An Evaluation of the Impact on Performance of Corporate Governance Practices in the Mobile Telecommunications Industry in Zimbabwe

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I would also want to thank my wife Rumbi and son Joshua for their encouragement and patience during the course of my studies.

DECLARATION

I, **Paul Musiyiwa** do hereby declare that this dissertation is the result of my own investigations and research, except to the extent indicated in the Acknowledgments and References, and acknowledged sources in the body of the report, and that it has not been submitted in part or in full for any other degree to any other University or College.

…………………………….. **………………**

Students signature **Date**

Approved for submission

…………………………….. **……………….**

Supervisor signature **Date**

DEDICATIONS

To my son – Joshua and wife - Rumbidzai

Abstract

This research surveys the impact of corporate governance practices on performance in the highly profitable mobile telecommunications industry in Zimbabwe, with special emphasis on return on assets as a proxy for performance. It further sought to evaluate the extent to which corporate governance practices are being observed as well as assess whether performances of the different telecoms companies are comparable and identify factors affecting compliance to corporate governance

A descriptive survey research design was used to find the opinions of individuals in the target population on factors affecting compliance with corporate governance and the extent to which firms observe corporate governance. The average Return on Assets (ROA) was calculated and used as a proxy for performance for the period under study to assess performance of the three companies. Data entry was done using a combination of Microsoft Excel and the STATA statistical package.

Almost all of the investigated mobile telecommunications companies largely observe corporate governance practices of the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency and the responsibility of the board. However, NetOne's results show that a bigger percentage of performance in the state enterprise is explained by other factors other than corporate governance practices tested unlike in the other two private companies where the relationship is more significant.

The research was done within a short space of time and due to the sensitivity of some of the variables, most of the target population could not provide such data because of confidentiality.

It is evident that corporate governance impacts on performance and hence the government should promote good corporate governance standards.

The study proposes further study in the areas of corporate governance and corporate failure as this study has established some discrepancies in performance between the state-controlled mobile telecommunications companies and the privately owned companies

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LIST OF ABREVIATIONS

OECD	-	Organisation for Economic Cooperation and Development
FAO	-	Food and Agricultural Organisation
IMF	-	International Monetary Fund
ROA	-	Return on Assets
CEO	-	Chief Executive Officer
US	-	United States
UK	-	United Kingdom
AGM	-	Annual General Meeting
GDP	-	Gross Domestic Product
IFC	-	International Finance Corporation
CIPE	-	Centre for International Private Enterprise
EBITDA	-	Earnings Before Interest, Taxes, Depreciation and Amortization

CHAPTER ONE

1.0 Introduction

Mechanisms that protect the interests of the shareholders are known as Corporate Governance mechanisms. Firms having weaker governance structures face more agency problems and managers of those firms get more private benefits, due to weak governance structures (Becht, 2009). One basic element of improving microeconomic efficiency is corporate governance. As such, it impacts upon the behaviour and performance of firms, innovative activity, entrepreneurship, and the development of a health business sector. As demonstrated by Maher and Anderson (2010), “in an era of increasing capital mobility and globalization, corporate governance is becoming an important framework condition affecting the industrial competitiveness”(p.44).

The purpose of this study is to provide insight into the association between business performance of the telecommunications sector in Zimbabwe and corporate governance practices as prescribed in the Organization for Economic Cooperation and Development (OECD). It is widely believed that better corporate governance manifest itself in enhanced corporate performance and leads to higher economic growth (Maher and Anderson, 2010). There are four major players in the telecommunications sector of Zimbabwe namely, Econet Wireless Zimbabwe, Telecel Zimbabwe, NetOne and Africom. NetOne is a state controlled entity whilst the other three companies are privately owned with Econet Wireless Zimbabwe commanding the lion’s share of mobile telephone and broadband business in Zimbabwe (Econet Wireless Zimbabwe, 2013). In spite of Econet Wireless Zimbabwe’s dominant share on the market, the company recorded a down of 15.6% of profits after tax for the period ending February 2013 while the other players lag behind with a wider margin (Econet Wireless Zimbabwe, 2013).

For emerging economies, corporate governance has become an important factor affecting the success of emerging market businesses. The fast globalizing economies of the world require pro- active measures to safeguard the interests of both shareholders and stakeholders. The interconnectedness of many firms around the world means companies are continuously doing business involving financial resources. However, the economic growth in most of the emerging economies is not aligned with good corporate practices expected from the business community (Fung, 2006). For instance, the recent failures of one of the world's leading Information Technology (IT) companies Satyan Computers leaves practitioners of corporate governance in doubt on whether corporate governance practices can actually transform the business performance of corporations. For that reason, as elucidated in the works of Comment and Schwert (2012) and De Jong and Roell (2010), little is known about the actual match between corporate governance practices and firm performance in most developing countries with Zimbabwe being no exception.

FAO (2010) and the IMF (1999) report most of the Zimbabwean firms to be increasingly politically aligned since the beginning of the economic meltdown at the turn of the new millennium, a development that compromises the security and position of shareholders. As pointed out by Franks and Harris (2009), the function of corporate governance is to rule, lead, create and maintain structure and systems and to monitor performance. Consequently, most practitioners in literature associate corporate governance with prosperous companies. Corporate Governance is needed to create a corporate culture of consciousness, transparency and openness. It enables a company to maximize the long term value of the company which is seen in terms of performance of the company.

There are basically two models of corporate governance that a firm can adopt in its business operations, namely the stakeholder and the shareholder model (Franks and Harris, 2009). Whether the company follows the stakeholder model or the shareholder model, the practice of corporate governance is increasingly becoming vital for all companies. The stakeholder model gives emphasis on the company taking care of all its stakeholders especially the public whilst the shareholder model is much narrower in nature as it largely talks about the benefit of its shareholders (Gregg and Szymanski, 2011). A number of benefits are associated with good corporate governance practices. Good governance helps to develop a brand name for the company and it improves the confidence of investors and stakeholders of the company. Existence and Composition of the board (including the number of executive and non-executive directors namely independent directors and affiliated/nominee directors), remuneration to the board members, relations with shareholders (including participation in the AGM), accountability and audit, committees set up to oversee critical procedures are some of the parameters with which governance can be assessed.

1.1. Introduction to the Chapter

This chapter looks at the background to the study, scope and justification of study. It also presents the research problem and research questions. The purpose of this study is to evaluate the impact on performance of corporate governance practices in the Mobile Telecommunications Industry in Zimbabwe.

1.2. Background

The global rise of mobile telecommunication adoption at the turn of the 21st century illustrated the influence of new technologies and the degree of changes that they trigger. Unlike preceding network technologies, mobile phone networks can be built quickly provided the spectrum agreements are in place (Grossman and Hart, 2007). As such, tough and competitive market has offered much improved services both in terms of capabilities and in terms of information retrieval, incapacitating typical problems of inefficiencies generated by monopolies in fixed networks (Valente, 1996).

Corporate governance mechanisms assure investors in corporations that they will receive adequate returns on their investments (Holderness and Sheehan, 2013). As revenues from mobile telecommunications account nowadays for a significant percentage of GDP especially in developing countries, mobile telecommunications have also become an important and efficient means for tax collection. Blaurock (2009) attributes the lack of full exploitation the potential of mobile networks to a deficiency in corporate governance systems to company goals and objectives. Examples of firm collapse due to lack of synergy between corporate governance and firm business performance are well documented in literature, including Enron Corporation and MCI Inc.. Moreover, telecommunications infrastructure has significant network externalities. In line with the network economics' literature, one of their key characteristics is that the value of the network increases with the usage base. This has frequently been referred as a direct network externality. Economides and Himmelberg (1995), pointed out that certain threshold levels of diffusion occur which can then trigger off additional benefits, such as the availability of new services. Ultimately one would expect increasing returns from the adoption of the technology.

A number of governance models are in operation across the regional and the international jurisdictions of the globe. However, as put by Business Sector Advisory Group (2008), there is no single model of corporate governance, implying that firms and corporations may adopt a combination of these models at any given time to suit the needs of their shareholders and stakeholders. In fact the studies of Maher and Anderson (1999) show that governance practices vary across countries, firms and industry sectors depending on identity of controlling shareholders as well as degree of ownership and control. Further attributed to this differentiation is each country's, culture, history as well as legal and regulatory framework.

Econet Wireless Zimbabwe was a startup private company to challenge the state's rights to dominant control over the telecommunications sector during the period 1993-1998 (MICT, 2010). For example, at the dawn of the multiple currency system in 2009, the share price movement of Econet Wireless grew rapidly between 2009 and 2010 and continued on a steady rise until 2013 as shown in **Figure 1-1**. The government of Zimbabwe responded to this growing threat by approving the privatization of TelOne and NetOne in November of 2001, with the equity structure aimed at 70% shareholding by the government and the remaining 30% offered to a strategic private partner (MICT, 2010). However, a combination of inflexibility in the shares and a deteriorating economy then deterred most investors, resulting in these companies still being state run. As such, this study sought to evaluate whether corporate governance practices could be responsible for some of the discrepancies notable on corporate performance that exists among some of the mobile telecommunications sector.

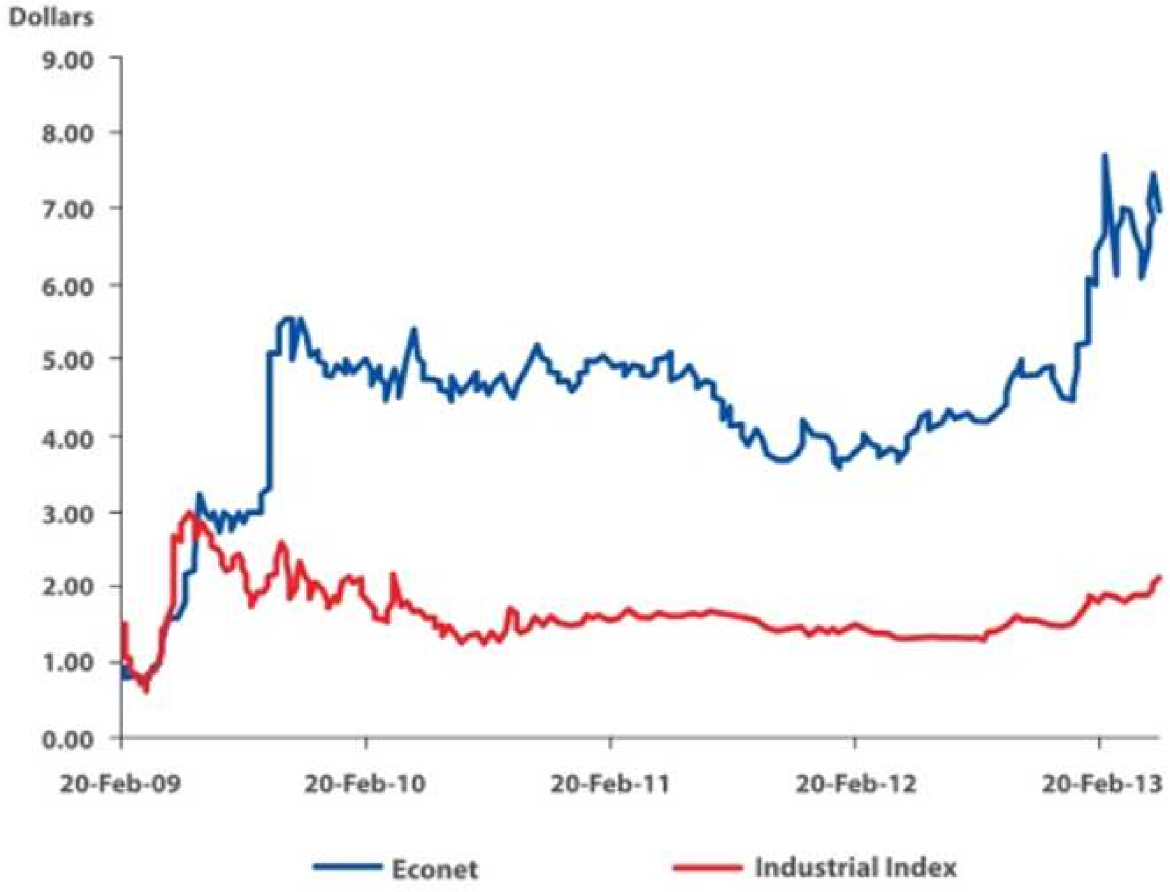

Figure 1-1: Share price movement from February 2009 to February 2013. Source: Econet Wireless Zimbabwe (2013).

Prior the 2009 era, only three mobile telecommunication companies were licensed namely Telecel Zimbabwe and NetOne and Econet Zimbabwe and hence, Econet Wireless enjoyed substantial sales due to its pioneering work in setting up state of the art telecommunications infrastructure across the country (Drobetz, Schillhofer, and

Zimmermann, 2004). However, upon the coming into play of a new political dispensation, the resulting political stability introduced by the inclusive government brought up investor confidence and more companies surfaced on the mobile telecoms market and these included Africom, PowerTel, Liquid and many more. This development is justified by the steady rise in share price of the former dominant Econet Wireless from 2010 to late 2012 due to the increased competition in the market.

1.3. Statement of the problem

The major telecommunications companies in Zimbabwe like NetOne, Telecel, Africom and Econet have embraced corporate governance principles and practices since the turn of the new millennium. However, as Ernst and Young (2012) and Gwatiringa (2012) show, wide ranging differences on corporate performance exist in these companies even after the introduction of the multiple currency regime in 2009. It therefore remains unknown to the public stakeholders and the practitioners of corporate governance in general and potential investors in particular on whether corporate governance practices predict similar outcomes amongst these telecom players. It is therefore against this background that this study endeavours to evaluate the business performance of the country's mobile telecommunications companies and adherence to corporate governance since the beginning of the multiple currency regime to 2013. This period is chosen because the telecommunications market was nearing an almost perfect market upon the introduction of the multiple currency regime, with many players like PowerTel joining the industry.

De-politicizing decision making and establishing firewalls between the government and management in corporatized companies where the state is a dominant shareholder can greatly improve the competitiveness of quasi-government institutions. Linkages between high corruption levels and bad governance and public services have been blamed for the country's collapse in parastatals (Hanke, 2008). One of the country's major players in mobile telecommunications, NetOne is no exception to this quagmire.

1.4. Primary objectives

The primary objective of this study is to evaluate the business successes of mobile telecommunication companies in Zimbabwe through corporate governance for the period of 2009 to 2013.

1.4.1. Secondary objective

The study sought:

1. To evaluate the extent to which corporate governance practices are being observed in the different mobile telecommunications companies.
2. To evaluate the impact of mobile telecoms corporate governance practices on corporate performance
3. To assess whether the business performance of the different telecoms companies are comparable
4. To identify factors affecting compliance to corporate governance

1.4.2. Research questions

The study formulated the following research questions:

1. To what extent are corporate governance practices/ principles observed in the different telecoms firms?
2. What is the impact of corporate governance practices on corporate performance?
3. Are there any differences in business performance among the mobile telecommunications companies?
4. What factors influence compliance to corporate governance practices?

1.5. Significance of the study

The significance of this study is threefold. First, the findings of this study contribute to corporate governance and firm performance in the mobile telecommunications sector literature in general and to the Zimbabwean mobile telecommunications players in particular. This may provide some ideas for other researchers to execute more research in the field of mobile telecommunications and corporate governance, taking into consideration the diversity of governance systems in international, regional and national jurisdictions. Second, there has not been any reported research of the evaluation of the association between corporate performance of mobile telecoms sector and corporate governance practices in Zimbabwe. Thus, this study represents a first attempt at reporting of the potential business benefits that may be harnessed as a result of creating a synergy between corporate governance practices and firm performance.

Third, a very significant contribution of this study is to provide guidelines for the successful implementation of policies meant to enhance accountability and transparency in the state owned mobile telecommunications companies and to protect the interests of the public, stakeholders and shareholders in privately owned companies in the telecommunications industry. Lastly, a thorough evaluation of these companies would improve investor confidence in the Zimbabwean corporate sector at large and the telecommunications sector in particular.

1.6. Assumptions

The basic assumption in this study is that the business operating environment for the surveyed mobile telecommunications companies has been the same for the period under study and those managers and company employees will be willing to provide information for this study.

1.7. Scope of the study

The researcher chose the scope of the study to be confined to the telecommunications industry since most of the players in this sector publish their information on company websites and information gateways, a situation that made information and data accessibility easy. As such, the research considered three of the major mobile telecommunications companies of Zimbabwe namely Econet Wireless, Telecel Zimbabwe and NetOne. These firms include quasi-government institutions and privately owned firms, making it possible for the results of this study to be generalized beyond the Zimbabwean jurisdiction. The results of this study also challenges the corporate conduct of other organizations by promoting transparency, accountability and responsibility as most of these firms are subject to audit by the communities they serve.

The extent to which the study will meet the questions posed in the preceding section can be affected by the realities of data availability on the companies' websites. It is also not a secret that Corporate Governance is a delicate issue as it focuses on the organization's compliance to set rules and ethics and socio-economic responsibility. Subsequently, companies and corporates find it difficult to disclose company information as this may be considered company secrets. Hence, findings of this dissertation will be curtailed by the quantity, quality and reliability of the collected data.

1.8. Definition of terms

Accountability: the allocation or acceptance of responsibility for actions

Codes of Best practices: These codes are non-binding rules that go beyond the law, taking country-specific conditions into account and often exceeding the standards set by international guidelines.

Corporate Governance: is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled.

Shareholders: somebody who owns one or more shares of a company's stock.

Stakeholders: a person or group with direct interest, involvement, or investment in something, e.g. the employees, stockholders, and customers of a business concern.

Transparency: the quality or state of being transparent (completely open and frank).

1.9. Dissertation outline

The dissertation will have five chapters. Chapter 1 presents the background of the study, scope, justification of study, research questions and objectives. Chapter 2 presents the literature review in line with the thematic topics arising from the study objectives. Chapter 3 presents the research methodology, research philosophy, sampling methods, data collected, methods of data presentation and the various statistical procedures and packages to be used for the data processing phase. Chapter

4 presents the results of the analysis outlined in chapter three and a detailed discussion of how the findings relate to literature. Chapter 5 presents research conclusions and recommendations.

1.10. Chapter summary

In this chapter the researcher has highlighted the study background, problem statement, research objectives, research questions, research proposition, and justification of the study and scope of the research. The next chapter reviews pertinent literature on the topic under study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1. Introduction

In this chapter the reader is introduced to the theoretical framework of corporate governance and business performance in general and literature on the thematic topics arising from the study objectives presented in chapter one. As such, the aim of this chapter is to present the reader important concepts, theoretical knowledge regarding the subject of this study and a detailed literature background regarding the study.

2.2. An overview of corporate governance

As defined by Jarrell and Brickley (2007), corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation is directed, administered or controlled. This also includes the relationships among the various stakeholders involved and the objectives for which the corporation is administrated. The primary stakeholders are the shareholders, management, and the board of directors. In addition, other stakeholders include employees, customers, creditors, suppliers, regulators, and the community at large (Kotler and Lee, 2005).

Favorable corporate governance regimes aid to assure that corporations use their capital efficiently. Furthermore, good corporate governance aid in ensuring that corporations take into account the interests of a wide range of areas, as well as of the communities in which they operate, and that their boards are accountable to the company and to the shareholders (La Porta, Lopez-de-Silanes, and Shleifer, 1999). Thus, the process in turn assists in ensuring that corporations operate for the good of the society as a whole. Investor confidence is therefore enhanced and maintained, both from the national and the international markets. According to Lebas (1995), such a situation will substantially improve a firm’s prospects of making more profits.

According to Cadbury (2003), accountability is the backbone of corporate governance. The positive effect of corporate governance on different stakeholders ultimately is a strengthened economy, and hence good corporate governance is a tool for socio-economic development. As such, the King III report (2010) and OECD (2004) both concur that fundamental essentials of good corporate governance principles include honesty, integrity, transparency, sustainability, accountability, responsibility, risk management , compliance and independence.

Commonly accepted principles of corporate governance (Encyclopaedia, 2014) Wikipedia (para 2) include:

“Rights and equitable treatment of shareholders: Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings” (Sarbanes Oxley Act, 2002, OECD, 2004, Cadbury report, 1992 as cited in Wikipedia (para 2)).

“Interests of other stakeholders: Organizations should recognize that they have legal, contractual, social and market driven obligations to non shareholder stakeholders, including employees, investors, creditors, suppliers local communities, customers and policy makers” (OECD, 2004 as cited in Wikipedia (para 2)).

“**Roles and responsibilities of the board**: The board needs a range of skills and understanding to review and challenge management performance. It also needs adequate size and appropriate levels of independence and commitment” (OECD, 2004, Cadbury Report, 1992 as cited in Wikipedia (para 2)).

“Integrity and ethical behaviour*:* Integrity should be a fundamental requirement in choosing corporate officials and board members. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making” (Cadbury report, 1992, Sarbanes Oxley Act, 2002 as cited in Wikipedia (para 2)).

“Disclosure and transparency: Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information” (OECD, 2004, Cadbury Report, 1992 as cited in Wikipedia (par 2)).

Most importantly is how directors and management develop a model of governance that aligns the values of the corporate participants and then evaluate this model periodically for its effectiveness. In particular, senior executives should conduct themselves honestly and ethically, especially concerning actual or apparent conflicts of interest, and disclosure in financial reports.

The Board of Directors meets according to a fixed schedule, set at the beginning of each year, which enables it to properly discharge its duties. As a rule, the Board of Directors meets at least five times a year. Non-executive Directors are required to meet separately from executive members at least once a year. All Directors are expected to be provided with a concise but comprehensive set of information by the Company Secretary in a timely manner, concurrently with the notice of the Board meeting, not less than fourteen days before each meeting. This set of documents is to include;

- An agenda
- Minutes of the prior Board Meeting
- Key performance indicators, including relevant financial information prepared by management, and clear recommendations for actions.

The diversity of corporate governance systems is based on historical, cultural and institutional differences that involve different approaches to the values and objectives of a business activity (Nanka-Bruce, 2009). OECD (2004) as cited in Clarke and Rama, (2008), “stressed the importance of strategic choice in the determination of governance systems entrepreneurs, investors and corporations need the flexibility to craft governance arrangements that are responsive to unique business contexts so that corporations can respond to incessant changes in technologies, competition, optimal firm organization and vertical networking patterns. To obtain governance diversity, economic regulations, stock exchange rules and corporate law should support a range of ownership and governance forms". For the three companies under study only Econet Wireless is listed on the Zimbabwean stock exchange hence the ready availability of published financial information unlike the others.

On another paradigm, Oman (2001) views corporate governance as concerning processes, systems, practices and procedures as well as the formal and informal rules that govern institutions. Furthermore, it is the manner in which these rules and regulations are applied and followed, the relationships that these rules and regulations determine or create, and the nature of those relationships (Park and Shin, 2004). It also addresses the leadership role in the institutional framework. Corporate governance, therefore, refers to the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources. Thus, this is done with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission (Oman, 2001). The implication is that corporate governance adherence companies not only maximize shareholders wealth, but balance the interests of shareholders with those of other stakeholders, employees, customers, suppliers, and investors so as to achieve long-term sustainable value (Pascale and Athos, 2011). From a public policy perspective, corporate governance is about managing an enterprise while ensuring accountability in the exercise of power and patronage by firms (Resurreccion, 2012).

2.3. Contrasting approaches to corporate governance

Two theories of board roles are used to demonstrate the two contrasting approaches to corporate governance (Sharma, 2001). In the context of the relationship between board of directors and management, the agency theory prescribes a control approach, while the stewardship theory favours a collaborative approach. This is further enlightened by the critique of the differing approaches presented in the subsequent paragraphs.

2.3.1. The Agency theory

The Anglo-American model of corporate governance is based on the agency theory perspective (Sian and Roberts, 2006; Sridhar, Kala, and Sridhar, 2007; Tadesse, 2013). The root of the agency theory is that shareholders, through the board of directors (BOD), delegate the responsibility of managing the firms to the top executives, who are supposed to use their significant information advantage, specialized knowledge, expertise and the firm's resources to maximize returns for the shareholder. As demonstrated by WA (2007) and White (1982), the agency theory is also the cornerstone of the Anglo-American principal-agent model. It assumes that separation of ownership and control in publicly listed corporations provides motivations for managers (agents) to act in a self-interested and opportunistic manner, which in turn induces shareholders (principals) to invest in formal governance mechanisms to alleviate the agency problems through minimization of agency costs (Associated Fraud Examiners, 2003; Bauer and Gunster, 2004; Zhu, Chew, and Spangler, 2007).

McConnel and Servaes (2009) and Maher (2007) concur on the assertion that the agency theory is a theory of the firm that discusses the managerial incentive problems arising out of the separation of ownership and decision making. It therefore defines the relationship between the managers and shareholders as a contract between agents and principals. Just like in the case of the theory of shareholder value maximization, agency theory can trace its root to the ground breaking work of Berle and Means (1932/ 1968). This work pioneers the concept of the separation of ownership and control in the wider context of the theory of a firm.

Agency relationships are formed when the principals (shareholders) delegate authority to the agents (managers) and the welfare of the former is affected by the choices of the latter (Arrow 1985). As Malatesta (2008) shows, this delegation of decision making authority from principal to agent can be problematic for three reasons. Firstly, the interests of principal and agent often are typically diverged due to the separation of ownership and control in modern corporations (Fama and Jensen, 1983). Secondly, the principal cannot perfectly monitor and acquire the information available to or possessed by the agent without incurring costs. The above two factors together constitute the classical agency problem, that is, the possibility of opportunistic behaviour on the agent's part that works against the welfare of the principal. The scope of the classical agency problem is extended by Conyon and Mallin (2008) to include risk-sharing attitudes; that the principal and the agent may prefer different actions due to their differing risk preferences and partly differing goals.

Easterbrook (2009) notes that there are two primary sources of agency problem: moral hazard (hidden actions including shirking) and adverse selection (hidden information). Moral hazard involves situations in which the agent's actions are typically either hidden from the principal or are too costly to fully monitor the behaviour of their top management team, since effort and ability are difficult to observe. Adverse selection occurs when agent possesses information which is unobservable or costly for the principal to obtain. Boards of directors typically are at an information disadvantage in their dealing with Chief Executive Officers (CEOs).

2.3.2. Stewardship theory

Ryngaert (2009) and International Corporate Governance Network (2011) both agree that stewards work in the interests of their principals in order to enhance their corporate image and personal acumen. Grounded in the organizational psychology and sociology, stewardship theory posits that managers as dutiful stewards are motivated to act in the best interest of the principals (Schranz, 2013). Even when the interest of the steward is not aligned with those of the principal, the steward accords higher value on cooperation rather than to act opportunistically. This is because the steward places greater value in cooperative behaviour and thus behaves accordingly (Nestor, 2009).

Stewardship theory presumes that managers are seeking to maximize firm performance. This is because in doing so their utility functions are maximized too. A pro-organizational steward is motivated to maximize firm performance so as to satisfy the sometimes competing interest of shareholder and stakeholder groups (Williamson, 2008). The steward perceives that by working towards organizational, collective ends, personal needs are met, even when tradeoff is inevitable between personal needs and organizational objectives.

Advocates of stewardship theory argue that the board of directors should empower governance structures and mechanisms in order to maximize the potential performance of the steward (Boubakri and Cosset, 2012; Chakraborty, 2009). Accordingly, the aim of corporate governance is to maximize firm value and not just minimizing agency cost as advocated by the agency theorists. Stewardship theorists focus on structures that facilitate and empower, as compared to agency theorists' emphasis on monitor and control. The focal point of contention between stewardship theorists and agency theorists is the structure of the chair of the board. While the former advocates duality of CEO-Chairman, the latter insists on the separation of the two positions.

2.4. Corporate governance and impact on corporate performance

(International Finance Corporation [IFC] and Centre for International Private Enterprise [CIPE], 2011) argue that:

> For corporations, improving corporate governance attracts greater investment at lower cost, strengthens company strategy and execution, clarifies accountability, protects shareholders, and attracts and retains quality employees. For controlling shareholders (often founding families) corporate governance clarifies roles, allows continuing professionalization of the senior executives while ensuring accountability, and increases the value of the organization. For society as a whole, it minimizes the incidence of corruption, reduces the risk of systemic crises, and improves productivity. (p.iii)

The hypothesis put forward by Dedman and Galai (2009) that firms in industries require relatively large amounts of external finance to succeed will perform relatively better in countries where financial markets are better developed remains plausible. This assertion is further reinforced by Healy and Palepu (2012) and Hollander and Roelofsen (2010) who first estimated the amount of external financing as a fraction of capital expenditures actually used by all the manufacturing firms in the Compustat universe for the United States. They find that Drugs and Pharmaceuticals firms use the most external finance, followed by Plastics and Computing.

Therefore, one of the questions that arises when considering whether or not corporate governance affects performance includes whether or not owner-controlled firms are more profitable that manager-controlled firms? (Hollander and Roelofsen, 2010).

Brouther (as cited in Abadi etal, 2012) points that:

> It is not clear whether or not concentrated ownership and control will improve performance. On the one hand, concentrated ownership by providing better monitoring incentives should lead to better performance. On the other hand, it might also lead to the extraction of private benefits by controlling block holders at the expense of minority shareholders. These issues are central to the debate surrounding corporate governance practices, particularly since concentrated holdings are the primary means of control in so many countries around the world. (p. 290)

The principle-agent model suggests that managers are less likely to engage in strictly profit maximising behaviour in the absence of strict monitoring by shareholders. Therefore, if owner controlled firms are more profitable than manager-controlled firms, it would seem that insider systems have an advantage in that they provide better monitoring which leads to better performance (Zingales, 2008). The vast majority of empirical studies, it turns out, do seem to favour the beneficial effects of enhanced monitoring as a result of higher ownership concentration.

Based primarily on studies from the US and UK, he finds that although the results are ambiguous, the majority of studies find that “owner-controlled” firms significantly outperform “manager-controlled” firms. Firms are usually classified as owner controlled if there is a single block of equity exceeding five or ten percent.

> The dependent variable used in these studies were all proxies for the performance of the firms as measured by net income/net worth, rate of return on equity or Tobin’s Q, or the riskiness of returns. Although a number of studies find no significant difference

between the two, the number of studies that find that manager-controlled firms outperform owner-controlled firms is negligible(Becht, 2009).

It is widely believed that large institutional investors or shareholders are active monitors of corporate performance resulting in improved productivity. Konzelmann, Conway, and Wilkinson (2010) find a larger turnover of directors when large shareholders are present, indicating that large shareholders are active monitors. It seems, therefore, that the beneficial effects of direct monitoring, and a better match between cash flow and control rights, more than outweigh the costs of low diversification opportunities or rent extraction by majority owners.

For example, Thonet and Poensgen as cited in Lehmann et al (2007) found that "there are significantly lower returns for owner controlled than for manager controlled German public companies.'' (p.164) Jacquelin and Ghellinckh as cited in Maher and Anderson (2008), using French firm data, found no differences between familial and non-familial controlled firms.

Studies reveal that an increase in managerial control does not necessarily increase firm performance. This was established by U.S data analysed by McConnell and Servaes as cited in (Enqvist, 2005)

According to Maher and Anderson (1999) different owners will have different objectives, and as such identity of owners will matter for firm performance. In particular governmental or quasi-governmental controlled firms' managers behave differently to their counterparts in the private sector- a factor that directly affects firm performance due to strategic direction taken or incentives in place.

The basis of whether or not owner controlled firms performs better than manager controlled firms lies on both the industry type and the levels of ownership concentration at inception Maher and Anderson (1999). .

Owner controlled entities perform better than manager controlled entities as the owner controls the future expansion and strategies of the entity (Spieler and Murray, 2008).

An entity in its growth phase rarely experiences corporate governance failure since it is at this stage that it has its owner in charge (Spieler and Murray, 2008). Trust established between owners and managers with time as firms operate and grow give rise to owners loosening their supervision grip on managers, in the process opening doors for management to abuse the trust and misappropriate assets. As the entity expands and matures, it moves from the growth phase to the stability phase and owners become more risk averse heightening the need for enhanced corporate governance structures. This is supported by Hada , U (2013:16) "The dilution and dispersion of equity stakes in this case, implies that as firms mature effective corporate governance mechanisms become increasingly important in assuring firm performance."

A variety of incentives make managers perform their duties well. These incentives are usually in the form of salaries, bonuses, holiday package benefits, scholarships and several other forms. In general managers who are not satisfied with the level of reward do not perform duties in the best interests of the firm.

Qian (2007) investigated the relationship between corporate governance practices like board constitution, board structure, different committees, independent directors and their roles, conflict of interest and disclosure of information and firm performance. The results show that corporate governance practices have limited impact on both the share prices of the companies as well as on their financial performance. On the other hand, Ackerman (2004) and Adhin (Adhin, 2011) propose existence and composition of the board (including the number of executive and non-executive directors namely independent directors and affiliated/nominee directors), remuneration to the board members, relations with shareholders (including participation in the AGM), accountability and audit, committees established to oversee critical procedures to be some of the parameters with which governance can be measured.

2.5. Factors affecting compliance to corporate governance

Studies illustrate that the decision to comply with corporate governance hinges on the ownership structure as well as entity growth. In particular, the researchers found that family firms are less likely to comply with provisions related to the monitoring role of the board for example, the existence of independent non-executive directors) (Arcot, 2012:3). This position contradicts the findings of Adams and Ferreira (2007) who asserts that a firm's growth pathways and trajectories only affect the long term business sustainability of the company and hence, largely divorced from corporate governance issues.

On the other hand, the findings of Adams and Ferreira (2008) and Adams, Hermalin, and Weisbach (2010) are consistent with the existing literature highlighting different monitoring and governance needs related to operational and ownership characteristics.

A study by Lehn and Zhao (2009) and Morgenson (2009) on the performance-governance regressions show that companies that do not comply with corporate governance standards and do not explain the reasons have the lowest profitability. On the same note, companies that comply and those that do not comply but give informative explanations perform better than other companies in the long run. "These findings suggest that the positive association between heterogeneous governance structures and performance is limited to those firms with the highest levels of governance standards or disclosure whereas silence and incomplete disclosure are associated with poor performance" (Arcot and Bruno, 2011:2) On another dimension, these results also suggest that compliance with governance standards and better disclosure of non-compliances are substitute governance and monitoring mechanisms that reduce agency costs (Morgenson, 2009). Subsequently, less governance transparency can be related to an inefficient allocation of resources and worse firm performance (Federal Reserve Bank of Kansas City, 2010; Fich, Shivdasani, and Fama, 2011; Grossman and Hart, 2007; Hollander and Roelofsen, 2010).

Practitioners and advocates of corporate governance from the Nordic countries suggest that compliance to governance practices is strongly influenced by the size of the enterprise. However, as the study of Hofstede (2001) shows that there is unconvincing evidence that the size of a company is a major factor in the corporate governance choices. This essentially means the value of assets (Market Capitalization) is not significant, as well as profitability, leverage, and capital intensity coefficients are not significant. In fact, as the evidence of Herring and Chatusripitak (2006)'s research show, firms size is indicative of the diversity of investment and value of both external and internal shareholding that exist in a company.

"When outside investors finance firms, they face a risk, and sometimes near certainty, that the returns on their investments will never materialize because the controlling shareholders or managers expropriate them (Frederikslust, Ang and Sudarsanam, 2007:91).. It is for this reason therefore that protection of the investor becomes very important. External investors adopt corporate governance as a tool for protecting themselves against losses by those in directly in charge of the firms they have invested in. "To a large extent, potential shareholders and creditors finance firms because their rights are protected by the law. These outside investors are more vulnerable to expropriation, and more dependent on the law, than either the employees or the suppliers, who remain continually useful to the firm and are thus at a lesser risk of being mistreated." (LA Porta, Lopez- de- Silanes, Shleifer, Vishny, 2001:2)

The legal system has a role to play as well.

Jensen and Meckling (cited in La Porta etal, 2001:2) write:

> This view of the firm points up the important role which the legal system and the law play in social organizations, especially, the organization of economic activity. Statutory law sets bounds on the kinds of contracts into which individuals and organizations may enter without risking criminal prosecution. The police powers of the state are available and used to enforce performance of contracts or to enforce the collection of damages for non-performance. The courts adjudicate contracts between contracting parties and establish precedents which form the body of common law. All of these government activities affect both the kinds of contracts executed and the extent to which contracting is relied upon.

2.6. Conceptual framework

This research evaluated the business successes of mobile telecommunication companies in Zimbabwe through corporate governance for the period of 2009 to 2013.

The conceptual framework (see **Figure 2-1**) presented provides key variables to be investigated by the study in line with the objectives of the present study. Much remains to be seen on the transparency and accountability frontier of most mobile telecommunications companies, especially the quasi-government firms. As such, the literature reviewed in the preceding paragraphs shows no contribution on the research of the Zimbabwean telecommunications sector in general and the ability of the stakeholders to make business decisions based on the information available to them. Ideally, this information should be made available through annual reports and good corporate governance practices. However, most of this remains locked up and hence, inaccessible to the majority of the Zimbabwean mobile telecommunications stakeholders and corporate governance practitioners.

2.7. Chapter summary

This chapter has revealed literature on the general overview of corporate governance, theories of corporate governance, approaches and practices of corporate governance, the impact of corporate governance on business performance and the factors affecting compliance with corporate governance. The following chapter presents the methodology regarding the study, the sampling procedures, sources of data and the data analysis and presentation methods.

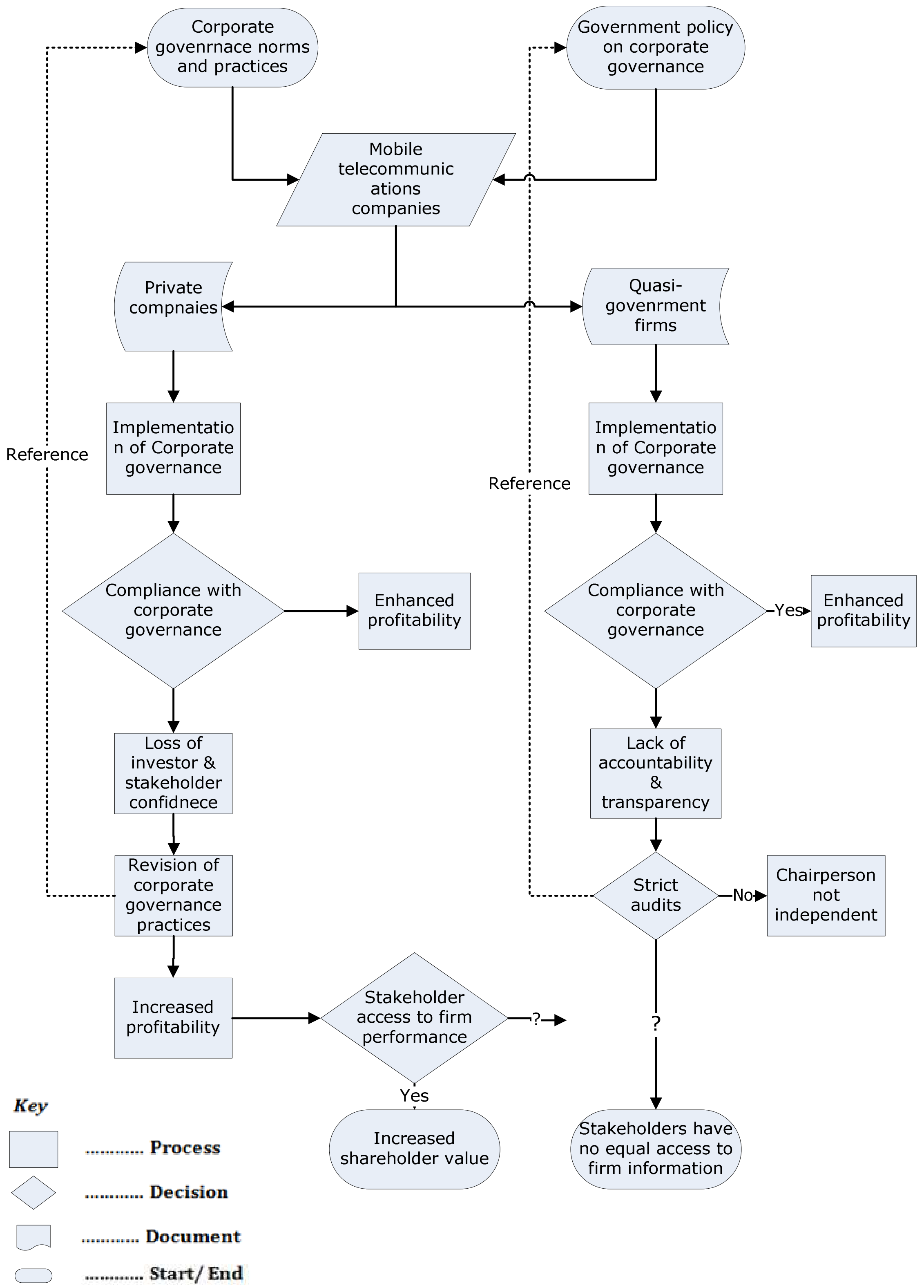

Figure 2-1: Conceptual framework of the business successes of the different mobile telecommunications companies with corporate governance

CHAPTER THREE

3.0 METHODOLOGY

3.1. Introduction

The chapter presents the methodology that was used in the study. It spells out the research philosophy, design, study population, research instruments, sample and the techniques and methods of data collection, processing and analysis. Furthermore, the chapter presents a detailed account of the data sources and the types of data that was collected from different organizational and internet portals.

3.2. Research philosophy

Literature offers a number of paradigms and theoretical bases for conducting research ranging from the economic, social and scientific arena. This research study adopted the positivism research paradigm. This paradigm clearly goes along with the research constructs put forward in chapter one of this study since it is the researcher's intention to understand and evaluate the potential business successes that could be realized by corporate governance mobile telecommunications companies in Zimbabwe. The justification for the selection of this paradigm was largely motivated by two factors given as follows. In the first place, the data collected by the researcher from organizational websites on corporate governance and performance was largely quantitative and secondly, the need to provide a quantitative interpretation of the research findings coming from the surveyed population.

3.3. Research design

A descriptive survey research design was used to find the opinions of individuals in the target population regarding the factors affecting compliance with corporate governance practices and the extent to which firms observe corporate governance. In order to collect information about the indicated target group, the researcher decided to carry out a descriptive survey. A descriptive survey is a technique used for gathering statistical information about attributes, attitudes or actions of a population by administering standardized questions to some, or all of its members (Collis and Hussey, 2003:66).

In order to assess the performance of the surveyed corporate governance mobile telecommunications companies, the average Return on Assets (ROA) was calculated and used as a proxy for performance for the period under study. ROA is calculated as earnings before interest, taxes, depreciation and amortization (EBITDA) divided by total assets at the beginning of the financial year (Dayha, McConnel and Travlos, 2002). Preliminary survey by the researcher found that most of Zimbabwe's Telecoms firms provide EBITDA figures in their annual reports. Total assets at the beginning of the financial year are used because of the lagged effect of asset usage impact on firm earnings which should be captured only at the end of the financial year. Combs, Crook and Shook (2005) suggest that ROA is a reliable accounting measure of a firm's financial performance and it is expressed as a percentage. Furthermore, Muth and Donaldson (1998) and Erhardt et al. (2003) have used ROA in measuring firm performance in their studies.

3.1. Study area and population

Mobile telecommunication firms are basically used as the population and three major telecoms firms are used in the sample, selected on the basis of availability of secondary data on other required variables.

The study covered the major mobile telecommunications firms in the country in Harare, which is the country's capital city. This was because of the centrality of the location and again, that was where the researcher had access to the key study participants. Furthermore, confinement of the research to the capital city was largely motivated by the fact that most of the data needed for the research is widely available on company websites and information portals and partly due to logistical and resource constrains. As such, the mobile telecommunications sector formed the study population for the study at hand. This sector was chosen because there is evidence of mal-performance in some companies, especially the quasi-government companies (Chirwa, 2001).

3.2. Sample size and selection

A sample size of 111 respondents from the three major mobile telecommunications companies were selected as indicated in Table 3-1. This sample size was arrived at by the use of a stratified purposive sampling procedure, which allowed the researcher to purposefully select holders of information pertinent to the research at hand. As such, random sampling could have resulted in key informants within the telecommunications companies being missed or being chosen in a non-representative manner. However, effort was made to make sure that the overall sample size was not too low to invalidate the findings of this research and not too large to make the process expensive.

Table 3-1: Sample size requirements and target population

Mobile telecommunication company	Target group	Number sampled
Econet Wireless	• Customers • Management • Suppliers • Shareholders/Directors	20 5 5 7
NetOne	• Customers • Management • Suppliers • Shareholders/Directors	20 5 5 7
Telecel Zimbabwe	• Customers • Management • Suppliers • Shareholders/Directors	20 5 5 7
Total sample size		**111**

Source: SMEs sampling survey, 2013

3.3. Sampling strategy and selection

The researcher utilized stratified purposive sampling for the selection of study respondents from the mobile telecommunications companies to compliment data collected from corporate annual reports for financial performance and websites. The criterion for selecting the telecoms firms was based on the market share that the companies have in the market in relation to other companies. As a result, random sampling was found inappropriate as the market is only made up of a sizable number of mobile telecoms firms.

As Creswell (2002) and Sandelowski (1995) put forward, sample sizes in qualitative research should not be too small that it is difficult to achieve saturation. The scholars also go further to emphasize that the samples should not be too large that it is difficult to undertake a deep, case oriented analysis.

The respondents were drawn from four strata namely, customers, management, suppliers and shareholders. The sampling was purposive as the researcher had good knowledge of the usefulness the targeted study participants in answering the research questions in this study. Furthermore, they were the only appropriate candidates to compliment website data and also in custody of the required data for the mobile telecommunications companies under investigation.

3.3.1. Data collection methods

In order to receive information about the specified target group, the researcher carried out a descriptive survey. A descriptive survey is a technique used for gathering statistical information about attributes, attitudes or actions of a population by administering standardized questions to some, or all of its members (Collis and Hussey, 2003:66). Surveys include postal or self-administered questionnaires, or personal interviews. Data was collected from the websites of the companies, published reports and annual reports of the companies. Most of the data collected was secondary and partly primary and the time period of the study was five years from FY 2009 to FY 2013.

The researcher personally delivered the questionnaires and e-mailed some toother respondents who could not be contacted immediately. For e-mail surveys, the prospective respondents were first given a notice in writing. This was done to increase the number of responded questionnaires from the sample. Self-administration allowed the researcher the opportunity to answer queries with regard to the completion of the questionnaire, which helped to improve the response rate. According to Preece (1994:96), different methods such as interviews, questionnaires, and observations are used to collect the empirical material.

3.4. Research instruments

A close ended questionnaire was designed and administered to the target population in the surveyed mobile telecommunications companies in order to address some of the research questions. Hence, the researcher used the questionnaire to answer questions which did not require compilation of firm financial reports. The advantages of using close ended questions emanates from the ease of response by the respondents and in the analysis stage. The research gathered data using structured questionnaires. This method was used in order to capture the desired information and consequently, to produce quality results (Oberst, 1993). As such, a questionnaire on corporate governance practices and compliance to officers and board members of the firms under investigation was distributed to the target population. The major advantage of using the questionnaire is that it can be administered to large numbers of people at the same time and respondents will respond to same questions which will improve precision of the results. By this virtue, questionnaires were adopted in this study as a way of augmenting financial data from firm websites and information gateways. The questionnaire was constructed as an adaptation to the Chilean market of the CLSA questionnaire used by Klapper and Love (2002).

On the other hand, this method proved to be cost effective, convenient in collecting data, insuring uniformity and anonymity. The disadvantages of the questionnaire is that it has a very low response rate since people have an anti-questionnaire belief and more often than not, the researcher will not be available to provide clarity in those areas that will not be clear to respondents.

3.4.1. Correlation analysis

A selected number of corporate governance practices (variables) were selected based on the availability of the data from the reviewed company reports, websites and company information supplied through interviews conducted by the researcher. Due to the sensitivity of some of the variables, most of the target population could not provide such data because of confidentiality. As earlier on mentioned, the ROA was used as a proxy for performance over the five year (2009-2013) period chosen for this study. As such, **Table 3-2** gives an outline of the study variables that were derived from annual reports of financial information and key informants from the surveyed mobile telecommunications companies firms.

Table 3-2: Variables for correlation analysis

Variable	Scale of measurement
The percentage of independent directors	A continuous variable
Duality of CEO/ chairman post	A binary variable: 1 (Yes) & 0 (No)
Establishment of audit committee	A binary variable: 1 (Yes) & 0 (No)
Board composition (insider/ outsider)	A binary variable: 1 (Yes) & 0 (No)

Correlation analysis between ROA for the period under review and corporate governance variables shown was made with an accompanying significance test as a way of determining the relationship between the variables indicated in Table 3.2 with firm performance. Correlation therefore gives a measure of the strengths of the relationship between variables. Correlations closer to +1 imply a perfect positive correlation whilst a correlation closer to -1 implies a perfect negative correlation. In addition, a correlation of zero means no relationship between the tested variables.

3.5. Pilot study to test the questionnaire

In order to ensure that all the data collected from the questionnaire are valid and reliable every questionnaire was subjected to a formal pilot during which the acceptability, validity, and reliability of the measure was tested (Tabachnik and Fidell, 2001:23-27). Thus, the pilot was based on the same population on which the final data for the survey was collected.

3.5.1. Pre-piloting the questionnaire

Two weeks were spent pre-piloting the questionnaire to ensure that the whole range of responses were included for each question. The questionnaire was pre-piloted to identify ambiguities in the questions and to identify the range of possible responses for each of the formulated questions. This was done by consulting fellow colleagues from the various sectors of the population with a direct and indirect role in the mobile telecommunications sector around the study area, Harare.

3.6. Data analysis

A comparative kind of method is used to compare the Corporate Governance systems in the selected firms. The analysis covers a comparative study on the Corporate Governance systems followed by each organization and what is said in the theory. The financial analysis of the performance is based on the average Return on Assets (ROA) for a five year period. Data entry was done using a combination of Microsoft Excel and the STATA statistical packages. The data was also analyzed using an interplay of Microsoft Excel and STATA statistical package. Microsoft Excel was used as the data entry and capturing spread sheet and pre-processing of the data before being exported to the STATA environment for analysis. On the other hand, the specialized STATA statistical package was used for the analysis, generation of graphical outputs and statistical inference.

For reliability and validity testing, the data items (responses were grouped according to their categories as illustrated in the questionnaire) before being subjected to a factor analysis and validity and reliability tests as described below. A descriptive analysis preceded by an exploratory analysis of the demographic trends in the surveyed population was carried out. For that reason, results were displayed in the form of bar charts, frequency graphs and summary tables. Most of the responses from the questionnaires were descriptive and hence, the need to display results in a quantitative descriptive manner.

3.7. Ethical considerations

The following ethical considerations proffered by Patton (2002) were observed during the study. During the data collection and questionnaire administration exercises, most of these ethical issues were addressed. For example, a prior informed consent was done by making sure that all the potential participants in the study were informed well ahead of time about the researcher's visit. Confidentiality issues were guaranteed as can be shown on the introductory remarks on the research instrument (questionnaire) shown in the annexures.

3.8. Chapter summary

This chapter has discussed the research philosophy and research design used in the study and the reasons for choosing the design. The chapter also discussed how research instruments were developed, methods of data collection, data entry, data processing and analysis. The next chapter presents and discusses the research findings.

CHAPTER FOUR

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1. Introduction

This chapter presents the explanation and discussion of the study findings. The findings together with the discussions that ensue are the basis on which conclusions and recommendations of the study findings were made.

4.2. Response rate of the survey

111 questionnaires were administered to the respondents in the different strata of the targeted population in the study area. An overall 91% response rate was recorded as illustrated in **Table 4-1** deriving from a return rate of 101 out of a total of 111 administered questionnaires. The rest of the details regarding the response rates of the different strata are further presented in **Table 4-1**. As a result, 101 usable questionnaires from the responding targeted population, comprising customers, management, suppliers and shareholders from the three mobile telecommunication companies as shown in **Table 4-1** were taken as the final participants of the study. This subsequently formed the sample size for the analysis. The greater part of the respondents came from the local management strata (**Table 4-1**). This is explained by the ease of accessibility and availability of the respondents from the mobile telecommunications industry.

The high response rate obtained in this study warrants valid research findings leading to valid conclusions. This fact is supported by the Employee Survey Solution which prescribes a response rate of at least 75% as good and a response rate of less than 65% as not representative. A number of reasons justify and substantiate this overwhelming response rate from the surveyed population. In the first place, the intention of the researcher to interview and collect data from the respondents was communicated well before time and secondly, prospective participants were made to contribute in the pre-piloting exercise carried before the final administration of the questionnaire. As a result, the receipt of the questionnaires by the research participants was not an unexpected exercise as they were first notified by e-mail.

Table 4-1: Response rate

Firm	Sample (stratum)	Distributed questionnaires	Returned	Response rate	% Response rate
Econet Wireless	• Customers • Management • Suppliers • Shareholders/Directors	20 5 5 7	17 4 4 5	0.85 0.80 0.80 0.71	85 80 80 71
NetOne	• Customers • Management • Suppliers • Shareholders/Directors	20 5 5 7	17 4 3 5	0.85 0.80 0.60 0.71	85 80 60 71
Telecel	• Customers • Management • Suppliers • Shareholders/Directors	20 5 5 7	16 4 3 6	0.80 0.80 0.60 0.85	80 80 60 85
Total **Average ($\bar{X}$)**		**111** **9.25**	**88** **7.33**	**9.17** **0.76**	**917** **76.4%**

Source: Sampling survey, 2013.

4.3. Preliminary data analysis

In order to provide a preliminary analysis of the measured attributes from the sample, an exploratory overview of the demographic data in the study sample is presented in the subsequent paragraphs.

4.3.1. Demographic information

An exploration regarding the demographic patterns in the study population was done in order to open avenues for a possible detailed analysis to complement the results of the research questions. Accordingly, the analysis provided a platform on which to expand the horizons of the research questions earlier on formulated in the study.

4.3.1.1. Gender distribution

The majority of respondents in NetOne and Telecel Zimbabwe mobile telecommunications companies are males, giving proportions of 73% and 64% of male respondents respectively as demonstrated in **Table 4-2**. On the contrary, most of the respondents in Econet Wireless happen to be female as indicated by an overwhelming 88% of the study participants in this category, whilst only 12% of the respondents are males. These results demonstrate gender disparities that are found in the different mobile telecommunications companies. For instance, Econet Wireless seems to have embraced gender related issues at the workplace as required by many advocating groups and the country's constitution.

The Zimbabwean constitution offers equal opportunities for both females and males in the various key sectors of the economy to ensure equal opportunities and representation. However, this does not seem to be the case with NetOne and Telecel Zimbabwe. In the case of quasi-government companies like NetOne, this situation could be caused by the fact that recruitment at these firms is not only regulated by constitution of the land, but also by the Public Service Commission Regulations which specifically assigns certain roles and duties to newly graduated students from the country's higher institutions of learning.

Table 4-2: Gender distribution in the study population

Sex	Econet Wireless	Net One	Telecel Zimbabwe
Female	88	27	36
Male	12	73	64
Total (%)	**100**	**100**	**100**

4.3.2. Age distribution of the study participants

Age is an important variable in natural populations as it gives an indication of the flexibility and innovative potential the population has in creating new opportunities for increasing the value of its shareholders. NetOne has the highest mean age of 34 years while Econet Wireless the lowest mean age of 31 years as illustrated in **Figure 4-1**.

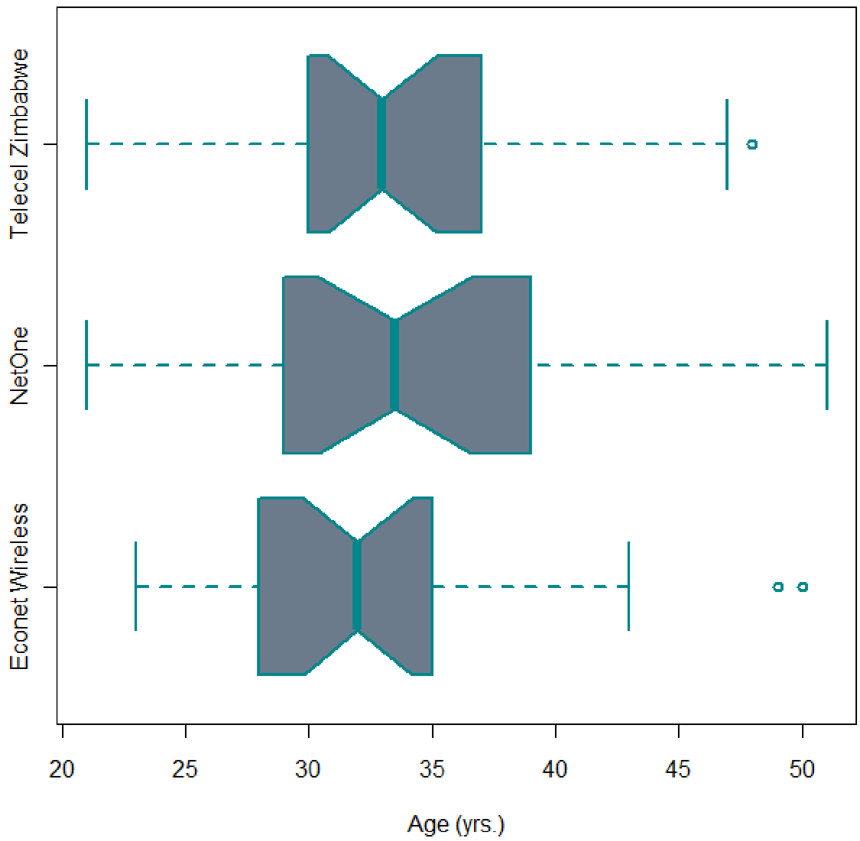

Figure 4-1: Age distribution

As such, the youngest employee is found in Econet Wireless and Telecel Zimbabwe, with an age range of (23 ≤ Age ≤ 44) and (21 ≤ Age ≤ 49) years respectively. The fact that most of the participants in the surveyed major mobile telecommunications firms of the country are young men and women means that the industry holds great potential for growth through innovative ideas from the young professionals which consequently contribute to the overall economic wellbeing of the country. On the other hand, the relatively aged participants are found in NetOne, with an age range of (21 ≤ Age ≤ 53) years as illustrated in **Figure 4-1**.

4.3.2.1. Educational qualifications

The educational background of an individual or corporate is indicative of the individual's ability to contribute technically and intellectually to the growth of the economy. In order to assess this background, an exploratory analysis regarding the data from the sampled population was made and shows that the bigger proportion of the respondents in NetOne hold at least a secondary qualification (47%). The bigger proportion of respondents from Econet Wireless holds at least a degree (40%) qualification while most of the respondents in Telecel Zimbabwe are holders of a diploma (36%). As such, most of the employees in the surveyed mobile telecommunications companies are learned and hence expected to deliver quality service to their stakeholders. These facts are substantiated by the display shown in **Figure 4-2**, indicating 36%, 47% and 40% of the study participants from NetOne, Econet Wireless and Telecel Zimbabwe respectively with the qualifications referred to above.

Highly qualified respondents are found in Econet Wireless and Telecel Zimbabwe as illustrated in **Figure 4-2.** The major reason for this increasing number of qualified individuals in the mobile telecoms company emanates from the market share that the company commands in the economy. As such, the company seems to reward its employees well due to presumably higher profitability in comparison to the other mobile telecommunications companies in the country. As demonstrated by Bester and Petrakis (2007) higher performance enables corporates to absorb the pool of talent of graduates from colleges and other institutions of higher learning in the country. As can be noted from history, the period prior to the introduction of the multiple currency regimes in the country saw most companies, not only in the telecommunications sector losing educated and skilled human capital and in the worst cases, closing operations. As demonstrated by the number of qualified personnel in NetOne, this development mainly affected government and quasi-government institutions where the incomes virtually turned to nothing due to hyperinflation. This result agrees with the assertions of Deloitte (2001) who contends that hyperinflationary environments primarily affect state institutions before spreading to the corporate world. The economy was thus affected and this resulted in most of the companies operating at below capacity utilization and hence could no longer recruit as many trained professionals as before.

Due to a higher market share relative to its competitors, Econet Wireless has managed to harness the skills pool from the country and the region since the introduction of the multiple currency system. Hence, in spite of the economic challenges the country was experiencing, the company managed to attract educated people since human nature is primarily driven by profit (Kersten, 2006).

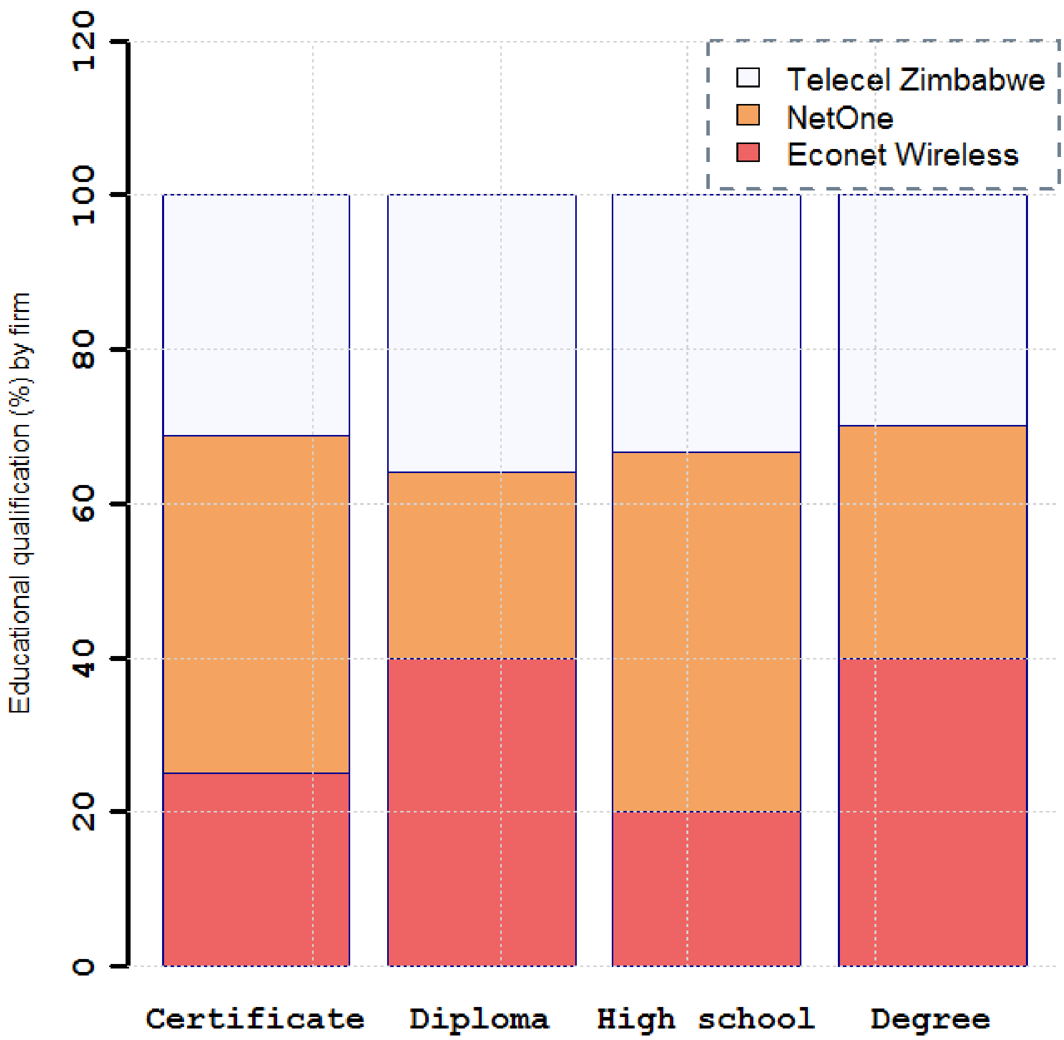

Figure 4-2: Educational qualifications

4.4. Empirical analysis

In order to provide insight into the research questions earlier on posed in chapter one of the study, a data analysis, presentation and discussion of the research findings is given in the relevant sections of this section. Hence, the sections outlined in the ensuing paragraphs present study findings in line with the research questions formulated in chapter one of the study, though the first sections begin by giving a general overview of corporate governance principles as established in the surveyed companies.

4.4.1. General corporate governance principles

As established by practitioners of corporate governance in a number of works, the results of this analysis does not deviate significantly from what is generally known about corporate governance in the corporate sector. Approximately 60% of the investigated firms provide information to auditors as guided in the corporate governance principles and norms. This is shown by 98% and 97% of the respondents at Econet Wireless and Telecel Zimbabwe (**Figure 4-3**) confirming that they provide this information to their auditors. However, the situation in NetOne seems to be different as most of the participants indicated that the firm does not easily provide this information to the auditors when required. Approximately 47% of the participants indicate that the firm does not readily provide such information. As shown by Metcalf (2008), the management and control systems in government controlled enterprises are weak and hence subject to manipulation by politicians with a controlling stake in the company. As a result, this effect is exacerbated in situations where a nation does not have a stable socio-political environment, a situation that the country has been going through for a reasonably long period. This fact is further supported by Machakaire (2012) who noticed a significant deterioration of firm performance of technologically linked companies in the Scandinavian countries. A logical conclusion from these findings shows that the healthiness of the corporate governance systems in the economy is largely driven by political stability.

On the other hand, an investigation to establish whether the companies have mandatory annual shareholder meetings shows a similar trend to the one observed in the provision of information to auditors (**Figure 4-3)**. An overwhelming 62% of the study participants in the state controlled NetOne assert that there are no mandatory annual shareholder meetings in the firm,

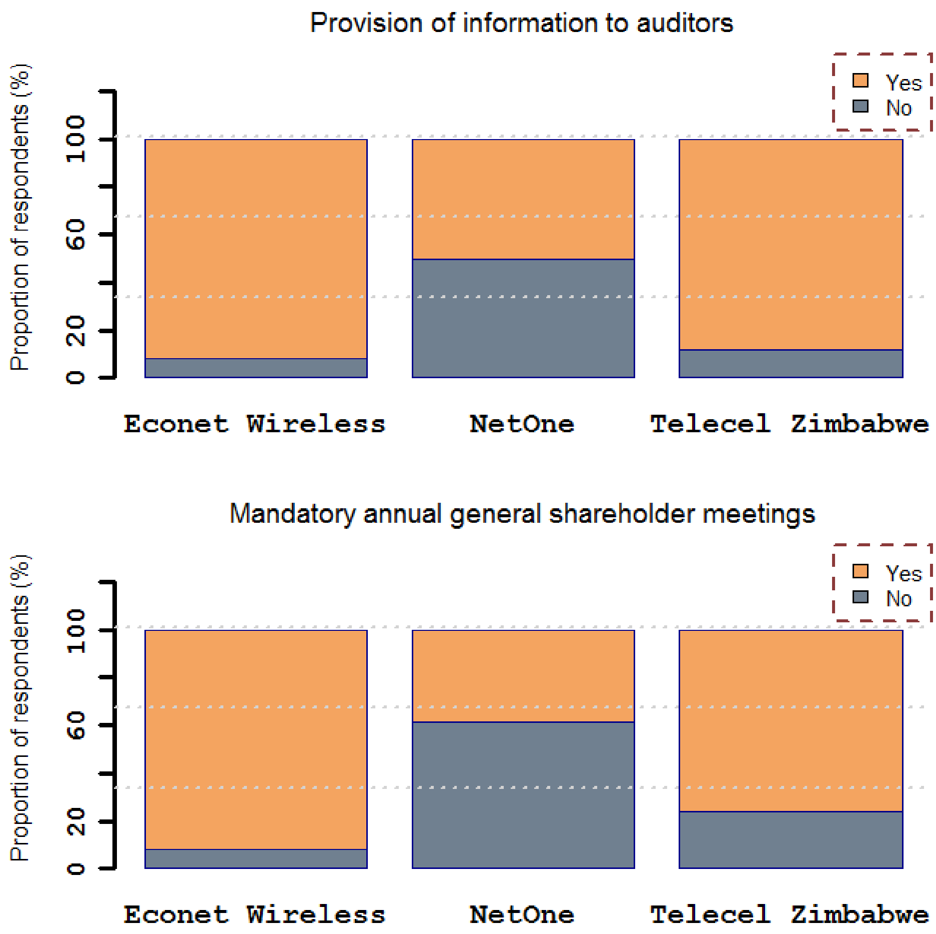

Figure 4-3: General corporate governance practices in the mobile telecommunications industry

Lack of strict monitoring and susceptibility of quasi-government institutions to manipulation by politicians makes it difficult for these firms to fully comply with corporate regulations and systems. On the contrary, 97% and 94% of the respondents in Econet Wireless and Telecel Zimbabwe, respectively confirm that there are mandatory annual general shareholder meetings in their firms (**Figure 4-3)**. This is logical as corporate governance regimes aid to assure that corporations use their capital efficiently. Furthermore, good corporate governance aid in ensuring that corporations take into account the interests of a wide range of areas, as well as of the communities in which they operate, and that their boards are accountable to the company and to the shareholders (La Porta, et al., 1999). Thus, the process in turn assists in ensuring that corporations operate for the good of the society as a whole. Investor confidence is therefore enhanced and maintained, both from the national and the international markets. In corroboration to this establishment, the findings of Lebas (1995) shows that such a situation will substantially improve a firm's prospects of making more profits.

As provided by the works of Macey and O'Hara (2003) and Madden and Savage (2000), an important theme of corporate governance is to ensure the accountability of certain individuals in an organization through mechanisms that try to reduce or eliminate the principal-agent problem. As earlier on alluded to, these findings are supported by the results coming from the investigation of Econet Wireless and Telecel Zimbabwe in **Figure 4-3.** The positive effect of corporate governance on different stakeholders ultimately is a strengthened economy, and hence good corporate governance is a tool for socio-economic development. As such, the fundamentals "of good corporate governance principles include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect, and commitment to the organization." (Chendroyaperumal, 2008)

However, this establishment is not supported by the findings coming from NetOne, a government controlled institution. Typically, in state-owned or state-invested enterprises, political directives influence business strategy rather than market imperatives. As provided for by Clarke, (2008:2), "the diversity of corporate governance systems is based on historical, cultural and institutional differences that involve different approaches to the values and objectives of a business activity".

4.4.2. Observation of corporate governance practices

An analysis on the extent to which the different mobile telecommunications companies observe corporate governance practices shows that compliance to most of these principles is done by privately owned firms (**Figure 4-4**). As indicated in the analysis shown in **Figure 4-4**, five corporate governance principles were investigated and these are the rights of shareholders, the equitable treatment of shareholders, the role of shareholders in corporate governance, disclosure and transparency and the responsibility of the board.

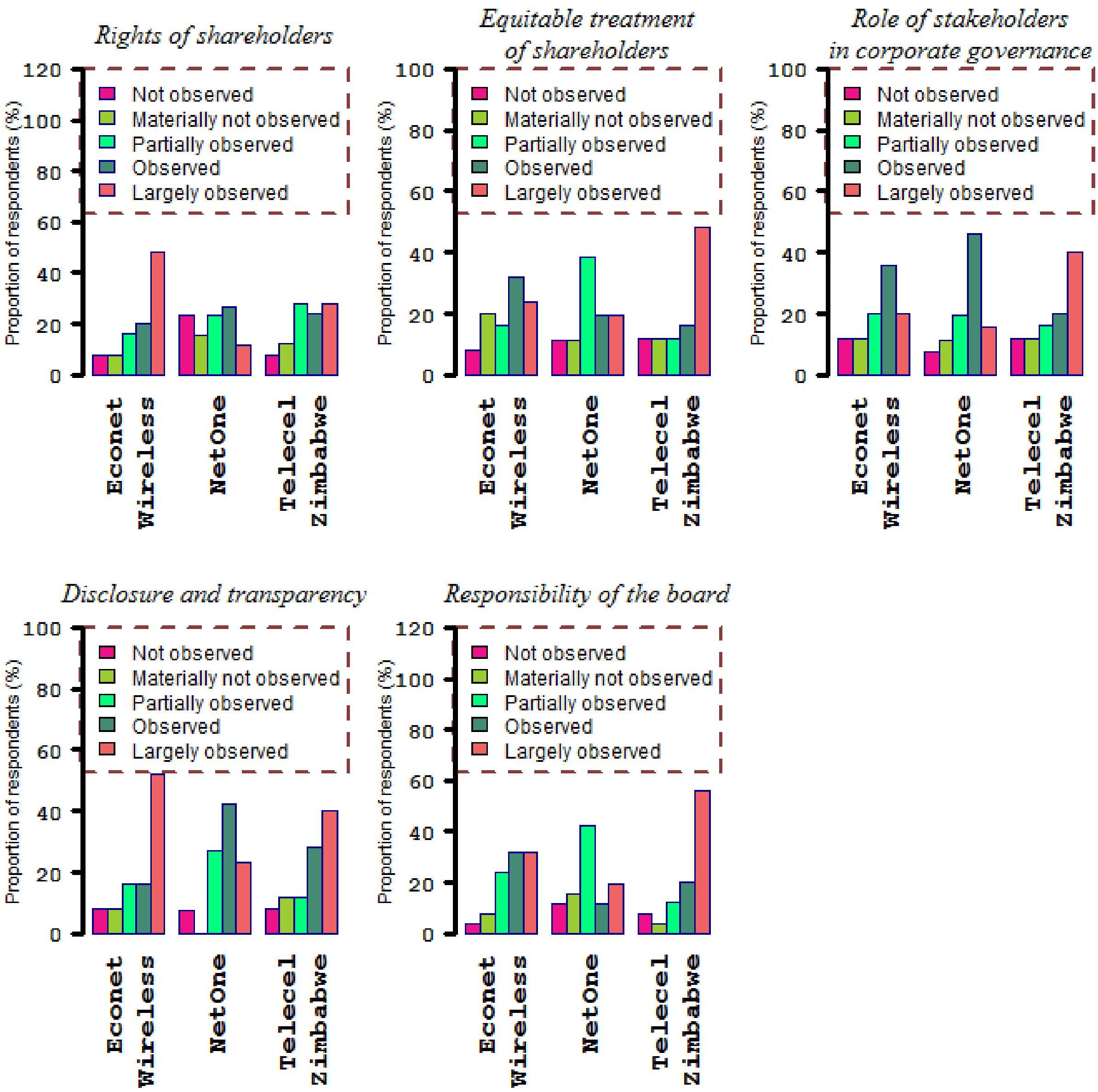

Figure 4-4: The extent to which corporate governance principles are observed

Econet Wireless and Telecel Zimbabwe largely observe the rights of the shareholders with a proportion of respondents of 48% and 28% respectively, **Figure 4-4.** On the other hand, NetOne observes the rights of the shareholders. In this case, contrary to the statement that in state-owned or state-invested enterprises, political directives influence business strategy rather than market imperatives does not hold as the state controlled firm seem to observe this principle. As given in Zartman (2006), this fact seems logical since the state owned enterprise has shifted from poor practices of business at the introduction of the multiple-currency system in 2009. Womack (2008) also supports this finding as the author shows a growth trajectory in the technologically oriented industry at the turn of this era. This is because the multiple currency system brought stability into the economy and increased investor confidence (Chesbrough, 2006). It was therefore during this era that investors in the various sectors of the economy realized they could make business fortunes if they abided by required norms and practices.

NetOne partially observes (39%) the equitable treatment of shareholders whilst Econet Wireless and Telecel Zimbabwe observe (32%) and largely observe (48%) the equitable treatment of shareholders in their operations. These facts are supported by the results of the respondents in Figure 4-4 on the equitable treatment of shareholders. These findings deviate from the results of Dodgson, et al. (2008) and Jeffrey, Michael, and Rajan (2009) who found a negative relationship between the observations of the treatment of shareholders for privately owned companies in Jordan. Instead, the authors contend that shareholders in the private sector are treated according to the degree of stakes they command in the corporate. As this seems unusual for most of the companies investigated in literature, their findings also corroborate the findings of (Callahan and Brooks, 2004). In line with the findings illustrated in **Figure 4-4**, the public policy perspective of corporate governance is about managing an enterprise while ensuring accountability in the exercise of power and patronage by firms (Resurreccion, 2012).

As such, what may be seen pertinent in the private sector may not necessarily be important in the publicly controlled enterprises. However, in the privately controlled enterprises like Telecel Zimbabwe, this is done with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission (Oman, 2001). The implication is therefore that corporate governance adherence companies not only maximize shareholders wealth, but balance the interests of shareholders with those of other stakeholders, employees, customers, suppliers, and investors so as to achieve long-term sustainable value (Pascale and Athos, 2011). As established in this study, **Figure 4-4**, Brown (2007) and Cooper, Kleinschimidt and Edgett (2007) supports the results of Pascale and Athos (2011)that corporate governance adhering companies maximize shareholders wealth as well as balance the interests of shareholders with those of other stakeholders,.

Both NetOne and Econet Wireless observe the role of stakeholders in corporate governance with NetOne having 36% of the respondents while Econet has 46% of the respondents who confirm that the firms observe the role that the stakeholders play in corporate governance issues, operations and practices. On the same note, a significant proportion of respondents in Telecel Zimbabwe largely observe (40%) the role played by stakeholders in corporate governance. The stakeholders of a company include such groups as customers, shareholders, suppliers and employees. As the results of this study demonstrate, Hambrick and Frederickson (2005) and Cozijnsen, Vrakking, and van IJzerloo (2000) established the same findings in their study of the impact of corporate governance systems in the manufacturing sector of South Africa. This seems logical as the Anglo-American model of corporate governance is based on the agency theory perspective (Sian and Roberts, 2006; Sridhar, et al., 2007; Tadesse, 2013). Furthermore, as the results of **Figure 4-4** show, it is expected that all the three companies observe the role played by stakeholders as it is in the interest of the stockholders to make business out of these individuals and groups.

Disclosure and transparency is another principle investigated in the analysis of **Figure 4-4**. As such, Econet Wireless largely observes (52%) the disclosure of information and transparency to its stakeholders whilst 40% of the surveyed respondents in Telecel Zimbabwe largely observe disclosure and transparency in the organization. To add on, NetOne observe (42%) disclosure and transparency, a result that agrees with the research findings of Griffin and Hauser (1993) and Ke-Yi and Qian (2010) who concluded that disclosure and transparency are pivotal to the business success of the company.

Qian (2007) investigated the relationship between corporate governance practices like board constitution, board structure, different committees, independent directors and their roles, conflict of interest and disclosure of information and firm performance. The results show that corporate governance practices have limited impact on both the share prices of the companies as well as on their financial performance. On the other hand, Ackerman (2004) and Adhin, (2011) propose existence and composition of the board (including the number of executive and non-executive directors namely independent directors and affiliated/nominee directors), remuneration to the board members, relations with shareholders (including participation in the Annual General Meeting), accountability and audit, committees established to oversee critical procedures to be some of the parameters with which governance can be measured. As illustrated in **Figure 4-4**, these factors are not directly linked to the ones investigated by this study, but still share the same ideology and direction with disclosure and transparency issues as demonstrated in Ke-Yi and Qian (2010) and Prencipe (2000).

The final principle investigated on the extent to which firms observe corporate governance practices is the responsibility of the board at corporate level. As clearly shown in **Figure 4-4**, Econet Wireless both observe and largely observe (32%) the responsibility of the shareholders in the firm while an overwhelming majority of the respondents (52%) largely observe the responsibility of the board. However, the surveyed participants in NetOne partially observe (42%) the responsibility of the board in corporate governance. As suggested by Stamatović, Jovanović, and Zakić (2008) the observation of the responsibility of the board does not require the engagement of a board outside the company.

4.4.3. The impact of corporate governance on corporate performance

This study made use of the published financial information of annual reports of the three mobile telecommunications companies. In order to measure the business successes of the surveyed companies as formulated in the research questions in Chapter one, a proxy to corporate performance in the form of Return on Assets (ROA) was used for the calculations. As such, the results of averaging the ROA of the mobile telecommunications companies under investigation for the period under review are presented in **Figure 4-5**. As evidenced by the results of this analysis, Econet Wireless had the highest average ROA of 15.65% for the period under review whilst Telecel Zimbabwe and NetOne had an average pre-tax ROA of 13.65% and 9.95% respectively. It is clear that Econet Wireless has been having a higher performance (profitability) since the beginning of the multiple currency system in the country. The multiple currency system brought stability into the economy and by virtue of the market share that company enjoyed, it managed to surpass the achievements of its close rivals like the state controlled NetOne and Telecel.

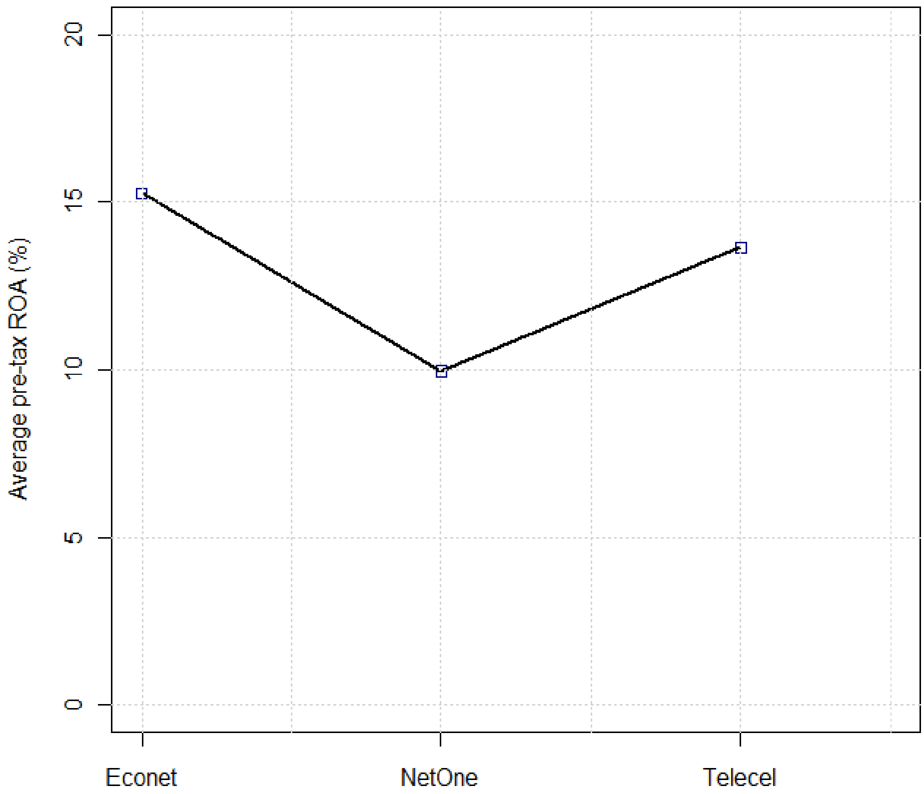

Figure 4-5: Average ROA for the mobile telecoms companies for the period 2009-2013

As van der Panne, Beers, and Kleinknecht (2003) and Stanleigh (2006) show, ROA is a good measure for a company's performance. However, as established by this study, this measure was difficult to calculate as some of the published statements were provisional and hence did not probably reflect the true status of the business operations in some of these companies. However, as pointed out by Stanleigh (2006), the result of this analysis remains valid since the proxy of corporate performance is based on averaging the ROA for the five-year period. One of the objectives of the study is to assess whether performance is comparable among the three entities which fall into owner-controlled and manager- controlled classes. Since quasi-government firms like NetOne are largely controlled by the government, their ability to translate governance into profitability remains handicapped due to the bureaucratic system existing in the firm (Stanleigh, 2006).

In line with **Figure 4-5**, Hovakimian and Hovakimian (2008) provides a comprehensive survey of empirical studies of the effects of ownership concentration on corporate performance, beginning with the seminal work of Berle and Means (1932) to more recent work by Li (1994), Kolb (1992), Agrawal and Kester (2011), and Eucken and Bouma (1999). This therefore confirms the results obtaining in Figure 4-5. As demonstrated by Gospel and Pendleton (2011), the dependent variable used in these studies were all proxies for the performance of the firms as measured by net income/net worth, rate of return on equity or Tobin's Q, or the riskiness of returns. Although a number of studies find no significant difference between the two, the number of studies that find that manager-controlled firms outperform owner-controlled firms is negligible, a development supported by the results of the present study (see **Figure 4-5**).

In order to address the question of whether the different mobile telecommunications companies perform the same, a comparison of the average ROA was also made for the period under review (2009-2013). As illustrated in Figure 4-5, it is clear that Econet Wireless (average ROA 15.25%) significantly outperforms its competitors and closely followed by Telecel Zimbabwe (average ROA= 13.65%). From common knowledge and empirical evidence coming from the reviewed literature, Econet Wireless has the biggest network coverage in terms of voice and data provision to its stakeholders. This ultimately implies that the firm has the biggest number of shareholders in comparison to the other companies. This finding supports the hypothesis that large shareholders are active monitors in companies, and that direct shareholder monitoring helps boost the overall profitability of firms (Rumelt, 1991).

4.4.4. Correlation analysis

A correlation analysis was carried out between the proxy of business performance (ROA) and the four selected corporate governance practices (variables) as illustrated in **Figure 4-6**. These variables are given as follows:

Variable	Scale of measurement
The percentage of independent directors	A continuous variable
Duality of CEO/ chairman post	A binary variable: 1 (Yes) & 0 (No)
Establishment of audit committee	A binary variable: 1 (Yes) & 0 (No)
Board composition (insider/ outsider)	A binary variable: 1 (Yes) & 0 (No)

In establishing the association between Corporate Governance practices and Return on Assets, which is the primary (dependent) variable and used as the alternative of Firm Performance. The value of R square for Econet Wireless indicates that 44.9 percent variation is accounted by the explanatory variables and the remaining 55.9 percent is due to some other factors. These factors may not have been measured in the course of the study or could be due to error of measurement during data compilation from financial reports. The coefficient of determination (R squared) explains the amount of variation that is accounted by the independent variables on the dependent variable. The dependent variable is used as ROA in this study. The Analysis of Variance (ANOVA) table shows that overall regression is significant for the measured variables in Econet Zimbabwe. Hence, results show that board composition, duality of CEO, establishment of audit committee and the percentage of independent directors are positively related to ROA as illustrated in **Table 4-3**.

Table 4-3: Corporate governance practices and ROA for Econet Wireless

Correlation variable	Unstandardized coefficients		Standardized coefficients	t	Sig
	B	Std. Error	Beta		
The percentage of independent directors	0.07	0.14	0.17	1.17	0.001
Duality of CEO/ chairman post	1.26	0.019	0.03	0.118	0.012
Establishment of audit committee	0.88	0.06	0.015	1.36	0.00
Board composition (insider/ outsider)	0.056	0.011	0.048	2.33	0.0043
R-Squared=0.449	**S.E=0.018**	**F=6.12**	**Sig.=0.0001**		

The trend obtaining for Econet Wireless is mirrored by Telecel Zimbabwe as it is evident from the presentation shown below most of the tested variables were significant and positively correlated with the exception of board composition. Board composition gave a non-significant relationship with the firm's capital structure as expounded in **Table 4-3**. As shown by Digman (1990), Board composition may be difficult to assess due to the differing interests between company ownership structure and management. These results are also corroborated by Eid and Trueman (2004) who concur with the findings of the present study. In comparison to the trend for Econet Wireless, only 16% of the variability in the dependent variable is explained by the dependent variables leaving 84% to be explained by other factors.

Table 4-4: Corporate governance practices and ROA for Telecel Zimbabwe

Correlation variable	Unstandardized coefficients		Standardized coefficients	t	Sig
	B	**Std. Error**	**Beta**		
The percentage of independent directors	0.15	0.024	0.14	2.11	0.0006
Duality of CEO/ chairman post	2.36	0.058	0.35	0.89	0.000
Establishment of audit committee	0.09	0.22	0.57	1.23	0.0031
Board composition (insider/ outsider)	- 0.37	0.059	- 0.08	- 0.88	0.123
R-Squared=0.161	**S.E=0.13**	**F=7.68**	**Sig.=0.000**		

The other firm in which the corporate governance practices were tested was NetOne, a state controlled enterprise. As established by Economides and Himmelberg (1995) that in state-owned or state-invested enterprises, political directives influence business strategy rather than market imperatives. The result of this analysis is clear testimony to these findings. However, as shown by the results earlier on referred to, board composition appears to be a very significant factor for the company's ROA, a situation that is quite different from the other two mobile telecommunications companies. As such, only two tested variables of the establishment of an audit committee and board composition were significant factors impacting performance. Furthermore, the overall regression is not significant as shown by the poor R squared value explaining only 8% of the variability in the dependent variable. This effectively leaves out 92% of the variability to be accounted by other factors. This shows that the corporate governance practices in this organization are not being used to turn around the business fortunes of the firm.

Table 4-5: Corporate governance practices and ROA for NetOne

Correlation variable	Unstandardized coefficients		Standardized coefficients	t	Sig
	B	**Std. Error**	**Beta**		
The percentage of independent directors	- 0.023	0.14	0.13	- 0.08	0.09
Duality of CEO/ chairman post	- 0.14	0.097	0.098	- 0.73	0.04
Establishment of audit committee	- 0.55	0.046	0.077	- 1.23	0.0031
Board composition (insider/ outsider)	0.37	0.65	1.25	0.87	0.0000
R-Squared=0.087	**S.E=0.059**	**F=0.87**	**Sig.=0.081**		

The poor correlation of these factors with performance is largely explained by the bureaucratic systems in government controlled enterprises as compared to the privately owned companies. As a result, profitability is compromised due to the bottlenecks in the management operations and interference by non-technocrats in the course of discharging duties.

These findings therefore support the premise suggested by Licandro (2001) that only when there is independence of directors and duality of the post of chairmanship can a company make meaningful business.

4.5. Factors affecting corporate governance practices

Five factors presumed to affect corporate governance namely firm ownership, firm growth opportunities, firm size, the influence of stakeholders and law enforcement by the government were investigated as illustrated in **Figure 4-6.** These factors are discussed one by one for the different mobile telecommunications companies in the following paragraphs.

Firm ownership seem to be of high importance in affecting the corporate governance practices in Econet Wireless (52%) and Telecel Zimbabwe (48%) whereas the same factor seem to be important and moderately important for the state controlled mobile company, NetOne, with 37%. This result confirms local knowledge that ownership is the real interest in state controlled firms since the majority shareholder is always the sitting government. However, this finding disagrees with the deductions of Erasmus and Menkulasi (2009) from his study of the impact of human resource practices on corporate governance and established that firm ownership plays a major role in quasi-government companies.

In establishing the effect of firm growth opportunities, the study established that this attribute plays an influential role in Econet wireless and Telecel Zimbabwe, with a proportion of respondents of 48% and 52% respectively confirming the high importance of the factor. On the other hand, NetOne seems to be contending with other factors and hence, firm growth opportunities is less important as shown in **Figure 4-6**. Hence, the majority of the interviewed stakeholders in this firm showed that 38% of the respondents think that the factor is less important in influencing the practices of corporate governance. From the literature reviewed, this finding seems to be an island and hence, the reviewed literature either remains silent about it or it has not been investigated before as in other factors.

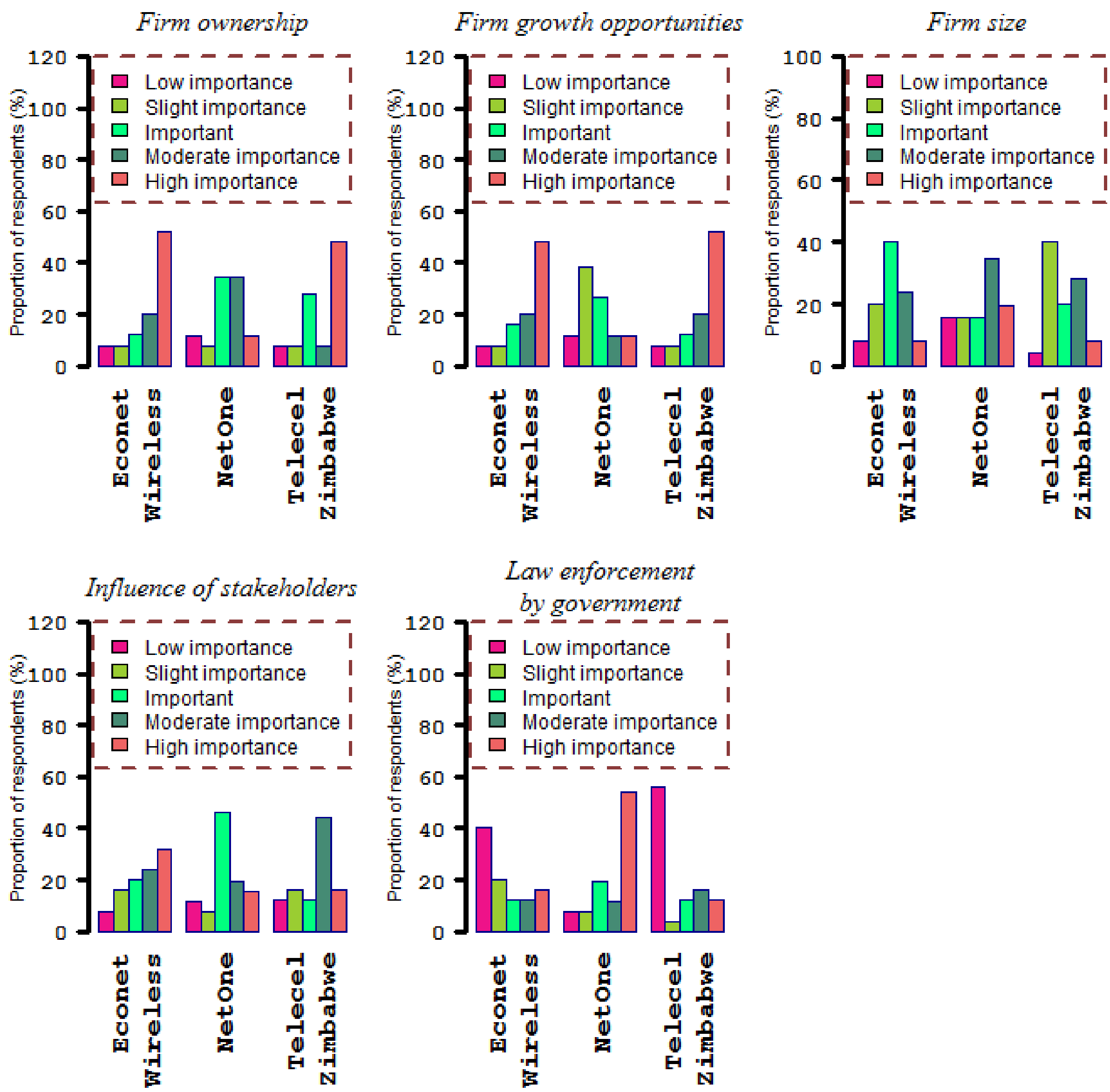

Figure 4-6: Factors affecting corporate governance practices

Deloitte (2011) further observes that family firms are less informative and in some cases even omit disclosures about their governance choices. Such companies do not communicate publicly to their shareholders the reasons why commonly considered good practices in corporate governance are not optimal for them and for most of the government controlled institutions. Consequently, the large shareholders behave more like insiders and disclose as little as possible to other investors since they have other political and government related interests.

Company or firm size does not seem to matter much for Telecel Zimbabwe and Econet Wireless as the majority of the interviewed respondents demonstrate that firm size is secondary on the rank of importance or influencing corporate governance practices. This fact is substantiated by the findings of **Figure 4-6**. As such, both 40% of the respondents in Telecel Zimbabwe and those in Econet wireless indicated firm size to be of slight importance and only important respectively. The drivers of the private sector are profit maximization rather than the size of the company. Hence, the private sector can commit state of the art technology in order to improve business operations and thereby cutting on the human capital to be employed in the generation of profit. This is particularly true for technologically oriented firms like mobile telecoms which invest heavily in equipment in order to stand the competitive environment. However, employment of technology is not as important for government institutions. This fact is vindicated by the results of **Figure 4-6** which displays firm's size to be of moderate importance (35%). As European Commission (2000)shows, a company may be small in terms of the numbers of employees and shareholders, but able to treble the profit margins made by similar companies with high labour intensive roles.

The influence of stakeholders (customers, shareholders and suppliers) appear to play a major role for government controlled companies. The majority of the respondents in NetOne demonstrate influence of stakeholders to have a pivotal role in corporate governance practices. As such, 46% of the surveyed participants are in agreement that this factor is of significant importance to the firm. However, unlike other factors which differed significantly with mobile telecommunications companies in the private sector, the influence of stakeholders to corporate governance practices seem to play a cross cutting role in all the three surveyed companies. This fact is supported by the results of **Figure 4-6** which show 32% and 44% of the respondents in Econet Wireless and Telecel Zimbabwe regarding the factor as of high importance and moderate importance, respectively.

Enforcement of the law by the government is of low importance to both Telecel Zimbabwe and Econet Wireless as shown by the respondents showing a proportion of 56% and 40% indicating the attribute to be of low importance in affecting corporate governance practices. This is particularly true given the mandate on which private organization principles are set and founded. The justification for setting up a privately controlled company is to make and maximize profit and as such, whether the government monitors them or not is not important since they should practice ethics which will result in high returns to their shareholders. Some of these ethical practices include good corporate governance practices. The establishment of good corporate governance principles will result in more investors investing and buying the shares of the company, a necessary pre-requisite for growth and firm profitability. The state controlled enterprise, NetOne seem to rank this factor so highly as demonstrated in **Figure 4-6**, showing 53% of the respondents concurring that the government law enforcement work for corporate governance.

Practitioners and advocates of corporate governance from the Nordic countries suggest that compliance to governance practices is strongly influenced by the size of the enterprise. However, as some studies show, “there is unconvincing evidence that the size of a company is a major factor in the corporate governance choices” (Arcot and Bruno, 2011:17).This essentially means the value of assets (Market Capitalization) is not significant, as well as profitability, leverage, and capital intensity coefficients are not significant. In fact, as the evidence of Herring and Chatusripitak (2006)’s research show, firm size is indicative of the diversity of investment and value of both external and internal shareholding that exist in a company. Bigger firms are less susceptible to expropriation by the so-called insiders. One way to think about legal protection of outside investors is that it makes the expropriation technology less efficient. At the extreme of no investor protection, the insiders can steal a firm's profits perfectly efficiently. Without a strong reputation, no rational outsider would finance such a firm.

4.6. Chapter summary

This chapter presented research findings of the survey carried out in the three mobile telecommunications of Zimbabwe, namely Econet Wireless, NetOne and Telecel Zimbabwe. Results were presented in the form of bar charts, tables and pie charts. An exploration of the corporate governance practices and principles in the investigated firms was made. The chapter integrated the research findings and analysis of this chapter together with the literature reviewed in Chapter two of the study, thereby enabling the researcher to establish areas which need address. The next chapter presents the conclusions and recommendations reached by this study.

CHAPTER FIVE

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

What comprise this chapter are answers to the research questions and focus of study as outlined in chapter 1. The discussion is the culmination of the study of an evaluation of the business successes of corporate governance mobile telecommunication firms in Zimbabwe. As such, the section is a direct show of the current corporate governance principles and practices existing in the aforementioned industry and perspectives in view of the period under review, since the beginning of the multiple currency system in the country, 2009 to 2013.

5.1 Objectives of the study

The significance of the research as discussed in chapter one, proved that a good corporate governance system in the mobile telecommunications sector can go a long way in improving the Return on Investment and also enhances corporate image. The study sought to to evaluate the business successes of mobile telecommunication companies in Zimbabwe through corporate governance for the period of 2009 to 2013. The period under review was strategically chosen as the country saw some significant stability in the socio-economic and political environment which created a level-playing field for players in the chosen industry. Hence;

The objectives of the study were as follows:

5. To evaluate the extent to which corporate governance practices are being observed in the different mobile telecommunications companies.
6. To evaluate the impact of mobile telecoms corporate governance practices on corporate performance

7. To assess whether the business performance of the different telecoms companies are comparable
8. To identify factors affecting compliance to corporate governance

5.2 Summary of major findings

The summarized findings of this study as shown in the foregoing paragraphs were used as the basis upon which conclusions reached in this study were made.

- ✓ The study showed an overall 76% response rate from a total of 111 administered questionnaires distributed to the three mobile telecommunications companies namely NetOne, Econet Wireless and Telecel Zimbabwe.
- ✓ There is an 88% to 12%, 27% to 73% and 36% to 64% female to male gender ratio in Econet Wireless, NetOne and Telecel Zimbabwe respectively.
- ✓ The biggest proportion of the workforce in the mobile telecommunications industry is within the 21-53 years age category and is found in the state controlled firm, NetOne. On the other hand the smallest proportion of the workforce is found within the 23-43 years age category and is found in the privately owned mobile telecoms firm, Econet Wireless.
- ✓ The greater part of the staff in the Econet Wireless holds at least a degree qualification whilst those in Telecel Zimbabwe mainly hold a certificate and a diploma qualification.
- ✓ Most of the mobile telecommunications companies provide information on their financial wellbeing and their financial reports and systems are audited by independent and external auditors. However, state controlled companies like NetOne do not abide much by this practice
- ✓ Almost all of the investigated mobile telecommunications companies largely observe corporate governance practices of the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency and the responsibility of the board. However, NetOne,

partially observe the responsibility of the board and the equitable treatment of its stakeholders.

- ✓ As evidenced by the findings of Chapter four, Econet Wireless had the highest average ROA of 15.65% for the period under review whilst Telecel Zimbabwe and NetOne had an average pre-tax ROA of 13.65% and 9.95% respectively. The period under review thus reveals Econet Wireless to be the leader in investing value to the interest of the shareholders and hence commands the greatest market share in the telecommunications industry in Zimbabwe.
- ✓ A correlation analysis using the variables of the percentage of independent directors, the duality of CEO/ chairman post, the establishment of audit committee and the board composition shows that these variables are significant for Telecel Zimbabwe and Econet Wireless. However, NetOne does not seem to give a positive correlation with the percentage of independent directors, the duality of CEO/ chairman post and the establishment of audit committee.
- ✓ Firm ownership and firm growth opportunities are the most influential factors affecting the implementation and practices of corporate governance in the all the three surveyed mobile telecommunications companies.

5.3 Conclusions

As highlighted in the preceding paragraphs, the following conclusions were reached:

- ✓ The results of this study are scientifically valid leading to the generalization that the situation obtaining in the mobile telecommunications industry of the country proves that corporate governance impacts firm performance.
- ✓ There is gender equality in the most of the mobile telecommunications firms of the country, with the exception of only Econet Zimbabwe.
- ✓ Corporate governance principles and practices are largely observed by all the three major telecommunications firms, representing a representative sample of the entire study and the mobile telecommunications industry in Zimbabwe in general.

- ✓ The percentage of independent directors, duality of CEO/ chairman post, establishment of audit committee and board composition (insider/ outsider) are all correlated and significant corporate governance practices in the mobile telecommunications industry.
- ✓ Firm ownership and firm growth opportunities significantly affect the practice and implementation of corporate governance principles.

5.4 Recommendations

The study proposes the following recommendations.

- The government controlled firms like NetOne should embrace the internationally agreed norms and standards of corporate governance in order to improve their corporate image and improve investor confidence in the mobile telecommunications industry.
- There is need to embrace the latest technologies in the mobile telecommunications sectors in order to maximize profitability and the return on investment of the shareholders. Furthermore, there is need for improvement of publishing of financial information by the mobile telecommunications industry in general.
- There is need to align the laws of the land with the current practices and operations of the mobile telecommunications sector of the country so as to attract investment for the investing public.
- It is evident that corporate governance impact performance and hence the government should promote small and medium enterprises in the sector to implement good corporate governance standards.

5.5 Areas for further study

The study proposes further study in the areas of corporate governance and corporate failure as this study has established some discrepancies in performance between the state-controlled mobile telecommunications companies and the privately owned companies.

5.6 Chapter Summary

This chapter has presented the conclusions and recommendations of the study coming from the research findings and discussion of the analysis. The rest of the document is comprised of the questionnaire used for data gathering.

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6.0 APPENDICES

6.1. Appendix 1: Questionnaire on corporate governance

1. SECTION A: DEMOGRAPHIC DATA

1. AGE (tick)

Age range	**Age**	(***tick***)
18-24		
25-34		
35-44		
45-54		
>55		

2. **GENDER (tick)**

Male	
Female	

3. MARITAL STATUS

Single	
Married	
Widowed	
Divorced	

4. **HIGHEST QUALIFICATION ATTAINED (EDUCATION)**

Secondary	
Certificate	
Diploma	
Degree	

5. **CATEGORY OF STAKEHOLDER?**

	(tick)
Customer	
Management	
Suppliers	
Shareholders	

SECTION B: CORPORATE GOVENRNANCE PRACTICES

B_1. Do you provide information on your auditor and are your financial information audited?

	(tick)
YES (Y)	
NO (N)	

B_2. Does your firm have mandatory annual general shareholder meetings?

	(tick)
YES (Y)	
NO (N)	

B_3. How timely do you publish your financial statements?

- ☐ Extremely on time (5)
- ☐ Very much on time (4)
- ☐ Moderately on time (3)
- ☐ Slightly on time (2)
- ☐ Not at all on time (1)

B4. The following is a guideline on the ranking of how Corporate Governance Practices are observed. Please rank each of the Corporate Governance Practices indicated according to the extent they are observed in your company.

O = Largely Observed = 5 points

LO = Observed = 4 points

PO = Partially Observed = 3 points

MNO = Materially Not Observed = 2 points

NO = Not Observed = 1 point

	tick				
CATEGORY	**O =1**	**LO =2**	**PO =3**	**MNO =4**	**NO =5**
Rights of Shareholders					
Equitable Treatment of Shareholders					
Role of Stakeholders in Corporate Governance					
Disclosure and Transparency					
The Responsibility of the Board					

B5. Please indicate on this scale the level of how important each of the following components of a company are in making firms to comply with corporate governance practices.

5 - High Importance

4 - Moderate Importance

3 - Important

2 - Slight Importance

1 - Low Importance

	High				**Low**	
a. Firm ownership	5	4	3	2	1	
b. Firm growth opportunities	5	4	3	2	1	
c. Company size	4	3	2	1	1	
d. The influence of stakeholders		5	4	3	2	1
e. Law enforcement by government	5	4	3	2	1	

B_{6}. Please indicate below any other information which may be important for this research

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University of Zimbabwe
Faculty of Commerce
Graduate School of Management
P.O. Box MP127
Mount Pleasant
Harare
Zimbabwe

25 October 2013

Dear Respondent

I am a post graduate student doing Masters of Business Administration Degree with the University of Zimbabwe. I am doing a research on "**An Evaluation of the Impact on Performance of Corporate Governance Practices in the Telecommunications Industry in Zimbabwe"**

Please take a few minutes of your time to give me feedback. Feel free to express yourself; there is no right or wrong answer.

Results of this survey will be primarily used for academic purposes and the final report will be filed in the Graduate School of Management library. Strict confidentiality is guaranteed for respondents

It takes at least 15-20 minutes to answer all questions.

To provide responses to the questions please mark with a tick in the appropriate boxes given and provide comments if necessary. It is assured that the data furnished and the identity of the respondents will be kept strictly confidential.

If you have additional comments or questions you are free to send by email to paul_musiyiwa@yahoo.com or call on

Mobile 0772 271 808

THANK YOU FOR YOUR PARTICPATION IN THIS STUDY

END OF QOESTIONNAIRE