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## Challenges and Prescriptions to Corporate Governance Issues Facing State-Owned Enterprises (SOEs): A Zimbabwean Perspective

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### ABSTRACT

The main objective of the study was to determine the corporate governance challenges facing State-Owned Enterprises in Zimbabwe. In so doing the study sought to proffer solutions and prescriptions to the challenges. In this view, the study adopted a quantitative research approach in which the positivist philosophy was applied. A cross-sectional survey design was used in which data was gathered using a structured questionnaire. The target population consisted of top and middle management, board members, board chairpersons, and CEOs of SOEs found in Zimbabwe. Using the sampling procedure developed by Krejcie and Morgan (1970), a sample size of 351 individuals was determined. The research employed stratified random sampling for sampling respondents. SPSS version 23 was used to analyze quantitative data. The research established that Corporate governance challenges faced by SOEs in Zimbabwe include the bureaucratic nature of SOEs which causes inflexibility, political history of SOEs, poorly composed boards, inefficient and lack of transparency in the appointment of boards, limited board independence, and unstable economic conditions. The research recommends that authorities in the Office of the President and Cabinet from the Corporate Governance Unit or State Enterprises Restructuring Agency should organize more corporate governance training for Boards and other custodians of corporate governance in State Owned Enterprises.

### INTRODUCTION

In recent years the poor performance of such SOEs has been largely characterized by loss-making, poor and inadequate service delivery, debt burden, inadequate working capital, skills shrink and deficit, corruption, and flouted tender deals amongst others (Mazikana, 2023). As such State-Owned Enterprises (SOEs) in Zimbabwe were in trouble as some were into scandals that were endless as indicated by statistics in the background of the study which indicates that some SOEs such as Air Zimbabwe had consecutively recorded losses over several years. Corporate governance in Zimbabwe slightly improved, according to the

Auditor General's Report for the financial year that ended December 31, 2018. This indicates that not all SOEs had problems in corporate governance. Lack of due diligence in the acquisition of goods and services is one of the areas in which some of these SOEs were deficient (Zimbabwe Auditor General Report, 2018). Due to this approach, there have been instances where payments have been made without the corresponding delivery of the purchased products and services.

One of the major instances of SOE malfeasance, as described in the Auditor General's Report (2018), concerned the Zimbabwe Electrification Transmission and Distribution

Company (ZETDC). Nine years after paying Pito Investments USD4.9 million, the company had still not received transformers. Additionally, the Zimbabwe Power Company (ZPC) paid the same company Pito Investments an advance payment of USD561 935 in 2016 although it still had not been delivered. Another lack of compliance with corporate governance mechanisms by SOEs is when ZPC also paid ZAR 196 064 in 2016 to York International for gas that had not been received (Report of the Auditor General, 2018). Such corporate governance scandals do not end with the Zimbabwean power utility company. However, they also apply to other SOEs, such as the Grain Marketing Board (GMB), which made a US\$1 014 163 advance payment for maize in 2016 but has yet to receive the grain. At the Zimbabwe School Examinations Council (ZIMSEC), despite the Council having acquired a printing press in 2016, ZIMSEC was still outsourcing printing services for examination papers, and in 2017, the Council incurred a total of US\$2 170 113 for the printing of June and November examination papers (Report of the Auditor General, 2018).

Accountability problems persisted for Air Zimbabwe (Private) Limited. Operating expenses totaling \$13,705,014 and petty cash expenditures totaling \$654,587 could not be substantiated by the Company's supporting documents. The Airline also had a US\$27,965,576 unexplained suspense balance. Not every aircraft has been accounted for by the corporation. At least US\$26 million in unsupported payables balances and US\$87 million in unexplained variances from amounts confirmed by suppliers were present. For the time under

consideration, there were no minutes of board or management meetings. The source of cash withdrawals totaling US\$173,162 could not be traced in the financial books. Therefore, having highlighted major challenges and problems found in SOEs it may be understood that addressing governance challenges in these entities is key to economic reforms by Zimbabwean SOEs.

In view of the corporate governance problems and challenges faced by SOEs in Zimbabwe highlighted in Table 1, the National Development Strategy 1 2021–2025 which is Zimbabwe's National Strategic Plan notes that although commercial SOEs contributed about 7.5 percent of the country's GDP in 2017, against a potential of over 40%, Corruption, poor financial and operational performance, inadequate oversight and evaluations, and weak corporate governance were all visible indications that SOEs were in threat. As a result, a large number of SOEs suffered substantial losses, accruing short-term debt and arrears that led to a loss of equity (National Development Strategy 1, 2020). In addition to low wages and the depreciation of the local currency, SOEs were also experiencing record levels of human capital attrition, which had a severe impact on how effectively public services were delivered. To save struggling SOEs, which are also crucial to the economy, the Public Entities Corporate Governance Act has to be maintained, complied with, and implemented by SOEs. Thus, the major objective of this study was to investigate closely the challenges and proffer solutions to the corporate governance problems faced by State Owned Entities (SOEs) in Zimbabwe.

Table 1. Evidence of poor corporate governance practices faced by State Owned Enterprises

Central Mechanical Department (CMED)	Without performing a due diligence assessment, a US\$3 million tender for the supply of diesel was received by First Oil Company. In this case, the fuel was never provided. Due diligence reports were not included in the protocol, which led to the firing of top management. According to the procurement procedures, managers were allowed to choose between bids up to \$10,000 and bids from managing directors up to \$50,000. Bids that are more expensive should be submitted to the State Procurement Board (SPB) (Hadebe et al. 2018).	2014
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Zimbabwe National Roads Administration (ZINARA)	ZINARA invested US\$8 million for 40 graders that were unable to be employed due to the climate of the area because they had snow ploughs. A local politician's company, Univern (Pvt) Ltd., and ZINARA entered into a contract. The contract was signed on behalf of ZINARA and the other board members by the company's former CEO (Hadebe et al. 2018).	2014
Premier Services Medical Aid Society (PSMAS)	When the company was not paying its suppliers or medical claims, the CEO was making over \$500,000 a month in salary and benefits (Hadebe et al. 2018).	2014
Zimbabwe School Examination Council (ZIMSEC)	An Auditor General's Report (2012) uncovered \$2 million USD worth of financial irregularities at ZIMSEC. ZIMSEC disregarded the tendering procedure, overpaid some suppliers, paid service providers US\$1.8 million without the necessary documentation, and purchased a Nissan UD vehicle for US\$149,000 that had not been delivered for a considerable amount of time after the audit was finished (Hadebe et al. 2018).	2012
Zimbabwe National Water Authority (ZINWA)	Dam construction scandal accused ZINWA of squandering funds for 14 unfinished dams across the country, including US\$46,000,000 in 2004, US\$49,400,000 in 2007, and US\$4,200,000 in 2008 (Hadebe et al. 2018).	2007

Source: Hadebe et. al, (2015).

Corporate governance, according to Butler and Butler (2010) relates to the processes, systems, and controls with which organizations operate. The term “corporate governance” can also be used to describe how people being governed and those doing the governing interact within an organizational structure. According to a different definition, corporate governance is defined as both public and private institutions, such as laws, regulations, and generally accepted business practices, that govern interactions between corporate managers and entrepreneurs who are corporate insiders on the one hand, and those who invest in corporations on the other.

As can be seen from the aforementioned definitions, corporate governance does not appear to have a single definition. Despite this, the Cadbury Report and the King Report 1 Reports from the United Kingdom imply that corporate governance is the means by which corporations are led and controlled. The definition by Cadbury and King Report has been criticized that it lacks nuance and deceptively too simple (Deventer and Thabane, 2018).

In this view, a comprehensive definition offered by Plessis and Low (2017) regards

corporate governance as the process of controlling management and balancing the interests of all internal stakeholders and other parties who can be affected by the corporation’s conduct to ensure responsible behavior by corporations and to achieve a maximum level of efficiency and profitability of a corporation. This definition is appropriate given the problems of corporate governance by SOEs and the current study on SOEs, whose purpose has been jeopardized by scandals around the world.

According to Willemys (2016), there seems to be no universally accepted definition of the term State-Owned Enterprise. In May 2018, the International Public Sector Accounting Standards Board (IPSASB) noted that SOEs may be referred to as a variety of things, including Government Corporations, Government Business Enterprises, Government Linked Companies, Public Enterprises, and Parastatals.

Willemys (2016) defines SOEs as those entities that are formed not with the sole purpose of profit-making but are formed as a way of correcting market failures, hence in many cases SOEs are monopolies that evade competition with the sole purpose of remedying such market failures. An SOE refers to any corporate body that is recognized by

national law as an enterprise in which the State exercises ownership or control (OECD, 2015). The definition of a State-Owned Enterprise (SOE) varies from country to country, and some SOEs can be found in several economic sectors where the government has control, including commerce, transportation, mining, and financial intermediaries. According to the Auditor General Report (2018), in Zimbabwe, groupings of SOEs have been created in line with the categories of boards, commissions, councils, companies and corporates, financial institutions, funds, and hospitals, among others. The research paper accepts the OECD definition of SOE, which defines SOEs as businesses where the state has significant control through full, majority, or large minority ownership, after first defining SOEs from a distinct scholarly standpoint.

Despite the growing interest in the corporate governance of SOEs, there is still little literature on the corporate governance challenges faced by SOEs (Kyoungsun, 2018). This is despite the importance of SOEs globally and the fact that their contribution to economic growth has been met with scandals and other types of corporate transgressions. Through examining the challenges that SOEs in Zimbabwe the study aims to contribute to various streams of existing literature on SOE corporate governance. In this regard, studies by Gugler (2001) examined the relationship between corporate governance and the economic performance of companies in the developed world. These included countries such as Australia, France, Belgium, the United States of America, Belgium and Japan. Studies by Gugler (2001) in these countries yielded that best corporate governance practices especially better standards concerning entity disclosure requirements were directly related to better performance of firms. Although recorded results show the relationship between corporate governance and better firm performance, it did not narrow down to the developing world of Africa. Consequently, this study adds to the limited body of knowledge on corporate governance of SOEs in Africa, with a special emphasis in Zimbabwe. In a study by Zitambo and Mhizha (2019) which used the desk research method, the paper aimed to analyze governance issues at State Owned Enterprises in Zimbabwe.

The study's goal was to determine the influence of political involvement on state-owned

enterprises by examining the appointment of boards of directors at such organizations. It also aimed to offer suggestions for strengthening state-owned enterprise governance. Although the study acknowledged the presence of a corporate governance crisis in SOEs, its major aim was analysis of the appointment of Boards of Directors of SOEs.

In Zimbabwe, a study by Zvavahera and Ndoda (2014) evaluated the impact of corporate governance and unethical behavior on the performance of SOEs. The study was undertaken using the Zimbabwe Broadcasting Corporations as the case study. In their study, Zvavahera and Ndoda (2014) used instruments such as face-to-face interviews and questionnaires to gather data from SOEs. The target population was senior government officials and the general public. The sources of data which were largely primary sources offered reliability on the results. Zvavahera and Ndoda (2014) found that top management and Boards at ZBC were corrupt to the extent that procurement of goods was done without following proper tender procedures which deprived ZBC of millions of dollars (Zvavahera et. al., 2014).

In addition, the study unearthed that there was a lack of accountability and transparency in the way business was conducted at the Corporation as employees were said to have gone for several months without pay at the entity. In this view, their study concluded that there were misgovernance issues at ZBC. A study by Manuere, Marima, and Muzviyo (2019) sought to present a framework for promoting good governance of stakeholders in municipalities in Zimbabwe. Municipalities are a type of SOE in the category of Councils whose corporate governance is also under the objectives of the current study. In the study, Manuere et.al. (2019) acknowledges that many studies have looked at investigating the quality of service by SOEs, especially urban municipalities however limited research covers the promotion of good governance in SOEs in Zimbabwe, particularly urban municipalities. In the study, Manuere et al. (2019) applied the quantitative approach in which the survey research design was used. The study used purposive sampling in which a sample of 480 participants was chosen and questionnaires distributed. The findings of their study were that local authorities in Zimbabwe had a big challenge in

the promotion of good governance in respective constituencies hence recommended appropriate models of governance to be used to satisfy stakeholders' interests. Although the study spoke highly on corporate governance in the aspect of municipalities which is a category of SOEs in Zimbabwe, evidence should also have been reinforced through the use of published accounts and Auditor General Reports.

In view of Zimbabwean SOEs in the new political leadership (new dispensation), Zvitambo and Mhizha (2019) opined that the economic depression in Zimbabwe affected business performance including SOEs. The two scholars viewed that poor governance had affected SOEs. Their discussion and research were centered on governance issues at SOEs in Zimbabwe by mainly looking at the appointment of a Board of Directors for SOEs and the impact of political interference on SOEs. In that regard, researchers used desk research that involved audit reports and other secondary sources. The findings by Zvitambo and Mhizha (2019) established that SOEs were facing governance challenges which were largely caused by political, economic, and management factors. They made recommendations that the government should privatize and use other models of SOEs restructuring strategies.

In addition to the corporate governance studies of SOEs in Zimbabwe, Zuva and Zuva (2018) alluded that in Zimbabwe several companies in both the public and private sector have been affected by corporate scandals. The agency theory, the ethical theory, the stakeholder theory, the corporate social responsibility theory, and the stewardship theory served as the main pillars of their research. In their research, document reviews were employed to collect data on corporate governance issues for both the public and private sectors. Their investigations concentrated on governance frameworks that support corporate growth in terms of credibility and issues of accountability, transparency, and business ethics. The study by Zuva and Zuva (2018) as with many scholarly sources reviewed in this study, adopted a desk research approach which at times does not furnish primary evidence but rather a distorted view of the author. Their study, similar to the study by Manuere et. al. (2019) sought to develop a framework for good corporate governance following issues of non-compliance to

the best corporate governance principles. Studies were also conducted for another category of SOEs in the medical aid fraternity. A study by Chinyoka and Sithole (2017), focused on assessing how employees at PSMAS perceived Board effectiveness in a state-owned medical aid society. The organization was highlighted in the background of the current study that it was faced with scandals in which top executives pocketed an unreasonably high salary, an organization whose Board was operational. Researchers used a case study approach with a quantitative design to which a sample size of 80 employees of the medical aid society was selected. Simple random sampling was used. Results of the study indicated that the process used to appoint board members was satisfactory, board members were perceived to be lacking the skills and experience needed to deal with board matters. Notably, Chinyoka and Sithole (2017) clearly indicated that their study was not conclusive as the results gathered could not be generalized to all SOEs.

Therefore, the current study operates as a continuation of previous studies however, most of them have not looked at a specific legislation PECG Act enacted in 2018. In the current study, the research explores the extent to which the PECG Act has impacted on corporate governance of SOEs. In a study by Chilinjika and Mutizwa (2019), it is opined that parastatals (SOEs) in Zimbabwe have been underperforming as such have become burdens to the government. Their study which was aimed at identifying factors hindering the efficient performance of SOEs had a bias towards the NRZ for a period of 2008-2016. Their study used a mixed approach in which interviews were conducted, questionnaires were distributed and a review of secondary sources was done. The results were that poor governance, corruption, and poor corporate governance as well as militarization of the organization had led to the underperformance of the SOEs. In the current study, the researcher exploits the gap in how the PECG Act has impacted the corporate governance of SOEs. The current study also exploits not only to identify challenges of SOEs however this is done in the confines of corporate governance and thus sought to proffer solutions to poor observance of best practices of corporate governance. Chigudu (2021) carried out a study on SOEs that sought to identify the challenges

facing the National Railways of Zimbabwe. The NRZ, as highlighted in the background of the study is also a SOEs formed through the Railways Act Chapter 13.09. It was established to provide, operate, and maintain an efficient system of public transportation of goods and passengers by rail. The study by Chigudu (2021) therefore sought to identify the challenges facing NRZ and suggest some measures to sustain the SOE. The study employed a descriptive research design. Data used in the study was gathered from various audit reports, literature reviews, and reports by the media on NRZ. The study looked at the current challenges of governance, transparency, and accountability which were bedeviling SOEs in Zimbabwe. The study found out that there is limited transparency and accountability coupled with political interference in the activities of the SOE.

**METHODS**

The research adopted a quantitative approach. The researcher used the cross-sectional survey design in which data was gathered using a structured questionnaire. The research targeted top and middle management, board members, board chairpersons, and CEOs of SOEs in Harare, Zimbabwe numbering over 107. A sample size of 351 participants for questionnaires was calculated using the Krejcie and Morgan (1970) method. In a sampling of quantitative data, the research applied stratified random sampling. From the 107 stratas of SOEs, purposeful sampling was applied. SPSS

version 23 was used for the analysis of quantitative data.

**RESULTS AND DISCUSSION**

351 questionnaires were distributed and 230 questionnaires were returned. This translated to a response rate of 65.5%. Testing for normality was necessary to fulfill the assumptions of many of the most suitable statistical tests. In this view, the Kolmogorov-Smirnov and Shapiro-Wilk tests were conducted to determine the normality of data as emphasized by Razli and Wah (2011). The variables for both measures were far less than 0.05. This, therefore, implies that the variables under consideration were not normally distributed, thus paving the way for the use of non-parametric tests to infer association among research constructs. Using SPSS Version 23, the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity were largely used to determine whether the acquired data were sufficiently representative of the population. These tests were thus performed to determine whether or not factor analysis could be executed. The KMO test was thus conducted to examine the strength of the partial correlation that is, how the factors explain each other between the variables. KMO values closer to 1.0 are considered ideal while values less than 0.5 are unacceptable (Reddy and Kulshretha, 2019). Scholars such as (Reddy and Kulshretha, 2019) argue that a KMO of at least 0.80 are good enough for factor analysis to commence.

Table 2. Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)		.749
Bartlett's Test of Sphericity	Approx. Chi-Square	122.479
	Df	78
	Sig.	.001

Source: Own source (2023).

The above results obtained met minimum conditions and permitted EFA to be performed (Field, 2009).

**Descriptive Statistics**

The section presents descriptive statistics that include arithmetical means (M) and standard deviations (SD) for findings on all the components of the study: variables that represented corporate governance reforms by SOEs. The total frequency,

mean, standard deviation, and standard error bars are all included in descriptive statistics analysis and reporting (Ragab and Arisha, 2017). According to Saunders et al. (2009), the mean (M) represents the average of a group of responses, whereas the standard deviation (SD) assesses the degree of consistency of the responses or the distribution of responses around the mean. According to Mishra and Alok (2017), a small SD denotes fairly

unvarying replies, whereas a huge SD denotes a significant fluctuation in the replies. The SD will equal zero when the replies are the same.

### **Challenges in Implementing Corporate Governance Reforms**

In Table 3 descriptive statistics results on the problems and challenges of corporate governance faced by SOEs indicate a mean score between 4.42 and 4.61. The Table also depicts a standard deviation between 0.489 and 0.553. This means that respondents had varied views on the subject, but the overall results strongly agree that the indicated were corporate governance challenges faced by SOEs in Zimbabwe.

In view of this, descriptive statistics show bureaucratic nature of SOEs caused inflexibility and had a mean score of 4.54 which was close to 5. This corresponds to strongly agree. A big standard deviation of 0.500 implies that respondents had different views on corporate governance challenges faced by SOEs in Zimbabwe. The overall interpretation is that respondents strongly agreed that the bureaucratic nature of SOEs caused inflexibility.

The mean score for the political history of SOEs as a corporate governance challenge for SOEs was 4.52 and the standard deviation was 0.574, this meant that the respondents were neutral with the assertion that the political history of SOEs is a corporate governance challenge. A slightly higher standard deviation of above 0.5 implies that respondents held varied views on variables under consideration with some agreeing and some disagreeing that the political history of a specific category of SOE was a corporate governance challenge. The overall result was that respondents strongly agreed. Poorly composed boards as a corporate governance challenge had a mean score of 4.57 which is near 5 and corresponded to a Strongly Agree. A high standard deviation of 0.496 implies that respondents held varied views on the issue of poorly composed boards as a challenge faced by SOEs, some agreed while others disagreed. However, overall, it was strongly agreed that

poorly composed boards of SOEs were a challenge faced by SOEs.

On inefficiency and lack of transparency in the appointment of boards as a challenge to the corporate governance by SOEs, the mean score was 4.61 and the standard deviation was 0.489, this meant that the respondents strongly agreed with the assertion that inefficiency and lack of transparency in the appointment of boards affect the implementation of corporate governance reforms. A standard deviation of 0.489 implies that respondents held varied views on the issue of inefficiency and lack of transparency in the appointment of boards as a challenge by SOEs, some agreed while others disagreed. Overall, there was agreement that inefficiencies and lack of transparency in the appointment of boards were a challenge to corporate governance by SOEs.

Since the study sought to determine the challenges of corporate governance by SOEs in Zimbabwe, respondents noted that limited board independence was amongst the changes. As such, limited board independence in SOEs was one of the challenges faced in the implementation of governance reforms. As such a high mean score of above 4 meant that respondents disagreed. However, a large standard deviation of 0.501 implies that there was a lot of variation as far as limited board independence was considered a challenge in SOE corporate governance. Overall the mean responses indicate that it was strongly agreed that limited board independence was a challenge faced in the corporate governance of SOEs.

The other item which was provided as a challenge by SOEs was unstable economic conditions. This had a mean score of 4.42 which is approximately 5 and corresponds to Neutral. In the same view, a very big standard deviation of 0.553 implies that respondents had a varying view on this variable as a challenge faced by SOEs, some agreed while others disagreed. The overall mean response however shows that there was a largely strongly agreed response to an unstable economic condition as a challenge to corporate governance by SOEs.

Table 3. Challenges of corporate governance in SOEs

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Mean Score	Std. Deviation
The bureaucratic nature of SOEs causes inflexibility	230	4	5	4.54	Strongly Agree	.500
Political History of SOEs	230	2	5	4.52	Neutral	.574
Poorly composed boards	230	4	5	4.57	Strongly Agree	.496
Inefficient and lack of transparency in the appointment of boards	230	4	5	4.61	Strongly Agree	.489
Limited board independence	230	4	5	4.51	Agree	.501
Unstable economic conditions	230	2	5	4.42	Neutral	.553
Valid N (listwise)	230					

Source: Own source (2023).

Table 3 illustrates that there was strong agreement to the fact that the above listed were challenges of corporate governance faced by SOEs. As such respondents strongly agreed that there were several challenges faced by SOEs that included the bureaucratic nature of SOEs which caused inflexibility, the political history of SOEs, Poorly composed boards, inefficiency and lack of transparency in the appointment of boards, limited board independence, and unstable economic conditions.

Table 4. Descriptive statistics solutions to problems of corporate governance faced by SOEs

	N	Minimum	Maximum	Mean	Mean Score	Std. Deviation
Enforcement of Chief Executive Officer term capping to 10 years	230	4	5	4.44	Agree	.497
Board performance contracts	230	4	5	4.47	Agree	.500
Performance contracts for Chief Executive Officers	230	4	5	4.57	Strongly Agree	.496
Performance contract for Board members	230	4	5	4.57	Strongly Agree	.497
Non-renewal of term/ Dismissal of CEO	230	2	5	4.53	Strong Agree	.573
Dismissal of non-compliant board members	230	4	5	4.62	Strongly Agree	.487
Compliance with Strategic Plan	230	4	5	4.62	Strongly Agree	.487
Transparent Appointment of Board of Board Members	230	4	5	4.62	Strongly Agree	.487
Transparent appointment of CEOs	230	4	5	4.63	Strongly Agree	.484
Valid N (listwise)	230					

Source: Own source (2023).



In summary of Table 4 the highest mean was 4.63 for the descriptor transparent appointment of CEOs which thus corresponds to strongly agree. The lowest mean was 4.44 for the descriptor enforcement of Chief Executive Officer term capping to 10 years and corresponds to agree. On the other hand, the highest standard deviation was 0.573; the descriptor dismissal of CEO and the lowest standard deviation was 0.484 descriptor Transparent appointment of CEOs. As such the overall mean response was strongly agree.

These results confirm the association between board appointments and best corporate governance practices. Similar findings to support this view were conducted by Kota and Tomar (2010) who advanced that in the era of financial malfeasance, corporate governance is significant. The authors examined the effects of corporate governance practices on performance. Their results converged with the present study results by confirming that a significant relationship exists between board appointment and best corporate governance practices. This finding corroborates the ideas of Puni and Anlesinya (2020), who suggested that reforming board appointments by having both executive and non-executive board members has a positive impact on a company's corporate governance practices. In support of a similar view, Sifile et al. (2014) put forward that the appointment of boards has a positive effect on firm corporate governance practices.

The findings presented above are in agreement with Sheikh, Shah, and Akbar (2018) findings which showed that compensation for Chief executive officers in developing nations has an impact on the financial performance of a company and is positively related to corporate governance practices. The findings observed in this study mirror those of the previous studies by Ntim et al. (2019) that have examined the remuneration of non-executive members which can moderate corporate governance practices. In view, Ntim et al. (2019) found out that by appointing remuneration committees that looked into the remuneration of both executive and non-executive directors, firm performance as well as corporate governance practices were enhanced.

The present study produced results that corroborated the findings of Wanyagah (2021) who proved that conditions of service were a critical

factor in determining the implementation of corporate governance. The strengthening and making of favorable conditions of service promote good corporate governance in devolved administrations (Wanyagah, 2021). Similarly, Rehman, Ali, Hussain, and Waheed (2021) investigated the impact of conditions of service on corporate governance by using a Chinese market setting. They found out that conditions of service and corporate governance were positively related to corporate governance practices.

## **CONCLUSION**

The main thrust of the study was to determine corporate governance problems faced by SOEs and the probable solutions. The corporate governance challenges faced by SOEs in Zimbabwe include the bureaucratic nature of SOEs causes inflexibility, political History of SOEs, poorly composed boards, inefficient and lack of transparency in the appointment of boards, limited board independence, and unstable economic conditions. It can therefore be concluded that solutions to the corporate governance challenges include transparent SOE board appointment, dismissal and resignation of corporate governance non-compliant Directors, reforms on restrictions of board members remuneration and reforms on conditions of service of Executive Directors. In view of the results of the study, it may also be concluded that as solutions to the corporate governance challenges there must be strict enforcement for capping of CEO terms to ten(10) years, sticking to board performance contracts, having CEO performance contracts, dismissal of non-compliant CEOs and non-renewal of terms for non-performing CEOs and dismissal of non-compliant board members. Also, the study concluded that to curb challenges of corporate governance faced by SOEs there must be enforcement with strategic plans and transparent appointment of board members and CEOs.

In view of this, it is recommended that there should be strict enforcement of the provisions of the Public Entities Corporate Governance Act mainly to do with conditions of service for the directors so that they at least match those SOEs from the region or counterparts from the private sector. Authorities such as the Corporate Governance Unit in the Office of President and Cabinet or the State

Enterprises Restructuring Agency should organize more corporate governance training for Boards.

The study sought to determine the challenges of corporate governance by SOEs in Zimbabwe. In this dimension, the study underscored that the main challenges in bringing reforms by SOEs included bureaucracy in SOEs when making decisions, poorly composed boards, limited transparency in board appointment, limited board independence, and an unstable macroeconomic environment.

Thus, although bureaucracy is a main feature of SOEs, SOEs must be allowed to decentralize some decisions to minimize the negative effects associated with late decisions by following hierarchical structures. Although SOEs are economic vehicles meant to promote economic growth by producing goods and services, Boards must be allowed to carry their oversight role with minimum interference in politics. The study also urges that management and directors of SOEs should advise Boards on the need to have strict internal control measures and where applicable, routine governance health checks and monitoring and evaluations should be carried out.

The present study on corporate governance has limitations that necessitate future researchers to address issues that were not covered by the present research. To begin with, the present study had a narrow focus on different categories of SOEs in Zimbabwe. This may necessitate future researchers to conduct studies in the confines of a specific category of SOE to avoid generalized results. Challenges of corporate governance may be unique to a specific category of SOE and may not apply to the other category. Such studies may be conducted with a mixed research approach.

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