Leadership and State-owned Enterprises Failure in Zimbabwe: A Critical Analysis

Chamisa Mufaro G*, Tsikira Tafadzwa P** & Muvundu Takunda R***

*Department of Commerce, Midlands State University  
**Department of Politics and Public Management, Midlands State University  
***Department of Politics and Public Management, Midlands State University  
*Corresponding Author: mufarochamisa@gmail.com/ +263773468227

Abstract: This article uncovers contemporary and well documented issues of strong personnel in state owned enterprises in Zimbabwe and its effects on service and quality delivery from a corporate governance perspective. It focuses on why government parastatals in Zimbabwe fail meanwhile they had the personnel to achieve greater heights. The paper seeks to explore deeply and how these strong leaders out maneuver the legal barriers and how this weakens the institution in tackling its day to day activities. The research was qualitative in nature through the intensive use of secondary documents and interviews. A number of examples were made available to substantiate claims by the researchers and revealing the mismatch between strong leadership and weak institutions. Recommendations to improve and strengthen state institutions were also made i.e. giving arresting powers to ZACC and conducting public interviews to steer confidence in institution in Zimbabwe and the periodic publication of final performance of state institutions.

Keywords: State-owned Enterprises, Institutions, ZACC, Zimbabwe, Leadership.

I. Introduction

Corporate governance is a corner store for development and as such leaders in executing their duties should be guided by corporate governance standards. The corporate governance system setup in a country consists of a portion of a broader institutional network that controls or directs the relationship among executives and stakeholders who have a large interest in the organization’s activities (Carney and Gedajlovic 2014). The subject of corporate governance came to the attention of the government of Zimbabwe owing to the incurring of losses by state enterprises and parastatals which have continued to double since 2011 (Machivenyika 2017). Countries rarely succeed in the absence of state institutions that can establish and enforce rules, collect revenue, and provide public services. A corporate governance framework for state enterprises in Zimbabwe of 2010 was then released to be a guide and a way of restructuring these state enterprises. The National Code on Corporate Governance (Zimcode) was also published by The Institute of Directors Zimbabwe (IDs) in April 2015 and was also generally acknowledged nationwide as the principal corporate governance framework for the public and private sector. In June 2017 a Bill, Public entities corporate governance was published in the gazette to cater for the corporate governance of state enterprises and parastatals. Gompers et. al (2013) expound that the approach of corporate governance emanated from first world countries in the 1980s and 1990s when citizens perceived that there was a duty to establish means to control funds required by an organization. Corporate governance is not yet passed as a law in Zimbabwe (Sibanda 2017). The prospect of the Public entities corporate governance Bill is that by reconstructing internal management systems of firms in the public sector, the firms may enhance their achievements. The projected statute concludes the foundation of chapter 9 of the Constitution of Zimbabwe amendment (no 20) of good governance which contributes for the supervision of public entities. The Bill interrelates with an edict published on the 22nd of January 2018 by the OPC to ministers, their deputies, and permanent secretaries, principal directors along with board chairpersons of state enterprises, board representatives and chief executives of these organizations to officially disclose their assets not after the 28th of February 2018.

The economic challenges that bedevil developing nations in the world such as Zimbabwe today have nothing to do, with lack of resources and knowledge but rather institutional decay. Rich nations have solid establishments that are more ground-breaking than people or associations of the day, meanwhile weak countries have more powerful individuals and organizations than the law. These organizations in the already developed world are constantly created and improved to the advantage of present and who and what is to come., Mugabe who
Leadership and State-owned Enterprises Failure in Zimbabwe: A Critical Analysis

preferred populist approach or rather what Makumbe (1994) defined as the abuse of public office for personal gains at the expense of public good. The bigger question is usually driven towards the failure by the executives or the board to stand firm in critical times like these.

1.1 Statement of the Problem

Problem statement is a concise description of an issue to be addressed or a condition to be improved upon. It identifies the gap between the current (problem) state and desired (goal) state of a process or product. The first condition of solving a problem understands the problem, which can be done by way of a problem statement (Kush and max 2015). In light of this, having noted corporate governance failures in Zimbabwe over the past years due to bad corporate governance practices and weak institutions among over factors, one can propose for the strengthening of state institutions to guard against malpractices. In line with this reasoning, establishing strong and inclusive political and economic institutions in state-owned enterprises is critical in nation-building. Sibudubudu (2002) and Szeftel (2000a) argue that at independence Zimbabwe inherited the underdeveloped institutions which were conducive for the proliferation of corruption. This school of thought forms the basis of the problem investigated on this paper. The current regime is engaged in an orgy of emasculating and further weakening national institutions, instead of strengthening them and giving them independence. Strong political institutions matter because they provide checks and balances to governmental power.

1.2 Research Objectives

1) The research is intended to identify the critical factors affecting corporate failure in state-owned enterprises

1.3 Research Questions

1) What are the factors affecting state-owned enterprises collapse?

II. Literature Review

According to (Saunders et al., 2000, cited by Easterbrook’s, & Degner, 2006) a literature review is the basis for research; its main purpose is to give an insight into what other authors have researched in the same area. This article reviews relevant literature and explores areas which have resulted in corporate governance failure and consequently the collapse of state-owned enterprises. The review will go a long way to uncover the role played by leaders in state-owned enterprises that have weakened institutions in Zimbabwe.

2.1 State-owned enterprises

The institutions in Zimbabwe need to be strengthened to protect them from abuse of office by these strong African leaders. State-owned enterprises such as Public Service Medical Aid Society (PSMAS), Zimbabwe Broadcasting Corporation (ZBC), Air Zimbabwe, and ZUPCO have been reduced to ‘harvesting’ rods or tools of extractive institutionalized predation. Zimbabwe attained its independence in April 1980 and the subsequent ten years comprised of different policies meant to curtail the inequalities which prevailed before independence (Zhou & Zhou 2014). The "connections" are established on a mutual material favorable position; the Patron supplies scarce resources such as assets, for example, employments, business licenses, cash and contracts to dependents as an end-result of their help and votes. This is directly in line with Lasswell definition of politics as who gets what when and how. Therefore politics is at the heart of these transactions. It is a benefactor, customer model of Political patronage that penetrates Zimbabwe’s contemporary political frameworks. Political support and clientelism flourish in shaky political and monetary conditions like Zimbabwe (Midgal 1988). It is this political support and clientelism approach of dispersing „spoils in politics“ which have continued fundamental debasement and manifested a culture of exemption from the full wrath of law. However despite all this, progress was short lived resulting are slow growth rate and poverty and increasing amount of debt. These challenges have encompassed state enterprises as well and they have carried on bleeding the nation’s “coffers because of substandard performance (Zvavahera 2014).

2.2 Corruption

Top government officials allegedly looted diamond worth 15 billion, Zimbabwe iron and steel company, the then parastatals as the government owned 91%. This has resulted in a public outcry with fingers being pointed to the Zimbabwean Corporate Governance System since the dawn of independence to date as supported by Zhou (2012). According to NECI a government crime unit division former vice president Joyce Mujuru, late vice president Joseph Msika, Olivia Muchena, Stan Mudenge, Patrice Chinamas, former ZISCO managing director Gabriel Masanga, marketing director Rodwel Makuni were all implicated in the scandal (Muleya 2007). In the report

www.dynamicresearchjournals.org
it became evident that the assets were siphoned through a number of dubious contract awards and a number of payments made to the directors’ fares, management’s entertainment. Corruption is a governance issue; failure of institutions and lack of capacity or willingness to manage society by way of checks and balances. Corruption becomes institutionalized or ‘systemic’ (Atuobi 2007) when institutions, rules, and norms of behavior have already been adapted to a corrupt modus operandi, with agents often following predatory tendencies. Joyce Mujuru was given 11000 in 2004 on a trip to Botswana that did not have anything objective to do with ZISCO. This paper is of the view that corruption is difficult to define and largely subjective in nature (Freille 2007 and Devine 2010), as many definitions recognize that it is the use of public office or influence for personal or private gain. In “why nations fail” (2012) by Darron and Acemoglu, the most common reason why nations fail today is nations has extractive institutions which are avenues for plunder and avarice schemes by the elites. This clearly shows the weaknesses of state owned enterprises in Zimbabwe as they are seen as avenues for plunder and self-enriching purposes. The leaders in Zimbabwe abuse power and the institutions in Zimbabwe are weak such that they succumb to the demands and the wishes of the powerful elite.

2.3 Abuse of power

The leaders in Zimbabwe abuse power and the institutions in Zimbabwe are weak such that they succumb to the demands and the wishes of the powerful elite. In a very popular case of leadership abuse of power, one would easily look at the collapse of ZUPCO Company and other scandals associated with it. The Zimbabwe Republic Police (ZRP) arrested and formally charged the Deputy Minister of Information and Publicity, Minister Bright Matonga for alleged corruption. The scandals and crises, however, are just manifestations of a number of structural reasons why corporate governance has become more important for economic development and well-being (Becht, Bolton, and Röell, 2003). Ndlovu (2010) indicated that the leading members of the security forces were employed by the state to the Pentecostals that have been used as retirement zones. He went on to suggests that senior security officers have replaced competent and better trained civilian personnel as board members and Chief Executive Officers of various parastatals. It is believed that minister collected bribes while he was the Chief Executive Officer (CEO) of a state owned bus company, ZUPCO. Together with ZUPCO Board Chairperson, Charles Nherera after they both allegedly collected US$85,000 bribe from a foreign bus supplier (Gift Investments) as an inducement for them to award a tender to supply buses to the public transporter. Worth noting at the heart of this has been weak institutions which has resulted from a number of factors. These range from the selection of board members based on partisan and nepotistic relations. The first exposition is that these boards have not yet prevailed while absolutely empowered and in addition they are also incapable of adequately and autonomously performing their tasks which is probably owing to the statutory status these firms possess, a deprivation of clarified goals and incompetent administrative and juridictive frameworks (Maura 2017). In this way, the board is 27 therefore not commissioned to undertake issues which maybe of paramount importance will be subject to the control of the government (Fredrick 2016).

III. Methodology

Methodological approach was qualitative in nature employing in-depth research of secondary data. The aim of the research approach is to elucidate why decisions were taken, how they were implemented, and with what results (Schramm 1971) to help in achieving the projected objectives of the research and answering the research questions. Critical realism guided the entire research. This is done so in that, it’s actually questions a lot of existing knowledge on the subject at hand. Interviews were be carried out and analysis of data was done especially on secondary data. This research employed multiple qualitative methods such as interviews, document analysis and observation of the activities and the role of sampled subjects to collect data. These methods allowed the researcher to collect data from many different sources. This will be vital for triangulating data collected through document analysis. This paper was largely theoretical and explored the academic literature on the Zimbabwean state, state owned enterprise and institutions regulating these organs in safeguarding sound corporate governance practices.

IV. Data Analysis

Data was analyzed employing content analysis; the analysis came with two groups of state owned enterprises, the performing and poor performing enterprises. From the available data, it can be noted that most state owned enterprises are prone to massive state interferences and abuse to further the interests of the ruling party. This was brought out thought the appointments of incompetent board members based on partisan grounds. Jensen, (1993) posits that the board is expected to represent shareholders and serve as their immediate cover and alarm against a self-serving management team. Ironically state owned enterprises boards for ZISCO and PSMAS authorized the self-interest of these managers and were also part of the looting committees in the cover of
The interviews made with one board member in one of the state enterprise also managed to bring out the oversight nature practiced by the ruling party to further their interests at the expense of the operation of the company. Also, there were reported cases where a single person sat in more than 5 boards and drawing allowances from each. Chen and Jaggi, (2000) and McConvill and Bagaric (2005) concur that the board of directors should be responsible for the monitoring of management decisions and activities. Thus lack of adequate corporate internal controls, as evidenced in this study was the source of dysfunctional executive behavior that escalated executive over-compensation. However, positives and signs of reforms can also be drawn in the performance and conduct of net1 Zimbabwe. A competitor in the telecommunication business, according to annual reports and financial reports in other state-owned enterprises, it can be also viewed that with the coming in of Lazarus Muchenje, at net1 it manifested in a steady growth in market share owing to the impressive leadership of Mr. Muchenje. Thus with regards to leadership, strong personnel’s and institutions are a cornerstone for development.

V. Recommendations

There is urgent need to give ZACC arresting powers. ZACC is a constitutional board given the task by the president to investigate all corruption issues. It is worth noting that ZACC has only investigative powers meanwhile they could not arrest, but recently the president has given ZACC arresting power. Now that they have these powers; the arrests should rather be made on all members of the public and not target political opponents as evident from the recent arrest made.

State institutions like TelOne and NSSA should periodically publish their financial statements to the public as it is a sound corporate governance practice. As they enable future planning and continuity for the firm. Through enabling the ability to detect pattern in financial performance they also show the budget of state-owned enterprises.

Another key recommendation by the study was the issues to address the issue of appointments of board members by the state in a bid to control activities at the firm. Appointments should rather be made based on merit and not through one’s proximity to power.

In conclusion, the future of corporate governance in Zimbabwe lies in guarding against the creation of strong personal versus weakening institutions. Organizations in Zimbabwe must continuously guard against corruption and abuse of power as highlighted from the above text.

REFERENCE LIST