

**AN ASSESSMENT OF CORPORATE GOVERNANCE IN STATE-OWNED  
ENTERPRISES IN ZIMBABWE WITHIN THE PERIOD 2005-2015: THE  
CASE OF THE HWANGE COLLIERY MINE (2010-2014)**

submitted by

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Submitted in fulfillment of the requirements for the Magister in Governance and Political  
Transformation at the

**UNIVERSITY OF THE FREE STATE**

**MARCH 2019**

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## DECLARATION

I, Blessed Dzidzai Mumba (201748680), declare that **‘An Assessment of Corporate Governance in State-Owned Enterprises In Zimbabwe Within The Period 2005-2015: The Case Of The Hwange Colliery Mine (2010 -2014)’** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

B Mumba

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Signature

Date

## **ACKNOWLEDGEMENTS**

First and foremost, I must acknowledge my limitless thanks to God, the Ever-Magnificent; the Ever-Thankful, for His help and bless. I am totally sure that this work would have never become truth, without His guidance. I owe a deep debt of gratitude to our university for giving us an opportunity to complete this work. I am grateful to some people, who worked hard with me from the beginning till the completion of the present research particularly my supervisor Dr. DR MP SWANEPOEL, who has been always generous during all phases of the research. I would like to take this opportunity to say warm thanks to all my beloved friends, who have been so supportive along the way of doing my thesis. I also would like to express my wholehearted thanks to my family for their generous support they provided me throughout my entire life and particularly through the process of pursuing the master degree. Because of their unconditional love and prayers, I have the chance to complete this thesis.

## **DEDICATION**

I dedicate my dissertation work to my family and many friends. A special feeling of gratitude to my loving wife, Vimbainashe Diana Mukuma whose words of encouragement and push for tenacity ring in my ears.. I also dedicate this dissertation to my many friends and church family who have supported me throughout the process. I will always appreciate all they have done, especially Kudzai Chibvoora for helping me develop my technology skills, Marie Engelbretcht for the many hours of language editing, and Wellington Mumba for helping me to master the leader dots.I dedicate this work and give special thanks to my best friend and Vimbainashe Diana Mukuma for being there for me throughout the entire doctorate program.

## **ABSTRACT**

Leadership in any sphere of life, is a given constant. All entities - either political, social, economic or corporate – require some form of leadership to direct its affairs and maintain its focus on its aims and objectives. The presence of leadership therefore, equally demands a sense of responsibility, which is what corporate governance entails. This study thus, aims to identify and evaluate the existence of corporate governance in state-owned enterprises in a sub-Saharan African socio-economic setting. It makes use of the Hwange Colliery in the North-Western part of Zimbabwe as a specific case study.

The study tries to establish the presence (or otherwise) of all characteristics of proper corporate governance; how they have impacted on the operations - and running – of the colliery over the years and how the current state of the colliery has affected its most-important stakeholders such as staff and immediate (host) community.

Making use of primary and secondary research methods - such as interviews and pictorial data - the study attempts to determine if the brand of leadership/governance adopted in the running of Hwange Colliery meets required standards and has made it attractive to investors, as well as other stakeholders such as employees, clients and the government of Zimbabwe, which remains its major shareholder.

The findings ultimately proved that the attempts by Hwange Colliery Limited to practise corporate governance have proved very inadequate – with far-reaching and painful consequences. These findings were followed by recommendations, which aimed at improving both the financial state of the Colliery, as well as its corporate governance scorecard.

## **LIST OF ABBREVIATIONS AND ACRONYMS**

- AIDS – Acquired Immune Deficiency Syndrome
- ARDA - Agricultural and Rural Development Authority
- ARC – Agricultural Research Council
- ASX – Australian Securities Exchange
- CEO - Chief Executive Office
- CNRG - Centre for Natural Resource Governance
- CSC - Cold Storage Company
- CSR – Corporate Social Responsibility
- EMA - Environmental Management Agency
- ESAP - Economic Structural Adjustment Programme
- FTLRP - Fast Track Land Resettlement Programme
- GMB - Grain Marketing Board
- HCCL – Hwange Colliery Company Limited
- HCD – Human Capital Development
- HIV – Human Immuno-Deficiency Virus
- ICSA – Institute for Chartered Secretaries and Administrators
- MMCZ – Minerals Marketing Corporation of Zimbabwe
- PSMAS - Premier Service Medical Aid Society
- ROA – Return on Assets
- ROE – Return on Equity
- SEP – State Enterprise
- SERA – State Enterprises Regulatory Authority
- SOE – State-Owned Enterprise
- STI – Sexually-transmitted Infection

TIMB – Tobacco Industry and Marketing Board

TRB - Tobacco Research Board

UK – United Kingdom

UNHCR - United Nation Convention on the Rights of the Child

ZANU-PF – Zimbabwe African National Union – Patriotic Front

ZAPU – Zimbabwe African Peoples Union

ZBC - Zimbabwe Broadcasting Corporation

ZIMRA - Zimbabwe Revenue Authority

ZIMSTAT – Zimbabwe National Statistics Agency

ZMDC – Zimbabwe Mining Development Corporation

ZNLWVA - Zimbabwe National Liberators War Veterans’ Association

ZPP - Zimbabwe Peace Project

ZWD – Zimbabwean Dollar

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## **CHAPTER ONE: INTRODUCTION AND BACKGROUND**

### **1.1 Introduction**

There is a very old, African adage which says that, “in the land of blind men, the one-eyed man is king”. As elementary as this adage may sound, the lesson inherent in it remains that extra vision is required for anyone to be a leader. Such extra vision is thus seen as evidence of wisdom, dependability and trust which altogether, represent necessary ingredients of leadership. It is the reference to leadership and how it is provided; as well as how it affects the performance of entities, that remains the primary concern of corporate governance.

Corporate governance therefore represents a formal process or structure through which leadership and direction is provided in organisations. ICSA – the British-based Governance Institute – provides an almost-complete description of corporate governance, describing it as “the way in which companies are governed and to what purpose”. It goes further by stating quite clearly that, it:

“ensures that businesses have appropriate decision-making processes and controls in place so that the interests of all stakeholders (shareholders, employees, suppliers, customers and the community) are balanced”. ([www.icsa.org.uk](http://www.icsa.org.uk))

Governance – albeit leadership - in the corporate world therefore comes with huge expectations and high levels of ability to deliver on targets. This equally, is why people who make up the management, or governance of corporate organisations, are carefully-chosen based on specific qualities and abilities.

It is such carefully-selected individuals that are then tasked with establishing and maintaining structures of decision-making; establishing control mechanisms; protecting the interests and

investments of stakeholders; and maintaining a constant balance between investment, expenditure and profit-making.

It is thus the task of this study to identify and evaluate the existence of corporate governance in state-owned enterprises in a sub-saharan African milieu; using the case of the Hwange Colliery in Zimbabwe as a specific case study. It is pertinent to note that the study will try to establish the presence (or otherwise) of all characteristics of proper corporate governance; how they have impacted on the operations of the colliery over the years; and how the current state of the colliery in meeting its targets to all stakeholders involved.

Similarly, the study will attempt to determine if the blend (or brand) of leadership/governance adopted in the running of Hwange Colliery, has made it attractive to investors (as well as other stakeholders such as employees, clients). All departments of the company will be examined as part of this study, making use of questionnaires as the major data-collection instrument.

It is necessary at this point to highlight that this study was inspired by an absence of available research and literature on the performance state-owned enterprises in Zimbabwe. Rather, what has been commonplace is literature by previous studies, focusing on the importance of corporate governance, and also comparing how private and state-owned organisations in the country are run.

## **1.2 Research Problem**

The researcher developed interest in this study in order to identify and examine the relationship between corporate governance-cum-leadership and the operation of state-owned enterprises. Seemingly, state-owned companies appear to be neglecting the function(s) of good corporate governance practices and this often impacts on their performance.

As a consequence of Zimbabwe's political and economic past, the country's economy is still seen as critically-underdeveloped. Chitando *et al* (2016) wrote extensively on this subject and highlighted the fact that Zimbabwe's economy has been in crisis since 1998. According to them, political decisions by the ruling ZANU-PF party of which the land repossession policy from white farmers was a major part, impacted negatively on the country's economic growth and development. Additionally, the country's economy was further compromised by the imposition of economic sanctions on the country by wealthy European countries and by the United States of America (USA). Further to the wide-ranging sanctions, the USA government also reportedly instructed its officials working in international financial institutions to oppose any request for financial help by Zimbabwe.

So with little or no international assistance in form of loans or aid, Zimbabwe reportedly experienced poor economic growth, with industrial performance dropping to below 30% (Hamauswa & Manyeruke 2013: 157). To worsen the situation, highly-skilled professionals started leaving the country in droves for better opportunities in neighbouring countries like South Africa and Botswana. It is such professionals that one would expect, should provide a pool of experts and technocrats that would manage the shrinking number of companies and enterprises still operating in the country.

This study therefore will be looking at the performance of a state-owned business enterprise against the backdrop of an economy battling serious challenges such as declining foreign investment, low productivity, as well as a severe flight of skilled professionals – which was also known as *brain drain*.

The following questions will therefore suffice as part of the Research Problem of this study:

\* What is the relationship between corporate governance and state-owned enterprises in Zimbabwe?

\* Does good corporate governance improve service delivery in state-owned enterprises in Zimbabwe?

\* What factors have had a positive effect on corporate governance principles and practices in state-owned enterprises in Zimbabwe?

\* What factors have had a negative effect on corporate governance principles and practices in state-owned enterprises in Zimbabwe?

The study will therefore also seek to clarify whether good corporate practices are significant enough to improve the performance of state-owned enterprises, especially in a negative economic environment as existed in Zimbabwe within the timeframe of this study.

### **1.3 Aims & Objectives of Study**

The primary aim and objective of this study is to explore the nature of management and corporate governance in state-owned enterprises, at the end of which the study will assess the level of governance (or management) that exists therein.

Using the Hwange Colliery in the northern part of Zimbabwe as its focus area, the study will therefore attempt the following objectives:

\* Determine the existence of proper management/leadership/governance structures within state-owned enterprises in Zimbabwe;

\* Examine the prevailing/competing interests that are considered when constituting the governance structures that manage Hwange Colliery;

\* Measure the effectiveness or otherwise of the prevailing governance structures in the Hwange Colliery over a period of four years;

\* Assess how well (or otherwise) the Hwange Colliery has performed over a four-year period based on the corporate governance that has managed its affairs.

#### **1.4 Research Methodology**

This study will be exploratory and qualitative in nature. In other words, it is a study that obtains and produces data from the written and spoken words of people as well as their observable behaviour. While the process of conducting research may be described as the general manner in which data are obtained in conformity with operational decisions, it also includes the manner in which data are presented in order to produce findings in conjunction with strategic decisions about an explanation (Groenewald 1986: 45).

Furthermore, words and sentences will be my primary and major source of data, rather than figure or numbers. Bless, Higson-Smith and Kagee (2006: 44) supports this approach as qualitative by stressing that using language and sentences to record information and human experiences represents qualitative research.

The researcher is thus convinced that the qualitative research approach, which in itself is a social scientific model, is best-suited for the issues relating to approaches on how to help determine the state of corporate governance in state-owned enterprises, which this study attempts to ascertain.

A cautionary note must be made at this juncture however, that qualitative approach is not foolproof. La Pierre (in Deutscher 1973: 221) highlighted this point by stressing that,

“...qualitative evaluations are always subject to errors of human judgement”. Which is why the researcher will be making use of limited quantitative data for additional support.

For this study to deliver satisfactory and valid conclusions, certain research methods will be deployed in the process of collecting the necessary data. The methods are to be applied in such a manner to suit the sources of information of the study to yield defends conclusions at the end of the study. The following are the research methods that will be employed:

- Conventional (Secondary) Research: Text books, Journals, Magazines, documentaries will be studied.
- Site visits: Relevant sites like government offices, media houses and other relevant institutions will be visited as part of the study.
- Community members: Views of individuals, groups and other samples of members of the community will be visited and if necessary, interviewed.

#### **1.4.1 The Purpose of Interviews as a Research Tool**

The primary purpose of such interviews with community members, is to initiate and sustain communication between the researcher and the participants. This communication is deemed to be important to the study because the researcher wishes to determine the way and level to which the the practice of corporate governance by the management of Hwange Colliery Company affected the lives of members of its immediate community.

Based on the thinking that, “the unstructured interview is an open situation allowing the interviewer greater flexibility and freedom” (White 2005: 146), the researcher believes this method would give the participants lots of room through which to express themselves and their feelings.



Structured interviews are normally easier to conduct and analyse, especially as they are limited to a segment of the population, they act as a useful tool for conducting surveys and data collection.

A large population can therefore be reached-out-to, within a short period of time through various interview methods.

Unstructured interviews can be made more-flexible and adaptive depending on the participants' answers. Unstructured interview questions can be used for creating qualitative data. This gives a chance to the participant (respondent) to frame the answers in their own words. This shows the employer how much the respondent knows about the whole situation.

Interviews also have a deeper validity and originality because they allow the researcher to get through to the participant (respondent) to obtain valuable remarks and information about what they think about Hwange Colliery company – as well as their immediate environment - and how both entities have affected their lives. The respondent also sometimes steers the course of the interview in case of structured and unstructured interviews. By asking for clarification and other aspects before, it allow the interviewee to determine the direction of the interview – often unconsciously.

#### **1.4.2 Advantages of Interviews as a Tool of Research**

(i) A structured or unstructured interview allows the researcher to gain access to a large number of people at the same time;

(ii) It allows the researcher to make use of a representative sample and therefore, questions and answers can be modelled on such samples and models.

(iii) Questions can be designed in a way that makes it easy for the participants (respondents) to answer.

(iv) There is less dependency on electronic recording devices, especially where the interviews are conducted face-to-face. Recording devices are only necessary to capture the responses or answers for eventual transcription.

(v) Interviews prevent any form of confusion or misinterpretation of the questions asked. If there is a misunderstanding, they can be easily resolved (or clarified) since it is being conducted on a face-to-face basis.

(vi) Since such interviews are personal (and physical) in nature, the participants (respondents) feel more confident to answer the questions.

(vii) Interviews are very effective in obtaining quantitative data, because they are also more flexible. In other words, the researcher can apply/withhold/add/adjust his or her questions in any way he or she desires in order to obtain maximum response (data) from participants.

(viii) Also, interviews allow the researcher to observe non-verbal behaviour – such as body language, hand movements, eye contact - of the participant (respondent) which helps the researcher obtain more insight into the answers provided by the participant.

#### **1.4.3 Disadvantages of Interviews as a Tool of Research**

They include:

- (i) In the case of structured interviews, they are usually non-flexible, and therefore new questions cannot usually be asked since a structured interview has a strict timeframe to follow, specific questions, format and time limit.
- (ii) Structured interviews normally create quantitative data and thus, a lack of detail is made available. This also means that since there are little details available, the researcher would not know why a participant responded or behaved in a certain way.
- (iii) Hiring interviewers and assistants can be expensive. This can lead to more money being spent by the researcher during the interview process. Since the researcher cannot conduct all the interviews on his/her own, he/she will therefore require the help of assistants, who need to be trained on how to administer these questions; apply follow-up questions; and look out for non-verbal signs from participants, and interpret those signs appropriately.
- (iv) Unstructured interviews take time to conduct; collect all the necessary data and analyse such data. Since the participants (respondents) are often spread over a wide area and even the subjects are varied, it eventually proves to be a time-consuming process identifying each participant; administering the questions to them one-after-the-other and eventually analyzing their responses.

#### **1.4.4 Observation as a Tool of Research**

As the name suggests, observation is a data-collection method whereby a researcher pays close attention to the subject(s) of his/her research. Observation is also considered a participatory study because the researcher has to weld him/herself into the setting or environment of his/her respondents in order to observe their behaviour/habits properly.

According to White (2005:158), the purpose of observational data is to describe:

- The setting (area) that was observed;
- The activities that took place in that setting; and
- The people who participated in those activities and their level(s) of participation.

Accordingly, the researcher devoted considerable time and effort in observing the patterns of behaviour of management and staff of Hwange Colliery Company on one hand, as well as the members of the immediate community of Hwange.

## **1.5 Research Design and Chapter Layout**

### **1.5.1 Limitations of the Research**

The researcher anticipated various problems that constituted limitations while gathering and obtaining data in the course of the study.

First of these was participants/respondents' apathy to providing information through the interviews. A good number of the respondents were not interested in being interviewed citing a busy schedule, suspicion of the researcher as well as his assistants, lack of understanding of the research problem and general disinterest as their reason.

Another obstacle regularly encountered by the researcher was the issue of acceptability and announcing oneself. Majority of the average man-on-the-street in Hwange is very much skeptical and suspicious of the motive of strangers – which is what the researcher was to them. Hwange itself is not a large community and strangers – such as the researcher – tend to stand out. This therefore makes it difficult for the researcher to approach residents of the community.

Announcing oneself to respondents and gaining their trust is what is described by Gans (in Burgess, 1986:88) as the entry process. He explains that:

“...the process is for me one of great anxiety and I often expect to be refused when the people I am studying have already accepted me. Until I feel I have been accepted, the research process is nerve-wracking”.

Gans’ observation is not dissimilar to the researcher’s own experience. Actually it was even more acute as respondents often displayed attitudes ranging from mistrust, to hostility. These negative tendencies severely limited the researcher’s ability to interview as many people as he wished.

Also, the research was limited to Hwange Colliery Company Limited, as well as the community of Hwange. This limitation was due purely to resource constraints.

The examination of the topic of corporate governance in state-owned enterprises in the country could have been extended to include other industries and government-owned enterprises in the country. However, the difficulty of travel all over Zimbabwe due to the poor state of roads and other infrastructures, forced the researcher to limit the study to just one SOE, namely Hwange Colliery Company Limited. Similarly, the high cost of travel within Zimbabwe, helped inform the decision to limit the study to just one SOE.

As a preliminary approach, the study will be restricted to the period between 2005-2015. This is of course a ten-year period which – as mentioned in the section above – falls within a desperate period of economic crisis in Zimbabwe. This period also coincided with a time of extremely high unemployment and poor wages among the few people lucky to still be employed, and was gave

rise to what Jones (2010) labelled the *kukiya-kiya* economy. This type of economy, according to him, involved the shrinking of the formal sector on one hand, while the informal/unregulated sector grew rapidly.

It is on this era, that the study will focus its attention. This however still leaves open the possibility of further research into other eras, or timeframes of Zimbabwean socio-political life as the subject of a separate study.

### **1.5.2 Chapters' Layout**

This section will explain the focus and contents of the five chapters that make up this study.

The first chapter will begin an introduction to the study. It provides a background to the issues being studied, while also discussing the Research Problem of the Study; followed by Aims and Objectives which the study intends to achieve. The last two sub-sections will thus be the Research Methodology (which will outline how the researcher intends to carry out this study), as well as the Research Design and Chapters' Layout which will reveal what instruments will be used to collate and interpret data, as well as a sketch of all the chapters that will make-up this study.

Chapter 2 will form the theoretical framework and conceptualization of this study. The theoretical framework of any study is normally any empirical explanation of a social or psychological process that can be applied to the better understanding of a phenomenon. Thus, every researcher naturally attempts to provide an intellectual structure (or backbone) for his/her study by applying the principles (or conclusions) of a previous theory to their own researcher. This practice is wholly-acceptable in research – be it qualitative or quantitative – because the framework (or structure)

provided by such a theory helps to establish a scientific connection between previous studies on that subject, and the current study being undertaken by a researcher.

Chapter 3 contains the Literature Review, which is normally an analysis of various scholars' opinions and positions concerning the subject of this study. It gives the study a theoretical foundation and background which helps to create a better understanding of the topic of study as well as highlight several important concepts that are likely to be part-and-parcel of the study.

In this case, the Literature Review will provide a background of the socio-political and economic make up of Zimbabwe; the composition of the state-owned enterprises in Zimbabwe; a breakdown of the number of state-owned enterprises in Zimbabwe; and eventually conclude with a brief historical background of the Hwange Colliery, which represents the specific case study of this research.

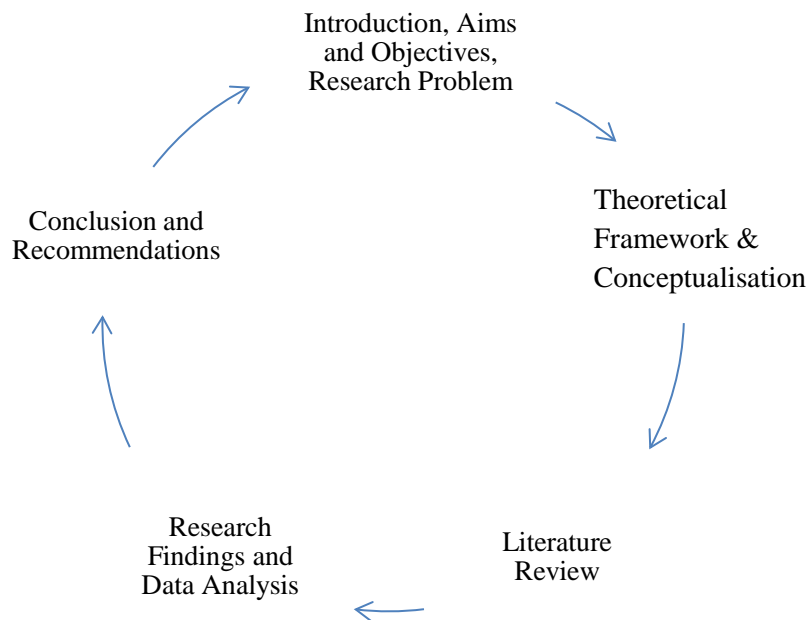
Chapter 4 is the Data Presentation and Analysis, where of all data gathered and obtained in the course of the research are unveiled. Using specific research methods, this chapter aims at explaining the various data collected, the trends and patterns derived from all the information obtained in the course of the research and how they will influence the outcome of the research problem.

Chapter 5 delivers the Conclusion and Recommendations. It summarises all the data obtained in the study, and draws definite conclusions, based on factual figures, statistics and information obtained from all the various sources and methods used in the study.

A final section, to be known as References and Bibliography will round up this study. In this section, all the resources, publications and secondary materials used in the course of the research

will be referenced. The names of the authors of these resources, as well as the dates of publication, will all be clearly-listed, alphabetically

The diagram below helps illustrate the chapters' layout (or exposition) of the study.



**Figure 1.1 A graphic representation of the Chapters' Layout**



## **CHAPTER TWO: THEORETICAL FRAMEWORK AND CONCEPTUALISATION**

### **2.1 Introduction**

Any conclusion drawn-up as a result of an investigation or research into a problem (or situation) as an attempt to explain that situation, qualifies as a theory. However, to put it in context, Anfara & Mertz (2014: 2) suggested that a theoretical framework is any empirical explanation of a social or psychological process that can be applied to the better understanding of a phenomenon. Thus, every researcher naturally attempts to provide an intellectual structure (or backbone) for his/her study by applying the principles (or conclusions) of a previous theory to their own researcher. This practice is wholly-acceptable in research – be it qualitative or quantitative – because the framework (or structure) provided by such a theory helps to establish a scientific connection between previous studies on that subject, and the current study being undertaken by a researcher.

The adoption of a theoretical framework not only identifies the contribution of such a theory to a current research, but also the challenges and dilemmas that the use of such a theory presents to current research efforts. The theoretical framework also helps to guide the study by determining what statistical relationship the researcher is trying to determine, by making use of existing related concepts. Ravitch & Riggan (2012: 12) concurred by insisting that theoretical frameworks can either be developed by a researcher, or borrowed from other sources. Whichever is the case, in their opinion, a theoretical framework is often a combination of formal theories or models that help to throw light on aspects of the study at hand.

The term ‘Corporate Governance’ often suggests good behaviour by organisations in conducting their business. Ordinarily, it is common knowledge that organisations are made up of human

resources, who set-up systems and structures within such organisations. These organisations are thus expected to operate along the lines of these structures, in their quest to provide goods and services, with the ultimate goals of making profit or delivering quality services.

Corporate governance encapsulates ethical conduct. In other words, it means organisations and corporate bodies must do business in an ethical way. The Australian Stock Exchange – ASX – ([www.asx.com.au](http://www.asx.com.au)) pointedly describes corporate governance as “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations” ([www.asx.com.au](http://www.asx.com.au)). This definition summarises the key points of what corporate governance represents and its parameters.

Additionally, the ASX ([www.asx.com.au](http://www.asx.com.au)) explains further that corporate governance “encompasses the mechanisms by which companies, and those in control, are held to account”. It is this accountability requirement that often brings into question, how companies and organisations are able to behave properly. In relation to the Zimbabwean situation, it is poignant at this juncture to highlight the fact that corporate governance structures in the country are under threat, according to the findings of Mugova & Sachs (2016: 228). One of the major source of these threats is an indigenization law which requires all foreign companies to sell 51% of their shares to Zimbabweans. Based on their findings, this law was rightly propagated by political interests and therefore, the huge influence of such political interests in the way business and commerce is conducted in the country has greatly undermined the practice of corporate governance. Notwithstanding the situation on ground in the country, corporate governance instruments still exist, even though the first real, formal attempt to establish such was a document called, “*The Principles for Corporate Governance in Zimbabwe: Manual of Best Practices*”. According to Moyo (2016: 110) this manual was developed in 2001 by a group of people and institutions led by

two individuals, C. A. Minor and K. van Hoestenberghé – an indication that corporate governance efforts in the country have been devoid of government interest and instead, remained “self-regulatory” (Moyo, 2016: 108) by individuals and organisations. In spite of this and other documents such as the National Code on Corporate Governance introduced only in April 2015 (Mugova & Sachs, 2016: 229), structural problems facing the country’s practice of corporate governance remain overwhelming.

Moyo (2016: 106) added that, “Over the last two decades, a number of major public entities have been found not to be financially sustainable and there have been revelations of increased misappropriation of funds allegedly due to a lack of efficient corporate governance systems”.

Human Capital Development (HCD) has also been identified as a key feature in promoting good corporate governance practices – both with national governments and organisations (Wynter-Palmer, 2013: 265). Good corporate governance promotes investor confidence, which is crucial to the ability of entities listed on the ASX – for instance - to compete for capital and also crucial for a country’s economy.

As a concept therefore, corporate governance has “existed for as long as companies have existed” (Butt, 2016: 2). However as a field of study, it has been in existence for approximately 70 years. Nonetheless, according to Butt (2016: 2) it was only in the last 40 years that laws, reports and codes around the subject have seriously been written and recorded. It is safe therefore to assume that corporate governance became properly-codified in the 1980s into the field of study it has now become. Xiaoying Li & Xiaming Liu (2004: 394) concurred to this school of thought by conceding that good corporate governance practices began to be identified from the mid-1980s onwards.

## 2.2 Background

Corporate governance or leadership as well as the impact on corporate performance is always a subject of debate. On one hand, the nature of corporate leadership is assumed to impact directly on the performance of organisations; while on the other hand, the corporate culture that exists in organisations, also produce the caliber of leadership that governs those organisations.

The corporate world naturally exists to provide goods and services, with the ultimate objective of making profits at the end of the process. In other words, corporations exist to conduct business; buying and selling; trading and any such activity that generates an income or profit on a consistent basis (Whitman & Gergacz, 1991: 35)

Accordingly, "...corporations are the most common form of business organisations" ([www.investorwords.com](http://www.investorwords.com)). This shows that the corporate environment is a business environment where commerce is the sole purpose and profit-making the ultimate objective.

Inevitably, the corporate world is also a cut-throat place; both internally and externally. Within organisations, there is a perpetual competition for positions, power and authority amongst key people; while externally, rivalry amongst organisations for market share and space, sales, profits, publicity, positioning and even the hiring of the most-talented and skillful people, is never-ending.

This cut-throat environment is driven by the desperation amongst corporations to succeed financially. This success defines everything that organisations do and often determines how well they succeed. Organisations therefore depend heavily on information to help them plan, strategise, function and maintain their advantage over rivals and competitors.

Despite the presence of rules and regulations – better known as corporate governance – the competitive nature of corporate organisations often forces them to bend or break these rules in order to get ahead of the competition and gain strategic advantages.

Naciri (2008: 6) observed emphatically, that:

“Sound CG practices are supposed to attract investment, mainly because of the improved management of firms...At the global level, national institutions, regulations, laws and practices based on international norms and standards would enable countries...to modernize their corporate sector, allowing them to attract technology and foreign investment and becoming internationally competitive”.

However, the above scenario is often far from reality. This remains one of the main aims and objectives of this study – to prove the effectiveness or otherwise of corporate governance principles among state-owned organisations in a developing economy such as Zimbabwe. Already, Moyo (2016: 64) believes that the ability of countries to attract foreign capital is often dependent on their systems of corporate governance, and “the degree to which companies are duty-bound to honour the legal rights of shareholders and other stakeholders”. Further quoting Arthur Levitt, one-time United States’ Commissioner for Securities and Exchange: “If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere” (Moyo, 2016: 64).

Empirical research has in the past, shown significant relationships between various corporate governance features and corporate performance. Such research on corporate governance is often based on the theoretical frameworks, which will help provide a crucial basis for the conduct of this research.

### 2.3 Agency Theory

The first of such theories, is what is known as Agency Theory. This theory was advanced by Jensen and Meckling (1976: 74), and further backed by Fama (1980) as well as Fama & Jensen (1983: 145). Specifically, the Agency Theory suggests that a better-governed firm should show better performance and higher valuation due to lower agency costs. In buttressing this theory, Charreaux (2002: 259) remarked emphatically that “Fama and Jensen find a confirmation of their theory in almost all organisations”, because these organisations practice a separation of different key functions such as decision-making, risk-bearing and control.

This prediction is supported by many other empirical studies. For instance, Leal & Carvalhal-da-Silva (2007: 217 [in Chong & Lopez de Silanes]) found that better corporate governance is often associated with higher firm valuation as measured by Tobin’s Q Ratio. James Tobin – an American-born economics professor and winner of the Noble prize in economics – developed a model known as the Tobin’s Q Ratio, which is based on a hypothesis that the market value of a company should be equal to the replacement cost of such company ([www.investopedia.com](http://www.investopedia.com)).

Tobin’s Q Ratio is therefore calculated as the market value of a company, divided by the replacement costs of the company’s assets. In graphic terms therefore:

$$\text{Q Ratio} = \frac{\text{Total Market Value of Company}}{\text{Total Value of Asset}}$$

*Figure 1: Tobin’s Q Ratio*

Putting it into context, where a low Tobin's Q exists, it means that the cost of replacing a company's assets is greater than the value of its shares. This mean also that its shares are undervalued. On the other hand, where a high Tobin's Q exists, it means that a company's shares are more valuable than the replacement costs of its assets, which then implies that the company's shares are overvalued, i.e they are worth less than the value placed on them.

Brown & Caylor (2009) also found out, that better-governed U.S. firms have higher Return on Equity (ROE), higher Return on Assets (ROA), and higher Tobin's Q.

Therefore, it is arguable that aligning the interest of owners and managers through adhering to good corporate governance practices would lead to reduced agency-conflict between owners and managers and therefore result in better performance of the organisation. However, Klein, Shapiro & Young (2005: 55) insist that there is no universal evidence to suggest that better governance enhances firm performances. As a result, investors are still generally very much sceptical about the existence of a link between good governance and firm performance.

Good governance principles by many corporate governance codes highlight the fact that the roles of the CEO and chairman of the company should be separated, and held by different individuals to avoid investing too much power in one individual and for better performance of the company. However, though there is an extensive body of knowledge on how CEO-duality would impact on firm performance, the outcomes have produced mixed results. One school of thought emphasises the importance of separate individuals holding the roles of CEO and chairman of the company (Pi & Timme, 1993: 516), while another stream of literature supports CEO-duality (Stoeberl & Sherony, 1985: 12).

Fama and Jensen (1983) on their part, suggest that the involvement of one personality as an organisation's CEO/Chairman would surely go against the principle of separation of decision management from decision and control. Furthermore, they argued that this would lead to a concentration of unvested power in one individual, leading to biasness in decision-making – and thus, providing an opportunity for him/her to act in accordance with his/her personal interest, which would in turn be detrimental to the shareholders of the company. Supporting the view that separation of roles of CEO/Chairman would lead to better performance, Daily and Dalton (1994: 1604) conclude that there is a strong and robust positive association between CEO-duality and the bankruptcy or financial failure of organisations.

Abdul, Rahman & Haniffa (2005: 42) concluded on their part, the fact that separate board leaderships tend to perform well measured by accounting performance measures and the role of duality, tend to underperform. Dahya, Lonie & Power (2006: 72) however, suggested that the market responds favourably to the separation of the two roles, and unfavourably to merging of these two responsibilities into one person. They further conclude that the accounting performance of organisations which adopt a 'dual CEO' often appears to decline subsequent to this change.

## **2.4 Freeman's Stakeholder Theory**

Stakeholder theory, on the other hand, states that a company owes a responsibility to a wider group of stakeholders, other than just shareholders. A stakeholder is defined as any person/group which can affect/be affected by the actions of a business (Gilbert, 2013: 71). It includes employees, customers, suppliers, creditors and even the wider community and competitors.

Edward Freeman, the original proposer of the stakeholder theory, recognised it as an important element of Corporate Social Responsibility (CSR), a concept which recognises the responsibilities



of corporations in the world today, whether they be economic, legal, ethical or even philanthropic (Corplaw 2013). Nowadays, some of the world's largest corporations claim to have CSR at the centre of their corporate strategy. Whilst there are many genuine cases of companies with a "conscience", many others exploit CSR as a good means of PR to improve their image and reputation but ultimately fail to put their words into action.

Recent controversies surrounding the tax affairs of well-known companies such as Google, Starbucks and Facebook in the United Kingdom have brought the Stakeholder Theory into the spotlight. Whilst the measures adopted by the companies are legal, they are widely seen as unethical as they are utilising loopholes in the British tax system to pay less corporation tax in the UK. The public reaction to Starbucks tax dealings has led them to pledge £10m in taxes in each of the next two years in an attempt to win back customers.

## **2.5 Friedman's Shareholder Theory**

The Shareholder Theory was originally proposed by Milton Friedman (2013) and it states that the sole responsibility of business is to increase profits. This theory is based on the premise that management are hired as the agent of the shareholders to run the company for their benefit, and therefore they are legally and morally obligated to serve their interests. The only qualification on the rule to make as much money as possible is "conformity to the basic rules of the society, both those embodied in law and those embodied in ethical custom."

The Shareholder Theory is now seen as the historic way of doing business, with companies realising that there are disadvantages to concentrating solely on the interests of shareholders. A focus on short term strategy and greater risk taking are just two of the inherent dangers involved. The role of the shareholder theory can be seen in the demise of corporations such as Enron and

Worldcom where continuous pressure on managers to increase returns to shareholders led them to manipulate the company accounts.

In conclusion therefore, the Agency theory, the Stakeholder and the Shareholder theories collectively form the theoretical structure of this study, as a way of understanding the nature of corporate governance in state-owned enterprises.

## **2.6 Conceptualisation**

It is necessary for this study to develop a conceptual framework, which will help provide a structure on which the study will be carried-out. Such framework allows people to understand the thinking (rationale) which informed the study. It also allows readers and scholars to understand the mindset of the researcher as well as the direction he/she chose in carrying out the research.

The Australian Stock Exchange (ASX) has also been able to identify eight (8) key principles, which it believes form the bedrock of corporate governance. They are:

- (i) Laying solid foundations for management oversight;
- (ii) Structuring the board to add value;
- (iii) Acting ethically and responsibly;
- (iv) Safeguarding integrity in corporate reporting;
- (v) Making timely and balanced disclosure;
- (vi) Respecting the rights of security holders;
- (vii) Recognising and managing risk; and

(viii) Remunerating fairly and responsibly.

(www.asx.com.au)

These principles - are believed - must be evident in any organization for it to claim to be practicing proper corporate governance.

In light of this, it is vital to get an idea of conceptualization as a component of scientific research. Ravitch & Riggan (2012: 9) identified three essential elements of a conceptual framework as; Personal Interest, Theoretical Framework and Topical Research. In their words, “Personal interest include your own curiosities....what you think is interesting or important...why you think things happen...what constitutes useful or valuable knowledge; all of which are influenced by your social location (race, ethnicity, social class, gender, sexual identification, nationality), institutional position and life experience” (10). In other words, the personal interest element focuses on how the researcher is personally driven or motivated to undertake a study.

Regarding Topical Research, it is described as, “work that has focused on the subject in which you are interested. It also offers insight into the nature and severity of the problem...” (11-12). They also described topical research as existing research on the study in question.

Eventually, Ravitch & Riggan (2012: 12) surmise that a conceptual framework is something that should be created from multiple sources and not something one finds ready-made. Similarly, a conceptual framework ought not to be rigid and thus, the researcher forces his her study to fit into the framework, while ignoring its limitations. A conceptual framework, accordingly, is also “not something that you construct before beginning your research and then leave unchanged, as a fixed foundation for your methods and analysis”. Instead, it needs to be flexible from what is being learnt from the researcher’s research experience and data, which will eventually require modifications, adjustments, additions and “ongoing reflection” (Maxwell, 2012: 41) to the framework. In this

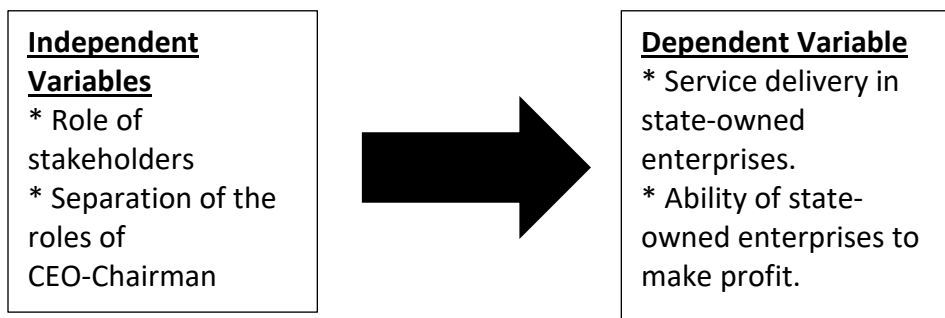
case, the conceptual framework will centre around corporate governance amongst state-owned enterprises in Zimbabwe.

### 2.6.1 Conceptualisation of the Study

In constructing a conceptual framework for this study, it was necessary to identify specific variables and establish how they are related amongst themselves. Some of the identified variables include:

- (i) Service delivery in state-owned enterprises;
- (ii) The role of stakeholders in state-owned enterprises;
- (iii) The separation of the roles of CEO-Chairman; and
- (iv) Ability of state-owned enterprises to make profit.

As this study is devoted to an Assessment of Corporate Governance in state-owned Enterprises in Zimbabwe within the period 2005-2015, the performance of such state-owned entities will inevitably form part of the findings of the study. Accordingly, making use of the specific variables listed above, the conceptual framework to suffice for this study will look thus:



**Figure 2: The research paradigm illustrating the researcher’s conceptual framework.**

The variables used in developing the conceptual framework of the study are clearly-visible in the paradigm presented in Figure 1. According to the illustration, three variables are used in the

paradigm. Two of the variables are mentioned as (i) the role of stakeholders in a state-owned entity, (ii) the separation of the roles of CEO and Chairman. Both these variables are considered independent because they exist in an organization regardless of the nature or make-up of the organization. On the other hand, the ability of these organisations to perform and deliver services is considered a dependent variable because for the organization to function effectively may, or may not depend on the role played by stakeholders or the fact that the positions of CEO and Chairman are either separated, or occupied by one individual.

Equally, as enterprises, state-owned organisations such as those in Zimbabwe are expected to record profit as part of their business activities. This ability is also considered to be a dependent variable, which is very much influenced by the part played in the organisations by stakeholders, as well as the roles of CEO and Chairman.

## **2.7 Conclusion**

This chapter examined three different theories for the purposes of this study and discussed their relevance and relationship to the corporate governance situation of state-owned entities in Zimbabwe. The theoretical framework of this study therefore, stems both from the three, established theories (i.e Agency theory, Stakeholder theory and Shareholder theory) and the conceptualization model developed by the researcher.

Corporate governance essentially revolves around how organisations are managed, controlled, run and held accountable by their stakeholders. It is thus the aim of every corporate governance system to attempt to achieve performance-levels and also accountability at the same time. This is particularly expected of government-owned enterprises, which are being funded from the public purse. The essential elements of the conceptual and theoretical framework of this study – as well as the identified variables - will therefore be applied to the state-owned enterprise(s) in Zimbabwe,

selected for the purpose of this study, i.e. the Hwange Colliery. Making use of these frameworks therefore, this study will analyse the research questions, which are:

\* What is the relationship between corporate governance and state-owned enterprises in Zimbabwe?

\* Does good corporate governance improve service delivery in state-owned enterprises in Zimbabwe?

\* What factors have had a positive effect on corporate governance principles and practices in state-owned enterprises in Zimbabwe?

\* What factors have had a negative effect on corporate governance principles and practices in state-owned enterprises in Zimbabwe?

Beginning with the Literature Review from the next chapter, assessing the corporate governance of state-owned enterprises in Zimbabwe, will be done within the context of the theoretical and conceptual framework outlined above.

## **CHAPTER THREE: LITERATURE REVIEW**

### **3.1 Introduction**

A literature review is an assessment of most published materials and literature in a specific field of study (or research). This is normally guided by the topic and research question under investigation. Accordingly, the main reason for literature reviews lies in its aim, which normally is to examine and evaluate key sources of published materials on the topic and research question. According to Machi & McEvoy (2012: 2), “a literature review evaluates and summarises the existing knowledge on a particular topic”.

In assessing the state of Corporate Governance in state-owned enterprises in Zimbabwe within the period 2005-2015, this study is inspired by prevalent literature from previous studies, focusing on the importance of corporate governance, and also examining how private and state-owned organisations in the country are managed.

The true picture of corporate governance in a place like Zimbabwe is not an easy one to provide. The country’s economic and political landscape has long been “highly-centralized due to the mistrust and elitism that characterizes the current regime” (Munangagwa, 2009: 125). The “current regime”, referred to by Munanagagwa, was of course the Robert Mugabe-led government which ruled the country from independence in 1980 in a dictatorship style, when Mugabe was forced to resign.

Munangagwa (2009: 125) added further that during the reign of Mugabe, “Many major political and economic decisions are controlled by a few in power, which is similar to the economic conditions of Russia under Brezhnev”.

Under such climate, it would naturally be challenging to maintain and practice corporate governance principles – particularly in government-owned entities, which this study is focusing on.

### 3.2 The Geo-Political Structure of Zimbabwe



**Figure 3: Political map of Zimbabwe (Source: Maps of the World)**

Zimbabwe - or the Republic of Zimbabwe to use its official name - is a sovereign country in Southern Africa. It is a landlocked country, situated in the southern sub-region of the African



continent. From the map above, it can be seen that Zimbabwe has no access to the sea but instead has Zambia as its northern neighbour; Mozambique on its eastern border; South Africa as its southern neighbour; while Botswana and a small part of Namibia make up its western neighbours.

Previously, the country was known as the Republic of Rhodesia or Southern Rhodesia. It lies amid Limpopo and Zambezi Rivers. There are three official languages in the country: Shona (the Bantu language spoken by the majority of its people), English, and Ndebele (another Bantu language).

The population of the country as per 2018 estimates is 16,750,690million (www.countrymeters.info). The total area covered by the country is 150,871 sq miles (390,757 sq kms) (www.countrymeters.info). As at 2016, life expectancy at birth in Zimbabwe was recorded at 49.6 years, which is quite low compared to those of its neighbouring countries such as South Africa where life expectancy at birth is recorded at 64 years as at July, 2017 (www.cabsa.org.za), while in Botswana it was 66.8years in 2016 (www.statista.com).

The standard of living in Zimbabwe is quite low, as is the healthcare standard, evident in a remarkably low life expectancy at birth, a high prevalence of HIV, and a high fertility rate (www.statista.com). In this wise, 72% of Zimbabweans are believed to be living below the poverty line, according to data provided by the World Bank and published on The Zimbabwe Mail. The World Bank describes extreme poverty as an individual, “living on less than US\$1.90 per day as at October 2015” (www.thezimbabwemail.com). According also to the Zimbabwe National Statistics Agency (ZimStat), the poverty line “represents the minimum expenditure required by an individual to fulfil his or her basic food and non-food needs”.

Since therefore, state-owned entities contribute substantially to the revenue of their national economies, their failures may, according to Moyo (2017: 24) have adverse social and economic

effects on the citizens of a country. Such conclusion can explain the poverty situation in Zimbabwe highlighted in the previous paragraph.

The capital of Zimbabwe remains Harare – which was hitherto known as Salisbury until 1982 ([www.sahistory.org.za](http://www.sahistory.org.za)). The national capital is the commercial hub of the country and is also the largest city of Zimbabwe. The city has been host to many international summits such as Commonwealth Heads of Government Meeting in 1991, United Nations Tourism Conference at Victoria Falls in April, 2013 and the 18<sup>th</sup> International Conference on AIDS and STIs in Africa, held in Harare, November, 2015.

Zimbabwe practices a parliamentary democratic system of government which has an executive arm, a legislative arm; and a judicial arm ([www.studycountry.com](http://www.studycountry.com)). The executive arm is made up of the President, two Vice-Presidents and Cabinet ministers. The legislative arm is made up of a single chamber called the House of Assembly, which has 150 seats (or members). In other words, the country has a centralized government, with power concentrated at the national level, where all key decisions – including the composition of directors and CEOs of state-owned entities - affecting the well-being of the country are taken. Such decisions ultimately have far-reaching effects on the lives of the people of the country, as indicated later in this chapter by Chitando *et al* (2016). Equally therefore in the opinion of Mugova & Sachs (2016: 224), “state-run businesses and those with a certain level of government governance shareholding...exhibit problematic conflicts of interest which reduce entrepreneurial spirit and professionalism”. Both scholars also highlighted the fact that in Zimbabwe, governance systems have led to nepotism and little consideration for competence and expertise.

Politically, the country is also divided into eight provinces. Every province has a provincial capital from which the administrative functions are performed. Two cities which have achieved provincial status for administrative purposes are Bulawayo and Harare.

The important cities of Zimbabwe have been highlighted on the political map in Figure 3 by black dots. The eight provinces of the country along with their capitals are thus listed below:

Mashonaland Central	Bindura
Manicaland Central	Mutare
Mashonaland West	Chinhoyi
Mashonaland East	Marondera
Matabeleland South	Gwanda
Masvingo	Masvingo City
Midlands	Gweru
Matabeleland North	Lupane District

**Figure 4: Provinces and Provincial capitals of Zimbabwe**

One of the most beautiful landmarks in the world, Victoria Falls, is situated in the northwestern corner of the country (in Matabeleland North province) on a section of the Zambesi River – which attracts large number of international tourists and thus offers opportunities for revenue and growth to the country.. This is the same province where Hwange is located.

The country boasts a variety of valuable mineral deposits which include gold, platinum, asbestos, copper, chrome, nickel, tin, iron ore, limestone, phosphate and coal. Most of these minerals can be

found in the Highveld parts of the country, particularly Matabeleland North province; this is where Hwange – the area where the case study of this research - is situated (Kay, 2003: 1222)

### **3.3 The Political Economy of Zimbabwe**

It is necessary at this juncture to highlight the fact that Zimbabwean politics and economy are closely-linked together. The experience of the Zimbabwean people, since independence in 1980, whereby the government under the ruling ZANU-PF (Zimbabwe African National Union-Patriotic Front), led by long-serving Robert Mugabe, clearly showed that political decisions taken by the government, directly affected the economic and social lives of all Zimbabweans.

Upon independence in 1980, the ZANU-PF leadership inherited an economy of relative strength from the white minority government. Indeed, though the economy of the country was largely based on “a system of private enterprise”, the white minority government also had in place, “a system of government intervention to support infant industries and maintain agricultural prices through marketing boards”. ([www.britannica.com](http://www.britannica.com)). Writing in the highly-respected *Financial Times* (2017), Tony Hawkins and David Pilling ([www.ft.com](http://www.ft.com)) actually declared emphatically that, “Robert Mugabe inherited a well-diversified economy with potential to become one of sub-Saharan Africa’s best performers”. This economic balance sustained the young nation up until the 1990s, when the country’s economy started to decline. The major underlying reason for this decline remains the Mugabe government’s highly-controversial policy of land reform, whereby land was seized – often through violent and forceful means – from white minority farmers, and handed-over ill-equipped black Zimbabweans with little knowledge of agriculture and farming.

The land reform policy created huge social disruptions and uncertainty; forcing many of the highly-skilled white farmers to migrate overseas to more-welcoming countries where they re-settled. Inevitably, a white population of well-trained, experienced agricultural managers numbering “almost 300,000 at the time of independence.....dwindled to fewer than 30,000” (www.heritage.org) in a short space of few years.

By 1997, Zimbabwe’s economic decline started becoming clear for all to see. It began with the crash of the stock market on 14 November, 1997. Civil society groups started agitating for their rights, which had been mostly taken away under the government-sponsored Economic Structural Adjustment Programme (ESAP) introduced in 1990. In 1997 alone, about 232 strikes were recorded, the largest number in any year since independence (Kanyenze, 2004). In that same year, the revered war veterans – who spearheaded violent resistance to white colonial rule during the struggle for independence - organized themselves and embarked on demonstrations that were initially ignored by the government.

Clearly, the economic situation in Zimbabwe at this time was becoming a source of serious concern. In response to the worsening state of the country, the ZANU-PF-controlled government sought to find solutions but in truth, “government policies – although intended for the public good – ignored the social costs associated and were not carried out in the most efficient, transparent manner” (Munangagwa 2009: 128)

However, as the intensity of the strikes grew in 1997, the government was forced to pay the war veterans a once-off gratuity of ZWD \$50,000 by December 31, 1997 and a monthly pension of \$2,000USD starting from January 1998 (Kanyenze, 2004). This situation arose out of what was

perceived as a sense of entitlement by the war veterans – who were considered untouchable due to their involvement in the armed liberation struggle and civil war between July 1964 to 1979 and is often referred to as the Second Chimurenga war between the white Rhodesian government and the ZANU-PF and ZAPU forces (Munangagwa, 2009: 111). Mugabe therefore always felt compelled to bend over backwards to meet their demands at all times.

Nyathi (in Raftopoulos & Savage, 2004: 71) highlighted this tendency by the veterans, by writing that:

“During the late 1990s, the Zimbabwe National Liberators War Veterans’ Association (ZNLWVA) was reorganized under the leadership of a charismatic and unscrupulous man, Dr Chenjerai Hitler Hunzvi, whose war credentials remain highly dubious. He reorganized the war veterans into a highly-effective lobbying force....Hunzvi used violence and threats of violence against Zanu-PF and its patron Robert Mugabe, if certain demands were not met. In the face of this pressure and in fear of losing the war veterans’ substantial and key support ahead of elections, Mugabe capitulated and without consulting Cabinet or considering the budgetary and economic repercussions, the President unilaterally offered the war veterans cash gratuities of Z\$50,000 each, free healthcare and education for their families and Z\$2,000 monthly pensions for life”

To raise money for this obviously-unbudgeted expense, the government tried to introduce a so-called ‘war veterans’ levy. This levy however met with much opposition from the labour unions and government had to look for money to meet this obligation and pacify the war veterans.

Following the massive depreciation of the Zimbabwean Dollar in 1997, the cost of agricultural inputs increased dramatically, therefore compelling producers and farmers to demand that the price of maize (corn) be raised. Millers then hiked prices by 24% in January 1998 and consequently, the huge increase in the price of maize meal triggered nation-wide riots across the length and breadth of the country. In response to these violent opposition to his rule, Mugabe called-in the army to quell the riots and according to Nyathi (2004: 71), it saw the start of a mutually-exploitative relationship between Mugabe and the war veterans. In what was clearly a failure of governance on the part of Mugabe, the war veterans provided Mugabe with a “vast unofficial government-supporting force prepared to break the law in order to keep him in power, while hoping themselves to continue benefitting materially”. This example of poor leadership resulted in Mugabe using the war veterans to override ZANU-PF party structures and in so doing, he weakened the party’s ability to challenge him.

Examples of poor leadership, policy somersaults, inconsistency in government decisions and actions generally characterized governance and leadership in Zimbabwe throughout this era. Examples abound aplenty. For instance, after the elections of 2000 – which were widely believed to have been won by the opposition Movement for Democratic Change (MDC) - political violence continued sporadically. Over 40 supporters of MDC were killed and according to Dashwood (2000: 55), “In October 2000, President Mugabe pardoned most of the ZANU-PF perpetrators of this violence. In December, he issued a presidential edict banning all lawsuits that challenged election results. In January 2001, the Zimbabwe Supreme Court overruled this edict, allowing the MDC to proceed with its challenges. Threats of physical violence, and...death, against the justices ensued. In February 2001, the Supreme Court chief justice, Anthony Gubbay, was forced to resign. Also in early 2001, government officials described Zimbabwe's independent press as a national

security threat. Shortly thereafter, a bomb destroyed the MDC newspaper's printing press". In the midst of all these, surely a lack of confidence in the government's ability to effectively rule the country, prevailed.

After several false-starts by the Mugabe government, Zimbabwe was finally forced to abandon its currency in 2009 – after it had been severely weakened by hyperinflation. According to Hawkins & Pilling ([www.ft.com](http://www.ft.com)), the country was forced to:

“...adopt the dollar as its principal means of exchange.

The enforced dollarisation stabilised the economy and led to an initial 40 per cent rebound in incomes, though these have since flatlined. With no local currency, money supply became entirely dependent on inflows of dollars, in effect depriving the authorities of control over monetary policy”.

Eventually, the country slid into hyperinflation – calculated to have ballooned up to “over 1,729.9 percent in February 2007 from 1,593.6 percent the previous month” (Munangagwa, 2009: 121) - with its currency losing value alarmingly to the point where a 1,000 Zimbabwean Dollar bill became equivalent to 1US Dollar (Munangagwa, 2009: 121). The exodus of skilled manpower to neighbouring countries such as South Africa and Botswana, along with extremely-tough sanctions imposed on the country by a handful of Western nations led by Great Britain, severely pushed Zimbabwe to the point of collapse.



In a desperate attempt to revive the economy, the government introduced “bond notes” in 2016. These notes were theoretically, supported by hard currency but they also quickly deteriorated in value. Money supply increased 36% since then, while the bond notes declined by over 80% in value on the parallel market, thus threatening even higher inflation (www.ft.com). This was after annual inflation had reached a record 200million percent in July 2008 (Kavila & leRoux, 2016: 95) and the government sheepishly then ordered the Central Statistical Office to stop publishing inflation figures thenceforth.

According to an analysis of the country by www.heritage.com (2018), Zimbabwe’s economy is characterized by “instability and volatility”, both of which represent examples of excessive government mismanagement and interference. Equally, “massive corruption and disastrous economic policies have plunged the country into poverty” (www.heritage.com). An inefficient judicial system and a general lack of transparency contribute also to severely increase the costs of doing business and the risks associated with it.

Presently, according to Munangagwa (2009: 124) the Zimbabwean economy is being run by the informal, unregulated sector. Based on his analysis, 80% of the economy uses foreign currency, but there still remains a huge demand for Zimbabwean dollars because most stores and retailers were – until last year - not allowed to legally sell their goods in exchange for foreign currency. Many companies and manufacturers have therefore been forced to close down, while service providers such as schools are being forced to charge their fees either in US dollars or in fuel vouchers, especially when petrol prices keep going up.

Altana & Kojo (2008: 2) are more brutal in their assessment of the state of the Zimbabwean economy. According to them, “The extremely high inflation in Zimbabwe has originated from a

public sector which is living beyond its means”. They further highlighted the fact that leadership, guidance and governance that ought to be provided by government has not been forthcoming because “inappropriate economic policies have been the main cause of these difficulties, exacerbated by governance problems, drying up of external financing, the land reform program, droughts and the HIV/AIDS pandemic”. Ward (2015: 1) therefore surmised emphatically that, “political instability and potential violence are ever-present threats in Zimbabwe”.

Chitiyo *et al* (2016: 6) added their voice to an assessment of Zimbabwe’s current socio-economic situation by insisting that, “None of Zimbabwe’s political, economic or other stakeholders can resolve the country’s economic and political crises on their own. Zimbabwe’s international re-engagement needs to complement a national re-engagement between its people”

So, in the light of the dire socio-political circumstances in which the country finds itself in, how could one assess the practice of corporate governance within such a challenging environment?

### **3.4 A State-owned Enterprise**

A state-owned enterprise, also known as an SOE or parastatal, is described by Sáez & Yang (2001: 69) as a commercial entity controlled by the arms of state machinery. Thus, a state-owned enterprise is incorporated as a company or by virtue of a statute and is either fully or partially-owned by the government. Such commercial entities occupy strategic sectors of the economy and are intended to develop the country through the nationalisation of key areas such as energy, agriculture transportation and even mining, among others. Sikwila *et al* (2015: 612) agreed that state-owned enterprises are vital for the development of the country in the various economic sectors in which they operate, in order to facilitate the accomplishment of the government’s service-delivery aims and objectives. Every year therefore, billions of dollars in public funds are

allocated by governments around the world towards the operations of state-owned enterprises. Accordingly, in the opinion of Chimbari (2017: 215) the corporate structure of the state-owned enterprise is different from the private organization in many ways, especially in terms of ownership, management and control. Available empirical evidence however suggests that bad governance is one of the reasons why some countries' state-owned enterprises continually experience negative growth rates and remain poor when others are progressing (Kaufman & Kraay, 2000: 170).

### **3.5 An overview of Zimbabwe's state-owned enterprises**

Officially - as recently as 2017 - there were 97 state-owned enterprises in Zimbabwe ([www.zim.gov.zw](http://www.zim.gov.zw)). This is an increase of about 112% from 39 parastatals in 2007 (Altana & Kojo, 2008: 9). Often referred to as State Enterprises or SEPs, these entities are all wholly-owned and managed by the Government of Zimbabwe and exist in various sectors of the economy ranging from agriculture, transport, telecommunications, mining, sports and arts, industry and trade, financial services, energy and power, education and tourism. However, a breakdown of these entities on the Zimbabwe government website only revealed the identity of 63 of them with a handful of the most-important amongst them, found in the agriculture and mining sectors are listed below as follows:

#### **Agriculture Sector**

- (i) Pig Industry Board
- (ii) Grain Marketing Board (GMB)
- (iii) Tobacco Research Board (TMB)
- (iv) Agricultural and Rural Development Authority (ARDA).
- (v) Cold Storage Company(CSC)

- (vi) Agribank
- (vii) Agricultural Research Council (ARC)
- (viii) Tobacco Industry and Marketing Board (TIMB)

### **Mining Sector**

- (i) Minerals marketing Corporation of Zimbabwe (MMCZ)
- (ii) Hwange Colliery Company
- (iii) Zimbabwe Mining Development Corporation (ZMDC)

A separate entity known as State Enterprises Regulatory Authority (SERA) manages most of these parastatals. However in 2017, the executive director of SERA, Edgar Nyoni disclosed that SEPs in Zimbabwe were recording alarming losses and continued to pose significant fiscal risk to the country, as they always ask for government bailouts ([www.newsday.co.zw](http://www.newsday.co.zw)).

According to Nyoni, it was found that 84 SEPs out of 97 only submitted results for 2011-2014, adding those 84 SEPs recorded overall losses of \$260 million in 2014, and gross income of \$4.2 billion making use of gross assets of \$14.1 billion ([www.newsday.co.zw](http://www.newsday.co.zw)).

To make matters even worse, these parastatals are faced with constant cash flow problems whereby they regularly fail to pay suppliers. Inevitably, since most of their suppliers are equally fellow-parastatals, most or all of them inevitably experience liquidity problems whereby they are short of money.

Specifically in 2014, Zimbabwe's Auditor-General exposed serious evidences of corporate mismanagement in the country's SOEs particularly in the terms of corrupt tendencies and financial irregularities. According to Muzapu *et al* (2016), "The Auditor-General found out that some Chief Executives, senior SOE employees and politicians were milking the organizations by awarding

themselves unjustifiably-hefty salaries and allowances, flouting tender procedures, and diverting organizational property for private benefit. This was found to be the case at ZBC, NRZ, Zimbabwe United Passenger Company (ZUPCO), Air Zimbabwe and the Premier Service Medical Aid Society (PSMAS)”

Zhou (2012) equally highlighted a tendency amongst executive members, board members and employees of SOEs in Zimbabwe, to “exploit systemic gaps and/or blind spots within organizations, such as the undefined (authority and responsibility) boundaries between the minister responsible for the company, the board of directors and the chief executive to fleece the organization. Predatory leaders thus take advantage of such overlapping and undefined responsibility boundaries for their own benefit”.

It is within this type of economic environment that the Hwange Colliers – a key state-owned enterprise in the mining sector - operated for many years, and still exists.

### **3.6 Corporate Governance in Zimbabwe’s Public Sector**

The Zimbabwean National Code on Corporate Governance was launched in April 2015 by the then-Vice President, Emmerson Mnangagwa – who interestingly is now the President of the country - amidst lots of fanfare at the Rainbow Towers Hotel in Harare.

According to this code, attention was meant to focus on, “...corporate disclosures, communication structures for creating trust amongst shareholders, boards of directors and management, performance measurement standards, accountability, sustainability and moral duties, as well as ethical conduct of directors” (fxzim.co.zw) . These areas - which were all extensively addressed in the code - were expected to produce a corporate culture of the highest standards that would ensure the sustainability of businesses and ultimately benefit Zimbabwe and its people as a whole.

Any study aimed at examining state-owned enterprises in Zimbabwe therefore, must inevitably, establish a connection with the government's political policies and decisions. Against this backdrop, Chitando *et al* (2016: 3) buttressed this by insisting that:

“Political decisions taken, decisions not taken, as well as those that were taken but not implemented had a massive bearing on Zimbabwe's economic fortunes. The adoption of the Economic Structural Adjustment Programme (ESAP) in 1991...had massive consequences on the economy. Similarly, the Fast Track Land Resettlement Programme (FTLRP) was the outcome of a political decision that had enduring ramifications for the economy”.

Chimbari (2017: 213) thus attempts to paint a clearer picture of the state of corporate governance within Zimbabwe's public sector by writing that, “most of the challenges that continue to afflict Zimbabwe's public sector entities are of a corporate governance nature”.

While borrowing from Saez & Yang (2001: 69), who described a state-owned enterprise as a “commercial entity that is controlled by the arms of the state machinery”, Chimbari (2017: 213) expanded the definition further by adding that a state-owned enterprise is “incorporated as a company or by virtue of a statute and is either partially or fully-owned by the government”.

Due to their role in any country's economy, state-owned enterprises occupy strategic sectors of a country's economy such as agriculture, power generation, long-haulage transportation, defence, etc. Accordingly, Chavunduka & Sikwila (2015: 652) agreed that, “state-owned enterprises are vital for the development of the country in the various economic sectors in which they operate, in order to facilitate the accomplishment of the government's economic objectives”. Considering their strategic roles, huge amounts of money are allocated into the running and operation of such

state-owned entities in almost all countries of the world. For this reason also, Wadie (2013: 18) argued that, “effective governance within the public sector is imperative to ensure the efficient use of resources, the strengthening of accountability for the stewardship of national resources, and the improvement of administration and service delivery”.

In his assessment, Chimbari (2017: 216) therefore asserted that, “bad corporate governance practices still remained rampant in SOEs; with major parastatals such as Premier Service Medical Aid Society (PSMAS), Zimbabwe Broadcasting Corporation (ZBC), Zimbabwe Revenue Authority (ZIMRA), Air Zimbabwe, and the Municipality of Harare becoming archetypes of serious corporate malfeasance over the past five years”.

This unhealthy state of affairs is therefore the picture that has emerged of the condition of corporate governance in Zimbabwe’s state-owned entities till date.

### **3.7 A brief background and history of Hwange Colliery**

Hwange Colliery is the name of a coal-mining company, located in Hwange in the Matabeleland North province of Zimbabwe, which is actually in the remote western part of the country; which is however just 100kilometers to the world-famous Victoria Falls – close to the Zambian border ([www.cnrgzim.org](http://www.cnrgzim.org)). It was founded 119 years ago in 1899. On its website, Hwange Colliery announces that it “explores mines and processes and markets coal, coke and associated by-products” ([www.hwangecolliery.net](http://www.hwangecolliery.net)). Similarly, according to its company profile, Hwange Colliery is also “engaged in the business of extraction, processing and distribution of coal and coal products” ([www.in.reuters.com](http://www.in.reuters.com)).

The Company, also “operates through three segments: Mining, Medical Services and Estates. The Mining segment is engaged in the extracting, processing and distribution of coal and coal products.

The Medical Services segment provides healthcare to staff members and the surrounding community. The Estates segment provides properties for rental and sells retail goods and services” ([www.in.reuters.com](http://www.in.reuters.com)).

Hwange Colliery Company provides the energy needs of the whole nation from the “black stones that burn” ([www.hwangecolliery.net](http://www.hwangecolliery.net)). The company’s shares are quoted on the Harare, London and Johannesburg Stock Exchanges. It also employs more than 3200 people and its board comprises of ten members whose composition reflects the holdings of the major shareholders.

Hwange Colliery’s role in the economy of Zimbabwe is of great strategic importance, as coal is a vital source of energy and found in abundance in the country.

## **Conclusion**

The choice of the Hwange Colliery as case study – as mentioned earlier in this chapter – is an attempt to identify and highlight the presence of proper corporate governance practices in a state-owned enterprise. The company has 14 major shareholders which range from ArcelorMittal South Africa Limited, Government of Zimbabwe, BP Southern Africa Pty Ltd, Zimbabwe School of Mines, Institute of Directors (Zimbabwe), to The Law Society of Zimbabwe. Of these major shareholders, the Government of Zimbabwe holds the majority number of shares, which thus qualifies the company as a state-owned parastatal ([www.hwangecolliery.net](http://www.hwangecolliery.net)).

In the course of this study, the prevailing situation at the Hwange Colliery – with regards to its performance, management style, profit-loss making, staff treatment, etc – will be analysed and researched in order to make an informed conclusion.



## **CHAPTER FOUR: RESEARCH FINDINGS AND DATA ANALYSIS**

### **4.1 Introduction**

Measuring the level(s) of corporate governance compliance is never an easy task at the best of times. This task is even made more tedious, according to the World Bank (2014: xxii) by governance problems at SOEs (State-owned enterprises) where there exists, “divergence of political interests between ownership (by government on behalf of the citizens of the country) and control (by the directors and managers that run the company)”.

To help achieve this task therefore, this study will be making use of the following research methods to/obtain much-needed data. They are:

- (i) Secondary research: Text books, Journals, Magazines, documentaries will be studied;
- (ii) Site visits: Relevant sites like the Hwange Colliery mine at Hwange; government offices, media houses and other relevant institutions will be visited as part of the study;
- (iii) Community members: The views, opinions of individuals, groups and other samples members of the Hwange community will be obtained through the use of unstructured discussions and interviews.

All the afore-mentioned methods belong to the qualitative approach of methodology, which focusses on collecting, obtaining, and producing data from the written and spoken words of people as well as their observable behaviour. While the entire process of conducting research may be described as the general manner in which data are obtained in conformity with operational

decisions, it also includes the manner in which data are presented in order to produce findings in line with strategic/scientific outcomes.

Ultimately, all the findings from these three research methods of data collation will be interpreted and analysed in this chapter to better understand the state of the Hwange Colliery, as a reflection of the level of corporate governance in state-owned enterprises.

## **4.2 Data Collation**

At the end of two (2) site visits carried out at both Hwange town and the Hwange Colliery, the researcher found out that Hwange is essentially a mining town. The day-to-day lives of the people – numbering approximately 62,670 according to 2012 population census ([www.citypopulation.info](http://www.citypopulation.info)) – revolves around the mining of coal taking place there as well as the Colliery.

Hwange itself is a remote town. According to the distances covered by the researcher, the town is located within the Hwange national park, which itself is sited within the Matabeleland North Province – all in the North-west corner of Zimbabwe. From Hwange town, it is roughly-calculated that there is a distance of about 95 kilometres further north to the world-famous Victoria Falls, lying on the border with Zambia.

Hwange town is considered a self-contained community because almost all services ranging from roads, refuse collection, power supply, water supply, health services, schools, housing and recreational facilities are provided by the Hwange Colliery Company Limited (HCCL). The company also operates its own railway system, telephone network and internal security apparatus.

### **4.2.1 Use of Unstructured Interviews**

The researcher compiled an interview schedule that mostly represents an unstructured interview as described in Annexure A. The researcher targeted 54 individuals with whom discussions were conducted as part of the study.

The primary purpose of the discussions/interviews was to initiate and stimulate communication between the researcher and the participants. This communication was deemed important to the study because the researcher wished to determine the opinions and attitudes of residents of Hwange towards the Hwange Colliery Company Limited, as well as its activities and impact within the town. Because, “the unstructured interview is an open situation allowing the interviewer greater flexibility and freedom” (White 2005: 146), the researcher believes this method would give the participants lots of room to express themselves and their feelings.

#### **4.2.1.1 Types of Questions Used in Interview Schedule**

The types of questions administered to the participants were:

- Personal background and biographical data

This part of the interview was aimed at determining the identity, age and occupation of the participants. It was intended to familiarize the researcher with the personality of the participant and therefore help create an atmosphere of mutual confidence and trust between researcher and participant (aka interviewee or respondent). Before the personal background questions were asked, the participant was informed that all their personal details would not be included in the study when published.

- Understanding the participants’ environment

This part of the interview was aimed at making the participants express how they understood the society-cum-community in which they exist in. It was intended for the participants to reveal how they perceived their socio-economic situation; their ethnic situation; the make-up of the society in which they live in; and their position in that society. This question primarily targeted the opinions and views of the participant towards their immediate and larger environment and how relevant they believe that they are within the environment.

- Nature of their occupation

This question was aimed at identifying the type of work that each participant does and if such occupation had any direct or indirect bearing to the Hwange Colliery Limited.

- Attitudes towards the Hwange Colliery Company Limited

This part of the interview helped the researcher to measure and determine the way the participants perceived the activities of the Hwange Colliery Company Limited. This aspect greatly formed the core of the researcher's study as it helped to draw specific conclusions regarding the main objectives of the study – assessing the level of corporate governance practiced by the Hwange Colliery Company Limited.

- General Questions

This part of the interview was often open-ended and was never pre-determined or pre-meditated. The questions were normally spontaneous and varied from individual to individual. The questions administered in this part were determined by the participants' response or answers to previous questions during the course of the interview.

### **4.2.2 Direct Observation**

According to White (2005:158), the purpose of observational data is to describe:

- The setting that was observed;
- The activities that took place in that setting; and
- The people who participate in those activities and the level or extent of their participation.

Accordingly, the researcher devoted considerable time and effort in observing the daily schedules of both the residents of Hwange, as well as the workers of the Hwange Colliery Company. The researcher spent lots of time observing the behaviours, patterns of life and habits of the residents of the villages that make up Hwange, as well as the lifestyles, habits, dresscodes, physical appearances and standards of living of the workers of the Hwange Colliery Limited.

This approach was considered necessary to the success of the study since some of the potential-participants targeted for the unstructured interviews would be naturally reluctant to speak to the researcher.

It was therefore deemed necessary to undertake a direct observation of the residents of Hwange, as well as the workers of the Hwange Colliery Company Limited in order to help the researcher reach definite conclusions about the perceptions of the residents about the corporate practices and behaviours of Hwange Colliery Company Limited.

Several attempts to speak face-to-face with senior company officials were unsuccessful as they claimed to only receive and obey directives from their head office in Harare, the country's political and economic capital. However, the researcher obtained evidence that living conditions for both the miners, their family members and the immediate community of Hwange were generally not

up-to-standard. Within the company itself however, data was obtained to the effect that labour standards and the individual workers' rights were routinely compromised. The situation at the Colliery therefore was found to impact on safety standards, wages and entitlements, social security and the health of the workers, their family members and the larger community of Hwange.

Photographic evidence was also used to record and capture the observations seen.

### **4.3 Key Issues That Prove Existence of Corporate Malpractice(s)**

#### **4.3.1 Socio-Economic Issues**

It was discovered that the salaries of workers at the Hwange Colliery have not been paid for the past two years – December 2012 to October 2014. The situation of unpaid salaries reached boiling-point in October 2013, when policemen fired teargas and beat up over 110 women who were marching to the company offices early in the morning. The women – who were mostly wives of workers at Hwange Colliery - accused the company of reneging on its promises when it failed to pay the workers their August and September 2013 salaries. According to reports at the time, the Hwange Colliery board had asked the workers to forfeit the backlog of salaries they were being owed and start on a clean slate at the end of August 2013. ([www.nehandaradio.com](http://www.nehandaradio.com))

According to reports obtained from eyewitness accounts as reported by *The Source* news magazine ([www.source.co.zw](http://www.source.co.zw)), “The workers who were desperate for their salaries, somehow grudgingly accepted the management proposal but were disappointed when the same management failed to pay them for the last two months despite the promise”, ([www.source.co.zw](http://www.source.co.zw)).

Despite the fact that the women were accompanied by their children, the riot police still went ahead and fired teargas and used batons to disperse them. Two women sustained serious injuries and were admitted to hospital (See Photographs 1 and 2).



**Photograph 1: A large group of women protesting in front of the Hwange Colliery Company premises, over the long-unpaid salaries of their husbands who work at the company.**

**(Source: [www.nehandraradio.com](http://www.nehandraradio.com))**



**Photograph 2: A female protester (left) covered in blood after being assaulted by riot police at the Hwange Colliery Company. (Source: [www.nehandraradio.com](http://www.nehandraradio.com))**

Hwange Colliery Company representative, in a telephone conversation, blamed the lack of workers' remuneration to the slowdown of the Company's economic activity, but a middle-aged man who was interviewed and claimed to be a ex-employee of the Colliery up till February 2014, disclosed that Hwange Colliery Company Limited still exports coal to 14 African countries.

The issue of unpaid salaries interestingly, was found to be a perennial problem at the company. Once again, since no senior official of HCCL was willing to offer any explanation as part of this study, it was left to the researcher to obtain information from reliable and willing sources which are associated with HCCL.

Accordingly, it was gathered that payment of salaries at HCCL was often a mirage – something better imagined than seen. It was gathered from 54 miners who consented to participate in discussions for this study – currently not working though since the Colliery is temporarily closed - therefore, that due to the non-payment of their salary arrears, many miners in Hwange have been increasingly forced to beg, engage in informal street trading whereby they sell anything ranging from vegetables, fruits, cellphone airtime just to make ends meet. The researcher personally witnessed over 40 people selling all sorts of items by the roadside and on engaging in conversation with them, it was ascertained that 25 of them were indeed miners. At a more-desperate level, some of the female miners have even been known to engage in prostitution in the absence of any income or salaries from HCCL.

In April 2013, the Hwange Colliery management suspended 520 workers over salary disputes and alleged breach of the company's code of conduct, based on reports by New Zimbabwe newspaper



([www.newzimbabwe.com](http://www.newzimbabwe.com)). The workers had been on strike over outstanding employee share option schemes which had not been given to them by the company.

It was clear to the researcher therefore, that salaries - which are the enshrined right of every worker – is not seen as such by the management of HCCL. Instead, the management of HCCL has clearly developed a reputation for owing salaries over many months and years, and when frustrated workers and their family members embark on drastic action to demand their entitlements, they are met with force.

To put this issue in context, below in Figure 4.1 is a catalogue of disputes that have occurred at Hwange Colliery Company Limited (HCCL) over unpaid salaries and entitlements.

February, 2013	5 workers dismissed for leading a protest over unpaid salaries. ( <a href="http://www.bulawayo24.com">www.bulawayo24.com</a> )
April, 2013	Hwange Colliery Company management provides employees with food baskets each; a manager at the Colliery tells Voice of America radio (VOA) that the company is facing a cash crisis. ( <a href="http://www.voazimbabwe.com">www.voazimbabwe.com</a> )
April, 2013	525 workers suspended at Hwange Colliery for protesting over unpaid salaries; non-remittance of statutory deductions; and failure to issue them with share certificates since 2007. ( <a href="http://www.bulawayo24.com">www.bulawayo24.com</a> )
August, 2013	Hwange Colliery Company workers start strike over unpaid salaries. ( <a href="http://www.dailynews.co.zw">www.dailynews.co.zw</a> )
October 16, 2013	Workers at Hwange Colliery start a two-week strike to demand six-month unpaid salaries. ( <a href="http://www.swradioafrica.com">www.swradioafrica.com</a> )
October 30, 2013	1000 workers at Hwange Colliery put on unpaid leave after the workers had not been paid their salaries for six (6) months ( <a href="http://www.zimbabwesituation.com">www.zimbabwesituation.com</a> )
October 31, 2013	Bulawayo Labour Court declares two-week strike by workers of Hwange Colliery Company illegal and therefore, the company should not pay them for those two weeks. ( <a href="http://www.zimbabwesituation.com">www.zimbabwesituation.com</a> )

January, 2014	It is revealed that HCCL was owing its workers \$14million in unpaid salaries and benefits. (www.thesource.com)
February, 2014	Zimbabwe Mines Minister, Walter Chidakwa reveals that HCCL had paid its workers “something” out of the eight-months salary arrears it was owing them. He failed to elaborate on what exactly “something” meant. (www.thesource.com)

**Figure 4.1: Timeline of salary disputes at Hwange Colliery Company Limited**

**Considering the obvious fact that payment of remunerations (salaries, benefits, allowances, etc) remains a key corporate function, the catalogue of unpaid salaries at Hwange Colliery over many months as highlighted above, constitutes a serious breach of corporate governance. Added to the fact when the same workers and their family members, agitate for the payment of what is being owed them, the management of HCCL rather invites armed securitymen and government riot police to intimidate and brutalise these defenceless people.**

Such behaviour on the part of HCCL management remains a clear contravention of both the company’s corporate governance requirements, as well as all corporate governance standards anywhere in the world. Ironically, the Company states clearly in its own Corporate Governance Principles, that, “Our stakeholders include customers, shareholders, **employees**, local authorities, civil society....and others” (www.hwangecolliery.net), and also that, “the ethical performance of the company is the sum of women and men who work here”. (www.hwangecolliery.net) Clearly, based on all the incidents of intimidation, abuse, physical violence and unpaid remunerations cited above, the company has not lived up to those principles.

### 4.3.2 Social issues

Based on observable findings in the course of this study, housing conditions, as well as the houses found in the mining villages, built for low-ranking workers within the Colliery are well below the standards enshrined in international conventions. The houses do not meet the minimum requirements which are demanded by the United Nations Office of the High Commission for Human Rights (UNHCHR).

UNHCHR requires governments all over the world – and by extension, their agencies and state-owned organisations such as the Hwange Colliery Company Limited (HCCL) - to guarantee their citizens access to safe drinking water, adequate housing and sanitation, washing facilities, food security, and refuse disposal to name a few ([www.ohchr.org](http://www.ohchr.org)). The photographs (below) clearly illustrate the deplorable conditions the Hwange Colliery workers and community live in – which is a clear breach of the requirements of the UNHCHR.



**Photograph 3: The front courtyard of a building in Hwange mining village, which is similar to the type of houses inhabited by lowly-paid employees of Hwange Colliery Company Limited.**

**([www.cnrgzim.org](http://www.cnrgzim.org))**



**Photograph 4: A view of miners houses in one of the mining villages built for workers from the Hwange Colliery ([www.cnrgzim.org](http://www.cnrgzim.org))**



**Photograph 5: A resident of Hwange, collecting untreated water from a burst pipe belonging to the Hwange Colliery, in one of the mining villages.**

### **4.3.3 Social security, personal hygiene and health issues**

It is common knowledge that the mining industry is a high-risk environment where accidents take place frequently, resulting in life-changing injuries, as well as deaths in some extreme cases. In their study titled, *Factors Associated with Occupational Injuries at a Mine*, Makurumidze *et al* (2015) asserted that “in Zimbabwe between 2008 and 2013 showed an increasing trend in the incidence of occupational injuries from 25 cases per 1000, to 158 per 1000 in 2013”.

Such a situation equally applies to the Hwange Colliery, where occupational injuries and even fatalities are a constant occurrence. This possibility therefore emphasizes the need for a viable social security programme which ought to include compensation and assistance packages for both the workers of HCCL and their family members.

However, information obtained through discussions with participants familiar with, and affected by occupational matters such as accidents to miners, indicate a different picture. All of the 54 workers of the Colliery spoken to as part of this study confirmed that they personally suffered injuries while working for HCCL, or knew other colleagues who suffered injuries.

For instance, a woman from Wankie District of Hwange, explained that her husband who had been working in the colliery for 35 years (since 1981), died in January 2016 from an unknown disease, which was however linked to the constant inhalation of coal dust. The Hwange Colliery did not compensate her for the loss of her husband. Worse still, the local doctor refused to release the post

mortem certificate when he died, probably out of a reluctance to disclose the cause of the death which would make the company liable for his death. This as was gathered by the researcher, was not an isolated incident as many people in the small town knew somebody or some family that was denied compensation by HCCL.

Currently, the widow from Wankie District is left alone to fend for three children aged between 13-18 years old and she currently receives a meagre \$70 monthly pension, which, is often withheld arbitrarily by the company anytime without any explanation. There is also a constant threat by unnamed HCCL officials that she will have to vacate the company's house given to her late husband, in the foreseeable future. No official of HCCL was willing to comment on this particular case when approached by telephone enquiry.

It was recorded also through the interviews, that HCCL continues to jeopardise the lives, wellbeing and health of its workers by failing to provide simple safety workwear and equipment. Some of these equipment are things as basic as face masks.

Other residents of Wankie District showed the staff of Centre for Natural Resource Governance (CNRG) – who carried out a 2016 study ([www.cnrgzim.org](http://www.cnrgzim.org)) on the standard of living of Hwange residents - the worrisome health conditions of their children. They revealed serious cases of elephantiasis, Downs Syndrome among many residents interviewed, which they all claimed stemmed from exposure to dangerous mining activities around the town. They also pleaded that they did not have sufficient money to take such sick relatives to nearby hospitals to receive medical attention, especially as the company was failing to pay the salaries. Photographs 6-7 (below) clearly illustrates the extent of injuries suffered by residents and family members of the Colliery, as well as daily risks faced by workers of the Hwange Colliery due to inadequate work clothes and equipment ([www.cnrgzim.org](http://www.cnrgzim.org)) .

Appendix 6 in particular illustrates the irresponsibility of HCCL management in not offering any help or medical attention to victims of its mining activities. A young boy of 15 years-old who fell into a hot pit which had been abandoned by the Colliery for many years, can be seen to have suffered serious burns to both his feet. Two family members of the boy spoken to by this researcher, revealed that they had taken the boy physically to the company to demand help with his treatment in Harare, but were turned back twice at the company gates. On a third visit, they were met by a female “supervisor”, who only gave them a letter to a doctor in a government clinic in Victoria Falls as a form of assistance. No subject of compensation to the boy or his family was entertained by the company.



**Photograph 6: A young boy suffering from burns and injuries sustained from hot soil left unprotected by the Hwange Colliery (www.cnrgzim.org)**



**Photograph 7: Workers of Hwange Colliery observed without adequate protective clothing and equipment (www.cnrgzim.org)**

Exposure to such highly-polluted air and coal dust, led to high rates of pneumoconiosis and black lung disease among the HCCL miners and their relatives. Higher risks of contracting a wide array of diseases such as cardiopulmonary disease, chronic obstructive pulmonary disease, hypertension, lung disease, and kidney diseases were also observed (www.cnrgzim.org).

Since highly-toxic levels of arsenic, fluorine, mercury, and selenium are emitted by coal fires and spread through the waterways, before entering the air and the food chain of those living in the mining areas with harmful health and mental consequences, the levels of danger to the nervous system of the residents of Hwange remains a constant threat that they live with on a daily basis.



Efforts by the researcher to find out how HCCL has addressed these health threats to its workers and residents of the town were rebuffed; which gave an indication that the HCCL did not consider such issues as a priority - a clear disregard of corporate governance principles.

#### **4.3.4 Environmental Pollution**

The researcher visibly noted evidence(s) of air pollution in and around Hwange. It was obvious that the quality of air in Hwange town is foul and uncomfortable due to high levels of coal and carbon dust covering the streets – which obviously originated from the mining activity taking place at HCCL. This dust was also seen covering most parts of the town and therefore, many people were observed regularly coughing. To the normal observer, such regular coughing fits are a sign of breathing difficulties. Most residents of the town interviewed, revealed also, that they were on daily medication which involved taking of pills or drinking milk to ease their breathing difficulties. Similarly, apart from the health and safety dangers posed by such dusty air in Hwange, it was noticed that coal dust reduces air quality in the area and adversely affects vegetation in and around the town. The high level of pollution in the area has equally led to serious cases of soil and land degradation; disrupting the aesthetic layout of the town's landscape, resulting in unnatural and discontinuous configurations of the area, whilst the underground smouldering of the coal deposits produces fires which have detrimental, long-lasting economic, social and ecological effects. Indeed, it was learnt that such smouldering fire continue to spread underground after surface fires have been extinguished, thereby burning nearby forests and vegetation; disrupting the soil and creating endless cracks in the geological structure of the area.

Additionally, it was gathered that this environmental degradation often results in the sudden appearance of sinkholes and collapse of the ground, which continuously presents serious hazards

for the community-members by causing surface accidents to the people of Hwange and even causing infrastructures such as roads, pipelines, buildings and homes to collapse and cave-in.

Civil society organization, Centre for Natural Resource Governance's (CNRG) director Farai Maguwu revealed in 2016, that Hwange was a disaster-in-waiting if the country does not change its energy policy. Speaking about a report commissioned by CNRG in 2016 titled, Environment Impact Assessment Report for Hwange Coal-Mining Activities, he revealed that:

“There is a continuous underground fire burning in the area posing a risk to human and animal life and we fear this would be an ecological disaster if nothing is done soon. The air quality is bad, toxic and it's a health disaster”. ([www.newsday.co.zw](http://www.newsday.co.zw))

Dwelling further, Maguwu highlighted the fact that the Environmental Management Agency (EMA) which was supposed to tackle this sort of environmental degradation in conjunction with Hwange Colliery Company Limited (HCCL), continuously cited political interference as the reason why it consistently failed to regulate the coal-mining activities of HCCL. The EMA reportedly cited politics and powerful vested interests as obstacles to it enforcing proper regulations meant to address such destruction of the environment from coal mining ([www.newsday.co.zw](http://www.newsday.co.zw))



**Photograph 8: A large, open cast section of the Hwange Colliery company that remains unrehabilitated and exposed, which presents a constant danger to residents in and around the town ([www.newsday.co.zw](http://www.newsday.co.zw)).**

As seen in Photograph 8 (above), the HCCL has deemed it unnecessary to properly manage both the surface and underground area(s) in and around its mining sites. This tendency by HCCL presents constant dangers to both man and animals who inevitably stray into such abandoned mining sites and expose themselves to injury or fatalities. Similarly as seen in Photograph 8, large areas of land have been subjected to opencast mining by the HCCL and from the observations of residents of Hwange, these areas have been laid waste and unable to be used for either grazing by livestock, or for farming. It was also the opinion of the residents that such large expanse of land will take a very long time to rehabilitate.

Due also to contamination and water pollution within the mining site of the Hwange Colliery, a swamp has been formed as a result of the disruption of the soil by mining activities. Additionally, this study gathered and observed as well, excessive contamination of the nearby Dheka river by

acid mine drainage, causing severe health hazards for human beings and animals who drink from it (see Photographs 9 and 10, below).



**Photograph 9: In this shot by the researcher, water from Dheka River has changed its colour due to constant dumping of mine waste in it. Such solid waste has also prevented the water from flowing freely and becomes stagnant as seen above.**

Furthermore, the study gathered from residents of Hwange, that viral food poisoning is also a common cause for concern, due to the fact that crops growing along the banks of Dheka river and harvested for food by Hwange residents, is found to be highly-polluted. Plants and trees were found to be heavily-toxicated with chemical substances which constantly pollute the river, with harmful consequences for the local inhabitants who grow and harvest vegetables and fruits for both personal consumption and commercial purposes.



**Photograph 10: Evidence of pollution at the Dheka river, showing mine waste at the bed of the river as recorded by the researcher.**



**Photograph 11: Scores of dead fish on the banks of Dheka river in Hwange, which is reportedly a result of pollution in the river from mining activity, as recorded by the researcher.**

The pollutants deposited into the Dheka River, reportedly also affects people who live far-beyond the vicinity of the river. According to a female local resident, local women often collect the acidic

dust of the river and sell it throughout the country for use as a sexual stimulant. This practice is considered to be seriously endangering women in communities beyond the Hwange coal-mining site, because inhabitants of Hwange reportedly take the acidic dust as far as Harare – the capital – for sale there.

#### **4.3.5 Gender & Child Issues**

The fact that Hwange is a coal-mining town has rubbed-off on practically every inhabitant of this area. The researcher gathered from almost all the people spoken-to, that this wide-ranging effect has touched on every aspect of life in Hwange. More-poignantly is the effect on women and children in Hwange.

According to most of the residents spoken to, children are often forced to drop out of school and help their families by working as small-scale, informal and street vendors, thereby exposing them to a whole range of socio-economic, sanitary and environmental hazards which disrupts their lives. The conditions of living of many children as observed around Hwange showed clearly that most of the children lacked any sort of necessary protection and assistance in the midst of their vulnerable conditions, and are thus growing up in an environment lacking in proper safeguards and care. Clearly, such unhygienic and dangerous conditions which most of the Hwange children are exposed to, is in direct contravention of in the United Nation Convention on the Rights of the Child.

Lack of adequate facilities to carry children to community schools force them to walk everyday along highly-polluted, dusty and unsafe roads. The uncontrolled underground fires around the mines, according to the residents of the town, constantly pose serious hazards for the town's children. According to a few eyewitness account obtained in the process of the study, children in

Hwange regularly fall victim to serious accidents due to the unsafe environment where their mothers work and live. A particular instance was recounted where one male child fell unexpectedly into an underground coal fire in September 2014, when the ground just sank whilst he was running. The boy suffered over 70% burns all over his body.

To make matters worse, neither the boy nor his family received any compensation from the HCCL, who clearly had left the underground fire burning and unattended.

More alarming as well, the study gathered from residents that due to not being supported by their families to continue their studies because of overwhelming poverty brought about huge backlog of unpaid salaries, young women and girls engage in commercial sex work along the Hwange-Victoria Falls Highway to help sustain their education, with the worrisome consequences of them contracting sexually-transmitted diseases. The Hwange-Victoria Falls Highway it was gathered, had become a local by-word for prostitution, illicit sex and soliciting of sexual favours. This was because, most young women targetted the route as a means of gaining access to the thousands of foreign tourists going to the famous Victoria Falls.

Many of the girls who were observed standing by the roadside looked quite young, but when approached by the researcher, they moved away to a distance and refused to speak. However, some residents spoken-to confirmed that many of the girls soliciting for male clients were actually students who had dropped-out children out of school owing to lack of school fees and sometimes to avoid being forced into early marriages.

It was gathered that in Luseche village – one of the bigger settlements in Hwange District - at least 54 children failed to return to school at the beginning of the second term in 2014 (Ministry of Primary and Secondary Education). Traditional leaders and teachers who spoke

to the researcher, attributed the drop-outs to early child marriages both at primary and secondary level.

A local government official – in charge of Nekabandama Ward of Hwange – revealed in a discussion further, that the rate at which girls were dropping out of school was alarming. In his words: “In my ward we have a big challenge of girls dropping out of school to get married at a very young age. There is a low turnout of children proceeding to secondary school due to drop outs. As a councillor for the area, I continue to urge the Government and other players to join hands in addressing this challenge,” he said.

The official cited a particular case a 36-year-old village man who was arrested last year, for marrying off a 14-year-old girl, with the case still pending before the magistrate court. The man reportedly gave his reasons for the arranged marriage as a lack of resources to support the girl, who happened to be one of his eight (8) children.

In another discussion with a village head at a place called Tontola area, said cases of child marriages in the village were directly linked-to a sharp increase in school drop outs. In his words: “We have a serious problem of children some as young as 13 years, being forced into early marriages by their guardians and subsequently dropping out of school,” Dwelling further, he added that “many of these children belong to workers of Hwange Colliery, but since the company has been failing to pay salaries for years now, the parents sometimes prefer to force them into early marriages, especially as there is no money to keep them in schools”

Still on the subject of child neglect, a village head for Chimbona village in the same area, said long distances travelled by children to school was another factor contributing to massive school drops outs. In his opinion. “We also have children staying in villages such as Mudinguli and Chibala attending school at Nekabandama Primary School and



Kulibambila Secondary School and are forced to travel a distance of about 20km to and from school every day. You will find therefore that some of these children end up dropping out of school resulting in a decline in enrolment and marriages at a tender age,” he said. A provincial education director for Matabeleland North, confirmed that school drop-outs were a major problem in the largely-rural province, particularly in Hwange District.



**Photograph 12: Boys from a local school in Hwange District learning under the scorching sun and sharing two books amongst themselves (www.guardian.com)**

According to the director, “The issue of child marriages is one of the major reasons behind drop outs and it is a vicious circle and we don’t know who to blame”, emphasizing that most of them were no longer interested in school. “At one school in Hwange, teachers tried to plead with a brilliant pupil to return to school after she got married but sadly she declined,” the director added.

Revelations by residents also revealed that some of girls who drop-out of school, often join the prostitution racket, especially after failed marriages. One victim of child marriage who

we held a discussion with, told the researcher that she was forced to marry a 45-year-old man by her aunt at the age of 15. According to her, “My parents died in 2007 when I was still very young and my aunt took custody of me and my two siblings. I had to drop out of school when I was doing Form One after my aunt arranged a marriage for me. I married a 45-year-old man who continuously abused me until I left his home and joined my peers in Dete where we are now into sex work,” she said.

The girl added that she currently stays with her two siblings aged 14 and 10 at Hwange’s Mpumalanga suburb. “I had to take away my two siblings from my aunt because I don’t want them to end up in the same situation. I am staying with them and they are both at school and I pay their fees through this sex work”.

Years	School Drop-out Numbers in Zimbabwe (2012-2013)	School Drop-out Numbers in Matabeleland North (2012-2013)	% of School Drop-outs in rest of Zimbabwe (2012-2013)	% of School Drop-outs in Matabeleland North (2012-2013)
2012	9,300 learners	2,150	23% (from previous years)	31% (from previous years)
2013	13,000 learners	4,005	43%	89%

**Figure 4.2: Comparison of rate of students dropping-out of school nationally in Zimbabwe and Matabeleland North, where Hwange is situated.(Source: Ministry of Primary and Secondary Education)**

From the analysis in Figure 4:2, it can be seen that the rate of school drop-outs in Matabeleland North Province (89%), is more than double the rate of school dropouts all over Zimbabwe. Considering that Hwange is situated in Matabeleland Province, it becomes clearer why the plight of children and young adults is considered critical in Hwange.

According to the numbers contained in Figure 4:2 (above) the Ministry of Primary and Secondary Education revealed that about 52% of high school drop-outs between 2012-2013 were females, while adding that 40% of all primary school pupils who failed to proceed with their education were also females.

To further put this school drop-out crisis into context, a local human rights watchdog group known as, Zimbabwe Peace Project (ZPP) released a report in 2014 ([www.zimpeaceproject.com](http://www.zimpeaceproject.com)) which revealed that in areas such as Binga and Hwange, girls aged between 13 to 15 were being forced into early child marriages by their parents or guardians in a bid to raise money for basics such as food.

According to the report, “Most of the girls aged between 13 and 15 are forced into early sexual abuses and marriages, especially in Binga and Hwange districts. Some parents send their girl children into early marriages just to raise money for food,” said the report. Delving deeper to ascertain the reason(s) behind this trend, most of the parents and guardians mentioned the lack of remuneration from the Hwange Colliery – either in their position as workers or as family members of people who worked at the Colliery – as the reason behind the decision to compel their young girls into early marriages.

#### **4.4 Findings**

From all the data collated through secondary sources, unstructured interviews with residents of Hwange, as well as direct observation methods, the following conclusions can be drawn:

- (i) The Hwange Colliery is not in a healthy financial state since it has consistently failed to meet a basic corporate responsibility of paying workers wages and salaries over many years. Actually, at the time of completing this study, the Colliery has been closed down. On November 2, 2018, the Zimbabwe Stock Exchange suspended trading on

Hwange Colliery Company Limited's shares because the company had been placed under administration. The Government of Zimbabwe also justified the decision to place the Company under administration, saying "as a majority shareholder, it had noted that there was no sense in continuing with the business".

(www.standard.co.zw). Equally, current Mine and Mining Development minister, Winston Chitando justified the shutting-down of the Company by arguing that there was no prospect of a turnaround of HCCL due to rising debt, huge losses, and mounting cost of production inspite of reduced revenue;

- (ii) It was established throughout the period of this study, that the management of Hwange Colliery Limited consistently displayed short-sightedness and misplaced priorities in their decision-making and actions. For instance, in June 2016 despite owing its workers salary arrears since 2012, the company built and maintained an 18-hole golf course, tennis, bowling and cricket facilities, which it claimed were all for the use and relaxation of its employees. For workers who were being owed many years-long salary arrears, this was evidence of complete insensitivity to their plight. Equally, in terms of amenities, the company showed little interest in maintaining infrastructure that would have benefitted the long-suffering workers. For instance, the researcher observed that in Colliery Section 2 in Hwange town, the only public water pipe which served the entire community of Section 2 was broken thus forcing the women to depend on polluted water from a nearby stream for their daily chores.
- (iii) Residents who spoke to the researcher pointed out that heavy government interference in the affairs of the Hwange Colliery was seriously hindering the progress of the company. Many residents of Hwange who corroborated aspects of each other's account

of the state of affairs at Hwange Colliery Company Limited (HCCL), agreed that the company's current state of affairs was very much in stark contrast to its nostalgic past. The residents generally agreed that the HCCL had fallen on hard times due to the influence of the ruling party ZANU-PF.

To buttress this point further, *SW Radio Africa's*, Lionel Saungweme ([www.swradioafrica.com](http://www.swradioafrica.com)), described what is happening at Hwange Colliery, as the "ZANU-nisation" of businesses, with party chiefs taking over companies whose operations they do not understand. In his words:

"There has been ill-treatment of workers and an ongoing ZANU-nisation of the business functions of the Colliery, which has also affected other parastatals. The transportation system, the carting of coal to Zisco-Steel and other needy areas in Zimbabwe has been taken over by ZANU-PF friends," Saungweme explained.

He revealed in an interview in October 2013, that ZANU PF chiefs like Billy Rautenbach and Van Hoogstraten at Hwange Colliery typify the way business structures have been infiltrated by individuals with no expertise in that particular sector. According to Saungweme, government-run businesses...are being used as cash cows by ZANU PF, and the whole system needs to be revamped to allow managers with expertise in each sector.

- (iv) The fortunes (as well as misfortunes) of the Hwange Colliery Company Limited has had a direct impact on the lives of the peoples of Hwange. The people recounted stories of boom in the old days when the HCCL prospered. However, since the fortunes of the HCCL took a turn for the worse, the people of Hwange have equally seen a drastic reduction of their standards of living.

- (v) The management of Hwange Colliery cannot be considered to be transparent in the running of the affairs of the company. Several attempts to speak with management staff were resisted, fruitless or simply ignored. Despite the company's avowed aim of serving the people of Zimbabwe, its hostile attitude to outsiders – researchers, media organisations, non-governmental organisations, etc – was very unwelcoming and unfriendly. This could not in anyway, be considered responsible corporate responsibility.
- (vi) The management of Hwange Colliery Company Limited (HCCL) was insensitive to the plight of its workers and immediate community. Rather it adopted a hostile and confrontational attitude towards their concerns. The study noted several instances of failed attempts by the workers and their family members to interact/negotiate with the management of HCCL.
- (vii) It was noted also that the management of Hwange Colliery Company Limited was insensitive to nature conservation as part of its social and corporate responsibility. Vast areas of land which had been used for mining, were seen to have been left unattended, unrehabilitated and abandoned. The company was thus found to have an unenviable poor record in conservation and environmental management.
- (viii) The situation of poor corporate governance practices was not peculiar to Hwange Colliery Company Limited alone. It was a situation found to be common to many other state-owned enterprises in Zimbabwe. According to [www.nhandaradion.com](http://www.nhandaradion.com), “the strike by wives of the Hwange employees follows similar strikes by the wives of National Railways of Zimbabwe (NRZ) workers who have also gone for months without pay. Another ailing parastatal ZiscoSteel faces similar challenges as does the

Cold Storage Commission (CSC) which sells meat”. In the same vein, Moyo (2016: 330) painted a similar picture of the state of affairs at Zimbabwe’s state-owned entities, by surmising that, “the poor performance of public entities in Zimbabwe...has resulted in them being a heavy burden on taxpayers”.

- (ix) From all the people spoken-to as part of the unstructured interviews carried-out in this study, there was a consensus that top government officials and politicians from the ruling-ZANU-PF had hidden and personal interests in the poor performance and eventual collapse of the Hwange Colliery Company Limited. For instance, according to a middle-aged, male ex-worker of the Company, who simply identified himself as Thulas and now runs a small supermarket in Section C of Hwange: “HCCL is being deliberately sabotaged by the government, the largest shareholder. One of the companies which was given a license recently, immediately became profitable and the biggest surprise is that their management attended most functions held by the former Mines Minister. Most government ministers have shares in the Chinese mining companies. They always favour their private business at the expense of government business”.

Yet another male respondent - who described himself as a local union organizer at Hwange Colliery – added his voice to this perception. In his words: “If a Minister of Finance in his projections for revenue from mining, refers to an upcoming coalmine and ignores the giant mine (HCCL) in which the same Government is a major stakeholder, what does that say to you? The \$50 million offer is being held back by the same government because they want the mine to collapse in favour of their smaller

investments from which they are making a killing....it is about politicians doing what they do best, destroying existing structures for their own selfish ends”.

#### **4.5 Conclusion**

From the analyses and findings highlighted above, it is the informed conclusion of this study, that there was little or no evidence of corporate responsibility at Hwange Colliery Company Limited in the years 2010-2014. It can also be safely-deduced that the management of HCCL merely paid lip service to the tenets of corporate governance and instead chose to pursue a single-minded approach its duties and responsibilities. Inevitably, the company failed in its corporate responsibility and corporate governance attempts – thus placing the livelihoods of thousands of stakeholders at stake and eventually contributing to the company’s present demise.



## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The research findings and their analyses contained in Chapter Four serve as the foundation for the conclusions and recommendations in this chapter. These conclusions and recommendations could possibly be beneficial in understanding and assessing the level of corporate governance in Zimbabwe – albeit through the specific situation of the Hwange Colliery Company.

The conclusions and recommendations therein in this chapter were drawn-up by the researcher with the intention of establishing how corporate governance is being practiced in Zimbabwean state-owned enterprises. Without mincing words, Zimbabwe as a nation and an entity, has been in economic crisis for a long time. Some analysts such as Munangagwa (2011: 110) even believe that this economic crisis has been in place since 1997 – 21 years now and counting. According to him, “Zimbabwe’s economic decline since 1997 has seen the country’s macro-economic condition deteriorate progressively....resulting in unsustainable economic conditions that have forced 37.8% of the population to migrate internationally”.

As seen with the example of the Hwange Colliery Company Limited, in which the Zimbabwe government owned 37.10% shares ([www.thestandard.co.zw](http://www.thestandard.co.zw)) and therefore played a major role in

its composition and decision-making processes, the fortunes of most state-owned enterprises in Zimbabwe was a reflection of “failed policies” (Munangagwa, 2011: 110) by the Zimbabwe government. Decades of politically-motivated policies and decisions, which have often not been in the best interest of the people of Zimbabwe have negatively-impacted in the success and profitability of the country’s state-owned enterprises and eventually, left most of them in very poor financial situations.

In other words – as seen yet again in the case of Hwange Colliery Company Limited – when politically-motivated moves, choices and appointments override economically-sound decisions, the outcomes are almost always injurious to the health of corporations.

Based therefore on the research findings presented in Chapter Four, along with the opinions of several, relevant, learned sources quoted in Chapters Two, Three and Four, the researcher arrived at the conclusions and recommendations presented below. These findings and the subsequent recommendations hopefully reflect the true state of corporate governance in Zimbabwean state-owned enterprises, as well as the way forward on how to fix what is obviously an inadequate corporate culture.

## **5.2 Overview of the Study**

At the onset of this study, it was the stated aim of the researcher to explore the nature of corporate governance and management amongst state-owned enterprises in Zimbabwe. The study thus declared as part of its aims and objectives, the intention to use the Hwange Colliery Company Limited as the focus of this study, with particular interest between the years 2010 to 2014.

Accordingly, it was intended that the study would firstly determine the existence (or otherwise) of proper management/leadership governance structures amongst state-owned enterprises in Zimbabwe, following onto which it would attempt to examine the prevailing competing interests

that often come into play when the governance structures or management of Hwange Colliery Company are constituted. Additionally, the study set out to determine also, if the prevailing corporate governance structures that exist at Hwange Colliery Company Limited have been effective enough over a four-year period.

The following chapters therefore assessed in different ways, the state of corporate governance in Zimbabwe using the Hwange Colliery Company Limited as a case study:

Chapter One: This introductory chapter outlined the background to the research problem by stating the problem; specifying the research objectives and laying out the research approach. The proposed methodology and structure of the research, as well as a breakdown of the subsequent chapters were all described.

Chapter Two revealed the Theoretical Framework and Conceptualization of this study. These helped to provide a structure on which the study was based-on. It highlighted the fact that corporate governance embraces the concepts of good behaviour by organisations, as well as proper housekeeping. Despite this, the study took further inspiration from the threats faced by corporate governance structures in a place like Zimbabwe, which were highlighted by Mugoya & Sachs (2016: 228). The theories adopted, as well as the concept developed in this chapter, helped establish a scientific connection between previous studies on the subject of corporate governance and this study.

Chapter Three: This chapter reviewed all relevant literature relating to historical and geo-political of Zimbabwe; state-owned enterprises in Zimbabwe; as well as Hwange Colliery Company Limited. The literature reviewed, was carried-out in order to provide an intellectual foundation and insight into the concepts of corporate governance and how it has existed in Zimbabwe.

Chapter Four: This chapter dealt with the data collated; presentation and analyses, making use of unstructured discussions with residents of Hwange; facts and figures obtained from secondary data sources; as well as photographic evidence. The results of all these data were summarily interpreted in the chapter as well.

Chapter Five: This final chapter summarized the entire study; reached specific conclusions on the state of corporate governance in both state-owned enterprises in Zimbabwe as well as in Hwange Colliery Company Limited; and made recommendations for further study – where applicable – into the future development of corporate governance in Zimbabwe.

### **5.3 Findings**

In the light of the above, it is an opportuned time to therefore highlight the findings of the study in relation to the aims and objectives of this study.

The researcher therefore arrived at the following conclusions based on the findings and data obtained in this study, namely:

- (i) Little or no priority was attached to corporate governance principles at the Hwange Colliery Company Limited. This conclusion was reached after a careful examination of the following parameters which were used to measure corporate responsibility. The parameters included:
  - (a) Economic responsibility of Hwange Colliery Company Limited to its stakeholders. e.g, non-payment of salaries and entitlements for many years;
  - (b) Arbitrary laying-off of workers without following due procedure, especially those fingered as ‘trouble-makers’;
  - (c) Withholding of company share options from workers;

- (d) Poor living conditions of workers, especially those residing in company-provided accommodation;
  - (e) Lack of attention to the safety of workers and their family members by the failure of the Hwange Colliery Company to provide proper work clothes and equipment;
  - (f) Failure on the part of Hwange Colliery Company Limited to offer – or even discuss – compensation for workers, their family members, and residents of Hwange who have suffered personal injuries and loss stemming from the Company’s mining activities and negligence;
  - (g) Poor environmental management practices which were characterized by excessive pollution of the air and waterways in and around Hwange and even parts of Matabeleland North province;
  - (h) The regular use of riot police and other violent tactics in resolving labour disputes with workers and their family members, who were often unarmed and defenceless.
- (ii) It was observed that the only real criteria used in the appointment of members of board of Hwange Colliery Company Limited, was simply membership of ZANU-PF and loyalty to the ruling clique in Harare. Therefore, the expertise, skills, background and experience of both board members and even the Chief Executive Officer (CEO) became irrelevant as long they owed allegiance to the ruling party and its leadership. Moyo (2016: 331) alluded to this culture as well, by arguing that: “The criteria used in the appointment and dismissal of directors of public entities have therefore not been disclosed to the public. This gives the appointing authorities the opportunity to flout the rules and regulations by appointing board members for their political allegiance and

other improper reasons which in turn deprive the public entities of appropriate autonomy”.

All the above conclusions have combined to play varying roles in the open flouting of corporate governance principles at Hwange Colliery Company Limited, which eventually proved too overwhelming and have led ultimately to its current closure.

#### **5.4 Recommendations**

It must be quickly highlighted at this juncture, that resolving the poor state of corporate governance in Zimbabwean state-owned enterprises, goes beyond rules and regulations. It has to involve a whole-sale change of attitude; government de-regulation of its interests in state-owned enterprises and increased-inflow of foreign investment into the country. Zimbabwe has been starved of much-needed foreign capital investment due to decades of international sanctions slammed on the former regime of President Robert Mugabe.

With Mugabe no more in power, the new government of Emmerson Munangagwa cannot really effect much changes in the economy, without foreign help. It is when the country’s economy – albeit corporate institutions - is well-resourced, that a turnaround in corporate behaviour will equally take place. Cosmetic and minor changes are therefore unable to effect much change in both the economy and the production sector of Zimbabwe. The perennial problems of hyper-inflation, low production output, inability to pay salaries, etc can only be solved by restoration of foreign investors’ confidence, and a monetary boost from international lending institutions such as the International Monetary Fund (IMF) and the World Bank. Policy recommendations that merely involve passing laws, which paint the economic decline and hyperinflation as solely an economic problem misrepresent the seriousness of the country’s economic crisis.

The issue of Boards of Directors being independent and free of political interference is also central to the practice of corporate governance in state-owned enterprises. In Zimbabwe however, there remains an umbilical – and often unhealthy - relationship between politics and the governance of the state-owned enterprises. This is largely as a result of the state's involvement in the appointing and disbanding of parastatal boards of directors (Zvavahera & Ndoda, 2014: 9). More often than not, these board appointments have been known to be riddled with cronyism, favouritism, nepotism; where essentially, the appointment of members to the boards has largely been based on political and personal interests, and hardly on merit. The situation is exacerbated in instances where the appointed board members have political connections. Such a situation easily opens the door for undue influence and political interference in the day-to-day running of the state-owned enterprises.

Fan, Wong and Zhang (2014: 14) agreed also that because governments often have the right to appoint the CEO, the CEO's political affiliation provides a convenient proxy for political influence in the state-owned enterprise. This therefore, complicates the governance structure of the state-owned enterprise and severely compromises the quality of corporate governance practiced in state-owned enterprises. It is such undue influence by government officials on board appointees that needs to change, if the culture of political influence on boards of directors of state-owned enterprises needs to cease.

The issue of separation of ownership and control is undoubtedly central to achieving proper corporate governance. The ill-defined corporate structure of state-owned enterprises in Zimbabwe and how it influences corporate governance in the parastatal sector is a critical theme that calls for further investigation. It is imperative therefore, that future studies in this area be focused on the corporate structure of state-owned enterprises in Zimbabwe in order to clearly spell-out the

position of the government as the major shareholder in state-owned enterprises, as well as define the relationship between the supervising Ministry, the Board of Directors, and the Chief Executive Officer of the state-owned enterprise; all in relation to the position and interests of other stakeholders in the public enterprises.

Comparative studies should also be undertaken, putting Zimbabwe's state-owned enterprises and corporate governance system side-by-side with systems in other countries to draw evidence and lessons from the similarities and divergences in order to improve Zimbabwe's corporate governance landscape, particularly in the public sector. Such comparative study was extensively undertaken by Moyo (2016) by comparing the Zimbabwean corporate governance structure, with similar structures in South Africa (an African country) and Australia (a well-developed, First World country).

Finally, for any corporate governance system to be viable, it needs to be supported by a robust whistle-blowing structure which helps expose misconduct and corporate malpractices. Moreso, where such system is based on principles, effective monitoring and compliance is voluntary. According to The Organisation for Economic Co-operation and Development (2015), "the protection of whistle-blowers who disclose wrongdoing in governments is recognised as the core of the public sector integrity framework; it is equally, an essential element for safeguarding the public interest, promoting a culture of public accountability, and in many countries is proving crucial in the reporting of misconduct, fraud and corruption.

In Zimbabwe however, whistleblowers have had no legal or official protection. This quandary is made worse by the various, official gagging laws such as the Official Secrets Act which prevent employees in state-owned enterprises and other government departments and entities from disclosing information about activities happening inside their organisations. This makes the public



disclosure of hidden corrupt practices and corporate malpractice in state-owned enterprises dangerous, injurious and life-threatening, thus putting potential whistleblowers in a dicey situation. Reliance on the only legal instrument currently available to protect whistleblowers – Criminal Procedure and Evidence Act (Protection of Vulnerable Witnesses) – is not a strong enough to expose corrupt officials in a society with a high rate of financial impunity such as Zimbabwe. A strong whistle-blowing programme is therefore, seen as the first line of defence against corruption in the public sector – of which state-owned enterprises such as Hwange Colliery Company Limited belong. It encourages employees to disclose any irregularities without the fear of retribution, and facilitates the early detection of any issues thereby helping to prevent corporate malpractices.

## **5.5 Conclusion**

This study is in no way conclusive. The subject of corporate governance in a politically-volatile society such as Zimbabwe will always attract attention and accordingly, more studies will need to be carried-out as time goes on, in assessing how well the country's corporate organisations – both public and private – are adapting to the demands of governance, accountability and responsibility to its stakeholders.

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## **ANNEXURE 1: List of unstructured Questions administered on residents of Hwange**

1. Do you live in Hwange?
2. How long have you been living in Hwange?
3. Do you work?
4. Where precisely do you work in Hwange?
5. Do you work at Hwange Colliery Company Limited?
6. How long have you been working at Hwange Colliery?
7. How can you describe your working condition at Hwange Colliery?
8. Are you convinced that the management of Hwange Colliery takes absolute interest in your welfare?
9. Do you get paid regularly and adequately?
10. If you are not being paid regularly, what do you think is the reason?
11. Can you describe the standard/quality of life that you are living?
12. Are you satisfied/dissatisfied with the quality of life you are living?
13. Do you understand the term, Corporate Responsibility?
14. Do you understand the term, Corporate Governance?
15. Do you think the Hwange Colliery Company Limited practices a good standard of corporate governance?
16. Do you see yourself as a stakeholder in Hwange Colliery Company Limited?
17. Do you think the presence of the Hwange Colliery Company has impacted positively on Hwange community?
18. Do you think the presence of Hwange Colliery Company has impacted negatively on Hwange community? (Accompany answers with examples)
19. What do you think is the general perception of people from Hwange community, about the Hwange Colliery Company?
20. How would you describe the current state of Hwange Community?
21. How would you describe the current state of Hwange Colliery Company Limited?
22. What would you attribute to be the reason(s) behind the current state of the Hwange Colliery Company?
23. Do you think the Hwange Colliery Company has fulfilled its responsibilities to the best of its abilities, to its staff, clients and immediate community?
24. What is your opinion about the environmental record of Hwange Colliery Company?
25. Is there anything you will like to add about both the Hwange community and Hwange Colliery Company Limited?

## **ANNEXURE 2: LETTER OF PERMISSION**

Blessed Dzidzai Mumba,  
University of the Free State,  
Bloemfontein,  
South Africa.

Dear Sir/Ma,

### **LETTER OF PERMISSION TO CONDUCT INTERVIEWS AMONGST HWANGE COLLIERY STAFFERS AS PART OF AN ACADEMIC RESEARCH PROJECT**

This is to kindly request your permission to allow the bearer, **Blessed Dzidzai Mumba**, a Masters student from the University of the Free State in South Africa, access to the premises of your company.

The access is being sought to enable him administer questions to management and staff of your company as part of his Masters research project, titled:

#### **AN ASSESSMENT OF CORPORATE GOVERNANCE IN STATE-OWNED ENTERPRISES IN ZIMBABWE WITHIN THE PERIOD 2005-2015: THE CASE OF THE HWANGE COLLIERY MINE (2010-2014)**

It is my expectation that this request will meet with a positive response that will allow the research-student to collate, verify and cross-check relevant information pertaining to the company, which will significantly assist this research effort.

Thanks for your anticipated cooperation.

Yours Faithfully,

Blessed Dzidzai Mumba.



