Corporate governance and ethical behaviour: The case of the Zimbabwe Broadcasting Corporation

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ABSTRACT

This study sought to evaluate the impact of corporate governance and unethical behaviour on the performance of state corporations in Zimbabwe. A case study approach was taken involving the Zimbabwe Broadcasting Corporation, which is the sole broadcaster in the country. Questionnaires and face to face interviews were used to gather data from Senior Government Officials and the general public. The study found that top management, and the Board were corrupt. Procurement of goods and services were done without following proper tender procedures, thereby depriving the Corporation of millions of dollars. There was no efficiency and effectiveness in the way service was being delivered. There was lack of accountability and transparency in the way business was being done. It was reported that employees went for over seven months without salaries yet top management and the Board paid themselves handsomely. There was no relationship between the Chief Executive Officer's salary and performance of the organisation. Nepotism and intimidation were also reported to be high and this affected morale among employees and service delivery to the general public remained poor. It was noted that bad corporate governance and unethical behaviour had serious negative implications on both organisational and employees' performance. The study concluded that there were serious misgovernance issues in ZBC which needed urgent redress. The study recommended that boards should monitor the activities of Parastatals and make sure that they act to the best interest of all their stakeholders, make sure that salaries are performance related and that they adhere to best corporate practices.

Key words: corporate governance, corruption, ethical behaviour, integrity, accountability

INTRODUCTION

Parastatals in Zimbabwe are created by the Act of Parliament with the mandate to offer high quality affordable goods and services to the general public. Parastatals and State Enterprises in Zimbabwe fall under various Ministries. Parastatals are allowed by the Act to charge for their products and services at a profit. Boards in Parastatals are appointed by the responsible Ministers to give strategic direction and oversee that they stick to their mandates. Boards are appointed on the basis of their expertise and experience in fields such as law, accounting and administration (Kasambira and Nyamuda, 2001). Following the revelations in the media of various scandals involving Parastatals, there is general perception by the public that all Parastatals in Zimbabwe are engaged in mismanagement, fraud and corruption by senior management. It is further alleged that most Chief Executive Officers in State Enterprises in Zimbabwe are defrauding their organisations millions of dollars. The study aims to find out the effect of corporate governance and unethical behaviour on the performance of the organisation and motivation of employees.

LITERATURE REVIEW

Corporate governance refers to the way organisations are regulated and governed. The governance structure shows how rights and responsibilities are shared among various stakeholders who are concerned with the operations of the organisation. It is also critical to take note of the regulatory environment in which the organisation is operating. Organisations have to decide on mechanisms to be followed to achieve the desired results. Governance makes sure that the organisation is ethical and transparent in all its dealings with its stakeholders.

Research has shown that well governed organisations perform better thus, emphasizing the need for good corporate governance (Miring'u and Mouria, 2011; Bebchuck etal, 2004).On the other hand, bad corporate governance has proven to lead to collapse of state enterprises (Kyerbaah and Biekpe, 2006). Bad corporate governance leads to problems of mismanagement, pilferage, red tape, wastage, unreliable services and other operational inefficiencies. Business ethics is concerned with morals and up right behaviour. Deviant behaviour and unethical activities need to be corrected at an early stage (Kasambira and Nyamuda, 2001). Business ethics goes hand in hand with morality. In understanding what is right and what is wrong and act accordingly is the basis of ethical conduct. Masdoor (2011) further defines ethics as the consideration for morality in all business dealings. Ethical behaviour in business is behaviour which is consistent with principles, norms, values and standards of behaviour society expects (Kasambira and Nyamuda, 2001). The United Nations Report (2006) avers that organisations should report on corporate governance and how they manage the concerns of all stakeholders. Organisations and management engage in various unethical practices including fraud, bribery and corruption. Corruption is defined as misuse of public or corporate position or power for personal gain. For instance, a manager can flout tender procedures and get a kickback. Some organisations have justified bribery as part of their culture. Bribery by nature is hidden and thus, discourages business transparency and accountability.

Integrity can be referred to as being whole or complete and adhering to a code of ethical values to the extent that you compromise your personal values for the sake of attaining a personal integrity (Kasambira and Nyamuda, 2001). Management should walk the talk. Accountability is to do with measures that ensure accuracy and appropriateness of systems and procedures. This is one of the key principles in corporate governance. Whatever the organisation does during the course of its business, it has to be accountable to the general public. Transparency is the ability to demonstrate clear and understanding processes linked to agreed outcomes (Kasambira and Nyamuda, 2001). Organisations must be as open as possible to the extent that they are found blameless by society. It is critical to note that organisations have to be managed as institutions with interests of both the organisation and the general public at heart. This democratic principle should involve even employees and management (Aglietta and Antoine, 2005). Corporate governance can raise many strategic and policy issues which might need the intervention of management (Harvard Business Review, 2000).In a research that was carried in US companies by Kaplan (2012) it was found that CEOs were overpaid yet their organisations under performed. What was most disturbing was that top management was not penalised for the poor performance.

For an organisation to be able to adhere to its dictates, it has to be consistent in its operations. Following are some of the principles which make organisations ethical and responsible to all living beings (Seifi, 2011). A fair and well understood legal framework goes a long way in addressing issues of corporate governance in organisations. These rules and regulations have to be in tandem with what the community believes the organisation should do. If the organisation does not walk the talk, it exposes its self to public criticism.

It is desirable that all stakeholders participate in debates, give feedback and make sure that organisations are ethical in their day to day operations. However, this may not be possible depending on the nature of the organisation. What is critical is for the organisation to make sure that it is transparent, and take ideas and criticism from the public. For public enterprises, the general public is the major stakeholder. Parastatals should provide quality and affordable services to the public. Organisations must strive to meet the needs of their clients efficiently and effectively.

Corporate governance in Zimbabwean Parastatals

The Zimbabwean Government introduced the Corporate Governance Framework for State Enterprises and Parastatals on 27 November 2010, after realising that corruption and unethical behaviours were rampant (http:// www.zimbabwesituation.org/). The then Prime Minister's Office was responsible for monitoring and evaluating performance of all Parastatals. Parastatals such as Air Zimbabwe, National Railways of Zimbabwe, Agricultural Rural Development Authority, Zimbabwe Broadcasting Corporation, Zimbabwe Electricity Supply Authority and the Grain Marketing Board were reported to be involved in corrupt activities.

Even though Parastatals are supposed to be self-sustaining, most of them are heavily relying on funding from the Government. There is great concern that most state enterprises are not adhering to the Corporate Governance Framework (The Zimbabwean, 2014).

Due to the high levels of corruption in State Enterprises, the Government has moved in quickly to suspend, investigate and arrest those suspected to have been involved in corrupt activities. In other cases, some Rural District Councils and Town Councils are no longer following the tender procedures leading to the State being prejudiced of millions of dollars due to fraudulent dealings. In another alarming revelation, the CEO of Premier Medical Aid Society was earning USD230.000.00 salary per month excluding allowances. The CEO has since been fired (Sunday Mail 12-18 January 2014). Senior management of the local airline has also been accused of manipulating aviation insurance policies, prejudicing the Parastatals of over US 5 million dollars and the case is under investigation. Reports from the general public and the media indicate that there is rampant corruption and unethical behaviours which is affecting the performance of the economy and the delivery of quality service to the general public.It has been noted that Parastatals such as the National Railways of Zimbabwe (NRZ), Grain Marketing Board (GMB), Industrial Development Corporation (IDC) and TelOne were making big losses thereby draining the Government to keep them afloat. The Zimbabwe Power Company, Petro Trade and National Oil Infrastructure Company of Zimbabwe were making returns to keep them in business. Against this background of poor performance by Parastatals, senior management is earning salaries ranging from USD12000 to USD 230 000 per month. A survey by the Zimbabwe Independent Newspaper of 11 February 2014 revealed that senior management in these organisations was gobbling around 70% of their budgets in salaries. Cabinet came come up with a Bill which empowers the Minister of State Enterprises to oversee operations of Parastatals and enforce adherence to the stated requirements (The Zimbabwean, 3 February 2014).

Executive pay is a topical subject in Zimbabwe due to rampant corrupt tendencies and unethical behaviours by senior managers. The Permanent Secretary for Information and Publicity took the blame and indicated that Ministers were not supervising their Parastatals (The Herald, 8 February, 2014). According to the OECD Principles on Corporate Governance (2004), responsibilities of the board are spelt as follows:

- Operations of the organisation need to be above board.
- The board needs to endorse the strategic vision of the organisation.
- The growth and expansion of business needs approval of the board.
- Salaries for senior management need to commensurate with experience and qualifications.
- Human resources planning is critical for long-term survival of the organisation.
- Top management salaries should be aligned to performance and long term objectives of the organisation.
- The board has to be composed of people with relevant exposure and qualifications
- Periodical financial reporting is critical.
- Internal control systems are a pre-requisite.
- Disclosure of financial and non-financial information to stakeholders is important.
- The constitution of various committees to oversee operations of various business units is also desirable.

Various countries have come up with measures to curb corruption and unethical behaviours in organisations. For instance, in the United Kingdom there is the Cadbury Report and the United States of America passed the Foreign Corrupt Practices Act (FCPA) in 1977. In Zimbabwe there is the Financial Management Act. In addition to that the Anti-Corruption Commission in Zimbabwe was created to deal with corrupt individuals and organisations. However, the Commission has limited powers and is underfunded, making it difficult to achieve its intended goals and objectives. The Anti-Corruption Commission was also put in place to deal with issues of corruption and unethical behaviours in both the private and public sectors. These legal instruments were put in place when there were serious misgivings on the part of business. These were meant to regulate and give direction for the operations of organisations so as to minimise corruption and unethical behaviours.

Internal corporate governance controls and monitors activities and then take corrective action to accomplish organisational goals. The board is responsible for hiring, firing and compensating employees. The board should monitor all the activities of the organisation and make sure that these are meant to achieve set targets. The board is made up of individuals who have expertise and experience of running such entities.

OBJECTIVE OF THE STUDY

The objective of the study was to evaluate the impact of corporate governance and unethical behaviour on performance of both organisations and employees.

RESEARCH METHODOLOGY

The study focused on the Zimbabwe Broadcasting Corporation which is the national broadcaster. Data was gathered through interviews and questionnaires from ten senior government officials from ten different ministries and forty members of the general public who were purposively selected. However, this study involved only one Parastatal out of eighty one Parastatals and generalisations of the findings have to be made with caution since different Parastatals have different setups, management thrust and the way they do business.

RESEARCH FINDINGS

The study found that top management and CEOs were awarding themselves high salaries yet junior staff went for more than seven months without salaries. Various levels of employees and their salary levels are shown in Table 1 below. Most employees were getting salaries of less than USD1000 per month. Salaries for all levels of management exclude monthly allowances.

Table 1: Categories of employees and their salaries

Category of employees	Salary levels
Chief Executive Officer	USD27000
Senior managers	USD18000
Middle Level managers	USD14000
Junior managers	USD7000
Rest of employees	USD1000

Acquiring of equipment and services was done without following proper procurement procedures. The general public, senior government officials and press reports indicated that tender procedures were flouted and this benefited top management. Interviews with senior government officials revealed that the organisation was in huge debt at the time of the study and it could not pay salaries and offer quality service to the public. In some cases, salaries were paid in parts. The organisation was at the blink of collapse. It was revealed that the suspension of the Board and the CEO improved the state of affairs at the Corporation. The researcher observed that motivation was at its lowest ebb. Respondents indicated that there was no motivation in coming to work since by the end of the day, this could not bring bread and butter on the table. Respondents revealed that the Board was part of the scandal since they also received hefty allowances as party of looting the Corporation. It was reported that the CEO bought himself a state of the art vehicle and awarded himself hefty allowances yet the employees were reeling in adjunct poverty.

Interviews revealed that there was serious interference from politicians. Intimidation on the part of the employees by top management was reported to be very high. The workers' committee was also intimidated whenever they wanted to engage management on issues to do with their deteriorating conditions of service and non-payment of their salaries. Abuse of assets such as cars and other equipment was also reported to be on the increase. Interviews further revealed that the books of the organisation had not been audited for the past five years. Internal auditors made negative observations on a number of issues and no corrective measures were put in place to address the shortfalls. External auditors were never invited during this period.

Nepotism was reported to be a major problem. Top management were employing their relatives so that they could spy and provide feedback on who was against top management. The idea was to protect top management from criticism. Top management was said to be leaving large at the expense of the rest of the employees.

DISCUSSION OF RESULTS

Good corporate governance is about exhibiting ethical behaviour on all business dealings and also take good care of its employees' welfare by providing good working conditions and good salaries. Organisations have to talk the walk. Results from the study showed that bad corporate governance and unethical behaviour had crippled the Parastatal. This has led to an outcry by the general public because of lack of accountability of public funds and the continued provision of poor service. The fact that the organisation was not adhering to the Corporate Governance Framework was a serious issue which needed urgent attention. Without checks and balances, chances of corruption could be very high. Whilst CEOs were taking home hefty salaries, other employees had to go for some months without salaries and this was a show of negligence and greed on the part of top management. The CEO lacked integrity and the chances of compromising on productivity were very high. The findings of this study are inconsistent with Kasambira and Nyamuda (2001) who stated that integrity is concerned with being whole or complete and adhering to a code of ethical values to the extent that you compromise your personal values for the sake of attaining a personal integrity. What was happening in this organisation was a clear indication of greed on the part of management and the Board. If employees are not happy, they can destroy the organisation through various means. They can steal from the organisation, destroy the customer base and they can even go on strikes which are counterproductive. What was more saddening to note was that the board was in limbo when all these things were happening. The board left its responsibility to top management.

The CEO was concerned about his well-being only which was ethically wrong. This is the reason was why he drew wide criticism from the all quarters. What was more saddening was that he did this at the expense of the ordinary employees who were doing all the work. Current trends showed that most of these entities, even though paying very high salaries and perks to their CEOs and top management, they were reeling under serious debt and were on the verge of collapse. In Zimbabwean Parastatals, salaries for CEOs and senior management are proposed by the Board, which then recommends to the responsible Minister for approval. It has also been noted that senior management salaries in some cases were awarded by the board without the Minister's approval. These salaries were not performance related. What was of major concern was that some Ministers responsible for these Parastatals/ State Enterprises approved these obscene salaries. The reasons why the top management failed to correct the areas raised by the internal audit, means that whatever they did to prejudice the organisation was deliberate. Respondents indicated that good corporate governance provides a balanced accountability and reporting framework which help in organisational financial performance. High ethical behaviour creates great customer loyalty and repeated business deals with the organisation. Ethical behaviour also improves revenue growth for the organisation.

RECOMMENDATIONS

The fact that the Government moved in to stop the rot was clear testimony that all was not well in ZBC. The Office of the President and Cabinet is working on harmonizing salaries for top management in Parastatals and State Enterprise so as to bring sanity. The proposed cap on CEOs' salaries of USD6000 per month is a welcome development. CEOs should award themselves salary increases with full board approval. However, if organisations put salary caps talent can leave the organisations. The 2014 National Budget highlighted the need to link Salaries to productivity. Forcing board members to declare their assets before they take office is critical. Board members need to be appointed on merit. It is critical for the organisation to train all its employees on ethical issues and their impact on the performance of the organisation. Organisations should come up with codes of conduct whereby defying them will constitute a serious act of misconduct. These guide employees in their day today business and how they will deal with ethical dilemmas and the organisation's position in respect of ethical uncertainty. Whistle-blowing can also go a long way in revealing underhand dealings in organisations. It also critical for Parastatals to introduce performance related pay and bonuses. Procurement procedures need to be followed. Even this sounds a good recommendation, it has also been reported in newspapers that the Procurement Board is involved in shady deals as far as awarding tenders is concerned. The big question then is 'who will guard the guard'. Parastatals are encouraged to tighten internal systems by engaging the internal and external audits periodically.

CONCLUSION

It was noted that bad corporate governance and unethical behaviour are not good for the organisation and affect productivity and employees morale negatively. People lose confidence in the management and the organisation as a whole. If this is left unabated, the chances of business failure are very high as witnessed in the case of ZBC which lost its viewership to foreign TV and radio stations as there is nothing to show and be proud of. This study concludes that bad corporate governance can lead to poor service delivery and disgruntled by workforce**.**

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