INVESTIGATING CORPORATE GOVERNANCE PRACTICES AND THEIR IMPACT ON SUSTAINABILITY OF NGOs IN ZIMBABWE

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DEDICATION

To my family, Tendai and Namatai, you are my pride and joy.

To the poor people of Zimbabwe and all those who endeavour to assist them. I hope that this study will contribute to your efforts of reducing cases of extreme poverty.

DECLARATION

Student's Declaration - I, **PENNILESS CHIKUMBA**, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the acknowledgements, references, and by comments included in the body of the report, and that this dissertation is therefore my original work and has not been presented in part or in full for any other degree in any other University.

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Supervisor's Declaration – I, Dr David Madzikanda, confirm that the work reported in this dissertation was carried out by the candidate under my supervision as the University supervisor. This dissertation has been submitted with my approval as University Supervisor.

Signature ………………………………….. Date ………………….

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ABSTRACT

This is an investigation of corporate governance practices and their impact on sustainability onnon-governmental organisations (NGOs). The main objective of this study was to investigate corporate governance practices and their impact on sustainability of local non-governmental organisations (NGOs) in Zimbabwe**.** The major research question was formulated arising from the gaps identified in the literature.

An interpretivist paradigm was adopted due to the nature of the study and subsequently the study followed an inductive approach. Qualitative data was collected through semi-structured interviews of sixteen participants from nine organisations. Content analysis was employed to analyse the data resulting in the development of themes from which conclusions were made.

The findings indicated that NGOs are finding it difficult to implement good corporate governance practices such as internal controls and audit,mainly due to funding constraints. The study showed that bad governance leads to collapse of NGOs. However, it was also clear that governance is multi-faceted and contextual issues such as changing donor funding mechanisms, the political and economic climate impact on the ability of local NGOs to access funding directly. Thus the objectives were achieved as far as determining the impact of governance practices on financial viability.

The key recommendation is that local NGOs must explore self-financing strategies instead of being reliant on donor funding only. Income sources need to be diversified in order to improve governance and enhance financial viability and sustainability.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

CHAPTER ONE:INTRODUCTION: CORPORATE GOVERNANCE PRACTICES

1.1 INTRODUCTION

This is a study on the impact of corporate governance practices on sustainability of local non-governmental organisations(NGOs). What follows in this chapter is a background to the study, research objectives and questions. The main argument, justification, propositions and scope are also presented.

1.2 BACKGROUND TO THE STUDY

1.2.1 THE THIRD SECTOR

Non-governmental organisations (NGOs) are institutions registered in Zimbabwe as private voluntary organisations (PVO), trusts or welfare organisations. They exist under the PVO Act, Deeds of trust or Welfare Act of the country, respectively. The National Association of Non-governmental Organisations (NANGO), Zimbabwe NGO directory and United Nations Office for the Coordination of Humanitarian Affairs (OCHA) directory among other documents, show that there are over 2, 000 NGOs in Zimbabwe.However, the exact number is not documented and the majority of these organisations are local as they were founded and have head offices in Zimbabwe.

NGOs operate in different sectors of the economy and their role is largely philanthropic as they seek to deliver humanitarian emergency, relief, development, recovery and advocacy services that complement government efforts in communities around the country. Many countries have over the years experienced an explosive growth in the number and variety of NGOs (Moore and Stewart, 1998). These organisations are an important segment of the economy of the country due to the contribution they make. Thus, the sector is referred to as the third sector which is made up of mainly civil society, self-governing, non-profit distributing, non-compulsory organisations that are institutionally separate from government (Taylor, 2010). In Zimbabwe, donor aid was estimated at over 12% of Gross Domestic Product (GDP) in 2009 and nearly US$651 million (IMF, 2010) was largely channelled through NGOs.

1.2.2 GOVERNANCE IN THE LIMELIGHT

Issues of corporate governance have been in the limelight recently in Zimbabwe. Therefore, research in this area is of importance to the country. Allegations of poor governance in public sector organisations such as the Public Service Medical Aid Society (PSMAS), Air Zimbabwe and Zimbabwe Broadcasting Corporation (ZBC) have received high media coverage. The allegations are criminal abuse of office by top management and board members resulting in excessive perquisites, conflict of interest and possible fraud. For example, the Herald newspaper of 19 February 2014 carried articles concerning fraud allegations involving Air Zimbabwe executives amounting to over US$8 million. The articles show that risk was unmanaged while information was not provided timely for decision makers. Financial reporting and annual audit rules were not followed. Overall poor governance of these institutions may have culminated in inability of the organisations to function efficiently and effectively resulting in losses and sustainability difficulties. The questionable conduct of the members of organisations raises questions of how governance practices can be improved.

The recent reported cases regarding corporate governance have been in government owned entities i.e. parastatals. The private sector in Zimbabwe has also not been spared of governance scandals. Examples include the scandal that led to the downfall of Renaissance bank in 2011. The downfall of the bank was largely attributed to the executive chairman who also was the largest shareholder resulting in him wielding unbridled power. This study investigated the NGO sector in Zimbabwe. There have been no wide spread publications of scandals in this sector. This leaves a gap in whether there exists perfect corporate governance or issues have been swept ‘under the carpet’ or just remain unreported or undiscovered. The case of Batsirai Group (a local NGO based in Chinhoyi and involved in HIV/AIDSwork) which resulted in closure of the organisation was publicised after the death of the Director followed by the United Nations Emergency Fund (UNICEF) stopping funding and impounding vehicles over alleged financial impropriety and mismanagement(Newsday 6 August 2012). Another case is that of Girl Child Network (GCN) whose former employees have taken the organisation to court over unfair dismissal and unpaid salaries (Newsday 13 April 2014). The founder of GCN fled the country after allegations of mismanagement and embezzlement surfaced. In some countries such as South Africa governance failures have been reported in non-profit organisations such as the 1996-1998 Foundation for Peace and Justice scandal where over half a million in donated funds disappeared resulting in the imprisonment of the Director and Bookkeeper (Daley, 1996).

1.2.3 SUSTAINABILITY

The Association of NGOs in Zimbabwe identifies sustainability as a key principle for good governance. Sustainability is a measure of an organization's ability to fulfil its mission and serve its stakeholders over time beyond just a particular project cycle (NANGO, 2006). Naidoo (2009), highlights that there are three legs of sustainability, namely economic, environmental and social responsibility. For the purposes of this research sustainability of an organisation was limited to financial terms regarding the ability of the organisation to endure and be capable of longevity. The long term economic health of the organisation was probed while recognising the not-for-profit nature of NGOs. The question of whether good governance enables improved or easier access to funding from the donor community or promoting better perception of NGOs and their activities by their key stakeholders such as government, employees or direct beneficiaries was explored in this study.

1.2.4 THE ENVIRONMENT

Davies (2011) states that companies tend to adopt the governance regime of their country as the minimum standard. As explained by Bell, Aguilera, and Filatotchev(2013), the efficiency and effectiveness of corporate governance practices are not context free but should be considered in conjunction with the external environment. Nonprofit organisations have been shaped and will continue to be shaped by historical times and forces, by social institutions, laws and regulations and political and economic trends and events (Renz, 2010). In this study,the PESTEL framework (Johnson, Scholes and Whittington, 2006) is used to analyse the external environment, it refers to the political, economic, social, technological, ecological and legal factors.

A) POLITICALFACTORS

In broad terms politics refers to the art of public influence and control whose processes result in the development of laws (Kreitner, 2009). The stability (or lack thereof) of the political environment has influence on government policy and action (Johnson *et al*, 2006). The government of Zimbabwe is sceptical of some of the activities of NGOs as they are perceived to have foreign or opposition political agendas. Alleged affiliations to opposition political parties have resulted in politically motivated closures and disruptions. For instance, during the period 2008 – 2009 there were widespread interruptions to NGO activities as some NGO operations were suspended indefinitely and NGOs were instructed to sign agreements with local government and the relevant ministries under which they were expected to operate (Makamure, 2008; IRIN, 2008).

NGOs by definition are supposed to be apolitical; however, they are regarded as agents of foreign powers who areagainst the ruling political party and largely a conduit for foreigners to interfere with the affairs of the country. However, the government acknowledges that support is needed from these organisations and their funders.Taxation policies impact on the likelihood of donors donating to Zimbabwe, for example, the donated funds from the European Commission cannot be used to pay customs duty, hence organisations who intend to receive such funds have to be in a position to apply for and receive exemption. Failure to get the exemption means the organisation would have to bear the costs. Currently, only organisation registered as welfare or private voluntary are able to get exemptions for payment of import duty. A shift in government policy to award such exemptions may impact the organisations negatively. Closely linked to the political issues are the economic issues.

B) ECONOMICFACTORS

Dess, Lumpkin, Eisner, McNamara and Kim (2012) state that key economic indicators such as interest rates, unemployment rates, consumer price index, inflation rate, the gross domestic product and net disposable income affect all sectors including non-profits. Thelegal use of foreign multi-currenciesin Zimbabwe since 2009 has brought about some stability in the economy. However, unemployment rate is still highhence; poverty is still high resulting in the need for continued donor assistance and more effort from NGOs to seek diverse sources of funding. Currently Zimbabwe's economy is classified as 'fragile' by the International Monetary Fund, with an estimated $10 billion in external debt, more than 70% of government revenue channelled to civil servant salaries, companies shutting down due to low demand, lack of capital, high interest rates and electricity shortages (The Daily News, 25 June 2014). The Zimbabwe Stock Exchange mirrors the performance of the country's struggling economy, hence,the World Bank in its June 2014 report downgraded Zimbabwe's economic growth rate further to 2% as most listed companies reported reduced revenues and others reported increased losses (The Herald, 1 July 2014). A decrease in disposable incomes and increase in cost of doing business means a reduction in prospective donations for non-profits from individuals and the corporate world. The increase in cost of doing business also means high operating costs for NGOs which impacts on how they are assessed by foreign donors who are concerned about ensuring that most of their donations are spent on their beneficiaries and not overhead costs.

C) SOCIALFACTORS

The social and cultural factors influence the values, beliefs and lifestyle of a society (Dess, *et al*, 2012). Population demographics, literacy levels, wealth disparities, age distribution, social mobility, lifestyle changes, attitudes towards work and leisure, consumerism and levels of education are all sociocultural factors that may affect the macro environment in which the non-profit organizations operate (Johnson*et al*, 2006).The increase in number of women in the work place and greater societal interest in the protection and preservation of the environment are factors that affect operations of NGOs. The greater number of women may mean that NGOs are pushed to ensure gender balance within their organisations and the board while concerns for the environment mean that organisations have to be careful about ensuring their activities do not damage or pollute the environment.

D) TECHNOLOGICALFACTORS

The technological factors include new discoveries and innovation (such as genetic engineering, internet technology, computer-aided designs, wireless communications and nanotechnology); speed of transfer of new technology and rates of obsolescence (Johnson, *et al*, 2006; Dess, *et al*, 2012). The advances in technology impact on how NGOs deliver their services and communicate with stakeholders. Social media such as Facebook and Twitter can be used by local NGOs however; they would need to have the computers and internet connection in order to do this and financial resources and know-how are required for these activities.

E) ECOLOGICAL FACTORS

Ecological factors relate to the natural andnon-renewable resources,energy consumption, waste disposal and pollution matters and the laws that regulate these issues (Johnson *et* al, 2006). The issues of availability electricity, the saving of energy and provision of alternative sources impact on the operations of NGOs. Zimbabwe is experiencing incessant electricity cuts and NGOs such as Environment Africa lobby for provision of alternative energy sources, reduction of carbon emissions and pollution of the environment. NGOs need to have alternative sources of power such as generators and solar panels in order to ensure continuity of operations in cases of electricity cuts and failures.

F) LEGAL FACTORS

The legal environment comprises of the laws and regulations which have to be complied with (Johnson *et al*, 2006).Government legislation can have a significant impact on governance of organisations, for example, the United States Congress passed the Sarbanes-Oxley Act in 2002 which greatly increased the accountability of auditors, executives and corporate lawyers and also created an increase in demand for professional accounting services (Dess, *et al*,2012). The regulatory environment in Zimbabwe has largely been fragmented and characterised by ever-shifting and unpredictable policies which result in excessive regulation, limitations in enforcement of the rule of law and corruption (UNDP, 2008). In Zimbabwe the laws that regulate operations of NGOs are mainly the PVO Act, Labour Act and Finance Act (NANGO, 2009). Some of the laws passed or proposed bills such as the Access to Information and Protection of Privacy Act (AIPPA), Public Order and Security Act (POSA), the NGO bill and the Criminal Law Codification Act are perceived to impact negatively on NGO operations as they limit freedom of association, assembly, information and funding. The NGO bill in particular was drafted in order to replace the PVO Act, however, it was widely criticised as being politically motivate as it sought to ban the carrying out of voter education, prohibit the receipt of foreign funding by those working on human rights and governance-related issues and setting up an NGO council appointed by the state to monitor civic organisations and close down those perceived to be working against the state (Marawanyika, 2005). However, the NGO bill is yet to be signed into law by the President.

1.3 STATEMENT OF THE PROBLEM

According to Mullins (2010), philanthropic organisations are interesting in their own right, in respect of the origin of their funds, in their interaction with other types of organisations and in the effects they have on the societies within which they operate. Corporate governance issues are gaining importance in agencies that handle aid. However, the role, scope and desirability of governance are emerging fields with attempts to provide for governance being discrete and disparate (Dawson and Dunn, 2006). The increasing focus on the governance of NGOs reflects the fact that these organisations need to be seen to have effective governance systems and to utilize donated funds in appropriate ways (Mallin, 2013). According to Massa, Keane and Kennan (2012), although most European countries face intense budget constraints, any future change in aid volume or modalities is more likely to be the result of ongoing policy re-orientations among donors or their concerns on governance.

NGOs are voluntary and not-for-profit organisations whose activities are funded by donors through bilateral or multi-lateral agreements. On a global scale donor agencies such as the World Bank have based national funding decisions on national or political governance issues as they considered governance as a core element in their development strategy (The World Bank, 2013). In recent years donors have also been calling for effective, efficient and economic delivery of programmes not just on the overall national level but also at the level of individual NGO partners engaged in all programmes (Hawkes andAnheier, 2008). As a result, the corporate governance of NGOs has come under the spot light with emphasis on greater accountability and sustainability. Fiscal constraints in advanced economies have limited the support given to low income countries such as Zimbabwe thus, effectively increasing competition among NGOs. However, NGOs are at law not permitted to market themselves. Therefore, a good reputation would appear to matter in the NGO sector as it does in the commercial and profit making business sector.

The global financial crisis along with numerous corporate scandals have highlighted the relevance of good corporate governance including transparency for preventing fraud and mismanagement in order to maintain stakeholder confidence (Naidoo, 2009). The growing number of NGOs and the changes in the economic environment resulting in declining donor funds have forced some NGOs to relook at their ways of doing business. NGOs have to be proactive and find ways to differentiate themselves so as to be able to undertake worthwhile programmes and attract funding partners

In Zimbabwe, the impact of governance practices within the local NGO sector has not been widely studiedor published. Some of the opinions expressed in the public media are largely extrapolations of studies done elsewhere or in the private or commercial sectors and could at best be described as guesses based on theory and on what is perceived as ideal for organisations. In Zimbabwe, NGOs form a significant part of the economy with millions of dollars being channelled through them from donors. Zimbabwe has been rocked by corporate governance scandals mainly in the state owned enterprises and the private sector but questions remain as to whether or not NGOs have robust governance practices that have seen them escape these scandals or is it an issue of them going unreported. The study proposes that governance has an impact on financial viability and long term sustainability; this linkage was examined.

Dawson and Dunn (2006) suggested that the trust placed in not-for-profit organisations can create higher expectations upon them to be accountable and transparent. The authors further assert that the removal of the profit distributing purpose as the organisation’s anchor means that accountability of the organisations moves beyond an economic focus. There is a need for a comprehensive study that indicates whether there are benefits and limitations in implementing good governance practices. Further research is required to provide evidence of whether or not good practices result in sustainable organisations.

1.4 RESEARCH OBJECTIVES

The main objective of this study is to investigate the corporate governance practices and their impact on sustainability of local non-governmental organisations (NGOs) in Zimbabwe**.**

The specific objectives of the study were:

i. To determine the major governance practices in the local NGO sector.
ii. To identify and discuss benefits of good governance to the local NGOs.
iii. To identify the indicators of bad governance practices in the local NGO sector.
iv. To determine whether or not good governance practices impact on financial viability of non-profit organisations.
v. To study the limitations of implementing good governance practices.
vi. To draw conclusions and give policy and managerial recommendations in promoting good governance practices in Zimbabwe's NGO sector.

1.5 RESEARCH QUESTIONS

The main research question of this study was – How arecorporate governance practices characterisedand what is their impact on sustainability of local non-governmental organisations?

The specific questions to be answered by the research were:

i. Are thereany major governance practices used in the NGO sector?
ii. How isgood governance of benefit to the NGO sector?
iii. Are thereindicators of bad governance practices in the local NGO sector?
iv. Do governance practices impact on financial viability of non-profit organisations?
v. Are there limitations in implementing good governance practices?

1.6 MAIN ARGUMENT AND PROPOSITIONS

The main argument in this research is that the implementation of good governance practices promotes NGO sustainability. The propositions set out in this research are as follows:

Proposition 1: A diversified board is essential in governance and sustainability of NGOs.

Proposition 2: Good board leadership is positively related to good corporate governance and NGO sustainability.

Proposition 3: Good organization ethics impact positively on NGO governance and sustainability.

Proposition 4: Disclosure is positively related to good NGO governance and sustainability.

Proposition 5: Adequate communication is essential for good NGO governance and sustainability.

Proposition 6: Poor risk management results in poor NGO governance and reduction in sustainability.

1.7 JUSTIFICATION OF THE RESEARCH

Mullins (2010) suggested that philanthropic organisations acknowledge the benefits of the ‘corporate approach’ in terms of efficiency and the ability to recruit and apply specialist skills. However, in some instances these organisations still retain control by the founder or the founding family or group or donors. McGann and Johnstone 2005, further assert that few scholars have felt the need to take a critical look at the effectiveness and accountability of these organizations. This study critically explored the governance of local NGO to establishmajor practices, the benefits and limitations of implementing good governanceand indicators of bad governance. The study adds to a greater understanding of governance practices and their impact on financial viability and sustainability.

The NGO sector is an important segment of the economy. Therefore, this research sought to assess whether NGOs in Zimbabwe have been practising good corporate governance. Sustainability was gauged from the perspective of financial viability by receiving ongoing donor support, self-financing and achieving organisational objectives. This entailed assessing NGOs that have been practising good corporate governance and those that have not been. The purpose is to understand corporate governance practices and their impact on financial viability and ultimately onorganisational sustainability. The main issue was whether those that have been practising corporate governance have been more financially viable than those that have not been practising it and whether bad governance practices may have resulted in the shutdown of some of the organisations.

NGOs operating in Zimbabwe will be assisted by this study in order to develop governance policies which can be used to improve activities and gain good standing in the eyes of key stakeholders. Mullins (2010) asserts that some of the world's philanthropic organisations have multinational corporation-size (even government-size) budgets, meaning that the issue of governance is rightly of some concern to the society within which these organisations operate and to the various stakeholders. Dawson and Dunn (2006) stated that both in academic literature and in practice the attempts to provide for governance of not-for-profit organisations are discrete and disparate as the role, scope and desirability of governance is an emerging field in the sector. In reviewing the governance of international NGOs (INGOs), Moriaty (2012), concluded that these international organisations enjoy a high level of goodwill and trust and must strive to improve governance so as to demonstrate that the finances they receive are used effectively and for the intended purposes. This study sought to determine if local NGOs enjoy the same goodwill and trust. As not-for-profit organisations grow in number and significance within a country and internationally the concern over knowledge about governance that guarantees its optimal handling increases yet research does not keep up with this growth (Romero-Merino, Andres-Alonso andAzofra-Palenzuela, 2010). This justifies the need for more research in the area of NGO governance.

The NGO sector's contribution to the economy of Zimbabwe is undeniable. However, the sector has not been spared from collapse together with other industries in Zimbabwe. Sustainability is key to the sector if the much needed services will continue to be provided to communities going forward. Furthermore, historically, NGOs have not been well received in Zimbabwe because they are viewed as anti-government agencies. However, if NGOs are doing their work properly, they should be practising good corporate governance. The organisations should also, be well received within Zimbabwe and also obtain more funds from donors, grow and become sustainable organisations.

1.8 RESEARCH SCOPE

The research is primarily about the corporate governance practices of local NGOs. Sevenlocal NGOs with Head Offices based in Harare were targeted in the study. The study got insights from two international NGOs operating in Zimbabwe through country offices in Harare. Furthermore, the study drew some comparisons between local and international NGOs. The managers and directors of these institutions were interviewed in the study. Sixteen participants were interviewed.

1.9 ORGANISATION OF THE STUDY

The study is organized into five chapters beginning with this introductory chapter. The chapters that follow are:

- Chapter 2 - provides a critical review of literature on corporate governance. The second chapter was to enable the researcher to build upon already existing literature, clarify the research problem further, improve the methodology of this research and contextualize findings by comparing them with those found in previous studies. A conceptual framework for this study is presented in the conclusion of Chapter 2.
- Chapter 3 - gives details and justification of the methodology.
- Chapter 4 - presents the discussion of data analysis and findings.
- Chapter 5 - the last chapter is a wrap up that provides the conclusions and recommendations arising from the study and proposes some areas of future research.The final theoretical framework is also presented.

1.10 CHAPTER SUMMARY

The aim of this chapter was to set the scene and tone of this study. As a result, this introductory chapter gave the background to the study, the statement of the problem, the objectives, questions, propositions, justification and scope of the study. The next chapter is the literature review.

CHAPTER 2: LITERATURE REVIEW: CORPORATE GOVERNANCE PRACTICES

2.1 INTRODUCTION

This study is an investigation of the corporate governance practices and their impact on sustainability of non-governmental organisations (NGOs) in Zimbabwe. This chapter is a critical review of literature that relates to the study. The chapter seeks to clarify the research objectives and questions further and to enhance subject knowledge while providing a foundation on which this study is built. The concept of corporate governance is defined and its importance is discussed in this chapter. The discussion also covers the theories underpinning corporate governance, governance models, principles and best practices. This literature review chapter also considers some of the constraints to implementation of corporate governance practices, benefits of good corporate governance and indicators of good and bad corporate governance and their impact on sustainability of local NGOs. A number of scholarly articles and books were analysed and synthesized in order to present summarized, coherent and relevant propositions and a conceptual framework for corporate governance practices for NGOs.

2.2 THE RISE OF NON-GOVERNMENTAL ORGANISATIONS (NGOS)

Nonprofits are the most rapidly growing organizational domain in the world (Renz, 2010). This rapid growth has resulted in high numbers and diversity of organisations. Despite their diversity NGOs share some common characteristics which make them distinct and different from other entities. The special features of NGOs include the following:

- NGOs are not-for-profit organisations whose activities are funded by donors. Thus, they are barred from pursuing individual self-interest or private profit or profit distribution in cases where they make profit (where expenditures are less than income) (Dawson and Dunn, 2006). Any surplus must be ploughed back into the basic mission of the organization.

- They are voluntary organisations which are largely established at the initiative of individuals or institutions and not as a result of the passing of some law or government initiative or parastatal decision or act of parliament.
- They are charitable or philanthropic in nature existing to serve the common good or address a social need or advance a purpose in the public interest or benefit. Thus, they pursue particular causes and not the accumulation of profit for owners.
- They can be established just by the agreement of some people as a voluntary association seeking to apply resources to advance a purpose for the public benefit and welfare or to promote participation and representation. Therefore, legally in Zimbabwe, these organisations do not fall under the Companies Act but are governed under the Private Voluntary Organisations (PVO) act or deeds of trust or social welfare act. They take the form of private voluntary organisations, trusts, foundations, coalitions, associations, networks, federations or civil society organisations.

Bowman (2011) clarified that while NGOs are not in business to make money, they are nevertheless in business because they resemble business entities in many ways such as hiring of people, production of goods and services and operation of offices and bank accounts and bill payments. Furthermore, NGOs are self-perpetuating, self-governing, receive income, can sue and be sued, they can own property including productive assets in their own name, have limited liability and their managers are empowered to act subject to fiduciary laws. According to McGann and Johnstone (2005**)** NGOs have been a positive force in domestic and international affairs, working to reduce poverty, promote human rights, preserve the environment and provide relief and recovery worldwide.

2.3 DEFINITION OF CORPORATE GOVERNANCE

Corporate governance is described from different insights using perspectives that are inclined to subjects such as economics, management, law, political science, culture and sociology, thus, it is a complex multidisciplinary aspect of business (Aguilera and Jackson, 2010; Tricker, 2012). It can be defined in a variety of ways depending on viewpoints to the subject, corporate governance is largely concerned with the ‘exercise of power over corporate entities’ (Tricker, 2012:p29). It refers to the ‘rules, processes and laws by which companies are operated, controlled and regulated’ (Gitman and Zutter, 2012: p20). According to Masdoor (2012), the term ‘corporate governance’ has origins from a Greek word , ‘kyberman’ meaning to steer, guide or govern and also from the Latin word ‘gubernare’ and the French word ‘governer’ which all relate to the process of decision making and implementation.

The Cadbury report of 1992 took an **operational perspective** and defined corporate governance as a ‘the whole system of controls, both financial and otherwise by which companies are directed and controlled’. The Organization for Economic Co-operation and Development (OECD) also shared the operational perspective by stating that corporate governance is concerned with the structures, processes, procedures and practices of directing and controlling the organisation (OECD, 2004). The **financial or economics perspective** articulated by Shleifer and Vishny (1997) defined corporate governance as a field that deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.

Aguilera and Jackson (2010) stated that corporate governance is to do with power and influence over decisions. This resonates well with what Tricker (2012) termed the **relationship perspective** which sees corporate governance as a structure for distribution of rights and responsibilities. Rezaee (2009) highlighted that the **legal view** of corporate governance focuses on the enforcement of shareholder rights, rules and principles that regulate the power relationships. Therefore, from this **legal and regulatory perspective** corporate governance is the system of laws, rules and factors that control the operations within an organisation (Rezaee, 2009).

DembandNeubauer, (1992) shared the **stakeholder perspective**which takes a wider view of those involved in and affected by corporate governance and states that corporate governance is the process by which corporations are made responsive to the rights and wishes of stakeholders. David (2011) defines stakeholders as ‘the individuals and groups of individuals who have a special stake or claim on the company and affect or affected by the organisation’s activities (p49). Stakeholders include employees, managers, stockholders or shareholders, board of directors, customers, suppliers, distributors, creditors, governments, unions, competitors, other lobby groups and the general public.

The **societal perspective**, according to Tricker (2012) puts the organisation as an entity that exists within society. It is espoused by Sir Adrian Cadbury in Global Corporate Governance Forum of the World Bank in 2000 where he stated that "corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society" (http://mhcinternational.com/csr-services/csr-definitions accessed 26 March 2014).

It is quite clear that these perspectives of defining corporate governance are not mutually exclusive because they overlap and are inter relatedand the process is evolving. Tricker (2012) advises that it is important to adopt the perspective that is applicable to the matter under review. Thus, for the purposes of this study the definition of corporate governance given by Rezaee (2009) will be adopted as it seems more all-encompassing and more appropriate for the NGO sector. It states that corporate governance is

> **"the process affected by a set of legislative, regulatory, legal, market mechanisms, listing standards, best practices and efforts of all corporate governance participants including the company's directors, officers, auditors, legal counsel and financial advisors which creates a system of checks and balances with the goal of creating and enhancing enduring and sustainable shareholder value, while protecting the interest of other stakeholders" (p30).**

2.4 CORPORATE GOVERNANCE IN NGOS

According to Camay and Gordon, (2004), corporate governance in the NGO sector involves the arrangements of the structure of the organisation and the inter-relationships among stakeholders, such as communities, beneficiaries and government. At the heart of this structure is the board. The ‘board’ refers to the highest governing and monitoring body or bodies of an enterprise on which executive and non-executive or supervisory members sit’(UNCTAD, 2006:p12). Therefore, the organization’s board of directors is the ‘epicentre of the company’s corporate governance system’ (Naidoo, 2009:p142). In the case of NGOs the board may consist of a board of directors, board of trustees or a management committee depending on whether the NGO is registered as a not-for-profit organisation, trust or community based or private voluntary organisation. The activities and interactions of the board, management and owners or founders of the organisation are vital to the corporate governance practices of the organisation (Tricker, 2012).

2.5 IMPORTANCE OF CORPORATE GOVERNANCE

The importance of good corporate governance became dramatically clear with the series of corporate meltdown arising from managerial fraud, misconduct and negligence resulting in massive loss in value (Baker and Anderson, 2010). According to Saleem (2010), good corporate governance is essential for building good will and credibility, managing organizations efficiently, transparency and preventing a variety of crimes such as embezzlement, money laundering and kickbacks. Corporate governance is fundamental to well-run companies and assists to ensure that the assets of the company are secure and not subject to expropriation and enables the company to avoid having people wielding excessive power therefore, it helps the company to be sustainable in the long term (Mallin, 2011).

A study conducted by McKinsey Group showed that corporate governance is important in determining levels of investment (Coombes and Watson, 2000). The study found that institutional investors in emerging market companies would be willing to pay almost 30% more for shares in companies with good corporate governance as investors place some importance to success of firms based on corporate governance practices (Coombesand Watson, 2000). Shleifer and Vishny (1997) also argue that a firm is also likely to get external finance not only due to the reputation of the capital market or investor optimism but also as a result of the assurance provided by the corporate governance system.

According to Saleem (2010) good corporate governance is important for the following reasons:

- it lays down the framework for creating a long term trust between the companies and their external providers of capital
- it improves strategic thinking at the top level by inducting independent directors who may bring in wealth of experience and new ideas
- it rationalizes the management and monitoring of risk that a company faces
- it limits the liability of top management and directors by carefully articulating the decision making process
- it has long term reputation effects among key stakeholders internally and externally

Tricker (2012) suggests that some of the possible benefits of corporate governance practices include:

- Better management and fewer ethical or legal problems
- Improved organisational reputation – if effective internal controls are perceived then other organisations maybe more willing to partner with the organisation
- Adaptation of good governance provides stability and growth opportunities
- Improved transparency – if governance practices promote sharing of quality and timely information with key stakeholders they may feel confident about the organisation’s operations
- Reduced penalties, lawsuits or fines – good governance practices could enable the organisation to be compliant with rules, regulation and laws
- Decrease in fraud and conflict of interest – disclosures and avoidance of conflict of interest maybe promoted

2.6 THEORIES OF CORPORATE GOVERNANCE (CG)

There is nothing so practical as a good theory – Lewin, 1951

The Merriam Webster dictionary defines theories as suppositions or systems of ideas based on general or abstract principles, propositions, hypothesis, conjecture, organized thought, speculation or assumptions intended to explain a subject (www.merriam-webster.com/dictionary, accessed on 4 April 2014). Theory is about the connections between phenomena, well-substantiated explanations of the cause and effect relationship and the timing and order of events and the systematic reasons for their occurrence or lack of it (Sutton andStaw, 1995). There are several theories that have been studied as underpinning the subject of corporate governance. The ultimate theories in corporate governance started with the agency theory, extended into stewardship theory and stakeholder theory and evolved to resource dependency theory, transaction cost theory, managerial and class hegemony theory, political theory, legitimacy theory, social contract theory feminists ethics theory, discourse theory and postmodernism ethics theory as organisations and economies grew and evolved (Fauziah, Yusoff and Alhaji, 2012; Masdoor, 2012; Tricker, 2012).

2.6.1 ONE SIZE DOES NOT FIT ALL

In agreement with Lashgari (2004), Tricker (2012) stated that corporate governance does not have a single widely accepted theoretical base nor commonly accepted paradigm due to significant variety of opinions as a result of culture, political context and social systems resulting in the development of alternative forms of corporate governance. Masdoor (2012) also stresses that the theories address the cause and effect of variables such as the configuration of board members, audit committee, independent directors and the role of top management and their social relationships rather than its regulatory frameworks. Therefore, it is suggested that a combination of theories is best to describe effective and good governance practices rather than theorizing corporate governance based on one theory.

However, it is the view of the researcher that the agency theory has some bearing in one way or another on all the other theories. It is the most widely researched and it is relatively simpler to understand and easier to apply. Moreover, the agency theory is the most profound and informs this research the most. Eisenhardt (1989) in assessing and reviewing the agency theory concluded that the theory offers unique and realistic insight into information systems, outcome uncertainty, incentives and risk. These are critical issues in the area of corporate governance. It is for these reasons that the agency theory is explained in greater detail below and will be discussed in depth.

2.6.2 THE AGENCY OR PRINCIPAL-AGENT THEORY – A COMPLIANCE APPROACH

Seminal works by Alchian and Demsetz (1972), Ross (1973) and Jensen and Meckling (1976) presented the agency theory to explain corporate governance (Masdoor, 2011). It is by far the most widely researched and has since become the dominant institutional logic of corporate governance and has been use in other areas such as accounting, economics, finance and marketing (Cuevas-Rodriguez, Gomez-Mejia and Wiseman, 2012). The theory examines the contractual and economic situation where one party, an agent is involved in carrying out the wishes of another, the principal (Jensen and Meckling, 1976; Wilkinson, 2005; Shapiro, 2005). In the corporate governance structure managers act as agents for the board while the board acts as agents for the owners or founders, the agency theory recognizes that a modern company is made up of players who may not act for the common good resulting in the development of the agency dilemma or problem (Tricker, 2012; Cuevas-Rodriguez *et al*, 2012). **The core issues of the agency theory are separation of ownership, information asymmetry, utility maximization, opportunism, conflict of interest and shirking** (Jensen and Meckling, 1976; Wilkinson, 2005; Shapiro, 2005; Tricker, 2012; Cuevas-Rodriguez *et al*, 2012)**.**

a) Separation of ownership

According to Cadbury (2002), the theoretical foundation of corporate governance dates back to the 18th century when Adam Smith a pioneer of political economy commented in his book entitled the Wealth of nations that the directors of private limited or joint stock companies being managers of other people's money could not be expected to watch over it with the same anxious vigilance as they would their own. Adam Smith explained that where there is separation of ownership and management 'negligence and profusion' could occur. The separation of ownership and control of the company means that the owners are not entirely the controllers of the company resulting in information asymmetry, conflict of interest and shirking by managers (Shapiro, 2005; Gitman and Zutter, 2012).

b) Information asymmetry

According to Shapiro (2005), information asymmetry is at the centre of the agency problem resulting in adverse selection and moral hazard. Information asymmetry is a result of one of the parties to a contract knowing more than the other or the parties having different information, for example, managers of the organization have more information about the operations and future prospects of the organization that potential investors and shareholders ; directors disclose positive information about the firm performance in financial statements and decide what information should be given which is above that required at law (Gitman and Zutter, 2012; Wilkinson, 2005). In the context of corporate governance, when a director is appointed only he/she knows about his/her abilities , expertise, honesty and talents to act as an agent for the owners of the organization. The owners do not know everything about the director and they never will. Thus, adverse selection or what Arrow, 1985 called hidden information occurs. Arrow (1985) described this as the condition under which the principal cannot ascertain if the agent accurately represents his ability to do the work he is being paid for.

Another consequence of asymmetric information is moral hazard or what Arrow (1985) called hidden action. The behavior of the agent cannot be reliably and costlessly be observed after entering a contract, thus, moral hazard is a situation where a party will have a tendency to take risks because the costs that could result will not be felt or borne by the party taking the risk (Wilkinson, 2005; Eisenhardt, 1989). When parties enter into a contract, principals will not know beforehand that agents will adopt certain attitudes (opportunism) or behaviors (self-interest) hence Arrow (1985) called it hidden action. In agreement, Eisenhardt (1989) elaborated that problems arise with the principal verifying that the agent has behaved appropriately and that risk sharing problems occur when the principal and agent have different attitudes or preferences towards risk.

c) Utility maximization and opportunism

Opportunism is the pursuit of self-interest with guile which refersto cunning or deceitful behaviours (Williamson, 1975 as cited in Hodgson, 2004). The business dictionary defines opportunism as the practice, act art or policy of taking advantage of circumstances or opportunities in self-interest often with little or no regard for morals, ethical principles, other people's interests or consequences (www.businessdictionary.com, accessed on 7 April 2014). With the separation of ownership and control and the lack of homogenous owner interests, the organisational power has shifted towards directors and management resulting in some abusing the power (Wilkinson, 2005). Tricker (2012) points out that the agency relationships have become complex as funds are invested through multiple investment vehicles which makes tracing of the agency chain difficult thus promoting opportunism. The core of corporate governance is designing and putting in place disclosures, monitoring, control, oversight and corrective systems and structures in order to minimize agency costs and misfeasance (Hodgson, 2004; Wilkinson, 2005; Gitman and Zutter, 2012). Agency costs are those costs incurred by the organisation in order to deal with the agency problem; examples include loss of owner wealth through failure by management to make best investment decisions (Gitman and Zutter, 2012).

d) Conflict of interest

The relationship between the principal and the agent can be presented as follows:

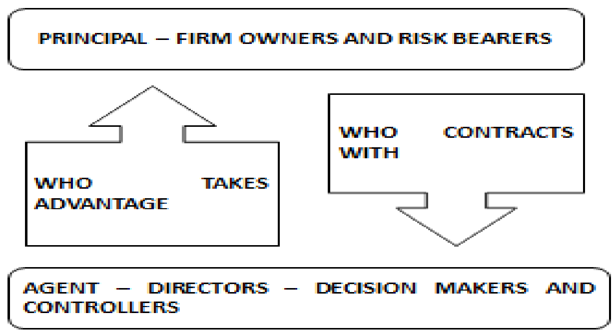

Figure 1:The Principal-Agent relationship – adapted from Tricker (2012)

The agency theory recognizes that interest of the agent and the principal may be at variance (Shapiro, 2005). The focus of corporate governance is the better alignment of interests of the agent i.e. the directors and managers with those of their principals i.e. the shareholders or owners or founders of the organisation. O'Shea (2005) describes this as the central concern of corporate governance today. The theory assumes that the agents will not work diligently in the interest of the principals unless incentives are carefully and appropriately aligned (Gitman and Zutter, 2012). Aras and Crowther (2008) stated that the firm is assumed to exist for the benefit its owners who are assumed to be solely interested in the maximization of their wealth. However, the owners' interests may also include firm growth and dividends. On the other hand, the manager's interests maybe high salaries, career growth and job security. Motivated by their own objectives, the manager may then work to fulfil these interests at the expense of the firm's owners.

The agency theory asserts that people are unlikely to ignore their own self-interest when making decisions i.e. people do not behave altruistically (Tricker, 2012). Thus, political and behavioural aspects are part of the decision making process (Aras and Crowther, 2008). Corporate governance practices must seek to identify the most efficient rules and contracts for alignment of interest of the principals and agents (Gitman and Zutter, 2012). The demand for transparency, accountability, risk management, inclusion of independent directors and adequate policy and procedures are all in response to reducing the agency problem (Tricker, 2012).

Conflict of interest may result in undesirable behavior, for example, the agent may consume excessive perquisites (perks) (Wilkinson, 2005). In the first quarter of 2014, the print media in Zimbabwe was awash with cases involving senior managers at state owned enterprises (SOEs) such as the Air Zimbabwe and Zimbabwe Broadcasting Corporation (ZBC) and Premier Service Medical Aid Society (PSMAS) who were reported to be earning 'obscene' salaries yet the SOEs in question were failing to pay other employees and suppliers. Some of the managers were charged with fraud, abuse of office and corruption and have pending court cases against them (Sasa, 2014; Mbanje, 2014). The managers were giving themselves more luxury than was reasonably due to them and at the expense of all other stakeholders of the organisations.

e) Shirking

Shirking refers to a failure of agents to expend the best effort as they may be reluctant to put in their best effort if it will not affect their income or when they believe that their lack of effort will not be observed by the firm's owners (Wilkinson, 2005). The agency theory acknowledges that when ownership and control are separated, agents may fail to expend the best effort in controlling the firm. A classical and widely cited example of shirking, information asymmetry and inadequate disclosure by agents resulting in corporate governance failure is that of WorldCom's acquisition of DigexInc from Intermedia Communications in 2000 (Markham, 2006; O'Shea, 2005). The $6 billion deal was negotiated and approved without the full knowledge of the board as no board members received any documents or analysis to support the transaction. Furthermore, some of the directors received less than 2 hours' notice for a 35 minute conference call to 'rubber stamp' the deal (O'Shea, 2005). WorldCom's corporate governance failure resulted in the largest bankruptcy in the history of the United States.

2.6.3 CRITIQUE OF THE AGENCY THEORY

The agency theory is seen by some as being overly simplistic with its narrow focus limiting its predictive validity while its assumptions do not reflect the complex real world of business (Cuevas-Rodriguez *et al*, 2012). These authors also pointed out that the theory ignores the social context institutional or multi-layered investment arrangements which may influence the interests of the parties and how they are aligned. Furthermore, the assumptions that people are individualistic, opportunistic, rational or self-serving utility maximisers are philosophical and moral assumptions which may not hold for every agent as they can be altruistic and may work as a team with the principal (Tricker, 2012). In today's complex business environment it may be difficult to know who the agent is working for – the company as a separate legal persona or the shareholders or other major multiple stakeholders. Cornforth (2005) highlighted that specifically for non-profit organisations, there is a difficulty in applying the agency theory because there is much more potential ambiguity over who the principals are since there are no real owners but perhaps original founders, beneficiaries or members. Despite these viewpoints, the agency theory is still a useful and dominant theory of corporate governance.

2.7 MODELS OF CORPORATE GOVERNANCE

Tricker (2012) defined corporate governance models as the paradigms and systems of governance that are rooted in context and culture. According to Hall and Soskice (2001) as cited in Aguilera, Desdender and Castro (2011) models vary globally and determine what is deemed possible, acceptable and legitimate based on patterns and structure of ownership and financing of organisations, the legal system and related company law, the development of capital and product markets and the existing political and economic institutions that define the varieties of capitalism, all playing a part in shaping corporate governance systems.

2.7.1 NATIONAL LEVEL MODELS

Tricker (2012) highlighted that the American model is a unitary model, with predominance of independent outside directors and an emphasis on investor protection, auditing requirements and financial disclosures. The Generally Accepted Accounting Principles (GAAP) are followed. This model is a ‘comply or else’ or ‘hard law’ approach to corporate governance with organisations being legally mandated to comply and with sanctions for noncompliance and contravention (Zadkovich, 2007).

In the UK / Commonwealth nations corporate governance is principles based or based on a ‘comply or explain’ approach or ‘soft law’ (Zadkovich, 2007; Feleaga, Feleaga and Dragomir*,* 2010). The board responsibilities are determined by self-regulation and accepted codes of good practice and not by law with sanctions being the exposure of corporate governance failings or delisting, hence, boards can either comply or explain why they have not complied (Tricker, 2012). High levels of information, transparency and accountability are expected and governance is structured on a one-tier model with separation between the board chair and chief executive officer (Feleaga*et al,* 2010). The international financial reporting standards (IFRS) are followed.

The Continental European two-tier model tends to be rule based, while in the Japanese stakeholder oriented network model, the board is another layer of management and people get prompted to that board, lastly, Asian model is family-centric with close family control (Tricker, 2012).

2.7.2 MODELS FOR NGO GOVERNANCE

The governance of NGO in Zimbabwe is largely based on the national level comply or explain model. According to Bradshaw, (2007), there is no ideal or prescriptive model for governance of NGOs but a hybrid model based on existing and emerging models and a contingency and innovative approach to governance is recommended.The existing models include the Policy governance model, the Entrepreneurial model, the Constituency model and the Emergent cellular model (Bradshaw, 2007).

The policy governance model is the dominant model based on the separation of power between the board and CEO (Bradshaw, 2007). In particular reference to non-profit organisations, Carver (1990) advocates that the real business of governance is to make policy, articulate the mission and sustain the vision of the organization. On the other hand, the entrepreneurial model seeks to maximise efficiency and effectiveness by focussing on innovation and change within the organisation hence the CEO also acts as board chairperson; while the constituency or representative model addresses groups of associated organisations having representation of each on the boards (Bradshaw, 2007). Lastly, Bradshaw (2007) articulates the emergent cellular modelas being characterised by networks or multiple stakeholders and organisationswith a focus on continuous innovation, flexibility and responsiveness to information in power sharing and mutual interdependence relationships.

2.8 KEY CONCEPTS: CORPORATE GOVERNANCE BEST PRACTICE

2.8.1 CORPORATE GOVERNANCE CODES

Aguilera and Cuervo-Cazurra (2009), defined corporate governance codes (CGCs) as sets of best practice recommendations with regard to the behaviour and structure of the board of directors. According to Tricker (2012), CGCs are intended to provide guidance at the frontier where law ends and market practice begins. The progress in the development of these best practices has stemmed from parties such as the stock exchange, government, organisations and institutional investors due to their lack of satisfaction with the status quo or scandals igniting interest in governance issues (Haskovec, 2012). Thus, codes are rooted in the understanding that the best practices are derived as a result of extensive collaboration and consultations and that they are do not just possess theoretical foundations but are based on practices that have proven themselves over time in the sector for which they are designed. Examples of CGCs are the United Kingdom corporate governance code, King III report of 2009 and the Organization for Economic Co-operation and Development (OECD) Principles of Corporate governance.

O'Shea (2005) identified six main common practices which appear in the codes of governance explicitly or implicitly. The six governance practices identified by O'Shea (2005), along with summarized category titles, are:

1. **Board composition**: a balance of executive and nonexecutive directors, such as independent, nonexecutive directors;
2. **Board leadership**: a clear division of responsibilities between the chairman and the chief executive officer;
3. **Information**: the need for timely and quality information provided to the board;
4. **Nominations**: formal and transparent procedures for the appointment of new directors;
5. **Reporting**: balanced and understandable financial reporting; and
6. **Risk**: maintenance of a sound system of internal control.

This research seeks to determine if these practices exist within the local NGOs. The National Association of Non-governmental Organisations (NANGO) has developed the Zimbabwe NGO Corporate Governance Manual which embraces good corporate governance practices. The 'comply or explain' approach to corporate governance in Zimbabwe means that self-regulation and voluntary adherence are key to determine the levels of compliance with best practice and in cases of non-compliance, explanations must be explored for accuracy, reasonableness and validity.

At a national level, Zimbabwe has developed a National code of corporate governance. According to Mugabe (2014), the code is awaiting launch by the President and it critically evaluates issues of corruption, corporate disclosure, communication and mechanisms for creating trust in organisations. The King Code which was developed in South Africa has been a good reference point for this development since Zimbabwe and South Africa share a similar political, economic and social ties as well as similar colonial history and the development of laws based on the Roman Dutch law with some English law graftings (Madhuku, 2010). The King code is based on the following principles of good corporate governance:

- **Discipline**: The commitment by management to adhere to behaviour that is universally recognized, accepted to be correct and proper.
- **Transparency**: The ease with which an outsider is able to make meaningful analysis of a company's actions, fundamentals and aspects pertinent to that business and its sustainability.
- **Accountability**: This principle refers to mechanisms that must exist to provide funders with the means to query and assess the actions of the board.
- **Responsibility**: Refers to putting in place mechanisms of setting the company on the right strategic and sustainable path.
- **Fairness**: The company must be balanced in taking into account all those who have legitimate interests and expectations in its present and its future.
- **Social responsibility**: A well-managed company must be a good citizen by being aware of, and respond to, social issues surrounding the company. **Independence**: The extent to which mechanisms have been put in place to minimize or avoid potential conflicts of interest that may exist.

2.9 INDICATORS OF BAD GOVERNANCE PRACTICES

Tricker (2012:p286) highlighted that problems are often found with governance of voluntary and community organisations, these include:

- Founders of the organisation who become permanent members of the governing body
- Stagnant membership of the board
- Lack of succession planning for the governing body
- Board members selected by representative groups who have conflict of interest
- Boards packed with representative members who are well-meaning but who contribute little
- Lack of board members with the necessary skill, knowledge or experience
- Executive management may fail to keep boards members informed
- Failure to induct new board members and to update other board members

- Inadequate control systems, performance measures and monitoring of executive actions
- Lack of strategic focus and failure to rethink strategies as circumstances change
- Poor chairmanship of the board, lack of leadership and interpersonal politics

2.10 LIMITATIONS OF IMPLEMENTING GOOD GOVERNANCE PRACTICES

This study seeks to unravel the limitations faced by local NGOs in implementing governance practices. According to Panfilii and Popa (2014), organisational culture can be summed up as the reason for corporate scandals such as those that rocked Parmalat of Italy (false recording of transactions), Tyco of USA (looting by the CEO) and Enron (inflated earnings) with the more specific common factors between the scandals being:

- Management incompetence
- Non-observance of the procedures stipulated in internal regulations
- Insufficient attention paid to risk management
- Inconsistent distribution of duties and responsibilities
- Inefficiency of internal audit
- Ignorance showed to the signals provided by external audit
- Influencing the external auditors to express an audit opinion inconsistent with reality

These factors could be viewed as limiting implementation of good governance. A study conducted by Adewale (2013), in Nigeria highlighted that the socio-political and economic factors such as the legal system, corruption and rule of law impact on implementation of corporate governance practices. Furthermore, considerable acknowledgement exists of the need to handle governance and for investment in attempting to do so (Davies, 2011). The United Kingdom's National council for voluntary organisations published a good governance code in 2010. The code states that good governance results from an effective board which provides leadership by understanding their role, ensuring delivery of the organisation's purpose by exercising effective control, behaving with integrity and being open and accountable. This suggests that perhaps the absence of an effective board and financial resources as well as socio-political and economic factors could possibly limit implementation of good governance, reduce survival and impact sustainability of organisations negatively resulting in collapse.

2.11 THE KEY DIMENSIONS OF CORPORATE GOVERNANCE IMPACTING TO SUSTAINABILITY OF NGOS

Corporate governance is a multi-dimensional field of study. Therefore, in this research, good corporate governance will be gauged in accordance with dimensions reviewed in literature and discussed below. Corporate governance will be looked at based on six key dimensions namely: board configuration, board leadership, ethics, disclosure, risk management and communication. These key dimensions are viewed in this research as being critical to the operations of NGO and are thus postulated to impact on their financial viability and sustainability.

2.11.1 BOARD CONFIGURATION

The board refers to the highest governing and monitoring body of the organisation as discussed in section 2.4. For this research board configuration is taken to refer to how the board is setup and structure. Board configuration shall be looked at from the following features:

a) **Board composition and size**: O'Shea (2005) highlighted that codes of governance recommend a balance of executive and nonexecutive directors, such as independent, nonexecutive directors. According to Monks and Minow (2011), an independent director must have no connection to the company other than the seat on the board in order to be objective and for the avoidance of conflict of interest. In terms of size, Grosu (2012) cites work done by Richard and Mielliet (2002) and Onofrei (2009) which summarised size of board committees as follows:

Table 1: The independence of committee members: Source Grosu (2012)

Elements	Audit Committee		Remuneration Committee		Nomination Committee	
	USA	France	USA	France	USA	France
The average number of members	4	3	3	3	3	3

Membership management related	0	1	0	0	0	2
The number of independent members	4	2	3	3	3	1

In a comparative study involving thirty documents and codes on corporate governance from twenty-two countries, only two of them indicate the ideal number of board members at between 5 and 10 (Gregory, 2007). Larson (2005) highlighted that board size is a factor in efficient board decision making. Gregory (2007) concurs by stating that the decision on the optimal size of the board is unique to each organisation and it is driven by the notion that the board should not be too small or too large as either way would discourage efficient and effective decision-making. When a board is large, with more than eight to ten members, it ceases to be cohesive, decision-making board as it is less likely to function effectively, it is easier for the CEO to control and the time each director has to contribute to discussion is limited (Tricker, 2012). As boards increase in size, they have difficulty in making decisions through consensus because the coordination, communication, faction, coalition and process problems overwhelm the advantages from having more people to draw on (Van den Berghe and Levrau, 2004).

b) Board diversity

Section 71 of the King III report encourages that every board should determine whether its size, diversity and demographics make it effective. According to Naidoo (2009), board diversity is not just race, gender or age issue but diversity is inextricably linked to sustainability of the organisation. The similarities and differences in a board due to aspects such as talents, attributes, skills, knowledge, style, qualifications, expertise, race, gender, age and experience can enable members to contribute to the organisation’s strategic and competitive advantage (Kang, Cheng and Gray, 2007; Van der Walt and Ingley, 2003).

A study on Australian boards by Kang, *et* al (2007), found that age diversity was positively associated with the size of the board and industry type. They found that companies from the consumer services appointed directors in more diverse age range. Perhaps this was due to the need to have younger directors and women. Women were found to be generally younger than their male counterparts; this supports findings by Van der Walt and Ingley (2003). Therefore, as pointed out by Van den Berghe and Levrau (2004) diversity and complementarity of board members may have more importance attached than board size or proportion of independent directors.

NGOs are generally perceived to be advocates for diversity and inclusiveness in order to promote the sustainability agenda (Bowman, 2011). It would be expected that their boards would also be diverse. The Global Reporting Initiative asserts that it is the expectation of stakeholders that NGO reflect the diversity of the society in which they operate and act in fairness, equity and integrity in their leadership. For NGOs, perhaps the inclusion of locals (natural citizens) can enhance the ability of the organisation to understand local needs and lead to continue operations even when foreign stakeholders pull out. Wealthy donors should be considered as board members especially if sustainability is dependent on continued flow of resources.

c) Committees

The King III report emphasizes that the board should delegate certain functions to well-structured committees but without abdicating their own responsibilities. The formation of committees is a decision that the board has to make as it decides on the governance structure and how it will deliver on its mandate (Tricker, 2012). Therefore, board committees are important for efficient and effective board operations and overall good corporate governance (Carson, 2002). The governance areas that were perceived to be problematic i.e. financial reporting quality, directors' remuneration and board appointments are put forward as the reason to have the audit, remuneration and nomination committees respectively (Spira and Bender, 2004).

Nomination committees should ensure that there are formal and transparent procedures for the appointment of new directors (O'Shea, 2005).Vera-Munoz (2005) concurs with Carson (2002); Van den Berghe and Levrau (2004) and Davies (2011) that audit committees are important as they are responsible for monitoring the integrity of financial reporting, selection of independent external auditors, and oversight of internal audit, risk management, internal controls and receipt of audit results. Carson (2002) found that audit committees were the most highly developed and mature governance mechanism while remuneration and nomination committees were less mature and still developing.

Some critics of the use of board committees argue that they take away the board`s control (Tricker, 2012). In direct reference to NGO and the extremely dynamic situations in which they operate, Carver (2006) highlighted that the structure of the committees can change as the NGOs evolve and as special needs arise. Carver (2006) pointed out that an organisation operating in highly volatile environments due to cultural, religious or political issues may have great need for a strong risk committee.

Following the discussion of literature above it is therefore possible to state the following proposition:

Proposition 1: A diversified board is essential in governance and sustainability of NGOs.

2.11.2 BOARD LEADERSHIP

Johnson, Scholes and Whittington (2006) define leadership as ‘the process of influencing an organisation in its efforts towards achieving an aim or goal’ (p544). Corporate governance scandals and initiatives such as the Sarbanes–Oxley Act have focused attention on boards and forced their increasingly active roles, hence, they cannot afford to be passive or play the rubber stamp role only. According to Schultz (2001), this is especially noticeable in the case of corporate social and sustainability goals, where board members can be held personally liable for failing to adhere to environmental regulation or subject to shareholder lawsuits for failing in their role. In a study done by Okorley and Nkrumah, (2012), supportive board leadership emerged as the most important factor to organisational sustainability of local NGOs in Ghana.

In this research board roles and CEO duality will be examined as features of board leadership.

a) Board roles: Tricker (2012) articulates the board roles to include strategy formulation, policy making, monitoring and supervision, resource provision, service tasks and accountability.

	CONFORMANCE	**PERFORMANCE**
OUTWARD LOOKING	Accountability	Strategy formulation Resource provision
INWARD LOOKING	Supervising executive activities Service tasks	Policy making
	PAST AND PRESENT FOCUSSED	**FUTURE FOCUSSED**

Figure 2 : Board functions, adapted from Tricker, 2012

The board is the focal point for and custodian of corporate governance hence, the board is accountable and must ensure transparency and quality reporting in line with regulatory and statutory compliance (David, 2011; Allemand, Brullebaut, Raimbault, 2013). NGOs receive funding from a range of sources on the basis of their commitment to apply the funds to advance their stated mission. Moreover, NGOs registered in Zimbabwe under the PVO act also enjoy tax exemptions and other benefits based on pursuing non-profit activities for public benefit. As a result, it would be expected that there is particular emphasis on accountability for use and allocation of resources to ensure that they are used for the intended purpose. It would be expected that accountability would enhance NGOs legitimacy and credibility while also contributing to their reputation and sustainability by reducing mismanagement and fraud. Moore and Stewart (1998) identified the accountability problem of NGOs which they assert as being a result of NGOs presenting themselves as experts who solve other people's problems using other people's money and thus, they are in a position to do whatever they want as long as the funders are happy.

The service task role involves supporting, advising and guiding the top managers on managerial issues such as new ventures through collaboration, dialogue and building external networks (David, 2011; Carver, 2006). Strategy formulation roles involve initiating and reviewing corporate direction, overseeing strategy implementation and monitoring emergent strategies (Bird, 2001). According to Bird (2001), the board is responsible for reviewing resource allocation in order to acquire or co-opt critical resources in order to ensure continuity of the organisation.

The resource dependency theory also suggests that directors are appointed in order to provide the firm with advice, counsel, legitimacy and links to other organisations through their ability to network, collect and transmit relevant information (Eminet and Guedri, 2010). According to Ingram (2003), providing resources for an NGO relies largely on individual board members and their ability to attract and influence large donors through formulating fundraising strategy and setting fundraising goals. Policy making roles include the operationalization of the strategy through laying down and reviewing rules, systems and procedures to provide guidance, constrain management and reduce their discretionary power in order to yield consistent outcomes and set the culture of performance, trust, integrity and ethical behaviour within the organisation (Naidoo, 2009). Carver (2006) highlighted that NGO policies should grow out of the values of the board, constrain or limit executive latitude and serve as an anchor for all staff actions in critical aspects such as remuneration, budgeting, procurement, risk management, reporting, personnel and communication.

b) CEO duality: A clear division of responsibilities between the chairman and the chief executive officer (CEO) is widely recommended in order to avoid a concentration of power on one individual and to improve checks and balances (O'Shea, 2005). Argenti (1976) was among the first to discuss the duality challenge when he highlighted that the symptoms of corporate collapse include: combined chairman and CEO role, lack of management depth, a weak finance function, one man rule, a non-participatory board and an unbalanced top team. Bell, *et al* (2013) stated that CEOs who serve as board chairs gain influence over board member nominations, board agendas and compensation setting. Moore and Stewart (1998) reported that NGOs are often founded and run by individuals or a few people such that they experience a 'structural growth problem' in which the founders hang onto power and authority and fail to establish institutionalised and independent structures.

Following the discussion of literature above it is therefore possible to state the following proposition:

Proposition 2: Good board leadership is positively related to good corporate governance and NGO sustainability.

2.11.3 ETHICS

Ethics refer to morality, right and wrong and the application of reason which sheds light on rules and principles (Badiyani, 2013). Ethics also relate to knowing and doing what is right for the company's products or services and in relationships with stakeholders; responsible, fair and honest leadership that can be counted on to do the right thing even when nobody is watching (Naidoo, 2009). The King III report emphasises that ethics are the foundation for corporate governance and as such roles of the board should rest on ethical values, namely, accountability, responsibility, fairness and transparency. According to Bowman (2011), non-profits practice values-oriented management thus; they have control regimes in which social, cultural and spiritual values join with economic necessity to define an organisation's objectives.

According to Davies (2011), to be sustainable a company's culture needs to be founded on firm ethical principles and some of the key challenges for ethical companies are the issues of corruption and conflict of interest. Zimbabwe is ranked among the highest in terms of levels of corruption in Africa and is regarded as having poor ethical standards (World Economic Forum, 2013). Unethical and illegal practices may violate rights and interests of stakeholders and also be to the detriment to the organisation in terms of reputation effects and risk of future financial liabilities (Cremers, 2011). This suggests that NGOs is Zimbabwe would need to put in place governance systems to ensure that the organisation is managed and operates ethical. Systems would include whistle blowing which would allow stakeholders to communicate unethical practices. Internal and external audits could also help to detect unethical and illegal activities and also enable development of ethics policies to provide guidance to employees.

Following the discussion of literature above it is therefore possible to state the following proposition:

Proposition 3: Good organization ethics impact positively on NGO governance and sustainability.

2.11.4 DISCLOSURE

Disclosure means directors should ensure transparency and quality information to the providers of funds and other stakeholders (Allemand*et al*, 2013).Crowther (2000) cited in Aras and Crowther (2008) highlighted that over time the amount of information provided to stakeholders has increased as organisations recognized the benefit in providing increased disclosure and the commercial benefits of increased transparency. Furthermore, Aras and Crowther (2008) postulated that organisations will continue to gain better understanding of the relationship between governance, sustainability and disclosure resulting in more disclosure and transparency. The Global Reporting Initiative states that the principles on ensuring reporting quality include balance, clarity, timeliness, accuracy, comparability and reliability (GRI, 2011).

According to Davies (2011), accounting standards used internationally in conjunction with governance codes have better equipped audit committees to better query any attempts by executives to 'window dress' short term results (and enhance their bonuses) at the expense of consistent and sustainable reporting. The United Nations Conference on Trade and Development (UNCTAD, 2006) provided key guidelines for corporate financial and non- financial disclosures which state that disclosures should include:

- Statements regarding financial and operating results – dependent on the accounting standards used and country regulations
- Information on significant transactions involving related parties in order to promote transparency and avoid conflict of interest
- Enterprise objectives along with ownership and control structures including board structure and functions
- Policies such as those regarding performance, remuneration, ethics, audit and risk management
- Sustainability – long term economic, social and environmental impact of the organization's operations

Following the discussion of literature above it is therefore possible to state the following proposition:

Proposition 4: Disclosure is positively related to good NGO governance and sustainability.

2.11.5 COMMUNICATION

'Communication is the lifeblood of an organization' (Stoner *et al* 1995: p524). It is regarded as the imparting or interchange of thoughts, opinions, or information by speech, writing and signs (http://dictionary.reference.com). It is the transfer of understanding and meaning in an organization through people, patterns, networks and systems, hence communication occurs when information or ideas are conveyed or imparted and understood by intended recipients and it is necessary for the provision of information, control of activities and behavior (Robbins, Bergman, Stagg and Coulter, 2009: p376). Effective communication provides a common thread for management functions and roles and it is a critical component of the organization's activities and is at the core of its very existence and its interactions (Robbins, *et al*, 2009). It allows people to confer, control, inform and motivate one another (Mullins, 2010). However, as argued by Hodgson (2004) communication is sometimes a hurdle for some organisations and governance structures exist to deal with the 'ubiquitous problems of communication, cognition and interpretation'. The board acts as the voice of the NGO and should articulate the goals, mission, purpose and fund raising initiatives of the organization. They must also listen to stakeholders and ensure that the organization has a good reputation.

Critical aspects of communication namely information and reporting will be studied in this research.

a) **Information**: O'Shea (2005) states that governance codes encourage that timely and good quality information should be provided to the board. This allows for more informed decision making and avoidance of losses for the organisation.
b) **Reporting**: Worldwide corporate governance codes advocate for balanced and understandable financial reporting (O'Shea, 2005). The Private Voluntary Organizations (PVO) Act [Chapter 17:05] under which most of the local NGOs are registered clearly stipulates the reporting and audit requirements for PVOs with emphasis on timely and accurate reporting and auditing. Davies (2011) highlights that misreporting affects judgment of the organisation's health and future prospects; an example is that of Enron where profits were misreported resulting in the demise of the company. In advocating for sustainability reporting, the Global Initiative Reporting (GRI) highlights that through the process of reporting an NGO can critically examine its own activities, benchmark itself against other organisations, learn from experience and make improvements in order to better pursue its cause (GRI, 2011).

Following the discussion of literature above it is therefore possible to state the following proposition:

Proposition 5: Adequate communication is essential for good NGO governance and sustainability.

2.11.6 RISK MANAGEMENT

Risks refer to the potential of unwanted bad happenings or uncertain future occurrences which, left unchecked, could adversely influence the achievement of the company's objectives (Naidoo, 2009). Drew, Kelley and Kendrick (2006) proposed an integrated five-element model of corporate governance which states that to perpetuate their existence organisations need to manage risk facing them at all levels and the board needs to take a holistic view of the health of the company as influenced by the culture, leadership, alignment, systems and culture. The authors assert that leadership shapes culture, systems and culture while alignment ensures harmonisation of these elements

Source: Drew *et al.* (2006)

Figure 3: CLASS model of strategic risk management and corporate governance

In order to effectively manage risks organisations must identify, categorize, prioritize, analyse, plan and track the risk.

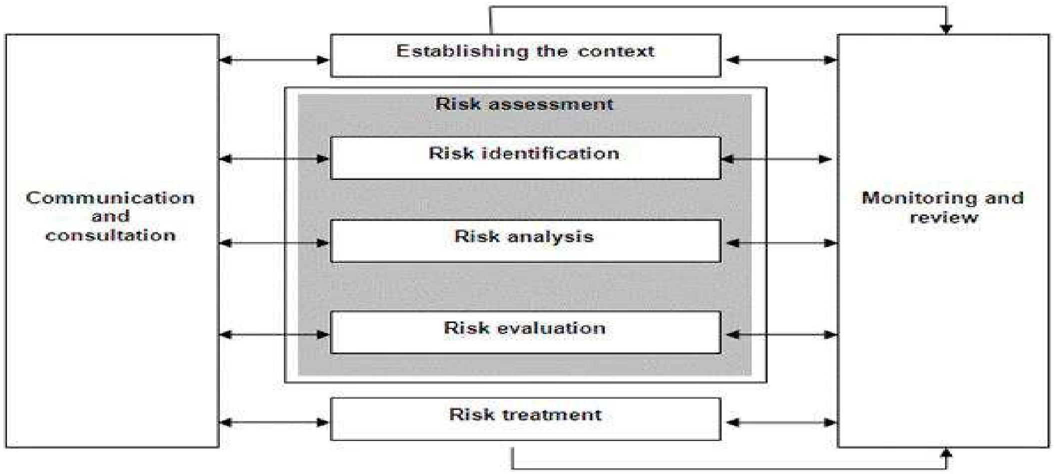

Figure 4:Risk management process: source*:* AS/NZS 4360, 2004

O'Shea (2005), highlight that the codes of best governance practices support the maintenance of a sound system of internal control in order to minimise risks faced by organisations. According to Naidoo (2009), internal control is the complex web of reporting (financial, operational or regulatory) systems within an organisation in terms of which activities are regulated, performance is measured, and risk is identified and mitigated in order to meet objectives of the organisation. Internal controls can deter opportunistic theft or fraud; safeguard assets, improve adherence to policy, enable identification of errors and omissions in the records, as a result positive changes in organisation performance are associated with good internal controls (Abdulkadir, 2014). The internal control system is the primary governance tool an NGO can establish and use to provide accountability to stakeholders, safeguard its assets and manage risk (Ngwenya, 2013). The study by Ngwenya (2013) found that NGOs in Zimbabwe have sound internal controls in terms of the control environment, procedures and monitoring controls. However, the study indicated that the human resources aspects (hiring, orientation, training, evaluation, counselling, promoting and compensating) were applied inconsistently thus impacting on implementation of internal control procedures.

Following the discussion of literature above it is therefore possible to state the following proposition:

Proposition 6: Poor risk management results in poor NGO governance and reduction in sustainability.

2.12 SUSTAINABILITY

From a global perspective the Brundtland commission report of 1987 defined sustainability as ‘meeting the needs of the present without compromising the ability of future generations to meet their own needs’. Benn (2012) describes sustainability of organisations as the efficient use of resources and generation of wealth so as to contribute to a healthy economy, society and natural environment. According to Naidoo (2009) sustainability implies that the organisation is ‘enduring and capable of longevity’ (p246). Aras and Crowther (2008) concur that sustainability has grown globally and implies that organisations must use no more of a resource than can be generated and that sustainability has economic, social and environmental dimensions (the triple bottom line concept).

At the NGO level, sustainability can simply be viewed as the ability to fulfil the mission and serve stakeholders over time (Benn, 2012). To be sustainable, the organisation should be financially viable, create a supportive and developmental environment for staff while meeting legitimate needs of stakeholders and eliminating any negative impacts of its activities on the natural environment (Benn, 2012; Naidoo, 2009). The availability of funds, quality material resources, supportive leadership, development of needs-based and demand-driven programmes, and effective management can have a significant influence on the sustainability of NGOs (Okorley and Nkrumah, 2012).

According to Davies (2011), the key indicators of sustainability of an organisation include:

- A clear and shared vision for the company’s future
- Values to sustain and fulfil the vision
- A foundation on firm ethical principles
- Frank reporting of results, recognising uncertainties, risk and drivers of future change
- Having social awareness to maintain the company’s reputation in society - corporate social responsibility
- Diffusion of power in all levels with effective checks and balances

Studies conducted by de Geus (1997) likened the organisation to a living organism thus providing a different theoretical basis for corporate governance and led to the conclusion that long lived (i.e. sustainable) companies have the following characteristics:

- Sensitivity to the environment – ability to learn and adapt
- Cohesion and identity – ability to build a community and persona for itself
- Tolerance – awareness of ecology and ability to build constructive relationships
- Constructive financing – ability to govern its own growth and evolution

This paradigm sees corporate governance as a means to achieve the objectives of the organisation and its loyalty is not to any individual stakeholder but to the organisation's continued existence and growth, thus all parts cooperate well to achieve the common vision. These characteristics determine sustainability of the organisation, without them de Geus argues that the organisation is likely to collapse.

2.12.1 FINANCIAL VIABILITY

This research acknowledges that corporate governance is not an end in itself and that sustainability is a long term and multi-faceted process. According to Layton (2006), with donor funding becoming more limited, competitive and erratic, the challenge of financial viability has become very real for NGOs. Bowman (2011) describes financial sustainability as the rate of net change in the organisation's resources that give it the wherewithal to seize opportunities and to do things in accordance with its mission and to also respond to unexpected threats or shocks. It is a measure of financial capacity. Nonprofit organisations are extremely diverse with regard to size, mission, funding sources and organizational structure however; each organization should have sound financial management systems with which they can be accountable to funders and perform capably and sustainably (Coe, 2011). The sustainability of the organization will depend on the amount of resources it needs to achieve its mission, service delivery methods, operating environment and the risks of potential adverse economic events (Bowman, 2011).

It is not possible to adequately measure corporate governance or sustainability quantitatively hence, qualitative indicators are used in this research. In this research sustainability will be judged based on key corporate governance dimensions as discussed above and indicators of financial viability. The indicators used in this research are adapted from Pathfinder international's Fundamentals of financial sustainability and work done by Buechel, Keating and Miller (2007) and Zietlow (2012). The indicators include whether or not the organization has a vision and values, how it safeguards its good reputation, whether its sources of funding are adequate, secure, reliable and diverse, how it handles fundraising and whether or not it has effective finance policies that allow for good financial management and inhibit financial losses. These indicators have been critically selected as they are perceived to be important to NGO operations and ongoing existence. These are studied in relation to good governance principles and practices. Buechel, *et al,* 2007 highlighted that nonprofit organisations should not be caught up in the 'current services trap' which sees them just existing to deliver needed services without ensuring their longevity. They argue that sustainability is intact when the organization is able to continue operations into the future with a sufficient level of its own resources.

2.12.2 IMPACT OF GOVERNANCE PRACTICES ON SUSTAINABILITY

Documented corporate governance failures such as America's Enron, suggest that corporate governance is critical to existence and sustainability of an organisation (Davies, 2011). Mellahi (2005) argues that the failure of organisations is caused by the negligence of the organisation leaders in providing good governance but questions remain as to whether good corporate governance will result in sustainability or good performance of the organisation. Some authors (Heracleous, 2001; Brown and Caylor, 2006; Cheung, Connelly, Jiang and Limpaphayom, 2011) suggest that there are a plethora of variables that contribute the organisational performance of which good corporate governance is part. Thus, Bell *et al,* (2013), suggest that corporate governance practices should not be considered in isolation from each other but rather as 'bundles' that are aligned with one another and mutually enhance their ability to achieve efficiency outcomes. This research intends to determine the benefits of good corporate governance practices and whether these relate to or result in sustainability of local NGOs. According to Adewale (2013), corporate governance provides the structure through which the corporation's objectives are set and attained and provides a means of monitoring problems. When problems are monitored, solutions are sought leading to survival, success of the organisation and long term existence. A demonstration of sustainability provides assurance to stakeholders about the organisation's operational continuity, stability and prospects of maintaining impact of its activities on society (GRI, 2011).

2.13 CONCEPTUAL FRAMEWORK

According to Ravitch and Riggan (2012: p xiii), "a conceptual framework is a guide and ballast for empirical research" created from a multiple of sources which allows the researcher to make reasoned and defensible theories, strategies, design and choices regarding the research from collection, analysis and interpretation of data in order to meet the research goal. A conceptual framework has three elements namely, the relevant theoretical framework, empirical findings from prior research and the researcher' personal interest and experience Ravitch and Riggan (2012). Therefore, as concurred by Leshem and Trafford (2007), a conceptual framework is an abstract presentation which provides a theoretical overview of research and order within the process of research by identifying the research dimensions and the relationships between them.

The corporate governance practices regarding board configuration, board leadership, ethics, disclosure, communication and risk management are the independent dimensions discussed above. The dependent dimension is sustainability while the organisational size and history (how it was formed, years of existence and previous funding levels) are the control dimensions in this research. For this research the conceptual framework based on the discussion above is as follows:

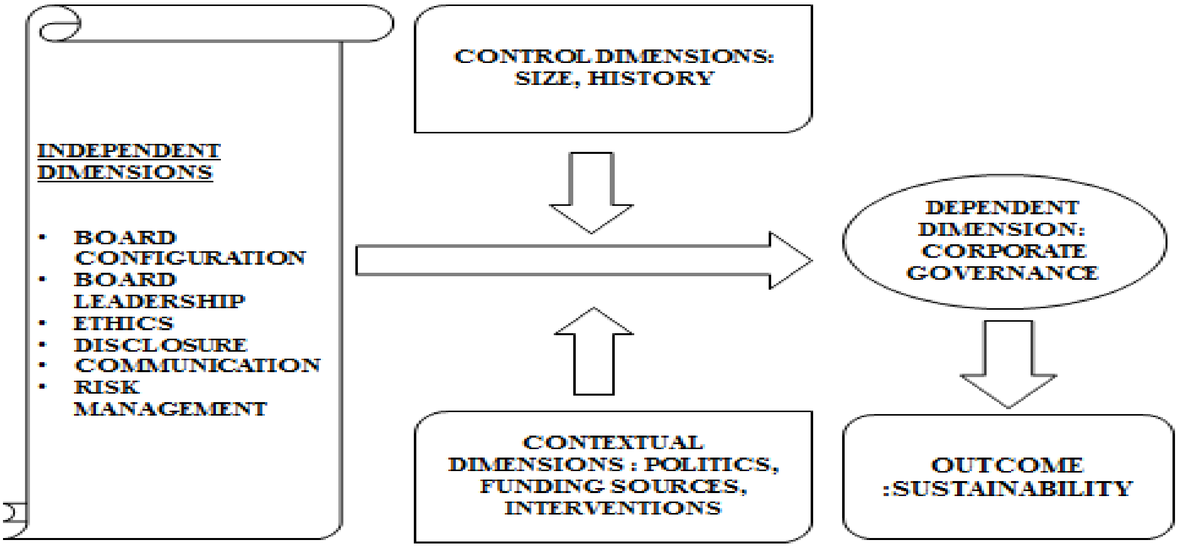

Figure 5: Proposed Conceptual Framework

2.14 CHAPTER SUMMARY

The reviewed literature on corporate governance was discussed in this chapter. The theories, models, best practices, principles and indicators of bad governance practices were also looked at in relation to sustainability of the organization. Discussions on board configuration, board leadership, ethics, disclosure, communication and risk management highlighted the need for effective governance in these critical areas in order to effectively deal with the constraints and opportunities in the operating environment and avoid collapse of organisations. Sustainability is long term but the proposition is that actions and decisions made by the board have short and long term impact on the organization and its continued existence. Decisions taken today could have long term and far reaching impact on the organisation's survival.

The next chapter gives details regarding the methodology used in this study.

CHAPTER THREE: RESEARCH METHODOLOGY: CORPORATE GOVERNANCE PRACTICES

3.1 INTRODUCTION

This chapter justifies and details the research methodology followed in the study. The research philosophy, approach, strategy, choice, data collection and analysis used are explained and justified. An interpretivist paradigm was used subsequently the study followed an inductive approach. Qualitative data was collected through semi-structured interviews. Content analysis was employed to analyse the data resulting in the development of themes from which conclusions were made.

3.2 RECAP OF THE STUDY

This study sought to explore the governance practices of local non-governmental organisations (NGOs). In Zimbabwe, these organisations form a significant part of the economy with millions of dollars being channelled through them from donors. Zimbabwe has been rocked by corporate governance scandals mainly in the state owned enterprises (Makamure, 2008). However, questions remain as to whether or not NGOs have robust governance practices that have seen them escape these scandals. The study proposes that governance has an impact on sustainability; this linkage was examined in this study.

The specific objectives of the study were to determine the major governance practices in the local NGO sector, find out how good governance benefits organisations, identify the indicators of bad governance and determine whether good governance practices impact on financial viability of non-profit organisations. The study also intended to examine the limitations of implementing good governance practices and draw conclusions, give policy and managerial recommendations in promoting good governance practices in Zimbabwe's NGO sector. The specific questions were also crafted with these objectives.

Corporate governance was looked at from the angle of **six key dimensions** namely: board configuration, board leadership, ethics, disclosure, communication and risk management. **The propositions** set out in this research are that a diversified board and adequate communication are essential while good board leadership is positively related to good corporate governance and NGO sustainability.Good organization ethics and disclosuresare proposed as impacting positively on NGO governance and sustainability. Furthermore, the study proposes thatpoor risk management results in poor NGO governance and reduction in sustainability.

3.3 RESEARCH METHODOLOGY

Saunders, Lewis and Thornhill (2009) defined the research methodology as the theory of how a research is undertaken. The research onion developed by Saunders, *et al*, (2009) was adopted in coming up with the methodology for this research. The research onion is a useful tool in understanding the research process and steps carried out in the research as it helped in the identification of the methodological framework, techniques and procedures.

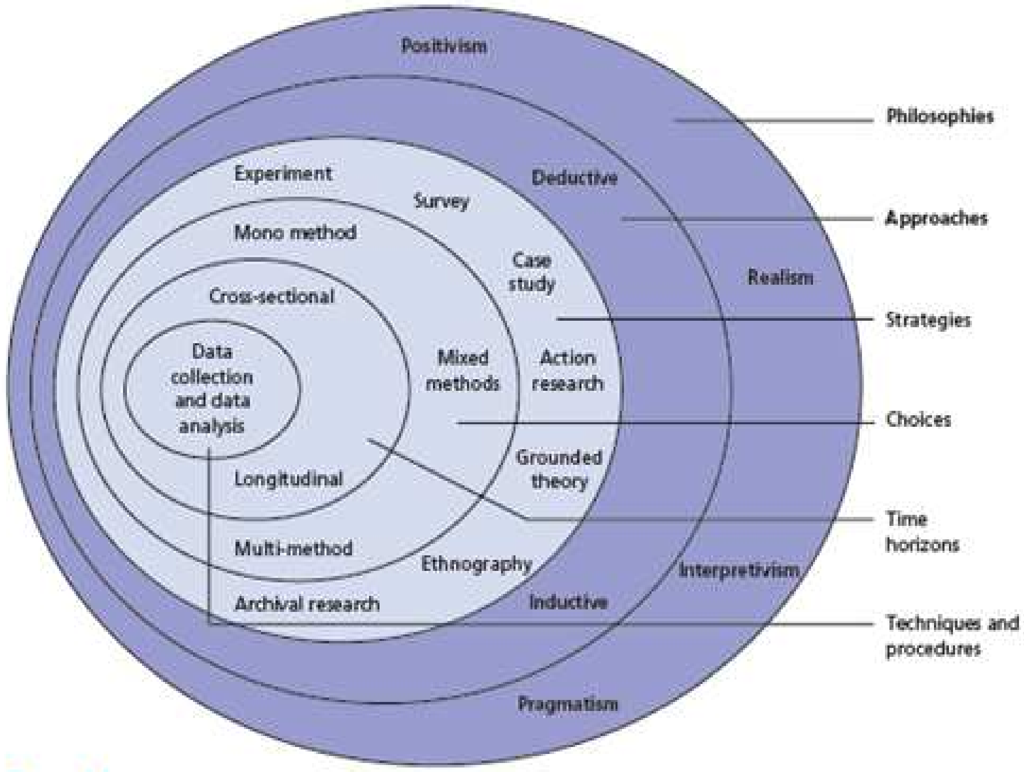

Figure 6: Research onion, Source: Saunders, *et al*, 2009:p108

3.4 RESEARCH DESIGN

The research design refers to "the grand plan of approach to a research topic" (Greener, 2008: p38). It is the general plan that reflects the study purpose, determines how the research questions will be answered through accurate and economic data collection and analysis (Saunders *et al*, 2009). Yin (2009) concurs by defining the research design as the logical sequence that connects the empirical data to a study's initial research questions and its final conclusions. This study design is characterized by an interpretivist philosophy, inductive approach, multiple case study strategy, mono method, cross sectional time horizon and qualitative and primary data collection through semi-structured interviews. Cornforth, (2011) argues that the dominant research designs employed have been cross-sectional and positivist in orientation, as a result, too little attention has been paid to board processes and how they are influenced by contextual and historical factors. This reflects the importance of the operating environment and the qualitative aspects that impact on governance, hence this study has taken the qualitative view of conducting research.

3.5 RESEARCH PHILOSOPHY

According to Creswell (2013), philosophy is the use of abstract ideas and beliefs that inform research. The research philosophy relates to the development of knowledge and the nature of knowledge based on assumptions which underpin the research strategy and methods (Saunders *et al*, 2009). The authors highlight three branches of philosophy namely ontology, epistemology and axiology which then determine whether the research is inclined towards positivism, realism, interpretivism or pragmatism.

The interpretivist philosophical position contends that it is only through the subjective interpretation that reality is fully understood. It is a phenomenological position that is appropriate to cope with problems of people and organisations (Remenyi*et* al, 2005 cited in Nix and Chen, 2013). Myers (2009) described phenomenology as the study of the subjective experiences of others by looking at the world through the eyes of others and by discovering how they interpret their experiences. The research sought to understand reality from an insider's perspective i.e. the directors and managers of the NGOs. This called for an inductive approach to research using qualitative methods of investigation to enable a holistic study with an explorative perspective. According to Nix and Chen (2013), interpretivists try to understand reality through the social actors' intentions, motivations, expectations, rationality and beliefs by taking on an empathetic stance. Veal, (2006), concurs by stating that the findings of such studies are as a result of a value-laden, collaborative approach between the researcher and the subjects taking into account values and the context of the findings as an integral part of knowledge production. The objective is the building of theory in the interpretivist philosophical position by generating descriptions, insight and explanations (Meyers, 2009). Hence, this research took the interpretivist position. These characteristics of the position made it appropriate for the study of corporate governance practices in NGOs and their impact on sustainability.

3.6 RESEARCH APPROACH

The research took an inductive approach in line with the interpretivist philosophical position. According to Saunders *et al*, (2009) the deductive approach moves from general ideas/theories to the specific or particular situation which means, the particular is deduced from the general, for example, broad theories; whereas inductive approach moves from particular situations to make or infer broad general ideas/theories. Furthermore, the inductive approach enables better understanding of the problem by allowing for a greater understanding of the context, has less need to generalise findings and allows use of dynamic, flexible and less structured qualitative methods and small sample size (Nix and Chen, 2013; Zikmund, Babin, Carr and Griffin, 2013). The analysis of data collected using this approach can be done through arguing from particular facts or data to develop general themes and conclusions (Teddie and Tashakkori, 2009).

3.7 RESEARCH STRATEGY

According to Saunders, *et al* (2009), research strategies consists of experiment, survey, case study, action research, grounded theory, ethnography and archival research depending on the research philosophy and approach. Yin (2003) states that each strategy has peculiar advantages and disadvantages depending on:

- the type of research questions
- the researcher's control over actual behavioural events
- the focus on contemporary as opposed to historical phenomena

This study used a case study strategy in line with the interpretivist philosophy and inductive approach. A case study strategy is defined by Yin (2003) as a study that seeks to investigate a phenomenon within real life context especially when the boundaries between the phenomenon and context are not clearly evident. Yin (2003) elaborates that a case study is suitable when the research seeks to answer how or why questions and when there is no requirement to control behavioural events and the focus is on contemporary events. This is the position in this study of corporate governance. Fourteen participants from seven organisations were selected for the study out of the local non-governmental organisations (NGOs) in Harare. Two participants from international NGOs were also interviewed. These international organisations do not implement programmes on the ground but rely on local NGOs who they partner with. Thus, a total of sixteen interviews were done.

3.8 DATA COLLECTION

3.8.1 DATA SOURCE

According to Srivastava and Shailaja (2011) data is the raw material for almost all research studies. Wegner (2002) states that types of data sources include primary and secondary data. Primary data was used in this study. Primary data is data collected directly by a researcher for some specific purpose or study, it is data captured for the first time where it is generated hence it is most relevant to the problem at hand and there is greater control over data accuracy (Wegner, 2002; Srivastava and Shailaja, 2011). The data in this research was collected through interviews. Interviews are methods that illicit primary data responses through direct questioning (Wegner, 2002).

Interviews are a good method of data collection in qualitative research as they yield rich data with details and insights, permit face to face contact with respondents and increase the likelihood of useful responses since the interviewer can clarify questions and probe (Wegner, 2002). Semi-structured one-on-one (personal or face-to-face) interviews were conducted with a fairly open framework which permitted for focused, conversational, two way communication between the interviewer and interviewees. Through the semi-structured interview guide (Appendix A), respondents were encouraged to answer freely. Wilson (2010) highlighted that a semi-structured interview is a hybrid of the structured and unstructured approach. Hence, the interviews are based on a set of questions but at the same time provide scope for the interviewee to elaborate on some points and raise particular themes, moreover, the interviewer has flexibility and can introduce certain questions depending on the respondents' answers (Wilson, 2010). Myers (2009) states that qualitative research enables in-depth study of the subject as it tries to make sense of, interpret and uncover the reasons for behaviour, attitudes ad motivations instead of just the details of what / where / when using unstructured or semi-structured data collection methods. It is the view of the researcher that corporate governance practices are essentially determined by interactions among people in particular contexts and settings and the uniqueness of organisations cannot be overlooked in research. Hence, this research was appropriately designed to capture qualitative aspects in the study of governance practices in NGOs.

3.8.2 POPULATION

Wenger (2002) defined the population as the collection of all observations of a variable under study and about which one is trying to draw conclusions in practice. The National Association of Non-governmental Organisations (NANGO) estimates that there are just over 2,000 NGOs operating in Zimbabwe with most of them being local NGOs. For the purpose of this study the population was all the local NGOs in Zimbabwe. The exact number of these organisations is not documented thus, making the specification of the population impossible. According to the United Nation's Office for the Co-ordination of Humanitarian Affairs (UNOCHA) in Zimbabwe, NGOs operate in different sectors of the economy ranging from agriculture, food security, education, health, food, water, advocacy, sanitation and other social protection areas with a focus on relief, welfare, development or advocacy (OCHA, 2013).

3.8.3 SELECTION OF NGOS AND SUBSEQUENT PARTICIPANTS

For reasons of feasibility, time and cost mainly, not every member of the population could be studied therefore; a subset of the population was selected for the study. In probability selection methods participants are chosen on a purely random (chance) basis from the population, while in non-probability methods criteria other than randomness are the basis for selection (Wegner, 2002). A non-probability selection method formed the basis for the data collection, as this study focussed on seven local NGOs based in Harare and two international organisations that work with and through local NGOs. Small numbers of participants are suitable for in-depth investigations and qualitative studies (Saunders, *et al*, 2009; Zikmund, *et al*, 2013).

A purposive selection method was used. The method focused on selecting cases from one particular subgroup in which all the members were similar. In order to ensure some level of similarity among the organisations studied, the researcher used her knowledge of the NGO sector to select ‘suitable’ respondents based on the size, history and nature of the organisation’s operations and affiliations to international organisations. The organisations chosen were small with less than $5 million in funding for the current financial year and largely funded in the past by the World Bank, Global Fund, UKAid and USAID who are the major NGO project donors in Zimbabwe. They have their head offices in Harare and are not represented anywhere else in the world thus making them wholly local. Furthermore, the NGOs in this study were founded in Zimbabwe and work in the relief, development and advocacy spheres for the benefit of the country’s citizens. Two participants were chosen from each organisation for interviews. The Finance Managers / Directors, Executive Directors or Board Chairpersons or Members were interviewed. The selected NGOs and interviewees were allocated numbers in succession after they confirmed availability and prior to the interviews being conducted.

3.8.4 INTERVIEW GUIDE

The research tool used was the interview guide, attached on Appendix A. An interview guide was used during the process of conducting interviews in order to provide some structure to the data collection process and ensure all key areas in this study were explored. Therefore, the preparation of the interview guide was done with the following in mind:

- the research problem - this enabled the decisions regarding the framing of questions
- ethics – avoiding offending the interviewee - questions were not personal
- ease of understanding - clear questions were used and a scooping study was conducted
- topic coverage - the researcher made sure that the interview questions focussed on the topic by putting them into sections in accordance with the conceptual framework discussed in Chapter 2
- details – openended questions were used so as to allow the interviewee adequate latitude in constructing answers and provide details

The questions used in this study were mainly derived from the review of literature. Some of the questions are adapted from Buechel*et al,* (2007), Zietlow (2012), Cheung*et al*, (2011) and Allemand*et al*, (2013). The content of questions focussed on history and size of the organisation, funding, fundraising, vision/mission and contextual issues. Specific questions to do with indicators of bad governance, limitations and benefits of good corporate governance and the governance practices particularly the board configuration (board composition, size, diversity, committees), board leadership (board meetings, board roles, CEO duality), ethics, disclosure (transparency, conflict of interest), communication (information and reporting) and risk management (risk management processes and internal controls) were also included in the interview guide.

3.8.5 SCOOPING STUDY

In order to determine the clarity and accuracy of questions on the interview guide a test was done on two interviewees prior to the commencement of the rest of the interviews. These initial interviews were also done to ensure that the time allocated for the interviews was adequate. There was no need to make any changes to the interview guide as the questions were clear and easily understood.

3.8.6 RESEARCH ADMINISTRATION

Appointments were made well in advance of the interviews through the telephone and emails. The interview guide was shared with the interviewees on the day of the interview. Interviews were carried out at the offices of the interviewees. Audio-recording was done through the use of a smart phone. In the two cases where respondents declined to be audio-recorded, the interviewer took detailed notes on all responses given. The reasons for refusal were that they did not want sensitive information about the organisation to fall into the wrong hands despite assurances made by the researcher about the confidentiality of the study. Interviews lasted about 45 to 55 minutes each.

3.9 DATA PROCESSING AND ANALYSIS

Nix and Chen (2013) asserted that there is no accepted ‘boilerplate’ for writing up a qualitative research. Glaser (1992) cited in Wilson, (2010) defined qualitative data analysis as any kind of analysis that produces findings or concepts and patterns that are not arrived at by statistical methods. According to Pratt (2009) cited in Nix and Chen (2013), unlike quantitative research, qualitative research lacks an agreed upon significance level or a magic number of interviews that should be conducted for results to be regarded as valid. Teddie and Tashakkori (2009) explain further that qualitative data analysis is eclectic because it is difficult to prescribe a single particular data analysis scheme for a particular set of data collected.Qualitative data analysis is an exploratory, non-linear and iterative process with numerous rounds of questioning, reflecting, rephrasing, analysing, theorising and verifying, hence findings are presented in words that explain the phenomena under study allowing for more depth (Myers, 2009; Teddie and Tashakkori, 2009; Wilson, 2010; Zikmund, *et al*, 2013; Creswell, 2013).

According to Miles, Huberman and Saldana (2014) the analysis of qualitative data essentially involves three concurrent flows of activity namely, data condensation, data display and conclusion drawing or verification. It is this flow of analysis that was used in this study. Data condensation involves selecting, summarising, simplifying and abstracting data in order to develop themes, sort or organise data and also discard irrelevant material (Miles *et al*, 2014). According to Miles *et al*, (2014), data displays refers to compressed organised assembly of information that allows conclusions to be drawn while conclusion drawing entails determination of meaning emerging from the data. Peraklya and Ruusovuori (2011), highlighted that ‘in many cases, qualitative researchers who use written texts as their materials do not try to follow any predefined protocol in executing their analysis. By reading and re-reading their empirical results they try to pin down their key themes and thereby draw a picture of the presuppositions and meanings’ (p530).

Saunders, *et al*, 2009 explain further that the data display can be done through summary diagrammatic or visual displays such as matrices (generally tabular forms) and networks (collections of nodes or boxes). A display can be in the form of an extended piece of text or a diagram, chart, or matrix that provides a new way of arranging and thinking to extrapolate from the data enough to begin to discern systematic patterns and interrelationships (Miles *et al*, 2014). The data collected in this research were displayed as tables and extended text which allowed for comparisons between elements of the data, identification of relationships, key themes and trends from which conclusions were drawn. Besides the common themes, data analysis also highlighted any deviations from the observed patterns and reasons for any atypical responses. Furthermore, the analysis matched the emerging themes with the findings from relevant previous studies from the literature reviewed in Chapter 2.

Saunders, *et al*, 2009 highlighted that with the development of computer technologies there has been a growth in computer aided qualitative data analysis software (CAQDAS) using software such as NVivo™, ATLAS.ti™, N6™ and HyperRESEARCH™. In this research data was largely analysed manually due to limitations in accessing software locally, timeously and cost effectively.

The data collected in interviews were audio-recorded with permission from most of the respondents. Data was then transcribed. This is a process whereby the recorded speech was reproduced as a written account (typed) using the exact words spoken during the interview. The transcripts were then analysed using the content analysis techniques and the use of data display tables. According to Myers (2009) analysis focusses on speech and content, such as grammar, word usage, story themes, meanings of situations, and the social, cultural and political context of what is said. Thus, the analysis done was based on the exact responses from the interview respondents. According to Creswell, (2013), the objective of qualitative research can be to hear the voices of participants hence; exact quotes are used in the analysis.

3.10 RELIABILITY AND VALIDATION

Reliability is the extent to which data collection techniques or procedures yield consistent, clear and auditable findings and allow for repeatability and instill confidence in the readers of the research (Srivastava and Shailaja, 2011; Greener, 2008). Validity refers to whether the research methods make sense, research tools actually measure what is intended to be measured correctly or truthfully, the accuracy of findings or whether they are plausible, trustworthy and really about what they appear to be about (Saunders, *et al*, 2009; Greener, 2008). Kuzmanic, 2009 emphasizes that the focus for qualitative studies should be on research credibility and quality, hence validation is concerned with the degree to which findings are judged to have been interpreted the correct way.

In this research quality, dependability and credibility were key in the whole research process. Each step of the process was taken in an unbiased and objective manner without self-imposition and conclusions drawn without introduction of any vested interests. The interviewees were carefully selected and only those with the relevant experience and at the top level of management or serving on the board were selected. This was to ensure that the answers given were factual and truthful as the participants are credible members of their organisations and society. Furthermore, the use of an interview guide ensured that all the major questions were asked consistently in all the interviews and it provided some structure for all interviews. All audio-recorded interviews were transcribed personally, thus, they could be referred to over and over again during the analysis and exact quotes were made or referred to during the analysis. The anonymity of respondents was maintained and care was taken during the analysis to ensure that the data told its own story. Where necessary, documents and organizational websites were used to verify factual data concerning the organisations.

3.11 REFLEXIVITY

Since the study is qualitative in nature, the issue of reflexivity arises, wherein researchers need to remove all biases by being constantly aware of the interactions with participants and keeping in mind the researchers role in the study (Rossman and Rallis, 2009). Denis and Lehoux (2009) state that reflexivity implies deliberate thinking about how the research process shapes its outcomes as it is an ongoing process of reflecting on the researcher’s subjective experience, ways to broaden and enhance this source of knowing and examining how it informs research. Thus,it is part of overall researcher accountability. Reflexivity takes into consideration the effect of the personality or the presence of the researcher on the investigation as it is based on the premise that knowledge cannot be separated from the knower (Steedman, 1991 cited in Alvesson and Sköldberg, 2009). In other words the researcher producing the theory is included within the subject matter s/he attempts to understand (Creswell, 2013). Unless the researcher is actively conscious of his or her own fundamental assumptions, and values, then s/he can be prejudicial (Bryman and Buchanan, 2009).

Advocates of reflexivity such as Alvesson and Sköldberg (2009) and Woolgar (1988) have advised openness and honesty with regard to the position and identity of the researcher, accompanied by critical self-appraisal. In line with this concern, the researcher made every effort to remain unbiased in collecting the data and reporting the findings. The interview guide did not contain leading questions and was semi-structured. This allowed interviewees to respond freely and probe questions to be asked where necessary. The clear definition of the researcher's role alleviated the threat of external influences and distortion of the research process. Research choices were clearly understood and justified.

3.12 RESEARCH ETHICS AND VALUES

Ethics relate to the moral choices affecting decisions, standards and behavior (Greener, 2008). Wilson (2010) asserted that generally a key aspect of ethical issues is that researchers have a moral responsibility to carry out research in an accurate and honest way, the appropriateness of the researcher's behavior in relation to the rights of those who become the subject of the research or who are affected by it. In this research efforts were made to ensure informed consent, that no embarrassment was caused, the respondents were not in pain, discomfort or harmed as a result of the research topic, design, access gained for data collection, data storage, data analysis and reporting of findings. This was done in a morally responsible way based on acceptable moral social norms, business etiquette and as guided by the University of Zimbabwe Code of ethics. To maintain privacy of respondents, no names were used. It was made clear to the participants that all participation was voluntary and participants were free to withdraw at any stage. The researcher acted professionally and objectively while also ensuring confidentiality of data and its use for academic purposes only. The research topic was explained to all respondents with transparency, trust and respect as the key values maintained throughout the research.

3.13 CHAPTER SUMMARY

This methodology chapter detailed the research philosophy, approach, strategy, choice, data collection and analysis used and explained and justified each. An interpretivist paradigm was used subsequently the study followed an inductive approach. Qualitative data was collected through semi-structured interviews. Content analysis was employed to analyse the data and data display tables were used resulting in the development of themes from which conclusions were made regarding corporate governance practices and their impact on sustainability. The findings of this study are discussed in the next chapter.

CHAPTER 4: FRAMING AND ANALYSIS OF DATA: CORPORATE GOVERNANCE PRACTICES

4.1 INTRODUCTION

This chapter details the results of interviews conducted. Sixteen participants were selected for the study and interviewed as detailed in chapter 3. The discussion of the results which follows presents the responses given by the participants. Some extracts of the responses are presented while the data display tables are provided in Appendix B.

4.2 OVERVIEW OF PARTICIPANTS AND ORGANISATIONS

4.2.1 REGISTRATION STATUS

The organisations involved in this study are registered as private voluntary organisations (PVO) or welfare organisation (WO) except two organisations (NGO 1 and 3) which are presently registered as trusts. Prior to registration as PVOs, three out of the otherfive PVOs were also initially registered and operated as trusts due to the initial difficulties and delays of registering as PVOs. They successfully registered as PVOs after a process that took about two years each. According to the Executive Directors of these three organisations (Participant 3, 7 and 9) , registering a trust is easier than registering a PVO due to the less stringent vetting and less cumbersome paperwork which is largely handled by lawyers through the deeds office. However, trusts do not enjoy the same advantages of duty free importation of goods and they are not viewed in the same way as PVOs or WOs in terms of donor funding considerations; hence, the organisations had to register as PVOs. As explained by Participant 16 from an international NGO working through local NGOs,

> *'We consider registration status when we want to select partners. Generally we do not work with trusts unless they are very reputable and have some special skills that we need for our programmes'.*

4.2.2 HISTORY AND SIZE

All the organisations in this study have been in existence for at least ten years and their work is purely philanthropic with interventions mainly in the agriculture, livelihoods, water, sanitation and health sectors. The organisations are mainly funded by foreign donors. In terms of size, the organisations have less than 60 employees; they have at most five projects running with total budgets and other assets valued at less than $5 million. Daily operations of the organisations are all managed by an Executive Director who in all the cases has been at the helm either since the inception of the organisation or has been in the post for a period exceeding five years. The organisations are largely divided into two – the Finance and administration section on one hand headed by a Finance Manager or Director and the Programmes section on the other hand which is headed by a Technical manager depending on the nature of the programmes being run. These heads together with the Executive Director form the team responsible for all management functions.

4.2.3 INTERVIEWEE DETAILS

The Executive Directors (Country Representative for international NGOs) are comprised mainly of men (6 out of 9) who are between the ages of 51 and 60. The female Executive Directors were younger than the male counterparts with ages ranging from 46 to 50. Three male Executive Directors interviewed were part of the people who founded the local organisations. These NGO heads have worked for period in excess of ten years each either in their current organisation or another similar to it, thus there are very experienced in the operations of non-governmental organisations (NGOs). The three female Executive Directors interviewed in the study were equally experienced and academically qualified for the posts they hold. However, none of the females were founders or founding members of the organisations they run. The Finance Managers / Directors interviewed were between 41 and 50 years old. They are all experienced Finance, Accounting and Administration professionals.

4.3 DATA FRAMING AND ANALYSIS

4.3.1 CORPORATE GOVERNANCE IN THE NGO SECTOR(Appendix B, Table 2 and 3)

a) Defining corporate governance from the NGO perspective

All the participants in this study defined corporate governance within their organisations as a system of ensuring that the organisation's mission is achieved through control, provision of oversight and reducing the risk of abuse of donor funds. This definition was aptly summarised by Participant 4 as follows:

> *'Corporate governance in our context actually means having specific policies and procedures which guide and control the operations of the organisation and also having clear and distinct separation of powers and responsibilities within the organisation. Our board governs and directs the organisation'*

b) Corporate governance rules

The organisations have some written corporate governance rules that guide members on what is expected. These rules are either part of the constitution (6 out of 16) or policy documents (10 out of 16) of the organisation. However, it is the full implementation of these rules that is sometimes difficult for some organisations. Participant 16 (International NGO) said:

> *'Corporate governance is an area of concern for us as a capacity building partner. We assess areas of internal controls, accounting systems, asset management, risk management, employee performance management and compliance with statutory regulations before we engage partners. While there may be policy documents or constitutions, having these on paper and actual implementation are two different issues. We need to see them on paper and in practice.'*

c) Clear and shared visions and / or missions

All the organisations in the study have clear and shared visions and missions. As part of their new employee and new board member induction process the mission is shared with new members. For local NGOs with websites (5 out of 7), the vision and mission is included in the website. The vision, mission and values are displayed in the offices of all the organisations visited. Participant 11 stated that:

> *'We have a vision and mission which we aspire and work towards. Our vision is to be the leading PVO in the creation of an enabling environment in which learning and care programmes are tailor made to suit the special need of persons who are intellectually challenged so that they can acquire and use life skills.'*

d) Major governance practices

The independent board was identified as the major governance practice of local NGOs by fourteen participants out of sixteen. These boards are made up of individuals who are not employed by the organisation. Their relationship with the organisation is the seat on the board. Three interviewees also highlighted systems of accountability and internal controls.

e) The benefits of good governance

Good governance was unanimously deemed as beneficial to the organisation. The interviewees pointed out that without good governance organisations cannot survive, *'the organisation faces extinction'* (Participant 16).

According to Participant 6:

> *'In order to receive ongoing support and funding from our donors, for better accountability and responsibility we need to have good structures and policies'*.

The other benefits of good governance practices in the local NGO sector identified in the study are that good governance:

- Fosters a good reputation with stakeholders that ensure continuity (Participant 1 and 13)
- Helps to balance competing demands for resources (Participant 2)
- For accountability and responsibility (Participant 4)
- Reduces conflict of interest (Participant 4 and 11)
- Helps to improve ability to receive ongoing support and funding (Participant 1, 2, 3 and 6)
- Facilitates good controls, provides systems and procedures (Participant 7, 8)
- Promotes growth of the organisations (Participant 9)
- Avoids personalising the organisation (Participant 13 and 9)
- Promotes fairness, accountability, good values and obedience to applicable laws (Participant 15 and 10)
- Provides direction, reduces conflict and avoids chaos (Participant 11)
- Improves transparency and harmony (Participant 12, 14)
- Promote discipline and reduction of unethical behaviour (Participant 14)

f) The indicators of bad governance

The lack of internal controls, checks and balances, having a poor reputation among stakeholders, non-compliance with statutory regulations and allegations of funds mismanagement were highlighted as main indicators of bad governance.

Participant 13 summarised the indicators as follows:

> *'Bad external audit reports showing poor internal control systems, poor performance as evidenced by failure to achieve project targets, bad*

> *organisational reputation resulting in reduced funding, poor leadership who fail to adjust strategies in line with the operating environment and in some cases alleged embezzlement, fraud or misuse of donor funds resulting in closure of the organisation'*

Participant 16 elaborated that the indicators of bad governance are:

> *'Having the Finance office run by one person with no checks and balances, poor asset management and non-compliance with statutory regulations such as provisions of the PVO Act and tax regulations. Our organisation leads a tax justice campaign internationally so we do not want to be found on the wrong side of the law of the countries we operate in. Our local partners are no exception; they must comply with the law. However, we all appreciate that they may not comply with some sector recommended best practices, in which case they must have adequate justification…'*

The other indicators of bad governance practices in the local NGO sector were identified as follows:

- Fraud cases, embezzlement and lack of external audits (Participant 1and 13)
- Lack of board meetings (Participant 2 and 5)
- High staff turnover and staff litigation issues (Participant 3)
- Lack of vision and weak boards which exist on paper only (Participant 5)
- One hit wonders - no continuity of operations (Participant 6)
- Theft from within and misuse of funds (Participant 4, 7 and 14)
- Failure to adjust operations in line with the environment (Participant 9)
- Lack of fairness and accountability (Participant 10)
- Failure adhere to contractual obligations (Participant 12)
- Bad external audit reports (Participant 13)

g) Organisations closing due to bad governance

Fourteen out of the sixteen interviewees asserted that they were aware of or have heard of some organisations that have closed down due to poor governance. Participant 10 bemoaned the difficulty of ensuring good governance especially in organisations that are run as *'family businesses'*. She stated that:

‘Organisations that are run as personal assets will close down eventually. I am aware of an NGO that used to operate in the Mashonaland West Province, more specifically in Chinhoyi, the organisation went under about 5 years ago. The Director allegedly abused donor funds, he gave himself and some of his loyal staff lavish salaries and benefits ……The organisation was closed and donors moved their money to a similar HIV/AIDS organisation which was better governed and was growing in terms of coverage. Staff members lost their jobs and some of the beneficiaries of the programmes were left out on the cold; it was really a sad story’

Participant 15 highlighted that she was aware of an organisation that might shutdown due to failure to make remittances to Zimbabwe Revenue Authority (Zimra). She elaborated by saying:

‘Yes, Zimra recently garnished accounts of one organisation that I know of. While the income tax deductions were made on staff salaries, the same amounts were not remitted to Zimra. This led to Zimra approaching the organisation for a payment plan for taxes owed. They faced to honour the plan resulting in Zimra passing an order to garnish the accounts of the organisation. Some donor funds were subsequently taken. This is a case of gross misuse of funds. The NGO’s assets are being liquidated in order to repay the donor funds. The organisation is likely to shutdown’

KEY FINDINGS: The emphasis of governance is ensuring that the organisation’s mission is achieved through control.

4.3.2 CONTEXT(Appendix B, Table4)

Six participants highlighted the economic factors as the most important while five participants indicated that the political factors are critical to the governance of organisations. Six participantsindicated that evolving donor funding mechanisms impact on governance as they come with conditions and various forms of contracts and agreements.The sources of funding and types of interventions or activities undertaken by the organisations also impact on the implementation of good corporate governance practices. The NGO bill was indicated as impacting on governance by four participants out of sixteen. The organisation's own internal context with regards to culture, systems and structure was also highlighted by ten participants as a factor that impacts on governance.

Participant 4 gave the following comments:

> *'The country's environment in terms of political and economic issues affects us. The significant trends in the environment such as political and economic that might affect the organisation are monitored through fortnightly reviewed meetings held with all staff. The Executive Director informs the board through the Chairperson of any significant high risk areas. In some cases the funding partners can specify the practices they encourage us to do, in order to ensure that we are in good books with them, we have to comply or else we will not receive future funding. Legally, we are also compelled by the PVO Act to have a board that oversees and directs our organisation. I would say that the environment has an impact in the way we govern our organisation. Take another example, legally, the NGO bill's future. There is still no clarity on whether it will be signed into law and its impact on our operations. Actually we view it has a risk to our work'*

Participant 9 added that:

> *'Donor funding mechanisms are changing fast. We are seeing increased reliance on United Nations agencies such as UNICEF to partner with local NGOs. This is definitely impacting on the governance practices. For example, provisions for administration costs and agency fees are greatly reduced in our UN agency budgets to 5% or less instead of the more flexible 12 to 15% from other funding partners. As a result we do not have adequate funds for administrative expenses. We appreciate the need to have as much money as possible going to programmes but we also need to cover the administrative functions of the organisation.'*

KEY FINDINGS: The political and economic environment, sources of funding and types of interventions or activities undertaken by the organisations impact on the implementation of good corporate governance practices.The organisation's culture, systems and structure are also important.

4.3.3 BOARD CONFIGURATION(Appendix B, Table 5 and 6)

a) Size of the board

All the participants in the study indicated that the size of the board was adequate at 5-8 members. The larger and older organisations had larger boards than the smaller ones. Large boards were largely considered undesirable as they were too hard to manage. Participant 5 and 6's organisation (NGO 3) may be considered as an outlier as it is the only one with a relatively high number of board members. It has sixteen members in the board of councillors. Participant 5 explained the set up as follows:

> *'Our organisation is controlled by sixteen members in the board of councillors. This number is high because we have representatives from each of our 14 operational centres around the country. These 14 centre representatives together with the Executive Director and Finance Director make up the sixteen members of the board…… We are in the process of developing a board charter which has been necessitated by the difficulties we have experienced with having this high number of board members. Board decision making processes and communication are some of the difficulties we face with a large board, but we hope the board charter which all members will sign will assist…'*

b) Board members selection

Ten participants (10 out of 16) in the study indicated that the selection of board members is largely based on skills and experience.Moreover, four participants indicated that it was important for members to have passion for and an interest in the organisation, its cause and its activities since board members are not paid but largely volunteer their time and skills.

Participant 12 provided the explanation below:

> *'The criteria used for selection of board members are mainly professional experience and expert skills in areas such as finance, law, development and*

business management. …..They must have a passion for the development sector and show interest in the mission or vision of the organisation. Other personal qualities such as integrity, personal credibility and political or societal connections or networks can also be important. …The voluntary nature of our board work presents difficulties in identifying suitable board members who can give their time, energy and in some cases resources for the good of the organisation '

c) Board member remuneration

Board members of all the organisations involved in the study are not paid by the organisation, they do not receive any annual fees but the organisation either meets their cost of attending meetings or gives them an agreed sitting allowance for meetings attended or both. According to Participant 1:

> *'Unlike in the private sector, our board is made up of individuals who a committed to the cause …. Our board of trustees are not paid. However, their attendance to meetings and the actual meeting costs are funded by the organisation from our own resources. Presently, donors are not willing to fund board activities but they expect us to have functional boards'*

Participant 6 concurred and said:

> *'Board members are not paid but their meeting costs are met by the organisation. The organisation pays for transport and accommodation.'*

d) Board diversity

All the participants concurred that a diversified board is essential in governance and sustainability of the organization. However, they emphasized the contributions of board members as more important than just having *'diversity just for the sake of diversity'* (Participant 11). Participant 9 was in agreement and said:

> *'It is important to have diversity of experience and skills which contribute to the knowledge available to the organization such that the board has appropriate judgment to perform'*

Furthermore, according to ten participants in the study diversity is largely limited to gender balance with equal representation of qualified males and females in the board. Age, ethnicity, race and other aspects of diversity were not considered important. Participant 14 clearly articulated this by saying:

> *'A gender balanced board is essential in good organizational governance and sustainability of NGOs. Qualified women bring a different perspective to our organization because they are the mothers in our communities. While we also work with the youth, the disabled and other disadvantaged members of the society, we are not yet in a position to have these on the board as it would be impossible to have all aspects of diversity catered for in the board. So, currently our focus has been to ensure gender balance, hence we have three women and three men in our board '*

e) Board committees

Ten participants out of the sixteen participants of this study indicated that their boards do not have 'fixed committees'. They operate by ensuring each board member has a portfolio assigned to them based on skills and experience. In the event that a task arises the portfolio representative sets up a task force to handle the assignment. The portfolios singled out were human resources (HR), finance, fundraising, legal and programming. Participant 15 and Participant 16 were from international NGOs while Participant 6's organisation has a high number of board members (sixteen); hence, they indicated that they have board committees for HR (including remuneration, board member nominations, Executive Director appointment), Audit (internal and external), Finance, Risk and Fundraising. These committees report to the board on each of their areas.

Participant 15 said:

> *'As an international organisation, our board cannot function effectively without committees. They need to delegate, that is where the small teams come in. Committees are necessary to ensure that all board tasks are handled quickly and professionally. For example, our audit committee handles appointment of external auditors, oversees integrity of financial statements, advises the board on matters concerning internal controls, reviews the work of internal audit and ensures that we have sound financial policies. The committee can co-opt members when necessary, for example, when special skills are required.'*

Participant 10 offered a different perspective by stating that:

> *'There are no specific committees for the board. Our situation is ever changing such that having committees depends on needs and issues to be handled'.*

<u>KEY FINDINGS</u>: There are largelynonexecutive independent directors / trustees in the boards of local NGOs with 5-8 members. Large boards are not ideal as they pose management difficulties. Board members are not paid. Diversity is defined in terms of gender balance and diversity in board member contributions. There are no fixed board committees. There are formal procedures for the appointment of new directors contained in either the constitution or policy documents. New board members are selected based on skills, experience and passion for the work of NGOs.

4.3.4 BOARD LEADERSHIP(Appendix B, Table 7)

a) Importance of board leadership

All the interviewees concurred that the leadership of the board is important for governance. Five participants emphasized collective, supportive and cohesive leadership.The board should give adequate support to management and it is important for the board toask the right questions in order to effectively lead. Participant 10 said:

> *'We want prominent people to sit on our board but these people tend to have too many things which demand their time. They need to dedicate themselves to reading materials prior to board meetings and understanding the nature of operations, our environment and future opportunities. The onus is on board members to be informed about government policy and funding opportunities in order to effectively lead. They should not wait for the Executive Director to hand them everything on a platter. They should be inquisitive but also supportive'.*

Participant 7 added that:

'There has to be partnership between board chairperson and the Executive Director in order to ensure good teamwork throughout the organisation'.

b) Board meetings

The frequency of formal board meetings varied from organisation to organisation, however, most of the boards meet four times a year. The participants felt that the board meetings were adequate in terms of number of meetings and issues discussed in order to enable effective board leadership. However, about half of the participants indicated that the voluntary nature of the board activities sometimes made it '*difficult topush board members to be active in and out of the meetings'* (Participant 2).

c) Board roles

According to ten participants out of sixteen, the roles of the board include monitoring the performance of the organisation in terms of receiving funding and using it appropriately in accordance with the agreements with funders, reviewing strategic plans and being stewards of the organisation. The board does not formulate policy and strategy but reviews and approves what has been formulated and proposed by management. The board does not get involved in the day to day operations but focusses on high level issues to ensure attainment of the objectives.

According to Participant 11:

> *'The board is the highest decision making body which provides policy oversight and also strategic direction and position of the organisation and that is their brief and mandate within the organisation as guided by the organisation's constitution. The constitution spells out these roles of the board very clearly'*

Participant 7 concurred and asserted that: *'The role of the board is to supervise and support management'.*

d) Board Chairperson

In all the organisations involved in the study, the board is led by a Chairperson. This role is separate from that of the Executive Director who runs the organisation on a daily basis. Furthermore, interviewees revealed that the Executive Director is the chief fundraiser while the board chairperson supports him or her.

According to Participant 5:

> *'The board chairman and executive director positions are occupied by two individuals. The Executive Director takes the role of secretary to the board in accordance with the PVO Act. ….One cannot be a player and a referee at the same time; hence the Executive Director cannot chair the board. There has to be separation of duties, responsibilities and power. …The Executive Director leads the organisation in its daily operations. On the other hand the board chairperson provides leadership to the board, conducts board meetings, oversees selection of new directors and their induction and all other board business. The board chairperson also provides support to the Executive Director and assesses contribution of board members to the organisation '*

Participant 3 asserted in agreement that:

> *'The division is necessary for checks and balances. The Executive Director cannot be the board chairperson.'*

KEY FINDINGS: There is clear division of responsibilities between the board chairperson and the Executive Director. The Executive Director is the secretary to the board and leads the daily operations of the organisation. The board chairperson leads all board activities. Board meetings are held every quarter. The board's role is to monitor performance towards the objectives and mission.

4.3.5 ETHICS(Appendix B, Table 8)

The interviewees revealed that ethics are important to the governance and sustainability of their organisations as they determined the morality and legality of actions taken by staff and how these impact on their stakeholders. Although there were only 4 local organisations with specified ethics policies, the other 3 (NGO 1, 2 and 4) indicated that they have policies that mention ethical issues such as '*code of conduct andthe secrecy policy*' – Participant 2 and 'the confidentiality policy' – Participant 3 and *'the no harm policy'* – Participant 7.

Participant 5 said that:

'Ethics policies guide the interactions with external parties. They guide actions to prevent illegal or harmful behaviours in order to foster goodwill'

Participant 2 elaborated by stating that:

'Ethics are the cornerstone of good governance. Good ethics are important as they affect our governance practices and long term viability as an organization. When our staff members go out into the largely poor, vulnerable, disadvantaged and marginalized communities we work with they are seen as wielding a lot of power due to the goods and services which they deliver. This perceived power can easily be abused unless we put in place policies that direct employees on what is right or wrong and what is expected of them in terms of their behavior. The codes of conduct and secrecy policies guide employees on behaviors such as whistle blowing, bribery, harassment and corruption. These policies are reviewed by our Finance and Human Resources management committees once a year.

KEY FINDINGS: Ethics determine the morality of actions taken by staff and how these impact on their stakeholders. Whistle blowing, fraud, bribery, corruption and complaints handling are ethical issues covered by organisational policies and procedures. The policies and procedures are reviewed by management to ensure adequacy and relevance.

4.3.6 DISCLOSURE(Appendix B, Table 9)

a) Importance of disclosure

Disclosure is considered important in governance as it promotes transparency (Participants 1, 2, 4, 5 and 16). Seven participants were in agreement that disclosurebuilds trust, helps keep management accountable and to maintain public confidence (Participants 1, 3, 9, 10, 11, 14 and 15). According to three participants (6, 7 and 8)disclosure also provides clarity and prevents misrepresentation and misuse of information.

Participant 4 highlighted that:

‘Adequate disclosure impacts on governance as it gives the impression that the organisation has nothing to hide. It is transparent and can be trusted with other people’s money.’

Participant 13 asserted that:

‘Even though our disclosure obligations and expectations are less than those of the private listed companies, disclosure is useful for our stakeholders such as supplier, creditors, beneficiaries, government and employees. It is necessary for them to assess their position, respond to relevant changes and adjust their relations with the organisation where and whenever necessary. We tend to disclose only material matters which may impact on decisions of our stakeholders. We do not disclose everything due to confidentiality, legal protection and obligations of secrecy. Moreover, some matters may be for internal purposes only’.

b) Annual reports

Only one of the local NGOs (NGO 2) produces annual reports which contain information on activities, board members and executive management. These annual reports are shared with major stakeholders such as employees, government ministries and donors. No audited financial statements are published in the annual reports, however, these are available within the organization and shared on a need to know basis due to the confidentiality of some of the information. Lack of financial resources resulted in the failure to publish annual reports. However, indications from the interviewees were that some annual reporting is done at annual general meetings, but still it is largely non-financial since the focus is not on profit making. On the contrary international NGOs produce annual reports which contain financial information.

As highlighted by Participant 16:

‘Annual reports are produced yearly. A draft is presented to the board on the last meeting of the year for review and approval prior to publication. All audited financial statements are also included for the whole organisation’

According to Participant 3:

'Operationally disclosure is about transparency. Disclosure refers to things such as annual reports which include the Executive Director's statement, Board Chairman's statement and updates on all programmes. We tend to limit financial information for confidentiality purposes. Furthermore, we are not profit making entities hence; our focus is on level of service to our stakeholders and not making money.'

c) Transparency limitations

The participants indicated that transparency is important. However, the issue is to ensure that disclosure of information is handled appropriately in order not to discredit the organization and its work and to avoid giving too much unnecessary information to people who will either not use it or misuse it.

d) Conflicts of interest

The declaration of conflicts of interest was regarded as important to the organizations as a result all participants indicated that their organizations have documented procedures for board members and staff to declare actual or potential conflict of interest and how to handle conflict of interest. Five out of sixteen participants indicated that these procedures were necessary in order to reduce corruption. Participant 10 explained as follows:

> *'Procedures are available for declaration of conflict of interest. The board chairperson is responsible for ensuring all members declare conflict and recuse themselves where necessary. This builds trust among stakeholders and reduces corruption.'*

Participant 8 concurred and said:

> *'Conflict of interest procedures are available and shared within the organisation. On the face of any case, non-disclosure is tantamount to corruption. Whether or not undue benefit is actually obtained is a matter that would be proved later.'*

<u>KEY FINDINGS</u>: Disclosure isimportant for promotion of transparency, keeping management accountable and to maintain public confidence. Lack of financial resources has resulted in the failure to publish annual reports. The disclosure of information is handled appropriately in order not to discredit the organization. Documented procedures for board members and staff to declare actual or potential conflict of interest and how to handle conflict of interest exist within the local NGO sector.

4.3.7 COMMUNICATION(Appendix B, Table10)

a) Communication policy

All the organizations have clear policies and procedures on communication which state that all external and official communications such as press releases or press conferences are handled through the Executive Director or a Finance Manager or Director or Board Chairperson.

Participant 1 summarized as follows:

> *'Good communication of the organization's activities needs the existence of well-organized channels, clarity in handling the content to be shared and the approaches of addressing the stakeholders such as donors and beneficiaries. There are no dedicated communications or public relations experts due to financial limitations, however, where there is need for experts; consultants are engaged from time to time. The Executive Director and board chairman handle donor and media relations. They must foster good understanding of the organization. The Executive Director is the secretary to the board and ensures that they are informed to make the right and timely decisions and provided with all necessary feedback regarding implementation of their decisions.'*

Participant 3 echoed similar views by stating that:

> *'Communication is essential for good governance. We have policy on who, how and what to communicate. Policy also provides guidance on format and frequency of some of the official communication'.*

b) Quality of information and reporting

According to eleven out of sixteen participants, the quality of information and reporting is assured through checking and reviews by managers and approvals are sought before the release of information to external stakeholders and the board.

Participant 12 explained as follows:

> *'The quality of information in terms of relevance, timeliness and accuracy is ensured within the organization through peer reviews and approvals by Senior managers. The Executive Director and Board chairman also act as the voice of the organization to carefully and professionally articulate its objectives, mission and fund raising initiatives through his interactions with various stakeholders.'*

Similarly Participant 2 said*:*

> *'All information destined for external stakeholders is subject to management review and approval'.*

c) Keeping stakeholders happy

Eight out of the sixteen participants indicated that theirorganisations keep stakeholders happy through constant engagement, feedbackand two-way communications. Economic, social and environmental considerations are made in decision making and activities in order not to do harm and to be social responsible.

Participant 12 explained as follows:

> *'Problems in governance may arise when the rights of stakeholders are violated or not considered. The organisation keeps stakeholders happy and maintains its reputation in society through communicating and engaging stakeholders on programme inception, implementation and at the close out'.*

Participant 7 explained as follows:

> *'Our No harm policy explains the need for two-way, internal and external communication and the need to ensure we implement programmes that do not harm communities in terms of environmental, economic or social impact. We are mind fully of any negative externalities of our activities. We undertake*

impact assessments to evaluate the intended and unintended consequences of our actions.'

<u>KEY FINDINGS</u>: Clear policies on communication exist and all external and official communications are handled through the Executive Director. The quality of information and reporting is assured through checking and approvals by managers before release to external stakeholders and the board.Stakeholders are kept happy through constant engagement and feedback. Information is provided to the board through the Executive Director and Finance Director or Manager.

4.3.8 RISK MANAGEMENT(Appendix B, Table11 and 12)

a) Risk management policy and impact on governance and sustainability

The participants (12 out of 16) confirmed that their organizations have risk management policies or frameworks which enable identification of risks, assessment of impact and setting up of mitigatory measures and strategies to manage exposure. Risk management is regarded as an integral part of governance and sustainability. NGO 1 and 5 do not have stand-alone risk management policies but participants acknowledged that risks are considered in management decisions and actions within the organization although there is no systematic formal method of risk management.Participant 6 stated that:

> *'We maintain risk registers that help us identify, prioritise risk and determine its potential impact. We also assign an officer to every identified risk to ensure that controls are put in place and necessary mitigatory measures are taken. ….Failure to manage risk may lead to collapse; hence poor risk management is closely related to poor governance.'*

Participant 1 said:

> *'There is no risk policy but risks are considered in decision making. For instance during the design of new projects we have to consider possible risks that could affect delivery of the project as these will determine whether or not we start the project'*

b) Policies and accounting standards

All the organizations have accounting policies and procedures to ensure accurate and understandable financial transactions, records and reporting.All the organizations use the Generally Accepted Accounting Principles (GAAP) as the internationally recognized accounting standard. In terms of accounting software, one organization (NGO 1) which is the smallest of those interviewed does not have accounting software.

Participant 2 said that

> *'We do not have an accounting system in place but we are in the process of procuring Pastel in order to move away from the Excel based system which has higher risk of abuse and compromising integrity of accounting records.'*

c) Audits

All the organisations indicated that they are audited by external auditors annually. However, none of the local NGOs have internal auditors while international NGOs have internal audits which are a *'big component of internal control'* (Participant 16).

According to Participant 9:

> *'Annually we are audited by the board approved and registered external auditors. All the financial statements and audit reports since inception of the organisation are available. But when it comes to internal audit, it is different. The position of internal auditor is not funded by our current donors hence; we had to abolish the post'*

d) Internal controls

Eight out of sixteen participants indicated that the internal controls are largely financial and seek to prevent losses through errors, omissions or acts of misconductand to ensure adherence to policies and procedures. The organizations have major internal controls which include physical controls, supervision of staff and approval limits. The adequacy of the internal controls is reviewed by management annually. Major expenditure is controlled through budgets, approval prior to expenditure and budget – expenditure variance analysis. Periodic audits are also a means to control expenditure. The participants from international NGOs indicated that the internal audit is critical to implementation of internal controls and control of expenditure.

According to Participant 16:

> *'Internal audit is a big component of our internal control system as it provides a systematic approach to evaluate and improve risk management and governance processes. We do not have to wait for annual external audit to correct errors or improve our systems.'*

<u>KEY FINDINGS</u>: Some of the local NGOs do not have specific risk management policies. However, they enforce systems of internal financial controls through approval systems, expenditure authority limits and external audits in order to minimise risk of losses through fraud and errors. Financial reporting is done in accordance with donor guidelines and Generally Accepted Accounting Principles (GAAP) to ensure that it is balanced and understandable. Financial statements are prepared through accounting software such as PASTEL and audited by external auditors annually to determine whether they represent a true and fair view of transactions. Donors fund external audit requirements of NGOs since these are prerequisites for future funding and also a means to verify whether funds were spent in accordance with agreements with funders. Internal audit is non-existent due to financial resource limitations. The main limitation in risk management is the lack of resources to fund internal audit.

4.3.9 FINANCIAL VIABILITY AND SUSTAINABILITY(Appendix B, Table13)

a) Governance impact on funding, funding trends and adequacy of funding

All the participants agreed that governance practices impact on financial viability since poor governance leads to a poor reputation and good will resulting in reduced ability to seek and receive funding from donors. All the organizations involved in the study are dependent on donor funds. The funding is not adequate for current needs as the local NGOs struggle to pay bills and balance income and expenses. There is no influx of new donors and local NGOs rely on the same donors. Funding has decreased over the past five years for all the local NGOs. Their funding sources are not secure, reliable, multiple or diverse. There is currently no room for growth in external funding or diversifying sources unless the NGOs think outside the box and come up with self-financing strategies.

b) Fundraising

Some (5 out of 7) of the local NGOs have fundraising policies. The Executive Director is responsible for fundraising while board involvement is reduced to rubber stamping. There are some ethical considerations in fundraising as the NGOs will not receive funding from organisations whose activities are contrary to their values. Participant 11 said:

> *'There is board involvement in fundraising but it is minimal and generally rubber stamping. The Executive Director is expected to be the driver of fundraising initiatives. ….We have to put our heads together and be more innovative in order to raise money. Without the organization, the forty people employed here will be jobless. …There are ethical considerations in fundraising, for instance, we are an organization that promotes peace and equal rights therefore we cannot receive funding from people who sell firearms or are involved in political activities, our donors must have similar values as ours.'*

c) Self-financing strategies

Only one local organization (NGO 7) has some self-financing strategies (a farm and professional college) being implemented and has some financial reserves to enable the organization to sustain itself without donor funding. The international NGOs also have self-financing strategies being implemented. However, the rest of the organizations are entirely donor dependent. They have had massive scaling down after the end of major programmes such as the UKAid funded Protracted Relief Programme which was the largest livelihood programme which ran for a period of about twelve years.

Participant 15 said:

> *'We have self-financing strategies which help to boost our income. We charge fees for some of our services such as training, we also have some shops that sell some of our wares and we are looking to grow our recycling business'.*

This view is contradictory to those expressed by participants 2, 9 and 11 who indicated that there may be an identity distortion or conflict between the profit making business and not-for-profit element of the organization.

4.3.10 LIMITATIONS OF IMPLEMENTING GOOD GOVERNANCE PRACTICES

The limitations of implementing good governance practices are largely financial as the organisations are aware of best practice but cannot fully implement some of them due to limited funding, skills and legal status. Some NGOs are finding it difficult to implement good corporate governance practices due to the voluntary nature of their boards.

a) Board activity limitations

- It is not easy to find willing professional people to sit on NGO boards since they are not paid any fees (Participant 2)
- Sitting allowances for board members are too small (Participant 4)
- Board members tend to have many other commitments which compete for their time hence they may be reluctant to take up board positions (Participant 8)
- There is reliance on personal motivation only for board performance (Participant 9)
- Matching board member merit and passion can be difficult (Participant 10)
- It is difficult to find truly independent people to sit on the board (Participant 11)
- External people on boards may lack full understanding of issues and interest in the success of the organisation (Participant 13)
- Power dynamics can limit board’s ability to question management (Participant 14)

b) Limitations in being transparent

- Fear of being copied and dangers of information misuse (Participant 1)
- Publications of annual report can be costly (Participant 3 and 4)
- Audience may not value the information (Participant 5)
- Confidentiality (Participant 11 and 13)
- Lengthy approval process for information to be released publicly (Participant 16)

c) Limitations in managing risk

The limitations in risk management include lack of skills, inadequacy of resources (financial and human) and information to manage and mitigate against risks. Participant 9 explained as follows:

‘Reduction in funds available is associated with organisational restructuring and lay-offs. For instance in our case we have had to remove the internal audit, human resources and deputy director posts among others. This creates gaps in the system and weakens internal controls. It also leaves a lot of pressure on those spared in the layoffs. Those that remain in the organisation tend to be overburdened by the volume of work and multiple tasks. They may also have to bear with salary reductions if their time and salaries were shared among multiple donors. In some cases they may also be forced to go on unpaid leave. Such a scenario exposes the organisation to more fraud and litigation risks, which make risk management a difficult task’

d) Limitations to implementing self-financing strategies

- It may distort identity and legality as non-profit (Participant 2, 9 and 11)
- Limited funds for start-up (Participant 3, 5, 6 and 10)
- Lack of capacity to venture into profit making (Participant 8 and 10)
- Conflict of profit and non-profit activities (Participant 11)
- Management has not considered self-financing (Participant 12 and 1)

4.4 CHAPTER SUMMARY

The chapter summarized and presented the extensive data obtained from the interviews. The presentation of findings were in relation to corporate governance in the NGO sector with specific focus on

- the context;
- board configuration regarding the size of the board size, diversity, committees, members selection, remuneration;
- board leadership in terms of its importance, board meetings, roles and chairperson; ethics in terms of policy and importance;
- disclosure in terms of its importance, publication of annual reports, transparency limitations and conflicts of interest;
- communication in terms of policy, quality of information, reporting and keeping stakeholders happy;
- risk management in terms of policy, limitations, financial policies, accounting standards, audits, internal controls and major expenditure controls.

Financial viability and sustainability were discussed in relation to governance impact on funding, funding trends and adequacy, fundraising and self-financing strategies. The limitations of implementing good governance practices include those related to board activity, being transparent, managing risk and implementing self-financing strategies were also detailed in this chapter. The chapter that follows gives the conclusions and recommendations together with areas of further research.

CHAPTER 5: DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS: CORPORATE GOVERNANCE PRACTICES

5.1 INTRODUCTION

This is the last chapter of this study. It presents the conclusions and recommendations emanating from the results presented in Chapter 4.

5.2 RELATING KEY FINDINGSTO LITERATURE REVIEWED

Chapter 2 contains a critical review of literature. The findings of this research were compared with findings from other literature reviewed in Chapter 2. The highlights of these comparisons are presented in this section.

5.2.1 MAJOR GOVERNANCE PRACTICES

The finding from the research is that the emphasis of governance of local NGOs is ensuring that the organisation's mission is achieved through effective control. This is in line with the Cadbury report which specifies that governance is largely about direction and control of organisations. The major governance practices highlighted by O'Shea (2005) are used in the NGO sector. They include board composition (balance of executive and nonexecutive directors), board leadership (clear division of responsibilities between board chairperson and Executive Director), information (timely and quality information provided to the board), nominations (formal procedures for new appointments to the board), reporting (balanced and understandable financial reporting) and risk management (sound systems of internal control).

5.2.2 BOARD CONFIGURATION

The key findings on board configuration are that there are largely in line with the literature reviewed as far as the presence of nonexecutive independent directors / trustees in the boards of local NGOs with 5-8 members. As recommended by other studies (Larson, 2005; Gregory, 2007) it was also found that large boards are not ideal as they pose management difficulties. Diversity was found to be limited to terms of gender balance and diversity in terms of contributions of members of the board. Other aspects of diversity that are discussed in literature (Kang, *et al*, 2007; Van der Walt and Ingley, 2003) such as age and ethnicity were not considered by local NGOs. Governance codes such as the King III advocate for the use of board committees. Results from this study show that local NGOs have no fixed board committees contrary to recommendations of the King III code. As recommended in the reviewed literature, there are formal procedures for the appointment of new directors contained in either the constitution or policy documents of the local NGOs. New board members are selection is based on skills, experience as well as passion for the work of NGOs.

5.2.3 BOARD LEADERSHIP

In terms of board leadership, the key findings are in line with findings from other research with clear division of responsibilities between the board chairperson and the Executive director. The Executive director is the secretary to the board and leads the daily operations of the organisation while, the board chairperson leads all board activities. Board meetings are held per quarter. However, the board's role was found to be limited in comparison to recommendations from literature (Tricker, 2012; David,

2011) as the focus is on monitoring performance towards the mission. Strategy and policy formulation is assigned to the Executive Director.

5.2.4 ETHICS

Organisational ethics were found to be consistent with the recommendations from literature (Cremers, 2011; Naidoo, 2009) as the participants indicated that ethics determine the morality of actions taken by staff and how these impact on their stakeholders. Whistle blowing, fraud, bribery, corruption and complaints handling are ethical issues covered by organisational policies and procedures. The policies and procedures are reviewed by management to ensure adequacy and relevance. These findings are in line with literature as discussed in Chapter 2, section 2.11.3.

5.2.5 DISCLOSURE

The key findings in terms of disclosure were that disclosure is important for promotion of transparency, reducing conflicts, keeping management accountable and to maintain public confidence. These findings relate well to the recommendations from the Global Reporting Initiative and Davies (2011). The lack of financial resources has resulted in the failure to publish annual reports. The disclosure of information is handled appropriately in order not to discredit the organization. Documented procedures for board members and staff to declare actual or potential conflict of interest and how to handle conflict of interest exist as recommended by governance codes.

5.2.6 COMMUNICATION

Key findings are that there are clear policies on communication that exist and all external and official communications are handled through the Executive Director. The quality of information and reporting is assured through peer reviews at source, checking by managers, debates in meetings and approvals before release to external stakeholders and the board. Stakeholders are kept happy through constant engagement and feedback. Information is provided to the board through the Executive Director. Systems of checking, peer review and management reviews are used to ensure quality of information. Financial reporting is done in accordance with donor guidelines and generally accepted accounting principles (GAAP) to ensure that it is balanced and understandable. This is in line with American model of governance as discussed in section 2.7.1.

5.2.7 RISK MANAGEMENT

Some of the NGOs do not have specific risk management policies. However, they enforce systems of internal financial controls through approval systems, expenditure authority limits and external audits in order to minimise risk of losses through fraud and error. The limitations in risk management include the lack of skills, inadequacy of resources, lack of information to manage and mitigate against some types of risks and the lack of resources to fund internal audit. Internal audit is non-existent in some organisations due to financial resource limitations to hire adequate staff. These findings are similar to those in a study by Ngwenya (2013).

5.2.8 BENEFITS AND LIMITATIONS

Good governance was unanimously deemed as beneficial to the organisation since without good governance organisations cannot survive. All the interviewees asserted that they were aware of some organisations that have closed down due to poor governance. The lack of internal controls, checks and balances, having a poor reputation among stakeholders, non-compliance with statutory regulations and allegations of funds mismanagement were highlighted as main indicators of bad governance. These indicators are in line with those highlighted by Tricker (2012). In concurrence with the study by Adewale (2013), the limitations of implementing good governance practices are largely financial as the organisations are aware of best practice but cannot fully implement some of them due to limited funding, skills and legal status. Some NGOs are finding it difficult to implement good corporate governance practices due to the voluntary nature of their boards.

5.3 DISCUSSION OF RESEARCH QUESTIONS AND OBJECTIVES

This study was to investigate the corporate governance practices and their impact on sustainability of local non-governmental organisations (NGOs) in Zimbabwe**.** The specific intentions were achieved as thestudy determined the major governance practices in the local NGO sector, identifiedthe benefits of good governance and the indicators of bad governance practices. Furthermore, the study determinedthat good governance practices impact on financial viability and that there are limitations of implementing good governance practices. The investigation showed that NGOs are finding it difficult to implement some good corporate governance practices such as having internal auditorsdue to funding constraints. The objectives were achieved while the questions were also answered as detailed in Chapter 4.

5.4 DISCUSSION OF THE MAIN ARGUMENT AND PROPOSITIONS

The propositions made in this study were largely substantiated by the findings. The main argument in this research is that the implementation of good governance practices promotes NGO sustainability. In this study sustainability was limited to financial viability. The substantiated proportions are:

- A diversified board is essential in governance and sustainability of NGOs.
- Good board leadership is positively related to good corporate governance and NGO sustainability.
- Good organization ethics impact positively on NGO governance and sustainability.
- Disclosure is positively related to good NGO governance and sustainability.
- Adequate communication is essential for good NGO governance and sustainability.

5.5 CONCLUSIONS

The study shows that the major governance practices that are proposed in corporate governance codes are largely practiced by NGOs. The conclusions of the study are:

i. **Board configuration:** even though participants in the study concurred that a diversified board is essential in governance and sustainability of NGOs, the diversity of contributions of board members to the work of the board and gender balance were considered most important and not necessarily other issues of diversity.

ii. **Board leadership:** the Executive Director and board chairperson roles are separate and independent in order to ensure that power is not concentrated on one individual. However, the real power dynamics would need to be explored further since board members are not remunerated and have no real incentive (except personal motivation) to pursue their roles aggressively. Power may reside with the Executive Directors as they are not only paid for the work they do but also do it on a daily basis and they make strategic decisions which have long term impact on the organisation. Good board leadership is regarded as positively related to good corporate governance and NGO sustainability.

iii. **Ethics:**good organization ethics impact positively on NGO governance and sustainability as they define acceptable behavior and impact on the reputation of the organization in the eyes of its major stakeholders who are the funders, employees and beneficiaries.

iv. **Disclosure:**disclosure promotes transparency of organization. It is positively related to good NGO governance and sustainability.

v. **Communication:** adequate communication is essential for good NGO governance and sustainability. The Executive Director handles all board communications. However, it is the responsibility of the board to ensure that they have adequate information to make informed decisions that ensure continuity and longevity of the organization.

vi. **Risk management:**poor risk management reduces governability of local NGOs. Risk management requires skill, knowledge and resources which local NGOs may be lacking as a result training and the development of self-financing strategies are required in order to effectively manage risks and ensure sustainability.

5.6 THEORETICAL CONTRIBUTION

There was largely no difference between the proposed conceptual framework and findings from the research hence the proposed framework has some but of modification on the contextual dimensions to include funding mechanisms, culture, systems and structure. This is the research’s theoretical contribution.The study contributes to the body of knowledge on the subject of governance of organisations and a better understanding of the governance practices and their impact on financial viability and sustainability of NGOs. The final theoretical framework is as follows:

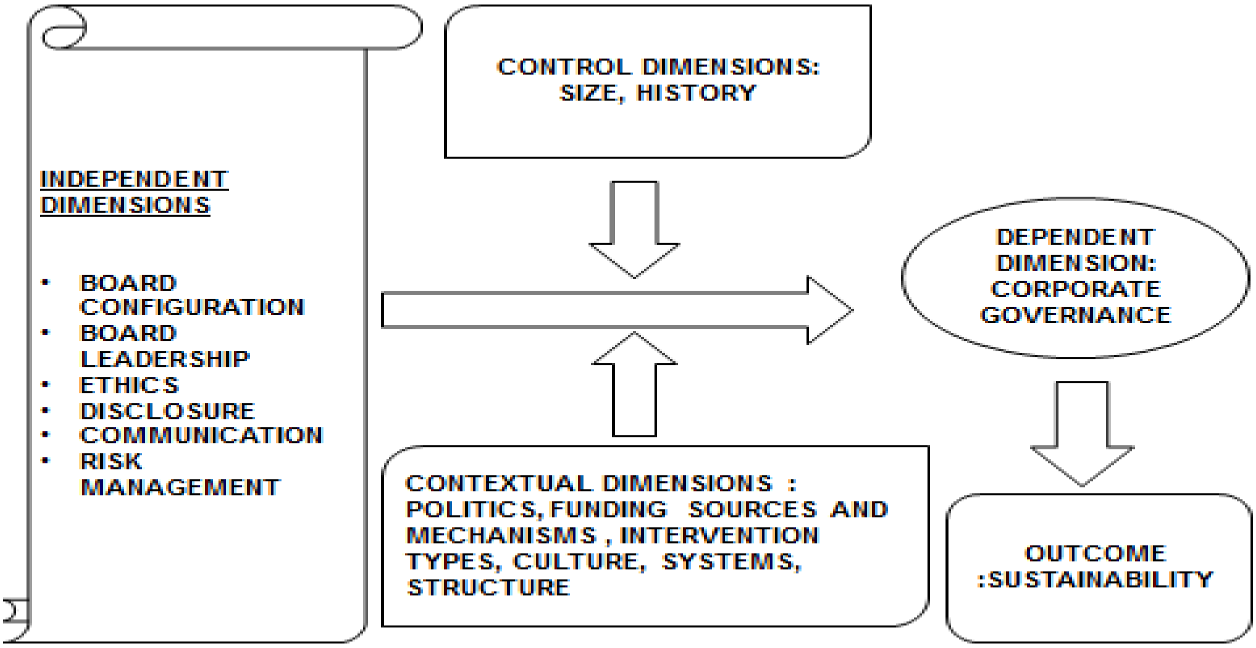

Figure 7 : Final theoretical framework

From an empirical point the contribution made by this study is that other researchers can build on to what has been found in this study.

5.7 POLICY RECOMMENDATIONS

The study showed that local NGOs view the NGO bill as a risk to their operations. However, it has not yet been finalised and casts some doubt on the value that government places on the contribution of NGOs to Zimbabwe's development. It is recommended that government should finalise the bill or clearly articulate the position regarding the bill since it still awaits the President's signature and it is largely viewed as a tool that could be used against NGOs. The reactionary nature of governance regulations is also of concern to NGOs. Government should put in place programmes to have periodic and consultative reviews of legislation and regulations to reduce the adverse impact of adhoc policy formulation and results in inadequately calculated decisions which negatively impact on NGO governance and sustainability.

5.8 MANAGERIAL RECOMMENDATIONS

5.8.1 DIVERSITY

While it is good for boards to be gender balanced, in order to have good governance practices the local NGOs should look at other aspects of board diversity such as age, ethnicity and possibly having beneficiary and donor representation on the board.

5.8.2 SELF-FINANCING STRATEGIES

The major limitation faced by local NGOs is funding. Local NGOs should explore self-financing strategies in order to reduce donor dependency. Self-financing strategies such as charging for capacity building or training, developing intellectual property such as patents and copyrights and rental of equipment and buildings can be looked into. The limitations of self-financing can be overcome through a well informed and market research based decisions. They can set up separate arms of the organisation that are non-profit and for-profit in order to deal with the legal issues such as tax. Profits can be ploughed into the non-profit.

5.8.3 FLEXIBLE ORGANISATION STRUCTURES

Instead of crying foul over the changes in donor funding mechanisms, local NGOs should copy funding strategies from international NGOs who tend to adapt and restructure in accordance with funding arrangements. They should have flexible organisational structures which enable them to work with multiple funding agencies.

5.8.4 FOCUS ON THE BOTTOM LINE

Some of the reduced availability of funds is due to lack of focus on the bottom line due to non-profit status. Management should be aware that non-profit does not mean operating at a loss. They must ensure that they at least break-even.

5.8.5 INTERNAL AUDIT CLUSTER

Internal audits are critical to internal controls and risk management. Working groups could be formed that allow for engagement of free-lance registered public auditors. These individuals could be engaged on a needs basis by multiple working group participants. This will cut costs of having a full-time internal audit but still get the work done instead of just waiting for the annual external audit.

5.8.6 BOARD COMMITTEES AND ROLES

Local NGOs should have board committees. Considerations should be for formation of main committees such as fund raising, audit, nominations and risk committees. These will improve board effectiveness. Board roles should be extended to cover strategy and policy formulation, resource provision and service tasks and not just focusing on the supervisory roles which are largely limited to review of management decisions and actions. Training of board members would assist organisations in this regard.

5.9 RESEARCH LIMITATIONS

While there was an enormous amount of literature on the subject of corporate governance in general, it was difficult to find scholarly articles on the governance of nonprofits. There were limited published and specific studies on governance of NGOs in Zimbabwe. Another limitation was that the study was only conducted in Harare; other geographic regions of the country were not covered.

5.10 AREAS OF FUTURE RESEARCH

Future research could involve NGOs in other parts of the country in order to improve geographic coverage and representation. Quantitative data which analyses funding trends in the NGO sector and analysis of financial statements could also be incorporated into a further study. The organisational culture may have an impact on implementation of governance practices. Hence, further research could explore this relationship. The impact of non-payment of board members could also be explored further. Lastly, further research can be done to determine why the funding mechanisms of donors are changing and whether this is related to governance of local NGOs.

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APPENDIX A: INTERVIEW GUIDE

UNIVERSITY OF ZIMBABWE

MASTER OF BUSINESS ADMINISTRATION

GRADUATE SCHOOL OF MANAGEMENT

JULY 2014

INTERVIEW GUIDE: INVESTIGATING CORPORATE GOVERNANCE PRACTICES AND THEIR IMPACT ON SUSTAINABILITY OF NGOs IN ZIMBABWE

INTRODUCTION

My name is Penniless Chikumba. I am a student with the Graduate School of Management of the University of Zimbabwe. As part of the fulfilment of the Master of Business Administration, it is a requirement that students undertake research for a dissertation. Please answer the following questions carefully and honestly. All information given shall be treated in the strictest of confidence and shall be used for the purposes of this research only.

RESEARCH OVERVIEW

This is an investigation of the corporate governance practices and their impact on sustainability of non-governmental organisations (NGOs). The objectives are to assess the major governance practices and their benefits, to identify the indicators of bad governance practices; determine whether or not good governance practices impact on financial viability and to study the limitations of implementing good governance practices.

QUESTIONS

1. BACKGROUND INFORMATION ON INTERVIEWEE

a) Date:

b) Participant Number:

c) What is your age range 41-45, 46-50, 51-55,56-60?

d) What is your professional background?

e) What is your job title?

f) How many years have you been in a professional leadership role in this organisation and in this sector?

2. ORGANISATION

a) What is the registration status of the organisation (PVO / trust)?
b) When was the organisation formed? (brief history of the organisation)
c) What interventions / activities is the organisation involved in?
d) What is the size of your organisation in terms of number of employees, number of projects running, current budget size?

3. CORPORATE GOVERNANCE

a) What is corporate governance in your organisation?
b) Does the organisation have its own written corporate governance rules?
c) What are the major governance practices are implemented in your organisation?
d) In your experience, what are the benefits of good governance?
e) In your view what are the indicators of bad governance?
f) Does the organisation have a clear and shared vision and / or mission?
g) Are you are aware of any organisations that have closed down due to poor governance?

4. CONTEXT

a) What operating environment factors limit implementation of good corporate governance practices?
b) Are the significant trends in the environment that might affect the organisation monitored?
c) Does politics, funding sources and the type of interventions impact on governance?

5. BOARD CONFIGURATION

a) What criteria are used for selection of board members?
b) Are the members paid by the organisation, are the benefits disclosed?
c) Does the board have independent and nonexecutive directors?
d) What is the size of the board? Is this adequate?
e) Is a diversified board essential in governance and sustainability of the organization?
f) What aspects of board diversity are considered important? (age, gender, race etc.) Why are they important?

g) Does the board have committees? Which ones and for what purpose?

h) Are there any limitations in finding suitable board and committee members?

6. <u>BOARD LEADERSHIP</u>

a) Is board leadership essential for good corporate governance practices and sustainability?

b) Are board meetings adequate in terms of number of meetings and issues discussed in order to enable effective board leadership?

c) What are the main roles of the board?

d) Is the chief executive officer (CEO) / Executive Director also the board chairperson? Why is the division necessary or unnecessary?

7. <u>ETHICS</u>

a) Are ethics important to the governance and sustainability of the organisation?

b) Does the organisation have a documented and shared ethics policy?

c) Does the ethics policy include whistle blowing, fraud, bribery, corruption and complaints handling?

d) Who oversees the policy's implementation and review?

8. <u>DISCLOSURE</u>

a) Does disclosure relate to good governance and sustainability?

b) Does the organization produce and publish annual reports and have a website which contains information on activities, audited financial statements, sustainability, board members and executive management?

c) What are the limitations of disclosure and being transparent?

d) Are conflicts of interest important to the organization, if so why?

e) Are there documented procedures for board members and staff to declare actual or potential conflict of interest and how to handle conflict of interest?

9. **<u>COMMUNICATION</u>**

a) Does the organization have a clear policy on communication?

b) How is the quality of information (balance, clarity, timeliness, accuracy and reliability) ensured within the organization?

c) How does the organisation keep stakeholders happy and maintain its reputation in society?

d) Does the organization consider long term economic, social and environmental impact of its operations in decision making and reporting?

10. RISK MANAGEMENT

a) Does the organization have a risk management policy? Why or why not?
b) Does risk management impact on governance and sustainability?
c) Are there any limitations in risk management?
d) Does the organization have major internal controls in place? Why are they necessary?
e) Who reviews the adequacy of the internal controls and how often is the review done?
f) Does the organization have clear finance policies and accounting procedures to ensure control of expenditure, accurate and understandable financial transactions, records and reporting?
g) Does the organization use an internationally recognized accounting standard and accounting software?
h) How often is the organisation audited by external and internal auditors?

11. FINANCIAL VIABILITY

a) Do governance practices impact on financial viability, please explain?
b) Where does the organization receive funding from?
c) Is the funding adequate for current needs (pay bills and balance income and expenses)?
d) Has funding increased or decreased over the past five years? Why?
e) Are the funding sources secure, reliable and multiple or diverse? Is there room for growth in funding and diversifying sources?
f) Does the organization have a fundraising policy?
g) Who is involved in fundraising, is there any board involvement?
h) What are the ethical considerations in fundraising?
i) Are there any self-financing strategies being implemented or financial reserves to enable the organization to sustain itself without donor funding?

THANKYOU

APPENDIX B : DATA DISPLAY TABLES

Table 2: Corporate governance in the NGO sector

Organisation	Participant (P)	Defining corporate governance	CG rules, clear and shared vision / mission	Major governance practices
NGO 1 (Local)	**P 1**	..providing direction..	.. policies with rules to help us work towards the vision and mission..	..independent board….formal nominations…internal controls..
	P 2	..control...ensuring performance of agreements with funders..	..rules in policies..	..independent board...systems of control..
NGO 2 (Local)	**P 3**	..overseeing and steering in the right direction..	.. a mission and policies..	..independent board..
	P 4	…having specific policies and procedures which guide..	…revisiting our vision and mission..	…independent board..
NGO 3 (Local)	**P 5**	..do no harm...having checks and balances..	constitution ..vision and purpose unites all..	..outside board of councillors...transparent nominations..

	P 6	.. do not get out of control ..accountability..	constitution..	…clear appointments of board members..
NGO 4 (Local)	**P 7**	…maintaining the vision and mission..	…policy and procedure manuals...values driven..	..non-executive board...two executive members..
	P 8	..maintaining the essence of our being as non-profit…	..policies and procedures..	…systems of accountability and internal controls..
NGO 5 (Local)	**P 9**	policy and strategy to ensure on going activities…	..policy documents…	..non-executive directors…clear reporting structures and systems
	P 10	..providing oversight …transparency..	..policy documents..	..non-executive directors..
NGO 6 (Local)	**P 11**	**:**..ensuring donor funds are not misused…	…constitution and procedures manual…	..internal controls and curbing management excesses..
	P 12	…regulating people and activities towards fulfilling our mission..	…constitution and procedure documents..	.. responsibility...separate board chair and Executive Director
NGO 7 (Local)	**P 13**	**:**..control and balancing power among stakeholders..	…constitution...mission is the reason for existence..	…external board..
	P 14	..control and compliance with obligations…	..constitution...,PVO act	…board made up of outsiders..
NGO 8 (International)	**P 15**	..accountability, transparency to stakeholders such as donors…	..board charter…various policy documents..	…independent board of directors..
NGO 9 (International)	**P 16**	..ensuring that we do no harm and remain focussed on the mission..	…board charter..numerous policy and procedure documents..	…controls through the board..

Table 3: Corporate governance in the NGO sector

Organisation	Participant (P)	Benefits of good governance	Indicators of bad governance	Knowledge of organisation closures due to poor governance
NGO 1 (Local)	**P 1**	.. good reputation with stakeholders.. ..ensure continuity…	…fraud cases, embezzlement….no audits..	…yes, I have heard of cases…nothing official..
	P 2	..for continuity of operations…balance competing demands…	…poor reputation among stakeholders….no board meetings…	..yes…but I have not had personal or first-hand experience..
NGO 2 (Local)	**P 3**	..donors look at governance...we have to be in good books..	..high staff turnover…staff litigation issues ..reputation not good…	…yes, it was progressive loss of credibility..
	P 4	…for accountability and responsibility.. …reduce conflict of interest…	..allegations of poor funds management…	..yes.. there was over reliance on the man at the top…

NGO 3 (Local)	**P 5**	…without good governance no organisation would exist in perpetuity…	..lack of vision...weak board which exist on paper only…no meetings	…yes, the board existed only as window dressing…
	P 6	..in order to receive ongoing support and funding…	..one hit wonders…no continuity of operations..	….not in my experience and knowledge…
NGO 4 (Local)	**P 7**	..it facilitates good controls..	..theft from within..	…yes, just rumours from some ex-employees…
	P 8	..governance provides systems and procedures…	..a one man operation...no controls internally…	..yes, but not sure if there are complete closures…
NGO 5 (Local)	**P 9**	..growing organisations are well governed ones… avoid personalising the organisation..	..failure to adjust operations in line with the environment…	..yes, I heard of a case of a local NGO in Chinhoyi…
	P 10	… promote fairness and accountability.. ..obedience to applicable laws..	…lack of fairness and accountability…	..organisations run as personal assets close down eventually…
NGO 6 (Local)	**P 11**	…provides direction and reduces conflict...avoid chaos..	..not complying with the law…	…yes, I have…. cases of funds embezzlement…
	P 12	…improves transparency…promote harmony…	…failure to adhere to contractual obligations..	..yes, they failed to comply with donor requirements…
NGO 7 (Local)	**P 13**	…organisation is not personalised and for good reputation ..	..bad external audit reports.. bad reputation with stakeholders …	….yes, I read in the papers about an AIDS organisation in Chinhoyi…
	P 14	… discipline...reduce unethical behaviour ..transparency	…misuse of funds…	..not to my knowledge..
NGO 8 (International)	**P 15**	… promote good values…and compliance with the law…	..lack of good values among staff…unethical behaviour..	..yes, almost closing due to tax issues..Zimra garnish..
NGO 9 (International)	**P 16**	…without good governance the organisation faces extinction..	…ultimate closure of the organisation….	…yes some of former partners have closed…

Table 4: Operating environment (context)

Organisation	**Participant (P)**	**Operating environment factors limiting implementation of good corporate governance**	**Significant trends in the environment**	**Politics, funding sources and intervention type impact on governance**
NGO 1 (Local)	**P 1**	..political factors limit advocacy against corruption…	..lack of transparency in politics impacts on governance…	..sometimes we have to go with the funding flow… consider our culture, systems and structure
	P 2	..economic...we cannot have four board meetings as required…	..rule of law is an issue..	..at times funding source determines compliance systems …
NGO 2 (Local)	**P 3**	…social factors…extreme poverty, disease,	..increase in vulnerable groups…	..divert from mission to meet pressing social needs…

		unemployment..		
	P 4	..legally...NGO bill's future..	..the NGO bill impacts.. PVOs Act compels us to have boards..	.. social emergency needs may also mean financial injection for survival…
NGO 3 (Local)	**P 5**	..political and economic issues impact operations…	…no liquidity in our environment…	..governance may be impacted by funding source
	P 6	.. policy formulation has to align with environment..	…high unemployment rate..	..the funder has power…setsculture, systems and structure
NGO 4 (Local)	**P 7**	..legally…adhere to laws which are subject to government changes..	..the NGO bill..	…intervention types are sometimes determining by donors…
	P 8	..politically we are at the mercy of the ruling party..	..the political future is obscure..	..donors influence governance systems and culture…
NGO 5 (Local)	**P 9**	..economic factors reduce availability of funds…	..changes in financing models is an issue	..we have to follow the money…
	P 10	..donor funding mechanisms are changing…more stringent conditions..	..UN agencies being preferred for contracting by donors…	…governance has to be improved if we have to continue to receive funds..
NGO 6 (Local)	**P 11**	…economic..it is too expensive to have bi-annual audits..	..donor funding mechanisms changing.. …partnerships being promoted..	…donors come with their own governance expectations…
	P 12	… governance practices are informed by the legal and political issues…	…the replacement of the PVO Act has been on the cards for a while…	..to ensure good use of funds all donors have governance rules…
NGO 7 (Local)	**P 13**	..corporate donations are non-existent as firms are not making much profit if any	..funding models changing.. ..consortiums and managing agents being used…	..political pressure exists …compliance with best practice..
	P 14	…transparency is limited by fear of political reprisals…align culture	…focus of some donor countries has shifted towards their own countries..	… to be seen in positive light with donors… comply with best practices..
NGO 8 (International)	**P 15**	...international financial crisis reduced aid budgets…	..donors emphasizing more value for money…	…politics impact stakeholders accountability expectations..
NGO 9 (International)	**P 16**	…economic environment limits funds available…	.. the NGO bill was an interesting development…	..international funders have governance guidelines…

Table 5: Board configuration - Board selection, remuneration, independence

Org.	**Participant (P)**	**Board selection criteria**	**Board remuneration and benefits**	**Independent , non-executive board members ; limitations in finding suitable board members**
NGO 1 (Local)	**P 1**	..specialist knowledge and sector experience..	…not paid….attendance is funded… ..board set salary scales…	..yes non-executive …effective monitoring...non-payments limits..
	P 2	..skill...clean record….no previous convictions..	…not paid…refunded meeting attendance costs…	…independent board brings fresh perspectives…not easy to find willing professional people…
NGO 2 (Local)	**P 3**	…interest in our operations and passion …two institutional	…no remuneration…sitting allowance only…board determines salary for	…external people make up board… …time…professionals are busy

		members…	management…	people…
	P 4	..passion for our cause…credibility	…no fees paid…sitting allowance only…	…non-employees on board…sitting allowances are too small…
NGO 3 (Local)	P 5	..annual general meeting approves based on centre elections…ability to represent…	…no benefits paid ….reimbursement of travel costs only…	…non-executive board….more professional....too many commitments…
	P 6	…nominations are done at the annual general meeting ...skills…ability to represent constituency….	…not paid…meeting costs are met by the organisation… management salaries are pegged by the board….	…independent board…reduces conflict of interest…
NGO 4 (Local)	P 7	…professional skills…	…no annual fees…only sitting costs met..	…external individuals on board…independence of minds…no incentives are provided…
	P 8	…expert skills…proven competencies..	…no fees are paid…allowances for meeting attendance only..	…outside directors….prospective suitable members tend to have many other commitments
NGO 5 (Local)	P 9	…experience in the sector ...networks…prestige…	…board members are not paid…they are not employees…receive refunds…	…independent board members…reliance on personal motivation only for their performance is limiting…
	P 10	…passion for our work...merit…	…only refunds for travels costs are paid..	..independent board…matching merit and passion can be difficult…
NGO 6 (Local)	P 11	…previous experience on similar boards…	…no remuneration…only attendance costs are paid…	..independent…difficult to find truly independent people…
	P 12	...professional experience ...passion for the development sector…personal attributes..	…they do not receive salaries…just refunds for attending meetings..	…non-executive…not easy to find available, objective professionals
NGO 7 (Local)	P 13	…educational background…profession and career experience…	…no benefits are paid…sitting allowances only..the board determines management salary..	…external people…may lack full understanding of issues…
	P 14	…professional background and status…	…no salaries are paid…sitting allowances only..	…independent directors... depends on power dynamics…
NGO 8 (Intl)	P 15	…previous board experience…donor links…	…only tokens of appreciation are paid to international directors..	…mix of executives and externals on board…external people may lack interest
NGO 9 (Intl)	P 16	…area of expertise and professional track record…	…no benefits or salaries are paid…sitting allowances only..	…higher number of non-executives..

Table 6: Board configuration - Board size, diversity, committees

Org.	Participant (P)	Board size , adequacy	Board diversity – essential aspects of diversity; importance for governance	Board committees – presence and purpose
NGO 1 (Local)	P 1	..five people...adequate…board does not need too many or too few people for efficient decision making…	…gender is a diversity issue…	…no fixed board committees..adhoc as needed..
	P 2	…five people…adequate for our needs…	…gender is a diversity issue..	….no board committees…only management committees on Finance, HR and procurement…

NGO 2 (Local)	**P 3**	…seven members…adequate for our size and operations..	…diversity of skills and experiences is key…	..yes, HR, Procurement and Finance committees…
	P 4	…seven people…enough for our needs…	…a balance of gender representation…	..yes, Procurement, HR and Finance committees…
NGO 3 (Local)	**P 5**	…sixteen members in the board council..	..gender balance is most critical…	..fixed committees for greater coverage of activities…
	P 6	...sixteen members in the board of councillors..	..diversity is good if it brings different perspectives..	…fixed committees to handle nominations, HR, audit…
NGO 4 (Local)	**P 7**	…seven board members.. …adequate…manageable number..	…gender balance is vital…race is not an issue..	…special assignment committees only…
	P 8	…seven board members. ..enough to function well…	..ethnicity is not important but gender balance is a consideration…	…short term committees with specific terms of reference…
NGO 5 (Local)	**P 9**	…eight non-executive…one executive… .. ..adequate for size…	..diversity of experience and skills which contribute to knowledge… appropriate judgement to perform…	…as and when required committees are formed….
	P 10	…eight non-executive…one executive… ..meet our size and operation needs…	..level of diversity depends on organisation size and location…	…no specific committees.., depends on needs and issues to be handled…
NGO 6 (Local)	**P 11**	…six members...sufficient for key board posts…	…no diversity for diversity sake…contribution is important…	…no committees…
	P 12	…six members...enough for board structure and functions…	…gender is important to achieve diversity…	…no committees…
NGO 7 (Local)	**P 13**	…six members, three male and three female…enough to run smoothly…	…gender balance is a diversity matter..	…board needs based committees…
	P 14	…six members, three male and three female…adequate for needs..	…a gender balanced board is essential..	…task force arrangements...no fixed committees…
NGO 8 (Intl)	**P 15**	..seven members…	..equal representation and views are important…	…audit, risk, fundraising, programmes committees…co-opt members when necessary…
NGO 9 (Intl)	**P 16**	…eight members in the international board…	..race, gender, age matter...we are a youth centred organisation..	…fundraising, legal, contracts, finance committees…

Table 7: Board leadership - Importance, meetings, roles, CEO duality

Organisation	Participant (P)	Importance of board leadership – essential for good governance	Board meetings – number, adequacy and issues discussed	Roles of the board	Executive Director and board Chairperson separation
NGO 1 (Local)	**P 1**	…board chair should ensure necessary skills and capabilities…	…two formal meetings per year, adequate; informal interactions..	…review plans …direct	…yes, Chair leads board, Director leads employees
	P 2	..difficult to push members to be active…	…two formal meetings ..discuss strategy	…oversee policy	…necessary to separate power

NGO 2 (Local)	**P 3**	…board is key for meeting purpose of organisation…	…once per quarter …policy issues	…oversight on decisions	…necessary for checks and balances
	P 4	..board should give adequate support to management…	…quarterly…high level matters…	…oversee main issues	…yes, Director is board secretary..
NGO 3 (Local)	**P 5**	…every organisation needs strong leadership…	…four times a year …vision, mission, values	…organisation's stewards	…cannot be player and referee...
	P 6	…we need a board charter to clarify …	…four times a year …forward planning	…monitor funds usage	…Chair leads runs the board
NGO 4 (Local)	**P 7**	…there has to be partnership between board chair and the Executive Director	…once every three months….review programmes	…supervise and support management	…Director implements board decisions
	P 8	…board should foster team work…	…every three months …receive updates	…accountability to stakeholders	…Director is chief fundraiser
NGO 5 (Local)	**P 9**	… should meet and take their roles in order to lead..	…quarterly…do not spend time on trivial issues	…helicopter view of the organisation	…Chair holds board meetings, sets agenda
	P 10	… be informed about government policy and funding opportunities…	…quarterly …strategic issues	…supervise management	…division necessary for effectiveness
NGO 6 (Local)	**P 11**	…board should organise collective effort…	…quarterly …approve capital expenditures	…highest decision making	…Chair plans annual general meetings
	P 12	…Executive Director and Board chair should be independent…	…quarterly …review management performance…	…oversee disclosure and communications	…necessary for accountability
NGO 7 (Local)	**P 13**	…important to ask the right questions..	…four times a year ..financial oversight matters	…oversee strategy and policy	…Director translates strategy into action
	P 14	…board should enable cohesiveness…	…four times a year …audit findings	…policy oversight	…Chair links board and management
NGO 8 (International)	**P 15**	…the board should direct…	…every two months …approvals, updates	…voice of the organisation	…Director runs daily operations
NGO 9 (International)	**P 16**	… interactive participation within the board…	…once in two months …strategy and policy	…PR, major issues	…Chair is the face of the organisation

Table 8: Ethics

Organisation	Participant (P)	Importance of ethics to governance	Documented and shared ethics policy and inclusion of whistle blowing, fraud, bribery, corruption and handling of complaints	Overseeing policy implementation and review
NGO 1 (Local)	**P 1**	…determine morality of actions	…ethical issues in code of conduct	…HR and Finance committee review
	P 2	…cornerstone of governance…	…code of conduct and secrecy policy	…HR and Finance committee review

		…perceived power can be easily abused…		
NGO 2 (Local)	**P 3**	…define acceptable behaviour	…we have confidentiality policy	…management reviews policy annually
	P 4	…develop trust among stakeholders	… confidentiality policy	…management reviews policy annually
NGO 3 (Local)	**P 5**	…guide interactions with external parties	…yes	…management reviews policy annually
	P 6	…organisational goodwill	…yes	…management reviews policy annually
NGO 4 (Local)	**P 7**	…distinguish between right and wrong	…we have no harm policy	…special assignment committee– yearly review
	P 8	…legality issues	…we have no harms policy which deals with ethics	…special assignment committee– yearly review
NGO 5 (Local)	**P 9**	…decide on best behaviour	…yes	…consultant reviews
	P 10	…impact on public image	…yes	…consultant reviews
NGO 6 (Local)	**P 11**	…guide conduct of staff	…yes	…board and management review
	P 12	…avoid bribery and unlawful acts	…yes	…board and management review
NGO 7 (Local)	**P 13**	…mutual respect and trust	…yes	…consultant reviews
	P 14	…prevent fraud and corruption	…yes	…consultant reviews
NGO 8 (International)	**P 15**	…avoid illegal and objectionable activities	…yes	…audit and risk committees review
NGO 9 (International)	**P 16**	…promote integrity and transparency	…yes	… legal, fundraising and contracts committees review

Table 9: Disclosure

Org.	**Participant (P)**	**Relating disclosure to good governance and sustainability**	**Published annual reports including financial statements**	**Limitations in being transparent**	**Conflicts of interest – availability of procedures for board members and staff; importance**
NGO 1 (Local)	**P 1**	…transparency through disclosure fosters trust	…no publications, internal reports only	…fear of being copied	…procedures are available …prevent litigation
	P 2	…disclosure leads to transparency	…no publications	…dangers of information misuse	…procedures are available …resolve allegations
NGO 2 (Local)	**P 3**	…builds loyalty among employees	… annual reports are published, not financial	…publications can be costly	…procedures are available …reduce corruption

	P 4	…gives the impression that the organisation has nothing to hide	…published annual reports only	…expensive publications which may not be useful	…procedures are available ..help deal with common issues
NGO 3 (Local)	**P 5**	…allows organisation to act transparently	…no publications	…audience may not value information	…procedures are available …reduce improper conduct
	P 6	…prohibits misuse of information by insiders	…no publications	…too much information	…procedures are available …clarity in transactions
NGO 4 (Local)	**P 7**	…prevents misrepresentation by unauthorised sources	…not published, quarter reports	…need to know policy	…procedures are available …decrease corruption
	P 8	…official disclosure averts unauthorised disclosure of inside information	…no publication ..reports per quarter	…legal matters	…procedures are available ..non-disclosure is tantamount to corruption
NGO 5 (Local)	**P 9**	…helps maintain public confidence	…no publications, Director presents to board	…may hinder conclusion of issues	…procedures are available ..avoid misunderstanding
	P 10	…improves dependability and understanding	…no publications ..presentation made to the board	…issues under investigation	…procedures are available ..builds trust and reduces corruption
NGO 6 (Local)	**P 11**	…helps keep management accountable	…no publications	…confidentiality	…procedures are available ..promotes accountability
	P 12	…essential for stakeholder relationships	…no publications	…matters under negotiation	…procedures are available ..improves transparency
NGO 7 (Local)	**P 13**	… impact on decisions of our stakeholders	…internal reports only	… confidentiality	…procedures are available …diminish corruption
	P 14	… preserve stakeholder trust	…internal reports only	… intellectual property	…procedures are available …avoid suspicion
NGO 8 (International)	**P 15**	…encourages trustworthiness and clarity	…yes, presented to the board annually	…legal matters	…procedures are available ..reduce mistrust
NGO 9 (International)	**P 16**	…promotes transparency and reduce conflict	…yes, presented to the board on last meeting of the year	…lengthy approval process	…procedures are available ..promote openness

Table 10: Communication

Org.	Participant (P)	Communication policy – presence and importance to governance	Ensuring quality of information and reporting	Keeping stakeholders happy and maintaining reputation; economic, social and environmental considerations
NGO 1 (Local)	**P 1**	…yes,well-organized channels	…checking for accuracy and timeliness by board members prior to press release	…feedback and open lines of communication …improves public understanding
	P 2	…yes, provides clarity on handling content	…management review and approval	…management field visits …progress reports are sent to donors
NGO 2 (Local)	**P 3**	…yes, policy on who, how and what to communicate	……management checks	…board project tours and feedbacks sessions

	P 4	…yes, policy provides guidance	…board requests information and checks accuracy before making decisions	…organisation does not operate in a vacuum….engages with working groups
NGO 3 (Local)	**P 5**	…yes, all board communication is handled by the Ex. Director	…constructive debates and analysis	…donors are invited to official and key events
	P 6	…yes, Ex. Director handles all media issues	…information is analysed before it is shared externally	…regular donor visits to provide feedback and receive guidance
NGO 4 (Local)	**P 7**	…yes, policy avoids miscommunication	…authority levels determined who releases information on behalf of the organisation	…no harm policy…two-way, internal and external communication
	P 8	…yes, prevent misinformation	……management review and authority	…organisations are not island.. we interact with stakeholders
NGO 5 (Local)	**P 9**	…yes, to allow only authorise people to communicate	…management review and approval	…communication take into account social responsibility
	P 10	…yes, avoid misrepresentation of facts	…reporting systems and lines are clear…next level checks and controls those below	…donors are invited to field visits …show social and environmental impact of projects
NGO 6 (Local)	**P 11**	…yes, policy on when, who, what to share information	…management review and approval	…key workshops are held with donors
	P 12	…yes, policy on how to give stakeholder feedback	… peer reviews and management approvals	…communicating and engaging stakeholders on programme inception, implementation and at the close out…
NGO 7 (Local)	**P 13**	…yes, procedures on how to communicate	…management review and approval	…stakeholder contributions are acknowledged publicly
	P 14	…yes, procedures on channels used	… timelines… provides management and board information timely	…stakeholder complaints are taken seriously and handled by management and the board
NGO 8 (Intl)	**P 15**	…yes, policy on what is communicated and to who	…systems of checks and balances…internal reviews	…joint stakeholders exhibitions are held e.g. seed and food fairs
NGO 9 (Intl)	**P 16**	…yes, policy on how to receive stakeholder feedback	…management review and approval	… open lines of communication ..constant feedback and reviews

Table 11: Risk management – Policies and limitations

Organisation	**Participant (P)**	**Risk management policy**	**Risk management impact on governance and sustainability**	**Limitations in risk management**
NGO 1 (Local)	**P 1**	…no risk policy …risk considered in decisions	…risk involves uncertainty ....decision making difficult	…determining probability of risk occurrence is subjective
	P 2	…no risk policy, adhoc risk management	…dealing with risk when they occur maybe ineffective	…financial limitations to mitigate against risk
NGO 2 (Local)	**P 3**	…yes, e.g. we have antivirus and data backup systems	…exposure to risk may retard governance and sustainability ..affects ability to innovate and grow	…risks tend to be inter-linked ..cause and effect can be difficult to determine
	P 4	…yes, our IT risk policy is strong, prevent cyber-crime, secure data for continuity	…we cannot talk of governance without risk management…. inter-related aspects of controlling	…knowledge about risk management…. lack of expertise

NGO 3 (Local)	**P 5**	…risk registers help identify and track risk responsibility and mitigation	…risk management is part of decision making hence it affects governance and sustainability	…skills in risk management ..complex stakeholder relationships
	P 6	… yes... maintain risk registers to identify and prioritise	… poor risk management is closely related to poor governance…	…inadequate information about the risks
NGO 4 (Local)	**P 7**	…yes, policy covers risk communication for decision making	…some risks impact on liquidity… reduces control…failure to settle bills results in poor reputation..	…turbulent and unpredictable environment…. lack of strong forecasting skills
	P 8	…yes, risks are discussed and plan	…risk management can reduce likelihood and impact of risks	…know-how and experience
NGO 5 (Local)	**P 9**	…not as a stand-alone policy but part of other policies	…risks considerations impact on level of control that is needed and how the organisation is controlled	…reduction in funds available …organisational restructuring...lay-offs
	P 10	…no, it is not a single policy on its own but risk issues are in other policies	…high risk environments mean more regulation, controlling and transparency maybe required	…no internal audit functions…
NGO 6 (Local)	**P 11**	…yes, risk policy covers risk at planning and execution of projects	…failures in risk management can lead to demise…a sign of poor governance	…improper risk assessment can lead to time and resource wastage
	P 12	…yes, risk policy helps to manage risk at all levels	…consistency in risk management promotes good governance	…time consuming due to iterative nature
NGO 7 (Local)	**P 13**	…yes, risk policy covers asset and resource protection mainly	…good governance can result in disclosure and mitigation of risk	…subjective...depends on skills of risk assessors
	P 14	…yes, risk policy, e.g. insurance cover for all assets and human resources	…risk management avoids ambiguity thus improves governance	…involving a lot of guess work…need for appropriate skills and knowledge
NGO 8 (International)	**P 15**	…yes, risk policy for planning and mitigation	…good governance structures promote effective risk identification and monitoring	…human action related factors can be difficult to predict
NGO 9 (International)	**P 16**	…yes, risk policy…promote continuity…	…the mature of governance systems can be determined by the levels of risk and risk management systems	…skills, time and knowledge maybe lacking…

Table 12: Risk management – Expenditure and internal controls

Org.	**Participant (P)**	**Finance policies - accounting procedures, standard and software ; major expenditure control**	**Major internal controls available, necessity; adequacy and review**	**External and internal audit**
NGO 1 (Local)	**P 1**	…yes main policies are available; GAAP, no software…budgets used to control expenditure	… yes, financial controls… reduce losses...adequate for size…annual management reviews	…no internal audit, annual external audits only
	P 2	…no accounting software…GAAP …spend only as budgeted or less	… ensure adequate adherence to policies and procedures…annual review by management	…no internal audit, annual external audits only
NGO 2 (Local)	**P 3**	…accounting procedures available, GAAP; PASTEL software ; budgets and variance analyses	… approval of budgets and prior to expenditure …management annual reviews	…no internal audit, annual external audits only

	P 4	…accounting procedures available, GAAP; PASTEL software ; budgets and variance analyses	…budget based expenditure …activity based budgets …management annual reviews	…no internal audit, annual external audits only
NGO 3 (Local)	P 5	…accounting procedures available, GAAP; Sunsystem software ; budgets and approval limits	…… reduce fraud. ..adequate but adjustable based on annual assessment by consultants	…no internal audit, annual external audits only
	P 6	… procedures available, GAAP; Sunsystem ; budgets, approval limits	…adherence to policies and procedure…consultants reviews	…no internal audit, annual external audits only
NGO 4 (Local)	P 7	… GAAP; limits on cash payments, only spend as per budgets	… reduce losses through errors and omissions….management reviews	…no internal audit, annual external audits only
	P 8	…financial procedures available, GAAP; approval limits and set processes	…compliance with procedures and legislation… review by management	…no internal audit, annual external audits only
NGO 5 (Local)	P 9	…policy and procedures…GAAP… supervision to control expenditure	…ensure reliable and accurate financial reporting; review by management	… annually audited by external auditors…internal auditor is not funded
	P 10	…policy and procedures. GAAP …managers control expenditure	…compliance with internal rules… adequacy reviewed by management	…no internal audit, PVO act specifies annual external audit
NGO 6 (Local)	P 11	…… procedures available, GAAP; PASTEL ; authority levels and processes control expenditure	…segregation of duties...more transparency… consultants review adequacy annually	…no internal audit, annual external audits only... donor sanctioned external audits
	P 12	… procedures available, GAAP; PASTEL, budgets.... authority levels	…supervision to reduce errors … consultants review adequacy	…no internal but annual external audits only
NGO 7 (Local)	P 13	…procedures available, GAAP; PASTEL ; strict payment systems	…balance of power and accuracy ..management reviews	…no internal audit, annual external audits only
	P 14	…… procedures available, GAAP; PASTEL ; stringent procurement	…expenditure evaluations …reviewed by managers	…no internal audit, annual external audits only
NGO 8 (Intl)	P 15	… procedures available, GAAP; PASTEL	…necessary to reduce losses …internal audit reviews controls	…external audits twice a year plus internal audit
NGO 9 (Intl)	P 16	…procedures available, GAAP; PASTEL ; budgets and authority levels	…internal audit is a big component of our internal control	…internal audit and annual external audit

Table 13: Financial viability

Org.	Participant (P)	Governance practices impact on financial viability	Funding - adequate for current needs; past trends; growth; diversity	Fundraising –policy, board involvement, ethical considerations	Self-financing strategies – availability and limitations
NGO 1 (Local)	**P 1**	…yes, governance impacts on goodwill	…inadequate, funding reducing, not diverse	…no fund raising policy, no board involvement	…not yet considered at the moment…
	P 2	…yes, governance impacts on trust	…not enough, , funding decreasing, not diverse, few major donors	…no fund raising policy, no board involvement	…no, it may distort our identity as non-profit
NGO 2 (Local)	**P 3**	……yes, governance affects stakeholder confidence	… funding inadequate and decreasing, no diverse, no new donors	… policy available, limited board involvement, political considerations	…none, currently being developed but funds are limited

	P 4	…yes, governance impacts donor trust	… inadequate... decreasing, no diverse, no new donors	… policy available	……none, being developed
NGO 3 (Local)	**P 5**	…yes, governance determines efficiency of resource usage	… funding inadequate decreasing	… policy available	…no, looking to raise seed money
	P 6	…yes, governance affects control of organisation	… funding inadequate.. decreasing, no new donors	… policy available	…no, no liquidity
NGO 4 (Local)	**P 7**	…yes, governance impacts on goodwill	…not enough…decreasing, few major donors	…no fund raising policy	…no, a major weakness
	P 8	…yes, governance influences donor perception	…inadequate.. decreasing, no diverse, no new donors	…no fund raising policy	…no, capacity is an issue
NGO 5 (Local)	**P 9**	…yes, governance impacts stakeholder relationships	… funding inadequate and decreasing, no diverse, no new donors	… policy available ..Ex. Dir's role to raise money	…no, legally we are not for profit
	P 10	…yes, governance determines if we get funding	… inadequate…decreasing, no diverse, no new donors	… policy available	…no, lack of capacity and money
NGO 6 (Local)	**P 11**	…yes, good governance is a prerequisite for continuity of funding	… inadequate...decreasing, no diverse, no new donors	… policy available, board involvement minimal	…no, conflict of identity – profit vs. non-profit
	P 12	…yes, governance impacts on goodwill	… inadequate…decreasing, no diverse, no new donors	… policy available	…no, management has not considered
NGO 7 (Local)	**P 13**	…yes, governance affects levels of trust and credibility	… funding is adequate… decreasing donor reliance	… policy available	…yes, a farm and professional college
	P 14	…yes, governance impacts on reputation	… funding is adequate…	… policy available	…yes, farm and college run separately
NGO 8 (Intl)	**P 15**	…yes, governance affects how funding partners view the organisation	… adequate and diverse but not growing	… policy available, various private fund raising strategies	…yes; charge fees for some services
NGO 9 (Intl)	**P 16**	…yes, governance impacts on reputation	… donor funding is decreasing globally	… policy available	…yes, real estate and equipment hire