



# Impact of implementing the Public Entities Corporate Governance Act (PECG Act) Chapter 10.31 by State-Owned Enterprises (SOEs) in Zimbabwe

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Received : May 3, 2023

Revised : October 18, 2023

Accepted : October 30, 2023

Online : October 31, 2023

## Abstract

The study sought to determine the impact of the Public Entities Corporate Governance Act Chapter 10:31(PECG Act). The Act is the main piece of legislation governing corporate governance practices for State Owned Enterprises in Zimbabwe. In this view, the study adopted a mixed-methods approach in which pragmatism philosophy was applied. A convergent parallel design was used in which data was gathered using a structured questionnaire and an interview guide. 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 for quantitative data, and sixteen (16) interviews were done until saturation was reached. The research employed stratified random sampling for sampling respondents for quantitative data and purposive sampling was used for sampling respondents for qualitative data. SPSS version 23 was used to analyse quantitative data, whilst NVivo version 12 was used to analyse qualitative data. The main impact of the PECG Act was that it fosters accountability, transparency, and responsibility and encourages strategic planning for SOEs. The research also confirmed that reforms on restrictions on the remuneration of board members (RRORB) have a positive effect on corporate governance practices in SOEs, and reforms on dismissal and resignation (RDRBM) of board members lead to best corporate governance in SOEs. The study recommended that responsible authorities should make strict enforcement to comply with the dictates of the PECG Act. The study had a limitation that results from broad SOE categories may not be generalised to specific SOE categories.

**Keywords:** *Corporate Governance; State-Owned Enterprises; Corporate Governance Reform; Public Entities Corporate Governance Act; Accountability and Transparency*

## INTRODUCTION

Corporate scandals have become so prevalent that they have torn down prominent corporations all around the world (Hilton and Arkorful, 2021). Such failure to practice good corporate governance causes notable controversies in several of the SOEs in Zimbabwe. According to the Auditor General's (AG) 2016 Report to Parliament on SOEs, there was widespread consensus that SOEs were depressed and distressed. In its 2016 report, the AGs stated that corporate governance issues were the key problems that plagued SOEs. Reports on SOE performance revealed a fall in the adoption and implementation of sound corporate governance practices. According to reports, certain SOEs engaged in malfeasances, including senior management, who lived lavishly while providing poor services and incapacitating their workforce. In Net One Telecommunications, where a lot of effort was placed into board members' court appearances rather than reviving the struggling SOE, there have been some significant reports of board fights and disputes.

Additionally, the Auditor General's Report for 2018 discovered that SOEs failed to perform due diligence in their procurement of goods and services. Among the significant instances was the Zimbabwe Electricity Transmission and Distribution Company (ZETDC), which, nine years after paying USD 4.9 million to Piot Investments, had yet to get transformers. As a result, such SOEs suffer losses. Political meddling by way of ministerial directives, some of which broke corporate

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governance rules, was another difficulty SOEs had to deal with. In this view, Boroma (2020) indicates that the Dema Power Project was awarded to Sakunda Holdings in 2016 without Sakunda having participated in the tender process. The State Procurement Board (SPB) had rejected Aggreko due to its excessive expenses and failure to adhere to technical requirements, but Sakunda nonetheless subcontracted with the business. According to the Auditor General 2020 report, the difficulties with SOEs were mostly caused by a lack of adherence to the corporate governance pillars of openness, discipline, accountability, fairness, responsibility, and independence. In recent years, the poor performance of such SOEs has been largely characterised by loss-making, poor and inadequate service delivery, debt burden, inadequate working capital, skills shrink and deficit, corruption and flouted tender deals, amongst others. 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.

**Table 1.** Various Acts of Parliament establishing SOEs in Zimbabwe

<b>Act Establishing</b>	<b>State-Owned Entity Name</b>	<b>Objective /Purpose</b>
Zimbabwe Revenue Authority Act Chapter 23:11	The Zimbabwe Revenue Authority (ZIMRA)	The mandate is the collection of revenue for the Government of Zimbabwe, trade administration and economic development in the region and beyond
Grain Marketing Board Act Chapter 18:14	The Grain Marketing Board (GMB)	On behalf of the Zimbabwean government, engaged in the procurement and storage of grain, the production of silo products, and the management of the Strategic Grain Reserve and the Input Scheme.
Air Zimbabwe Corporation Act Chapter 13:02/ Companies Act Chapter 24:03	Air Zimbabwe	The primary goal is to offer clients courses in technical and commercial training, passenger and freight air transportation, and aircraft maintenance.
Railways Act [Chapter 13:09].	National Railways of Zimbabwe (NRZ)	Designed to create, run, and maintain an effective rail-based public transit system for people and commodities.
Electricity Act [Chapter 13:19]	ZESA Holdings (Pvt) Limited	Power Production

**Source:** Own compilation (2023).

It is evident from the above Table that many of the SOEs in Zimbabwe were formed through Acts of Parliament, which gave specification of the main functions of the SOE. Important is the fact that the manner in which these entities are run is governed by the respective Acts whose principles are guided by principles of corporate governance as spelt by the Public Entities Corporate Governance Act Chapter 10:31 (PECG Act Chapter 10.31). It is against this backdrop that the research sought to understand how the implementation of the PECG Act has impacted the corporate governance practices of SOEs in Zimbabwe. The PECG Act enacted in 2018 is the main corporate governance governing corporate governance practices of SOEs or public entities in Zimbabwe.

## **LITERATURE REVIEW**

### **Stewardship Theory**

The emergence of stewardship theory challenges the presumptions of agency theory, which has dominated corporate governance literature and offers a new framework for understanding leadership behaviour (Hu and Alon, 2014). The stewardship theory has its roots in sociology and psychology, which postulates that the management of an organisation is there for the maximisation and protection of shareholders' wealth by ensuring a good company's performance. Rossouw (2005) opines that in this way, management also maximises its own utility.

As opposed to the agency theory, the stewardship theory does not put emphasis on the individual's perspective but on the senior management stewards' role (Tricker, 2012). According to Tricker (2012), the original and present company law has its hinges on the concept of stewardship. Tricker (2012), therefore, holds the contention that stewardship theory is a reflection of those classical thoughts underpinning corporate governance, with the trust that directors act dependably and with a sense of duty, integrity and independence. The theory holds that directors always act for the enrichment and maximisation of their own personal benefits, as held by another theorist.

### **Stakeholder Theory**

Jones et al. (2018) claim that the stakeholder theory is a generic term for a group of notions that aid researchers and managers in comprehending the interactions between businesses and their stakeholders as well as some of the performance effects of these interactions. It has been argued that rather than being a unique theory in and of itself, stakeholder theory is more of an umbrella term. Acknowledging the stakeholder idea as fundamentally disputed and open to various opposing interpretations (Miles, 2017). As such, the stakeholder theory of corporate governance focuses on the effect of corporate activity on all identifiable stakeholders of the corporation (Gordon, 2020). The theory posits that managers for corporations should take into account the interests of each stakeholder in its governance process. It may be noted that the stakeholder theory does not look at the relationship between management and shareholders as the case in the Agency and Stewardship theory. However, it shifts focus to accountability, corporate responsibility and power over society. The focus falls on the relationships between the entity, the individual and the state (Tricker, 2012).

### **Corporate Governance**

Corporate governance influences the performance of SOEs (Abang'a et al., 2023). According to Butler and Butler (2010), corporate governance relates to the processes, systems and controls with which organisations operate. The term "corporate governance" can also be used to describe how people being governed and those doing the governing interact within an organisational structure. Corporate governance, as defined in the aforementioned lines, is the process by which organisations and businesses are instructed to behave, manage, and oversee their business activities in accordance with established procedures, norms, regulations, laws, and other legal frameworks (David, Chang, and Low, 2021). According to this perspective, it can also be applied to regulate and control corporate operations in order to improve managerial transparency (David, Chang, and Low, 2021). Through the management of relationships between them, corporate governance can enable an organisation to fulfil its goals, missions, or ambitions all at once. By attracting funding and possible investors, a company with well-executed corporate governance can secure its properties and enhance its financial performance (Addink, 2018). By serving as an internal governance tool, it can further oversee the administration of the company (Ghabayen, 2012).

### **State Owned Enterprises**

According to Willemyns (2016), there seems to be no universally accepted definition of the term State Owned Enterprise. The International Public Sector Accounting Standards Board (IPSASB) pointed out in May 2018 that SOEs may be known by a number of names, including Government Corporations, Government Business Enterprises, Government Linked Companies, Public Enterprises, and Parastatals. It is the economic importance of these SOEs that they should be supported through a sound legislative framework to avoid them going into insolvency and indefinitely stopping operations (Kesieman and Thakhathi, 2022).

### **The Public Entities Corporate Governance Act [Chapter 10:32]**

Policymakers and regulators that want to improve the accountability and transparency of such SOEs by utilising conventional corporate governance practises and concepts must take corporate governance into consideration (Mahadeo and Soobaroyen, 2012). Research indicates that crucial prerequisites for implementing corporate governance include depoliticising appointments and redefining the accountability connections between State-Owned Enterprises (SOEs) and their ultimate stakeholders (Mahadeo and Soobaroyen, 2012). This section addresses the provisions of the PECG Act, which, when it was enacted, marked a significant turning point for Zimbabwe, which had hitherto relied on informal corporate governance laws to guide its activities. The issue with basing decisions on corporate governance frameworks and principles is that because they are not legally binding, they cannot be enforced in a court of law. Since the PECG Act entails sanctions and punitive measures in case of violation of the rules, its introduction represented a significant change in the corporate environment.

The PECG Act was passed by the Zimbabwean government in November 2018 as a result of insufficient adherence to best corporate governance procedures. The Act mandated that Chapter 9 of the Constitution apply to the management of public businesses in Zimbabwe. In this sense, the PECG Act offers a uniform mechanism for regulating the terms of service for employees of public institutions. A full analysis of the Act's provisions would be provided because this study also aimed to ascertain how much it had impacted SOEs' corporate governance.

According to Section 197 of the Constitution, which allows a parliamentary act to set a term limit for CEOs or heads of companies under government control, CEO tenure is also subject to a similar restriction. In summary, the Act defines standards and requirements for good corporate governance that must be adhered to by both state-owned or -controlled corporations and other business entities.

### **The main provisions of the Public Entities Corporate Governance Act [Chapter 10.32]**

Sifile et al. (2014) claim that the board of directors is a basis for corporate governance. The success of boards and their oversight responsibilities is crucial to the survival of corporations. Boards for SOEs must be appointed in accordance with the rules and regulations of the PECG Act to ensure the successful fulfilment of their tasks. According to the Act, no person may be appointed to the board of a public corporation for a period exceeding four years, and their appointment may only be extended one more. This is in line with the appointment of boards of directors for SOEs. Board members of SOEs who are under pressure to work more to increase the possibility that their membership will be extended when their terms expire are reactivated and energised by this. No person is eligible to be appointed to a board under the terms of the Act if they have previously served on one or more of them for a total of eight years, whether consecutively or not.

Additionally, the Act stipulates that no person may be nominated to the board of a public organisation if he or she is a member of two other such boards in order to ensure the effective performance of duty by such board members of SOEs. The PECG Act also mentions the functions of

the Corporate Governance Unit (CGU), which is found in the Office of the President. By offering a centralised support system and advice to line ministries, the unit plays a key role in advancing the practice of good corporate governance by SOEs. By advising line ministries on the routine evaluation of the effectiveness of public organisations, their boards, and their workers, the CGU monitors compliance with the PEGC Act's provisions.

The Act also emphasises measures that address non-executive compensation for public bodies, which its mandates are fair and suitable and fundamentally must be determined based on qualifications and experience, among other factors. CEOs of several SOEs have rewarded themselves with large salaries and allowances as a result of the remuneration issue that was described in the study's background material.

Therefore, the PEGC Act sets the proper precedent for how such non-executive member compensation must be calculated. The PEGC Act mandates that while determining compensation, the minister in charge of SOEs has to communicate with the minister in charge of finances, who must establish the ministry's financial capabilities. This aids in preventing scenarios where SOEs pay more than they can make in profits, crippling SOE performance.

The PEGC Act's provisions also address the resignation of board members for SOEs as a separate problem. The performance and operation of public entities may occasionally suffer as a result of board member resignations for a variety of reasons. As a result, the Act mandates that the head of the line ministry make an effort to learn the reasons behind the resignation of a board member of a public body. The line minister must also conduct an investigation to determine the grounds for resignation when two or more board members of a public entity resign at the same time. The President's office and the Cabinet are informed of any findings.

The legislation also emphasises the processes for selecting CEOs of public entities, who, according to the regulations, may be chosen for a term of no more than five years. The term may only be renewed once more for another similar period; however, it may not exceed a second term.

According to the PEGC Act, no person may be appointed as CEO if that person has previously served as CEO of the entity for one or more periods, whether consecutive or not, totalling ten years. In this regard, the Act highlights the employment conditions for senior staff members of SOEs, stating that the boards of the relevant enterprises shall decide the tenure of CEOs and other senior employees in officially held meetings. However, in order to be in compliance with the Act, such terms of service must adhere to members' performance contracts and provide terminal benefits. Such situations must be accurately documented in minutes.

The PEGC Act also contains a clause that forbids board members from having conflicts of interest during meetings. Every public entity's board chair is required to see to it that the board meets at least once every three months and that any member who has a conflict of interest abstains from participating in the discussion or voting on any matter that comes before the board and has anything to do with that conflict. The PEGC Act is mentioned as being applicable to the audit of accounts for public bodies under the PEGC Act. The audit must be carried out annually by the Auditor General or a person she/he designates who is recognised as a public auditor under the Public Accountants and Auditors Act. The audit report will be provided by the Auditor-General or the public auditor, depending on the situation, to the line minister, the minister in charge of financial affairs, and the board of the entity.

### **Empirical review**

According to research by Sibug (2023), the United Nations Economic and Social Commission for Asia and the Pacific developed a good governance framework. On the same note, Ekundayo (2017) and Addink (2018) note that the advancement of good governance can result in a society that is more open and democratic as well as aid in the economic and social development of a nation.

Eight key elements made up the framework by the UNESCAP. The governments should be (1) inclusive and equitable; (2) consensus-oriented; (3) accountable; (4) transparent; (5) responsive; (6) effective and efficient; and (8) compliant with the law. Thus, Sibug (2023) provides that guidelines by UNESCAP guarantee that governmental corruption is kept to a minimum, minority perspectives are taken into account, and the opinions of the most vulnerable members of society are heard.

A study by Gugler (2001) made an examination of 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 the 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 on Zimbabwe.

In a study by Ferdous (2018), the level of compliance with the Code of Corporate Governance was investigated in 229 companies listed on the stock exchange. The study adopted a quantitative approach, which was aimed at having an understanding of the extent to which a regulatory provision could help enhance the governance of a company. The study, although not specifically confined to SOEs as is the case in the current research findings, was that age, size, and industry type have a statistically positive correlation with the level of compliance to the Code provisions. The current study, therefore, adopted a pragmatic approach to investigate the impact of the PECO Act on SOEs in Zimbabwe.

Research on corporate governance of SOEs has also been done in Kenya by Kamau, Benard and Matu (2017). According to their empirical findings, Kamau et al. (2017), any public body must abide by corporate governance principles, including but not limited to appointment, board composition, control procedures and processes, and performance management, in order to prevent collapse. The study was done with the main objective being to analyse the effects of corporate governance on the financial performance of SOEs in Kenya. In the study, researchers adopted a descriptive cross-sectional design.

The targeted population were the board of directors, directors and senior managers from Kenya Broadcasting Corporation, National Oil Corporation of Kenya, Kenya Electricity Generating Company, Kenya Pipeline Company, and Kenya Railways Corporation. Their data were processed using SPSS, in which the studies concluded that, indeed, corporate governance contributes to the better financial performance of SOEs in Kenya.

The study recommended that there is a need to streamline overlapping regulations so as to give SOEs autonomy to enable them to meet targets set under the performance contracts. The study represented a significant turning point for Kenya's SOE corporate governance. Even though there have been many studies conducted in Kenya, only a handful have looked at the reasons why corporate governance laws like the Mwongozo Code of Governance are not being followed.

In South Africa, research was conducted by Marimuthu and Kwenda (2019) for SOEs to find out if there is a relationship between remuneration for CEOs and SOEs' financial performance. The research used a quantitative approach and collected data from South Africa only. The findings were that there was no conclusive relationship between executive pay and company financial performance, which supported the proposition that there is an agency problem in South African SOEs (Marimuthu and Kwenda, 2019). The study presented the argument that an all-encompassing SOE legal framework was necessary to harmonise compensation structures and reporting

obligations. The goal of the study was to advance understanding of how CEO compensation and business performance interact in South African SOEs. Consequently, the current study will be valuable in filling in the gap in corporate governance by SOEs by using a mixed approach to the research.

The above empirical review indicates that not much has been done to determine the impact of corporate governance legislation on corporate governance legislation by SOEs, hence the need to fill gaps by undertaking the current study. This study aims to close the knowledge gap about the impact of the Public Entities Corporate Governance Act Chapter 10.31 on SOEs in Zimbabwe.

A study by Manuere, Marima and Muzviyo (2019) sought to present a framework for promoting good governance of stakeholders in municipalities in Zimbabwe. In the study, Manuere *et al.* (2019) acknowledge that many studies have looked at investigating the quality of service by SOEs, especially in 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 a quantitative approach in which a 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 recommending 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, little evidence still exists on the impact of the Public Entities Corporate Governance Act on the corporate governance practices of SOEs.

A study by Zitambo and Mhizha (2019), which used the desk research method, the paper aimed to analyse 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 organisations. 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 an analysis of the appointment of the Board of Directors of SOEs. This leaves a gap in the impact of corporate governance legislation, mainly the implementation of the Public Entities Corporate Governance Act Chapter 10.31. This study aims to fill the gap on the issue of compliance with corporate governance practices by SOEs, which has seen the occurrence of scandals in SOEs. The following research hypotheses were tested:

**H<sub>1</sub>:** Reforms on restrictions on the remuneration of Board members (RRORB) have a positive effect on corporate governance practices in SOEs.

**H<sub>2</sub>:** Reforms on dismissal and resignation (RDRBM) of board members lead to the best corporate governance in SOEs.

## **RESEARCH METHOD**

The research adopted a mixed-methods approach with a pragmatism philosophy. The researcher used a convergent parallel design, which, according to Creswell and Pablo-Clark (2011), comprises the researcher conducting both quantitative and qualitative elements concurrently in the same phase of the research process, weighing the methods equally, analysing the two components independently, and interpreting the results jointly. Data was gathered using a structured questionnaire together with the aid of an interview guide. 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, whilst sixteen (16) interviews were conducted until reaching saturation level. In the sampling of quantitative data, the research applied stratified random

sampling, whilst in the sampling of qualitative data, purposive sampling was used. NVivo version 12 was used to analyse qualitative data, while SPSS version 23 was used for the analysis of quantitative data. Convergent validity was conducted, which, according to Franke and Sarstedt (2019), refers to how closely it corresponds with other approaches used to measure the same construct. Convergent validity was assessed using Average Variance Extracted (AVE), which indicates how much of the indicators' variance can be explained by the latent unobserved variable.

**FINDINGS AND DISCUSSION**

The findings presented in this section show that the Public Entities Corporate Governance Act impacts SOEs by fostering transparency, accountability, discipline and responsibility of SOEs. The sample size was 351. As such, 351 questionnaires were distributed. Accordingly, 230 questionnaires were returned in a completed and usable state. This translated to a response rate of 65.5%. Interviews were conducted up to the 16<sup>th</sup> interviewee, and no significant change in responses was noted. As such, the researcher stopped conducting the interviews after the 16<sup>th</sup> interviewee.

Testing for normality was necessary to fulfil 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 emphasised by Razli and Wah (2011). The variables for both measures were far less than 0.05. The outcome of Shapiro Wilk  $-W (-) = 0.--, p = 0.00$ , and the result shows a significant departure and testing research hypotheses were performed. This 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 so as 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 compilation (2023).

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

**Descriptive statistics**

**Table 3.** Descriptive statistics reforms that make the PEGG Act implementable

	N	Minimum	Maximum	Mean	Mean Score	Std. Deviation
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



	N	Minimum	Maximum	Mean	Mean Score	Std. Deviation
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

Source: Own compilation (2023).

In summary of Tables 3 and 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 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, the descriptor Transparent appointment of CEOs. As such the overall mean response was strongly agree. The results presented above conform to the findings by Munyede (2021), who also found out that CEO tenure capping provides for prospects of better performance of SOEs.

**Table 4.** Descriptive statistics reforms that make PECG Act Implementable

	N	Minimum	Maximum	Mean	Mean Score	Std. Deviation
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 compilation (2023)

In Table 5, the researcher presents descriptive statistics on the impact of various corporate governance reforms in the operations of SOEs. The Table shows that the mean score of 4.51 on the item that the PECG act has fostered transparency corresponds with strongly agree, implying that the respondents, on average, agreed that the corporate reforms had led to transparency in SOEs.

However, a very big standard deviation of 0.761, which is above 0.5, implies that respondents held divergent views on the variable as the responses were widely spaced around the mean score of 4.51. Some could have fared badly on governance, while others could have fared well.

In addition, the Table also specifies the mean score for the PECG Act, which is 4.46. The standard deviation was 0.500. This shows that respondents agreed that the Act promoted transparency. On the other hand, a slightly higher standard deviation of 0.500 implies that respondents held divergent views on the variable since the responses were widely spaced around the mean score of 4.46; some agreed while others disagreed. However, the overall response on whether the PECG Act promoted accountability shows that respondents generally agreed.

**Table 5.** Descriptive statistics on the impact of the PECG Act on corporate governance of SOEs

	N	Minimum	Maximum	Mean	Mean response	Std. Deviation
PECG Act fosters transparency	230	4	5	4.51	Strongly agree	.761
PECG Act promotes accountability	230	4	5	4.46	Agree	.500
PECG Act instils Discipline in SOEs	230	4	5	2.23	disagree	.700
PECG Act fosters responsibility by SOEs	230	4	5	2.12	disagree	.501
The PECG Act is inflexible in times of pandemics and economic difficulties	230	2	5	2.30	disagree	.719
Impact on CG	230	4	5	3.24	Neutral	.797
Valid N (listwise)	230					

Source: Own compilation (2023)

Table 5 above also depicts the impact of various corporate governance reforms in the operations of SOEs by showing that the reforms instilled discipline. The Table shows that the mean score of 2.23 on the item that the PECG Act has fostered Discipline in SOE was recorded. However, a very big standard deviation of 0.700, which is above 0.5, implies that respondents held different views on the issue as the responses were widely spaced around the mean score of 2.23; some could have agreed, and others disagreed. The overall result was that respondents were neutral.

The other impact of corporate governance reform of SOE operations was that the PECG Act fosters responsibility by SOEs. This had a mean score of 2.12, which is lower than 5 and corresponds to disagree. In the same view, a slightly high standard deviation of 0.501 implies that respondents had variations on the view that reforms impacted operations by fostering responsibility; some agreed while others disagreed. The overall mean response, however, shows that respondents largely disagreed that reforms fostered the responsibility of SOEs.

Additionally, the other descriptor of how corporate governance reforms impacted SOE operations was that the PECG Act was inflexible in times of pandemics and economic difficulties. For this descriptor, the mean score was 2.12, which corresponds to disagree. The standard deviation was 0.719.

This high standard deviation, which is above 5, implies that respondents had varied views on whether the Act was inflexible in times of pandemics and economic difficulties. This means that some could either agree whilst some could disagree with this descriptor. However, the overall mean response for this descriptor(disagree) indicates that respondents believed that it was false that the Act was inflexible in times of pandemics; hence, they disagreed.

Table 5 also sought to understand whether the above descriptors impacted corporate governance. As such, the mean was 3.24, corresponding to a neutral response.

A standard deviation of 0.797 is a reflection that respondents had diverse perceptions. It means that some of the respondents agreed and some disagreed. However, the respondents on this descriptor show that they were neutral.

In summary of the above Table 4, the highest mean was 4.51 for the descriptor PECG fosters transparency, which thus corresponds to strongly agree. The lowest mean was 2.12 for the descriptor PECG Act fosters responsibility by SOEs and corresponds to a disagreement. On the other hand, the highest standard deviation was 0.797, the descriptor impact on corporate governance and the lowest standard deviation was 0.501, with the descriptor PECG Act fostering responsibility. Research by Balbuena (2014) supports the findings of the present study by highlighting that reforms for SOEs in Southern Africa promote accountability and transparency.

**Hypotheses Testing**

In testing the hypothesis, the researcher used structural equation modelling (SEM) in AMOS. Under the SEM, the SOE category was treated as a mediating construct that moderates the relationship between reforms and corporate governance practices.

**Table 5.** Results of hypothesis testing; impact of PECO Act on Corporate Governance practices of SOEs

Hypotheses	Hypothesised Relationship	SRW	CR	P values	Remark
H <sub>1</sub>	RRORB → CG in SOEs	.392	11.025***	.0000	Supported
H <sub>2</sub>	RDRBM → CG in SOEs	-.143	-1.025***	.000	Supported

Notes: SRW standardised regression weight, CR critical ratio, \*\* significant at p < 0.05, \*\*\* significant at p < 0.001, ns not significant, Adjusted R square 0.682

H<sub>1</sub> was supported (SRW = 0.392, CR = 11.025, p = 0.0000). This inferred those reforms on restrictions on the remuneration of Board members (RRORB) had a positive effect on corporate governance practices in SOEs. In view of this, a study by Ibrahim, Zin, Kassim, and Tamsir (2019) revealed that remuneration was broadly used as an incentive that affected firm performance and corporate governance practices.

H<sub>2</sub> was supported (SRW = 0.392, CR = 11.025, p = 0.0000). This reflects those reforms on dismissal and resignation (RDRBM) of board members led to the best corporate governance in SOEs.

Figure 1 below shows the main themes that emerged from interviews conducted on the impact of the PECO Act on the corporate governance practices of SOEs in Zimbabwe. The performance of SOEs fosters transparency, encourages strategic planning, brings responsibility, and promotes accountability and top decision-making. The above descriptive statistics can thus be supported by the following themes that emerged from the word cloud.



**Figure 1.** Word cloud analysis on the Impact of the PECO Act on corporate governance practices of SOEs

Source: Own compilation (2023)

### **Top Decision-making**

In regards to this theme, participants reiterated that:

Interviewee N1:

*"The Act has fostered transparency through its major provisions. For appointment into positions of SOEs, the Act stipulates the minimum qualifications required. This, therefore, means that those recruited are quality people. The Act/ reforms ensure that SOEs have personnel with skills and experience that brings in quality top decision. The coming of the Act has seen some underqualified people being dismissed; imagine having a Finance Director whose highest qualification is a Diploma in theology. Compromise on quality of top decision making".*

Additionally, interviewee N3 had this to say:

*"Decisions must be made rationally and with transparency. The Act emphasises transparency, which has meant that decision-making improves as tenure into office is also capped. This means that top decision making improves so as to gunner chances of having tenure into office extended."*

Interviewee N7 noted that:

*"SOEs have for quite a long time been without a corporate governance Act. As such, the enactment of the PEGG Act has given a rude awakening to the sleeping giants. Results must be seen coming out. The Act, with its coming, has facilitated managers, directors and top management to make top-quality decisions. The governing of work conditions and allowances implies that top decision-making is not reckless but takes into consideration the dictates of the Act."*

The above qualitative responses thus indicate that participants were of the notion that implementing the PEGG Act has fostered decision-making by top management.

### **Transparency**

With regard to this main theme as an impact of the PEGG Act on corporate governance, Interviewees N5 and N14 made the following remarks.

Interviewee N5:

*"This piece of legislation has been necessary in reinforcing the main pillars of corporate governance. Now, although still low, there is fairness and transparency in how SOEs conduct themselves in their business. Since the inception of the PEGG Act in 2018, SOEs transparency, as well as accountability, has improved, especially with Local Authorities. Personally, I have realised that there is some improvement in terms of submissions of end-of-year financial statements for their audit. Those that have not been submitting, yes, now they form part of the list that is now submitting, hence promoting transparency. I have noted some improvement in the submission of financial statements for audit, although more effort is still needed for some SOEs that are lagging behind in terms of submission."*

Interviewee N14:

*"According to the PEGG Act, public enterprises must maintain a high level of transparency toward all shareholders, as well as openness and transparency in the internal operations and practices of the relevant SOEs and in their interactions with the general public. The Act's reforms mandate that business dealings with big or majority shareholders be transparent, at arm's length, and subject to full disclosure of all material terms in the annual report. The Act*

*lays out measures that mandate creating organised, transparent nomination procedures for the election of board members, as well as actively taking part in those procedures. The creation of the Corporate Governance Unit has also promoted transparency in Boards of public entities, which should ensure that their entities have and maintain effective, efficient and transparent systems of financial and risk management and internal control.*

*The Act also encourages transparency by mandating that shareholders be granted fair and open access to relevant records. Transparency has been improved by the changes, primarily in the appointment of SOE CEOs. Additionally, most SOEs have posted their strategic plans on their corporate websites, encouraging transparency."*

The overall meaning of the above responses indicates that the implementation of the PECG Act has encouraged transparency in SOEs.

### **Strategic planning**

Interviewee N8:

*"The Act has enabled reforms in the form of strategic planning, Section 22, if I am not mistaken. Checking on the websites of the many categories of SOEs, they have posted their strategic plans. In so doing, this improves transparency. It is required that the Board of every Public Entity comes up with a strategic plan, which is done in consultation with the line Minister as well as the Minister of Finance. Some Entities would exist without having strategic plans, but through monitoring by the Corporate Governance Unit, now public Entities are taking strategic planning seriously as a result of the enactment"*

Interviewee N10:

*"Strategic planning is a legal requirement. As such, the PECG Act has ensured SOEs abide by this legal requirement. As such, the Act has impacted positively by ensuring that SOEs have strategic plans which act as guidance on the prioritisation of resources.*

*The Act in Part 5 mentions that every board should ensure strategic planning is done by highlighting that every SOE must draw a strategic plan that covers a period of 2 and 6 years."*

Responses above by interviewees 8 and 10 indicate that it has fostered strategic planning.

### **Accountability**

Under this theme, the interviewees proffered that:

Interviewee N1:

*"The main aim of the corporate governance reforms is to ensure and promote accountability, which is a necessary ingredient for best corporate governance. Through the independent opinion of the Auditor General, accountability has been encouraged. Malfeasances that have happened largely before implementation, should I say, enactment of the PECG Act was a clear indication of a lack of accountability and transparency. COVID-19 has affected accountability, as physical movement was restricted, and financial reporting was affected. The pandemic affected corporate governance reforms, which saw a regress to the progress that had been made in ensuring accountability through audits."*

Interviewee N9:

*"Reforms in corporate governance fostered accountability to a certain degree. Duties for different departments are now separated to ensure accountability and proper internal checks and balances. The fact that reforms in the form of remuneration, conditions of service, board appointment and its dismissal have brought strict accountability."*

In view of the responses offered by respondents, the implementation of the PEGG Act has fostered transparency.

## **CONCLUSIONS**

The study sought to assess the extent to which the Public Entities Corporate Governance Act had impacted the corporate governance practices of SOEs. The results showed that the PEGG Act had, to a greater extent, impacted the corporate governance practices of SOEs by largely promoting transparency and accountability by SOEs. The PEGG Act brought new reforms on board appointment, remuneration of Non-Executive Directors, conditions of service, reforms on restriction of remuneration of Board members and reforms on dismissal and resignation of Executive Board members. It is from the findings and conclusions that the researcher recommends that responsible authorities should enforce 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. There must also be enforcement of adherence to strategic plans and transparent appointment of board members and CEOs.

## **LIMITATION & FURTHER RESEARCH**

The present study on corporate governance has limitations that necessitate future researchers to address issues that were not covered by the present research. Future studies may zero in on the impact of specific sections of the PEGG Act by applying either a quantitative or qualitative approach. This reduces the generalizability of results to the whole components/ sections of the PEGG Act.

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