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Internal corporate governance principles and practices of indigenous banks in Zimbabwe and their impact on organizational effectiveness

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Abstract
The health of the banking industry is strongly dependent on the state of corporate governance in an economy. The adoption and enthronement of sound corporate governance principles and practices is important in ensuring bank organizational effectiveness at institutional, industry and inclusive levels. The Zimbabwean economy has experienced persistent indigenous bank failures allegedly due to internal corporate governance deficiencies during the period 2000-2015. The present study sets out to address two research concerns (1) to identify and discover Zimbabwean indigenous banks' corporate governance irrationalities with regard to organizational effectiveness and, (2) to achieve regulation change through understanding and explaining the impacts of the adopted corporate governance principles and practices on organizational effectiveness. This research examines the corporate governance mechanisms of Zimbabwean indigenous banks and their impact on organizational effectiveness. The research adopts a methodological pluralism approach using the phenomenology and symbolic interactionism epistemological strands. These techniques were used in an effort to address the cardinal points of this research being to identify, discover, understand, explain, predict and recommend controls to the bank failures in light of internal corporate governance deficiencies phenomenon in Zimbabwe. Based on these cardinal points, this study offers a unique insight and constructionist inquiry into the multidimensional subject of corporate governance in banking sector in Zimbabwe for the period under study. The unique insight is proffered through the examination of internal corporate governance principles and practices of the Zimbabwean indigenous banks. The study found out that there is a significantly positive relationship between sound corporate governance and organizational effectiveness among indigenous banks in Zimbabwe. Internal corporate governance deficiencies were central to the persistent bank failures experienced in Zimbabwe during the period 2000-2015. This result is supported by the number of indigenous bank failures, the extent of non-performing loans, and the alleged malpractices among indigenous banks as compared to foreign-owned banks. The research therefore confirms the importance of sound corporate governance in ensuring institutional, industry, and inclusive effectiveness among indigenous banks in Zimbabwe.

Keywords: Corporate governance, indigenous banks, bank failure, Zimbabwe

Introduction

The need for sound corporate governance in banking has assumed heightened importance as an attempt to anchor sustained economic transformation. In Zimbabwe, the increased corporate governance attention is a response to the persistent indigenous bank failures experienced during the period year 2000-2015 and the need to reverse the economic challenges being experienced in the country. Zimbabwean banking sector has suffered distress and eventually numerous banks have become bankrupt, thus highlighting the precarious position of the financial sector. In most economies, there has been a great deal of focus shift on how businesses are supposed to be governed. In retrospect from the vantage point of the Zimbabwean banking crisis (2000-2015), it seems "ethics in corporate governance have come to be at par with economic measures of performance as the primary basis for determining corporate effectiveness" (Wilson, 2000) [60]. Good corporate governance has become quintessential for enhancing organizational effectiveness, inspiring investors, strengthening investor rights, and encouraging economic transformation (Braga-Alves and Shastri, 2011) [8]. Despite increased attention to corporate governance, most developing countries still exhibit poor corporate governance credentials as shown by the relative poor performance of most organizations in these economies (Ekanaakey *et al.*, 2010) [25]. It is alleged the poor corporate governance credential in most developing countries are a result of corruption, weak regulatory frameworks, lack of shareholder sophistication, and other macro-environmental influences.

Considering the multi-dimensional implications of bank distress and failures on the productive sector of the economy, the ramifications of persistent bank failures are unacceptably costly to any economy. Therefore, this study is based on researches and evaluations of the internal corporate governance arrangements of indigenous banks in Zimbabwe. Based on emerging markets, empirical findings states that indigenous banks are less profitable and less efficient when compared to their foreign-owned counterparts. The less profitability and efficiency among indigenous banks is associated with low market share, scarcity of resources, poor market capabilities, and poor access to capital markets. In developed countries, some studies indicate that foreign-owned banks perform poorly when compared to the indigenous banks.

This study emphasizes corporate governance conformance and performance in an organization's life. This approach is in response to the devastating effects of the Global Financial Crisis 2008/09 that resulted from the seemingly exclusive focus on the conformance dimension. The exclusive focus on the conformance dimension has led to an exponential increase in the number of laws, regulations and guidelines directed at organizations (McConvill, 2005) [47]. The present study seeks to identify and discover Zimbabwean indigenous banks' corporate governance irrationalities with regard to organizational effectiveness. Furthermore, the impact on organizational effectiveness of the identified irrationalities will be evaluated in order to understand, predict, explain and make recommendations to control indigenous bank failures in Zimbabwe.

Statement of the Problem

Zimbabwe has witnessed persistent annual recurrence of bank failures during the period 2000-2015. At the center of these bank failures are alleged poor adherence to sound corporate governance by individual banks. Despite the RBZ's concerted efforts to encourage the implementation of sound corporate governance at every banking institution, bank distress and failures among indigenous banks persists. The bank failures have substantial social, macroeconomic and fiscal costs for Zimbabwe. Organizational effectiveness of indigenous banks through the enthronement of sound corporate governance is vital for banking sector solvency and stability through resolving the prevailing economic challenges in the country. Indigenous banks in Zimbabwe are associated with unethical and unprofessional practices, poor board oversight, poor management quality and concentrated ownership structures among other governance issues.

The severe banking sector distress and disturbing frequency of financial scandals and corporate failures in Zimbabwe has highlighted the need for proactive risk management and corporate governance practices; the scandals and failures from banks have greater adverse effects on the economy than from other sectors. Therefore, this research examines corporate governance principles and practices of indigenous banks in Zimbabwe and their impact on organizational effectiveness. The primary research outcome is driving the solvency and stability of the banking sector in Zimbabwe to anchor sustained economic transformation.

Objectives of the Study

The general aim of this study is to examine the corporate governance principles and practices of indigenous banks in Zimbabwe and their impact on bank organizational effectiveness. Below are the specific objectives that will be pursued in this study:

- To explore the nature and extent of the development of sound corporate governance principles and practices in the Zimbabwean banking sector.
- To establish the role of corporate governance in enhancing indigenous banks' effectiveness in the Zimbabwean banking sector.
- To examine the probable internal variables for bank organizational effectiveness measurement related to corporate governance.

Significance of the Study

The disproportionate impact of the global financial crisis 2008/09 did spread a shadow over the existing corporate governance model (Yip, 2013) [62]. In view of the persistent indigenous bank failures in Zimbabwe during the period year 2000-2015, and the widespread recognition that the existing corporate governance mechanisms have limits in terms of producing expected results (Yip, 2013) [62], there is need for a paradigm shift regarding the approach to banking sector challenges and complexities on indigenous banks in Zimbabwe. The research is undertaken cognizant to the fact that 'isolated bank failures are inevitable, and it would be unwise to aim for zero tolerance'. What can be avoided is an annual recurrence as was the case in Zimbabwe? Any bank failure is associated with severe cost burdens such that the need for continued study of the causes of banks' instability, on both the theoretical and practical levels cannot be overemphasized (Uzokwe and Ohaeri, 2014) [58].

Financial sector liberalization process has facilitated the shift from external regulation to internal systems hence the quality of corporate governance within the banks becomes critical to the growth and stability of the sector. Theoretically, this examination of corporate governance principles and practices is in response to the claim that the discipline of corporate governance is "lacking in any empirical, methodological and theoretical coherence" and the empirical findings that the number of indigenous banks in Sub-Saharan African countries has declined significantly (Claessens and Hore, 2012) [20] whilst the number of foreign owned banks has been increasing immensely. The present study is therefore important in providing clarity on these issues.

Indicate that organizations in common law system pay more dividends than those in civil law system, implying these organizations will be organizationally effective. Dividends are considered a reliable indicator of sustainable corporate income, as management decides on a dividend policy to communicate the extent of real income growth (Bhattacharya, 1979; and Ross, 1977) [6, 51]. This study is significant as it examines why banks in Zimbabwe were failing despite them being under the common law system.

There seemingly is a lack of literature on the procedural and ethical underpinnings of day-to-day corporate governance. There is a misconception that governance issues are a reserve for those at the highest echelons of the organization's hierarchy; and that deliberations on the subject of corporate governance in Zimbabwe is restricted to public and large corporations. There also exist negative perceptions that executives are primarily driven by self-interest rather than what is best for the firm hence the primary focus on conformance by most empirical researchers. In the absence of a banking sector code on corporate governance, there seem to be a lack of adequate corporate governance information for banks. In response to this knowledge gap this research examines corporate governance from both situational (conformance) and strategic (performance) orientations at all levels of the banking organization.

Literature Review

Why do banks fail even in the 21st century? The model financial sector is characterized by sophisticated risk-assessment technologies, regulatory policies, and seemingly exceptional boards and competent management and workforce, yet we continue to witness several financial institutions distress and bankruptcy. How could this happen? In Africa, since the Nigerian bank failures in the late 1920's and early 1930's, these questions have been severally asked by the banking stakeholders, hoping that an answer can enhance organizational effectiveness. Although a series of research has provided numerous answers to these questions, bank failures persist. The persistent bank failures and the recent financial crises have raised questions on the dependability of the corporate governance frameworks; and measures of organizational effectiveness in the banking system.

Corporate Governance Meaning

The subject of corporate governance is a unique and multi-faceted matter. Though it lacks a cohesive or systematic theory, its paradigm, diagnosis and solutions lie in various fields of study (Cadbury, 2002) [9]. Corporate governance requires an interdisciplinary analysis, guided by such disciplines as law, management and economics, and an enhanced understanding of contemporary business practices which are founded on comprehensive empirical studies in a series of nationalized systems. Corporate governance is a system and a platform for equity owners, directors, and senior executives to set the direction and maintain the control of an organization. Corporate governance is leadership for creating and sustaining superior performance and sustainability. Corporate governance refers to the extent to which companies are run in an open and honest manner (Sanusi, 2003) [52]. Therefore good corporate governance must incorporate reporting and compliance with statutory regulations, transparency, accountability and fairness. Corporate governance is a key pillar in sustainability and it is imperative to invest in strong corporate governance frameworks and practices in order to protect and grow wealth. Corporate governance is about putting companies in a position to make robust strategic decisions and manage risks.

Other scholars defined corporate governance as a system by which governing and regulatory institutions and all other corporations interact with their stakeholders to improve their quality of life (Ato, 2002) [3]. Corporate governance is therefore concerned with both corporate efficiency and the wide range of corporate strategies and life cycle development (Mayers, 2007) [45]. Corporate governance is viewed as both the structure and the relationships which determine corporate direction and performance. Shleifer and Vishny (1997) [55] define corporate governance as "the ways in which suppliers of finance to corporations assure themselves of getting a favorable return on their investment".

The Role of Corporate Governance

Corporate governance has assumed heightened attention in the business world today for a variety of reasons (Becht *et al.,* 2012). The take-over wave experienced in the 1980s and the Asian crisis are among the reasons for the heightened attention to corporate governance. Aggarwal *et al.,* (2007) [1] asserts that sound corporate governance helps corporations to have favorable access to capital markets. The implementation of sound corporate governance restricts the expropriation of minority shareholders by controlling shareholder. Studies shows that sound corporate governance lead to increased firm valuation, increased earnings, revenue growth, and lower capital expenditure.

Corporate governance reduces conflicts of interest between principals and agents; short-sightedness of writing contracts and monitoring of controlling interest of the firm, the absence of which negatively affects firm value (Denis and McConnell, 2003) [24]. Corporate governance "strengthens investors' confidence in the economy of a particular country, sub-region, or region" (Nworji *et al.,* 2011) [49]. Banking thrives on enhanced depositor confidence on the whole banking system. The retention of public confidence is therefore a top priority in banking; given the role of banks in mobilizing funds, allocating credit to deficit sectors, management of the payment and settlement system, and monetary policy implementation. The efficient execution of these roles by any individual bank requires the enthronement of sound corporate governance. Strengthening corporate governance in banks is of utmost importance in order to boost depositors' confidence and ensure the smooth and health functioning of the banking system (Soludo, 2004) [57].

Corporate governance affects stakeholders, as well as a corporate potential or ability of the organization to fulfill its social contracts with the clientele and society at large. Good corporate governance leads to health relationships between the firm and all stakeholders and thus "improve labor relations as well as the climate for improving social aspects such as environmental protection" (Enobakhane, 2010). The survival and stability of individual banks and the whole financial sector depends on the quality of governance (Fatimoh, 2006) [27]. Corporate governance is regarded as an essential factor in determining the health of an organization's system and its ability to survive macroeconomic shocks (Ayorinde *et al.,* 2012) [4]. It is alleged that most corporate failures were a result of bad corporate decisions by corporate leaders in attempts to expropriate rents. Almost all countries across the globe have enactment good corporate governance, thereby justifying the importance of this topic.

The Corporate Governance of Banks

Empirical and theoretical literature places the banking sector at the center of the 2008/09 global financial crisis. It is alleged that deficiencies in the corporate governance structures of banks were the major cause of the crisis (Kirkpatrick, 2009) [37, 38]. Demyanyk and Van Hemert

(2008) [11] indicated corporate governance deficiencies in terms of the quality of loans. The authors indicate that the problems of the housing bubble and the resulting credit crisis could have been detected had proactive measures been undertaken. Krugman (2009) [41] indicated that the housing bubble was a result of the unregulated "shadow banking system", which became highly leveraged. This view was supported by Gorton (2009) [30] who described the credit crisis as a banking panic involving the shadow banking system. According to Shiller (2008) [54] the bursting of the bubble resulted from irrational exuberance. Researchers suggest that corporate governance in the Zimbabwean banking sector has not be subjected to special rules or academic research, despite the corporate governance problems being more severe than from the real sectors of the economy. The unique nature of banking and financial services has necessitated most scholarly work on corporate governance to shun banking sector institutions from their economic data and focus on firms in the real sector (Haan and Vlahu, 2013) [33]. It is highly important for banking sector stakeholders to clearly understand the governance mechanisms of banks and the differences between banking and real sector firms' corporate governance structures. This understanding is important in evaluating banking sector corporate governance structures in different context. It is equally important to understand the impact of banks' corporate governance mechanisms on their effectiveness.

The banking sector assumed heightened corporate governance interests primarily based on the sector's strategic financial intermediation role and also as a result of the banking sector challenges and persistent bank failures in different economies (Nworji *et al.*, 2011) [49]. The uniqueness of banking institutions demands special focus on their structure and quality of corporate governance (Macey and O'Haran, 2003; Nam, 2004) [44, 48]. Various researchers argue that, banks must be treated differently because they are more vulnerable to collective action problems and moral hazard. Banks are highly opaque or have severe information asymmetries, unique capital structures due to their reliance on depositors rather than shareholders' funds, and peculiar contractual forms (Levine, 2004) [42]. The nature of banking contracts calls for the incorporation of both depositors and shareholders in the corporate governance mechanisms (Turner, 2006). The uniqueness of banking firms implies a more complex corporate governance system to address more complicated agency problems. There are two main dimensions which justify the important role of corporate governance in bank management. First, is the transparency dimension in the corporate function which focuses on shareholder wealth maximization objective, thus protecting shareholders' interests? The second dimension is concerned with the implementation of sound risk management system (Jensen and Meckling, 1976) [34]. The corporate governance of banks should also incorporate the depositors' interests dimension considering much of the banks' capital structure is financed through depositors' funds.

Factors affecting bank performance

The effective management and execution of banking strategies and policies demand that managers and directors identify key factors influencing bank profitability (Chen and Lia, 2009) [17]. Sound corporate governance requires an understanding of both the internal and external factors affecting bank performance. The form of banking has significantly been altered in the 21st century relative to the previous centuries (Hussain and Bhatti, 2010). The key factors driving the changes in the banking market include financial globalization, the transition of national governance, and legal and regulatory reforms. These factors have significantly altered the banking structure and affect bank profitability (Chen and Lia (2009) [17], and eventually the structure of corporate governance. It is a general belief that corporate governance enhances a firm's effectiveness, through ensuring the adoption of the ideal corporate governance perspective, enhancing leadership and management interaction (Saleem, 2005), attracting investors, improving strategic planning (Boyd, 1991) [7], and corporate reporting (Singh, 2005) [56]. The determinants of individual bank effectiveness are divided into internal and external factors.

The internal factors refer to those determinants that are heavily influenced by managers and board decisions; and strategic objectives (Staikouras and Wood, 2004). On the other hand, the external determinants are those factors that relate to industry and macroeconomic environment. The external determinants of effectiveness are mainly derived from the bank's economic and regulatory environment (Athanasoglou *et al.*, 2006) [2]. Internal determinants of bank effectiveness focuses on specific features, such as, bank size, capital, management efficiency, risk management capacity, loan and deposits, while external factors consider the general macro environmental factors. Both the internal and external factors determine the appropriate corporate governance framework for an organization. Sustaining organizations can quickly adapt to the changes in the internal and external environment. Banks are also greatly affected by differences in management policies, decisions, objectives, and actions as reflected in bank operating results. "Management decisions, particularly regarding loan portfolio concentration, are an important factor contributing to bank performance" (Zimmerman, 1996) [62]. Good bank performance is frequently attributed to the quality management, as reflected in the decisions, policies, and operating results. Management quality is also assessed through management's awareness and control of the bank's policies and performance.

Principles and practices of corporate governance

Literature acknowledges that there is no universally accepted global set of principles that are applicable to board structures (Raeze, 2009). The existent corporate governance principles are merely guidelines rather than universal rules of corporate governance (Gul and Tsui, 2004) [31]. Corporate governance principles and practices are mainly informed by the increases in corporate failures and lapses in such areas as board oversight function, enterprise-wide risk management, and the prevalence of unduly complex or opaque bank organizational structures and activities. Organizations should be governed by competent boards which strive to the preparation and implementation of effective business growth strategies to enhance overall corporate performance and sustainability. According to John *et al.*, (2008) firms that have better shareholder protection create improved firm value through engaging in riskier investments. It is therefore corporate governance prerequisite for companies to ensure the rights of all shareholders are protected in order to participate and vote in annual general meetings (AGMs) and appoint competent board members (King and Wen, 2011).

Shareholders should also be provided through the annual general meeting notice, with timely, relevant and material information about the firm in order to enhance decision making effectiveness for the overall corporate performance. Companies should protect shareholders' rights, including ownership rights. Sound corporate governance should also ensure "the protection of the minority shareholders who in most cases are not active, as compared to the large shareholders".

Corporate governance mechanism "should ensure the equitable treatment of all shareholders, particularly inactive minority and foreign shareholders". "All shareholders should have the opportunity to obtain effective redress for the violation of their rights" (OECD, 2004). This area of shareholder rights requires increased disclosure transparency with respect to the distribution and exercise of shareholders rights. Nestor and Jesover (2000) pointed out that the principle of shareholder rights should be supported by transparent disclosure of any material interests in the corporation by management and board members. "The corporate governance framework should ensure the protection of minority shareholders from any form of abusive actions by, or in the interest of, controlling shareholders".

Organizational Effectiveness

Organizational effectiveness is a construct that is founded in the ideals and preferences of evaluators and became more prominent in the 1980s as it switched from being a construct to the status of a concept. Organizational effectiveness is considered to have unclear meaning and a lack of consensus on effective techniques to measure it and the disparity in its use. One of the continuing themes in the study organizational theory is the clarification of effectiveness variation and the continued investigation for its underlying structure. Literature generally states the main conceptions of organizational effectiveness to include profitability, financial-market, sustainability, stakeholder satisfaction, and quality of firms' transformations. These conceptions are directly connected to the organization's capacity to access and absorb resources and as a result achieve its strategic intent (Federman, 2006) [28]. Organizational effectiveness generally encompasses the organization's capacity to access the essential resources for the fulfillment of its purpose through core strategies.

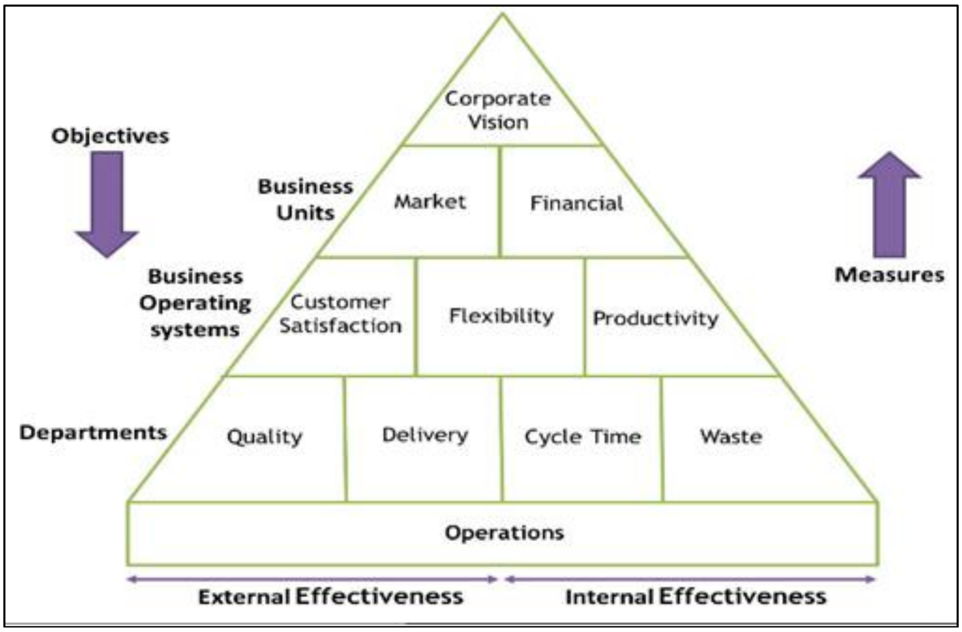


Fig 1: Measures of Organizational Effectiveness

Figure 1 above shows the different measures of organizational effectiveness in the context of departmental objectives, systems objectives, and business units' objectives. The diagram indicates that organizational effectiveness can be measured from an internal and external perspective. The overall measure of organizational effectiveness is the attainment of the corporate vision. The focus of organizational effectiveness should mainly be the management of human resources and organizations. This focus on human resources and organizations will enable individuals and teams to achieve skills and self-esteem in order to control their environment and find security and support (Vinitwatanakhun, 1998), thereby driving organizational effectiveness. Highly effective organizations exhibit strengths in such areas such leadership, decision making and structure, human resources, work processes and systems, and culture. According to Yulk (2008), organizational effectiveness is determined by the sustainability of the business, its ability to perform its mission, and the ability to maintain and sustain positive earnings and asset value. The key organizational effectiveness indicators include long-term profit growth, customer satisfaction, return on investment, and stock returns. These primary determinants of performance are influenced by management, directors, and shareholders.

Organizational effectiveness adopts a holistic approach to performance measurement in a business, across a broad range of criteria. Financial performance, long-term planning, internal structure, and adherence to core values are critical components in understanding organizational effectiveness (Yulk, 2008). The concept of organizational effectiveness demands the prudent and strategic use of all organizational resources for creating sustainable competitive advantage. The concept also calls for creating sustainable growth and development by taking care of not only the shareholders' expectations but also the expectations of all other stakeholders.

Internal corporate governance variables and organizational effectiveness

Business leaders today seem to be boxed in by dysfunctional corporate governance principles, practices and habits that obscure reality, rather than expose it (Sanusi, 2003) [52]. The present literature review focuses on the seven conceptual framework variables of this study.

Leadership and management interaction

The practice and principles of leadership imposes a strong effect on organizational effectiveness. Leaders and managers are important in developing the skills and perspectives that facilitate the accomplishment of organizational work (McCauley and van Velsor, 2004) [46]. Organizational effectiveness is dependent on an organization's management and leadership style. This view is corroborated by studies which found that the achievement of an organization's strategic intent is dependent upon the effective practice of leadership (van der Merwe and van der Merwe, 1985) [59]. The awareness and implementation of appropriate leadership styles give an organization sustainable competitive advantage. The company owners, employees, directors, and all other stakeholders, including the wider community have shared interests in the organization. Positive interaction between the owners, directors and management is fundamental for better corporate governance. This is supported by the values based leadership perspective which encompasses strong internalized ideological values as the binding factor between leaders and all stakeholders.

Strategic (Transformational) Planning

Strategic planning is essential in ensuring a company makes critical decisions and is the foundation for the firm's operating plans (Boyd, 1991) [7]. Transformational planning involves the development of a strategic plan for modifying an enterprise's business processes through the adjustment of policies, procedures and processes to move the organization from an "as is" state to a "to be state". Strategic (transformational) planning determines the nature of an organization's corporate governance structure (Boyd, 1991) [7]. A firm that has good strategic planning is likely to have effective corporate governance structures. It is extremely important for the board to understand the role of strategic planning in enhancing corporate governance. Its failure can lead to disagreements between the Board and the CEO (Kinross, 2012) [51]. Strategic planning is a complex phenomenon conceived of from many complementary aspects. Literature suggests the following dimensions of strategic planning: standardization, sophistication, structure, systemization, severe, superiority, commitment, comprehensiveness, significance, and flexibility of the planning process and programmes (Miller and Cardinal, 1994; Boyd, 1991) [7]. There has been increased controversy on the relationship between strategic planning and corporate performance (Wagner, 2006). A study by Pearce *et al.*, (1987) found that there are inconsistent and controversial results on the relationship between strategic planning and corporate performance. Strategic planning intensity, regardless of it being formal or informal, is positively related with performance. However, Robinson and Pearce (1983) found that strategic planning formality and decision making processes are not always congruent. Banks that formalize the strategic planning process are likely to have lower ROIs than those banks that conduct strategic planning in an informal manner (Gup and Whitehead, 1989) [32].

Organizational Learning

The modern business world is characterized by enormous disruptive changes (Christensen and Overdorf, 2000) [19] which require businesses to deliver greater value to customers through unmatched combinations of quality, innovation, efficiency, and customization. The achievement of these new sources of business value requires organizations to avoid the familiar by becoming more strategic. Traditional organizational models and patterns of thinking must be replaced with new ones. It is imperative that organizational leaders and managers facilitate the adoption of new ways of thinking and acting amongst all stakeholders, particularly those internal to the firm (Bontis *et al.,* 2002). In view of the disruptive business environment, "an organization's propensity to learn, that is, to acquire, apply, and spread new insights has been touted as the fundamental strategic capability" (Fiol and Lyles, 1985) [29] and the major source of competitive advantage (de Geus, 1997). Through organizational learning, organizations generate innovations, adapt to environments, take advantage of emergent market opportunities and create competitive advantage. The institution's ability to learn and change fast is a key driver of sustainable competitive advantage. Organizational learning is defined as a change in the organization's knowledge that occurs as a function of experience (Fiol and Lyles, 1985) [29]. There exist a positive relationship between organizational learning and organizational effectiveness (Bergh and Lim, 2008) [10].

Organizational learning refers to the process through which an organization gains insight and understanding about the interdependence and interaction of its internal and external environment. The increased appeal towards organizational learning is derived from the presumption that learning is a tool for intelligence and that organizations are capable of intelligent behavior. "The basic image is that organizations collect experiences, draw inferences, and encode inferences in repositories of organizational knowledge, such as formal codes and regulations and informal practices" (Schulz, 2001). Organizational learning emphasizes making and updating of routines (recurrent sequences of action) in response to experiences (Levitt and March, 1988). Examples of organizational routines include "organizational rules, roles, conventions, strategies, structures, technologies, cultural practices and capabilities" (Levitt and March, 1988). Organizational learning is an important theme in corporate governance because it enables organizations to adjust and correct their activities in order to achieve stated goals.

Exceptional Boards

The significance of corporate boards has been highly questioned because their impact on day-to-day operation is difficult to observe (Kemp, 2006) [35]. Management is responsible for strategy and execution, but boards have a vital role of giving organizations corporate direction, dignity and discipline (Coulson-Thomas, 1993) [21]. The eight vital roles of boards in an organization are: steward of the organization, model of corporate values and core values, custodian of strong governance, strategist, risk and scenario planner, public face and market maker, custodian of capital markets and global advocate (Chinoperekweyi, 2018;

Renjen, 2012; Kemp, 2006) [18, 35]. Directors are involved in the process of hiring, promoting and assessing top executives, and when necessary dismissal (Naveen, 2006). Top executives' assessment has two components: monitoring of management actions and activities; and determining the intrinsic ability of management. An exceptional board is important in strategic thinking and strategic leadership which drives organizational effectiveness. Directors have to enhance their position of trust in organizations by performing their responsibility of duty of care for the organization. They are also responsible for ensuring the integrity of the organization's financial records and reports. The testing of business models and identification of key performance measures is a responsibility of directors (Vafeas, 1999; Penrose, 1959; Letende, 2004). The board has a dual mandate, that is advisory and oversight of the organization and all its affairs. Empirical evidence on the role of exceptional boards, in terms of the roles and responsibilities of the board, supports these views (Linck *et al.*, 2008) [43].

Corporate financial reporting

Corporate financial reporting is a social phenomenon, aimed at letting the organization's stakeholders know the economic activity of the enterprise. The rapid change and growth of the forms of business ownership, led to an increase in the complexity of the business environment, the level of competition and in the information requirements of firm stakeholders. This has necessitated the rising significance of the concept of corporate reporting (Singh, 2005) [56]. The dimension of corporate reporting encompasses a system of communication between the organization and all its stakeholders; in terms of results of business activities and demonstrates accountability, credibility and reliability of its operations (Saeed, 1990). The enactment of disclosure and transparency laws in various countries has also led to the increased attention to corporate financial reporting. Financial reports aid management in regulating prices, and also help external stakeholders such as investors in evaluating investment decisions; creditors in assessing creditworthiness; liquidity, financial performance, and position; and national governments in managing the tax system (Bhattar, 1995). Qualitatively, the objectives of financial reporting include relevance, timeliness, neutrality, understandability, verifiability, comparability and completeness.

Engaged, committed and innovative workforce

There exists a direct correlation between increased levels of engagement from employees and financial performance (Collins, 2001). Employee diversity and inclusivity is increasingly crucial for the sustainability of companies. Competition for committed and innovative workforce is fierce in today's global economy (Forbes Insights, 2015). Workforce diversity focuses on creating a heterogeneous workforce and ensuring the workforce creates innovative products, services, and business practices that guarantee sustainability and gaining competitive advantage in the marketplace (Forbes Insights, 2015). Engaged and committed employees, through their discretionary efforts gives their firms crucial competitive advantage, plus increased productivity and lower staff turnover. Employee engagement entails the extent to which employees fully occupy themselves in their daily tasks and the strength of their commitment to the company and their roles (Vance, 2006). Researchers have identified commitment as an important factor to increase innovative behavior in organization (Agarwal, 2014; Kehoe and Wright, 2013). Employees' commitment towards an organization includes their desire to see the company succeed (Kehoe and Wright, 2013). Employee commitment acts as intrinsic motivation that trigger innovative behavior as commitment provokes the willingness of employees to dedicate discretionary behaviors and efforts beyond contractual terms towards outcomes desired by the organization (Janssen, 2000). In order to stay competitive, workforce innovative behavior is of paramount importance. "Creativity is vital to the health of firms in today's knowledge economy, as only by fostering the innovative behavior of their employees can firms obtain and maintain competitive advantages" (Niu, 2014).

Innovative behavior can be defined as the new, intentional and beneficial ideas created, introduced and applied to everyday actions within a group or organization. Employees can use their innovative behavior to improve job processes, procedures, methods and operations (Prieto and Perez-Santana, 2014). "An engaged workforce is considered to be a cornerstone of sustaining a competitive advantage" (Agarwal, 2014). Companies that intend to improve their competitive position through innovations need to focus on the ideas of employees to identify areas of improvement based on employees' knowledge, creativity and attitude towards the organization with a special focus on everyday turbulences and opportunities faced.

The conceptual framework

The proposed conceptual model encompasses the connection involving seven internal corporate governance variables and organizational effectiveness. The model indicates that the principles and practices underlying these variables produce either organizational effectiveness or ineffectiveness. The model takes a holistic approach to organizational effectiveness/ineffectiveness. This approach view organizational effectiveness in a linear relationship along three levels: institutional effectiveness, industry effectiveness, and inclusive effectiveness. The measures of organizational effectiveness or ineffectiveness vary at each level. The model integrates both the shareholder and stakeholder primacy perspectives as ideal for the study context. The framework recognizes corporate governance deficiencies brought about by the exponential increase in laws, rules and regulations, and guidelines on corporate governance.

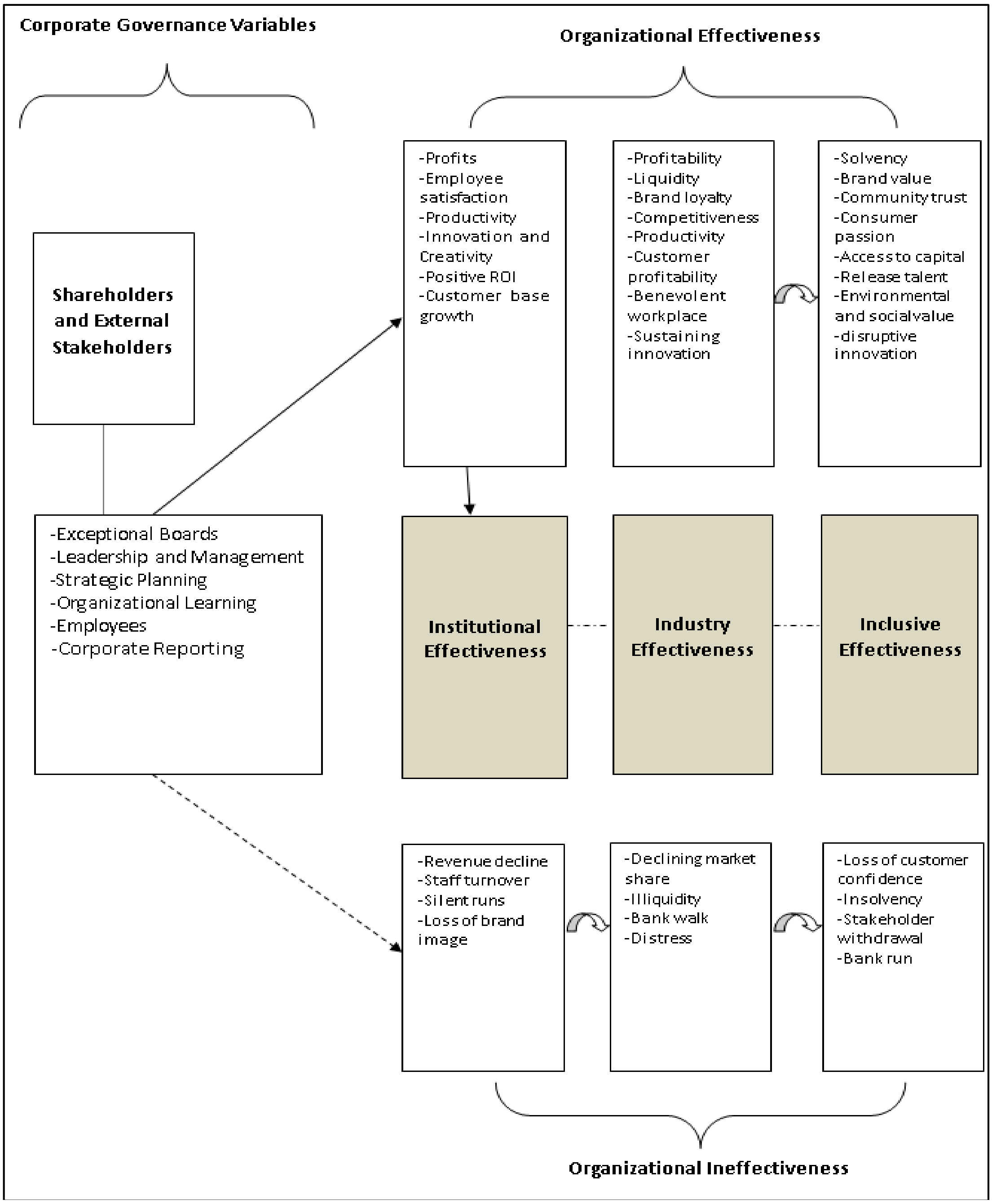


Fig 2: Conceptual Framework: Corporate Governance and Organizational Effectiveness

Due to the uniqueness of the banking sector corporate governance this model considers industrial democracy to be essential in ensuring organizational effectiveness in the banking market. As such everyone within the organizational hierarchy is extremely important in the corporate governance of the bank.

In order to ensure alignment of these variables, the model considers five meetings to be essential in the pursuit of organizational effectiveness. These are shown in Table 8 below:

Table 2: Key organizational effectiveness meetings

Key Players	Type of Meeting	Key focus area
Shareholders and Stakeholders	-Annual General Meeting (AGM) -Stakeholder Engagement	Inclusive Effectiveness Shareholder and Stakeholder value creation
Board of Directors	Board meeting	Industry and Inclusive Effectiveness Organizational vision and raison d'etre
Executives	Executive meeting	Industry and Inclusive Effectiveness Organizational mission and values
Management	Management meeting	Institution Effectiveness Operational issues (goals and objectives)
Employees	Team meetings	Institution Effectiveness Execution of organizational activities

Table 2 takes a hierarchical view of the organization and considers the different meetings at different levels of the organization. The focus of each meeting varies in terms of achieving institutional, industry, or inclusive effectiveness. Meetings at the lower levels of the organization focuses on institutional effectiveness whilst at the highest level of the organization, the meetings focus mainly on inclusive effectiveness. The above meetings alone cannot lead to organizational effectiveness. In this regard strategic planning, organizational learning, and corporate reporting become essential.

From the institutional effectiveness level, organizations need to pursue industry effectiveness. The business has to emerge in the market. Industry effectiveness recognizes competition in the market. The business at this level needs to strategically position itself and increase its market share. Elements of stakeholder value creation start being incorporated into the business model in order to secure a sustainable competitive advantage. To measure industry effectiveness the business will prioritize economic and market-based measures of performance. At this stage there exists a mutual connection between institutional and industry effectiveness.

As the organization grows inclusive effectiveness becomes important. The businesses pursuing inclusive effectiveness excel and exceed expectations. Corporations should not be judged solely on financial metrics, but also on non-financial (Carroll, 1979) [15]. Carroll (2000) [16] suggested that organizations have “four faces” to “fulfill to be good corporate citizens: economic, legal, ethical and philanthropic”. The inclusive effectiveness focuses predominantly on the stakeholder value creation objective. The triple bottom line reporting standards are important at this level.

Methodology

The interpretivist/social constructivist paradigm was primarily adopted because there are multiple bank failures, corporate governance and organizational effectiveness realities that require phenomenological inquiry to be understood. Identifying and understanding the relationships between multiple variables will reveal the ‘underlying patterns and order’ (Morgan, 1980), amongst social actors in Zimbabwean indigenous banks regarding principles and practices for organizational effectiveness. Corporate governance and organizational effectiveness are human constructs and their measures are dependent upon the perspective of the individuals or groups affected hence the adoption of the interpretivist paradigm. The researcher collected and transcribed written and verbal data. The data was fragmented into thoughts, categories and themes, hence the grounded theory approach, confirming the methodological pluralism approach. This research deliberately avoids methodological monism, that is, the insistence on using a single research method.

One strand of interpretivism is phenomenology which describes the “subjective reality” of a phenomenon as perceived by the study population. It is the study of a phenomenon, in this case, bank failures as a result of internal corporate governance shortcomings. The cardinal points of this study are to identify and discover corporate governance irrationalities of the conformance dimension; understand; explain; and recommend controls on indigenous bank failures through addressing corporate governance shortcomings thereby predicting organizational effectiveness (performance corporate governance dimension). The research is expected to achieve regulation change in the way indigenous banks in Zimbabwe are governed, managed and directed. The ontological position of this research is subjectivist because all social phenomena are produced from the views and resultant actions of social actors.

This research was exploratory and explanatory thus deductive as it is based on prior logical reasoning and collects empirical evidence to draw sound conclusions and recommendations. Methodological pluralism, using descriptive qualitative and quantitative data collection methods and analysis is employed, as quantitative data will be tabulated and then interpreted qualitatively. The researcher appreciates that the hard factual data gathered through quantitative research need descriptive discourse so that readers understand the origins, nature, and characteristics of the phenomenon towards regulation. The social approach using qualitative methods allows exploration of the social and environmental factors of the matter under investigation, while the quantitative method using statistical analysis present a high level of veracity and precision (Creswell, 2009) [22]. This research adopts both qualitative and quantitative designs in order to integrate the advantages of each approach, enhancing the accuracy of research results and maximizing data reliability.

Population and Sampling

All researches identify 'research sample' which will provide all the information necessary for answering the research questions. This is because it is impractical for a research to engage everyone in the study population. This study population consisted of 18 operating banks and 147 microfinance institutions as per the architecture of banking in Zimbabwe for the period under review and all the 21 closed banks for the same period. A sample frame of (18) operating banking institutions as at 27 May 2015 and the 21 closed banking institutions for the period 2000-2015 was considered. The chosen sample frame was considered all inclusive and representative as it covers subjects from both the foreign-owned and indigenous banks. The sample also covers the extreme, typical, critical, and intensity cases of the study. ReNaissance Merchant Bank (a closed bank) was studied as an extreme or deviant case sample for the study phenomenon. The researcher adopted the stratified sampling and homogenous sampling methods for the banks, that is, foreign owned and indigenous banks and then operating and closed banks; and then applied stratified sampling for the bank representatives and stakeholders who were then selected using the simple random approach. Data for closed banks were obtained mainly through secondary research that is through the use of liquidators’ reports, newspaper articles, market commentaries and other internet sources. At the management level, head of departments from the following purposively sampled divisions were utilized: Corporate banking, Retail banking, Operations, Treasury and Finance, Strategy, Risk and Compliance, Legal and Human Resources Management.

Data Presentation and Analysis

Descriptive statistics were used to conduct a comparative analysis on the adoption of sound corporate governance mechanisms among foreign-owned banks and indigenous banks. The statistics were also useful in describing the characteristics of the internal corporate governance variables in relation to organizational effectiveness in the Zimbabwean banking sector. This was useful in determining the key principles and practices for sound corporate governance in Zimbabwe. Table 19 below presents a summary of the descriptive statistics:

Table 3: Internal Corporate Governance Variables

Corporate Governance Variables	Foreign owned banks			Indigenous Banks		
	Minimum	Maximum	Mean	Minimum	Maximum	Mean
Shareholder & Stakeholder Focus (%)	0	1	87	0	1	37
Exceptional Boards (%)	0	1	91	0	1	69
Leadership & Management Interaction (%)	0	1	84	0	1	63
Strategic (Transformational) Planning (%)	0	1	87	0	1	56
Corporate Financial Reporting (%)	0	1	95	0	1	92
Organizational Learning (%)	0	1	83	0	1	64
Innovative & Committed workforce (%)	0	1	82	0	1	63

The above statistics make a comparison between the seven variables in the context of foreign-owned banks and indigenous banks in Zimbabwe. The results presented in Table 4 illustrate the number of respondents who agreed on the level of significance of each variable in the two categories of banks. The results indicate that these variables are more favorable in the foreign-owned banks as compared to the indigenous banks. The indigenous banks recorded a lower mean value of 37% with respect to shareholder & stakeholder focus

Analysis of Results
This analysis is based on data presented in Table 3 above on the seven corporate governance variables and their impact on organizational effectiveness.

Shareholder and Stakeholder Focus
Analysis of the descriptive statistics indicates that 87% of the respondents report that foreign-owned banks' corporate governance focus is more on the stakeholders whilst 13% were of the view that there is a balance between shareholder and stakeholder focus. Within the indigenous banks, 37% of the respondents indicated that the banks have a stakeholder focus whilst 63% reported shareholder focus as the key priority within these banks. Figure 3 below illustrates these statistics.

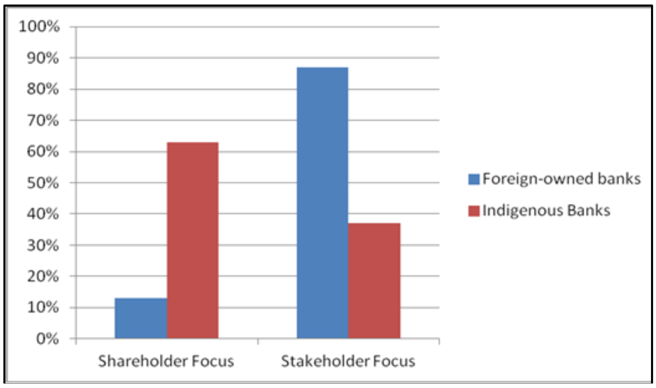


Fig 3: Shareholder and Stakeholder Focus

In view of this variable, respondents from the foreign-owned banks supported their view by referring to the adoption of the *Ubuntu* philosophy and the huge investments by these banks in financial inclusion programs. Content analysis supports this view as such social responsibility programs were reported: initiatives that support the welfare of women, supporting the arts industry, food donations, donating books, and sponsoring sport activities.

Leadership & Management Interaction
Table 3 results show that there is a high level of interaction between leadership and management within the foreign-owned banks. As depicted in Figure 4, 84% of the foreign owned banks' respondents indicated that there is a direct working relationship between the banks' directors, CEO and managers. These respondents indicated that the boards of foreign-owned banks actively monitor the management.

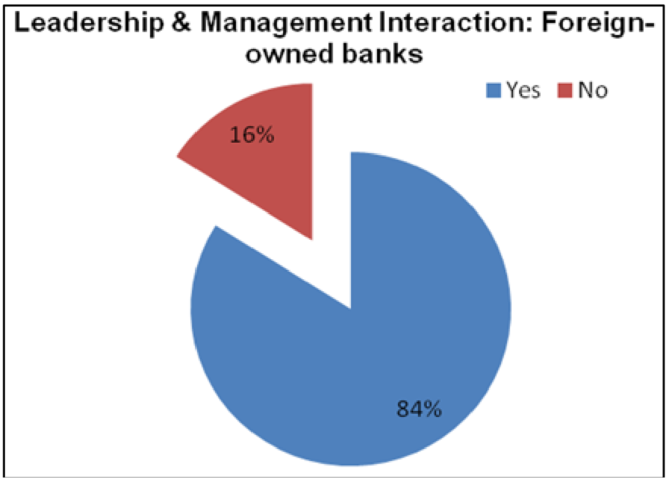


Fig 4: Responses on leadership & management interaction

63% of indigenous banks' respondents were also of the same view that there is high interaction between leadership and management. These respondents reinforced their arguments with the importance of roles separation between the Chairman and CEO. These views are depicted in Figure 5. Most respondents indicate that banks have increased leadership and management interaction. Leadership and management interaction data has been selected as a key variable determining organizational effectiveness. The data presented and illustrated from Figure 48 and 49 is essential in determining organizational effectiveness. Figure 5 depicts the data on leadership and management interaction in indigenous banks.

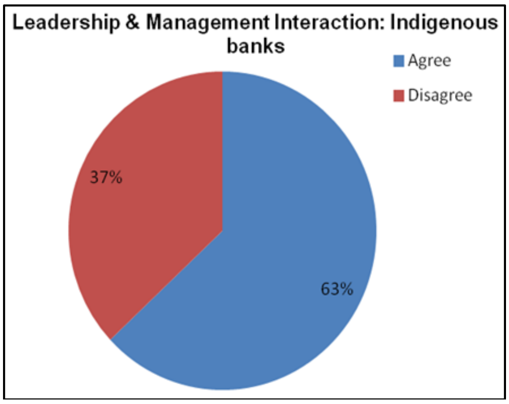


Fig 5: Responses on leadership and management interaction

The responses shown in Figure 4 and 5 therefore indicate that there is a favorable working relationship between executives and managers in foreign banks as compared to indigenous banks. This conclusion is based on the interpretivist and subjectivist research philosophy of the present study.

Exceptional Board

Analysis of the data to determine the level of board exceptionality indicates that 91% of the respondents in foreign-owned banks report that their boards were exceptional whilst 69% of the indigenous banks' respondents were of the same view. Figure 6 below depicts the level of board exceptionality from the point of view of research participants.

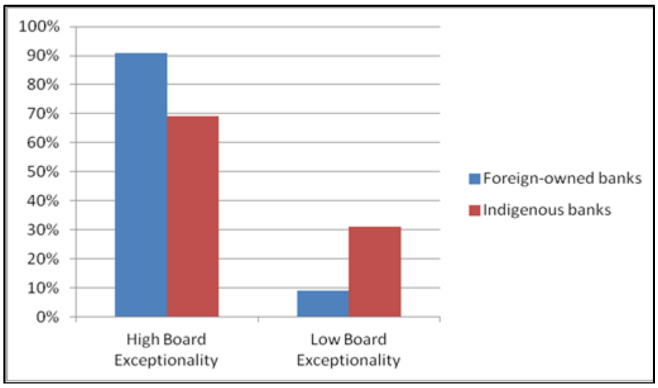


Fig 6: Level of board exceptionality

To support the views depicted in Figure 6, respondents indicated that the level of board exceptionality is determined by the level of interaction with management, board of directors' business savvy & stakeholder focus, fulfilling expected board functions, pro-active risk management, upholding to ethical standards, and aspiring to the bank's vision. These interpretations were evident in both questionnaire and interview responses. Respondents within the foreign-owned banks strongly indicated that their boards comply with the set corporate governance guidelines. The present study and conceptual framework indicates that there is a positive correlation between exceptional boards and organizational effectiveness.

Strategic (Transformational) Planning

Table 3 show that all respondents within the foreign-owned and indigenous banks indicated that the banks have a planned strategy. However significant variations were noted in terms of the strategy development process and the execution of the strategic plans. As shown in Figure 7, respondents (87%) from the foreign owned banks reported that the banks have a comprehensive strategic planning process manual which is accessible to all key members of the bank. These respondents indicated the strategic planning process was effective and an effective method of strategic management.

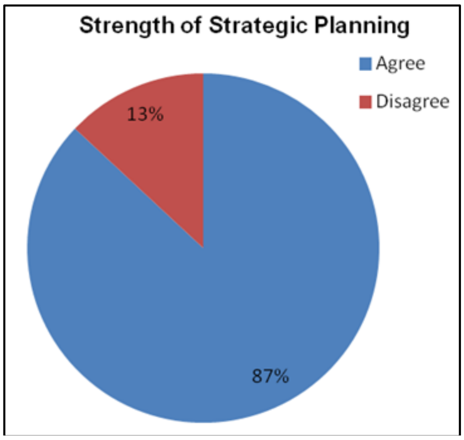


Fig 7: Effectiveness of strategic planning in foreign-owned banks

As shown in Figure 7, 56% of the respondents from the indigenous banks reported the existence of clearly documented manual about strategic planning and its importance as a method of strategy development. However, 44% of the respondents were of the opinion that the strategic planning process in indigenous banks was weak hence contributing to the failure in these institutions. The time horizon for all banks' strategic planning was indicated as less than one year with reviews ranging from monthly to quarterly basis.

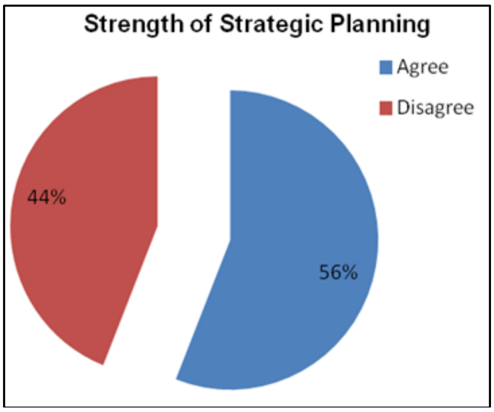


Fig 8: Effectiveness of strategic planning in indigenous banks

Strategic planning is considered a key corporate governance variable and in organizational effectiveness. The effectiveness of strategic (transformational) planning is considered a key driver of organizational effectiveness. Respondents' results indicate that foreign-owned banks have effective strategic (transformational) planning processes as compared to indigenous banks.

Organizational Learning

Organizational learning was indicated as a key part of the banks in Zimbabwe. 87% of foreign-owned banks' respondents indicated learning from stakeholders, through strategic planning, competitors, open communication and diversity. Figure 8 illustrates the degree of organizational learning in foreign-owned and indigenous banks. Respondents had to indicate their views regarding organizational learning in these two categories of banks.

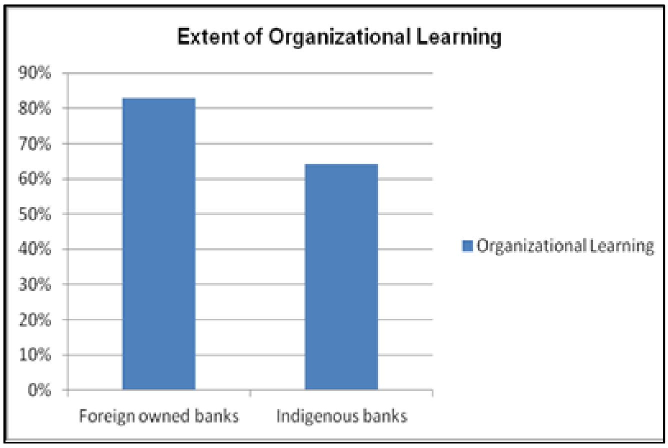


Fig 9: Extent of organizational learning

Though learning is a part of indigenous banks, an analysis of the responses indicate that these banks fell short in terms of open communication, employee engagement, stakeholder focus, and the promotion of diversity. The extent of organizational learning was therefore at 64% in the sampled indigenous banks. The focus of organizational learning has been on the processing and creation of information and knowledge. The respondents therefore assessed the two categories of banks in terms of the processing and creation of information and knowledge. Organizational learning is considered a key variable in corporate governance and a driver of organizational effectiveness. Most respondents indicated that banks that are continuously learning are highly innovative and sustainable.

Corporate Reporting

Corporate reporting is a requirement for all banking institutions in line with the RBZ 2004 Corporate Governance Guideline on Disclosure and Transparency. As shown in Figure 10, respondents within the foreign-owned and indigenous banks indicated their banks were complying with this guideline but issues of cosmetic and creative accounting were raised by 23% of the indigenous banks' respondents as a major drawback to the reliability of the financial reports and statements.

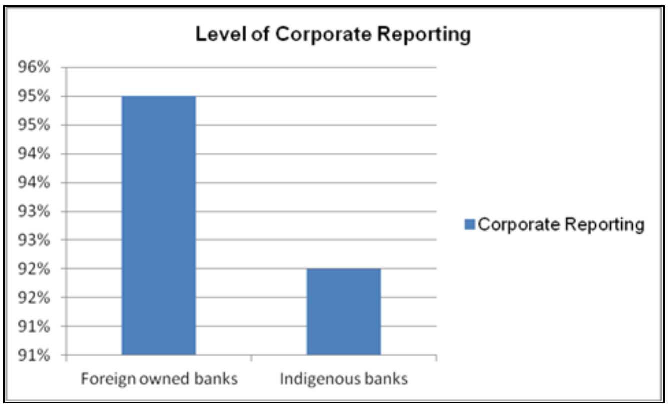


Fig 10: Extent of Corporate Reporting

Figure 10, indicates that both banks are complying with the corporate reporting requirements. Corporate reporting is closely related to the stakeholder focus of banking institutions.

Innovative and Committed Workforce

The importance of employees in corporate governance, particularly organizational effectiveness was supported by respondents in both foreign-owned and indigenous banks. Table 3 show that 82% of the respondents in foreign-owned banks reported that employees were engaged and committed to the bank; hence highly innovative. Figure 11 depicts these views from respondents.

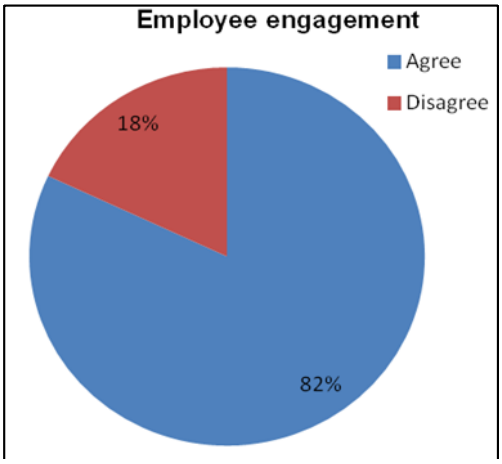


Fig 11: Employee engagement in foreign-owned banks

As shown in Figure 12, within the indigenous banks, 63% of the respondents indicated that employees were engaged and committed.

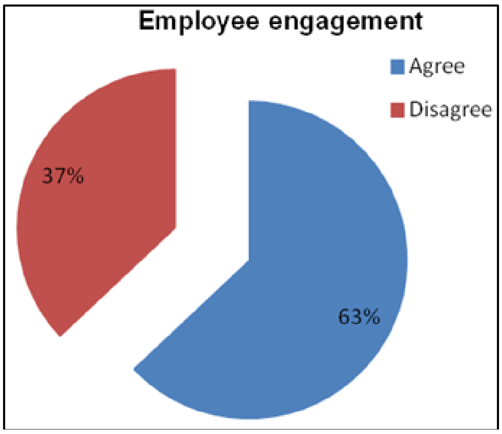


Fig 12: Employee engagement in indigenous banks

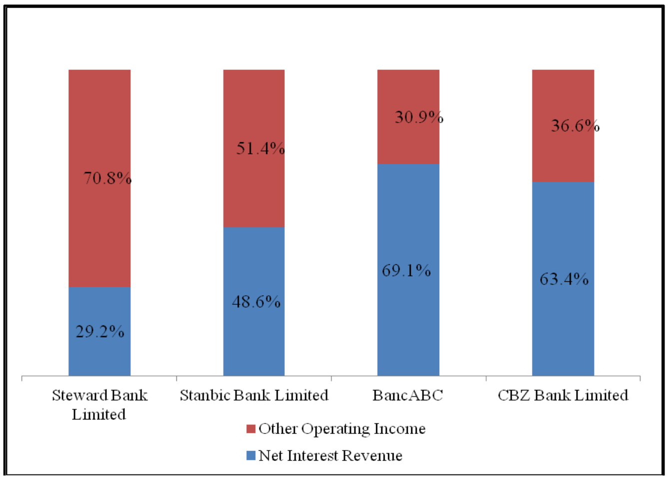
In view of the data presented on Figure 11 and 12, foreign-owned banks' respondents indicated the management of operational risk through employee training & development, and health & safety policy in the workplace. The availability of clearly defined and implemented employee benefits was indicated as a factor leading to employee commitment. Respondents indicated that foreign-owned banks assist employees in respect of car loans, housing and personal loans at subsidized rates. On the contrary, within the indigenous banks such benefits are for those at the highest echelons of the organizational structure.

The above analysis of the results indicates the nature and level of adoption of corporate governance principles and practices among indigenous and foreign banks in Zimbabwe. The responses indicate the significance of the variables in ensuring organizational effectiveness in the Zimbabwean banking sector. The analysis of the results from the conceptual framework variables has been useful in determining the state of the adoption of sound internal corporate governance mechanisms by indigenous banks in Zimbabwe. Results indicated that banks are adopting the internal corporate governance principles and practices however there are variations between the foreign-owned and indigenous banks hence differences in organizational effectiveness.

Organizational effectiveness

This research examined the performance of the sampled Zimbabwean banks using information from Bankscope database. The Bankscope database was used because Bankscope is considered one of "the most comprehensive, global database for banks' financial statements, ratings and intelligence". The Bankscope database is considered a valuable database for bank financial performance information. The database is useful for examining individual financial entities' balance sheets and income statements for a number of years. Empirical literature indicates that the values reported on the Bankscope database are consistent with the primary data sources. This researcher used the simple *'Find a Bank'* searching option on the Bankscope website to get financial data, bank directors and shareholding structures.

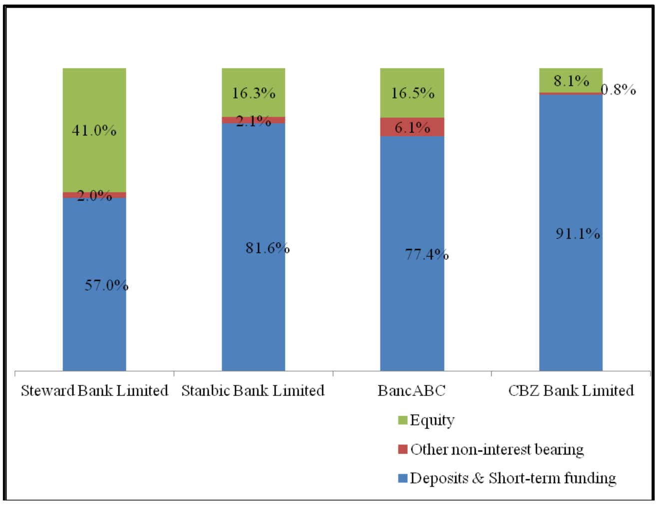
The Bankscope database was essential in accessing information about the financial position and exposure of the sampled banks. Below is a summary of the performance of the four sampled banks. Figure 13 shows the sampled banks' financial performance in terms of the ancillary operating income and the net interest revenue.



Source: Bureau van Dijk, 2016

Fig 13: Income Statement Structure (2015)

The net interest revenue is a common measure of financial performance in a bank. The net interest revenue indicates the difference between income generated from a bank's assets and the expenses incurred in paying liabilities. The data represented in Figure 13 indicate that Steward Bank Limited had 70.8% ancillary income and a lower 29.2% representing net interest income. CBZ Bank Limited had a high 63.4% net interest revenue as compared to the 36.6% other bank operating revenue. The indigenous banks have mean score of 53.7% (other bank operating revenue) and 46.3% (net interest revenue). From the foreign-owned banks mean score of 41.1% on other bank operating and 58.9% on net interest revenue are derived from the data. The data was important in determining organizational effectiveness considering the net interest revenue is the largest source of profits for most banking institutions. However, the variability of net interest revenue requires improvements in internal corporate governance of individual banking firms in order to understand and manage the factors that affect net interest income. The data from the BankScope database show that banks are diversifying into fee earning activities in order to reduce bank's exposure to risk. Therefore, statistical results from Figure 13 show that foreign-owned banks are earning their income from new, other operating income (mean=41.1%) as compared to the net interest revenue (income from deposits and loans) (mean=58.9%).



Source: Bureau van Dijk, 2016

Fig 14: Balance Sheet Structure (2015)

As reported in the Bankscope database, Figure 14 results show that foreign-owned banks have mean scores of 67.2%, 28.8%, and 4% on deposits & short-term funding, equity, and other non-interest-bearing assets respectively. Indigenous banks have 86.35%, 12.2%, and 1.45% deposits & short-term funding, equity, and other non-interest bearing assets respectively. These results indicate that indigenous banks have a higher percentage of loans as assets as compared to foreign-owned banks. However, the low shareholders' equity position shows greater risk in the event the bank goes awry. This is indicated by the leverage ratio. The high leverage on indigenous banks indicates greater vulnerability to adverse shocks that reduce the overall value of assets or funding liquidity (Bordeleau *et al.*, 2009).

The results are supported by the capital ratio figures of the sampled banks which captures the risk associated with bank assets. Tier 1 capital figures are as shown in Table 4 and Figure 15.

Table 4: Tier 1 Capital (%)

Tier 1 Capital (%)								
Banks	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Mean**

1.	BancABC	18	18	10	8	14	10.6	12.8	13.1
2.	CBZ Bank	9.4	7.33	6.74	7.72	8.67	9.68	11.8	8.8
3.	Stanbic Bank	18.4	15.58	14.65	14.98	18	20	20	17.4
4.	Steward Bank	-	-	-	39	26	30	31	31.5

***Source*:** Bureau van Dijk, 2016

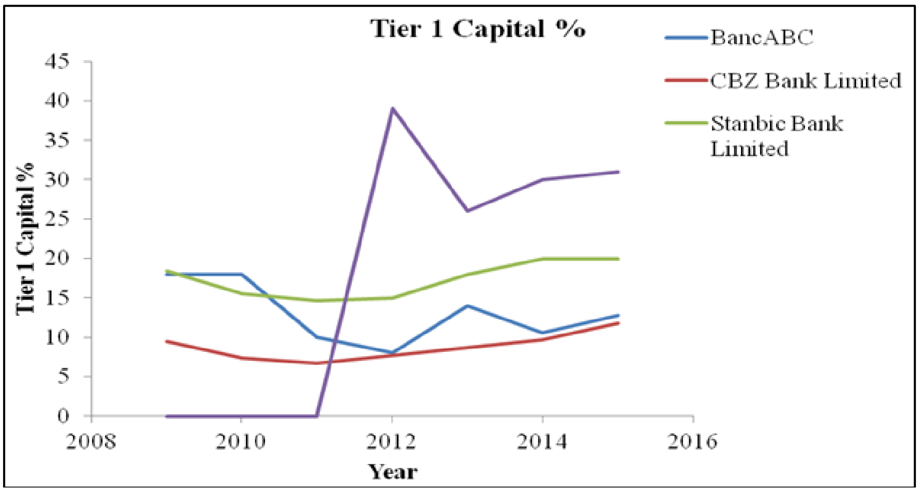
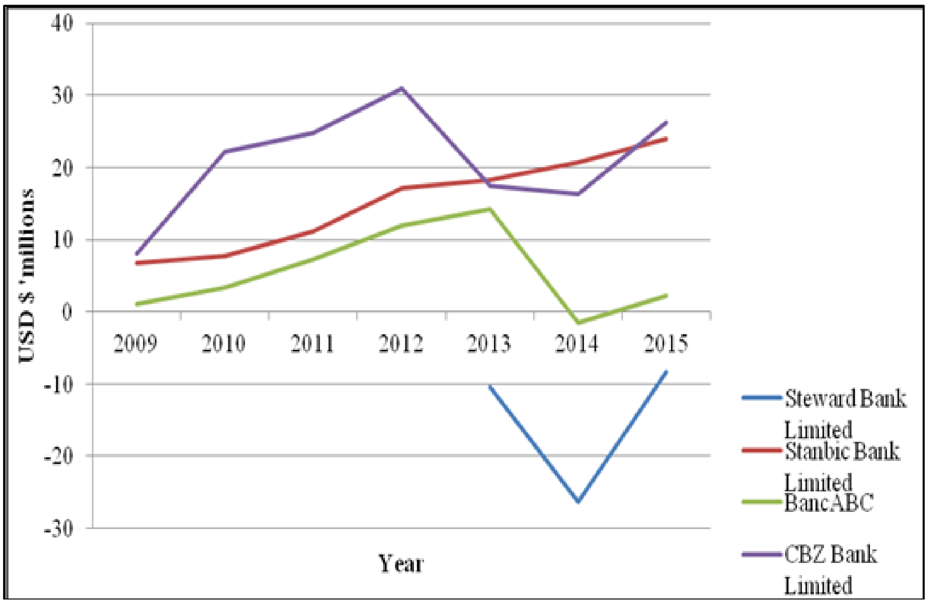


Fig 15: Tier 1 Capital %

A higher capital ratio indicates that the bank has relatively high capital holdings or relatively low risky assets holdings. This indicates less vulnerability to adverse shocks. However, funding liquidity and asset liquidity are important determinants of bank viability. Results shown in Table 4 and Figure 15 indicate capital ratio mean of 20.1 and 15.3 on foreign-owned and indigenous banks respectively. These results imply that foreign-owned banks have high capital holdings whilst indigenous banks have relatively high risk capital holdings. This gives the foreign-owned banks increased performance ability as compared to indigenous banks.

The net income trend analysis for the four banks is as shown in Figure 16:



***Source*:** Bureau van Dijk, 2016

Fig 16: Bank Net Income Trend Analysis

Figure 16 trend analysis results indicate the net income figures analysis for the sampled banks. Foreign-owned banks show higher net income figures as compared to the indigenous banks. There has been a negative net income on Steward Bank Limited during the period 2013-2015 as a result of the banks investment in capital projects. The trend analysis in Figure 16 shows positive net income data on the other banks due to their long-term existence in the banking market in Zimbabwe. Table 5 below show the financial performance indicators of the sampled banks in terms of ROAE, ROAA, and NIM. These indicators show the performance of the four sampled banks with regards the utilization of assets and equity to generate revenue; and also the overall banks' net income over the period 2009 to 2015. A positive and higher ROAE, ROAA, and NIM are considered favorable for banking institutions. Table 5 indicates that foreign-owned banks had higher favorable results during the period under review.

Table 5: Financial Performance Indicators

	2009	2010	2011	2012	2013	2014	2015	Mean
ROAE								
Steward Bank	-	-	-	-11.87	-35.87	-12.26	8.18	-12.96
Stanbic Bank	35.26	33.69	35.92	42.52	32.53	28.01	28.17	33.73
BancABC	7.62	16.22	22.91	28.01	21.78	-1.97	3.09	13.95
CBZ Bank	24.24	49.55	36.62	35.71	16.82	13.66	19.15	27.96
ROAA								
Steward Bank	-	-	-	-4.83	-16.30	-5.47	3.25	-5.84
Stanbic Bank	3.33	2.88	3.17	4.55	4.21	4.00	4.14	3.75
BancABC	1.59	2.12	2.30	2.56	2.64	-0.30	0.49	1.63
CBZ Bank	1.97	4.21	3.03	2.96	1.38	1.11	1.57	2.32
NIM								
Steward Bank	-	-	-	6.72	3.20	5.70	6.85	5.62
Stanbic Bank	3.25	8.37	9.24	11.11	11.18	11.27	11.51	9.42
BancABC	7.79	9.02	8.31	8.37	12.64	13.44	9.75	9.90
CBZ Bank	5.01	10.83	11.53	10.84	8.11	5.92	6.35	8.37

***Source*:** Bureau van Dijk, 2016

Discussion and Implication of Results

Nature of Corporate Governance in Zimbabwe

Literature show that in Zimbabwe privately owned banks date back to 1892 (Maune, 2015), yet the country does not have a national code on banking institutions. The researcher noted that Zimbabwe launched its national Code of corporate governance (ZIMCODE) in year 2015. The launch of the ZIMCODE was necessitated by the institutional failures that rocked the Zimbabwean banking sector, owner management challenges, corporate power concentration and the corporate scandals and failures (ZIMCODE, 2014). “There are however certain entities which require a sector approach to corporate governance. Special sectors, such as banking and financial services sector, partnerships, trusts and small to medium enterprises, should have specific codes of their own which take a sector approach to corporate governance” (ZIMCODE, 2014).

Content analysis indicates that the way banks are managed and directed in Zimbabwe is regulated by the Banking Act (Chapter 24:20), Reserve Bank Act (Chapter 22:15), Companies Act (Chapter 24:03), and the ZSE Act (Chapter 24:18) (Maune, 2015). Zimbabwe was a British colony and as such has a common law system, which in theory should provide better contractual protection (Tsumba, 2002). Zimbabwean corporate law is embodied in the Companies Act (1981) and ZSE Act (1996). Rules from such institutes as the Institute of Directors Zimbabwe (IoDZ) and Institute of Bankers also guide the operation of banks in Zimbabwe.

Banks in Zimbabwe are guided by the legislation, regulations, standards and codes applicable in the country. In the absence of a specific banking sector code of corporate governance, this research found out the different approaches to corporate governance by Zimbabwean banks. This data was obtained through content analysis and interview of the CEO, executives and external directors. Theoretical and empirical analysis indicates that due to the inherited Zimbabwean corporate governance system the shareholder theory and the principal-agency theory dominates the indigenous banks in Zimbabwe. Zimbabwe lacks adequate governance structures and links for the proper coordination and achievement of sound corporate governance. However, the IoDZ is greatly involved in encouraging corporate government enhancement through hosting conferences, annual awards, and corporate governance training.

Shareholder and Stakeholder Focus

The examination of shareholder and stakeholder focus was important in determining the model that drives organizational effectiveness. The protection of shareholder rights in corporate governance cannot be overemphasized. However, the adoption of the ideal model of corporate governance is essential to economic development. Results indicate the significant role that stakeholder model has in enhancing organizational effectiveness. The adoption of the stakeholder perspective should consider to a great extent the rights of shareholders since they are the providers of capital. Respondents emphasized the need to ensure organizational effectiveness banking institutions in Zimbabwe through the ensure equal treatment of all shareholders. This view is corroborated by the OECD principles of corporate governance which state that both the controlling and minority shareholders should be granted “equal opportunity to obtain effective redress for any violation of their rights” (OECD, 2004). The majority of respondents supported this view on shareholders. Both theoretical and empirical literature indicates that the rights of all stakeholders should be recognized by the corporate governance framework. Stakeholder rights are established by various statutory laws, custom or mutual agreements between parties. These rights encourage active collaboration and cooperation between the firm and all its stakeholders with a view of job creation, wealth creation, and ensuring the financial stability and soundness of the firm (OECD, 2004). Most of respondents indicated that the stakeholder perspective is ideal for Zimbabwean banking sector in light of the financial inclusion agenda and the *ubuntu* philosophy in most African states. This view, according to literature is in line with the Triple Bottom Line (TBL) reporting requirements and the organizational responsibilities as alluded to under the literature review section.

The integration of shareholder and stakeholder focus is essential to bank organizational effectiveness in Zimbabwe. This research confirms the sustainable value framework which advocates for the combined shareholder and stakeholder focus in contemporary organizations. Shareholder activism, sophistication and equality are prerequisites for deriving firm value. The incorporation of stakeholder focus creates shared value and embedded sustainability leading to organizational effectiveness across institutions, industry, and inclusive levels. The development of principles and practices that support the shareholder rights and responsibilities will drive organizational effectiveness. The rights and responsibilities of shareholders support the stakeholder focus narrative.

Leadership & management interaction, strategic planning and exceptional boards

The strategic guidance of the corporation is an essential corporate governance principle. Literature supports this view as it indicates that organizations should ensure effective interaction between the directors and management, and the board of director's accountability to shareholders (OECD, 2004). Most respondents indicated the importance of Leadership & Management Interaction, Strategic Planning and Exceptional Boards in enhancing organizational effectiveness. Lack of proper interaction between the board and management is likely to lead to "executionary" behaviors which are contrary to effectiveness.

Research results support the conceptual framework that leadership & management interaction, strategic (transformational) planning and board exceptionality are key factors to organizational effectiveness. The board and leadership team within a bank should be deeply involved in evaluating the external business environment, integrating all business units and oversee the operations of the business. Organizations with boards and leadership that are active and aspire to the organization's vision are most likely to be effective. This is in line with the study by Serfontein (2010) [53] on strategic leadership and corporate performance in South Africa. The study reinforced the direct relationship between effective strategic leadership and the performance of businesses in South Africa.

Organizational Learning

Organizational learning is a key corporate governance variable in the conceptual framework of this current study. This variable was chosen due to the view that today's macroeconomic environment is characterized by disruptive change (Christensen and Overdorf, 2000) [19]. The framework shows a positive connection between organizational learning and organizational effectiveness. This argument was based on the innovation perspective which drives institutional and industry effectiveness. Respondents supported the view that learning organizations are highly effective.

Organizational learning leads to creative-intelligence in terms of information acquisition, information quality and information interpretation. Respondents' perspectives are similar to various theoretical, related and empirical findings on the link between organizational learning and corporate effectiveness. Organizational learning directly impacts all the three levels of conceptual framework organizational effectiveness. The perceptions of respondents were in agreement with the views that a firm's propensity to learn is an essential strategic capability (Fiol and Lyles, 1985) [29]; and a basis of sustainable competitive advantage (de Geus, 1997). Organizational learning enables an organization to be innovative, adaptive, agile and create competitive advantage. This view is in agreement with Winston (2009) who pointed out that competitive advantage is a product of the ability to learn and change fast.

Innovative and Committed Workforce

Employees are normally excluded from most corporate governance literature. The conceptual framework of this study considers employees as key corporate governance drivers in contemporary organizations. This view was built on the stakeholder perspective and the industrial democracy narrative. Employees' level of innovativeness and commitment determines institutional and industry competitiveness. The perspectives of the respondents agree with the conceptual framework argument. The results are in agreement with various researchers who found a positive relationship between the level of employee engagement and organizational financial performance. The level of employee engagement, innovativeness and commitment determines an organization's improvement in terms of job processes, procedures, methods and operations.

Corporate Reporting

The principle of corporate reporting (disclosure and transparency) is important in enhancing organizational effectiveness. Timely and truthful disclosure of all matters affecting the organization should be a top priority in any corporate governance framework. This disclosure includes the corporation's financial position, performance, governance, and ownership (OECD, 2004). The roles of corporate reporting as per the conceptual framework include advising stakeholders, educating, informing, and unifying. The majority of respondents indicated the importance of corporate reporting in enhancing organizational effectiveness. The roles of corporate reporting enhance the transparency and disclosure narrative of corporate governance and as such organizational effectiveness.

Conclusions and Recommendations

The results of this research confirm that corporate governance is essential to organizational effectiveness. Bank failures in Zimbabwe are to a greater extent attributed to internal corporate governance deficiencies in such areas as shareholder and stakeholder focus, leadership and management interaction, strategic (transformational) planning, organizational learning, exceptional boards, and employee commitment and innovativeness. Indigenous banks in Zimbabwe are associated with unethical and unprofessional practices, poor board oversight, poor management quality and concentrated ownership structures among other governance issues. Addressing these internal corporate governance deficiencies will avert the pressures of the external environmental factors.

An analysis of the perceptions of the research participants show that most participants agree with the adoption of a stakeholder perspective in Zimbabwe. The stakeholder primacy perspective from the respondents is in line with the OECD (2004) view of corporate governance as "a set of relationships between managers, directors, shareholders, and all other stakeholders". The stakeholder perspective is therefore the ideal definition of Zimbabwean banking sector corporate governance in Zimbabwe. The findings are in line with Wanyama *et al.,* (2013) view, who stated that "corporate governance is considered a relationship with a range of stakeholders".

Corporate governance encompasses the approach with which a firm is governed which determines its effectiveness at institutional, industry and inclusive levels. Improvements in the internal corporate governance arrangements of banks play a significant role in determining organizational effectiveness. The success of organizations in the 21st century and beyond is determined by the relationship between the organization and all its stakeholders. The goal of corporate governance should be to achieve organizational effectiveness through strong and exceptional boards, enhanced shareholder rights and activism, responsible and committed management, innovative and committed employees and a consideration of the entire stakeholders and the environment. The research findings point out to the following principles as essential for sound corporate governance mechanism in the banking sector in Zimbabwe: corporate integrity, market discipline, and improved disclosure and corporate accountability.

The banking sector corporate governance code should be developed to compliment the recently launched ZIMCODE. The code should give due attention to the internal corporate governance variables proposed by the conceptual framework of this research and focus on the voluntary implementation of sound corporate governance by individual banks. The code should be developed in the context of the Zimbabwean macroeconomic environment and historical analysis. The code should be simple, practical and easy to implement and enforce. Stakeholder engagement should be the foundation of the proposed code of banking in Zimbabwe.

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