


**TOWARDS BEST PRACTICES FOR CORPORATE GOVERNANCE AT THE AIR  
ZIMBABWE FOR SUSTAINABILITY**

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ARTICLE INFO	ABSTRACT
<p><b>Article history:</b></p> <p>Received 20 February 2023</p> <p>Accepted 15 May 2023</p>	<p><b>Purpose:</b> Exploring best practices for corporate governance at the Air Zimbabwe for sustainability.</p> <p><b>Theoretical Framework:</b> The prominence of good corporate governance remains the main thrust for potential investors worldwide. For Air Zimbabwe (a state-owned enterprise), it is essential to embrace good corporate governance to ensure the sustainability of the airline. Although the airline has adopted international principles of accountability, these are not effectively implemented rearing administrative imperfections and challenges that are prevalent in state-owned enterprises.</p> <p><b>Methodology:</b> This study employed a descriptive research design through desktop research predicated on critical analysis and review of current literature.</p> <p><b>Findings:</b> Findings show that political resolutions tend to excessively override management decisions to the detriment of the entity.</p> <p><b>Practical and Social Implications:</b> Yet, it is good corporate governance that should be pivotal in reconciling political interests, the public, and management.</p> <p><b>Originality:</b> The value of the study is to provide recommendation for improvement. It is recommended that the Air Zimbabwe oversight system be revamped and vouch for the institutionalization of a regulatory framework that enforces transparency and compliance.</p>
<p><b>Keywords:</b></p> <p>Air Zimbabwe; Corporate Governance; Sustainability; Accountability; Transparency.</p> <div data-bbox="172 981 480 1227">  </div>	<p>Doi: <a href="https://doi.org/10.26668/businessreview/2023.v8i5.1497">https://doi.org/10.26668/businessreview/2023.v8i5.1497</a></p>

**RUMO ÀS MELHORES PRÁTICAS DE GOVERNANÇA CORPORATIVA NA AIR ZIMBABWE FOR  
SUSTAINABILITY**

**RESUMO**

**Objetivo:** Explorar as melhores práticas de governança corporativa na Air Zimbabwe para sustentabilidade.

**Referencial Teórico:** A proeminência da boa governança corporativa continua sendo o principal impulso para potenciais investidores em todo o mundo. Para a Air Zimbabwe (uma empresa estatal), é essencial adotar uma boa governança corporativa para garantir a sustentabilidade da companhia aérea. Embora a companhia aérea tenha adotado princípios internacionais de responsabilidade, eles não são efetivamente implementados, criando imperfeições administrativas e desafios que prevalecem em empresas estatais.

**Metodologia:** Este estudo empregou um projeto de pesquisa descritivo por meio de pesquisa documental baseada na análise crítica e revisão da literatura atual.

**Resultados:** Os resultados mostram que as resoluções políticas tendem a se sobrepôr excessivamente às decisões gerenciais em detrimento da entidade.

**Implicações práticas e sociais:** No entanto, é a boa governança corporativa que deve ser fundamental para conciliar os interesses políticos, o público e a administração.

**Originalidade:** O valor do estudo é fornecer recomendações para melhorias. Recomenda-se que o sistema de supervisão da Air Zimbabwe seja reformulado e garanta a institucionalização de um quadro regulamentar que imponha transparência e conformidade.

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**Palavras-chave:** Air Zimbabwe, Governança Corporativa, Sustentabilidade, Responsabilidade, Transparência.

## HACIA LAS MEJORES PRÁCTICAS PARA LA GOBERNANZA CORPORATIVA EN AIR ZIMBABWE PARA LA SOSTENIBILIDAD

### RESUMEN

**Propósito:** Explorar las mejores prácticas para el gobierno corporativo en Air Zimbabwe para la sostenibilidad.

**Marco teórico:** La importancia del buen gobierno corporativo sigue siendo el principal impulso para los inversores potenciales en todo el mundo. Para Air Zimbabwe (una empresa estatal), es fundamental adoptar una buena gestión empresarial para garantizar la sostenibilidad de la aerolínea. Si bien la aerolínea ha adoptado principios internacionales de responsabilidad, estos no se implementan de manera efectiva, lo que genera imperfecciones y desafíos administrativos que prevalecen en las empresas estatales.

**Metodología:** Este estudio empleó un diseño de investigación descriptivo a través de una investigación de escritorio basada en el análisis crítico y la revisión de la literatura actual.

**Hallazgos:** Los hallazgos muestran que las resoluciones políticas tienden a anular excesivamente las decisiones gerenciales en detrimento de la entidad.

**Implicaciones prácticas y sociales:** Sin embargo, es el buen gobierno corporativo el que debería ser fundamental para reconciliar los intereses políticos, el público y la gestión.

**Originalidad:** El valor del estudio es proporcionar recomendaciones para la mejora. Se recomienda renovar el sistema de supervisión de Air Zimbabwe y garantizar la institucionalización de un marco regulatorio que haga cumplir la transparencia y el cumplimiento.

**Palabras clave:** Air Zimbabwe, Gobierno Corporativo, Sostenibilidad, Responsabilidad, Transparencia.

### INTRODUCTION

The African continent is confronted with a raft of setbacks scaring away potential investors who could inject foreign direct investment (Mashavave, 2017). These challenges are mostly due to poor corporate governance, political interference, corruption, and the absence of ethical business conduct. State-owned enterprises (SOEs) rely to a large extent on the state fiscus in order to keep afloat (Chigudu, 2021). Air Zimbabwe (AirZim) sticks out as a poor performing and loss-making SOE that depends on the government funds. Air Zimbabwe (Private) Limited came into effect through the Air Zimbabwe Corporation Act [*Chapter 13:02*] and is incorporated into the Companies Act [*Chapter 24:03*]. Its main concern is of providing customers with cargo and passenger air transportation, maintenance of aircraft, and commercial and technical training programmes.

Lately, the carrier has faced challenges of viability amidst claims of siphoning huge amounts of money out of the entity. In 2018 an audit report on Air Zimbabwe exposed considerable unaccounted financial leakages that produced the loss of large sums of money (Kamhungira, 2018). AirZim lost more than US\$137 million in a period of four consecutive years thereby sinking the airline further deep into a chasm (Kairiza, 2021). This has been attributed to bad corporate administration, rampant corruption, incompetence, and political interference among others. Although the beleaguered airline has been declining gradually, its

streak of loss-making in four years denoted the peak of its dramatic collapse. This downturn coincidentally occurred when Simba Chikore the son-in-law of the late president of Zimbabwe was duly appointed as the chief executive officer of AirZim.

In 2011, the AirZim became insolvent and had to completely ground its functions (Kairiza,2021). The operations were only resumed in 2013, though with a skeletal staff and an outdated fleet of aircraft. In 2014 the entity had a loss of close to US\$40 106 258 and incurred US\$71 500 902 worth of expenses (Kairiza,2021). In 2015 the loss was US\$28 857 563 with expenses pegged at US\$61 736 856. In the same year, the total revenue realized was US\$32 879 293 (Kairiza,2021). While operations continued to be mired by certain drawbacks coupled with a liquidity crunch affecting the country's economy, in 2016 the entity had US\$22 289 335 in loss while it incurred expenses worth US\$56 506 380. The revenue posted was US\$34 217 046 (Kairiza,2021). In 2017, AirZim had a loss of US\$33 110 078 and dropped to US\$14 287 913 in 2018. The expenses incurred in 2017 were US\$62 243 488 and went down sharply in 2018 by about 50% to US\$31 383 917 (Kairiza,2021). In 2018 the airline had to undergo a reconstruction scheme that was concluded in June 2021.

Back in 2009 the airline had seven operating airlines which dwindled down to two in 2018. Further, its 25-year-old equipment resulted in an increase in operating costs. The liabilities of AirZim swelled in November 2018 to about US\$380 million against US\$127 million worth of an asset portfolio (Kairiza,2021). The cumulative debt shot up to US\$370 million of which US\$30 million stood for foreign liabilities (Kairiza,2021). By the 4<sup>th</sup> of October, 2018, the total liabilities were in excess of assets to the tune of US\$253 429 048 (Kainza,2021). Following years of a systematic performance decline, AirZim was either suspended or banned by several organizations affiliated with international aviation. It had also defaulted on the subscription of membership fees among other charges. For instance, around May 2011, AirZim got suspension advice from the booking system of the International Aviation Ticketing Association (IATA) because of an outstanding payment that had accrued to US\$4,4 million (Kairiza,2021).

AirZim was banished as well from flying over or into the airspace of the European Union (EU) following an unfavourable IATA Operational Safety Audit (IOSA) report in May 2017. It was banished as well by Travelport. This is a company responsible for booking international passengers, departure supplies, and management of inventory. When AirZim was subjected to the reconstruction scheme, some of the government institutions were owed a total of US\$205 995 263 and its Ministry it owed a sum of US\$86 415 987(Kairiza,2021). In April

2022, AirZim having been enlisted on the EU Air Safety list was suspended together with 117 other airlines from flying EU skies because of their inability to satisfy the standards of international aviation safety (Ngoro,2022).

The objective of this study was to investigate corporate governance at Air Zimbabwe and identify measures for best practices and sustainability. The study was situated in a theoretical framework underpinned by the relational theory and the chaos theory. The literature review included understanding corporate governance, corporate governance versus corporate performance, board members, compensation, and Air Zimbabwe. The study employed a descriptive research design through desktop research predicated on critical analysis and review of current literature.

## **THEORETICAL FRAMEWORK**

The broad definition of corporate governance refers to a system whereby firms are guided and co-ordinated (Cadbury, 1992). It is concerned with values or rules set by company board members in order to operate efficiently and effectively. The agency theory has been popularized in the current discourse on corporate governance where the shareholders are seen as the company stewards and the agents are the company's management. However, a more nuanced view of management and firms is postulated by some theorists (Donaldson, 2005). They were postulated at the time corporate governance was being revisited and when the agency theory was challenged in terms of its assumptions on people's motivation giving rise to the steward theory (Donaldson & Davis,1993). The steward theory attempts to establish and understand the link between management and ownership. Although these two theories are entirely antagonistic to one another each of them could improve an entity if implemented well. The challenge only besets in a bid to merge the good results of the same two theories (Hambrick, 2005). Apparently, AirZim was never identified with any one of these specific models of corporate governance exhorting the government into recognizing this as the root cause of problems saddled in SOEs across the country (Mashavave, 2017). Even though a corporate governance framework was ultimately espoused by the government for guiding SOEs, corporate governance failures seem to have remained unrelenting, especially at AirZim. The relational theory and chaos theory appear to fit well into the operations of the airline understudy as discussed below.

### **The Relational Model**

According to this theory, as applied to companies like AirZim, any crunch is predominantly due to human fault, poor organization and upkeep, poor decision-making, unprincipled behaviour, and leadership failure (Jacques, 2007). This theory puts weight on the fact that management has to ably put appropriate variables that guarantee the continuity of an entity. For that reason, if management falters in exercising managerial functions professionally, this causes the entity to become more susceptible to the whims and vagaries of a crisis. The pre-supposition of the relational theory is that the executive has a stewardship responsibility of watching over all organizational variables while defining possible permutations of the variables (Jacques, 2007). With respect to AirZim the significant variables for effective management of crisis subsume management, labour, and capital. The model impresses on the synchronization and collaboration of all the recognized variables in a given entity or firm. For AirZim, this could be a more suitable and relevant theory for reviving the troubled airline (Chiguvi & Magwada, 2016).

### **The Chaos Model**

The chaos theory portrays corporate problems because of multidimensional sources and issues comprising the incapability to predict. This implies that, although an organization may be having a veneer of being orderly underneath, a small shift in the system's order could elicit a situation that is convoluted and complex (Gilpin & Murphy, 1996). The theory is grounded on the need to have organized ineptitude to manage a crisis. For AirZim this emboldens crisis management planning whereby management does not have to perceive a crisis as an ephemeral event after a proposed order that can be easily managed via a stipulated phase (Gilpin & Murphy, 1996). However, this theory is chided for its being parochial, concentrating merely on rapidly realizing the stopgap goals of managing a crisis with no worries about the long-standing goals (Jacques, 2007). In working against this parochialism emanating from the chaos theory, the relational theory briefly discussed above offers an effective approach to crisis management to AirZim guided by the following discrete management stages, preparing for a crisis, preventing, managing and post-crisis managing. Since Air Zimbabwe appears not to have an explicit policy of corporate governance, in 2010 the government noted that this was a contributory factor to the governance problems distressing all the SOEs. In response, a corporate governance framework (CGF) was adopted to guide the SOEs including AirZim. The

crafting of this CGF was informed by four corporate governance mainstays namely, transparency, responsibility, fairness, and accountability.

## LITERATURE REVIEW

The literature is divided into five parts which include unpacking corporate governance, corporate performance, board members, compensation, and Air Zimbabwe.

### Unpacking Corporate Governance

Debates from the public and academia on corporate governance show that it is a relatively new concept, despite that the hindrances which it strives to redress have existed way back (Maani et al, 2023; Berle & Means, 1932; Smith, 1776). According to Zingales (1998), the apportionment of takeovers, capital structure, board of directors, ownership, managerial incentive schemes, market product, organizational structure, institutional investors, and competition for labour is viewed as having a negative effect on the process of quasi-rents distribution. As such Zingales (1998: 498) describes.

“Corporate governance as the complex set of constraints that shape the-post bargaining over the quasi-rents generated by a firm.”

But Garvey and Swan (1994) take a different slant arguing that the term governance alludes to how the executives effectively deal with those contracts. These scholars further assert that governance is a matter of primary importance if such contracts are incomplete, and that management accordingly “no longer resembles the Marshallian entrepreneur” (Garvey & Swan, 1994:140). Shleifer and Vishny (1997: 737) posit that corporate governance essentially.

“deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.”

Comparably, Caramanolis-Cötelli (1995) believes that corporate governance is influenced by the distribution of equity between insiders (this includes corporate investors and executives) and external investors. John and Senbet (1998: 372) espouse a more elaborate definition stating that.

“Corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected.”

Considering this definition, the concept of stakeholders includes debtholders, shareholders, and also those stakeholders such as employees, suppliers, interested parties, and clients. Evidently, these descriptions explicitly or implicitly share common aspects that

insinuate conflict of interests pitting insiders and outsiders, focussed on issues created from ownership and regulation of company wealth (Jensen & Meckling, 1976). There seem to be consent and unanimity that exists in that corporate governance challenges are not adequately resolved by just the constricting of information flow irregularities, high uncertainties, and large contracting costs associated with those who inject capital and the insiders (Hart & Moore, 1990; Grossman & Hart, 1986; Hart, 1995). Several simple motives are ascribed to the increasing interest in corporate governance. First, it is the efficacy of the domineering instrument of governance which has had to be interrogated (Tandoh et al,2022; Jensen, 1993; Porter, 1997; Miller, 1997). Second, this discourse has been amplified following the narratives concerned with astonishing corporate failures, financial high-profile scandals, and media stories alleging excessive executive salaries among others (Byrne et al., 1989). The main conflict analysis in corporate governance concerns shareholders and managers (the agency problem) whose intentions have been studied (Jensen & Meckling,1976). Indeed, these researchers created a structure of a firm ownership theory primed by the understanding that any firm, a lawful entity serves as a tie for relationship contracting. This is exemplified by the presence of residual divisible claims on the cash flows and assets of an entity which could usually be disposed in the absence of acquiescence from some of the contracting persons according to Jensen and Meckling (1976: 401).

The explicit drive of this theory as advanced by Jensen and Meckling (1976) is concerned with the relationship of the agency contract manifesting between the external firm owner (the principal) and the manager employed by the firm's owner (the agent). The theory expounds that if the portion of the equity for the agent falls (given that in most cases the equity is traded to external investors), it implies that those maximally utilizing the agent have to be incentivized and get a greater part of the resources from the firm through privileges. This exerts very little effort in terms of creating value for shareholders. Hence, the principal restricts the effects of this inconsistency of interests by incurring monitoring costs to restrain the agent's behaviour of self-centeredness. Monitoring costs possibly include audit costs for inspecting books of accounts, rating agencies' costs, and information disclosure to analysts of finance and board members among others. Otherwise, the agent or entrepreneur attaches his/her demeanour to the maximization of value, by sustaining bonding costs (Jensen & Meckling,1976). But these researchers opine that in general there will always be some residual costs. These agency costs like residual costs, monitoring, and bonding costs are sales of equity borne by management to outside investors.

In a state of equilibrium, the costs of marginal agency ought to characterize the monitoring and bonding of marginal benefits (the increase in marginal income owing to a drop in the consumption or perquisites). It seems some executives are never dependable when it comes to the maximization of the shareholders' interests. This is noticeable particularly if they believe that they are lowly paid despite their good performance and super-profits.

### **Corporate Performance**

It is agreed by both Black et al (2006) and Claessen (2006) that the desire for corporate governance is derived from good governance practices occasioning higher profitability, increased firm market value, and reduced cost of finances. However, the study by Balasubramanian et al (2010) in India of 370 public business entities recognized instances whereby good corporate governance was relatively either strong or weak. In general, the study concluded that corporate governance rules and principles in India were better suited to larger firms. The study examined the nexus as well between the degree of governance and the financial performance indicators of a firm. It was found that there is a positive correlation based on an overall governance index and that of disclosure and shareholder independent cover rights indices. Nonetheless, this is exemplified only in larger firms indexed by BSE 200 but not noteworthy in smaller firms. Klein et al (2005) studied the link in corporate governance between a firm's value based on Tobin's Q and good corporate indices for 263 firms in Canada. The highest value of the index topped 100 as determined by totalling four sub-indicators that is; policies for shareholding, disclosure, rights and composition of the board. It was shown that corporate governance in Canada and size of firm were increasingly negatively related to performance especially wherever growth and performance had a positive relationship. But no evidence existed revealing that the governance sums total index had a performance effect on an entity, perhaps because no evidence was seen demonstrating that the board of directors' independence had positive effects on performance. However, these findings were negatively linked to family-owned firms.

Chiang and Chia (2005) studied corporate governance and performance by exploring their links between indicators of corporate governance, measures of transparency, operating performance, and whether such indicators would forecast the firm's performance. It was revealed that transparency in firms is positively related to firm operations, a critical corporate performance indicator necessary for evaluation. Chiang and Chia (2005) concluded that corporates with good governance practices also have a positive correlation with performance-



based results. Brown and Caylor (2004) showed that companies that have good governance posted better results of return on investment (ROI) of 18.7% and for return on equity (ROE) of 23.8% in comparison to those not adhering to good corporate governance principles. These are discernments which are significant for Air Zimbabwe.

### **Board Members**

Fama and Jensen (1983) state that the duties and responsibilities of board members include making strategic decisions, ratifying decisions made by executive managers and monitoring of performance management. This means the prospect of any collusion by managers could be limited by the board of directors (Fama, 1980), who act to supplement corporate performance monitoring (Fama, 1980; Winter, 1977; Weisbach, 1988). Board members are perceived as knowledgeable umpires tasked to superintend over the top managers, although their behaviour is personally controlled by labour markets which determine the price of their service delivery. Critics of this monitoring mechanism maintain that; executive directors inherently eclipse the board when the board directors are elected from outside the scope of the entity, in the end, this presents a pragmatic question. However, this could be in accordance with the strength of the board of directors serving as monitors from outside. Despite that, Weisbach (1988) believes that CEOs that underperform may likely be switched particularly if the firm has most of its directors drawn from outside. Additionally, Dahya et al (1998) revealed that the probability of taking away senior managers from their positions is linked negatively to the equity in the balance. The findings by Borokhovich et al (1996) show a positive relationship between the number of outside directors and the possibility that a CEO is appointed from outside. Perhaps these findings explain why several directors from Air Zimbabwe could have been appointed from outside.

### **Compensation**

A monitoring vehicle with a different form could be coupled with the conceivable relations between corporate performance and managers' compensation. Hypothetically, a positive link between compensation and corporate performance could provide better placement interests amongst shareholders and management (Jensen & Murphy, 1990). Though, there is proof showing that the relationship is not quite strong. Compensation packages are often comprised of stock rewards, derived from dividends, deferred cash, and policy compensation. Lewellen et al. (1987) assert that there is ample evidence to back the suggestion that

compensation packages are meant for agency cost reduction. Though, an extensive analysis of salaries for US chief executive officers reported by Jensen and Murphy (1990) reveals that several compensation contracts are characterized by the absence of actual management enticements and that patterns of compensation noted are inconsistent with the formal agency models for optimal contracting. Also, Yermack (1995) states that stock options performance incentives are not significantly linked with expressive variables related to agency costs cutback. The same deductions were made by Gregg et al (1993), in the UK revealing a weak relationship between pay and performance (1983 to 1988), and later that relationship was never there. In spite of this, these scholars observed a very strong connection between pay and asset growth. Shleifer and Vishny (1997:745) maintain that in general, the connection between pay and performance suggests that it is “problematic to argue that incentive contracts completely solve the agency problem.” This claim could be applicable to Air Zimbabwe too.

### **Air Zimbabwe**

The AirZim has been mired with massive debts, budget deficits, problems of viability, and poor servicing of debt resulting in aircraft impoundment by the UK in a bid to push for debt recovery. Other noticeable operational failures have included the airline’s abandonment of viable routes, inability to cover legal commitments, regular labour costs, and criminal and industry court costs. Some analysts have attributed the poor performance of AirZim to the antiquated fleet, an unfavourable environment for operations, economic sanctions, travel bans, and negative publicity locally and abroad (Muli 2012). Based on the African Airlines Association’s Annual Report of 2014 and South Africa Airline’s Annual Report of 2016, it is evident that some airlines operating in the same environment have posted better results than AirZim. In December 2010 AirZim had USD33 million of loss coupled with a USD24 million negative cash flow (Muli 2012). Many a time the government set up commissions of inquiry or boards of inquiry to probe and develop strategies for turning around the airline without success. Investigations led to labour disputes, the reshuffle of top managers, retrenchments, and disbursement of severance packages pushing AirZim into further financial quagmire and debt. It appears that either commission of inquiry or boards of inquiry may never have touched on the issues of good corporate governance. Although public sector governance does not have a universally acceptable definition according to the International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accounting (CIPFA), bad corporate governance is replete across the continent in the public sector (IFAC & CIPFA, 2014). In the

public sector such as AirZim, a central objective of corporate governance is to provide an effective framework for regulating economic activities and an enabling environment.

## **METHODOLOGY**

A descriptive research design was used in this study. The design is useful if the focus is directed on describing the characteristics of a study population without interactive justification of the variables being provided (Zikmund, 2011). Given that context, in this study, descriptive research was employed to provide a corporate governance description of Air Zimbabwe, what ought to be done, and its potential for managing crisis. This descriptive research design was used through desktop research predicated on critical analysis and review of related literature. In the process, the analysis used data gotten mainly from audit reports, media reports, previous studies on Air Zimbabwe, internet sources, books, and journal articles on corporate governance.

## **MAIN FINDINGS**

Good governance has the potential to have good corporate decisions made for a firm and bad governance conversely leads to bad decisions made for a firm (Glassman, 2002). Corporate governance's main advantages are located in the improved ability to manage firms effectively while generating revenue and attracting foreign investment essential for sustainability. It is located as well in the capacity to distinguish and run business entities and manage risks, thus reducing their possible liability. In case of scarce human talent and skills, well-run firms with a good reputation from citizens are able to attract and engage a high calibre of labour force. The main findings from this study are discussed below under various themes generated during the analysis of data and information.

### **Corporate Governance at Air Zimbabwe**

To determine if Air Zimbabwe has been in compliance with corporate governance principles, it was vital first to understand the extent to which board members understood the concept. In a survey conducted by Mashavawe (2017) at the AirZim as a case study for SOEs, it was revealed that 93% of the board members understood the basic tenets of good corporate governance (Mashavawe,2017). The other 7% understood very little about corporate governance with suggestions that even if they understood the principles implementation was not achievable due to political interference bugging AirZim. This insinuates that the appointment of board members could as well have been influenced by the politics of the day.

This provokes some questions on how sincere and competent some of the members in would be implementing good corporate governance principles at AirZim all things being equal. More so given that self-reported corporate governance awareness does not warrant that they would stick to the tenets.

It is not clear if AirZim has developed a written policy for corporate governance yet regardless of the corporate governance framework developed for SOEs by the government. A corporate governance policy demonstrates a firm's obligation to good corporate governance and shows how issues of governance are shared in an organization. The idea is to cultivate effective and sound governance to enhance corporate performance. A policy for corporate governance guarantees the crafting of a company-specific framework for good corporate governance while putting in place a structure for the segregation of power and authority in an organization.

### **Boards Discontinuities**

In 2017 several board members served for not more than two years contrary to the expected three-year term as stipulated. Such discontinuities have been attributed to political interference. For instance, when the government changed the Minister in charge of transport, radical changes were made to the board. New board members had to be appointed while the old board was disbanded arguably for political expediency. These problems of continuity do not augur well for an airline guided by a strategic plan that spans five years.

### **Board Ineffectiveness**

Over the years the board has lacked serious commitment to the AirZim's operations probably due to the members' frustration. Previous studies have confirmed this lack of commitment (Mashavawe,2017). For example, corporate scandals of high magnitude have been committed by board members for their selfish benefit. A culture of lack of transparency and protectionism could have been cultivated in the past leading to the misuse of the airline's resources with impunity. As a result, the board members were not upholding sound practices of corporate governance hence threatening the company's survival. The frequency of convening board meetings at the airline has left a lot to be desired with board members failing to meet at least once per month as provided for in the regulations of the company. The board chairperson or Minister of the parent Ministry would instead convene a meeting at will.

In the study conducted by Mashavawe(2017) it was reported that 40% of the board members who had a commitment to their work lamented the lack of corporate governance at AirZim arguing that good governance would salvage the entity from the abyss of corporate failure. Teetering in its financial doldrums AirZim's market share has been enjoyed by some other airlines such as Ethiopian Airways, Rwanda Airways, South African Airways, and British Airways among others. The ineffectiveness of the board members requires urgent intervention strategies one of which is strictly upholding corporate governance principles if Air Zimbabwe is to reach its economic break-even point and scale beyond its economic threshold.

### **Corporate Governance Implementation**

AirZim has been encumbered with challenges of implementing corporate governance due to either lack of strategies or lack of commitment by the executives and perceived political interferences. But the most recognizable drawbacks incorporate corruption, inadequate knowledge of airline business, inadequate financial resources, and biased board appointments which are not based on merit but on politics of patronage. There has been a lack of shared vision as well between employees, management, board, and the parent Ministry. For example, instead of having management directly report to the board, they would only brief the board chairperson and report to the permanent secretary who is an accounting officer for the parent Ministry. Ironically, a strategic plan should be drawn by the board members.

### **Monitoring of Corporate Governance**

Currently, there is no officer appointed to be responsible strictly for monitoring and ensuring adherence to the principles of corporate governance. The absence of such a critical officer dedicated to monitoring and enforcing practices and principles of corporate governance is a measure of inadequacy that needs to be addressed with the urgency that it deserves. This finding shows that even the company secretary may not have been working as an advocate for good corporate governance.

### **Business Ethics**

AirZim has a code of ethics for the employees. However, having a code of ethics and knowing or upholding ethical behaviour is something else. The airline has had a problem of not concertizing employees about the code of ethics. Recently, events unfolding in the US corporate world for example the case of Enron company, have shown devastating effects due

to management whose behaviour is unethical. Business ethics entail standards of behaviour by the individual business community, but not essentially the ethics of the whole business world. A study of the Enron company sheds light on the significance of the corporate code of ethics.

### **Performance Evaluation of the Board**

This study shows the paucity of a performance management mechanism or instrument to evaluate the board members at AirZim. Such an instrument would be crucial because the board could ascertain if indeed its performance is below or above par and help identify performance gaps. Performance evaluation of board members improves effectiveness and reduces organizational risks. The main objective of a performance appraisal is to improve not just the performance, contribution, and effectiveness of each board member, but to enhance the effectiveness of the whole board as well. The findings show poor practices of corporate governance whereby the performance of some board members is below expectation, yet they are kept in the system resulting in poor oversight over the management.

### **Reporting and Disclosure of Information**

It has been revealed that there are no adequate and regular reports availed timely to shareholders. For example, between 2011 and 2014 it is noted that the Auditor-General was unable to provide an audit opinion for the accounts of Air Zimbabwe due to a lack of information owing to several reasons including the poor internal control systems. Instead, a disclaimer of opinion was issued on the accounts of the entity based on several factors that included failing to account for the three MA60 aircraft, equipment, improper property valuation, poor inventory records, inadequate records for payables and receivables, absence of expenditure supporting documents, and incomplete register of assets. At one time Air Zimbabwe was reported to have a four-year backlog in financial statements production (Mapira, 2020).

Ordinarily, a framework of corporate governance should provide for accurate and timely disclosure to stakeholders of the company's material information, such as its performance, financial situation, governance, and ownership. The frequency of disclosures varies though at least they should be done annually, in some cases quarterly or semi-annually, or for substantial developments at most as frequently as possible. Material information refers to that information that if omitted or misstated could have a direct effect on the economic resolutions that can be made. Information disclosure should be done simultaneously to all the stockholders.

Information disclosure is important for the purposes of company market-based checks and controls, and for the adeptness of shareholders to exercise diligently their rights to ownership. Disclosure of information is such a potent tool for inspiring companies and investor protection.

Findings have shown that AirZim has failed in the past to meaningfully report quarterly causing transparency and disclosure snags. These reports serve as the best means by which board members become answerable to the company's shareholders. An expressive quarterly report developed in terms of international accounting standards (IAS) instils investor confidence prompting an entity to attract more investors and enhance corporate governance. AirZim employs internationally accepted auditing and accounting systems following a disclosure-based system. In Zimbabwe, the main legal framework guiding corporate reporting is the Companies Act (Chapter 24:03) whilst the Institute of Chartered Accountants of Zimbabwe (ICAZ) is seized with monitoring the corporate compliance of reporting. The ICAZ which is like the US Securities and Exchange Commission uses a review method to enforce and monitor compliance assisted by the regulatory and statutory disclosure instruments.

### **Accessing Finance Capital**

Air Zimbabwe has continued to be dogged by challenges of accessing finance which is critical for recapitalization. The failure to get capital more so at competitive rates has remained a stumbling block to the burgeoning of most private and public enterprises in developing economies like Zimbabwe. Previously perhaps corporate governance may not have been taken seriously, but now corporate governance is used as a measure of a firm's quality together with its return on investment (ROI) ratios to determine the potential to attract investors. Therefore, for AirZim, it is imperative to employ and operationalize a sound framework of good corporate governance and relieve the government from the trouble of perennially bailing out a loss-making airline.

### **Political Interference**

This has featured as one of the main drawbacks impeding corporate governance enforcement. Owing to corruption and prejudice in some cases the airline has employed people not based on merit but based on political connection power.

### Measures for Sustainability

There is a need to have operations rationalized, current fleet redeployment, increasing flight regularities on routes that are lucrative, expanding route networks focussing on destinations such as Durban, Lilongwe, Cape Town, and Lusaka if the operations are to be sustainable. For sustainability, the government may need to consider reserving a foreign currency allotment to the AirZim of about 2% to 5% foreign currency raked from commerce and industry, and tourism sectors to help it meet its foreign currency obligations. This foreign currency could help as well to offset and settle the outstanding debts so that the airline re-joins related international aviation associations including IATA and begins to enjoy the attendant benefits. The Reserve Bank of Zimbabwe could issue a loan facility for the replacement of the outdated fleet even though a few new ones have reportedly recently been bought already. It is suggested that all the reconstruction scheme recommendations be fully considered and implemented. The government through the Ministry of transport could consider exploring the debt assumption and then ensure the foreign currency availability which is necessary for servicing foreign creditors. It could also be worthwhile to consider privatization of the airline as this will encourage the market forces to maintain a level of equilibrium upon the dictates of demand and supply. Kenyan Airways is a good example where the privatization of an airline was successful.

### CONCLUSION

Air Zimbabwe has faced challenges of viability amidst claims of siphoning huge amounts of money out of the entity and the bad corporate governance practices. As a result, the airline has of late been unable to perform well in serving as a regional hub albeit the potential remains relatively high. Even though changing of boards is the prerogative of the Minister, problems of sustainability being encountered by Air Zimbabwe could be viewed through the lens of excessive political interference, lack of commitment, absence of a shared vision amongst the Ministry, board, and management, and a conspicuous failure to grapple with principles of corporate governance. To restore the former glory of AirZim towards best practices, good corporate governance is obligatory coupled with huge capital injection and procuring state-of-the-art planes for the career's sustainability. On its part, the government should curtail its excessive prying and interference while all employees should be merit-based. In any company, good corporate governance is essential in that it enhances transparency, accountability, investor confidence, and sustainability. Government should also increase its political will and



commitment to fight the bane of corruption that has become pervasive in both public and private sectors. A resuscitated AirZim could restore and reconstruct travellers' confidence most of whom have either switched to alternative airlines or road transport in the case of those traveling in the country or to neighbouring countries like South Africa and Tanzania. At any rate, politicians need a reminder that, if the airline is back to operate at full throttle credit is given to them, especially the parent Ministry. Most of all, the board members have to stitch together principles of good corporate governance and then holistically implement them to sustain and improve the entity's performance.

It is recommended that the Air Zimbabwe oversight system be revamped, and a regulatory framework established that will enforce transparency and compliance. This study will hopefully help AirZim and other entities in the same situation to adopt good practices of corporate governance and enhance operation and cost-effectiveness. This research may prompt further academic inquiry into corporate governance in other emerging economies.

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