in strategic formulation and implementation at corporate level. The findings are summarised below:

![Figure 4.6: Directors serving on other boards.](image)

The above findings show that members of the board serve on other boards of different companies from different sectors of the economy. This is in line with the findings by Cox and Blake (1991) which elucidates that board members sitting in different boards extend knowledge base and are catalysts for other board members to consider alternatives. Board members sitting on companies from different business environments provide other members with a rich source of innovative ideas to develop policy initiatives with analytical depth and rigour necessary for offering unique perspectives on strategic issues (Westphal and Milton, 2000).
Studies by (Hillman et al. 2000) also confirms that directors with positions in other company’s boards provide linkages, specific skills and insight important for firm decision makers. Furthermore, findings by Jones et al. (2008) show that these directors secure resources for the company from outside entities and provide consultative advice that decreases environmental uncertainty. For example, board members with backgrounds in finance have been found to help gain access to financial capital (Stearns and Mizruchi 1993) while corporate lawyers provide valuable consultancy when business regulations change (Hillman et al. 2000).

4.8 What motivates Directors on the Board?
Most of the Directors on the Doves board are motivated by sharing the experience and expertise that they have accumulated throughout their career path. Using a ranking order measurement scale, 66% agreed and 44% strongly agreed that they are motivated to share their experience with other people. The findings are summarised below:

![Figure 4.8: Directors and Management’s motivation](image)

Figure 4.8: Directors and Management’s motivation
The findings are also in line with previous researches on the influence of experience and expertise on organisational performance. Organisational identification is
believed to have a direct effect on other employees’ attributes, behaviours and commitment to that organisation and ultimately create value for that organisation (Ashforth and Mael, 1996). By offering their experiences, competences and ideas to the board, directors represent a valuable resource. As such, it can be found from the research findings that directors’ experience and expertise affects their monitoring and resource provision tasks.

4.9 Management and directors influenced by ownership

From the study findings, most of the respondents believe that management and directors are not influenced by ownership. To be specific, 44% disagreed whilst another 44% strongly disagreed.

Figure 4.8: Directors influenced by company ownership
4.10 TASKS OF THE BOARD OF DIRECTORS

4.10.1 The tasks of the Board are clearly specified and stated

According to the study findings, 39% of the respondents indicated that they agreed with the view that the tasks of the board are clearly specified and stated. In addition, 33% strongly agreed whilst 17% remained neutral and the remaining 11% disagreed.

The findings are summarised below:

![Bar chart showing the percentage of respondents' agreement on the tasks of the board being clearly stated.]

**Figure 4.11 tasks of directors**

The findings imply that the board of directors is a crucial part of the company’s structure. They are the link between the shareholders and the managers hence the need to clearly state their tasks and duties so that they act diligently. This means that boards are the overlap between the powerful group that runs the company and a
huge, diffuse, group that wishes to see the company run well (Business Roundtable, 2005).

4.10.2 The Board has supervised and controlled the following C.E.Os work, remuneration and recruitment

From the study findings, all the respondents believed that the board supervises the CEO's remuneration, recruitment and work. Specifically, 55% believed that the activities of the CEO are regulated by the board. The remaining 46% strongly agreed with the view. The findings are summarised diagrammatically below:

![board directly influence CEO activities](image)

**Figure 4.10: The influence of the board on the activities of the CEO**

The above findings imply that the board and management monitoring tasks are grounded in agency theory. Studies by Shleifer and Vishny, (1997) show that the chief objective of the board is to ensure that the CEO and top management are acting in full accordance with the shareholders’ wishes. Furthermore, the findings also corroborates researches by Minichilli et al., (2009) which suggest that board members monitor financial performance of the company to ensure that the shareholders’ and stakeholders’ interests are being properly implemented. Hillman and Dalziel, (2003) also points out the board is also concerned with strategic issues.
such as evaluating important strategic choices, such as organizational restructuring or acquiring or disposing of a particular venture or department.

From the findings it can be deduced that decisions making regarding the selection, compensation and evaluation of a well qualified and ethical CEO is the most important function of the board. According to Hillman et al. (2008), the other responsibilities include planning for management development, understanding, and monitoring the implementation of the company’s strategic plans, approving annual operating plans and budgets.

4.10.3 The Board and Strategic direction of the Company

This section sought to establish if the respondents believed that the board set the company strategic direction. The findings are presented in figure below:

![Figure 4.11: Board sets the strategic direction of the company](image)

The study findings reveal that all the respondents agree that the board is crucial in moulding the strategic direction of the organisation. In particular, 50% of the respondents agreed that the board is important in setting the strategic direction of the company. The remaining half also strongly agreed with the view.
The findings are in line with the conceptual work of Hillman et al. (2008), concurs with the classical, dyadic classification of board tasks into monitoring and resource provision. For example, the board’s concerns with internal factors of cost control and organisational structure can be contrasted with external factors of relations with the shareholders, governments and communities (Huse, 2007).

4.10.5 Long term Strategy Implementation

This section shows the findings on the influence of the board on the implementation of company strategy. According to the research findings, 7% agreed, 13% strongly agreed, 20% remained neutral, 27% disagreed and the remaining 33% strongly disagreed. The findings are summarised below:

![Circle chart showing distribution of responses to influence of board on strategy implementation.]

The findings show that the views of the respondents are diverse regarding implementation of strategy at the company. However, it is important to note that the board plays a vital role in approving annual operating plans and budgets. Furthermore, the board also provide advisory support for management on significant issues facing the company as well as reviewing and approving major corporate decisions and actions.
4.10.5 Board of Directors strategic focus

This section sought to establish if the respondents were aware of the board’s strategic focus following the adoption of the multi-currency. The findings are presented in figure the below.

![Figure 4.13: Doves Holdings 2009 strategic plan](image)

According to the findings 78% of the respondents believe that the company had a 3-5 year strategic plan in place and the other 22% believed that the company had a short term plan. Interestingly, no respondent believed that the company had a long term plan.

The findings are in line with the fact that the board take part in both short term and long term planning of the company’s direction. Strategic decision making is central to firm performance. According to Hill et.al (2008) short term strategies include uncommon decisions taken by the top management of the firm, which have an express bearing on a firm’s survival and health. Eisenhardt and Zbaracki (1992) considered strategic decisions crucial for a company and involve fundamental issues such as location, products, financing and timing and all these aspects will determine survival and success or failure of a firm. Tricker (1984) also explained the boards function in terms of establishing strategic direction, overseeing firm’s strategy, assessing and monitoring performance, and also, becoming concerned in action to ensure implementation.
4.11 FUNCTION AND COMPOSITION OF THE BOARD OF DIRECTORS

4.11.1 The Shareholder chairing the Board of Directors.

The study also investigated whether the fact that the Shareholder chaired the board had a bearing on the independence of the board and its activities. The findings are summarised below:

![Pie chart showing 78% No and 22% Yes]

Figure 4.14: Shareholder chairing the Board of Directors.

The findings show that the majority (78%) of both management and directors believe that when the major shareholder was chairing the board the independence of the board was compromised. The remaining 22% believed otherwise. The findings are in line with the agency theory of corporate governance which focused on separation of Shareholders and Chair positions (Coles and Hesterly, 2000; Daily et al., 2003) with an aim to improve the effectiveness of oversight. Many scholars have relied upon agency theory to examine the role of boards and other related governance aspects in affecting firm performance (Hampel, 1998; OECD, 1999; ICGN, 1999; King, 2002). This notion is based on the idea that in a company, there is separation...
of ownership (principal) and management (agent), and this leads to costs associated with resolving conflict between the owners and the agents. The fundamental premise of agency theory is that managers act out of self-interest and are self-centred, thereby, giving less attention to shareholder interests. For example, the managers may be more interested in consuming perquisites like luxurious offices, company cars and other benefits, since the cost is borne by the owners. Studies by Berle and Means (1989) opined that ownership does affect firm performance and suggested separation of ownership and control.

4.11.2 Gender Diversity in the Board.
This section sought to establish if the composition of the board is well balanced. The findings are illustrated in figure below:

![Gender Diversity in the Board](image_url)

**Figure 4.15: Gender Diversity in the Board.**

The study findings reveal that majority (56%) believed that the board is not well balanced and 44% believed otherwise. These findings are in line with Burton, (1991) who believes that gender diversity ensure equitable representation and also provide for an expression of broadening the principle of merit. Researches by Robinson and Dechant (1997) postulate that diversity promotes a good understanding of market place, increases inventiveness, produces more effective problem-solving and leadership and promotes effective company relationships.
4.11.3 Board Meetings

In this section the respondents were asked to rank the issue that the content and agenda of the meetings of the board of directors are based mainly on issues specified by law. The findings are explained diagrammatically below.

![Bar Chart](image)

**Figure 4.16: The content and agenda of the board meetings**

The study findings reveal that majority (55.6%) of the respondents did not agree that board meetings are based on issues stated by law. The remainder of the respondents however believed that board meetings are based on issues stated by law. It can be deduced from the findings that board meetings do not necessarily concern issues stated by law. This is confirmed by the studies by Vafeas, (1999) who elucidates that board meetings include other activities such as more time for directors to discuss, set strategy, and monitor management. According to Zahra and Pearce, (1989) all board processes have, great impact on board task performance and meetings are essential for the successful performance of all the board tasks.

4.11.4 Discussions in the Board Meetings

The study also sought to establish if board directors spent time on essential issues for company’s success. The results show that all the respondents believed that the
directors were concerned with the success of the company and so dedicated most of their time to the success of the organisation. The findings are illustrated below:

**Figure 4.17. Time spent on Meetings**

From the findings, it can be deduced that the directors aim to execute their duties diligently and fight for the positive performance of the organisation.

**Creative and innovative solutions are characteristic of the Board of Directors**

The research also sought to find out if the board of directors looks for innovation and creative solutions to the company. Using a ranking scale, all the respondents were of the opinion that board was creative and innovative. Six respondents agreed and twelve strongly agreed that the board is innovative and creative. The finding are summarised below:
Figure 4.18: If creative and innovative solutions are characteristic of the Board of Directors

It can be inferred from the findings innovation strategies are of utmost importance to the board so as to improve the performance of the organisation. In fact, the board is an effective mechanism to interpret the business environment. A related example is research conducted by Siciliano (1997) who found that organizations that relegate innovation to the board committee most likely perform better. Consequently, boards perform critical function to monitor environmental trends that might affect organizational performance (Duca, 1996).

4. 11. 5 The strengths of each board member are fully utilised

According to the study findings, 28% of the respondents were of the view that the views of each board member are fully utilised in the board’s work and 78% strongly agreed. The findings imply that the board work as a team and as such they complement each other. The findings are illustrated below:
The strengths of each board member are well utilized. The findings are in line with researches by Rao (1997) who claim that the strength of board members' identification with each other positively affect the construction of the company. This, will have an impact on their motivation, satisfaction and commitment towards the organization (Ashforth and Mael, 1992); hence, the degree to which they will act in the interests of the organization will also be affected. Board members that strongly identify with each other and with the organization are likely to promote the interests of the organisation.

4.11.6 Board composition

The findings show that the composition of the board in terms of executive and non-executive directors is not balanced. Of the 7 board members, 3 were non-executives whilst 4 are executive directors. Non-executive directors are expected to outnumber executive directors and hold key posts, including audit and compensation committees (Coyle, 2003). The board composition is illustrated on the figure below.
4.12 Summary

This chapter was initiated by analyzing the samples which were under consideration. The demographics of the data samples, distribution of questionnaire and the final response were presented in a table and a graphical format. The responses obtained for each customer was then illustrated. The composition of the respondents was then briefly introduced. A detailed illustration of responses according to the different variables was given, with supporting statistical analysis. Finally all findings were presented in a summarized format and the discussions of these findings would be presented in the next chapter.
CHAPTER 5
CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
The chapter focuses mainly on conclusions and recommendations. It is hoped the recommendations will help improve the governance issues in Zimbabwe’s Insurance Industry. Areas of further study will also be highlighted at the end of the chapter.

5.1 Conclusions
The following conclusions were arrived at after conducting the study:

- The survey shows that the board structure in terms of composition and size does have an influence on the performance of an organization. Doves Holdings being a medium sized company does not require a large board of directors for it to be effective. The Directors did have the requisite experience and expertise.

- The survey shows that qualifications of the board members have positive association with organizational efficiency of Doves Holdings. The majority of the board members were found to have at least university degree which is important for strategic decision making.

- Although the board members are highly qualified, the findings reveal that there are fewer women in the board of directors. Women directors are important as they reflect the diversity of the company’s customer base and labour pool, and thereby influencing company performance.

- The findings also show that during the time when the Shareholder was also the Chairman of the board, its independence was compromised. The board tend to rubberstamp the interests of the Shareholder thus making it very difficult for the board to operate effectively without any bias.
• The Board had a short term strategic plan and exercised its role of monitoring and evaluating the implementation of the strategy by Management. In this environment however, companies also need to focus on the long term so that they are not outdone by competition.

• The findings show that the board does have an influence on the activities of the chief executive officer. Decision making regarding the selection, compensation and evaluation of qualified and ethical CEO is the function of the board.

• The structure and composition of the board does have a bearing on the performance of an organization. However it must be pointed out that the challenges being faced by Doves Holdings could have more to do with other factors other than the structure and composition of the board.

5.2 Recommendations

• The shareholders of the organization should not chair the board of directors as this impedes on the independence of the board. Board members might not be able to express themselves freely or argue against the shareholder.

• The board should balance between short term and long term planning as well as strategy implementation. This will give the company an urge over its competitors.

• It is recommended that the board should have more of non-executive members than the executive so as not to compromise on its independence.

• There is the need to fully utilise the knowledge of the board members and management through frequent meetings and workshops. The more they will
identify with each other, the more they will be able to share information and this will have a positive impact on their motivation, satisfaction and commitment towards the organization. For the company to be successful, the strength of each member should be fully utilised.

- There should be an increased representation of women in the board of directors.

### 5.3. Areas of Further Study

The areas of other further studies are as follows: Since this study was limited to Doves Holdings only a study of all the companies in the Insurance industry will give more insight into the impact of corporate governance on company performance.
Appendix A

Graduate School of Management

28 February 2013

Dear Sir/Madam

My name is Arthur R Mukasi and I am a final year student at the University of Zimbabwe – Graduate School of Management. I am studying for a Master of Business Administration Degree. It is part of the program requirement to conduct a research study on an identified business problem. This title of the study is as follows:

An investigation into the impact of board structure on the performance of an organization - The case of Doves Holdings.

I would appreciate if you could spare some time to complete this questionnaire. There is no right or wrong answer and it is your factual response that matters. All the information and views that you give will be treated in strict confidence.

Thank you in advance for your time and assistance

Arthur Mukasi
Appendice B

A. BACKGROUND INFORMATION

Please tick the box that best describes your position in this company, and then proceed to answering the other questions.

1. What is your position in the company?
   a) Chairman of the Board [     ]
   b) Member of the Board [     ]
   c) CEO/Managing Director [     ]
   d) Senior Management [     ]
   e) Other [     ]

2. Gender
   Male [     ]
   Female [     ]

3. Your Age ............yrs

4. Educational Qualifications
   a) Degree and above [     ]
   b) Certificate or Diploma [     ]
   c) Secondary education [     ]
   d) Other [     ]

5. How many years experience do you have in this industry?
   a) 0-5 years [     ]
   b) 6-10 years [     ]
   c) 11-15 [     ]
   d) 16 and above [     ]
6. Your occupational background is:
   a) Finance and Administration [  ]
   b) ICT [  ]
   c) Marketing [  ]
   d) Operations [  ]
   e) Insurance [  ]
   g) Other [  ]

7. On average how many hours per month do you spend on the tasks relating to the Board of Directors? ____hours

8. Have you set on any board of Directors before joining this company? Yes/No

9. If yes, in what position?
   a) Chairman [  ]
   b) Non executive Board Member [  ]
   c) Executive Board Member [  ]
   d) C.E.O/M.D [  ]

11. In how many companies are you serving as a member of the board at present?
    a) 1 [  ]
    b) 2-3 [  ]
    c) 4-5 [  ]
    d) 6 and above [  ]

13. To what extent do you agree or disagree with the following statements (Circle the number corresponding to your opinion):

14. When serving as Board of this company, I am motivated by:
1) Sharing the experience and expertise that I have accumulated throughout my
career.
Agree/Disagree .................. 1 2 3 4 5

2) interest towards the industry Agree/Disagree.......................... 1 2 3 4 5

3) Ownership Agree/Disagree.............................................. 1 2 3 4 5

15. What were the major challenges affecting the company during the past 5 years?

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

B TASKS OF THE BOARD OF DIRECTORS

Do you agree or disagree with the following statements concerning the Board of this
Organisation?

a) The tasks of the Board are clearly specified and stated
Agree/Disagree .................................................. 1 2 3 4 5

b) The Board has supervised and controlled the following factors:

i) The C.E.Os work. Agree/Disagree................................. 1 2 3 4 5

ii) The C.E.Os remuneration. Agree/Disagree.................... 1 2 3 4 5
iii) The CEOs selection  Agree/Disagree........................................... 1 2 3 4 5

iii) The performance of senior management.  Agree/Disagree............. 1 2 3 4 5

iv) The organisation’s ethics.  Agree/Disagree....................................... 1 2 3 4 5

c) Do you agree or disagree with the following statements pertaining to the company’s strategy formulation and implementation process:

The board has:

i) Set the strategic direction of the company.  Agree/Disagree ........... 1 2 3 4 5

ii) made decisions on the company’s long-term strategies
    Agree/Disagree............................................................................. 1 2 3 4 5

iii) implemented decisions on the company’s long-term strategies
    Agree/Disagree............................................................................. 1 2 3 4 5

iv) Evaluated company acquisitions.  Agree/Disagree......................... 1 2 3 4 5


d) In 2009 the Board of Directors focused on:

i) Strategic planning related to the immediate
   [ ]

ii) 3-5 year strategic planning
    [ ]

iii) Over 5 years
    [ ]

e) The company’s board of Directors has contacts with the following stakeholders
f) Does the board have the ability to influence management…Yes/No

g) Is the board able to hold constructive discussions, with everybody contributing freely…..Yes/No?

h) Does the board have the ability to follow up and confirm that agreed actions are taken…..Yes/No

C FUNCTIONING AND COMPOSITION OF THE BOARD OF DIRECTORS

1.
i). Did at one point the Shareholder chair the board of directors?
Yes / No

ii). If yes, do you think this arrangement compromised the independence of the Board of Directors. Yes / No

iii) If yes in what way

.................................................................................................................................
.................................................................................................................................
.................................................................................................................................

iv) In your own opinion, is the composition of the Board of Directors well balanced? 
Yes / No
2. Do you Agree/Disagree with the following statements about the work of the Board of Directors?

The content and agenda of the meetings of the Board of Directors are based mainly on:

i) Issues specified by law. Agree/Disagree…………………………………………………… 1 2 3 4 5

ii) Routines and regular reports. Agree/Disagree………………………………………….. 1 2 3 4 5

iii) Strategic analysis of the business operations. Agree/Disagree……… 1 2 3 4 5

iv) Meetings of the Board of Directors follow the set agenda precisely.
Agree/Disagree………………………………………………………………………………………………………... 1 2 3 4 5

v) The Board of Directors spends time on issues essential for the company’s success
Agree/Disagree……………………………………………………………………………………………………………….. 1 2 3 4 5

vi) The Board of Directors works using diverse operating practices
(i.e. not only in the form of meetings). Agree/Disagree…………………………………… 1 2 3 4 5

vii) Creative and innovative solutions are characteristic of the Board of Directors
Agree/Disagree……………………………………………………………………………………………………………….. 1 2 3 4 5

viii) The Board of Directors looks systematically into the long term Agree/Disagree
………………………………………………………………………………………………………………………………………………… 1 2 3 4 5

ix) The strengths of each board member are well utilised in the board’s work
x) Differences in opinions on the Board of Directors focus on issues rather than on individuals. Agree/Disagree

D COMPANY STRATEGY AND RENEWAL

To what extent do you agree or disagree with the following statements about the company’s strategic activity?

1. The company’s key strategic goal is: Disagree Agree
   i) company growth ................................................................. 1 2 3 4 5
   ii) Generating dividends for shareholders................................. 1 2 3 4 5
   iii) being a stable workplace for its employees ......................... 1 2 3 4 5
   iii) influencing society ........................................................... 1 2 3 4 5

2. Over the last ten years, the company has renewed itself mainly through the following means: Disagree Agree
   i) through internal product development .................................. 1 2 3 4 5
ii) through mergers ................................................................. 1 2 3 4 5

iii) Through new business – or product openings (e.g. venturing activity). 1 2 3 4 5

iv) through strategic partnerships .............................................. 1 2 3 4 5

v) By rationalising and focusing its business operations .................. 1 2 3 4 5

3. What has been the goal of the company’s acquisitions, strategic partnerships and new business openings made during the last five years?
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