BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

INTELLIGENCE AND SECURITY STUDIES DEPARTMENT

TOPIC

THE IMPACT OF CORPORATE GOVERNANCE CHALLENGES ON STATE ENTERPRISES AND PARASTATALS IN ZIMBABWE: A CASE OF THE NATIONAL RAILWAYS OF ZIMBABWE.

BY TYMON MANUNURE

B1852356

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE IN POLICE AND SECURITY STUDIES AT BINDURA UNIVERSITY OF SCIENCE EDUCATION. FACULTY OF COMMERCE.

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DECLARATION FORM

I, Tymon Manunure, solemnly declare that the information of this dissertation, prepared in partial fulfilment of the Bachelor of Business Administration Honours Degree in Police and Security Studies and submitted to the Department of Intelligence and Security, Faculty of Commerce at Bindura University of Science Education has not been presented, submitted or published in this nature or part. Previous works have been duly accredited and acknowledged properly.

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DEDICATION

This research project is dedicated to my lovely wife Portia for all the understanding and support she gave me when I got separated from the family for long hours executing research work and compilation of data.

ABSTRACT

The study sought to determine the impact of corporate governance challenges faced by NRZ on organizational performance, investigate corporate governance challenges, establish the causes of corporate governance challenges and based on the research findings, to formulate policy recommendations on the proper management of the NRZ to enhance their performance. The research was conducted on NRZ management and staff in all three operational areas, which are Eastern area, Midlands area and Southern Area. The researcher used the Case Study Research Design which enabled the researcher to understand fully the behaviour pattern of the concerned unit and resulted in a fruitful hypothesis along with the data which was helpful in testing. More so, this design had been chosen because it involved use of multiple sources and techniques in the data gathering process. Here, questionnaires and interviews were used as data collecting tools. The researcher distributed 80 questionnaires and conducted 4 interviews to gather research data. Henceforth the findings and conclusions that were deduced are that corporate governance challenges have a negative impact on the financial performance of the NRZ, as it has been attributed by the confused and complex ownership structures and the political dynamics that operate in the parastatal sector. The impacts of corporate governance challenges which were noted are, increase in unethical business practices, scandals; poor service delivery, corruption, conflict of interest, labour disputes (Picketing at Parastatals by former employees demanding their dues), high labour turnover, dismissal of employees and asset stripping, vandalism and theft. Also, the major challenges which were most noted are, lack of integrity and ethics among top management, conflicts of interests of directors, poor legal controls and implementation of the law and the state of the economy of Zimbabwe. Moreover, the revealed major causes of corporate governance challenges faced by NRZ are, lack of whistle-blowers protection, interplay between politics and the governance of the parastatals, wilful non-compliance with corporate governance systems by corporate managers and political unwillingness to institute and enforces corporate governance reforms. Conclusively the researcher, recommends that, the organization should establish incentive programs which foster compliance, attain information and learn from the experiences of contiguous railway companies and developing schools and workshops for directors and management meant for tutoring and boosting the awareness of the importance of corporate governance, so as to alleviate the impact of corporate governance challenges the entity is facing on its performance.

ACKNOWLEDGEMENTS

I would like to thank the Almighty God who continuously strengthened me during the whole period, I was conducting the research. I would like also to extend my sincere gratitude to Ms. Gopo, my project supervisor who constantly guided me throughout the research. I also want to thank Doctor Mugari, who gave me the inspiration which drove me to finish this research project. Finally, I would like to thank my family for their continuous encouragement and material support throughout the whole program. May god bless you all in Jesus Christ name.

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LIST OF ABBREVIATIONS

CEO:	Chief Executive Officer
GDP:	Gross Domestic Product.
NRZ:	National Railways of Zimbabwe.
OECD:	Organisation for Economic Co-operation and Development.
PSMAS:	Premier Service Medical Aid Society.
SEPs:	State Enterprises and Parastatals.
SOEs:	State Owned Enterprises.
ZBC:	Zimbabwe Broadcasting Corporation.
ZIMRA:	Zimbabwe Revenue Authority.
ZACC:	Zimbabwe Anti-Corruption Commission.

Chapter 1

1 The problem and its setting.

1.1 Introduction

This study seeks to analyse the impact of corporate governance challenges on State Enterprises and Parastatals in Zimbabwe. It consists of the background of the study, background of National Railways of Zimbabwe, problem statement, research objectives and research questions and the assumptions.

1.2 Background of the study

State Enterprises and Parastatals (SEPs) are strategic corporations established in terms of the acts of Parliament and their mandate is to provide essential services to the majority of Zimbabweans at an economic cost. In Zimbabwe State Enterprises and Parastatals (SEPs) are generally governed by the Companies Act (Chapter 24.03) while Parastatals are governed by the individual Acts of Parliament and Corporate governance practices are regulated by the Code of Corporate governance for State Enterprises and Parastatals in Zimbabwe, the Zimbabwe Stock Exchange Act, Chapter (24:18) and the Public Finance Management Act, Chapter (22:19) among others.

State Enterprises and Parastatals (SEPs) play a major role in Zimbabwe in the provision of basic services such as water, electricity, telecommunications, transportation, health, and education. Given their importance to the economy, ensuring that the SEPs are accountable, transparent, efficient and effective and where necessary, profitable, is important as outlined in the 1992 Cadbury Report, which produced a Code of Best Practice for companies, built around key principles of accountability, probity and transparency. These principles, together with the concept of equity, became the benchmark for good corporate governance. Also, the Organisation for Economic Co-operation and Development (OECD) which has produced principles of corporate governance that have gained worldwide recognition as an international benchmark for good corporate governance.

The purpose of organizations in an economy can best be defined by the corporate governance framework within which the firm or business entity operates. More so, the Zimbabwe Constitution

(Section 195) requires State Enterprises and Parastatals (SEPs) to conduct their operations so as to maintain commercial viability and abide by generally accepted standards of good corporate governance. On which corporate governance is the system by which organizations are directed and controlled. It is concerned with creating a balance between economic and social goals and between individual and communal goals while encouraging efficient use of resources, accountability in the use of power and stewardship and aligning the interests of individuals, corporations and society. Cadbury (1992), defined corporate governance as ‘the direction, management and control of an organisation.’ More so, Zimbabwe Constitution 196 provides for the responsibilities of public officers and principles of leadership. It outlines that authority assigned to a public officer is a public trust which must be exercised in a manner which is consistent with the purposes and objectives of the Constitution; demonstrates respect for the people and a readiness to serve them rather than rule them; and promotes public confidence in the office held by the public officer. Public officers must also conduct themselves, in public and private life, so as to avoid any conflict between their personal interests and their public or official duties, and to abstain from any conduct that demeans their office. And, public officers in leadership positions must objectively and impartially make decision and honestly execute their public duties accountably.

Hence, in Zimbabwe, the mandate of State Enterprises and Parastatals (SEPs) is to generate resources for the government to develop the rest of the economy. However, these State controlled corporations always ask for bailouts from Treasury despite the fact that most of them being supposed to be profit-oriented. Addressing an Annual Conference on 13 September 2012 in Victoria Falls on the state of Corporate Governance in Zimbabwe’s State Enterprises; the then Minister of State Enterprises and Parastatals Gordon Moyo observed that State Enterprises and Parastatals are key enablers that facilitate economic growth and sustainable development.

Among the ninety-three (93) State Enterprises and Parastatals in Zimbabwe most of them are under performing despite their strategic importance to the general economy. State Enterprises and Parastatals have become technically insolvent or are on the brink of collapse. Sifile et al (2014) notes “The major cause of these corporate scandals in Zimbabwe is centred mainly on poor corporate governance”. On the contrary, Parastatals attribute non-performance to inadequate funding by Treasury, the illegal Sanctions imposed on Zimbabwe by Britain and her allies for embarking on the land reform programme, and that government is not permitting them to charge commercially viable prices.

More so, in a key note address at the launch of the Corporate Governance Framework for State Enterprises and Parastatals in Zimbabwe in November 2010, the then Honourable A. Mutambara, Deputy Prime Minister of the Republic of Zimbabwe noted: "State enterprises and parastatals (SEPs) have the potential to contribute about 40% to the Gross Domestic Product (GDP). The governance systems in some of SEPS are currently characterized with role ambiguity, ineffective boards, ineffective management systems and non-adherence to Statutes. This scenario has contributed to poor performance by some of these SEPs, rendering them a drain to the fiscus." Accordingly most State Enterprises and Parastatals are technically insolvent considering that they are sitting on a debt way above their balance sheet size. Scandals; poor service delivery and corruption, conflict of interest, labour disputes, dismissal of employees and asset stripping among other inappropriate behaviours, continue to be headline news and are clearly endemic in Parastatals. Picketing at Parastatals by former employees demanding their dues has become the order of the day, which is contrary to the tenets of corporate governance framework of Zimbabwe which has its foundation centred upon four pillars which are responsibility, accountability, fairness and transparency, also the principle and philosophy of "Ubuntu" or "Unhu" which is the foundation of good human relations in African communities. This situation comes at the backdrop of concerted efforts by government to resuscitate operations of parastatals with a view to improve performance so that the State corporations contribute towards national development. Also has continued to cause huge losses with each capital injection from the fiscus. It is also against this background that the study seeks to analyse the impact of corporate governance challenges on state enterprises and parastatals in Zimbabwe and recommend best corporate governance practices for use to enable the National Railways of Zimbabwe realize its mandate and other state enterprises as well.

1.3 Problem Statement

The performance of the National Railways of Zimbabwe as a Parastatal in Zimbabwe has continued on a downward trend despite concerted efforts by government to resuscitate its operations through numerous capital injections which have caused a drain to the fiscus. Despite of being a strategic institution charged with the mandate to provide an efficient system of public transport of goods and passengers by rail and having a mission to promote the transformation of the economy and the lives of the people of Zimbabwe through an innovative provision of seamless, efficient, reliable and cost-effective bulk transportation services of goods and passengers in the country. Service delivery by this key institution has deteriorated to unprecedented levels and poor service delivery has been linked to poor corporate governance practices. NRZ as an organisation had become a national liability and its demise has crippled viability of several downstream companies across the country. It is against this background that this study seeks to analyse the impact of corporate governance challenges faced by state enterprises on organisational success or performance.

1.4 Purpose of the study

To determine the impact of corporate governance challenges faced by NRZ on organisational performance.

1.5 Objectives of the study

- The study will be guided by the following objectives:-
- To determine the impact of corporate governance challenges on organisational performance.
- To investigate corporate governance challenges faced by the NRZ.
- To establish the causes of corporate governance challenges faced by the NRZ.
- Based on the research findings, to formulate policy recommendations on the proper management of the NRZ to enhance their performance.

1.6 Research questions

- What is the impact of corporate governance challenges on organisational performance?
- What are the corporate governance challenges faced by the NRZ.
- What are the causes of corporate governance challenges faced by the NRZ.
- What are the policy recommendations you can give to management of the NRZ to enhance the organization’s performance.

1.7 Significance of the study.

The government.

The findings of this study may benefit the government on the making of national policies or reforms which may help curtail the reliance of SEPs on the fiscus and increase their contribution to economic growth.

NRZ.

The study is greatly poised to benefit the NRZ by providing it with effective and efficient strategies to effectively manage the entity and enable it fulfil its mission of promoting the transformation of the economy and the lives of the people of Zimbabwe, through the provision of a seamless, efficient, reliable and cost effective bulk transportation of goods and passengers in the country as well as its vision of being a provider of world class railway infrastructure and transport services in Zimbabwe by 2025.

NRZ customers.

The study will benefit from the study as they will enjoy a convenient and safe travel as well as a reliable and safe transportation of their goods.

NRZ Supervisory Authority.

The study will assist in the development of a body of knowledge which can then be used for policy formulation by the supervisory authority and consequently, for the development of the economy.

NRZ Management, Board and staff.

The findings will also be helpful to NRZ Management Board and staff as it provides them with the actual causes of the entity's failures in the economy and hence how the failures can be avoided or prevented.

Academics and consultants.

The study will contribute to the general understanding of the subject area from a Zimbabwean and transport sector perspectives. Also the study will benefit other researchers who may want to carry out the same study as a referencing point and last but not least, to the researcher the study enlarges his knowledge base on the subject of corporate governance.

1.8 Assumptions

- The researcher assumes that all responses will be free of prejudice to make reliable findings and that the researcher will receive maximum assistance from respondents.
- The researcher also assumes that for the research to be successful there should be no changes or significant changes concerning the corporate governance practices at NRZ and that the prevailing trends will continue until the end of the study.
- The researcher also assumes that all respondents to the questionnaire will have sufficient background information on the issue of corporate governance and are up-to date with recent developments in this area at NRZ.

1.9 Delimitation

The study focused on analysing the impact of corporate governance challenges in State Enterprises and Parastatals in particular the National Railways of Zimbabwe, on organisational performance. There are approximately (93) State Enterprises and Parastatals in Zimbabwe and these studied individually. The National Railways of Zimbabwe (NRZ) which fall under the transport industry was used as a case study and the results obtained after the study was generalized to all public companies. A situation analysis from year 2010 to 2021 was undertaken, reviewing key studies (published and unpublished research studies, program evaluations, reviews) on the status of governance in State controlled companies. A response analysis was also be considered, reviewing key studies, assessments and evaluations of interventions aimed at reducing corporate lapses in public corporations, with a view to understand current approaches and activities, gaps and opportunities.

1.10 Limitations

Cooperation

The area being researched on was very sensitive and not easy to get cooperation and access to some important records owing to the hindrance of the Official Secrets Act, Chapter 11:09. As a way to counter this factor, the researcher had to seek for permission from the NRZ Management before embarking on the study.

Geographical Dispersion

National Railways of Zimbabwe is geographically dispersed since it is divided into three main operational areas which are Eastern area, Midlands and Southern area. Eastern area covers areas such as Harare, Mutare, Bindura, Chegutu, Kadoma and Chinhoyi while Midlands area is made up of areas such as Gweru, Masvingo, Beitbridge, Chiredzi and Rutenga. Areas such as Bulawayo, Plumtree, Victoria Falls, and Hwange fall under Southern area. The spread of stations means extensive travelling for the researcher which goes hand in hand with transport costs.

Another limitation is on the analysis of the data which might reflect a personal perception of the researcher who is an employee of the NRZ. The researcher had neutralised this by providing literature on which conclusions were based and also utilised graphs and diagrams on facts discussed.

1.11 Definition of terms

Corporate governance – a process through which shareholders induce management to act in their interest providing a degree of confidence that is necessary for capital markets to function effectively. (Rezaee 2009). Thus is a set of processes, customs, value codes, policies, laws and structures governing the way a corporation is directed, controlled and held accountable.

Parastatals – institutions or organisations which are owned by the state or in which the state holds a majority interest, whose activities are of a business in nature and which provide services or produce goods and have their own distinct management. (Efange 1987)

State owned enterprise – is a legal entity created by government to undertake commercial activities on behalf of an owner, government, and are usually considered to be an element or part of the State. A body corporate whose operations or activities are substantially controlled by the State or by a person on behalf of the State, whether through ownership of a majority of shares in the body corporate or otherwise.

Shareholder – means (a) Government represented by the responsible Minister or by a designated agent. (b) Any other holder of shares in the entity. (Corporate Governance Framework, 2010).

Stakeholder – is someone who has an interest or 'stake' in it, and is affected by what the company does. (Coyle 2006).

Chapter 2

2 Literature review

2.1 Introduction

This chapter defines corporate governance from a wide range of views. Thus it encompasses conceptual literature concerning the concepts and theories of the research problem. The chapter also covers review of empirical literature consisting of earlier studies relating to corporate governance. Corporate governance and the key components of corporate governance are explained and various theories relevant in the provision of corporate governance being highlighted.

2.2 Conceptual framework

Corporate governance is a set of processes, customs, value codes, policies, laws and structures governing the way a corporation is directed, controlled and held accountable. It ensures that the organization is run properly, that goals are being achieved and funds are being managed with high standards of propriety and probity (Corporate Governance Framework for State Enterprises and Parastatals in Zimbabwe, 2010). Gono (2004), adds that good corporate governance and integrity in business are the bedrock and foundation to sustainable economic and social prosperity. More so, according to Rezaee (2009), it is a process through which shareholders induce management to act in their interest providing a degree of confidence that is necessary for capital markets to function effectively.

2.2.1 Corporate governance challenges and their impact on performance.

One of the major challenges in State Enterprises and parastatals' corporate governance system in Zimbabwe is the confused and complex State Enterprises and parastatals' ownership structures (Mafi, 2014). This eccentric ownership structure of the state-owned enterprise and the political dynamics that operate in the parastatal sector complicates the corporate form of the state-owned enterprise and have a profound impact on how they are run. The International Finance Corporation (2014) on Corporate Governance Scorecards, adds that conflict of interests of directors becomes an ethical problem if some individual tries to influence the outcome of an organization's decisions for their own personal benefit. The conflict of interests of directors indicates fiscal indiscipline and hence an ethical problem because some individuals influence the outcome of an organization's decisions for their own personal benefit. It is the legal duty of directors to act in the best interests of the company. Davis et al (2016) note that according to the stewardship theory, managers should sincerely pursue shareholders' interests and the theory sees a strong relationship between managers and the success of the firm, and as a result stewards protect and maximise shareholder value through corporate performance. Therefore the agent should conduct his/her fiduciary duties in line with the tenets of corporate governance

Ncube et al,(2014) states, lack of integrity amidst the management of State enterprises is another challenge. This is due in many of the organization where management are not honest and do not uphold ethical values, fully comprehend the benefits of corporate governance hence they usually fail to implement corporate governance in their operations despite of having a code of ethics. One of the reasons attributable to the unethical practice of corruption in a nation is that of weak leadership and lack of accountability of public officials. Commenting on the state of corruption in Zimbabwe, Ikotun (2015), points out that corruption has been converted into statecraft in Zimbabwe because there has been a failure of leadership and accountability in the government. A higher level of poor legal controls and non-implementation of law and regulations is also another challenge. Williams (2017) notes that Zimbabwe currently follows the 'apply or explain' approach in regard to corporate governance, hence management may also overlook or ignore implementing corporate governance principles when they know that there are no consequences to non-implementation. Also, Metcalf (2018) posits that lack of strict monitoring and susceptibility of government institutions to manipulation by politicians makes it difficult for these firms to fully comply with corporate regulations and systems.

Zhou, et al, (2014) posits that, the state of the economy of Zimbabwe is also posing a challenge in Zimbabwe. These challenges come at the backdrop of concerted efforts by government to resuscitate operations of parastatals with a view to improve their performance so that they would contribute towards national development as there is a hype of impacts of corporate governance challenges, where we saw unethical business practices, scandals; poor service delivery and corruption, conflict of interest, labour disputes, dismissal of employees and asset stripping among other inappropriate behaviours and limited human resources capabilities among others. These presented challenges for the implementation of good corporate governance practices in the economy. Hence, these challenges combined with economic and social hardships currently bedevilling the nation, had led to a decelerated economic growth, aggravated levels of poverty and ever-increasing amount of debts as they continue to cause huge losses with each capital injection from the fiscus. Picketing at Parastatals by former employees demanding their dues has become the order of the day, which is contrary to the tenets of corporate governance framework of Zimbabwe.

2.2.2 Causes of corporate governance challenges

Chimbari (2017) outlines the major causes of corporate governance challenges as, lack of whistle-blowers protection, undeniable interplay between politics and the governance of the parastatals, wilful non-compliance with Corporate governance systems by corporate managers, political unwillingness to institute and enforce, corporate governance reforms among others are the major causes of the Corporate governance challenges in Zimbabwe.

An undeniable interplay between politics and the governance of the parastatals is largely a result of the state's involvement in the appointing of parastatal boards of directors (Zvavahera et al, 2014). Therefore, Boards must be independent of political interference and be seen to be so, as these board appointments have been riddled with cronyism; where the appointment of members to the boards has largely been based on political expediency and rarely on pure merit. Such a situation opens the door for undue influence and political interference in the day to day running of the parastatals.

Wilful non-compliance with Corporate governance systems by corporate managers is best outlined by the non-compliance with the 2010, Corporate Governance Framework for State Enterprises and Parastatals which is similar to the ZIMCODE, in letter and spirit by corporate managers. Evidenced by bad corporate governance practices which had remained rampant in parastatals; with major parastatals such as Premier Service Medical Aid Society (PSMAS), Zimbabwe Broadcasting Corporation (ZBC), Zimbabwe Revenue Authority (ZIMRA), Air Zimbabwe, and the Municipality of Harare becoming archetypes of serious corporate malfeasance over the past years.

Also, there has evidently been political unwillingness to institute, and enforce, corporate governance reforms to enhance probity, lucidity, accountability, and good governance in the public sector in Zimbabwe. As, the country’s anticorruption board, the Zimbabwe Anti-Corruption

Commission (ZACC), which draws its mandate from the Constitution of Zimbabwe, has been undermined by political forces. Despite being given the powers to rein in corrupt activity in the country's public and private sectors, ZACC has failed to enforce the criminalization of exposed malfeasance and to secure the conviction of several highly-placed individuals who have been implicated in some of the high-profile corporate scandals (Africa Corporate Governance Network, 2016; Mafi, 2014).

Moreover, whistle-blowers have no protection; legal or otherwise and this quandary is compounded by the various gagging mechanisms such as the Official Secrets Act [Chapter 11:09] which prevent employees in SOEs from disclosing information about activities happening inside the enterprises. This makes the public disclosure of concealed malfeasance and corporate malpractice in state-owned enterprises dangerous, and puts potential whistle-blowers in a dicey situation. Hence, the Organisation for Economic Co-operation and Development (2015) underlines that the protection of whistle-blowers who disclose wrongdoing in governments are recognised as the core of the public sector integrity framework.

2.2.3 Internal control measures in place to curb corporate lapses in Zimbabwe.

Zimbabwe reacted to international progression due to the diverse challenges of state enterprises and designed a corporate governance framework for state enterprises and parastatals in 2010 to abate additional episodes of corporate failure, Zhou et al (2014). According to section 198 of the Zimbabwean Constitution which provides for the Legislation to enforce good corporate governance, it is outlined that an Act of Parliament must provide measures to enforce the provisions of good corporate governance, including measures requiring public officers to make regular disclosures of their assets; establishment of codes of conduct to be observed by public officers; specification of the standards of good corporate governance to be observed by government controlled entities and other commercial entities owned or wholly controlled by the State and providing for the disciplining of persons who contravene such provisions or any code of conduct or standard of good corporate governance.

Also the Corporate governance framework of 2010 outlines that an effective leadership is portrayed by the following principles:

- **Ubuntu-** This emanates from an African philosophy which promotes community orientation, shared interests and mutual responsibility

- **Responsibility-** A responsible management will formulate the right strategies in line with the organization's goals in order to achieve a sustainable corporate performance.
- **Accountability-** Decision makers in organizations should be able to give reasons for and to be able to defend themselves on the exertion of authority done on certain issues concerning the business. They should also implement the right mechanisms to allow effective accountability to take place
- **Fairness-** Systems in existence in an organization should be balanced in including all stakeholders through acknowledging and respecting their various rights
- **Transparency**-Management should avail the essential information in a candid and precise manner timeously to stakeholders so that they can be able to comprehend how an organization makes its decisions

On the 21st of July 2017, a public entities corporate governance bill was gazetted so as to insure consistency on the activities of all state enterprises. In cultivating corporate governance techniques, Zimbabwe embraced several aspects from the corporate governance practices of developed economies like South Africa and this was done in a bid to make sure that the code would correspond to the frameworks of the trading partners of Zimbabwe and that the fundamentals established would match international standards, Clarke (2014). Of most importance is the OECD (2014) which outlines the fundamental principles of corporate governance. It propounds that the OECD principles exhibit the first step take by an inter-governmental organization to create the foundation of good corporate governance principles. These principles can also be used by governments as a benchmark for appraisal and amending their national codes of corporate governance. There are six principles vital to a sound corporate governance framework and these are:

- Effecting the foundation for an efficient corporate governance framework. The corporate governance framework should encourage translucent and effective markets, homogeneous with the edict of law and plainly express the separation of responsibilities amid disparate enforcement, regulatory and supervisory authorities
- The rights of shareholders and essential proprietorship duties. The corporate governance framework must safeguard and ease the exercise of shareholders' right.
- The impartial treatment of shareholders. The corporate governance framework needs to make sure that an impartial treatment of all shareholders is effected inclusive of minority

and foreign shareholders. Every shareholder must be given the chance to restore effectively any encroachment of their rights.

- The responsibility of stakeholders in corporate governance. The corporate governance framework ought to identify the rights of stakeholders incorporated by either law or by means of mutual concurrence and boost co-operation among corporations and stakeholders whilst making wealth, creating jobs, and maintaining financially sound firms.
- Disclosure and Transparency. A corporate governance framework must make sure that well-timed and precise disclosures are contrived on all important issues concerning the firm along with the financial position, accomplishments, ownership, and firm governance.
- The Responsibilities of the Board. The corporate governance framework ought to make sure that there is a crucial management of the firm, efficient control of management by the board, and the board's responsibility to the firm and the entire shareholders

Also the Zimbabwe national code on corporate governance, (ZIMCODE) is the standard that directs corporations in Zimbabwe to conform to the code of "Best Practice". The aim of the ZIMCODE is to explicitly state how private and public entities should handle all challenges resulting from corporate governance in Zimbabwe and how to execute good corporate governance practices which are acknowledged internationally. The ZIMCODE uses the "apply or explain" way, meaning that organizations must employ the principles of the code and are obliged to disclose any excuses as to failure to comply with the regulations. (Zvavahera et al 2014).

2.2.4 The nexus between corporate governance and performance of State Enterprises.

Bourne et al., (2015) affirm that an improved corporate governance results in a satisfying financial performance of a firm as it thwarts the seizure of regulating shareholders and thereby guaranteeing improvements in the executions of decisions. With this an organization employing good corporate governance will help in the reinforcement of a corruption-free community. Adam et al., (2016) agree that poor corporate governance in organizations paves the way for corruption alliances amidst the politicians and state enterprises. Gono (2004) also propounded that good corporate governance and integrity in business are the bedrock and foundation to sustainable economic and social prosperity. Therefore it basing on the above arguments it shows that there is a positive relationship between corporate governance and the performance of State Enterprises and Parastatals.

2.3 Corporate governance theories.

Corporate governance is premised on a wide range of approaches for the organisation and explanation. Even to date, a number of corporate governance theories continue to evolve as corporate governance issues take centre stage in the complex global market. The following theories of corporate governance will be discussed in this study but the list is not exhaustive: (Agency Theory, Stakeholder Theory, Stewardship Theory)

2.3.1 Agency Theory

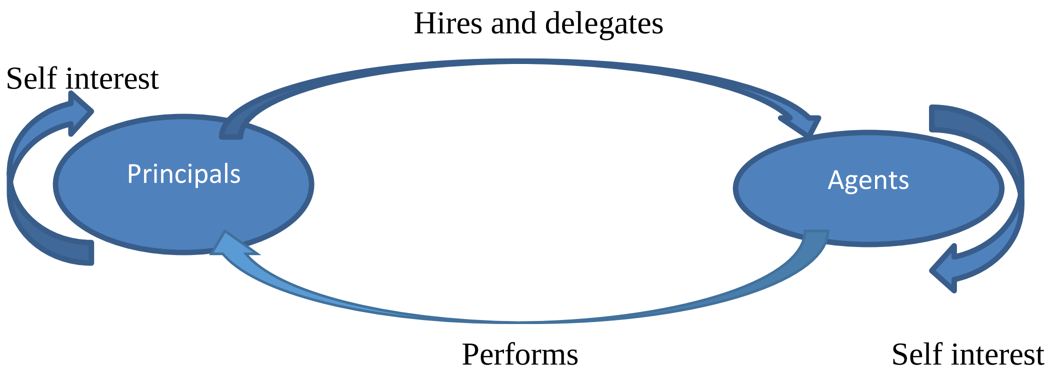
Agency theorists trace their origins back to the school of economics and finance (Davis et al., 1997). Abdullah et al., (2009) note the agency theory as having its roots in economic theory and was exposited by Alchian et al., (1972). It is regarded as the bedrock of corporate governance theories because it is the basis upon which other corporate governance theories were later developed. The model proposes the existence of relationships, which can be expressed as contracts between two individuals (principal and agent), where the agent counts himself to supply a service for the principal in the exchange for a compensation. The basic premise of the principal-agent theory, as defined by Jensen et al., (1976), is a contractual relationship between one party (principal) engaging another party (agent) to perform a service(s) on behalf of the principal, which involves some decision-making authority being yielded to the agent. Agency theorists posit that the contractual relationship entered into involves a "voluntary exchange resulting in dependency" (Althaus, 1997). Boston (1991) suggests that agency theory can be used to analyse the relative efficiency of alternative institutional arrangements due to its focus on the nature of contractual relationships.

The agent and principal both seek to receive maximum benefit for the least possible expenditure, but the principal incurs agency costs when the interests of the principal and the agent vary. (Davis et al., ibid) Clarke (2004) observes that principals delegate the running of the business to the directors and managers who should act in the best interest of shareholders. Furthermore, mutual benefit may not be optimal nor even come to fruition because of goal divergence between the parties. Althaus (ibid) claims that it is the principal who "usually loses out on the optimality stakes, as the theory restrictively attributes opportunism to the agent". Darus (2011) concurs stating that "corporate governance problems arise due to the misalignment of interests between managers and investors because of the separation of ownership and control in a company".

Monks et al., (1995, 179) suggest that the major challenge addressed by agency theory advocates regarding corporate governance "is how to grant managers enormous discretionary power over the conduct of the business while holding them accountable for the use of the power". The agency framework suggests that corporate governance is about creating and monitoring the mechanisms that are put in place by shareholders to control corporate insiders to maximise shareholder wealth by reducing agency loss. (Cohen et al., 2002) Cohen et al. (2004) colourfully describe these mechanisms as the "corporate governance mosaic". Sternberg (1998) claims corporate governance's solitary role is "ensuring that corporate actions, assets and agents are directed at achieving the corporate objectives established by the corporation's shareholders". It follows, therefore, that the connotative meaning of "corporate governance", under the banner of agency theory, refers to policing methods employed to "keep agents in check". Thus, the meaning and theory of corporate governance in this paradigm is based on the mechanistic logic associated with structural functionalism by assuming, either implicitly or explicitly, that we can treat people as "functions".

While the agency theory places more weight on the need for agents to act in the best interest of shareholders, it is not always the case as the agents may succumb to self-interest and opportunistic behaviour and thus end up prejudicing the owners of the company. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control. The agents are controlled by shareholder made rules with the intention to get a higher return on investment.

Figure: 2.3.1. The Agency Model. Adapted from Abdallah et al., (2009)



2.3.2 Stakeholder Theory

The primary focus of corporate governance as suggested by stakeholder theorists' rests with governing boards and the assertion that there are numerous groups in society aside from shareholders and employees to whom the corporation is responsible. (Bonnafous-Boucher, 2005). The governing board, under the umbrella of corporate governance, achieves corporate goals by performing a balancing act with the "often conflicting interests of these different groups." (Hung 1998). Thus, "corporate governance" connotes a synchronising forum. Stakeholder theorists suggest that the primary purpose of corporate governance is to provide a "vehicle for coordinating stakeholder interests." This view of corporate governance puts in place structures where stakeholders can state their case, reduce the effects of information asymmetry and that have an enforcement component built in to protect the rights of stakeholders. It follows, therefore, that corporate governance, under the stakeholder theory model, is a "balancing act" that takes place because all stakeholders, including advocacy groups, are considered to have the right to be heard. Thus, the connotative meaning of "corporate governance" is the nexus of stakeholder agreement.

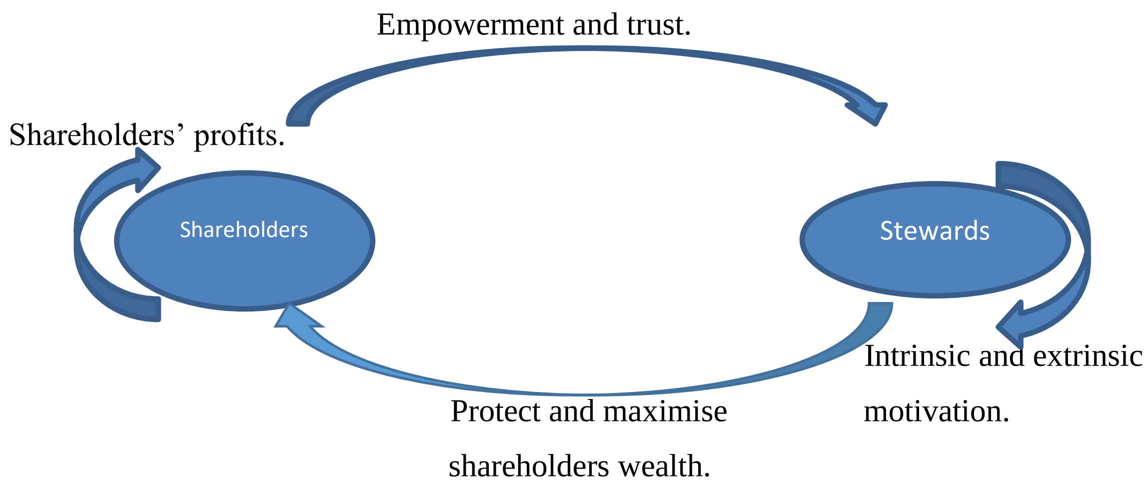
More so, Abrams, (1951), notes that this theory centres on the issues concerning stakeholders in an institution. It stipulates that a corporate entity invariably seeks to provide a balance between the interests of its diverse stakeholders in order to ensure that each interest constituency receives some degree of satisfaction. The model addresses the needs of investors, employers, suppliers and customers. The firm is a system, where there are stakeholders and the purpose of the organisation is to create wealth for its stakeholders. McDonald et al., (1979), observes that companies are no longer the instrument of shareholders alone but exist within society and, therefore have responsibilities to that society. Abdallah et al., (2009), notes that the stakeholder theory was embedded in the management discipline in 1970. There are various stakeholders under this theory which can be grouped into three categories. These are consubstantial, contractual and contextual stakeholders. According to Rodriguez et al (2002), consubstantial stakeholders are stakeholders that are essential for the business's existence (shareholders and investors, strategic partners, employees). Contractual stakeholders, as their name indicates, have some form of a formal contract with the business (financial institutions, suppliers and subcontractors, customers). Contextual stakeholders are representatives of the social and natural systems in which the business operates and play a fundamental role in obtaining business credibility and ultimately the acceptance of their activities. What it means is that the corporate has to plough back to the community in which it operates through social corporate social responsibility programs.

2.3.3 Stewardship Theory

Hung, (1998), states, Stewardship theorists trace their origins back to the human relations school of management organisation theory. In direct contrast to agency theorists, stewardship theorists focus on non-economic influences that guide managerial activity. (Mason et al., 2007). Davis et al (2016), notes that according to the stewardship theory, founded on a positive view of human behaviour, people are not inclined to opportunism, and managers want to sincerely pursue shareholders' interests. The direction of the corporate is steered by boards of directors who according to this theory are groups of competent people that assist managers to enhance their decision-making process by providing them with advice and support. It suggests that stewards are satisfied and motivated when organisational goals are achieved. Stewardship theory sees a strong relationship between managers and the success of the firm, and as a result stewards protect and maximise shareholder value through corporate performance. Indeed, where agency theorists present a view of governance based on economic interpretations of relationships within organisations, stewardship theorists allow for a range of non-financial motives for managerial activity, including the need for achievement and recognition, the intrinsic satisfaction achieved from a successful performance and a strong work ethic.

The basic premise of stewardship theorists, as stated by Donaldson et al., (1994), is that managers as: Stewards of the corporation diligently work to attain high levels of corporate profit and shareholder returns. Thus, organisational financial performance and shareholder wealth will be maximised by empowering managers to exercise unencumbered authority and responsibility. Given the above argument, it is reasonable to conclude that under the banner of stewardship theory, the connotative meaning of corporate governance involves "power and authority" metaphors, carries normative assumptions and involves role players such as "stewards". Thus the theory focuses on structures that facilitate and empower rather than monitor and control. It takes a more relaxed view of the separation of the chairman and CEO and supports the appointment of a single person for the position of Chairman and a majority of specialist executive directors rather than non-executive directors. (Clarke 2004). Donaldson et al., (ibid) share the same view and note that stewardship theory suggests unifying the role of the CEO and the Chairman so as to reduce agency costs and to have greater role as stewards in the organisation.

Figure 2.3.3. Stewardship theory. Adapted from Abdallah, et al (2009)



Given the diversity of corporate governance theories this study will be undertaken using the stakeholders' theory which appears to be taking interests of all stakeholders in their various constituencies.

2.4 Empirical studies

The numerous corporate scandals, scoundrels, crises, and collapses that have made headlines around the globe over the past decade have awakened renewed discourse about corporate governance among academics, researchers, and practitioners alike. Scandals involving corporations like Enron, WorldCom, and Parmalat at the turn of the century gave the world a rude awakening to the importance of good corporate governance and effective regulatory oversight in corporations (Bozec et al, 2012; Downes et al, 2005; Boyd, 2003; Vinten, 2002). Although there has been increasing consciousness around the importance of corporate governance in contributing to sustainable development goals, it is disheartening to note that the situation in most African countries has deteriorated, and there is still a dearth of studies focusing on the importance of corporate governance and its practice in state owned corporations (Sawe et al, 2017; Ayandele et al, 2013). Hence a few books and articles have been published in Zimbabwe on the state of corporate governance in the country. Although corporate governance has existed in Zimbabwe since time immemorial, corporate governance issues became topical after the financial crisis of 2003 which caused a near collapse of commercial banks and other financial institutions.

Among the books and articles on the impacts of corporate governance challenges, Shungu et al, (2014) wrote a journal entitled: Impact of corporate governance on the performance of commercial banks in Zimbabwe, which mainly focused on financial institutions and how corporate governance issues affect their performance. Also, Chiromba (2012) published a book entitled: corporate governance and firm performance, emerging market financial institutions analysis. This book grew out of a study aimed at establishing the relationship and impact of corporate governance on firm performance using the Zimbabwean financial sector as the case study. The book concludes that there is a positive relationship between corporate governance and firm performance recommends firms to give enough platforms to minority shareholders in their shareholder meetings so as to improve on accurate and timely information dissemination. Some studies have also been carried out in countries like Kenya, "An analysis of the effect of corporate governance on performance of commercial state corporations in Kenya" by Miring'u Alice Njeri (2011). The study sought to examine how corporate governance affects financial performance in state corporations in Kenya.

Also, on Articles on the corporate governance challenges, Ncube et al (2014) of the Midlands State University adds to this literature by writing an article on Corporate Governance and Executive Compensation in Zimbabwe State Owned Enterprises: A Case of Institutionalized Predation. This study is focused on executive compensation in the form of the hefty salaries and allowances in State Enterprises and Parastatals and goes on to critically explore the strengths and limitations of the current corporate governance systems to adequately monitor and control top executive behaviour in the State Enterprises and Parastatals. Zhou, et al, (2014) in an article of Public Policy Making in Zimbabwe: A Three Decade Perspective, International Journal of Humanities and Social Science, Vol 2(8) pp. 212222, says that quality of corporate governance is important as poor governance can harm national economic performance and financial stability however Zimbabwe is still a developing country and implementation of corporate governance in state enterprises is still difficult as the country does not have a long-established financial institution infrastructure to deal with corporate governance issues. Also, Alexander Maune in the Asian Economic and Review journal, 2015, 5(1):167-178- Corporate Governance in Zimbabwe: An overview of its current state only provides an insight of the current practice and status of corporate governance in

Zimbabwe. The International Finance Corporation (2014) on Corporate Governance Scorecards, adds that conflict of interests of directors becomes an ethical problem if some individual tries to influence the outcome of an organization's decisions for their own personal benefit. And, Mafi, W. (2014) on State-owned Enterprises Corporate Governance Framework needs to be enforced, Chartered Secretary, Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) states that one of the major challenges in SOE corporate governance system in Zimbabwe is the confused and complex SOE ownership structures.

Moreover, articles on the causes of corporate governance challenges Pritchard Chimbari (2017) on Public Sector Corporate Governance In Zimbabwe: The Nexus Between The Zimcode And State-Owned Enterprises International Journal of Economics, Commerce and Management United Kingdom. Vol. V, Issue 7, revealed that the major causes of corporate governance challenges are: Lack of whistle-blowers protection, interplay between politics and the governance of the parastatals, wilful non-compliance with corporate governance systems by corporate managers and political unwillingness to institute and enforces corporate governance reforms. Also, Zvavahera, P. & Ndoda, G.R. (2014) on Corporate governance and ethical behaviour: The case of the Zimbabwe Broadcasting Corporation, Journal of Academic and Business Ethics, 9 adds to this literature saying, boards must be independent of political interference and be seen to be so. In Zimbabwe, however, there is an undeniable interplay between politics and the governance of the SOE. More so, the Organisation for Economic Co-operation and Development (2015) underlines that the protection of whistle-blowers who disclose wrongdoing in governments is recognised as the core of the public sector integrity framework; it is an essential element for safeguarding the public interest, promoting a culture of public accountability, and in many countries is proving crucial in the reporting of misconduct, fraud and corruption.

2.5 Research Gap

The research is very relevant since there had never been any research in Zimbabwe which was carried out specifically to deal with the impact of corporate governance challenges faced by state enterprises and parastatals(non-financial corporations). Notably, most of the literature produced on corporate governance in Zimbabwe had a bias towards the financial services sector. Therefore as outlined on the studies that State controlled corporations (non-financial corporations) had been decimated in Zimbabwe, the concerns of the researcher need to be addressed by determining the impact of corporate governance challenges faced by state enterprises and parastatals in Zimbabwe. Further, the continuous corporate scandals, scoundrels, crises, and collapse that have made headlines in the NRZ over the past decade have awakened or signalled that the NRZ strategies are ineffective meaning that the knowledge gap still exist which needs to be investigated. As such the researcher was persuaded to carry out the current research with a view to come up with cost effective policy strategies and recommendations for the proper management of the NRZ to enhance its performance.

2.6 Summary

This chapter looked at literature review where various corporate governance theories and empirical studies relevant to the study. Gap analysis was conducted and the need to proceed with the study was recognised. The next chapter focused on research methodology.

Chapter 3

3 Methodology

3.1 Research Methodology

Research methodology outlines how the research was carried out using a particular research design. Kothari (2004) defines research methodology as a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. There are a number of research designs that can be used in conducting a research. These were not identified because the researcher was concerned with the identification of a research design that was suitable for this inquiry. In that regard, the case study research design was identified and used.

3.2 Research Design

A research design is a plan, structure and strategy of investigation so conceived to obtain answers to research questions or problems. The plan is the complete scheme or program or program of research. Nachamias et al., (1985), states that a research design is a programme that guides the researcher in the process of collecting, analysing and interpreting observations. Kothari (2004) states that research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximal information with minimal expenditure of effort, time and money. Thus, it stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money. The conclusion drawn from the above submissions is that a research design is a plan or guide used to find out what surrounds the research problems and how best the problems can be solved.

3.2.1 Case Study Research Design

Kumar (2005:113) notes, "The case study method is an approach to studying a social phenomenon through a thorough analysis of an individual case". According to Kothari (2004) a case study method is a very popular form of qualitative analysis and involves a careful and complete observation of a social unit, be that unit a person, a family, an institution, a cultural group or even the entire community. It is a method of study in depth rather than breadth. The case study places more emphasis on the full analysis of a limited number of events or conditions and their interrelations. The case study deals with the processes that take place and their interrelationship. Thus, case study is essentially an intensive investigation of the particular unit under consideration. The object of the case study method is to locate the factors that account for the behaviour-patterns of the given unit as an integrated totality. On the other hand, it is an empirical inquiry that investigates a contemporary phenomenon within its real-life context. The understanding drawn from the above definitions is that a case study research method is a detailed analysis of an individual case which explains the dynamics of a given situation.

3.2.1.1 Justification for choosing the Case Study Research Design.

According to Kothari (2004), under this method the researcher can take one single social unit or more of such units for his study purpose; he may even take a situation to study the same comprehensively. Here the selected unit was studied intensively and generally, the study extends over a long period of time to ascertain the natural history of the unit so as to obtain enough information for drawing correct inferences. The case study method enabled the researcher to understand fully the behaviour pattern of the concerned unit. As such, case study deepens his perception and gives him a clear insight into life. Case study method resulted in a fruitful hypothesis along with the data which was helpful in testing them, and thus it enabled the generalised knowledge to get richer and richer. More so, this design had been chosen ahead of other designs because it involved use of multiple sources and techniques in the data gathering process. Tools to collect data can include surveys, documentation review, observation and even collection of physical artefacts. The freedom to collect multiple kinds of information makes the case study method useful for exploring ideas and constructing theories about program or project dynamics. Kumar (2005:113), also states that the case study research method also provides an opportunity for the intensive analysis of many specific details often overlooked by other methods. However, the case study research method had several major limitations as an evaluation tool. Case situations are seldom comparable and as such the information gathered in case studies is often not comparable. There is danger of false generalisation in view of the fact that no set rules are followed in collection of the information and only few units are studied. It also consumes more time and requires lot of expenditure. More time is needed under case study method.

3.2.2 Target population

Population refers to a set of objects in totality of items or things under consideration. Borg et al., (1996) define population as all members of a real or hypothetical set of people, events, or objects to which we wish to generalize the results of our research. The term population in this study therefore means all participants or units of some clearly defined groups of people. The study seeks to analyse the impact of corporate governance challenges in State Enterprises and Parastatals in Zimbabwe. Instead of studying all the (93) State Enterprises and Parastatals in Zimbabwe, only the NRZ was used as a sample in this undertaking and results thereof were generalized to all State corporations. Hence the target population for the research are the NRZ employees. The population of this study included NRZ management and staff. Accordingly, a sample size of 80 respondents who constituted board members, directors, management and staff was used.

3.2.3 Sampling design technique

A sample design is a definite plan determined before any data are actually collected for obtaining a sample from a given population. Kothari (2004). In this research, the researcher adopted stratified random sampling and Judgemental or purposeful sampling. According to William (2006), stratified random sampling is used when the cases in a population fall into distinctly different categories. Kothari (ibid) propounds that if a population from which a sample is to be drawn does not constitute a homogeneous group; stratified sampling technique is generally applied in order to obtain a representative sample. Under stratified sampling the population is divided into several sub-populations that are individually more homogeneous than the total population (the different sub-populations are called ‘strata’) and then we select items from each stratum to constitute a sample. According to Majumdar (2011), when using stratified sampling, the population is first divided into stratums and samples are selected from each stratum separately using simple random sampling. Accordingly, the researcher stratified the population in terms of geographical divisions, rank and departments. Members from each stratum was then selected again using Judgemental or purposeful sampling.

Table: 3.2.3 Population identity and Target population.

Population identity	**Target population**	**Interviews done**	**Questionnaires distributed**
Director/Executive	2	-	2
Senior management	8	1	8
Middle management	20	1	20
Staff	50	1	50
Total	**80**	**4**	**80**

Source: (Primary data)

3.2.3.1 Justification for using stratified and simple random sampling

Stratified random sampling design is considered the most desirable in this research because the research population had distinct characteristics in terms of geographical dispersion, rank as well as departments. It allows respondents to be selected from each of the stratums. This was considered cardinal in ensuring that responses obtained are a true reflection of the entire population thereby increasing the reliability of the gathered information. Judgemental or purposeful sampling was considered necessary to ensure that every member of the strata had an equal opportunity of being selected the researcher derive information from rich cases for in-depth analysis related to key issues being investigated. These two sampling methods afforded each member of the population an equal opportunity of being selected and in this way, bias was avoided thereby making the sample representative of the population.

3.2.4 Sample and Sample size

Sidhu (1984) defines a sample as a small proportion of a population selected for observation and analysis or a collection consisting of a subset or part of the subjects or individuals from a population, which is elected for the express purpose of representing the population. In this study, a sample size of 80 respondents who constituted board members, directors, management and staff was used. This means that the sample in this study was based on the compositions of participants in each category and each category was correctly represented. The researcher used his judgement as to who can provide the best information to achieve the objectives of the study instead of the random sampling method. Judgemental or purposeful sampling method derives its strength in selecting information rich cases for in-depth analysis related to key issues to be investigated.

3.3 Research Instruments

Data collection instruments refer to tools and techniques used to collect data such as questionnaires, tests, interviews and checklists. (Pilot et al., 1997). Mouton (1996) noted that data collection involves applying the measuring instruments to the sample or cases selected for investigation. In this study, the researcher used questionnaires, structured interviews, observation and the analysis of documents to gather data relevant to the research problem. A questionnaire comprised of open ended (unstructured) and close ended (structured) questions was used as well as yes and no answers. Each questionnaire had instructions on completion and cover a request for honest responses and anonymity since names were not to be written on the questionnaires.

3.3.1 Interviews

According to Kothari (2004), an interview is a method of collecting data which involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses. He further argues that interviews can be in the form of personal interviews and telephone interviews.

3.3.1.1 Advantages of interviews

The researcher applied face to face interviews for those respondents within Harare and used telephone interviews for those in areas such as Bulawayo, Gweru, Mutare, Rutenga, Hwange, Victoria Falls and Plumtree. The interviews were administered physically after making suitable appointments as appropriate depending on the requirements of the interviewee. Interviews were arranged in isolation without one following another to avoid rushing through facts. According to Kothari (ibid), the merits of face to face interviews is that meanings could be clarified and understanding checked. This had enabled the researcher to get in-depth and first-hand information about the subject. The interviewer’s presence helped to overcome the resistance by the respondents and as a result, the response rate was increased. They also enabled the interviewer to collect supplementary information about the respondent’s personal characteristics and environment which was of great value in interpreting results. There was greater flexibility under this method as the opportunity to restructure questions was there.

3.3.1.2 Disadvantages of interviews

The major disadvantage of interviews faced by the researcher was that they were expensive and time consuming since the area and the sample was large and geographically dispersed. The other disadvantage of interviews faced by the researcher was that some management and staff from NRZ were not willing to be interviewed by the researcher as they feel to be more superior than the researcher. The researcher tried to overcome some of the limitations of interviews by politely explaining to the relevant engineers that the research was purely academic and the researcher was willing to learn through their responses. The timing of the interviews was away from month end pressures and also in the afternoon when both parties would be free. The interviews were all one-to-one so as to increase responses of individual opinion and to avoid the risk of delaying or cancelling arranged interviews due to late comers as would be in the case of group discussions

3.3.2 Questionnaire.

A questionnaire is a tool for gathering data by asking questions from people who are thought to have the desired information. It has the advantages of being effective in producing information on socio economic characteristics, attitudes, opinions and motives and gathering information for planning purposes. Structured questionnaires are easy to analyse and administer whilst unstructured questions will also give respondents a platform to clearly explain their feelings and perception towards the research topic.

3.3.2.1 Advantages of questionnaires.

Use of questionnaires was considered by the researcher as one of the most efficient means of collecting data on a large-scale basis as it was economic in terms of both time and financial resources because it was administered directly to respondents and through electronic mails**.** Through questionnaires, large samples were made use of and thus the results were made more dependable and reliable. Data collected was easy to quantify, analyse and interpret as it was grouped accordingly to the specific items of the questionnaire. The respondents answered questionnaires in their own words and had adequate time to give well thought answers, also it was easy to answer the questions as the questionnaire is written in a definite order. As such the responses given were free from the interviewer's bias. Through the use of questionnaires, the researcher was able to reach conveniently some respondents who could not be interviewed as it was used on a relatively large population without the researcher even travelling to some of the places thus covering a large geographical area. Questionnaires also enabled the researcher to maintain anonymity and as a result the respondents gave information without being afraid of what the researcher thinks about their responses.

3.3.2.2 Disadvantages of questionnaires.

Whilst acknowledging the advantages of questionnaire, the researcher also encountered some limitations due to the use of this data gathering tool. There was low rate of return of the duly filled in questionnaires and as a result, bias due to no-response is indeterminate. Also, data from nonverbal cues was not elicited and some hidden data was not gathered since respondents were not given room to elaborate and also there was lack of follow-up to some provided answers. More so, it was only administered to the literate thus side-lining those who are illiterate but possessing relevant and useful data. In order to mitigate most of the above-mentioned demerits, the researcher distributed the questionnaires personally. In this way, the respondents were encouraged to complete the questionnaires, where the researcher had the opportunity to clarify questions which respondents could find ambiguous.

3.4 Procedures for data collection

The researcher distributed questionnaires physically in all NRZ operational areas, that is Eastern area, Midlands and Southern area. Prior phone calls were made to section heads for them to expect questionnaires. Personal or face to face semi-structured interviews and telephone interviews were also conducted. The researcher employed a number of questions calculated to produce data that is vital for achieving the research objectives utilizing a questionnaire. The principal objective of this study was to determine the impact of corporate governance challenges faced by NRZ on organisational performance, investigate corporate governance challenges faced by the NRZ, establish the causes of corporate governance challenges faced by the NRZ and based on the research findings, to formulate policy recommendations on the proper management of the NRZ to enhance their performance. Hence considering the nature of the indicated objectives, it necessitated an analysis which is quantitative. Thus, the researcher elected a closed ended questionnaire with a Likert scaling. This research paper made use of five options which are strongly agree, agree, neutral, disagree and strongly disagree on the Likert scale.

Table: 3.4 Likert scale (Cresswell 2014)

Attitude	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Points	5	4	3	2	1

3.5 Validity and reliability of instruments

According to Bruyman et al (2011), reliability refers to the degree of consistency or accuracy with which an instrument measures the attribute it is designed to measure. In this research consistency has been maintained through the use of questionnaires whose questions were similar to all the respondents. The respondents had the time to answer questionnaires from their own point of view thereby excluding researcher's bias. The researcher also used two methods of data collection, that is questionnaires and interviews. This enhanced the dependability and trustworthiness of the collected data and their interpretation as the weaknesses of one method were offset by the strengths of the other (Zohradi, 2013).

3.6 Ethical considerations

The research was guided by certain ethical issues. The research was conducted with strict adherence to ethical issues namely: voluntary participation, informed consent, freedom from risk of harm, confidentiality, anonymity and the right to service. (William, 2006). To ensure voluntary participation, the researcher sought permission from NRZ to conduct the research and permission was given through a written letter. Thereafter participants were fully made aware of the purpose and objectives of the research. The researcher also explained to participants that their names and contributions to the research remain confidential and they were free to participate in the research. In addition, the employer had given consent to the research. During the research, participants' rights to freedom from physical harm and the right to service were not a concern since the research did not involve any experiments or practical demonstrations.

3.7 Data analysis and interpretation.

The researcher employed tables, and other descriptive narrations to help with reasonable interpretations and analysis of research data. Findings of this study were categorized commensurate with the Likert scale and assigned into clusters depending with the answers to the questionnaire so as to allow for a smooth examination and presentation. The researcher also filtered out some questionnaires in order to ponder upon those that encompassed data which was suitable and applicable to this study.

3.8 Summary.

This chapter explained the procedures and approaches that were used in data collection. The researcher used the case study method as it is an approach that is essential for studying a social phenomenon through a thorough analysis of an individual case. Also it is a form of qualitative analysis and involves a careful and complete observation of a social unit, be that unit a person, a family, an institution, a cultural group or even the entire community. The next chapter focused on data presentation, analysis and interpretation.

Chapter 4

4 Data presentation and analysis

4.1 Introduction

This chapter focused on the presentation, analysis and interpretation of the data that was collected through questionnaires and interviews. Tables, pie charts and graphs were used for this purpose.

4.2 Responses to questionnaires

The following table shows the response rate of questionnaires which were distributed among members of NRZ management and staff. The responses were arranged in terms of position in the organisation and rank.

Table: 4.2 Questionnaire response rate.

Description	Questionnaire distributed	Questionnaire returned	Response rate
Directors and executives	2	1	**50%**
Top management	8	4	**50%**
Middle management	20	20	**100%**
Staff	50	40	**80%**
TOTAL	**80**	**65**	**81.25%**

Source: (Primary data)

The researcher dispersed eighty questionnaires to the directors, management and staff in the National Railways of Zimbabwe who composed the entire sample. Of the eighty distributed, sixty questionnaires were conveyed back to the researcher and the response rate was 81.25%. The percentage of questionnaires which were not returned is 18.75%. All who failed to return the questionnaires were committed to other duties before they returned the questionnaires. The response rate of this study was high; therefore the researcher can deduce inference from this data.

4.2.1.1 Distribution of respondents according to gender.

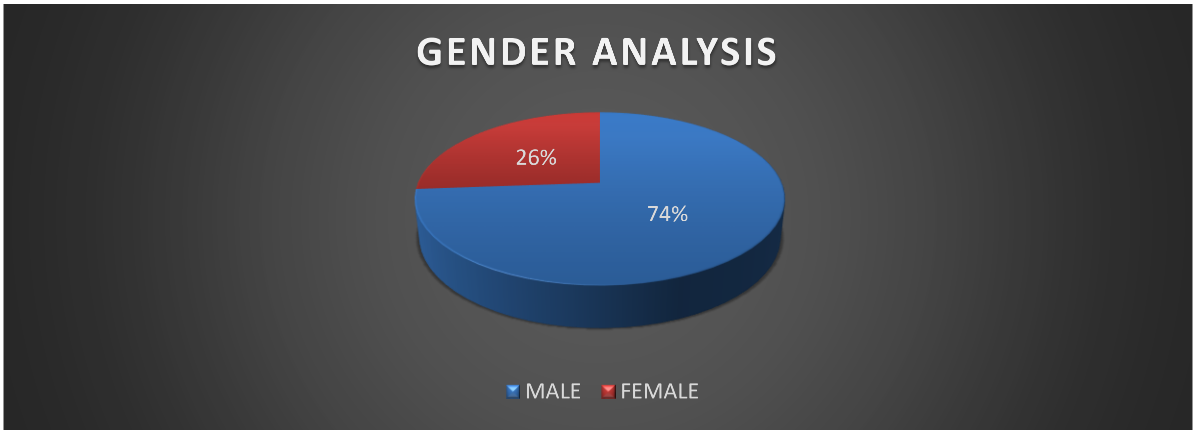


Figure 4.2.1.1 Source (Primary data)

The diagram above revealed that females who took part in this research constituted only 26% as compared to 74% for males. That is 17 females and 48 males. Based on these findings it can be denoted that the organization is to a greater extent dominated by males.

4.2.1.2 Distribution of respondents according to level of education.

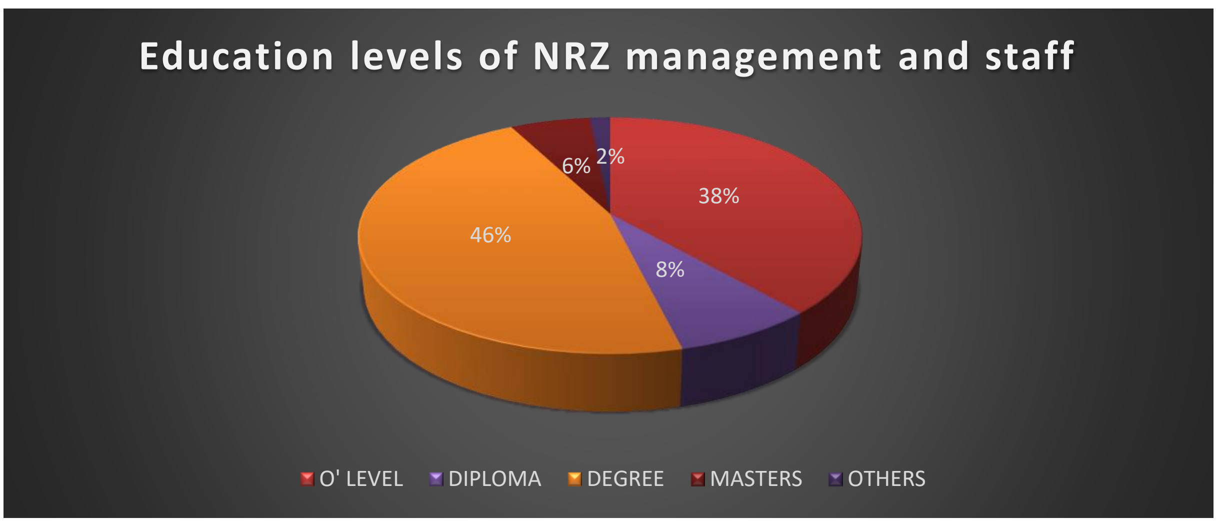


Figure 4.2.1.2 Source (Primary data)

Out of the 65 respondents, 25 (38%) have Ordinary level, 5(8%) has a diploma, 30(46%) has a first degree, 4(6%) has MBA and 1(2%) has PHD. The fact that the majority of the respondents have attained Ordinary level means that they really understand what was being asked in the questionnaires and therefore their responses can be relied on. For the findings to be more likely valid and reliable were collected from personnel which are knowledgeable and proficient in terms of academic qualifications.

4.2.1.3 Distribution of respondents according to work experience.

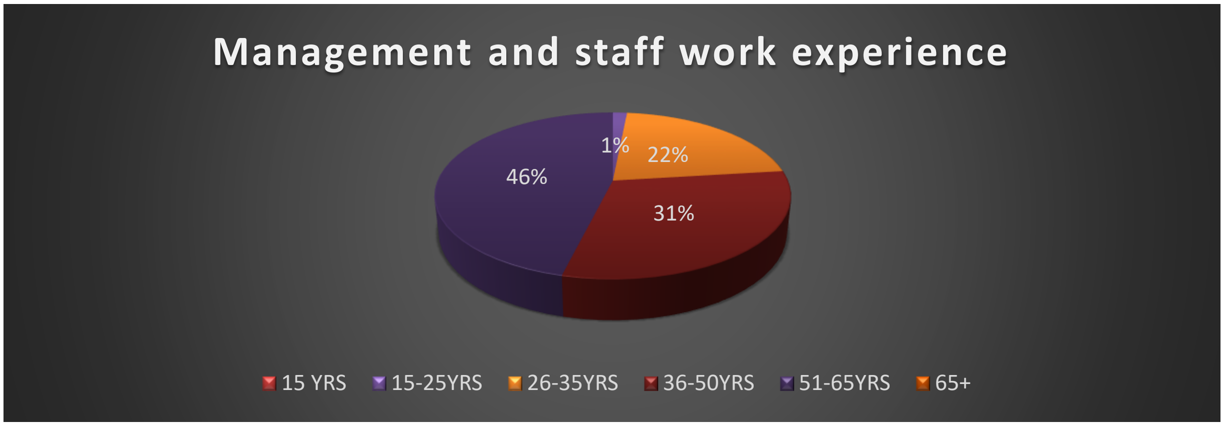


Figure 4.2.1.3 Source (Primary data)

The above diagram shows that none of the employees had a working experience of less than 15 years and therefore 100% had a working experience of more than 15 years. That is 15 years (nil), 15-25years (1%), 26-35 years(22%), 36-50 years (31%), 51-65years (46%) and above 65 (nil). Therefore their period of service is long enough for one to have a full appreciation of organisational operations. As a result, the responses that were given on questionnaires as well as on verbal interviews were not mere guesses but well thought answers.

4.2.1.4 Distribution of respondents according to age.

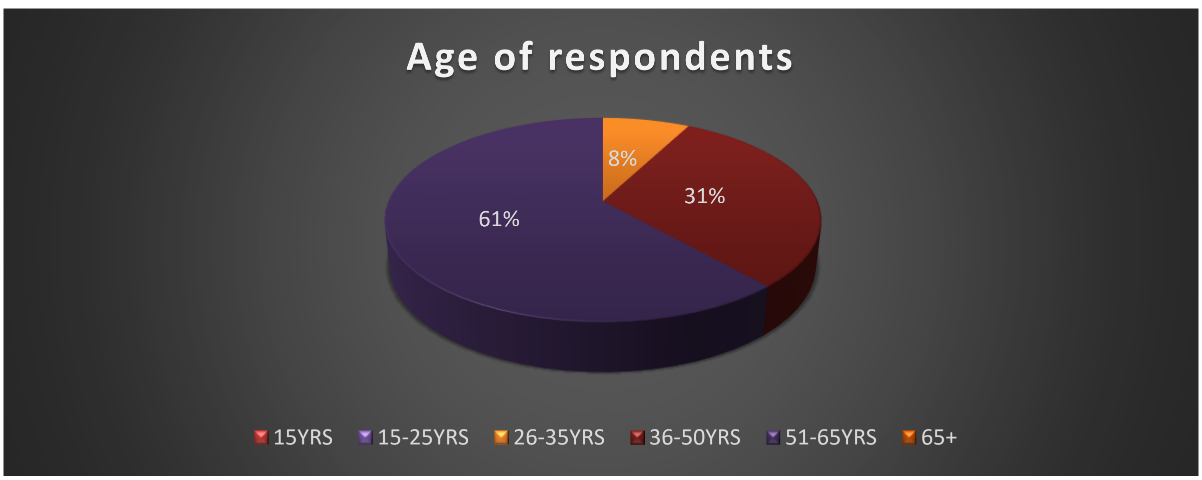


Figure 4.2.1.4 Source (Primary data)

The study revealed that, there were no people who were below the age of 25 in NRZ management. Most of the NRZ management were within the 51-65years range which constituted 40(61%), followed by 36-50 years range which had 20(31%) and lastly the 26-35 years range which had 4(8%). There were no personnel above 65 years. These figures indicate that NRZ management and staff was composed of mature people who were less likely to give unreliable responses thereby giving credit to the trustworthiness of the responses which were given.

4.2.2 Corporate governance challenges appreciation.

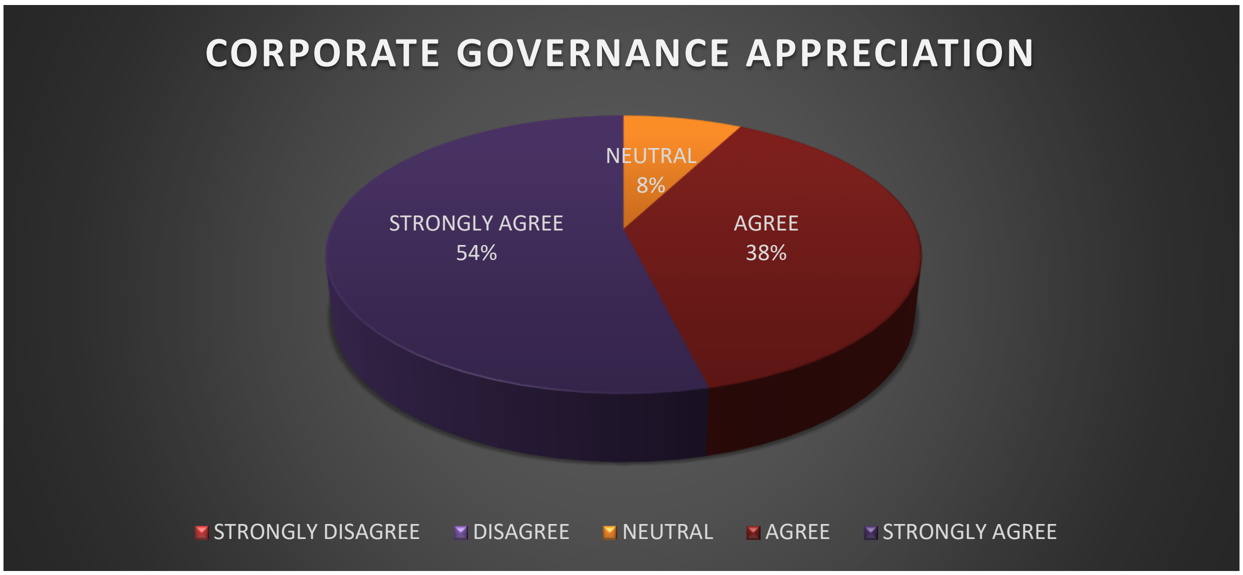


Figure 4.2.2 Source (Primary data)

The study revealed that senior management and the directors seemed to have an idea of what corporate governance is, where 35(54%) strongly agree, 25(38%) agree and a few numbers of the respondents 5(8%) in the NRZ management and staff were uncertain as to what corporate governance was and its principles.

Of the 60 of the respondents who showed understanding of corporate governance indicated that the concept would not achieve much under the current political environment which suggested political interference in the running of the entity.

4.2.3 The impact of corporate governance challenges on the financial performance.

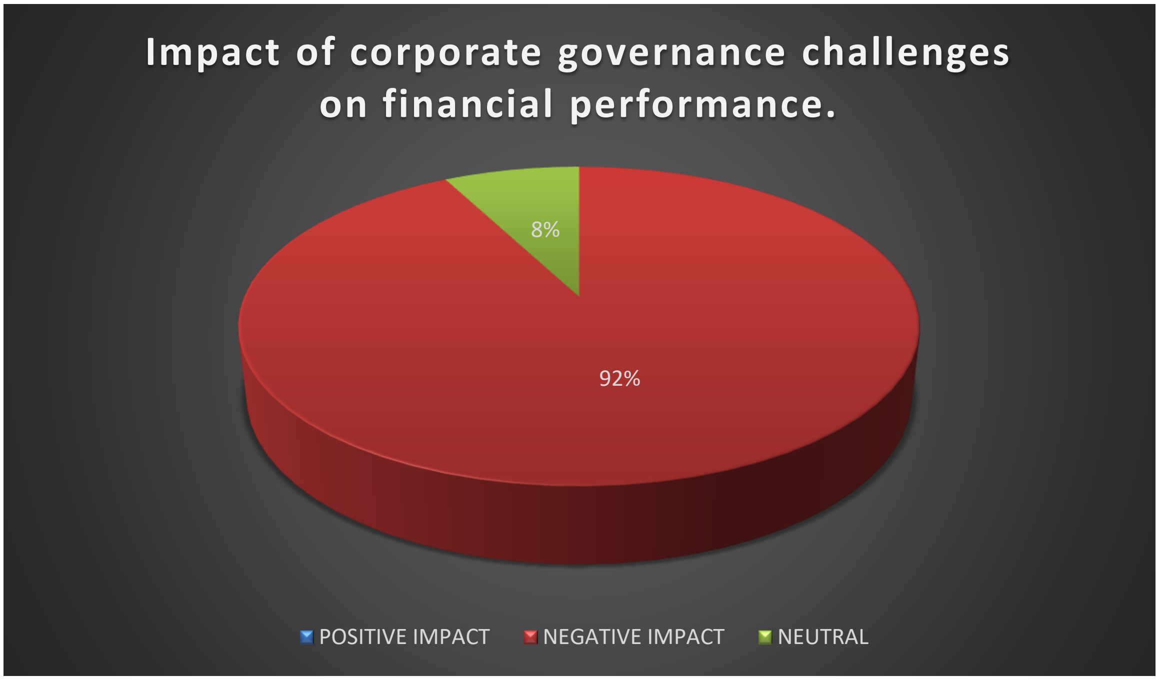


Figure 4.2.3 Source (Primary data)

The study revealed that 60 (92%) of respondents strongly agree that corporate governance challenges have a negative impact on the financial performance of the NRZ, 5 (8%) of respondents were neutral and none of the respondents agreed to the positive impact. Mafi, (2014) cited by Chimbari (2017) posits that, the confused and complex ownership structures and the political dynamics that operate in the parastatal sector complicates the corporate form of the state-owned enterprise and have a profound impact on how they are run. Based on inferences by the respondents, due to this confused and complex ownership structures and the political dynamics there is increase in unethical business practices, scandals; poor service delivery, corruption, conflict of interest, labour disputes (Picketing at Parastatals by former employees demanding their dues), high labour turnover, dismissal of employees and asset stripping, vandalism and theft among other aspects depicts that corporate governance challenges have a negative impact on the financial performance of the NRZ. Considering the present backdrop of vague corporate form, arbitrary political interference, cronyism, unbridled corruption, and no secure whistle blowing apparatus, the implementation of the ZIMCODE alone is not adequate to fix the dysfunctional corporate governance system in Zimbabwe's state-owned enterprises. Chimbari (ibid) states, for any corporate governance system to be effective, it needs to be supported by a robust whistle blowing framework to expose misconduct and corporate malpractice; particularly so, if the system is a principles-based one where compliance is voluntary.

4.2.4 Impacts of corporate governance challenges on organization's performance.

Figure 4.2.4 Source (Primary data)

The study revealed that there were various impacts of corporate governance challenges on the (NRZ) organisation's performance. The graph above also reveals that 100% of the respondents considered corruption, scandals, unethical business practices, asset stripping, vandalism and theft as one of the major impacts of corporate governance challenges contributing to the loss of NRZ assets. This view was also supported by Merton (1968) developed the strain theory with a view to find the causal relationship between poverty and crime. The theory posits that society put pressure on individual to achieve socially accepted goals through conventional means. However, lack of fringe benefits, under payment of salaries and high inflation rate which causes strain to workforce had led them to end up resorting to committing crimes as a means to achieve economic success or to earn a living. In this case, NRZ has been considered as a victim of such poverty related crimes.

65 (100%) of the respondents strongly agree that vandalism and theft is one of the impacts of corporate governance challenges. Subject to Merton's (ibid) strain theory which premises on the view to find the causal relationship between poverty and crime, economic and social factors put pressure on individuals/employees to achieve socially accepted goals through conventional means. This is due to the desire by employees to achieve economic success or to earn a living despite of economic and social hardships currently bedevilling the nation.

65 (100%) of the respondents strongly agree that asset stripping, is also one of the impacts of corporate governance challenges. One theory which explains this situation as a cause of criminal activity within an area is the broken windows by Wilson & Keiling (1982). The theory posits that if a window in a building is broken and left unrepaired, the building will soon be exposed to far more extensive vandalism because it signals that the owners of the building and even the police cannot control minor crimes and thus will be unable to deter more serious crimes. That is, if assets are left unattended, they become fair game for people out for fun or plunder, and even for people who ordinarily consider themselves law-abiding citizens. Such is the situation on the NRZ whereby scrap and assets are just strewn all over the yards. According to the (Newsday, 2017), NRZ premises have become a habitat for vagrants who accesses the premises at any time of the day. These people sleep in doorways and even in coaches. Therefore due to the desire by employees and society to achieve economic success or to earn a living despite of economic and social hardships currently bedevilling the nation, people are tempted to commit crimes against the entity.

65 (100%) of the respondents concurred that corruption amidst the NRZ is due to the fact that many among management and staff of the organization are not honest and do not uphold ethical values, fully comprehend the benefits of corporate governance hence they usually fail to implement corporate governance in their operations despite of having a code of ethics. One of the reasons attributable to the unethical practice of corruption in a nation is that of weak leadership and lack of accountability of public officials. They are also not conforming to the tenets of the ZIMCODE (ibid), which outlines that the board should ensure that every director should commit himself/herself to the company, be knowledgeable about its operations and political operating environment, exercise independence in decision making, meet the legal duties of good faith,

loyalty, care, skill and diligence, avoid conflicts of interest, imbue company personnel at every level with good moral values and espouse the concept of Ubuntu/Hunhu. There is also a significant lapse on the internal controls, generally speaking it is contended here that accountability and its aims in relation to a company' management. Accountability has greater relevance and has a broader ambit than simply addressing potential agency problems. Thus there is need for the board to appoint an internal audit committee who would install internal accountability mechanisms thereby thwart corruption.

65 (100%) of the respondents concurred that unethical business practices, is also due to the fact that many among management and staff of the organization are not honest and do not uphold ethical values, fully comprehend the benefits of corporate governance hence they usually fail to implement corporate governance in their operations despite of having a code of ethics. According to the ZIMCODE, must establish efficient systems for assessing its business risks and determine the levels of the company's risk tolerance. More specifically the Board should appoint a risk management committee whose functions must be clearly spelt out, including the roles of the internal and external auditors. Also, must establish an efficient and reliable whistle-blowing system to guard against corporate misdemeanours. And it should ensure that every director should commit himself/herself to the company, be knowledgeable about its operations and political operating environment, exercise independence in decision making, meet the legal duties of good faith, loyalty, care, skill and diligence, avoid conflicts of interest, imbue company personnel at every level with good moral values and espouse the concept of Ubuntu/Hunhu

65 (100%) of the respondents strongly agree that scandals, are due to the desire by employees to achieve economic success or to earn a living despite of economic and social hardships currently bedevilling the nation. Also, a higher level of poor execution of controls was noted. Williams (2017) notes that Zimbabwe currently follows the 'apply or explain' approach in regard to corporate governance, hence management may also overlook or ignore implementing corporate governance principles when they know that there are no consequences to non-implementation. Because of this gulf many of the respondents have a view that the government should install a systematic way of enforcement of law and regulations so that a culture of compliance is created in order to shape a business culture which is governed by ethos. A strict monitoring of compliance of corporate governance framework principles through ensuring timely and accurate disclosure on

all material matters, including financial situation, performance, ownership and governance of the company at least annually, or even by-annually or quarterly, or more frequently for material developments.

60 (92%) of the respondents concurred that conflict of interests of directors indicates fiscal indiscipline and hence an ethical problem because some individuals influence the outcome of an organization's decisions for their own personal benefit. It is the legal duty of directors to act in the best interests of the company as noted by Davis et al (2016), "Stewardship theory, managers should sincerely pursue shareholders' interests". The theory sees a strong relationship between managers and the success of the firm, and as a result stewards protect and maximise shareholder value through corporate performance. More so, the principal-agent theory, as defined by Jensen et al., (1976), entails of a contractual relationship between two parties (principal) engaging and the (agent) to perform a service(s) on behalf of the principal, which involves some decision-making authority being yielded to the agent. Thus the contractual relationship entered into involves a "voluntary exchange resulting in dependency" (Althaus, 1997). Therefore the agent should conduct his/her fiduciary duties in line with the tenets of corporate governance.

60 (92%) of the respondents strongly agree that dismissal of employees is also one of the impacts of corporate governance challenges. This has been attributed by an increase on the workforces' unethical business practices caused by the desire by employees to achieve economic success or to earn a living despite of economic and social hardships currently bedevilling the nation. This situation is explained by Merton's (ibid) strain theory which premises on the view to find the causal relationship between poverty and crime, economic and social factors put pressure on individuals/employees to achieve socially accepted goals through criminal means which would then lead them to be dismissed from work.

65 (100%) of the respondents strongly agree that labour disputes (Picketing at Parastatals by former employees demanding their dues), is also one of the impacts of corporate governance challenges. This has been noted on the ever-publicized dispute of the debt of the entity to its employees. Also several work stoppages caused by health and safety issues, where the entity would

have failed to provide the operations staff with the prerequisite health and safety provisions (uniforms, torches).

65 (100%) of the respondents regards high labour turnover, as an impact of corporate governance challenges. That is skilled and technical staff are leaving the entity for greener pastures. This has been attributed by lack of fringe benefits, under payment of salaries and economic hardships (high inflation rate) which causes strain to workforce. Therefore due to the strain management and staff would rationalize to leave the organization to other entities who are paying enough to sustain their basic needs.

60 (92%) of the respondents regard poor service delivery to customers as an impact of corporate governance challenges. This has been attributed by an increase on the workforces' unethical business practices and high labour turnover, which had ever-increased, whereby skilled and technical staff are leaving the entity thus resultantly causing huge losses with each capital injection from the fiscus.

This explosion of the impacts of corporate governance challenges in this state-owned enterprise and parastatal has demonstrated that the country's public sector is incapable of self-regulation. Thus, making a strong case for a rules-based corporate governance system that will impose stringent regulatory oversight in the country's state-owned enterprises. Boards must be independent of political interference and be seen to be so. Therefore there is also need for the establishment of a robust whistle blowing framework to expose misconduct and corporate malpractice; as Chimbari (supra) had outlined that, for any corporate governance system to be effective, it needs to be supported by a robust whistle blowing framework. The framework; is an essential element for safeguarding the public interest, promoting a culture of public accountability, and in many countries is proving crucial in the reporting of misconduct, fraud and corruption.

4.2.5 Impact of better corporate governance on NRZ's performance.

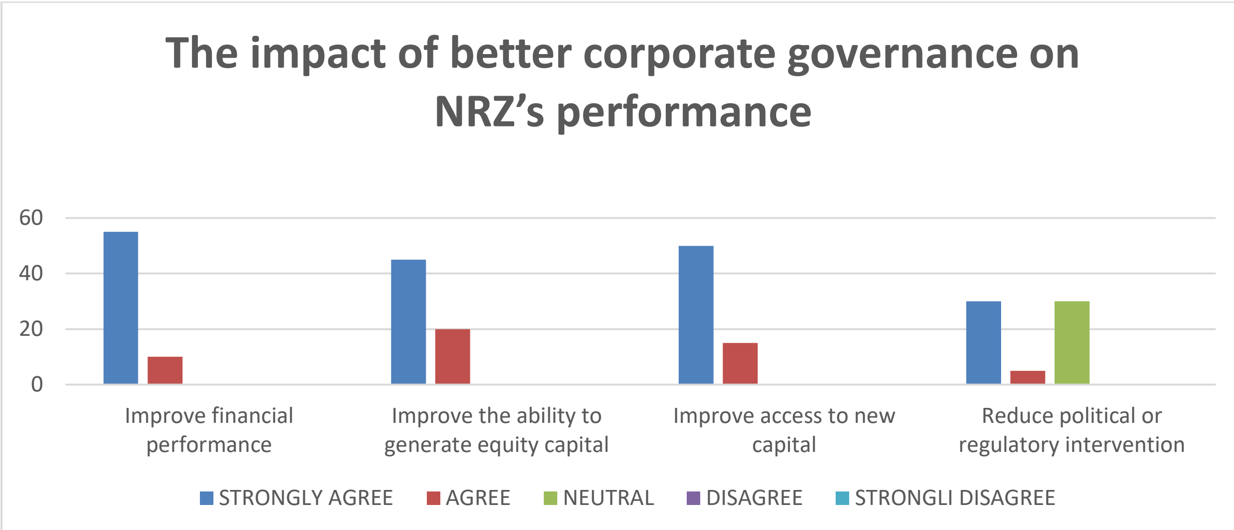


Figure 4.2.5 Source (Primary data)

The study revealed that 55 (%) of the respondents strongly agree that better corporate governance will improve financial performance of NRZ, while 10 (%) of the respondents also agree though not with the same intensity. This can be can be assessed through analysing the correlation among the variables of corporate governance which are board's size, independence of the board, board's ownership, CEO duality and independence of the audit committee. That is boards are created to enhance to the uttermost the supervision of the governance of an organization by accepting arrangements that grant jurisdiction of the executives (oversee management and equip them with sufficient crucial direction) and lessen agency expenditures. With the restriction of managers, it will be strenuous for them to digress from accomplishing the owner's interests as there will be a tight supervision from the members of the board which navigates to the undertaking of decisions to the escalation of the shareholder's value and better organizational financial performance. (Strenger 2015). Also, Mallin (2014) postulates that the audit committee is a crucial sub-committee of an organization's board considering the imperative function they execute in safeguarding the interests of the shareholders by regulating finances and supervision of it. This assists in the assuage of agency predicaments by expediting the prompt delivery of unprejudiced information of accounts from management to shareholders, stakeholders and creditors thereby curtailing down the irregularity that comes with information among internal and external stakeholders. With an efficient control, it compels a much greater organizational performance and this is directly connected with the portion of external directors' present in the audit committee.

45 (%) of the respondents strongly agree that better corporate governance will improve the ability to generate equity capital of NRZ, while 20 (%) of the respondents also agree though not with the same intensity. The ability to generate equity capital is attributed to disclosure and transparency of the management in terms of audited financial statements which are to be made available to shareholders so that all the finances, dividends are calculated fairly. As such, the ZIMCODE (2010), states that, shareholders, institutional investors, creditors, suppliers, customers, employees, regulators, trade unions, the media, analysts, and whole communities are all important stakeholders with whom the company must engage regularly and constructively. It should ensure that they are consulted, as appropriate, and treated with respect and fairness. The board of Directors should be proactive in its dealings with stakeholders. It must formulate policies and procedures of engagement with its stakeholders and take on board their views and opinions and be responsive.

50 (%) of the respondents strongly agree that better corporate governance will improve access to new capital of NRZ, while 15 (%) of the respondents also agree though not with the same intensity. Better corporate governance will improve access to new capital because, corporate governance enhances accountability and transparency, which would therefore enhance shareholder and prospective shareholders or investors' confidence in the organisation. This encourages investment in sectors of the economy, which would subsequently improve competitive advantage of the organisations. According to the ZIMCODE (ibid), there must be transparency in the conduct of the affairs of companies and all other business entities which is ensured by, for example, availing all relevant information to shareholders and giving them adequate notices of any meetings they are required to attend, simplifying the procedures for conducting shareholders' meetings by putting in place voting rules which are clear and simple and fair to all shareholders and which, where appropriate, encourage voting by proxy, absentia voting, voting by e-mail or fax and which eschew voting caps and the dilution of voting rights, especially of minority shareholders.

30(%) of the respondents strongly agree, 5 (%) of the respondents also agree though not with the same intensity while 30(%) are neutral that better corporate governance will reduce political or regulatory intervention. The presence of good corporate governance implies the absence of corruption ,conflict of interest and unethical business practices. Such that, there would be no need for political or regulatory intervention. As the Board, according to the ZIMCODE (ibid), must establish efficient systems for assessing its business risks and determine the levels of the company's risk tolerance. More specifically the Board should appoint a risk management committee whose functions must be clearly spelt out, including the roles of the internal and external auditors. Also, must establish an efficient and reliable whistle-blowing system to guard against corporate misdemeanours. And it should ensure that every director should commit himself/herself to the company, be knowledgeable about its operations and political operating environment, exercise independence in decision making, meet the legal duties of good faith, loyalty, care, skill and diligence, avoid conflicts of interest, imbue company personnel at every level with good moral values and espouse the concept of Ubuntu/Hunhu which is expressed in the statement " Ubuntu,Ngumuntu, Ngabantu".

Thereby we can conclude that better corporate governance will have an impact on NRZ's financial performance as the majority of the respondents were of the view that corporate governance attracts long term foreign direct investment, broaden and deepens local capital markets by attracting local investments. Thus corporate governance enhances accountability and transparency, which would therefore enhance shareholder and prospective shareholders or investors' confidence in the organisation. This encourages investment in sectors of the economy, which would subsequently improve competitive advantage of the organizations.

4.2.6 The extent of corporate governance challenges as either major or minor challenges.

4.2.6.1 Lack of integrity and ethics among top management.

Figure 4.2.6.1 Source (Primary data)

The results indicate that lack of integrity amidst the management of NRZ is relatively high as 92% (60) of the respondents strongly agree and 8% (5) of the respondents also agree that it is a factor affecting compliance to corporate governance. None of the respondents were neutral and disagreed to the fact that lack of integrity and ethics among top management is a reason why there is a gap in terms of compliance to corporate governance principles.

All of the respondents concurred that lack of integrity amidst the management of NRZ is due to many among management of the organization are not honest and do not uphold ethical values, fully comprehend the benefits of corporate governance hence they usually fail to implement corporate governance in their operations despite of having a code of ethics. One of the reasons attributable to the unethical practice of corruption in a nation is that of weak leadership and lack of accountability of public officials. They are also not conforming to the tenets of the ZIMCODE (ibid), which outlines that the board should ensure that every director should commit himself/herself to the company, be knowledgeable about its operations and political operating environment, exercise independence in decision making, meet the legal duties of good faith, loyalty, care, skill and diligence, avoid conflicts of interest, imbue company personnel at every level with good moral values and espouse the concept of Ubuntu/Hunhu.

There is also a significant lapse on the internal controls, generally speaking it is contended here that accountability and its aims in relation to a company’ management. Accountability has greater relevance and has a broader ambit than simply addressing potential agency problems. Thus there is need for the board to appoint an internal audit committee who would install internal accountability mechanisms. As (Dicke 2002) posits that internal accountability mechanism might be more appropriate for those acting as stewards. Commenting on the state of corruption in Zimbabwe, Ikotun (2015), points out that corruption has been converted into statecraft in Zimbabwe because there has been a failure of leadership and accountability in the government. Also, Cohen (2016) propounds that, to create the conditions for good governance and fight corruption, a whole array of institutions has to be strengthened within each country. It requires a major shift that recognizes as necessary stakeholders in the efforts to achieve good governance and to win the fight against institutionally embedded corruption. Also with the current economic problems prevailing and the extremely high market competition, the entity has resorted to not disclosing their audited annual financial statements to members of staff as well as to the general public as required by law in order to stay on top of the competition.

4.2.6.2 Conflicts of interests of directors.

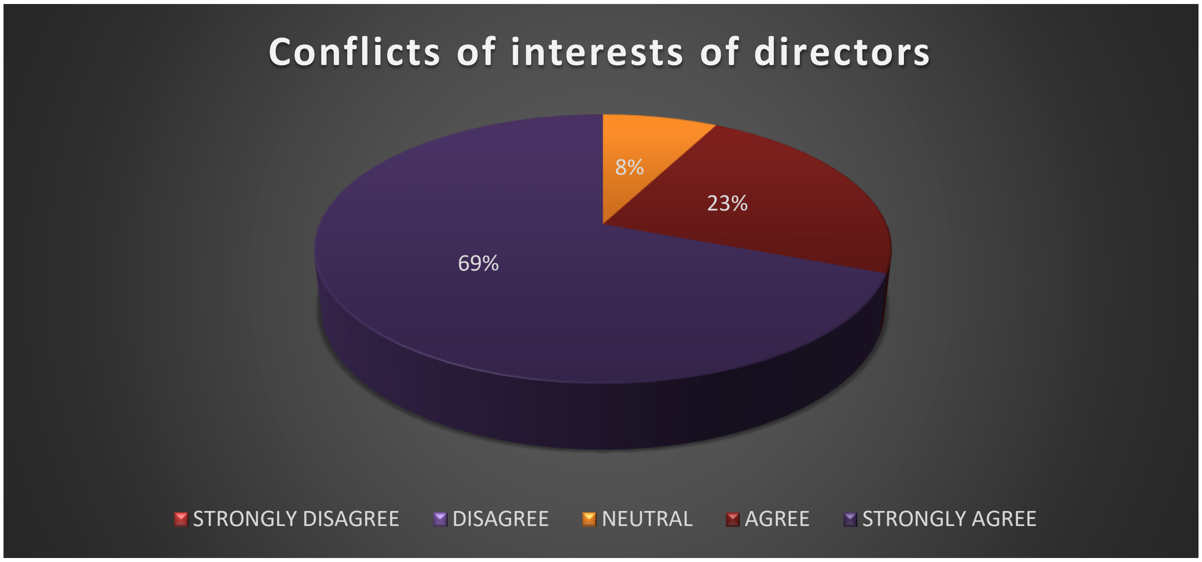


Figure 4.2.6.2 Source (Primary data)

The chart above shows that 69% (45) respondents strongly agree that conflicts of interests of directors in the NRZ is a challenge in trying to implement corporate governance, 23% (15) agree to this statement and 8% (5) respondents are neutral. The conflict of interests of directors indicates fiscal indiscipline and hence an ethical problem because some individuals influence the outcome of an organization's decisions for their own personal benefit. It is the legal duty of directors to act in the best interests of the company.

Davis et al (2016) note that according to the stewardship theory, managers should sincerely pursue shareholders' interests and the theory sees a strong relationship between managers and the success of the firm, and as a result stewards protect and maximise shareholder value through corporate performance. More so, the principal-agent theory, as defined by Jensen et al., (1976), entails of a contractual relationship between two parties (principal) engaging and the (agent) to perform a service(s) on behalf of the principal, which involves some decision-making authority being yielded to the agent. Thus the contractual relationship entered into involves a "voluntary exchange resulting in dependency" (Althaus, 1997). Therefore the agent should conduct his/her fiduciary duties in line with the tenets of corporate governance.

This entails that the entity has to put mechanisms in place to appraise its management performance so that it will be able to see if they are really performing to expectations and to appreciate the areas where there are gaps in performance. Performance measurement enhances the effectiveness of the directors and thus further reduces the risk to the organisation. The primary purpose is to enhance not only the performance, effectiveness and contribution of each director, but also to improve the effectiveness of the board as a whole in fulfilling their role.

4.2.6.3 Poor legal controls and implementation of the law.

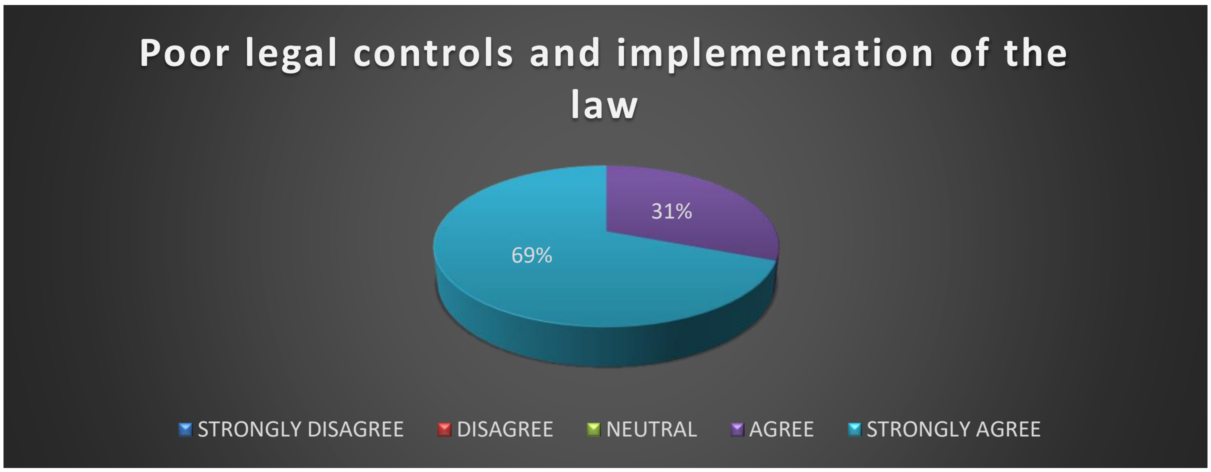


Figure 4.2.6.3 Source (Primary data)

A higher level of poor execution of controls was noted by 80%(45) of the respondents who 31%(20) who just agreed on the notion. Williams (2017) notes that Zimbabwe currently follows the ‘apply or explain’ approach in regard to corporate governance, hence management may also overlook or ignore implementing corporate governance principles when they know that there are no consequences to non-implementation. Because of this gulf many of the respondents have a view that the government should install a systematic way of enforcement of law and regulations so that a culture of compliance is created in order to shape a business culture which is governed by ethos. A strict monitoring of compliance of corporate governance framework principles through ensuring timely and accurate disclosure on all material matters, including financial situation, performance, ownership and governance of the company at least annually, or even by-annually or quarterly, or more frequently for material developments. This will aid in financial decisions by the shareholders, as they will be aware of the financial position of the company. A meaningful financial report crafted in line with the IAS (International Accounting Standards) would enhance confidence in the shareholders and prospective investors and hence the company would attract new investments. The information from the report would be used by shareholder to assess the stewardship of the directors and the financial health of the company. Also, Metcalf (2018) posits that lack of strict monitoring and susceptibility of government institutions to manipulation by politicians makes it difficult for these firms to fully comply with corporate regulations and systems.

Hence, the management of business risks is key to the success of any business entity. According to the ZIMCODE (ibid), the board must establish efficient systems for assessing its business risks and determine the levels of the company's risk tolerance. More specifically the Board should appoint a risk management committee whose functions must be clearly spelt out, including the roles of the internal and external auditors and establish an efficient and reliable whistle-blowing system to guard against corporate misdemeanours.

4.2.6.4 The state of the economy of Zimbabwe.

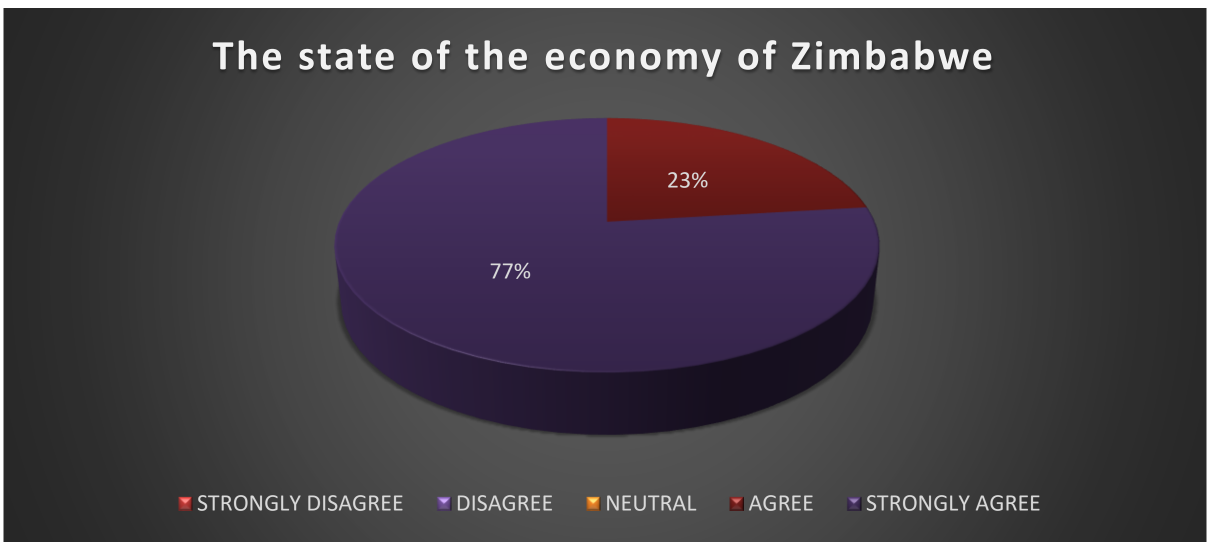


Figure 4.2.6.4 Source (Primary data)

The state of the economy of Zimbabwe is also posing a challenge in the NRZ as they will be trying to implement good corporate governance and this is strongly agreed upon by 77%(50) of the respondents and 23% (15) of the respondents also agree. Hence, economic and social hardships currently bedevilling the nation, had led to a decelerated economic growth, aggravated levels of poverty and ever-increasing amount of debts as they continue to cause huge losses with each capital injection from the fiscus. Picketing at Parastatals by former employees demanding their dues has become the order of the day, which is contrary to the tenets of corporate governance framework of Zimbabwe. These challenges come at the backdrop of concerted efforts by government to resuscitate operations of parastatals with a view to improve their performance so that they would contribute towards national development.

4.2.6.5 The costs of implementation.

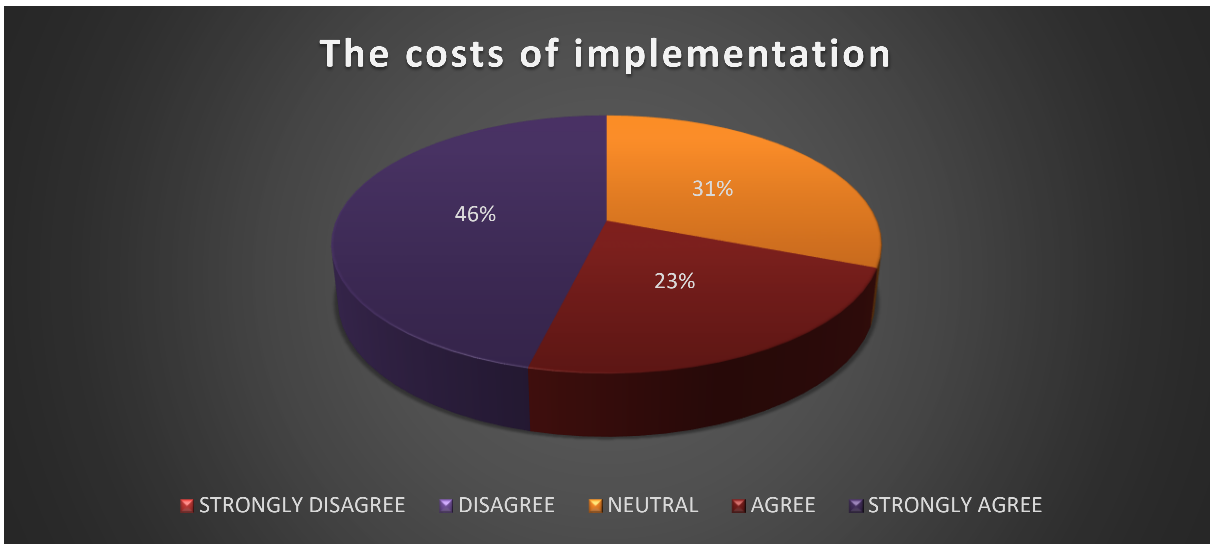


Figure 4.2.6.5 Source (Primary data)

The results depict that 46% (30) respondents strongly agree whilst 23% (15) agree and 31% (20) respondents are neutral on high expenditures as a factor that hinders the compliance to corporate governance. Thereby we can conclude that the cost of compliance is cumbersome, in terms of time and direct cost, as the board and management may become more focused on compliance at the expense of organization. It is therefore the duty of the board of directors of entity to undertake a measure of risk for reward and to try to improve the economic value of a company. However Rossouw (2014) also propounds that if the board has a focus on compliance, their attention on performance, may be diluted.

4.2.7 The extent of causes of corporate governance challenges as either major or minor causes.

4.2.7.1 Lack of whistle-blowers protection.

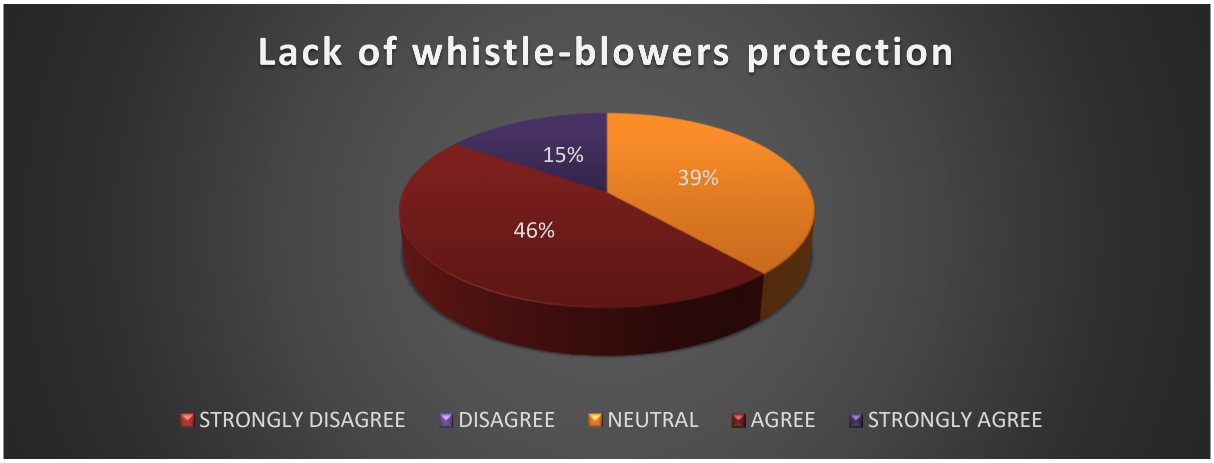


Figure 4.2.7.1 Source (Primary data)

The results indicate that lack of whistle-blowers protection in the NRZ is relatively high as 15% (10) of the respondents strongly agree and 46% (30) of the respondents also agree that it is a factor affecting compliance to corporate governance. 39% (25) of the respondents were neutral and none of the respondents disagreed to the fact that lack of whistle-blowers protection in the NRZ is a reason why there is failure of compliance to corporate governance. Considering the present backdrop of vague corporate form, arbitrary political interference, cronyism, unbridled corruption, and no secure whistle blowing apparatus, the implementation of the ZIMCODE alone is not adequate to fix the dysfunctional corporate governance system in Zimbabwe's state-owned enterprises. And, the recent explosion of corporate scandals in Zimbabwe's state-owned enterprises and parastatals has demonstrated that the country's public sector is incapable of self-regulation.

Therefore, Chimbari (2017) posits, a "Hear No Evil, See No Evil, Speak No Evil" theme should be cultivated as for any corporate governance system to be effective, it needs to be supported by a robust whistle blowing framework to expose misconduct and corporate malpractice. Also, the Organisation for Economic Co-operation and Development (2015) underlines that the protection of whistle-blowers who disclose wrongdoing in governments is recognised as the core of the public sector integrity framework; and it is an essential element for safeguarding the public interest, promoting a culture of public accountability, and in many countries is proving crucial in the reporting of misconduct, fraud and corruption.

4.2.7.2 Interplay between politics and the governance of the parastatals.

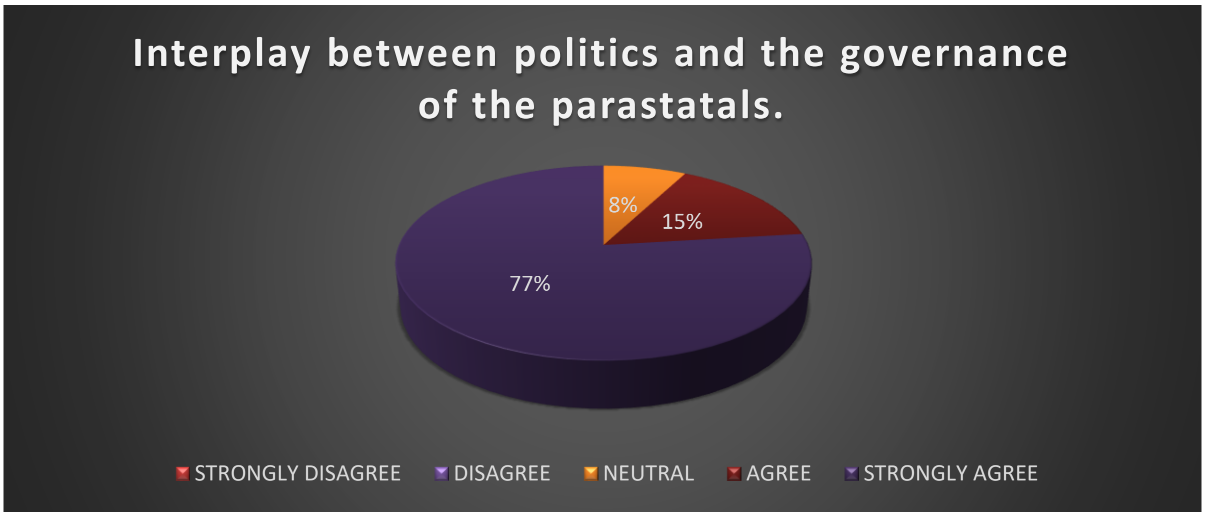


Figure 4.2.7.2 Source (Primary data)

The results indicate that interplay between politics and the governance of the parastatals in the NRZ is relatively high as 77% (50) of the respondents strongly agree and 15% (10) of the respondents also agree that it is a factor affecting compliance to corporate governance. 8% (5) of the respondents were neutral and none of the respondents disagreed to the fact that that interplay between politics and the governance of the parastatals in the NRZ is a reason why there is failure of compliance to corporate governance. The nexus of political and legal dynamics in Zimbabwe's public sector generates a strain on the corporate governance that emerges in that environment, thereby making the application of the ZIMCODE in state-owned enterprises (SOEs) implausible. (Chimbari 2017).

Hence, many among the respondents concurred that in Zimbabwe; there is an undeniable interplay between politics and the governance of the parastatals. This is largely a result of the state's involvement in the appointing of parastatal boards of directors (Zvavahera et al, 2014). More often than not, the appointment of members to the boards has largely been based on political expediency and rarely on pure merit. Such a situation opens the door for undue influence and political interference in the day to day running of the parastatals.

4.2.7.3 Wilful non-compliance with corporate governance systems by corporate managers.

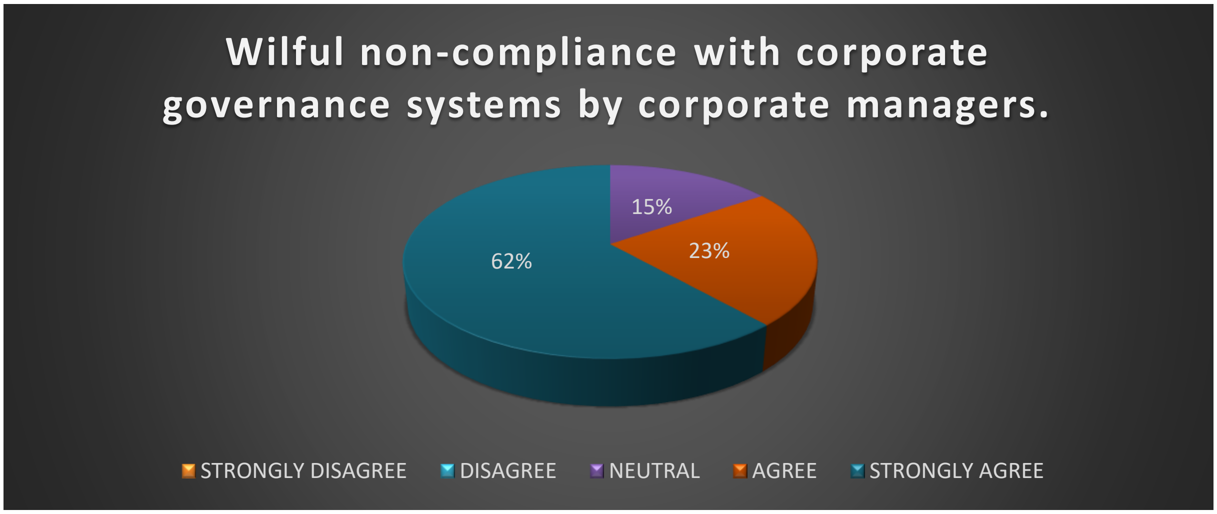


Figure 4.2.7.3 Source (Primary data)

The results indicate that wilful non-compliance with corporate governance systems by corporate managers in the NRZ is relatively high as 62% (40) of the respondents strongly agree and 23% (15) of the respondents also agree that it is a factor affecting compliance to corporate governance. 15% (10) of the respondents were neutral and none of the respondents disagreed to the fact that wilful non-compliance with corporate governance systems by corporate managers in the NRZ is a reason why there is failure of compliance to corporate governance. Corporate governance systems have always been part of State enterprises and parastatals, yet corporate managers have wilfully decided not to comply with them since 2010, when the Ministry of State Enterprises and Parastatals issued the Corporate Governance Framework for State Enterprises and Parastatals which is similar to the ZIMCODE, in letter and spirit. Yet, bad corporate governance practices still remained rampant in State enterprises and parastatals like the "Salary gate" scandal that rocked the country's public sector during the 2013-2014 period, which became one of the biggest public sector scandals in post-independence Zimbabwe. This was a manifestation of the weak corporate governance systems in State Enterprises and Parastatals.

Williams (2017) notes that Zimbabwe currently follows the ‘apply or explain’ approach in regard to corporate governance, hence management may also overlook or ignore implementing corporate governance principles when they know that there are no consequences to non-implementation. Because of this gulf many of the respondents have a view that the government should install a systematic way of enforcement of law and regulations so that a culture of compliance is created in order to shape a business culture which is governed by ethos. Hence, Corrigan (2014) advances that at the heart of corporate governance is the management of corporate power; the central issue being the need for the prudent stewardship of corporations, and making a distinction between personal wealth and corporate power in the management of a company. To achieve this, corporate governance systems seek to ensure oversight and accountability to hold business operations to legal and ethical strictures.

The respondents strongly agree that managers have wilfully decided not to be transparency, accountability and integrity in financial reporting and the remuneration of directors. Because the organisation had since stopped to publish its annual statement of financial position way back long, but in the yesteryears the entity used to be place on notice boards its annual statement of financial position. However, currently it’s now a thing of the past employees are now staying in the organisation without knowing the exact position of the entity in terms of financial strength. Also there is minimum compliance to the code of conduct which results in conflicts and lack of clear and binding code of conduct especially on departmental resources usage.

4.2.7.4 Political unwillingness to institute and enforces corporate governance reforms.

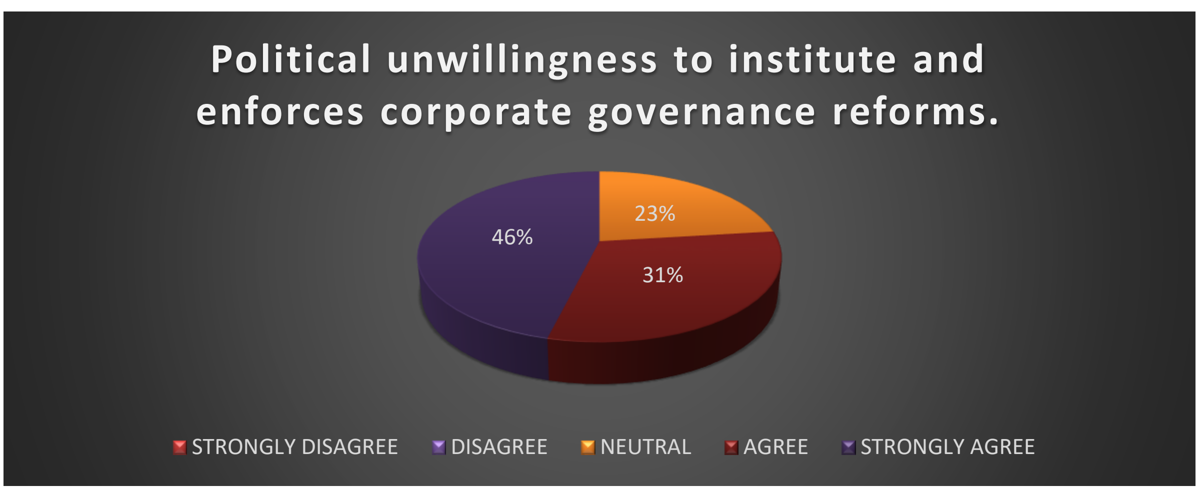


Figure 4.2.7.4 Source (Primary data)

The results indicate that political unwillingness to institute and enforce corporate governance reforms in the NRZ is relatively high as 46% (30) of the respondents strongly agree and 31%(20) of the respondents also agree that it is a factor affecting compliance to corporate governance. 23%(15) of the respondents were neutral and none of the respondents disagreed to the fact that that political unwillingness to institute and enforce corporate governance reforms in the NRZ is a reason why there is failure of compliance to corporate governance. There has evidently been political unwillingness to institute, and enforce, corporate governance reforms to enhance probity, lucidity, accountability, and good governance in the public sector in Zimbabwe. So far, the country's anticorruption board, the Zimbabwe Anti-Corruption Commission (ZACC), which draws its mandate from the Constitution of Zimbabwe, has been undermined by political forces. Despite being given the powers to rein in corrupt activity in the country's public and private sectors, ZACC has failed to enforce the criminalization of exposed malfeasance and to secure the conviction of several highly-placed individuals who have been implicated in some of the recent high-profile corporate scandals. Therefore, any corporate governance model in the public sector will only work if the government is willing to annihilate corruption and depoliticise the management of the State Enterprises and Parastatals (Africa Corporate Governance Network, 2016; Mafi, 2014).

4.2.8 The major causes of corporate governance challenges faced by NRZ.

The results of the research question 'what are the major causes of corporate governance challenges faced by NRZ' indicate that, based on respondents' work experiences in the organization 100% (65) of the study revealed that the major causes of corporate governance challenges faced by NRZ are: Lack of whistle-blowers protection, interplay between politics and the governance of the parastatals, wilful non-compliance with corporate governance systems by corporate managers and political unwillingness to institute and enforces corporate governance reforms. More so, other causes are here outlined:

- Sanctions imposed on Zimbabwe by Britain and her allies for embarking on the land reform programme.
- State of the economy of Zimbabwe which has prompted the organisation to use current revenue account to recapitalise its infrastructure.

- Lack of transparency, accountability and integrity in financial reporting and the remuneration of directors. Hence the organisation had since stopped to publish its annual statement of financial position way back long, in the yesteryears the entity used to be place on notice boards its annual statement of financial position. However, currently it's now a thing of the past employees are now staying in the organisation without knowing the exact position of the entity in terms of financial strength.
- Poor recruitment and selection methods as well as poor induction processes which are currently being used. New entrants are not objectively vetted for the job due to interplay between management and politics.
- Corruption, fraud and embezzlement.
- Lack of regular fringe benefits to motivate and boosts subordinate morale hence low performance.
- Minimum compliance to the code of conduct which results in conflicts.
- Lack of clear and binding code of conduct especially on departmental resources usage.
- Lack of capitalisation. Infrastructure is life expired hence a talk of recapitalization without materialising which indicates lack of seriousness on the part of shareholder and management.
- Ownership structure is intricate as the organisation is run from the President's office, all members of directors are appointed thus they had to conform. Also failure by the shareholder to give set targets to management.
- Poor legal controls, inefficient judicial process and lack of enforcement mechanisms by regulatory bodies.
- Political interference in terms of appointment of ministers, for the past five years it has stalled projects continuity due to minister change.
- Poor management in form of, I don't care attitude and pride of top management due to the fact that they have a tendency of not taking constructive suggestions or advise from juniors.

4.2.9 The policy recommendations on proper management of the NRZ.

The respondents had to express their views and opinions based on their work experiences in the organization 81.25% (65) of the respondents outlines the following policy recommendations on the proper management of the NRZ to enhance its performance.

- Training, education and legislation by way of developing institutions for CEOs and directors meant for tutoring and boosting the awareness of corporate governance can help in fostering compliance to corporate governance principles in the NRZ. As educating directors of state enterprises helps in sharpening their judgement and decision-making skills thereby developing effective directors which will help in instilling corporate governance principles in the organization. Annual or bi-annual training when new corporate governance guidelines are released.
- All branches must be coordinated and work together (synergy) having a decisive management team which pays attention to the cost of running the organisation and defines, communicate company goals and objectives to staff. Also, conduct regular meetings for outcomes and results-follow-up to enforce accountability of everyone in the organisation.
- Recapitalisation of the entity by the shareholder by way of capital injection and refurbishment of available infrastructure.
- Establishing incentive programs meant to foster compliance to corporate governance to help the organization by way of promoting actions of management to develop strategies which results in positive outcomes which will be a 100% compliance with the corporate governance framework. (Moloi 2018). A regular review of subordinate's fringe benefits policy is required, in order to enhance motivation of employees to gain their participation and involvement on corporate governance systems.
- Attain information and learn from the contiguous Railway systems of other countries in relation to corporate governance and also partaking in international events and conferences. Attaining information and learning from other countries to help the organization improve in their adoption of corporate governance principles and actually benefit from the failures of other corporations in other countries and the remedies they used to get out of them. (Rosseau 2017).
- Foster the essence of the principles of "Separation of powers" so that the judicial process will be efficient and the enforcement mechanisms by regulatory bodies are constructed up to standard. Formulate policies that deal with fraudsters and embezzlers. Install suggestion boxes for everyone to air a view towards running of organization. Change outdated policies of 1950s to suit modern day environment and situations. Provision of an eligible code of conduct for the whole organisation and each department.

- Assessment of employee's proper qualification for the right posts and also enhancing and initiating a strict scrutinising process exercise of employee redundancy worthwhile, in order to maintain stability and reduce the fear of unknown dilemma.
- Separate partisanship and zero in on professionalism when selecting ministers and board members and the general manager. Shareholder to scrutinise those they appoint to lead; not to appoint those who do not observe to corporate governance values. Management should be given performance-based contracts, "say 5 years" and renewal of such based on good performance. Also shareholder should allow the NRZ again to be the regulator of road transport.
- Implement the Result Based Management, not on paper but practically on the ground to monitor organisational performance and pursue opportunities for improvement.
- Adopting International Public-Sector Standards is a step closer to fully implementing corporate governance in the NRZ to foster transparency in their finances since accurate, comprehensive and reliable financial information is fundamental to accountability and decision-making in the public sector.

  In conclusion, the questionnaire findings outline the impact of corporate governance challenges faced by NRZ their causes and policy recommendations that can be used by NRZ management to enhance the organization's performance. Hence, the respondents were generally all in agreement that proper implementation of corporate governance has an effective role in financial and management reform for state enterprises and parastatals which leads to an increase in the investor's confidence thereby attracting foreign investment.

4.3 Responses to interviews

The interview response rate was 75% as the researcher did 3 out of 4 interviews with the Senior management, Middle management and Staff. The interview findings outline the impact of corporate governance challenges faced by NRZ their causes and policy recommendations that can be used by NRZ management to enhance the organization's performance. The respondents' view is that sanctions imposed on Zimbabwe by Britain and her allies for embarking on the land reform programme, state of the economy of Zimbabwe, lack of transparency in financial reporting and the remuneration of directors, poor recruitment and selection methods as well as poor induction processes which are currently being used, corruption, fraud and embezzlement, lack of regular fringe benefits to motivate and boosts subordinate morale hence low performance, minimum compliance to the code of conduct, lack of clear and binding code of conduct especially on departmental resources usage, lack of capitalisation, infrastructure is life expired, poor legal controls, inefficient judicial process lack of enforcement mechanisms by regulatory bodies, political interference in terms of appointment of ministers and an I don't care attitude and pride of top management due to the fact that they have a tendency of not taking constructive suggestions or advise from juniors. These have resulted in conflicts and prompted the organisation run on a deficit thereby use current revenue account to recapitalise its infrastructure. Hence there is a talk of recapitalization without materialising which indicates lack of seriousness on the part of shareholder and management. More so, for the past five years minister changes has stalled projects continuity due to political interference.

The interviewees also were quite certain how corporate governance has impacted on financial performance of the NRZ and they alluded that the entity needed mechanisms to revive its performance and far much more than corporate governance principles required to eradicate all unethical practices and corruption. Essentially all the interviewees shared the same view on what to do for the proper implementation of corporate governance in the NRZ. The recommendations which were expounded include, training, education of CEOs and legislation by way of developing institutions meant for tutoring and boosting the awareness of corporate governance to foster compliance to corporate governance principles in the NRZ. Recapitalisation of the entity by the shareholder by way of capital injection and refurbishment of available infrastructure. Establish incentive programs meant to foster compliance to corporate governance. Attain information and learn from the contiguous Railway systems of other countries in relation to corporate governance and also partaking in international events and conferences. Attaining information and learning from other countries to help the organization improve in their adoption of corporate governance principles and actually benefit from the failures of other corporations in other countries and the remedies they used to get out of them. Implement the Result Based Management, not on paper but practically on the ground to monitor organisational performance and pursue opportunities for improvement. Lastly adopt International Public-Sector Standards is a step closer to fully implementing corporate governance in the NRZ to foster transparency in their finances since accurate, comprehensive and reliable financial information is fundamental to accountability and decision-making in the public sector.

4.4 Chapter summary

This chapter pictures an outline of analysis of the results gathered from the respondents regarding the impact of corporate governance challenges on State Enterprises and Parastatals in Zimbabwe: A case of the National Railways of Zimbabwe as the aim was to determine the impact of corporate governance challenges faced by NRZ on organisational performance, investigate corporate governance challenges faced by the NRZ, establish the causes of corporate governance challenges faced by the NRZ and based on the research findings, to formulate policy recommendations on the proper management of the NRZ to enhance their performance. Tables, pie charts and columns were employed to present an analysis of all that data.

Chapter 5

5 Summaries, conclusions and recommendations

A review of the findings is done here as well as outlining of the implications of the findings. Valuable information, major findings, results of study gathered would be summarised theoretically giving conclusions and recommendations, hoping to prove and equip the NRZ management and other concerned quotas with the necessary information on how they can improve on corporate governance. Suggestion for further research may be given and the challenges or limitations that will be encountered.

5.1 Introduction

This chapter's objective is to proffer the summary of this research so as to derive the conclusion together with the recommendations which are imperative supported by the qualitative and quantitative results outlined in the preceding chapter. The conclusion is in tandem with the research objectives of this research paper whilst the recommendations were deduced out of the conclusion.

5.2 Summary of key findings

The research exhibited an 81.25% (65) response rate from the 80 questionnaires which were sent to the target populace of NRZ. Directors/executives and staff at NRZ possessed absolute knowledge of corporate governance principles. Hence, currently NRZ is under a spate of challenges.

Impact of corporate governance challenges on financial performance.

The study revealed that corporate governance challenges have a negative impact on the financial performance of the NRZ. This has been attributed by the confused and complex ownership structures and the political dynamics that operate in the parastatal sector which complicates the corporate form of the state-owned enterprise and have a profound impact on how they are run. The impacts of corporate governance challenges which were noted are, the increase in unethical business practices, scandals; poor service delivery, corruption, conflict of interest, labour disputes (Picketing at Parastatals by former employees demanding their dues), high labour turnover, dismissal of employees and asset stripping, vandalism and theft. Hence, the major impact of corporate challenges that of a hype in unethical business practices by management and staff. This has led to a decelerated economic growth, aggravated levels of poverty and ever-increasing amount of debts as they continue to cause huge losses with each capital injection from the fiscus.

Corporate governance challenges.

The major challenges which were most noted by the respondents are: Lack of integrity and ethics among top management, conflicts of interests of directors, poor legal controls and implementation of the law and the state of the economy of Zimbabwe.

Lack of integrity and ethics among top management: The results indicate that lack of integrity amidst the management of NRZ is relatively high and it is a factor affecting compliance to corporate governance. All of the respondents concurred that lack of integrity amidst the management of NRZ is due to many among management of the organization are not honest and do not uphold ethical values, fully comprehend the benefits of corporate governance hence they usually fail to implement corporate governance in their operations despite of having a code of ethics. Also with the current economic problems prevailing and the extremely high market competition, the entity has resorted to not disclosing their audited annual financial statements to members of staff as well as to the general public as required by law in order to stay on top of the competition.

Conflicts of interests of directors in the NRZ is a challenge in trying to implement corporate governance, as it indicates fiscal indiscipline and hence an ethical problem because some individuals influence the outcome of an organization's decisions for their own personal benefit. Davis et al (2016) note that according to the stewardship theory, managers should sincerely pursue shareholders' interests and the theory sees a strong relationship between managers and the success of the firm, and as a result stewards protect and maximise shareholder value through corporate performance. This entails that the entity has to put mechanisms in place to appraise its management performance so that it will be able to see if they are really performing to expectations and to appreciate the areas where there are gaps in performance. Performance measurement enhances the effectiveness of the directors and thus further reduces the risk to the organisation.

Poor legal controls and implementation of the law. A higher level of poor execution of controls was noted surmounting to what, Williams (2017) has noted as the 'apply or explain' approach in regard to corporate governance that Zimbabwe is currently following, hence management may also overlook or ignore implementing corporate governance principles when they know that there are no consequences to non-implementation. Because of this gulf many of the respondents have a view that the government should install a systematic way of enforcement of law and regulations so that a culture of compliance is created in order to shape a business culture which is governed by ethos. A strict monitoring of compliance of corporate governance framework principles through ensuring timely and accurate disclosure on all material matters, including financial situation, performance, ownership and governance of the company at least annually, or even by-annually or quarterly, or more frequently for material developments. This will aid in financial decisions by the shareholders, as they will be aware of the financial position of the company.

The state of the economy of Zimbabwe is also posing a challenge in the NRZ as they will be trying to implement good corporate governance and this is strongly agreed upon by 77% (50) of the respondents and 23% (15) of the respondents also agree. The, economic and social hardships currently bedevilling the nation, had led to a decelerated economic growth, aggravated levels of poverty and ever-increasing amount of debts as they continue to cause huge losses with each capital injection from the fiscus. This has resulted in labour disputes (picketing at parastatals by former employees demanding their dues), which is contrary to the tenets of corporate governance framework of Zimbabwe. These challenges come at the backdrop of concerted efforts by government to resuscitate operations of parastatals with a view to improve their performance so that they would contribute towards national development.

Causes of corporate governance challenges.

The major causes of corporate governance challenges faced by NRZ are: Lack of whistle-blowers protection, interplay between politics and the governance of the parastatals, wilful non-compliance with corporate governance systems by corporate managers and political unwillingness to institute and enforces corporate governance reforms. This has been attributed by a lack of a clear policy regarding whistle-blowers protection in the NRZ. Therefore there is need for crafting of a policy that support a robust whistle blowing framework to expose misconduct and corporate malpractice. Also, there is largely state's involvement in the appointing of parastatal boards of directors as noted by Zvavahera et al, (2014). So, there is need for appointment of members to the boards largely basing on pure merit rather than political expediency.

The results also indicate that there is wilful non-compliance with corporate governance systems by corporate managers in the NRZ. This was a manifestation of the weak corporate governance systems and poor legal controls, inefficient judicial process and lack of enforcement mechanisms by regulatory bodies. Because of this gulf many of the respondents have a view that the government should install a systematic way of enforcement of law and regulations so that a culture of compliance is created in order to shape a business culture which is governed by ethos.

Lastly, political unwillingness to institute and enforces corporate governance reforms is also one major cause of corporate governance challenges. There has evidently been political unwillingness to institute, and enforce, corporate governance reforms to enhance probity, lucidity, accountability, and good governance in the public sector in the parastatal. So far, the country's anticorruption board, the Zimbabwe Anti-Corruption Commission (ZACC), has been undermined by political forces which had given room for corporate managers to rationalize to wilful not comply with corporate governance systems.

Hence, there are other causes of corporate governance challenges which were outlined by the respondents which are, sanctions imposed on Zimbabwe by Britain and her allies for embarking on the land reform programme, lack of transparency in financial reporting and the remuneration of directors, poor recruitment and selection methods being used, lack of regular fringe benefits and minimum compliance to the code of conduct which results in conflicts especially on departmental resources usage.

5.3 Conclusion

The number one objective for this research paper was to investigate the impact of corporate governance challenges on State Enterprises and Parastatals in Zimbabwe: A case of the National Railways of Zimbabwe." This study seeks to: determine the impact of corporate governance challenges faced by NRZ on organizational performance, investigate corporate governance challenges faced by the NRZ, and establish the causes of corporate governance challenges faced by the NRZ. Based on the research findings, formulate policy recommendations on the proper management of the NRZ to enhance its performance.

Henceforth the conclusions that were deduced from the findings presented in chapter 4 are that corporate governance challenges have a negative impact on the financial performance of the NRZ, as it has been attributed by the confused and complex ownership structures and the political dynamics that operate in the parastatal sector which complicates the corporate form of the state-owned enterprise and have a profound impact on how they are run. And the impacts of corporate governance challenges are: the increase in unethical business practices, scandals; poor service delivery, corruption, conflict of interest, labour disputes (Picketing at Parastatals by former employees demanding their dues), high labour turnover, dismissal of employees and asset stripping, vandalism and theft. Hence, the major challenges which were most noted by the respondents are: Lack of integrity and ethics among top management, conflicts of interests of directors, poor legal controls and implementation of the law and the state of the economy of Zimbabwe.

Moreover, the study revealed that the major causes of corporate governance challenges faced by NRZ are: Lack of whistle-blowers protection, interplay between politics and the governance of the parastatals, wilful non-compliance with corporate governance systems by corporate managers and political unwillingness to institute and enforces corporate governance reforms. sanctions imposed on Zimbabwe by Britain and her allies for embarking on the land reform programme. Poor recruitment and selection methods as well as poor induction processes which are currently being used, new entrants are not objectively vetted for the job due to interplay between management and politics. Lack of regular fringe benefits to motivate and boosts subordinate morale hence low performance. Minimum compliance to the code of conduct which results in conflicts and lack of clear and binding code of conduct especially on departmental resources usage. These have resulted in conflicts and prompted the organisation run on a deficit thereby use current revenue account to recapitalise its infrastructure. Hence there is a talk of recapitalization without materialising which indicates lack of seriousness on the part of shareholder and management. More so, for the past five years minister changes have stalled projects continuity due to political interference.

5.4 Recommendations

The policy recommendations on the proper management of the NRZ to enhance its performance are

- Training, education and legislation by way of developing institutions for CEOs and directors meant for tutoring and boosting the awareness of corporate governance can help in fostering compliance to corporate governance principles in the NRZ. As educating directors of state enterprises helps in sharpening their judgement and decision-making skills thereby developing effective directors which will help in instilling corporate governance principles in the organization. Annual or bi-annual training when new corporate governance guidelines are released. Conduct workshops especially for senior government officials on the subject of corporate governance and educate them on the corporate governance codes for state enterprises and parastatals and how they can be effectively employed

- All branches must be coordinated and work together (synergy) having a decisive management team which pays attention to the cost of running the organisation and defines, communicate company goals and objectives to staff. Also, conduct regular meetings for outcomes and results-follow-up to enforce accountability of everyone in the organisation. There is need, therefore, to create an environment where stakeholders are assured that the goings concern of the entity is obliterated. For the state, this takes the form of checks and balances, as reflected by the separation of power the judiciary, executive and legislature.
- Recapitalisation of the entity by the shareholder by way of capital injection and refurbishment of available infrastructure.
- Establishing incentive programs meant to foster compliance to corporate governance to help the organization by way of promoting actions of management to develop strategies which results in positive outcomes which will be a 100% compliance with the corporate governance framework. (Moloi 2018) A regular review of subordinate's fringe benefits policy is required, in order to enhance motivation of employees to gain their participation and involvement on corporate governance systems.
- Attain information and learn from the contiguous Railway systems of other countries in relation to corporate governance and also partaking in international events and conferences. Attaining information and learning from other countries to help the organization improve in their adoption of corporate governance principles and actually benefit from the failures of other corporations in other countries and the remedies they used to get out of them. (Rosseau 2017)
- Foster the essence of the principles of "Separation of powers" so that the judicial process will be efficient and the enforcement mechanisms by regulatory bodies are constructed up to standard. Formulate policies that deal with fraudsters and embezzlers. Install suggestion

boxes for everyone to air a view towards running of organization. Change outdated policies of 1950s to suit modern day environment and situations. Provision of an eligible code of conduct for the whole organisation and each department and also the organization should make use of government regulations, ethics training, ethics audit and also whistleblowing as measures to improve ethical codes of conduct in an organization. This should be done more frequently so as to create virtuous employees of the organization. By creating virtuous employees this will reduce unethical practices which will be done by employees of the organization.

- There is an urgent need to focus on public economic policy and to uphold the virtues of a pluralistic society. The government as the shareholder; must play its role and provide physical infrastructure, an effective legal and policy framework and the social capacity for development. It must ensure security and stability by mobilizing the citizenry and ensuring their effective involvement in the development process. This involvement must not be a mere illusion.
- Assessment of employee's proper qualification for the right posts and also enhancing and initiating a strict scrutinising process exercise of employee redundancy worthwhile, in order to maintain stability and reduce the fear of unknown dilemma. There is a need to develop systems for monitoring and evaluating compliance with good corporate governance practices and strengthening the incentives for good corporate governance.
- The separation of ownership and control and zero in on professionalism when selecting ministers and board members and the general manager. Shareholder to scrutinise those they appoint to lead; not to appoint those who do not observe to corporate governance values. Management should be given performance-based contracts, "say 5 years" and renewal of such based on good performance. Also shareholder should allow the NRZ again to be the regulator of road transport. Government interference should be minimized and all pertinent stakeholders for instance policymakers ought to attend corporate governance training so as to be able to be educated on all developments.
- Implement the Result Based Management, not on paper but practically on the ground to monitor organisational performance and pursue opportunities for improvement. National director's awards on good corporate governance should be encouraged and enforced, as it should be used as the major criteria for the selection of the best director of the year. The

extent to which the companies for the directors running for the award are implementing and upholding good corporate governance practices and principles should be thoroughly assessed before a director is considered for the award.

- Developing and restructuring the Performance appraisal with an objective based system that is focused on performance indicators to establish whether performance meets desired standards. The system should be restructured in such a way that it becomes interactive, a two-way system where it is mandatory that the appraised member participates, this then improves communication and helps to rich a mutually beneficial ground where factors affecting performance are clearly communicated and corrective measures are instituted.
- Adopting International Public-Sector Standards is a step closer to fully implementing corporate governance in the NRZ to foster transparency in their finances since accurate, comprehensive and reliable financial information is fundamental to accountability and decision-making in the public sector. There must be an overhaul of the enforcement machinery and composition of audit committees, whose members should be more observant to their responsibilities. Auditors must ensure strict compliance with codes of conduct, commitment and vigilance of directors, see to the need for high level of disclosure and transparency, improve regulatory framework by making the laws available to all shareholders and public. Auditing in state enterprises and parastatals should be constant and mandatory so as to establish suitable structures which enhance accountability of public monies.
- Cutting down the expenditures which state enterprises are subject to when trying to effect sound corporate governance in their operations.

5.5 Areas of future study

- The impact and effectiveness of the leadership style within the non-financial corporations.
- The effectiveness of strategy formulation and implementation within non-financial corporations.
- The impact of performance management system being adopted by non-financial corporations.

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Appendix A

National Railways of Zimbabwe

Box 582

Harare

Telephone Ext: 4355 (Cell 0774132682/0719528274)

TO WHOM IT MAY CONCERN

I, Tymon Manunure, am a student at Bindura University of Science Education studying for a Bachelor of Business Administration Honors Degree in Police and Security Studies. In partial fulfilment of the programme, I am required to undertake research whose success solely depends on your co-operation in answering this questionnaire.

My research project is entitled "The impact of corporate governance challenges on State Enterprises and Parastatals in Zimbabwe: A case of the National Railways of Zimbabwe." This study seeks to: determine the impact of corporate governance challenges faced by NRZ on organizational performance, investigate corporate governance challenges faced by the NRZ, establish the causes of corporate governance challenges faced by the NRZ and based on the research findings, to formulate policy recommendations on the proper management of the NRZ to enhance their performance. The information and data gathered will strictly remain confidential and will be used only for the purpose of this research.

Please send your responses to the above-mentioned address or use the most convenient means available to you. Your honest and sincere responses will be appreciated.

Thank you in advance for your co-operation.

Yours faithfully,

Tymon Manunure.

Appendix B

A QUESTIONNAIRE SURVEY ON THE IMPACT OF CORPORATE GOVERNANCE CHALLENGES ON STATE ENTERPRISES AND PARASTATALS IN ZIMBABWE: A CASE OF THE NATIONAL RAILWAYS OF ZIMBABWE.

The following questions relate to your organization and you are required to respond to them. This survey is on the analysis of the impact of corporate governance challenges on State Enterprises and Parastatals in Zimbabwe. The information you will provide will be held in confidence, specifically be used for academic purposes and will not be disclosed to another party without your prior permission.

Instruction:

- Please do not write your name on the questionnaire.
- Tick (√) or put an (X) in the box adjacent to your selected response
- Fill in the blank space provided with your responses where applicable.

SECTION A: PERSONAL PROFILE

1. Please indicate (√) your occupation

Director/Executive	
Senior management	
Middle management	
Other (please specify)	

2. Please indicate your gender and age.

Male		below 15years		26 – 35 years		51-65years	
Female		15– 25 years		36–50 years		above 65years	

3. Please indicate your highest educational qualifications:

Secondary School		MBA Degree	
Diploma		Other (Specify)	
1st Degree			

4. In which section of the NRZ are you serving?

5. How long have you been in NRZ?

6. What is your position/rank?

PART B: THE IMPACT OF CORPORATE GOVERNANCE CHALLENGES.

7.

a)	**The impact of corporate governance challenges appreciation.**				
i.	Do you fully understand and comprehend corporate governance challenges faced by NRZ on organizational performance	YES		NO	

Please complete table below by ticking (√) or putting (X) in boxes given.

<table>
<tr><td colspan="6">Below are statements about the impact of corporate governance challenges on State Enterprises and Parastatals in Zimbabwe: A case of the National Railways of Zimbabwe. Please Indicate the extent to which you agree or disagree with the statement by ticking (√) or putting (X) the corresponding number in the 5-point Likert scale below:</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr>
<tr><td colspan="6"></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="2"></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Strongly disagree</td><td>Disagree</td><td>Neutral</td><td>Agree</td><td>Strongly agree</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="6"></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="6"></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5" rowspan="2">b) To what extent does corporate governance challenges impact the financial performance of your organization?</td><td>POSITIVE.</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>NEGATIVE.</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="6">c) What are the impacts of corporate governance challenges on your organization’s performance.

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<tr><td colspan="11">d) To what extent does better corporate governance would have on NRZ’s performance?</td></tr>
<tr><td colspan="6">i. Improve financial performance</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="6">ii. Improve the ability to generate equity capital</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

iii.	*Improve access to new capital*					
iv.	*Reduce political or regulatory intervention*					
e)	**To what extent do you regard the following corporate governance challenges as either major challenges or minor challenges.**					
i.	*Lack of integrity and ethics among top management*					
ii.	*Conflicts of interests of directors*					
iii.	*Poor legal controls and implementation of the law*					
iv.	*The state of the economy of Zimbabwe*					
v.	*The expenditures incurred in implementing good corporate governance outweigh the advantages*					
f)	**To what extent do you regard the following causes of corporate governance challenges as either major causes or minor causes in NRZ.**					
i.	*Lack of whistle-blowers protection*					
ii.	*Interplay between politics and the governance of the parastatals.*					
iii.	*Wilful non-compliance with corporate governance systems by corporate managers.*					
iv.	*Political unwillingness to institute and enforces corporate governance reforms.*					

8. What do you think in your opinion are the major causes of corporate governance challenges faced by your organization?

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9. What do you think are some of the policy recommendations on the proper management of the NRZ to enhance its performance?

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<u>The end</u>

Thank you for your cooperation

Appendix C

STRUCTURED INTERVIEWS.

1. Do you think that corporate governance challenges have any impact on the financial performance in your organization?
2. What are the corporate governance challenges faced by your organization?
3. What are the impacts of corporate governance challenges faced by your organization?
4. In your opinion, what do you think are the major causes of corporate governance challenges faced by your organization?
5. In your opinion, what do you think are some of the policy recommendations on the proper management of the NRZ to enhance its performance?