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CORPORATE GOVERNANCE, STRUCTURE AND ACCOUNTABILITY AS AFFECTED BY NATIONAL GOVERNMENT INFRASTRUCTURE IN DEVELOPING COUNTRIES

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Abstract

Businesses in developing countries face different challenges than those in economically developed countries. Markets and supply chains are less well-established. Dissemination of information is uneven. Because governmental infrastructure has limited ability to support business operations, businesses take on responsibilities that elsewhere are handled by a central government. This study reviews key elements of corporate governance. The study then reviews the banking and manufacturing sectors in Zimbabwe with attention to the presence or absence of financial infrastructure, legal infrastructure, market challenges, supply chain and government involvement to support corporate governance structures and systems. Recommendations for policy and practice changes are recommended. The present analysis of Zimbabwe can guide research on and policy recommendations for governance in other developing countries.

Keywords: Corporate Governance, Accountability, Developing Countries

1. BACKGROUND

Corporate governance can be described as a system of rules, principle of behaviours, practices and processes by which a company is directed and controlled. Claessens (2006) defines corporate governance as the rules under which companies are operating, deriving from such sources as the legal system, the judicial system, financial markets, and factor (labour) markets. Corporate regulations and standards model the nature of much economic activity and motivate, as well as regulate, the behaviour of actors in a given sphere of operations (Hitt et al., 2004).

Economically developed countries have established sound social systems and governmental infrastructure which interact with business operations. The interaction may be collaborative or adversarial but in every case there is an understanding from government and business what are the laws and customs of business operations, the so-called rules of the game. This arrangement allows for efficiency and consistency which are key elements in successful business operations.

Through a systematic review of pertinent studies, Ahmad and Omar (2014) compare and contrast two primary models of corporate governance: the Anglo-Saxon model and the Continental model. In doing so, they acknowledge that these models are widely used in developed countries in North American and Europe, and sometimes modified for other countries. Nonetheless, there is a dearth of studies examining other models (e.g. Japanese, Shari'h) as well as a dearth of studies examining how any models are

adapted to developing countries in the world, such as in Africa.

A few elements of Ahmad and Omar's review are mentioned here because they are felt to have a strong bearing on understanding the governance challenges in a developing country.

Purpose: Anglo-Saxon and Continental governance models differ in terms of the corporate purpose. The former is focused on shareholders and the latter is focused on a broader group of stakeholders which include shareholders as well as key members or groups within the larger community. This basic difference has an impact on various aspects of a corporation's governance, ownership and role of government and measure of success.

Ownership structure: The Anglo-Saxon model is characterized by a widely dispersed ownership structure, including the many shareholders. The Continental model shows a stronger prominence of banks and institutional owners with their representatives on the boards of corporations. It is noted that in the Anglo-Saxon model, particularly in the USA, the prominence of large groups of shareholders creates, in effect, a sense of institutional ownership even if these large groups are not necessarily represented on the governing board.

Governance problem: The Anglo-Saxon governance model struggles with issues related to Agency theory. The shareholders, although they have power, do not have time to run the company and as a result the Board tries to represent the needs of the shareholders with varying degrees of success. The Continental model, focused on stakeholders rather than shareholders, nonetheless

faces a similar problem of properly representing and acting on the needs of stakeholders. Given the widely different types of stakeholders, such a representation is challenging at best.

The business organization in a developing country does not have the advantages of developed countries in terms of ground rules, collaboration or at least mutual understanding between business and government and access to information. For example, owners and managers in developing countries must be willing to absorb large costs associated with inefficiencies or bear the additional cost of pushing for legal reform to remove these inefficiencies.

The capital markets, product markets and supply chains are less well-established in developing countries. The capital markets have limited resource allocation efficiency and information dissemination is uneven. The regulations coming from the legal system and financial markets comprise the most significant factor accounting for differences in corporate governance across countries (Gibson, 2003).

The present paper reviews the challenges faced by businesses in developing countries. With this foundation, the specific impact on one developing country, Zimbabwe, is examined. Examination of the Zimbabwean experience can provide guidance for addressing the business challenges in developing countries from both business and government perspectives.

2. CHALLENGES OF BUSINESS OPERATIONS IN DEVELOPING COUNTRIES

2.1. Governance infrastructure

Boards of directors

Many businesses in developing countries have been in existence for relatively short periods of time. Those that have a longer history carry with them the legacy of colonial and post-colonial eras. In an effort to jump start businesses, governmental officials may play an outside role in the business of developing countries. Admittedly, some have misused this role as in order to maximize their power and personal financial returns.

Privatization has raised corporate governance matters in sectors that were formerly exclusively state owned (Claessens, 2006). State run businesses and those with a certain level of government shareholding usually exhibit problematic corporate governance issues because of political conflicts of interest which reduce entrepreneurial spirit and professionalism.

As a result of the aforementioned problems, Boards of Directors in developing countries, which should be guiding the business operations and assuring adherence to certain standards, are side-tracked from their key responsibilities. Moreover corporate boards lack the institutional memory and familiarity that boards in developed market economies have (McGee, 2009).

Professional credentialing and regulatory bodies

Often, businesses derive guidance on operations from professional regulatory bodies and trade groups. These organizations codify minimum

standards and best practices and provide technical support as well as credentialing approvals to businesses. Developing countries usually lack well developed professional bodies that regulate the conduct of certain professions as compared to developed economies. Given their newness or structural limitations, businesses in developing countries may not be able to join trade organizations or do not even know about such organizations in order to build their skills and network.

The most important economic role played by governments is providing credible policy environment for investors and lowering the costs of bargaining, contracting, monitoring and enforcement (Henisz, 2002). Firms operating in developing economies usually incur more costs in bargaining and contracting compared to those in the developed countries because of the differences in institutional infrastructure. The costs divert resources which could otherwise be invested in the company's core business.

Market impact

Good corporate governance is associated with a lower cost of capital, higher returns on equity, greater efficiency, and more favourable handling of all stakeholders, although the direction of causality is not always clear (Claessens, 2006). Allen (2005) emphasizes that businesses should be run in the interests of shareholders and further states that this is an applicable objective function when markets are perfect and complete. In actuality, a perfect market is a conceptual ideal which is particularly the case in most emerging economies' markets.

2.2. Financial Infrastructure

Financial infrastructure consists of a set of market institutions, networks and shared physical infrastructure that enable the effective operation of financial intermediaries, the exchange of information and data, and the settlement of payments between wholesale and retail market participants (Making Finance Work for Africa 2015).

Claessens (2006) identifies the structure of the financial system, property rights, competition and real-factor markets, and ownership structure and group affiliation as foci of economic development.

Financial infrastructure also includes credit bureaus which allow lenders to assess creditworthiness by providing credit information about a borrower. Credit bureaus allow borrowers to establish a reputation or credit record, credit bureaus, credit ratings, and payment and settlement systems (Making Finance Work for Africa 2015).

Financial sector development usually lags in developing economies and most financial market structures and systems share the same weaknesses. Government control of banks and government intervention reduces the effectiveness of capital markets. The absence of organized markets and small investors gives rise to alternative constructs such as parallel markets whose existence prevents capital markets and market-based corporate shareholdings from emerging (Berglöf and Thadden, 1999).

2.3. Legal Infrastructure

Developing countries are affected by issues such as lack of rule of law and insufficient legislation. Investor protection and the legal systems also influence the amount and type of foreign direct investment in a country. Gibson (2003) notes that emerging market firms are commonly closely held by the founding family, do a relatively inadequate job of enforcing shareholders' legal rights, and need to improve their accounting and transparency.

Companies in emerging market economies are anticipated to have corporate governance problems arising from the family ownership structures and also conflicts between majority and minority shareholders. The benefits of a regulatory setup depends on how well it fits the with a country's prevailing institutions (Levy and Spiller 1994). A given piece of legislation might be good in principle but its effectiveness in practice is affected by the institutional environment. Developing countries also have weak laws pertaining to patents, copy rights and intellectual property.

The lack of property rights also affects capital and infrastructural investment developing countries. Klapper and Love (2004) provided evidence that firm-level corporate governance provisions matter more in countries with weak legal environments.

2.4. Marketplace

Developing countries are de facto the poorest countries in the world. The consumer market at the bottom of the global income pyramid is made up of four billion people with an income less than \$2/day mostly who reside in developing countries. These poor people living developing countries have low individual purchasing power although their combined purchasing power also presents a huge market potential. Poverty is also associated with limited education leading this vast group of people to be uninformed consumers with markedly fewer choices or options for advocacy than their better off, better educated countrymen and women.

Firms operating in developing countries face challenges of dealing with impoverished consumers who live in sparsely populated rural areas, often in accessible due to poor road network system. The firms operating in developing countries have to contend with high distribution costs which make their products expensive to their lower income market segments. Companies face challenges when advertising their products and services mainly because of poor communication mediums that exist in these areas.

The consumers at the lower segment of the income scale often prefer shopping in an open, wet market; rather than in a supermarket mainly because the informal markets break the bulk further into smaller convenient packages which may not be available in supermarkets. The streets and open markets pose a health hazard and it is one challenge firms have to be aware of because their products end up being sold in these informal markets. The poor customers are very price sensitive which makes it difficult for companies operating in these countries to promote quality even if the price is higher.

Firms operating in developing countries do not have incentives to invest in pollution control because of weak implementation of environmental regulations. Ewah and Ekeng (2009) analysed challenges facing marketing in developing countries, they identified problems such as low marketing education, preferences for foreign products and low patronage for non-essential products, high cost of production and insufficient infrastructure.

2.5. Supply Chain

Well-developed supply chains require a number of market-related factors including the size or potential size of the market, proximity to markets, prices which follow similar patterns over a period of time and the ability to respond quickly to changing market conditions (Babbar et al., 2008). Many multinational managers in developing countries struggle to strengthen supplier compliance with international standards for environmental performance, quality assurance and worker safety.

Developing economies are exposed to extremely high economic risk due to high inflation together with great fluctuations in currency exchanges and underdeveloped financial market. Developing countries are characterised by poor and insufficient infrastructure, especially the transport network and energy facilities.

2.6. Government Involvement in Markets

Governments intervene in markets in ways that generally affect the overall cash and futures markets. These interventions may include embargoes, price controls, quotas, duties, direct purchases of buffer stocks, and other price-impacting policy measures (Hathaway, 2007). Government intervention gives a chance to harmonize the business and general economic environment to market requirements and international standards but the equilibrium between market and government forces has to be assured (Doval and Negulescu, 2011). The intervention of government in business has not always yielded positive results. Nee et al. (2007) states that direct state intervention into the governance of firms is likely to yield negative economic effects at the firm level.

3. ZIMBABWE

Zimbabwe's economy remains in a delicate state, with an unsustainably huge external debt and extensive deindustrialisation and informalisation according to the World Bank. In 2009, Zimbabwe commenced on a period of stabilization and growth ushered in by the Global Political Agreement and the adoption of a multi-currency regime, with the US dollar becoming the major trading currency. During 2009-12, the economy recuperated with growth rates averaging around 8.7% according to World Bank statistics. Since 2012, however, the economy has experienced a sudden slowdown owing to deteriorating terms of trade, adverse weather and increasing policy instability. The World Bank states that growth slowed to 4.5% in 2013, 3.2% in 2014, and is projected at 1.5% in 2015 by the Ministry of Finance. In 2013 Zimbabwe adopted a new

constitution and is in the process of aligning its laws and regulations to this new framework.

3.1. Governance

Majority of Zimbabweans are Christian however like most former European colonies, Christianity is often mixed with indigenous beliefs. Entrepreneurship was formerly dominated by whites and after independence there has been an emergence of black entrepreneurs and the development has been more focused on addressing historical imbalances caused by colonization. Zimbabwe is an African country with Bantu people, the African culture values family and tribe. The composition of recruitment and company leadership and consequently appointment on boards are largely influenced by the Afro-centric values. The governance systems have resulted in problems such as nepotism and lack of consideration of competence and expertise. There is need to integrate and adapt modern corporate governance principles and also positively reflect traditional African values. Governance could be improved by way of integrating the best out of both the traditional and modern systems of leadership and governance. In Africa people have certain philosophies emanating from traditional customs and culture which also affect the way business is done. Most small businesses owned by indigenous have often been referred using one of the common totems, and also the word "indigenous" is now intricately linked to a certain quality of service, governance and business culture.

African countries have been dominated by colonization and recent political independence with now a drive towards economic freedom. The current government in Zimbabwe has an entrenched view that the state and its actors has a better claim on the future and market forces. The business sector no longer trusts that the government can act in good faith because of policy inconsistencies. The politics of control and regulation has often motivated been by short-term gains and self-interest of the ruling elite. A culture of impunity characterized by electoral fraud has engulfed Zimbabwe's political landscape and this has defined the political culture of the system of governance (Chikerema and Chakunda, 2014).

Separation of ownership and control is usually very minimal, and quite an un-natural distinction in some respects hence the problems of corruption. The model of governance most suitable needs to accommodate cultural background and values, the extended family and tribe. Anglo-Saxon is focused on shareholders, in Zimbabwe shareholders are not the centre of governance and often their contribution is at the periphery. Continental governance model is focused on a broader group of stakeholders which most often in Zimbabwe various interests of various stakeholders are often not well represented in corporate governance. The following section briefly reviews the corporate governance issues in Zimbabwe's banking and manufacturing sectors.

3.2. Banking Sector

Financial Infrastructure

The financial infrastructure in Zimbabwe reveals a number of gaps and weaknesses:

- Zimbabwe has no currency of its own and, rather, utilizes the US dollar, South African Rand and others as currency.
- No credit bureaus : There are no credit bureaus or credit rating agencies in Zimbabwe and many clients have taken multiple loans from different banks and these constitute the majority of non-performing loans (see Ndlovu, 2013).
- No active inter-bank market: There has been an absence of an active inter-bank market and lack of a lender of last resort ever since the collapse of the Zimbabwean dollar in 2009. The majority of Zimbabweans are unbanked with an estimated amount between \$2billion-\$7billion circulating outside banks. The financial infrastructure in Zimbabwe is not able to facilitate efficient intermediation.
 - The central bank is not capitalised to act as lender of last resort
 - Indigenisation Act and Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) which is the local ownership law requirements for businesses: Foreign financial investors have fled because of the Indigenisation Act and ZIMASSET which require all foreign owned businesses to sell 51% shareholding to locals. In 2000-2005 the government of Zimbabwe compulsorily acquired land and no longer enforced titles to land. As a result, there is now far less collateral for bank loans.
 - Poor property rights protection

Market

The financial sector continues to experience structural vulnerabilities arising from the lack of confidence by depositors, liquidity constraints, rising non-performing and insider loans, high lending rates and low deposit rates, the absence of an active inter-bank market and the lack of an effective lender of last resort (Mary Manneko Monyau, 2014). In the World Bank report, Doing Business 2014, Zimbabwe was ranked 170 out of 189 economies in terms of overall ease of doing business (Mary Manneko Monyau, 2014). Mangudya, Governor of the Reserve Bank of Zimbabwe said company executives and directors failed to adopt sound corporate governance principles in line with international best practices, which he noted was key in developing the economy (Mhlanga, 2015).

Underdeveloped financial markets in Zimbabwe makes it very difficult for the finance sector to use modernized financial instruments (Ndlovu, 2013). Several banks have closed due to poor corporate governance, including reckless lending bordering on outright mismanagement, low depositor and tight liquidity constraints (Majaka, 2015). Ndlovu et al. (2013) also noted that where there is inadequate board monitoring, senior management oversight follows.

Legal Infrastructure

Perhaps the greatest legal obstacle to business operations in Zimbabwe is the lack of security of property rights. This insecurity followed moves by the Zimbabwe government through the Department of Indigenisation and Empowerment towards nationalisation or indigenisation of foreign-owned banks as reported by the University Stellenbosch Centre for Corporate Governance in Africa (2009). The judiciary in Zimbabwe is plagued by weaknesses that include politicisation, lack of independence, corruption and low remuneration (connected to low morale), too few judges, staff and lawyers with little commercial expertise (connected to the country's brain drain), and general ignorance of the legal system. These factors all lead to a slow and patchy process to obtain a satisfactory resolution due to backlogged courts, and bias or selectivity in judges (University of Stellenbosch Centre for Corporate Governance in Africa 2009). Poor property rights protection of foreign owned firms puts them at risk of being seized by the government.

Supply Chain

Supply chain finance enables customers with the required working capital to optimize their cash flows and improve liquidity through financing sales and purchases. There is a lack of supply chain finance in Zimbabwe with banks not offering trade debtors based financing, creditors' loans and inventory finance. Services such as debt factoring are scarce or limited in the Zimbabwean financial sector.

Most of the cash which Zimbabwean banks import ends up circulating in the informal sector and is unbanked. The majority of Zimbabwe's population live in the rural areas where there are no bank branches or ATMs. Because of the high cost for using banking services and their inaccessibility most people resort to cash and mobile money transactions.

Government Involvement

The Zimbabwean government's decision to demonetize local currency and adopt the multi-currency regime constrains monetary policy measures by the central bank.

The Zimbabwean banking sector has been characterized by a number of corporate governance disorders : domestic banks do not represent shareholders' interests in their governance practices and levels of compliance to Reserve Bank of Zimbabwe's corporate governance requirements is still lacking (Ndlovu et al., 2013). In 2003 there was a financial sector crisis in Zimbabwe in which 13 indigenous banks and asset management companies either collapsed or were placed under curatorship. The recent closures of AfrAsia Bank, Allied Bank, Trust Bank, Tetrad Bank, ReNaissance Merchant Bank, Interfin Banking Corporation and the surrender of licenses by Genesis Investment Bank and Royal Bank suggest a near-systemic banking crisis within the sector.

The frequency of collapsing banks may be attributed to the Reserve Bank of Zimbabwe (RBZ)'s failure to contain the recurring weaknesses. The government of Zimbabwe through the regulatory board Reserve Bank of Zimbabwe created a corporate governance code for banks in 2004.

The similar problems faced by indigenous banks before and after the regulatory changes introduced in 2005 suggest deficiency in the current regulatory regime, weaknesses in supervision and surveillance and continuous regulatory avoidance (Mambondiani, 2012). Findings of Maune (2015) showed that Zimbabwe was amongst a few countries that did not have a national code of corporate governance, it only being launched in April 2015. Corporate governance practice in Zimbabwe has been regulated by the Companies Act (Chapter 24:03), the Zimbabwe Stock Exchange Act (Chapter 24:18, Public Finance Management Act (Chapter 22:19) (PFMA) as well as rules of various other professional bodies such as the Institute of Directors of Zimbabwe (IoDZ) prior to 2015.

The corporate governance systems in Zimbabwe are under threat in the wake of indigenisation, a law that requires all foreign firms to sell 51% shares to locals. The very proponents of the indigenisation drive are rooted in political circles and the injection of politics into the corporate system has undermined corporate governance.

3.3. Manufacturing Sector

Zimbabwe had a well-developed industrial infrastructure and manufacturing sector when the country was granted independence in 1980, which used to be one of the strongest and most diversified in Sub-Saharan Africa. The most industrial development had taken place between 1965 and 1979 when the Rhodesian government declared Unilateral Declaration of Independence (UDI) and the regime was placed under sanctions and the country had to develop import substitutes. The major sub-sectors are beverages, metal products, chemicals and petroleum products and textiles. The Zimbabwe textile and clothing industries are struggling in the face of foreign competition, mainly from South Africa, where subsidies, export incentives and tariff protection are still in existence. Access to capital has remained a challenge that has undermined retooling and capital investment initiatives. There has been a decline in the number of people employed in the manufacturing sector from 118,600 employees in 2013 to 93,100 in 2014 according to the Zimbabwe National Statistics Agency. Formal sector unemployment is 90%, and effective demand has dropped.

Financial Infrastructure

The manufacturing sector faces challenges associated with underdeveloped financial sector; financial mediation is not effective with an estimated US\$3 billion circulating outside banks. There are currently liquidity crises, bank closures and a low depositor confidence in the bank system. Average lending rates are an exorbitant 20% per annum (Reserve Bank of Zimbabwe 2014). Zimbabwe is also a high risk due to political instability and uncertain economic policies which have led to shortage of external funding. Banks in Zimbabwe are also failing to access offshore credit lines.

There is lack of foreign investors willing to invest in local manufacturing sector resulting in companies operating at low capacity utilisation because of the lack of funding. The ZSE is open to foreign investors but share ownership is restricted

to 40 per cent of the shares, and no one individual foreign investor is allowed to hold more than 10 per cent of the shares (Mangena and Tauringana, 2007). The Zimbabwe Stock Exchange has lost millions of dollars in potential investments to peer regional markets due to poor corporate governance practices since 2009 when the multicurrency system started Mhlanga (2015).

The Legal System

Indigenisation process is not directed at creating new wealth, but rather at distributing the little remaining foreign-owned wealth into a few hands (Mangudhla, 2014). The contest lies between the objectives of attracting FDI and indigenising the economy (Mary Manneko Monyau, 2014). The right to property is guaranteed and protected in the new constitution, however it can be set aside when the public interest is at stake (Mary Manneko Monyau, 2014).

The problems in Zimbabwe include poor legal protection and poor enforcement of laws. The judiciary in Zimbabwe is plagued by weaknesses that include politicisation and lack of independence corruption and low remuneration according to a corporate governance case study by University of Stellenbosch.

Market

Zimbabwe has high cost of production due to poor infrastructure, power and utilities are very expensive therefore the product prices are not competitive in markets against imports. The market faces a problems of poor demand attributed to the current liquidity constraints and falling disposable incomes.

There are power shortages in Zimbabwe the public utility Zimbabwe Electricity Supply Authority is failing to cope with the demand for electricity and the manufacturing sector is always losing production hours due to power cuts. Zimbabwe has recently been facing de-industrialisation with companies closing and informal traders emerging. Company closures have been attributed to a number of economic bottlenecks such as the liquidity crunch and lack of credit, obsolete equipment, low aggregate demand, cheap imports and non-performing loans.

As an example the Zimbabwean clothing sector includes cheap imported clothing from Asia and second hand clothing. The local clothing manufacturing firms have found it difficult to compete with imported cheap products from other countries.

Supply Chain

Firms in Zimbabwe have remained stagnant in their practices, technology, and agility, many manufacturing companies in other countries like South Africa and China where they are employing agile manufacturing principles that drive them towards world class manufacturing status and sustainability in an ever-changing environment (Goriwondo et al., 2013). There are a limited number of suppliers willing and able to service remote sites, thereby creating delivery and project scheduling issues.

Seed oil processing plants, for instance, import soya bean which results in high cost of production due to high import duty. There are numerous Small

and Medium Sized enterprises some of them who are not able to meet the quality standards required by local multi-national corporations posing a procurement challenge and they also fail to produce quality goods for export markets. Zimbabwe also has high transportation costs due to a poor road network, inefficient railways operator and inaccessibility of other parts of the country. Farmers in remote areas have poor access to markets for supplying the manufacturing sector raw materials for instance in agro-processing.

Government Involvement

The government is still in the process of drafting legislation to give effect to the National Code on Corporate Governance (ZimCode) which was launched in April 2015. Governmental intervention in the manufacturing sector has always resulted in economic instability due to policy inconsistencies. The government of Zimbabwe has reduced import duties on some of the raw materials and have increased import duty on cars in order to protect the local car assembly industries. The government plans to intervene through an establishment of an Industrial Development Bank to finance short and long term recapitalization of industry and Distressed Strategic Companies fund as a short-term measure according to Ministry of Trade, Industry and Commerce.

4. CONCLUSIONS, RECOMMENDATIONS, ONGOING CHALLENGES

Developing countries, particularly in Africa, differ markedly from developed countries due to insufficient financial, legal, supply chains and poor regulatory functions by the governments. The business culture and practices also differ from developed countries due to traditional African values and customs. Politics and governance is widely affected by ethnic differences. Most African states reflect regionalism based on major tribal differences.

The aforementioned Continental and Anglo-Saxon governance models are not widely applied in developing countries mainly because some stakeholders such as customers are not well informed of their rights and have few advocacy rights whilst shareholders interests are not always protected. The corporate governance practices of developing countries need to incorporate elements of the Continental and Anglo-Saxon Models. But they must adapt them to governance in a culture which values the family and the tribe.

In Zimbabwe the government compounds this problem. The government must reform its laws in order to create a good institutional environment for investing. The challenges discussed in this paper show that there is an opportunity for further institution building to upgrade corporate governance practices of Zimbabwean firms. Good governance in the private sector is inseparable from good governance in the public sector. If there is no rule of law and a culture of corruption in the public sector, the private sector's corporate governance practices will follow suit.

The government's corruption is closely linked to corporate governance practices especially in areas of compliance. Improving the corporate governance

infrastructure requires dealing with the problem of corruption in order to strengthen the country's institutions and improve the regulations' effectiveness.

The major corporate governance problems in Zimbabwe concern family ownership structures emanating from culture entrenched in family and tribal traditional values. Minority shareholders'

interests are not well represented. Trust, transparency and accountability have been the major challenges especially in the Small and Medium Sized enterprises (SMEs) evidenced by misappropriation of funds especially bank loans and a lack of financial discipline. These problems in turn affect partnerships, investment and access to capital.

The following recommendations are offered:

Table 1. Recommendations

1	Parliamentary legislation to support the National Code of Corporate governance.
2	Central Bank's establishment of a credit reference bureau
3	Reform laws to strengthen legal protection of investments and property rights
4	State guarantee and protection of property ownership rights
5	Judiciary sector reform to remove corrupt court officials and judges.
6	Improve surveillance, monitoring and enforcement by regulatory authorities to ensure that companies follow guidelines
7	Establish a corporate governance index or corporate social investment index in Zimbabwe Stock Exchange (ZSE) to promote good corporate governance practices.
8	Develop corporate governance structures and systems that can survive the competitive global environment and rides above sectorial risks such as political, sovereign and regulatory risks. Businesses need a governance system which otherwise respects the traditional values of respecting the institutions of family and tribe by ensuring that the group's interests are represented in ownership and control without compromising governance and performance.
9	Reform the Anti-Corruption Commission so that it can fulfil its mandate
10	Board appointments based on competence and expertise

It is felt that the challenges described in Zimbabwe are quite relevant to other developing countries, not just limited to Africa. Governance cannot be separated from culture. Rather, governance can be seen as a manifestation of culture. Therefore, governance guidelines must begin with an understanding of regional and national culture, rather than seeing culture as an afterthought to a governance structure. For this reason, the field of corporate governance and economic enterprise overall will benefit from future studies which examine the connection between culture and governance more closely.

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