

# Corporate Governance and Executive Compensation in Zimbabwean State Owned Enterprises: A Case of Institutionalized Predation

Farai Ncube<sup>1,\*</sup>, Langtone Maunganidze<sup>2</sup>

Midlands State University, Human Resource Management Department

**Abstract** The study critically explores the strengths and limitations of the current corporate governance systems to adequately monitor and control top executive behavior in the State owned enterprises (SOEs) The study focuses on executive compensation in the form of the hefty salaries and allowances in these organisations albeit a depressed economic performance that has left both their staff and stakeholders in states of penury. The paper questions the ethical issues emanating from such practices and the ‘reluctance’ of government to dictate and intervene in time. The delayed response was not just an under-estimation of the problem but some kind of complicity. The paper argues that the corporate governance structures in state owned enterprises in Zimbabwe have unceasingly become too fragile to restrain both the development and escalation of executive over-compensation. The practice has been reduced to a kind of institutionalised corruption which has been exacerbated by seemingly state of willingful blindness. Using the co-evolutionary model of predation the study shows how the exponential rise in corruption in the macro-environment has been matched by a culture of ‘feeding from service’ particularly in state owned enterprises.

**Keywords** Corporate governance, Parastatals, Corruption, Service delivery, Compensation Human Resource, Zimbabwe

## 1. Introduction

The Zimbabwean industry is currently facing viability challenges, a situation that has resulted in a number of companies going under judicial management and some facing total closure. According to NASA (2013) report between July 2011 and July 2013 a total number of 711 companies closed down. ZEPARU (2013) pointed out that a total of 300 companies are under judicial management. This is evidence enough to show the extent to which the Zimbabwean economy is facing viability challenges. Zhou (2012) supports the above view by suggesting that the 2000-2008 period experienced deep-seated socioeconomic problems characterized by declining economy and inflation levels of 231 million percent by July 2008 (*Government of Zimbabwe Budget Statement*, 2009). He further asserts that the socioeconomic meltdown almost paralyzed operations in government ministries and state bodies, of which to date the same pain is being felt. Amid these financial woes pinning companies down in both private and public sector most parastatals have been found wanting, in relation to poor service delivery and employee welfare. Events currently obtaining in

the parastatals leaves a lot to be desired as reports indicate that amid poor service delivery and employee welfare senior managers and directors are living a lavish life through rewarding themselves mega salaries, with the blessings of their deferent boards. Service delivery in all the affected parastatals has been extremely pitiable with executives pocketing hefty salaries, but their employees earning peanuts and the general public eating humble pies as in the case of ZBC and PSMAS. This has resulted in a public outcry with fingers being pointed to the Zimbabwean Corporate Governance System since the dawn of independence to date as supported by Zhou (2012).

Corruption is a governance issue;-failure of institutions and lack of capacity or willingness to manage society by way of checks and balances. Corruption becomes institutionalized or ‘systemic’ (Atuobi 2007) when institutions, rules, and norms of behavior have already been adapted to a corrupt *modus operandi*, with agents often following predatory tendencies. The case of corrupt tendencies in Zimbabwe is not a new phenomenon. History has a tendency of always repeating itself. This view was noted by Zhou (2000) who suggested that the Zimbabwean Government credibility to undertake a transparent and accountable public enterprise reform poised to ensure equitable distribution of resources, had been severely dented by corruption in government circles. He cited the 1988-99 Willow vale Scandal which implicated 5 cabinet ministers

\* Corresponding author:

fncube@msu.ac.zw (Farai Ncube)

Published online at <http://journal.sapub.org/mm>

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for buying cars at a very low price and selling them to the public at a higher inflated figures as one major factor. Zhou further reiterated that while the Government set up a Commission of Inquiry, this did not do much to improve civic society ratings on government commitment. This proves that for long people have been losing patience over the manner the government operates. Zhou (2000) cited the *Moto Editorial* (1988, No. 71) which lamented that: *Corruption is eating away at our society and will ultimately destroy it*. In a society with a long history of state and elite predation the use of public institutions in Zimbabwe has been identified with gaining and maintaining economic, political and social power (Batalla 2000). State owned enterprises such as Public Service Medical Aid Society (PSMAS), Zimbabwe Broadcasting Corporation (ZBC), Air Zimbabwe, and ZUPCO have been reduced to 'harvesting' rods or tools of institutionalized predation. The exponential rise in corruption in the macro-environment has been matched by a culture of 'feeding from service' particularly in state owned enterprises. There is a tendency by employees to exploit systemic gaps or blind-spots within the organizations for their own personal benefits by awarding themselves hefty salaries. Apparently all this was happening with the knowledge of responsible ministers and the Board of directors.

## 2. Background

According to ECSAFA (2004), Parastatal bodies are set up by specific Acts of Parliament and managed by Boards of Directors appointed by government. They are established outside the Central Government and are involved in commercial, economic, service oriented or social activities requiring a large degree of autonomy and freedom from bureaucratic interference. Their affairs are subject to the scrutiny of Parliament and their parent Ministries. This places their responsibility to the minister in charge of the ministry. However the problem with the Zimbabwean experience is that these state owned enterprises (SOEs) or parastatals contain 'indefinite boundaries'; that is, there is incomplete separation of firms from the state. This has made members of the Board of Directors, who are statutorily appointed by the minister to be too weak and powerless to provide any effective restraint on predatory leaders who were driving spoils out of the arrangement. For any act of misconduct in these SOEs, liability does not only fall on management, directors and the board but also on the minister. Thus parastatals should possess openness, integrity and accountability. Openness is required to ensure that stakeholders can have confidence in the decision-making processes and actions of parastatal organisations, in the management of their activities, and in the individuals within them. Integrity comprises both straightforward dealing and completeness. It is based upon honesty and objectivity, and high standards of propriety and probity in the stewardship of public funds and resources, and management of an

organisation's affairs. It is dependent on the effectiveness of the control framework and on the personal standards and professionalism of the individuals within the organisation. Finally accountability is the process whereby parastatal organisations, and the individuals within them, are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny.

As reported in the Zimbabwe Independent of 28 February 2014 the government's sustained and systematic militarisation of parastatals and public enterprises as well as local authorities has contributed a great deal in breeding a culture of patronage, corruption and looting as these institutions were staffed mainly by people who neither possessed the requisite qualifications, experience or competence to run them efficiently and profitably. The paper cited poor performance by NRZ and GMB as typical examples of failed military leadership. The above argument holds water if one examines the recently dissolved ZBC board. Former military personnel were appointed. The leadership of ZBC again reflects a grain of the deployment of ex combatants for strategic "reasons". The *ZimEye* of 13 August 2010 published an article by Ndlovu on institutional reforms for Zimbabwean parastatals. Ndlovu (2010) indicated that the leading members of the security forces were employed by the state to the Parastatals that have been used as retirement zones. He went on to suggest that senior security officers have replaced competent and better trained civilian personnel as board members and Chief Executive Officers of various parastatals. This may explain the poor performance and poor ethical standards if taken from an HR informed point of view. Appointments in modern day institutions should be based on merit. Storey (1989) suggests that competitive advantage through HR is achieved through a strategic deployment of a highly capable and committed work force.

As early as 2010 Ndlovu pointed out that besides rewarding themselves hefty salaries, senior executives of parastatals have gone to the point of forming shelf companies to trade with parastatals they lead. He further laments that the government has removed competent people as heads of parastatals or in boards over policy disagreements and appointed mediocre who are able to sing for their supper in their place. As a result most of these parastatals are in deep throes of managerial ineptitude. These analogies by Ndlovu acts as a self fulfilling prophesy. Merely 3 years down the line massive scandals of selfish interests erupt in the very parastatals. Corrupt tendencies by boards and executives are today revealed mainly in extremely underperforming parastatals.

## 3. Conceptual Issues

### 3.1. Co-evolutionary Framework

The article utilizes Lewin and Volberda's (2003) co-evolutionary framework to explore the link between

corporate governance systems and executive over-compensation. The reported salary scandals show how the practice has become institutionalized. The exponential rise in corruption in the macro-environment has been matched by a culture of 'feeding from service' across the economy and particularly in state owned enterprises. The study also utilizes the theory of Predatory rule espoused by Levi (1981). According to the theory of predation all political leaders are principally motivated by the desire to achieve, retain and exercise power. The corporate governance structures in state owned enterprises in Zimbabwe have unceasingly become too fragile to restrain both the development and escalation of executive over-compensation.

According to Sims (1992) specific contexts play a critical role on how the escalation of corruption plays out in organizations. In Zimbabwe the culture of predation that has spread across the whole economy over the past decade of economic crises has facilitated over-compensation. Therefore the major pressures from this economic crisis apart from the endemic chronic inflation, were contraction in the capital utilization, rising poverty and deterioration in social conditions. All these crises occasioned unprecedented levels of immoral business practices in the economy (Masaka 2011). State institutions became more fragile and thus increasing more the opportunities available for corruption and resource misuse (Maunganidze, 2012). Given the decline of the private sector, patronage through the state remains the principal leverage for wealth accumulation (Cawthra 2010). The state's weakness was reflected in difficulties in regulating the behavior of citizens particularly its inability to enforce authority in reducing corruption. There is a co-evolutionary reinforcement between the prevailing corporate governance culture and predatory tendencies of executives that have subsequently escalated the over compensation.

### 3.2. Corporate Governance Theories

Bebchuk & Fried, (2006) suggest that corporate governance refers to the systems by which companies are directed and controlled, including the institutional arrangements for boardroom pay setting. This is consistent with the theory of co-evolution, the way in which a remuneration system is designed reflects a firm's corporate governance and the extent to which it applies free market principles. The current corporate governance system prevailing in Zimbabwean state owned enterprises is at variance with this. The absence of standardization of remuneration for SOEs executives has remained one of the key factors in the rise of such overcompensation. The rate at which the issue of director remuneration has been ignored for years has resulted in the chosen few amassing wealth creating curtains in their backyard. HR which has the mandate to look at employees has been found wanting and sleeping on duty. The pain of an ordinary worker who is struggling lies in the hands of HR managers who have totally

failed to champion the employee interest yet conniving with the CEOs and other managers.

Majoni (2011) as cited by Tukuta, Nkosana, & Rosariwo, (2012) suggests there are two key theories of corporate governance, the shareholder theory or the stakeholder theory. Majoni (2011) contends that the Board of Directors and managers are appointed to represent interests of shareholders. Shareholders are those persons that have invested their resources into an organisation through acquiring shares. In short these are the owners of the business. They are not directly involved in the running of the business, rather the Board of Directors act on behalf of the shareholders. The BoD is required to act in utmost good faith whilst conducting business agendas; they must be transparent in concluding business transactions. On the other hand the term stakeholder is referred to as individuals and artificial persons that are affected by the operations of the business. Organisations using this approach should be customer oriented, also value their employees and suppliers at the same time respecting the community in which they operate in.

Notwithstanding the contribution of the foregoing to our discussion, the failure of Boards to carry out their oversight responsibility confirms what Cohen (2002; 277) observed earlier on in his study of Enron scandal. This leaves one with an answered question; what really is the role of the Board in these parastatals. The 'willingful blindness' of the respective Board members to checks and balances smacks of complicity. We observe that these members are reluctant to reverse such 'horrendous acts of looting' as shown in the following cases because they were deriving spoils from its perpetuation.

## 4. Results

### 4.1. Zimbabwe Broadcasting Corporation SAGA

The Australian National Audit Office (1999) suggests that corporate governance encompasses the authority, accountability, stewardship, leadership, direction and control exercised in corporations. A good company should exhibit the above characteristics. The first case to prove otherwise and explode in relation to mega Remuneration was the Zimbabwe Broadcasting Corporation saga. It was revealed through public media that the ZBC bosses were pocketing hefty salaries. The CEO was getting \$44 500 per month amid revelations that the ordinary ZBC employees had spend 7 months without receiving their salaries. The General Manager for ZBC was also cited as getting \$26 876, General Manager News and General Manager Radio Services also pocketing \$26 876 each (Herald 23 January 2014). Allegations were also leveled against these Parastatals bosses for bribing ministers with top-of-the- range vehicles such as Mercedes Benz and Toyota Land cruisers as well as fuel and airtime over and above their official government allocations. This resulted in the suspension of CEO and his managers, and eventually the dissolving of the ZBC board. Such practices exposed a serious deficiency on good

stewardship and leadership of parastatals, a situation that damages credibility on the government. Table 1 below shows the package of the CEO

**Table 1.** CEO Package at ZBC

	Package
Basic Salary	\$27 000. 00
Housing Allowance	\$ 3 500.00
Domestic Workers' salaries	\$ 2 500.00
Entertainment Allowance	\$ 3 000.00
General Allowance	\$ 3 000.00
Vacation	5 Business Tickets annually, 3 regionally and unlimited local air travel, Fuel- Unlimited, ZBC servicing CEO Mortgage.

Source – Herald 23 January 2014, The Chronicle 23, 24 and 25 March

#### 4.2. Public Service Medical Aid Society (PSMAS)

ECSAFA (2004) contents that corruption, abuse of power or public office for private gain, and other types of financial irregularity are widely recognised as a serious problem in parastatal organisations and the wider public sector. This is true considering the most shocking revelation that the Public Service Medical Aid Society was paying its Chief Executive Officer half a million dollars a month in salary and benefits. The Premier Service Medical Aid Society (PSMAS) was paying the CEO \$500,000 in salary and allowances against the background of PSMAS failing to meet its obligations to contributors and was debt ridden. By the time of the exposure PSMAS was in a debt of \$38 million (Herald 24 January 2014). Top management for Premier Service Medical Aid Society (PSMAS) were gobbling US\$1 million in basic monthly salaries. The PSMAS annual wage bill rose from US\$15 547 171 in 2011 to US\$33 413 373 in 2012, almost half of which was paid to the top 14 managers. Shockingly revelations suggested that the CEO approved a lump sum payments of US\$300 000 for each of the group executives, and these payments were to be made with arrears subscriptions recovered from the private sector. The most painful fact is that all these practices were happening at a time when the society was failing to pay doctors and other debtors.

#### 4.3. Air Zimbabwe

ESCAFA (2004) also suggests that openness, integrity and accountability are necessary ingredients of effective

governance and should be demanded of all staff working in parastatal organisations. The governing body, chief executive and other senior managers should conduct themselves, in accordance with high standards of behaviour, as role models to others. In contrast Air Zimbabwe for the past decade has been performing badly a situation that resulted in the airline line retrenching half of its employees. Revelations suggest that Air Zimbabwe executives allegedly dabbled in corrupt activities including \$11-million insurance scam, which resulted in the national airliner failing to meet its national mandate. The Air Zimbabwe boss is facing six counts of contravening Section 136 of the Criminal Law (Codification and Reform) Act (Fraud) where Air Zimbabwe allegedly suffered an actual prejudice of US\$1 298 827,88 and €5 895 695,90. The boss appointed Navistar as Airzim's aviation insurance brokers on March 18, 2009 without following the procedures prescribed by law and company policy. She equally authorized payment of a fraudulent invoices valued at US\$142 300 from Navistar, thereby prejudicing the already struggling airline. As if not enough she authorized a debit notes from Navistar amounting to US\$1 062 370, 52 for aviation insurance cover for two A320 Airbuses from November 2011 to April 3, 2012. Police also arrested the acting chief executive, human resources manager, finance, administration manager and strategy and economics boss.

#### 4.4. Harare City Council

The King Report on Corporate Governance for South Africa 2002 highlights that leadership should be both transparent and accountable, because if business leaders cannot be trusted this will lead to the decline of companies and the ultimate demise of a country's economy. The above statement is handy in relation to the situation in Harare City council, which can be seen as lacking good leadership. Harare City council senior managers were also giving themselves hefty salaries against a backdrop of poor service delivery. The roads need proper maintenance with the sewer system extremely bad. Garbage and refuse collection is currently position a health threat, yet instead of focusing on service delivery the senior executives were busy spending a lot of cash and other benefits. Water has been a real problem in Harare and management chose to have a blind eye. The following table shows the remuneration of directors and other senior managers who were reaping off the local authority compromising service delivery.

**Table 2.** Salary Scale for the top 3 executives of PSMAS

	June	July	August	January
Chief Exec Officer	\$144 097.52	\$180 000.00	\$180 000.00	\$230 000.00
Finance Manager	\$117 079.25	\$155 000.00	\$155 000.00	\$200 000.00
Operations Exec	\$ 97 266.83	\$122 000.00	\$122 000.00	\$122 000.00

Source: Herald 23 January 2014

**Table 3.** Harare City Council Director Remuneration

Position	Salary
Director Waste Management	\$34 299.00
Director Capital	\$36 999.00
Director Housing	\$36 999.00
Director Health Services	\$33 410.00
Town Clerk	\$37 642.00
City Treasurer	\$36 999.00
Chamber Secretary	\$34 299.00
Director Roads and Public Works	\$36 999.00
Director Water	\$36 999.00

Source. Herald 23 January 2014

## 5. Discussion

### 5.1. Rethinking the HR role

Findings of this study resonate well with McConvill and Bagaric (2005) claims that there is a growing perception that company directors and executives are self interested actors, using their position in the company to pursue their own ends rather than being focused on pursuing what is best for the company and its stakeholders. Take for instance the situation at ZBC the bosses were pocketing hefty salary each and every month, enjoying unlimited access to fuel and air travel on the backdrop of a company that is loss making. Employees were left exposed and (not) surprisingly HR managers were also implicated in the scam. Wright, (2003) suggests that Senior HR leaders possess a fiduciary responsibility to shareholders and a moral responsibility to employees and it is necessary to examine how to effectively fulfill these responsibilities. In all cited cases HR failed to advice accordingly and equally to uphold (true) HR values by paying such hefty salaries. The recent media revelations about the huge executive incentives effectively trigger organizational identity dissonance (Chreim, 2002; Moingeon & Soenen, 2002) in the SOEs. Dissonance occurs when there is inconsistency between the organizational identity projected by top management and the identity attributed to an organization by the external public such customers (Chreim, 2002: 76). As observed across the cases in this study, dissonance arises when CEOs and government collectively claim or profess that there is no money to pay staff salaries while at the same time ‘lived experiences’ of both employees and public confirm over-compensation or state resource resources plundering. If for instance in the ZBC case, managers awarded themselves such hefty monthly salaries and allowances while their employees went for more than half a year unpaid. What role could HR have played in such a case? The HR’s role therefore could have been to assist such an organization avoid or reduce dissonance. In line with the theory of predation HR would then work as the Executive’s strategist to ensure predation prevailed away from public view. HR strategies like all other idioms of accumulation at the executives’ disposal, would

therefore ensure that the organization’s real *substance* (culture and identity recedes from view. Suspensions of HR executives at ZBC or Air Zimbabwe and town clerk of Harare city council tends to distort reality that invariably inflates the power of HR. We argue that in SOEs HR executive has neither the moral authority nor real power to restrain any institutionalized predation. HR executives only supposedly occupy a strategic role to the extent to which they are supporting the ideology of management which comes to color whatever they do and how they do it (Mohammady - Garfamy, 2003).

HR has a huge responsibility to ensure that managers act in the best interest of all stakeholders in the organization with employees’ interest also factored in (Beer et-al, 1984). HR should ensure that all parties maintain good ethical practices and standards. Warren Buffet (2012) emphasized the importance of ethics and governance when he said, “If you lose dollars for the firm by bad decisions, I will understand. If you lose reputation for the firm, I will be ruthless.” This view holds water in that parastatals leaders who lose reputation through unethical practices should be dwelt with ruthlessly. It is striking that senior managers who should be role models and good leaders lose value and morality by pursuing selfish interest. This absence of HR influence may have been due to HR not being integral enough or part of the senior management team to be aware that such illegal or unethical decisions and behavior were taking place.

The public outcry and media reports point’s fingers at ZANU-PF leadership, most current seating and former ministers are directly and indirectly involved. Equally the major opposition parties were also involved mainly in the Energy sector. Interest to note is the simple fact that when government of National Unity was negotiated in 2009 all parties showed extreme concern on the state of parastatals in the country. This view is supported by Zhou (2012) who suggests that at the formation of the inclusive government in 2009 (comprising of three main political parties, ZANU PF and the two MDC formations) the public enterprises were cited as critical players in the national socioeconomic drive. The plight of these public sector enterprises never changed as each time they were in a cash crisis. Take for instance Air Zimbabwe, which at one point was totally paralised failing even regional and domestic flights. To the general public it is shocking that 5 people in a space of three years would have swindled \$10 million without trace or notice, yet there is a board responsible to manage operations under a fully fledged ministry to monitor and control its activities.

### 5.2. Quality of Management

The nature of state ownership and involvement in SOEs directly impact on the quality of management. The political appointments of both the CEOs and board members which are specially designed to ensure state control and compliance with government ideologies and policies weaken the system. Findings of this study are consistent with other previous researchers in similar situations such as Chinese SOEs (Fan

et al, 2007; Jiatao Li & Yi Tang 2010). While previous studies (Tukuta et al, 2012) tended to show that having unqualified personnel in areas to do with corporate governance is the most dangerous gamble and liability that should never be experimented with, current findings indicate otherwise. Most executives do possess not only high educational and professional qualifications but have extensive and diverse corporate experience. As Zhou (2000) earlier observed, while most incumbent public enterprise managers in Zimbabwe may have sound qualifications; they basically lack the relevant skills require to uphold integrity and ethics. In other words the bulk of public enterprise managers, just like most incumbent board members, are generally lacking in “commercial background”. As a result lack of corporate governance principles such as transparency, integrity, openness, trustworthiness, honesty and accountability has led to the collapse of many business ventures in Africa (Tukuta et al 2012).

Taking anything above US\$20 000 in Zimbabwe under current economic conditions borders on issues of ethics more than technical. The general public has lamented over the appointments of managers and executives who lack skill and substance. Most appointments have been based on political basis. Interestingly calls have been made by the public to manage the appointments of ex-military personnel, in boards and on executive posts. NRZ and ZBC are typical examples cited. The question is when these ex-military personnel are appointed and they fail are they failing representing the army or are failing as individuals? Appointments seem to be based on favoritism and not competence. This may explain the dubious thinking to rack more that 25 000 dollars home on monthly basis. Surely getting \$230 000 as in the case of PSMAS is not just being callous but that totally devilish considering that the general public that struggle to pay the medical contribution, yet denied help in pharmacies and hospitals since the society is debt ridden. McConvill and Bagaric (2005) contents that a number of potential causes for the unethical and illegal behavior of corporate executives have been “a few bad apples”. There are a few excessively shrewd and immoral individuals with ways to behave unethically. All staff is entitled to be treated by their managers and colleagues openly, honestly and with respect.

Interesting to note is the view by Zhou (2012) who suggests that for three decades, the public enterprise sector in Zimbabwe remains a sad tale of loss making and debt-ridden entities with a voracious appetite for fiscal support. He further questions if this is a case of misdiagnosing the ailment and prescribing a wrong prescription or a case of correct prescription in wrong hands. These questions being raised by Zhou forms the basis of the argument here. In our view the country is facing a massive challenge due to economic sanctions, (a fact debatable). Looking at the caliber of people sitting in the boards of these Parastatals and equally leading them one can be forgiven to conclude that the appointments of these people is wrong. Leaders who are ambitious and visionary first take these parastatals to dizzy heights in terms of performance. They should work hard to

try to eliminate all challenges facing them, and then get the much deserved rewards. Instead the parastatals are being led and governed by individuals who are concentrating on milking them dry. Receiving half a million a month is not a joke. That money if well invested can take a company to a certain level. Self interested individuals with an appetite for money and insatiable ambitions are leading the looting spree in the Parastatals. In short the diagnosis of the parastatal problems is fine but the hands appointed to execute are wrong. Take for instance the case of Harare city council where employee salaries are delayed, take ZBC where the bosses amass wealth against poor quality service delivery to rate payers and subscribers. This therefore calls for a paradigm shift towards the appointment of both directors and managers in Parastatals that ensures institutions are accountable.

Jensen, (1993) posits that the board is expected to represent shareholders and serve as their first line of defense against a self-serving management team. Shockingly the boards of all companies under the spotlight authorized the self interest of these managers and were also part of the looting committees in the guise of seating allowance. According to the Zimbabwean culture people share no matter how one little has. It's a principle that has sustained the country for a long rich cultural heritage. Such tendencies to amass wealth are not just uncultured but it is not African. This manifests that the problem with corporate internal control systems start with the board of directors. The board, at the apex of the internal control system, has the final responsibility for the functioning of the firm. But not all the boards in Zimbabwean parastatals are being led by people of less moral values and principles. It is simply the issue of survival by ‘feeding from service’. There were reported cases where a single person sat in more than 5 boards and drawing allowances from each. Chen and Jaggi, (2000) and McConvill and Bagaric (2005) concur that the board of directors should be responsible for the monitoring of management decisions and activities. Thus lack of adequate corporate controls, primarily through board oversight and outside auditors, as evidenced in this study was the source of dysfunctional executive behavior that escalated executive over-compensation.

According to ECSAFA (2004) it is an undeniable fact that parastatal organisations usually have to satisfy a complex range of political, financial and social objectives, which subject them to external constraints and influences. In this case difficulties are drawn in Zimbabwe whether the salary scandals that the country experienced were due to few bad apples all received blessings from the almighty ministers who earlier on were reported to have been given state of the art vehicles. It is a hard fact that parastatals scandals have rocked the government for a long period of time and the very government remained docile with some ministers equally enjoying the demise of the parastatals. As individuals people are self centered. This behavior is rampant simply because ministers are politicians with a 5 year term; as such some find it easy to amass wealth in the short space of time they

grab because of the dark uncertain future. This has witnessed a lot of looting by virtue of having managers, director, board members and senior government officials who are selfish. Evidence from the ZBC case is testimony enough to prove beyond reasonable doubt that some senior government officials were directly involved. Ministries are usually responsible for the development of government policy and parastatal organisations are responsible for the day-to-day management and delivery of government services in the most efficient manner. Line ministries will also have responsibility for co-ordinating the work of parastatal organisations and other entities working in the same area.

The Cadbury Report (1992) and the OECD Principles (1998) emphasized the importance of integrating a risk management framework within the corporate governance activities of the board of directors. They clarified that it was the ultimate responsibility of the board to ensure the all potential risks had been identified and mitigatory measures were put in place. It is surprising though that all the unscrupulous activities that are happening in parastatals are given the blessings of the board of directors. The case of ZBC for instance the contract was signed by the board chairman. Cadbury Report (1992) noted that directors needed to maintain a system of internal control, with measures aimed at minimizing risk of fraud. The duty of the board of directors is essentially to minimize the risk. David (2003) acknowledged that risk management needed to be integrated into a company's corporate governance framework, he highlighted that risk assessment process was hard to perform due to the complexity and changing of the operating environment.

The Human Resource Institute (2005) suggests that as strategic partners, human resources professionals help their organizations establish governance, risk mitigation and ethics best practices. This is a key variable that HR practitioners should observe, to mitigate the risk. HR professionals can help their organizations ensure the availability of unfiltered communications, early identification of potential and actual malfeasance and other unethical behavior, and effective measures to prevent issues from recurring. HR professionals must help ensure that ethics is a top organizational priority in the organisation. Ulrich (1997) suggests that HR is a strategic business. By this he meant that the head of the HR department should be an equal partner with other senior managers and should 'have a seat at the top table'. In most cases in Zimbabwean parastatals this is the case. Of late HR practitioners have been slowly but sure getting involved in running companies. It is therefore the mandate of HR to ensure that senior managers understand good ethics and the benefits that can be achieved. Chris Hitch (2012) quotes leadership and organizational studies pioneer Warren Bennis who once said that "trust is the lubrication that makes it possible for organizations to work." Organizations with high levels of trust have more productive workforces, better employee morale and lower employee turnover. The same sentiments were also echoed by Lyman, (2012) who also reiterated that, employees in

high-trust organizations believe they are treated fairly regardless of their position within the organization.

Trust may be a valued commodity in an organization, but it is a rare one and surely with all these revelations above employees may find it difficult to trust their leaders. Research conducted by Reina and Reina (2009) found that nine out of every 10 employees have reported experiencing some sort of breach of trust in the workplace on a regular basis. This is particularly true in Zimbabwe today after all these scandals. The companies are not performing. Air Zimbabwe for instance was at the verge of collapsing, Harare City Council service delivery poor. PSMAS contributors are not receiving immediate attention in hospitals and clinics because its not paying service providers, pharmacies and doctors. At the height of these deficiencies few managers who are self interested have the audacity to abuse public funds and public trust. I strongly believe no one is against remuneration of directors and managers, but that remuneration should be backed up by performance. If today Air Zimbabwe was making a huge profit that justifies any remuneration or if ZBC was providing good programs and making a lot of money then it would act as a justification for managers to claim hefty salaries. I believe such huge amounts are unsustainable and if people keep on looting in the manner they are doing one day the economy will collapse totally.

### 5.3. Who is to Blame?

The co-evolution of institutionalized corruption in Zimbabwe is not unprecedented. History is replete with numerous cases that range from systemic corruption to outright looting which have been matched with either selective application of the law or willingful blindness on the part of the State. The unearthed numerous predatory activities by some cabinet ministers in the distribution of motor vehicles at one of the state owned vehicle assembling plants, the Willovale Motor industries in Harare (Zimbabwe Govt., 1989) popularly known as the Willowgate scandal, the prominent GMB scandal of 2000 in which the then Minister of Agriculture and the permanent secretary defrauded the ministry of million dollars and were arrested, jailed and later released, and the fast track land reform multiple farm ownership scams, are cases in point. Indeed on the Willowgate scandal a commission was set to enquire, the Sandura Commission as cited by Jackson (2010). The ministers responsible resigned but there is no history known to the wealth and assets they amassed. This has resulted in parastatal leaders relaxing too much and also enjoying hefty salaries knowing that even if they are exposed no serious action will be taken. The government through responsible ministries has a responsibility to select BoD directors which is vibrant, developmental and upright. The question is, how effective will that person be? Is it a matter of us as a nation failing to identify other people who can also lead these parastatals and boards than appointing and recycling a few even if they have failed before?

While overall, blame can be directed at the structure that is

both minister and permanent secretaries as already indicated, it is also observed that executives of these parastatals are equally at fault for their lack transparency, honesty and integrity. They fail to observe the need to revive the parastatals that are financially crippled and in need of the fiscal support. Instead of sustaining them the executives further puts them in a financial doldrums by amassing a lot of cash and benefits. It is totally unacceptable that executives take home hefty packages and put that as their priority instead of service delivery. Such poor leadership cannot just go unnoticed and all parastatal leaders have a case to answer.

The HR executive is part of the system has a strategic responsibility to both protect and empower employees as a key asset. One wonders whether the employees were or were not aware of what was going on in these companies. Who was responsible for running the payroll, for taking the pay slips to their owners, for issuing out fuel coupons, for booking the trips? Whether or not employees knew about all these scandals was beyond the scope of the inquiry.

## 6. Conclusions

It is an undeniable fact that Zimbabwe as a country deserves better and has the potential to do better. The Executive over-compensation dynamics in this article are both a form of corruption and organized crime. While the cases in this study show a striking pattern of individuals with voracious ambition and greed, corporate governance issues play a critical role in escalating the overcompensation. Furthermore, the rationalization process; that is (Zyglidopoulos *et. al.* 2009) the individual executives' defense or justification for their behavior perhaps provide insights why they continued to award themselves huge salaries amidst penury. HR should be given the platform it deserves to advice accordingly both senior managers and employees on the importance and significance of maintain a good corporate culture and reputation. The government has a huge responsibility to monitor decisively the activities of parastatal and ensure that sanity is brought back. With an effective corporate governance system maladministration practices currently being experienced may be a thing of the past. There is a co-evolutionary reinforcement between weak corporate governance structures and executive over-compensation have invariably subdued or marginalized HR.

Through maintaining good ethical standards, leaders in parastatals may turn the fortunes of this country. What the country needs are leaders of substance who are visionary, dedicated and committed to public good. With good corporate governance in place managers can treat their employees who are their assets with respect. Good service delivery always comes from a happy employee.

## 7. Recommendations

Based on the above discussion the paper recommends that the parastatal should appoint a remuneration committee. The

function of this committee should be to make recommendations to the board in respect of remuneration packages for executive directors. This can be discussed and negotiate in the presence of all committee members such that the board will provide full disclosure of director remuneration on an individual basis in their annual reports. This publication of director remuneration will help show transparency and all stakeholders will know these packages and satisfy whether they are reasonable or practical.

There should be continuous auditing in parastatals and the setting of proper structures. Parastatal organisations need effective structures to ensure proper accountability, clear communication with stakeholders and clarity about roles and responsibilities. Proper accountability means being accountable for the management of public money and for the performance of the organisation in relation to clearly defined objectives. In the case of PSMAS its difficult to justify the a 12 member management team was gobbling a million on monthly basis yet failing to take care of the subscribers.

Notably HR should set an effective complaints and whistle-blowing procedures to ensure for essential good governance of each parastatal organisation. Complaints procedures should ensure that complaints from users and other external stakeholders are adequately monitored, investigated, resolved and appropriately reported. For in Zimbabwe we had explored this avenue beautifully by now some of these uncouth practices could have been exposed long way back. Whistle blowing can be an effective strategy to reduce, corruption, nepotism, tribalism and regionalism in parastatals.

As a nation we need to develop and design a national code on corporate governance. Corporate Codes will serve two purposes. First, they are vehicles through which the power of overarching forms of social morality is drawn on for use as corporate power. Second, they are vehicles for deploying corporate power over values, choices and behaviors in ways designed to induce appropriate responses to contextual requirements. With an effective national code on good governance parastatals will have a reference point and this can help bring sanity in these parastatals.

The paper recommends full disclosure. Disclosure the total fees or remuneration paid to each member of the governing body, including the chief executive, including, for example, any house, car, health, education or pension contributions. All stakeholders have a right to know the director remuneration or the director packages because they have a responsibility to balance their remuneration and service delivery.

In all parastatals the government should introduce performance related contracts. Introduction of Performance Related Contracts will enable managers and directors to think outside the box and thrive for attaining excellent service. Parastatals like Air Zimbabwe for instance have been crippled by poor managers who have overstayed their welcome. The performance related contracts should be designed using international standards and the evaluation will be done by private entities.

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