

Impact of Corporate Governance in the Performance of Parastatal Organizations in Zambia

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Abstract: This study was set up try to address some of the problems which the Parastatal organizations have been facing in their operations. Corporate governance is seen as being critical in the leadership of Parastatal organizations. One of the motivating reasons for establishing Parastatal organizations in Zambia is to facilitate social and economic development in sectors that are not considered expedient for private sector investment by foreign and local investors. However, the Parastatal organizations established by the government to fill this vacuum have been faced with challenges that constrain their ability to perform optimally. The Board of Directors are key in the success of the Parastatal organizations. Primary methodology used in this study is Qualitative field research. Sampling was based on non-probability which is purposive sampling. After initial participants were selected using purposive sampling, Snowball sampling was used to select subsequent participants. In this study, opinions, perceptions, feelings, attitudes, and beliefs were sought through face-to-face informant interviews supplemented by the desk research. The study population were former Government leaders, Board of Directors, and senior management members who had been involved in Parastatal organizations. In-depth interview methodology was used where each person interviewed shared with the interviewer's understanding on the subject of the role of leadership in Parastatal organizations in Zambia. Government Leaders, Board of Directors and Senior management leaders who were appointed to run these organizations were the main target groups for this study. A total of 40 respondents (comprising of 30 males and 10 females) belonging to the existing and past Parastatal organizations were systemically interviewed within their setting. Leadership in these organizations is led by the Board of directors were appointed by the minister. The board then have a responsibility of appointing and overseeing the senior management to hold them responsible for the success of the organization. Most of the participants were quick to point out that the leadership in parastatal organizations are mostly constrained by political interests whereby what is actualized within organizations is not the vision of Parastatal leaders but the interests of the politicians running the country. Parastatal organizations are supposed to be contributing to domestic revenue, employment creation and economic growth. Unfortunately, Parastatal organizations in Zambia had in the past been marred with inefficiencies, high liabilities and poor financial management. This has been mainly attributed to the interferences of Government in the Board of Directors.

Keywords: Corporate Governance, Leadership, Parastatal Organizations in Zambia

1. Introduction

Corporate governance is key to the success of any business entity. Hendrikse John and Hendrikse Leigh (2004, p. 98) state that corporate governance should not be seen as an added burden for the business but as a catalyst for improved compliance that leads to improved performance. Corporate governance is the means through which an organization can safeguard the financial interests of business stakeholders,

whether inside or outside. Larger organizations classically have a stronger need for governance due to the multiplicity of individuals working in the company [7]. Corporate governance can also assist companies measure performance; it usually outlines the responsibilities of everyone in an organization, whether it is the proprietor, director, manager, or an employee. Setting unambiguous responsibilities allows for an easier individual performance review process. This allows organizations to make the most of the productivity of

workers. Corporate governance is a process of supervision and control intended to ensure that the management acts in accordance with the interest of shareholders. A great deal of consideration has been given to the benefits of good corporate governance and how this affects firm performance in developed and emerging countries. Most studies agree with a positive link between good corporate governance practices to the firm performance and value. Evidence demonstrate that during the global financial crisis between 2007 and 2009 corporations that had better corporate governance were predisposed to have higher rates of return and consequently were rated better in performance than those with poor corporate governance practices in both developing and developed countries [8, 2, 15].

One of the motivating reasons for establishing Parastatal organizations in Zambia is to facilitate social and economic development in sectors that are not considered expedient for private sector investment by foreign and local investors [31]. However, the Parastatal organizations established by the government to fill this vacuum have been faced with many challenges that constrain their ability to perform optimally. Many Parastatal organizations having been used as platforms for patronage and the promotion of political objectives, had suffered losses from operational interference by civil servants and political appointees [3]. It had even been adjudged to be a drainpipe to the nation's resources because a lot of human and material resources have been invested in it without commensurate financial returns. Worse still, it had continued to post heavy financial losses annually while its services and relevance to the Zambian public have become questionable [26]. The government has continued to subsidize its operations despite its dwindling revenue profile in order to sustain these Parastatal organizations. When one looks at this picture the question that comes up is where are the board of directors in these Parastatal organizations?

Although some of the challenges facing some parastatal organizations had been identified as political interference [21], poor management, undue control by government officials, poor attitude or lack of motivation to work by staff, financial mismanagement and poor funding, the huge part of it could be alluded to the *laissez-faire* style management approach among many parastatal organizations and with boards and executives disregarding good corporate governance principles, resulting in big brother syndrome whereby no responsibility is taken for financial performance since big brother will always bail us out and will not allow us to go under [35]. There should now be clearly defined roles of the state as a shareholder, the policymaker and legislator, and as a regulator and implementer otherwise various structural governance anomalies occur. The PMRC (2016, p. 9) state that corporate governance of Parastatal organizations continues to be a challenge in Zambia, with a recent World Bank study revealing that 'significant political interference remains in the system', leading to a lack of independence on boards, with the OECD finding most boards have an 'overwhelming government control' [35]. Parastatal organizations generally have no explicit objectives, targets or

performance monitoring for boards or management, and supervision on loss-making Parastatal organizations is lacking. The PAC reinforced this in their 2011 report [32] identifying a 'clear laxity by supervising boards and management of Parastatal bodies' and pointing to 'indicators of internal control lapses' in most of the Parastatal bodies.

Notable governance weaknesses are further highlighted in research undertaken by the Ministry of Finance, pointing to the absence of a Board or CEO for extended periods and weak internal controls. This problem arose partly due to the lack of clarity on the part of the government about the policies that should be pursued by the Parastatal organizations and what it actually wanted it to do. It was then left to the Parastatal organizations to define its own role, as best as it could. The intention of the original legislation establishing the Parastatal organizations was that the responsible ministry should have the power to give directions of a general character to the board assigned to the Parastatal, the implication being that detailed implementation was to be the job of the board of directors. In practice, however, the government actually provided more than just political guidance because there had been plenty reported cases of detailed interventions. The Parliament Act besides giving the minister the right to issue general and specific instructions to the Parastatal allowed him to dismiss any member of the board at any time and requiring his approval for any appointment to senior management positions. The wider powers of direction and control of the Parastatal given to the minister have caused much confusion and frustration as a result of some government officials seizing every opportunity to invoke those powers, allegedly on the direction of the minister concerned [19].

Although it is necessary for the government to exercise some control over its corporations, sometimes these controls are excessive such that the corporation is rendered inactive. Most of the board members are appointed simply because they are members of the ruling party as many of them lack the requisite experience and qualification to make any meaningful contribution to the development of the organization. Some projects in which huge amounts of money have been spent had been abandoned later because of this lack of experience, knowledge and/or foresight by the organization's board of directors. Such interference in the day-to-day affairs of the corporation by the government and politicians had negatively affected the efficiency and effectiveness of the organization. In fact, complaints of interference were not only made against government officials but also outside interference in the form of members of parliament and other influential party leaders expecting staff appointments to be made irrespective of merit, redundant staff to be kept on pay roll, disciplinary measures to be relaxed in favor of constituents, stock to be purchased at inflated prices, and so on (*ibid*). It was even alleged that it seems to be the policy to employ personnel within the organization whether or not the corporation really needs or can afford them. It is therefore not surprising that the parliamentary opposition had frequently

made allegations of political interference in the operations of the Parastatal organizations. In the words of one of the parliamentary opposition leaders, the failure of the Parastatal organizations in Zambia was due to the political pressure brought to bear on the management or board of directors by the government.

This study was intended to establish factors and power influencing leadership role in determining performance among parastatal organizations in Zambia, with variety of services and activities to render while leadership remain the main focus of the study. The study has been limited to understanding and examining the influence of leadership on performance of Parastatal organizations with particular focus on Board of Directors and Senior Management level. In the light of all the successes and failures of Parastatal organizations, very little is known or understood as to how these Parastatal organizations are held accountable and how its leadership levels determine performance. A study of this nature is essential and necessary to inform policy formation and creation for improved management.

2. Methods

2.1. Study Design

The primary methodology used in this study is qualitative field research. Differently from other methodologies, field research in the social sciences allows the researcher to engage in detailed observation and conversations to elicit information about the collected data. Many techniques and methods for data collection can be used during field research [1]. In this study, opinions, perceptions, feelings, attitudes, and beliefs were sought through face-to-face informant interviews supplemented by the desk research.

Qualitative field research is relevant to this study due to the nature of the research questions and purpose of the study. To determine the performance of these Parastatal organizations, the views, feelings, perceptions, and opinions, of its various leaders, and members were critical and needed consideration. The expressions and experiences of the leaders directly affect the direction of Parastatal organizations. The researcher's interaction and interview with strategic informants of various Parastatal organizations gives proper perspective on performance issues. By conducting field research, the researcher is engaging and interacting with the participants in the field of study and gain an in-depth understanding of the phenomenon from the participant's point of view.

The study of performance of Parastatal organizations is unknown in the Zambian context and as such qualitative field research is relevant to this study. A qualitative field study allows the research respondents to speak for themselves, and this is achieved as far as is possible, by the researcher allowing the interviews to go in the direction respondents choose to take them with minimal intervention from the researcher in determining directions. In this way their thinking on the subject is better understood.

2.2. Population and Sampling

The study population was former Government leaders, Board of Directors (BoDs), and senior management members of Parastatal organizations who were involved directly in the running or part thereof of selected Parastatal organizations in Zambia. These leaders were mainly from Lusaka being the hub and the administrative capital of all government ministries. Sampling was based on non-probability which is purposive sampling rather than probability or random approaches [17]. Sampling decisions were made for the explicit purpose of obtaining the richest possible source of information to answer the research questions. In this study participants were selected for strategic reason that is they had worked at leadership level in either the Parastatal organizations or associated themselves in the management of Parastatal organizations from Government. The participants were purposefully selected because of their unique expertise in their respective fields in relation to leadership in Parastatal organizations. After initial participants were selected using purposive sampling, Snowball sampling was used to select subsequent participants. Snowball sampling (also known as chain-referral sampling) is a non-probability (non-random) sampling technique used when characteristics to be possessed by samples are difficult to find [34]. This was the case in this study, finding former leaders or leaders associated with Parastatal organizations were difficult. As stated by one study that this method, which is also called the "chain method," is efficient and cost effective to access people who would otherwise be very difficult to find [29]. In this method, the researcher asked the first identified former leaders of Parastatal organizations who were known to him, who were selected via convenience sampling, if they knew any former leaders in Parastatal organizations or people who worked closely with the same organizations to take part in the research.

The snowball method not only took little time but also provided the researcher with the opportunity to communicate better with the samples, as they were acquaintances of the first sample, and the first sample is linked to the researcher. This type of networking was particularly useful for finding former leaders who were not willing to reveal their identities easily [12]. The research comprised three categories of participants; that is the Government leaders who were involved with Parastatal organizations, Board of Directors and the senior management members. The snowball technique was used for the selection of these participants. The three categories were subjected to these methods to avoid bias of the researcher in manipulating the outcomes by getting participants of his own choice or convenience.

2.3. Data Collection

This research was conducted using in-depth interview methodology. Here each person who was interviewed shared with the interviewer's understanding on the subject of the role of leadership in Parastatal organizations in Zambia, which was being discussed. In addition to this the interviewer

used natural observation method because the researcher has been observing different incidences that have been taking place in Parastatal organizations in the country. The researcher also used recorded information on Parastatal Organizations in Zambia especially as it relates to leadership and performance of these organizations found in various recorded literature. Here the reports from the Auditor General's office have been widely consulted.

Data was collected firstly through the determining pre interview leadership categories in Parastatal organizations prior to conducting the interviews. Data collection process followed and after the interviews, an analysis was made on the information gathered from each respondent and this was later verified and referenced by looking at secondary data. This analysis was very important in coming up with conclusions on the role of leadership in the performance of the Parastatal organization in Zambia. Having determined the main ideas put forward by interviewees, the researcher was able to draw conclusions on how each leadership group contributes to the performance of the Parastatal organizations in Zambia.

The In-depth interview used in this study was able uncover valuable insights and enabled the researcher to find out the role of leadership in Parastatal organizations in Zambia in a free and flexible environment as in-depth interviews provided that atmosphere. It offered an advantage of respondents to open on a one-on-one basis and to be able to produce quality data and rich data extracts as respondents had more freedom.

2.4. Data Analysis

The study engaged both content and thematic analysis methods of analysis considering that the research is qualitative. The data analysis consisted of three concurrent and interwoven flows of activity; data reduction, data display, and conclusion drawing/verification as supported by Miles and Huberman (1994, pps. 10-12). Data reduction being described as the process of selecting, focusing, simplifying, abstracting, and transforming the data that appeared in the researcher written-up interview notes and transcripts for each individual interviewee. Data display occurred at the second stage of the analysis, researcher continued with data reduction by combining the data from all interviewees and developing the themes.

After data was collected through interviews and field notes, the first step in analyzing data was the tedious task of transcribing the recorded voices into word format. The transcriptions were done verbatim for all the interviews conducted. This was the longest task in the whole process as one interview took an average of one hour took an average of two hours to transcribe. The process of transcribing was being done immediately for every recording so as not to have a bulk of work unattended to, but most importantly to already begin categorizing data according to the different themes.

The second step was to identify the main themes that were found in the transcriptions from the participants. This process followed a natural path of first reviewing the specific

research objectives and research questions under which the responses were from the interviews.

2.5. Ethical Consideration

In conformity with good research practice, every precaution was taken to protect the integrity of not only the study but most importantly the participants. The appropriate engagement with the human participants was a matter of priority in conducting this study, respecting their rights as well as protecting their dignity. To achieve this, a safeguard was taken to first explain the goal of the study to the participants and engage with them at every stage appropriately. Every participant was requested to freely give consent to participate in the research. The second consideration was on the rights of the participants. The dignity, rights and opinions of the individuals involved in the research were respected. As such, the researcher could not manipulate the participants in order to collect the preferred data. Confidentiality is of essence in research if the integrity and reputation of the participants is to be protected; therefore, no actual names of the participants were used in the script, unless with participant consent.

3. Results

3.1. Composition of Participants

Three categories of people leaders namely Government Leaders (GL) involved or associated with Parastatal organizations, Board of Directors members (BoDs) involved or appointed to run the operations of the particular parastatal and senior management personnel (SM) were the main target groups for this study. A total of 40 respondents (comprising of 30 males and 10 females) belonging to the existing and past Parastatal organizations were systemically interviewed within their setting. These comprised of key leaders who were involved with Parastatal organizations directly or indirectly. These individual members of society functioned at a particular time and have vast understanding and experience of Parastatal organizations.

Table 1. Composition of Participants.

Level of leadership	Number interviewed
Government leaders	12
Board members	10
Senior management team	18
Total	40

3.2. Design of Parastatal Organizations in Zambia

The research participants were asked about the nature and design of parastatal organizations in Zambia. The majority participants in all the levels of leadership stated commonly understood information that these entities were owned mostly by the government created by the Act of parliament but had a purpose of performing as commercial entities albeit a few had social roles:

One, those which were registered under the company act

by the government, so the owner is the government, but they are supposed to perform the commercial role. There are others that are more of a social nature. So, it's important that kind of leadership is one that is outgoing, very diplomatic, so that they can attract funding from government, they can attract funding from donors, whether private or government donors. Together with that, it is a leadership that must be able to persuade the stakeholders in that institution to utilize the money in the right direction [GL 2].

For you to understand this well you need to know that Parastatal organizations are companies that the government owns shares in either 100 percent or up to 60 percent. This means it is government that is responsible to put the leadership in these organizations [SM 24].

These are organizations where government initiates or inherent from the private sector. This was the case for most of the Parastatal organizations in Zambia. The government got them from the private sector and made them public goods. So the Parastatal organizations which we are talking about now remained from those sales that took place at that time [GL 19].

Government is the owner of these Parastatal organizations [BM 15].

Leadership in these organizations is led by the board of directors who are in most cases appointed by the minister from the line ministry. The board then have a responsibility of appointing and overseeing the senior management to hold them responsible for the success of the organization. It was interesting however, to note that sometimes the board of directors are used by an invisible and perhaps not-so invisible hand from the ruling government as a rubber stamp to appoint senior managers who are pre-selected by them. This phenomenon seemed at play not only in appointments but also in the running of such organizations:

When we had to do things the line ministry requested which were not matching with the approved strategic plan such as being to grow in areas that were not on our growth plan. This happened several times and when those instructions are given we could not refuse because they involved the higher powers [BM 26].

The other part is that there is a very working relationship that exists between the Parastatal organizations and the ruling party or the party in power. People that are brought in the Parastatal organizations whether as a CEO or as Board members are very close friends with the people in the ruling party. There are kept there because there are able to keep the details that happen there under lock and key [GL 30].

3.3. The Relationship Between Leadership and Performance of Parastatal Organizations

It was crucial to establish the role of parastatal leadership in the performance of parastatal organizations. It was clear from the findings that good leadership was pivotal in the performance of Parastatal companies. Participants were mostly emphatic that leadership in Parastatal companies

should not be construed to mean senior management only but the entirety of structures that compose such entities:

So, the leadership becomes cardinal, and leadership here is beyond just the management, it's the whole structure from the managers, from government leaders, board of directors, and the whole management team. It becomes a problem [GL 2].

It is leaders who move an organization to higher levels or bring it down on its knees. In Parastatal organizations in Zambia leadership is not only important but vital in the performance of these organizations [SM 1].

Most of the participants were quick to point out that the leadership in parastatal organizations are mostly constrained by political interests whereby what is actualized within organizations is not the vision of Parastatal leaders but the interests of the politicians running the country. The problem that such situation causes is that the organization may disregard its profitable priorities and instead follow instructions from political leadership which may not be in line with the growth priorities of an organization:

As a Board we could not make any key decision which was as a result of our own understanding of what was going on in the organization and carry that. The PS who was part of the Board would always remind you to send that decision to the line ministry [BM 37].

This is where complications start because Parastatal organizations are embedded in political arena especially in Zambia because the appointments which are made are mostly political. You have to be acceptable to the Government of the day which means you need to be sympathetic of their policies and their aims and objectives [SM 12].

Now in terms of the Parastatal organizations, obvious, these are government organizations. Some are expected to do things according to government expectations, rules, dos and don'ts, but what is important I think is that they ought to be a reasonable room for any leader to exercise that leadership, an autonomy kind of power from government [SM 4].

3.4. Challenges of Corporate Governance in Parastatal Organizations

Participants were asked to talk about the overall challenges that are experienced in corporate governance in Zambia. Several such challenges came out of the study including lack of appropriate leadership and management skills by the board members and senior managers. Participants were very clear that in most cases people were appointed to these corporate bodies not on account of the skills they possessed to grow the commercial aspects of these entities but because of the political connections they have with the ruling party. As such, most Parastatal companies were always either insolvent or loss-making. The reason attributed to this phenomenon is political interference both in the appointment of corporate leadership and the everyday running of these organizations:

From where I was operating as a civil servant I saw interferences in many areas, firstly in the appointment of

key senior management staff. The government did not leave this role to the board, but President moved top leadership in Parastatal organizations at will which brought fear in the leaders because they did not know how long they were going to be those leadership positions. The appointment of the board of directors was done by leaders in the Party and its Government [GL 6].

If wrong people are put in these positions a number of things may go wrong. You will be fighting not only with outsiders like the opposition parties but also the wrong people in those positions who are going to be working against you. So political influence exists in Parastatal organizations which the Board of Directors and CEO must manage well in order to keep their jobs [GL 13].

The other factors that I have seen hindering performance in Parastatal organizations relates to appointments of the both the board members and CEOs as well as on monitoring the performance of these Parastatal organizations by Government [SM 12].

There was an interesting dynamic in this regard however, whereby some corporate leadership regarded the interference by government not as something unexpected nor negative. They felt the government as a major stakeholder should have a say in the running of these bodies. They indicated that the government had the responsibility of offering jobs and hence the use of these organizations for that purpose:

Yes, this was government interference but for the Board members we never saw this as interference but just an input by the owner. In this case that was the government giving direction which was important for the country [BM 26].

It is political and the economic situation in the country. It is political because these organizations are owned by government. The government in power must seem to create jobs for the people in the country. It depends on economic situation prevailing in the country at the time [SM 18].

I don't really see it as interference but input from the owner which is not a problem at all [GL 6].

The whole essence of remaining relevant in the Parastatal organization is the way the Board relates to the line ministry and take their advice on board. The line ministry provides the government policy on every work being done in the Parastatal organization [BM 38].

The other problem that was coming out prominently was failure to capitalize these organizations for growth. Most of the respondents pointed out that there is a complete lack of investment by Government in the Parastatal organizations which are operating in Zambia. There is failure by Government to make decisions that will provide more capital for these organizations which would help in maintaining liquidity. In addition to lack of investment in these Parastatal organizations, Government uses the services of these organizations without paying for the same. This adds to lack of funds to operate effectively. The non-payment on services provided by the Parastatal organizations to Government ministries adds to lack of capital for investment. This also contributes to the disturbances in the cash flow of Parastatal

organizations leading to poor performance:

There are many reasons why Parastatal organizations fail to make profit; firstly, the government fails to capitalize these companies for the purpose of growth, secondly leaders tended to be paid more than the companies are making, thirdly the organization are overstaffed [GL 21].

My experience working with this Parastatal organization related to have quick cash flow to operate as an organization. This is because both the CEO and the Board did not have quick answers on this matter especially if we had not generated enough cash within the organization [SM 35].

The Board did not take financial responsibility when it came to sourcing funds. I am not sure you understand the Parastatal organizations [SM 39].

Lack of a sense of ownership was also an issue that came out of the interview. The line ministries in Government portray the lack of ownership in many ways. This lack of ownership flows to the BoDs as well as the senior management teams in each Parastatal organization. Over 60% of the respondents stated that there is a complete lack of ownership by the leadership in Parastatal organizations. This runs from Government, Board as well the Senior Management. There is failure of Government to hold the BoDs and Senior Management accountable in each Parastatal organization.

The lack of ownership by both Senior Management Teams and Workers is common in Parastatal organizations. More than 50 percent of the respondents of this research stated that Parastatal organizations in Zambia lack a spirit of ownership both at the Senior Management level as well as at the worker's level. The respondents clearly demonstrated that managers and workers in these organizations do not show ownership. This is seen in the way they deal with resources that belong to these organizations.

There was lack of commitment and motivation in these organizations. The staff were used to do work not with a profit in mind but with a service mind. When one compares with the private companies operating buses today, you will find the private owners making quick decisions which ensure that the bus is operating again [GL 20].

The first thing I noticed was the lack of personal commitment to the work of Parastatal organizations. There was no clear direction the members were making in ensuring that what was being put in the plans was being accomplished [BM 27].

Additionally, participants agreed that lack of performance monitoring system was another problem faced by parastatal organizations. Most of the participants in this research stated that there was weak monitoring of management systems in Parastatal organizations by the BoDs. There is a weak monitoring system in the Parastatal organizations such as lack of compliance to established tender procedures which is well articulated in the Procurement Act of 2008. The respondents of this research stated that when organizations do not follow tender procedures it is likely that corruption

was involved in most cases. This pointed to the fact that the BoDs in Parastatal organizations had weak monitoring management system which contributed to poor performance in these organizations:

There no one from outside who came to make any assessment [BM 37].

The participants of this research stated clearly that most of the Parastatal organizations in Zambia are managed very poorly. This is because of poor supervision at the Senior Management level. This stems from the manner in which these leaders are appointed. This results in poor management of the Parastatal organizations.

4. Discussion

The study of leadership in Parastatal organizations in the context of performance is a very important one. Parastatal organizations in Zambia have been faced with numerous challenges as a result of power relations between government ministerial leaders, board of directors and the Senior Management team. The reality of the study is that Parastatal organizations have not been fruitful in achieving their mission due to a number of weaknesses even with the presence of government leaders, board of directors and the senior management team.

The first factor is political interference in the operations of these organizations. This has been shown clearly in the study that Government interferes in the running of Parastatal organizations by appointing both CEO and BoDs not on merit. The government also brings changes at the BoDs level. One study provides evidence in support of the theory that having government and political representatives as outside directors negatively impacts the performance of a company [5]. The corporate governance of outside directorship, which is supposed to be a mechanism for exercising independent monitoring over managers, may have negative consequences if the outside directors pursue their own political objectives rather than exercising effective monitoring on behalf of shareholders. One author stated that political interference in the running of Parastatal organizations tends to be extreme in Sub-Saharan Africa of which Zambia is part. In principle, Parastatal organizations should run their affairs autonomously to enable them to effectively do their work. In practice, what happens most of the time is just the opposite of what expected to be happening [33].

Government leaders seek to control the enterprises to achieve their own political and personal goals. This may not be in line with the Parastatal organization goals. A study pointed out that most of the existing evidence for how political interference affects corporate performance comes from studies that document the poor performance of state-owned enterprises compared with private companies [4].

The second factor which this study pointed is lack of funding to Parastatal organizations by Government. This is coupled by Government's non-payment or late payment for services rendered by Parastatal organizations. The lack of funding in Parastatal organizations comes from the poor

performance of these organizations which makes it difficult to generate funds for the purpose of reinvesting in the same organizations. In the 2018 PMRC analysis of Parastatal organizations for the financial years ended 2013, 2014, 2015 and 2016, it was noted that financial performance of these organizations in Zambia still remains unsatisfactory [30]. This explains the lack of funds for reinvestment. PMRC expressed worry, saying failure to provide financial statements defied the Public Finance Management Act and the Public Audit Act and that it also made it impossible for the office of the Auditor General to ascertain if the money used by each organization had been applied for its intended purpose. "The non-production of audited financial statements is therefore, a contravention of the various enabling legislations governing the institutions and is contrary to good corporate governance. Corporate governance, accounting, and accountability in the public management of Parastatal organizations cannot be over emphasized, and this is all because service provision and budget consolidation cannot be realized effectively and efficiently without good governance and management. Ineffective corporate governance has led to the fall of many state owned and private owned enterprises around the world. It is for this reason that corporate governance principles should be embedded in the running of any institution be it public or private" [30]. Njoloma (2019, p. 13) stated that within African Parastatal organizations, it has been a concern to the public about the going concern or financial sustainability of these entities, such that some have shown poor performance and consequently indicated intentions to liquidate whilst others have curtailed materially the scale of its operations, which triggered the reform program of the Parastatal sector and subsequent privatization of some of the Parastatal organizations [6, 14].

Parastatal organizations can represent a large cost to the budget when governments have to bail out the company and may even affect the credit rating of the country. But financial difficulties in Parastatal organizations may also imply that core public services fail, such as the provision of water and electricity, or impact the financial sector if they default. Mwaura (2007, p. 3) stated that Parastatal organizations are deeply implicated in most fiscal problems of African governments because of their inefficiency, losses, budgetary burdens, and provision of poor products and services. Occasionally, they achieve some non-commercial objectives, which are used to justify their poor economic performance. Due to the economic crisis facing Kenya since the mid-1970s, the country has been dependent on financial assistance from the World Bank and the International Monetary Fund ("IMF") to survive. Further Mazikana (2019, p. 1) also stated that Parastatal organizations in Zimbabwe are not performing well. The Parastatal organizations in Zimbabwe are characterized by inefficiency, losses and provision of poor products and services. Parastatal organizations have been in intensive care for the past decade due to the mismanagement of resources (financial), corruption, nepotism, lack of clear and proper policy direction and poor corporate governance. The viability of business in these organizations is poor in

terms of revenue generation to sustain themselves and meet operational costs to address the fiscal affecting the economy at large in terms of contribution to GDP, creation of employment and infrastructure development.

The third factor that contributes to poor performance is the lack of ownership. The respondents stated that there is lack of ownership at all the three levels of leadership. This lack of ownership of Parastatal organizations could be seen at all the three levels of leadership reflected in lack of commitment and devotion to work. This lack of ownership has nothing to do with fact of being the owner of something or the fact of owning something or having something which belongs to you, but it relates to having a sense of responsibility over an activity or being accountable for your actions or taking the role to ensure that what you are doing is receiving adequate attention. Lack of ownership here means that a person is not showing concern over the affairs of an organization or an activity. Lack of ownership is where one who acts without considering the consequences of such action. When people are not taking ownership at work is seen in the way they handle issues which are critical to the success of that organization.

Such people take no responsibility of their actions. They will go home early or come for work late or leave the task incomplete because time to knocking has reached. These people seem oblivious to the impact their dismissive actions have on customers. There are not bothered by the litany of mistakes they make. A customer can apply for connection of electricity at ZESCO, and such a customer is made to wait for 3 years before being connected. This is common at ZESCO. One study in Zimbabwe, states that Zimbabwe has experienced a number of corporate governance breaches: boardroom squabbles, scandals, abuse of office and corruption, particularly in the public sector (State enterprises and Parastatal organizations) and the banking sector [18]. All this emanates from lack of ownership at board level. He further stated that as of July 2018, state enterprises and Parastatal organizations owed the Zimbabwe Revenue Authority (ZIMRA) over US\$491 million. This is a common practice even in a number of Parastatal organizations in Zambia as stated by the Auditor General's audit reports. The Auditor General report (2006, p. 30) stated that although Mukuba Hotel deducted statutory contributions from its employees the amounts deducted were not remitted to the relevant institutions. In this regard it was observed that as of April 2008, the Hotel owed two institutions a total amount of K1,579,915,740 which was broken as follows: ZRA-K 514,915,740 and NAPSA-K 1,065,000,000. This was also true for the Zambia National Broadcasting Corporations where the corporation deducted statutory contributions from its employees the amounts deducted were not remitted to the relevant institutions. In this regard, it was observed that as of May 2007, the Corporation owed two institutions a total amount of K24,232,006,911 (ZRA- K22,303,284,215 and NAPSA – Principal-K641,994,016, Penalties-K1,286,728,680) (Auditor General Report, 2014, p. 109). These findings seem to be the norm rather than exceptions in

all parastatal organizations. The researcher found that no action was taken on management to ensure these remittances are done without fail even when the reports are frequently given to the Board of Directors. It just goes to show how the Board of Directors in these parastatal organizations contribute to the poor performance of these organizations and this is consistent with what the respondents revealed in this research in terms of lack of ownership.

Here is another example of lack of ownership by the Board of directors. On 29th July 2011, ZCCM-IH signed a loan agreement with Ndola Lime Limited, in which ZCCM-IH loaned Ndola Lime Limited an amount of US\$26,000,000 on terms and conditions that included: i) that the tenure of the agreement shall be for a period of seven (7) years commencing 30th day of June 2011 ii) that the borrower shall pay quarterly interests at 5% per annum iii) the borrower shall pay interest and capital quarterly up to maturity, with a two-year grace period on capital repayment and iv) that the repayment period is to commence on 30th September 2011.

A review of the agreement repayment schedule and accounting records revealed that Ndola Lime Limited should have repaid a total of US\$7,356,990 as of 30th June 2014. However, Ndola Lime Limited had not made any payments to ZCCM-IH as of August 2014 and ZCCM-IH had not enforced the default clause of the contract which states that in case of default the entire loan shall become due, and the lender shall be at liberty to take any action intended to recover the loan.

In addition, on 18th October 2012, ZCCM-IH management signed another loan agreement with Ndola Lime Limited in which ZCCM-IH further provided a loan of K132,600,000 for the purpose of completion of Ndola Lime Limited Recapitalization Project. Among the terms and conditions of the loan were the following: i) the tenure of agreement shall be for a period of seven (7) years commencing 31st day of October 2012, ii) the borrower shall pay quarterly interests at 14% per annum, iii) the borrower shall pay interest and capital quarterly up to maturity, with a one year grace period on capital repayment, iv) the repayment period is to commence on 31st January 2013 (Auditor General Report, 2013 p. 132).

A review of the agreement repayment schedule and accounting records revealed that Ndola Lime Limited should have repaid a total of K43,336,131 as at 31st July 2014. However, as of August 2014, ZCCM-IH only received part of interest payments in amounts totaling K974,950 leaving K42,361,181 outstanding. In addition, ZCCM-IH had not enforced the default clause of the contract which states that in case of default the entire loan shall become due and the lender shall be at liberty to take any action intended to recover the loan (Auditor General Report, 2013, p. 133). The problem here was with Board of Directors who allowed the Executive Chairman to run the show almost alone. This was the same organization (ZCCM-IH) which bought 2,000 hectares of farmland at a total cost of K200,000 in Lufwanyama district on the Copperbelt with an intention of investing in the agriculture sector. However, a review of

records in August 2014, five years after the procurement of the farm revealed that there were no agricultural activities happening at the farm despite the Company engaging a Farm Manager who was being paid an annual basic salary of K252,848. Further, the Company had not secured the farm as it had no title deeds. In this regard, the investment in the Lufwanyama farm amounted to wasteful expenditure (Auditor General Report, 2013, p. 134). All this was happening mainly because there was a problem of ownership at Board of Directors level. This is truly questionable in any business sense. No private company or an individual can allow such activities to be taking place within their business because this spells doom to the operations of the organization.

The fourth finding is lack of monitoring system by the both the Government leadership and the Board of Directors. Now monitoring is the systematic process of collecting, analyzing, and using information to track the progress on the activities toward reaching its objectives and to guide management decisions. Monitoring usually focuses on processes, such as when and where activities occur, who delivers them and how many people or entities are affected. Monitoring is conducted after an organization is in operations and continues throughout the implementation period. Monitoring is sometimes referred to as *process, performance, or formative evaluation* [10, 9].

Monitoring provides information on a continuous basis to inform managers and Board of Directors about planned and actual activities accomplished. This involves collecting and analyzing data to verify that resources are used as intended, that activities are implemented according to agreed plan, that the expected products and services are delivered and that intended outcomes are reached. Effective monitoring should be central to all business activities in any organizations. It helps to detect problems, take corrective actions, and lay the groundwork to produce evidence about what works in a particular parastatal organization [11]. OECD (2004, p. 2) states that monitoring is a regular process that systematically collects data on specified indicators to provide management, the Board, and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives.

A good monitoring system in any organization is tool for success in any organization. The absence of this leads to failure in any organization. Nellis (1988, p. 17) stated that inadequate financial reporting and monitoring systems: that is, weak or non-existent accounting at the level of the firm, and insufficient monitoring and follow up of firm and sector results by government reviewers and auditors. In Tanzania, for example, a 1988 study noted that, over time, about a third of the country's 425 Parastatal organizations failed to produce basic accounts. Of accounts actually produced, 3/5 was normally judged as "deficient" by the national auditor. Of the minority of 112 Parastatal organizations that generally submitted non-deficient accounts, a quarter ran losses. The upshot was that only 84 Parastatal organizations—18 percent of the sector—could be judged as generally profitable (Nellis, 1988, p. 17). The same report noted that only a handful of

Tanzanian Parastatal organizations carried out regular inventories of assets, and there were few signs of control of cash, credit, procurement, or financial relations with subsidiaries. All this despite the existence of an astonishing 19 separate levels of supervision and control of Parastatal organizations, from workers councils, management committees, general managers and Board of directors within firms, through reviewing holding companies, parent, and several other technical ministries, beyond to the Commission of Public Investments in the Treasury (Ministry of Finance), to a variety of specialized bodies such as the Tanzania Audit Corporation, the Standing Committee on Parastatal Organizations (SCOPO), the single party's Standing Committee on Parastatal organizations, a Parastatal Organization Committee in Parliament, and periodic interventions by the National Price Commission, the Registrar of Companies, the National Productivity Council.

Board of Directors, in theory, represent the interests of the shareholders of a firm; they are the first line of an owner's defense. Boards were constituted in a large percentage of African Parastatal organizations, but they generally failed to perform the functions of policy-makers, performance evaluators, supervisors of management and buffer between government and the SOE. Board do not ensure managements achieve set targets of performance. Even where targets are set, weak Boards often accept inadequate explanations from the managements for shortfalls in performance. Nellis (ibid, p. 11) brings out some important point that in many African countries, a common scenario was as follows: Government failed to monitor Parastatal organization's performance or failed to act on the information it received. Parastatal organizations losses mounted and were covered through direct transfers from the budget and through indirect subsidies (e.g., as noted, the non-collection in Parastatal organization of taxes, duties, social security payments, and later, bank loans; the tolerance of arrears to suppliers and utilities). By the late 1970s the African SOE financial situation was alarming, and by the early 1980s, critical. Almost everywhere in SSA the poor financial performance of SOEs became so burdensome to government budgets that it grew to be an obvious and major part of a "financing gap" thus attracting the attention of the International Monetary Fund and the World Bank (the IFIs).

This agrees with the findings from the respondents in this research stated that there was weak monitoring in Parastatal organizations performance. The Auditor General's report agrees with this by showing this in various parastatal organizations. There is a weak monitoring system in the parastatal organizations such as lack of compliance to established tender procedures. The Auditor General's reports from 2006 to 2014 show that more parastatal organizations did not follow tender procedures and the Board of Directors allowed this practice without taking any action on the Executive Management. This showed poor monitoring systems in parastatal organizations. This also showed poor ownership by the parastatal leadership at all the three levels identified above.

5. Conclusions

Parastatal organizations are supposed to be a credible source of domestic revenue, employment creation and economic growth. However, this study finds that parastatal organizations in Zambia had in the past been marred with inefficiencies, high liabilities, and poor financial management. This is the reason the Government decided in 2014 to form a holding company called Industrial Development Corporation (IDC) as a company limited by shares under the Companies Act, Chapter 388 of the laws of Zambia. This study was set up try to address some of the problems which the parastatal organizations have been facing. When one looks at the important contribution of parastatal organizations to the economic and social development of this country, it can be concluded that these organizations require good leadership at all levels if they are to effectively contribute to the development of this country. Like any shareholder, the Government should be concerned with return on investment and financial viability along with the performance of parastatal organizations, which will in turn contribute to economic, social, and service delivery. The interaction of the Government with the Board should aim to maximize the parastatal's contribution to economic advancement, growth and development. In doing so, ensure that the Board is clear and implements Government's strategic priorities.

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