

*The belief that you've arrived when it comes to Ethics and Compliance is one of the most dangerous beliefs of all — leading directly to complacency, which leads to the erosion of a culture of integrity into mistakes becoming calamities... Its vital that companies sustain their ethical journeys and continue to improve their cultures of integrity, through benchmarking, learning from each other and sharing best practices'. (Ellen Marram, 2017) Lead Independent Director, Eli Lilly and Company Member, Board of Directors, Ford Motor Company)*

*This report purely represents the views of the participants save for the writing style.*

## **EXECUTIVE SUMMARY**

**Human Talent Development Africa**, hosted a Summit on Work Ethics and corporate Governance at the Rainbow Towers from 22<sup>nd</sup> – 23<sup>rd</sup> February 2018, with the theme “**Restoring work ethic for organizational growth and sustainability**”. The Summit was held against the backdrop of an economy that has continued to perform sluggishly ever after the Multi-Currency Environment was introduced.

The Summit was thus held at an opportune time and served as an appropriate forum for discourse on ethical and Corporate Governance challenges in Zimbabwe and how these could be overcome in order for productivity to improve in the country. Good ethics plus the observance of good Corporate Governance principles would combine well with the other Zimbabwean attributes such as favourable weather conditions, good location within the Southern Africa Development Community (SADC), rich mineral endowment and a hospitable populace to attract increasing amounts of Foreign Direct Investment.

Unethical behaviours and poor Corporate Governance practices are behind the world corporate scandals, Zimbabwe included although there have not been officially documented cases save for media stories. Needless to point out that these unethical practices continue to undermine investor confidence much to the detriment of world economies. Poor governance and work-ethic decay in Zimbabwe have been the chief variable in blunting sustainable economic development. When corruption and rent-seeking behaviours are rife, they serve to obscure and stunt corporate performance and ultimately economic growth and this makes both the country and Government appear very unethical and the downstream effect of this would be to scare away investors. This, on the other hand erodes the population’s quality of life, which situation is currently prevailing in Zimbabwe. The account of corporate failures and economic down-turn ranges from greed, mismanagement of institutions in the public and private sectors, poor policy choices to an entitlement mentality.

A plethora of unethical and rent-seeking behaviours in public enterprises are the order of the day. Corporates have been reduced to mafia-like bazaars where anyone with official designation can pillage at will. Most public enterprises are a true reflection of ‘vampire or

pirate organisations” – institutions hijacked by gangsters, thieves, thugs and crooks who use instruments of the state to enrich themselves, their cronies and tribesmen at the expense of everyone and as such short changing shareholders, the employees the public and Government. These unethical practices continue to undermine and erode the profitability of organizations. The lack of commitment to organizational goals by the generality of employees and in some instances the captains of organizations has negatively impacted the performance of institutions. It is very sad to note that some corporate leaders have become protagonists in the profit erosion through unethical practices as these leaders have also been engaged in decisions that have resulted to lack of trust in the organizational leadership. In the same vein, most boards of Directors cannot be spared from this rot as they have let these corrupt leaders bask in their immoral escapades with no reprimands nor questions asked making it highly probable that they are also beneficiaries of the ill-gotten riches. In view of the above, it was found imperative to organize this Summit in the quest of unlocking strategies that could be adopted to minimize the effects thus making Zimbabwe one of the best destination for investors.

## **SUMMIT RESOLUTIONS**

Following robust discussions over the two days, the following resolutions were proffered;

1. There should be adherence to constitutionalism at both macro and micro levels. The National Code of Ethics and Values should be established clearly defining what we stand for as a Nation and our values espoused without ambiguity.
2. A Parliamentary Ethics Committee which deals with Ethics issues in all Public and Private enterprises should be set up.
3. The Socialization process, in particular; the educational curricula should engrain the ethical values module which should be taught from nursery schools through to Tertiary Institutions to instill the right moral behaviours as this shapes the way future leaders would behave. Zimbabwean educational should shift from developing followers only but ethical leaders too.
4. There is need to make concerted efforts in ethical leadership development where appointed corporate leaders of Public enterprises are made to attend rigorous, mandatory leadership development before confirmation into substantive appointment.
5. The corporate leaders should have fixed term contracts of 4 years, renewed once on merit to include ethics evaluation.

6. The leaders should be mandated to discuss succession planning and then corporate leaders should be made to submit their succession plans yearly to the Ethics Committee and this will make leaders get rid of the entitlement mentality.
7. Cases studies of our own corporate failures just like the Enrons, Pamalat, and WorldCom etc should be documented and taught at tertiary institutions and this will act as a deterrent of unethical behaviours to a certain extent. With respect to the Bank failures, the Reserve Bank should investigate the reasons for such failures and compile case studies that should be accessible to the public and be used as study material.
8. Boards should be professionally selected and should consist of people with requisite skills, knowledge and competencies. Nepotism, cronyism and clan-based appointment should be avoided at all costs.
9. Disclosures of assets held by board members and management should be enforced and the ‘suddenly –rich” syndrome should be nabbed. Board members with poor personal financial mismanagement history should be screened out as they are a potential risk.
10. Board terms should be limited to three-periods of 3 year terms without exception, boards which do not act as ethical compasses for Corporations should be dissolved. Boards should embrace Corporate Ethics by creating a climate of integrity and responsibility within the company, expressed in both the written Code and by walking the talk.
11. The Board of Directors should actively and conscientiously supervise management’s administration of the corporate to avert the agency problem which to a very large extent has been the cancer in Zimbabwean CorporateS. There should be a shift of *de-facto* control of companies from management and directors should exercise their *de-jure* responsibility. If a board of Directors is to be ethically responsible, it should interrogate management decisions. The Board members should be aware that they are responsible to the shareholders, the public and Government hence a framework of assessment by all the stakeholders must be developed.
12. Management should be held to account for their unethical behaviours and the process should be transparent to all stakeholders. Perpetrators should be prosecuted but there should be fairness. Responsibility without sanctions is of no essence, the demands for responsibility requires that sanctions be developed and enforced for those who fail to meet their ethical and moral responsibilities. A very few companies have been willing to admit blame for their wrong doing, yet very few take measures against their blameworthy managers.
13. Responsibility for policies and decisions made by management at all levels in the organization should be tracked for at least 5 years and the responsible managers should be held accountable for fatal policies and decisions they made in their previous positions. Responsibility for unethical practices should be enforced with sanctions within the

organization. The price for executive irresponsibility should be as severe as that of lower level employees.

14. There should be channels and procedures for up, down and lateral assessments. Corporates should develop instruments where employees, consumers, stakeholders and the public can make their concerns, demands and views known. The Government should have instruments for protecting whistle-blowers as there is still a lot of fear of talking candidly in a constructive way. ***“The voice of the people is the voice of God and Government should listen to its people”*** (E.D. Mnangagwa 2017)
15. Corporates should also develop mechanisms for anticipating various demands, for seriously weighing, assessing and proposing suitable course of action for the organisation. It is suggested that an office that deals with this be set within the corporate. This will anticipate an ethical stance of a corporate and arguments against a company’s short term interests visa-vis its larger responsibilities to society to be advanced.

## **PREAMBLE**

Unethical work behaviours can have serious consequences if they are not addressed. They can result in toxic work environments which might negatively affect employee and ultimately business performance. The need for inculcating ethics in all public and private enterprises cannot be over emphasised. The Public Entities Corporate Governance Bill awaits ascendancy and would make an impact in the way firms are run in the public and the private sectors.

Conflict of interest has been a major manifestation of unethical conduct in organisations with members of the Board of Directors sometimes participating in processes where they have vested interests. Dirt has been for a long time swept under the carpet. Various Commissions of Inquiry in a number of instances have revealed gross unethical conduct. It has become taboo to discuss unethical behaviours and this culture has become responsible for the demise of our organisations. People have adopted a culture of silence where things are not challenged as a way of avoiding conflict. The new generation has been socialised into unethical behaviour hence they are not able to delineate what is wrong or right. The socialisation process has played a bigger part in what we are witnessing as a nation.

## **THE MINISTER'S KEYNOTE ADDRESS**

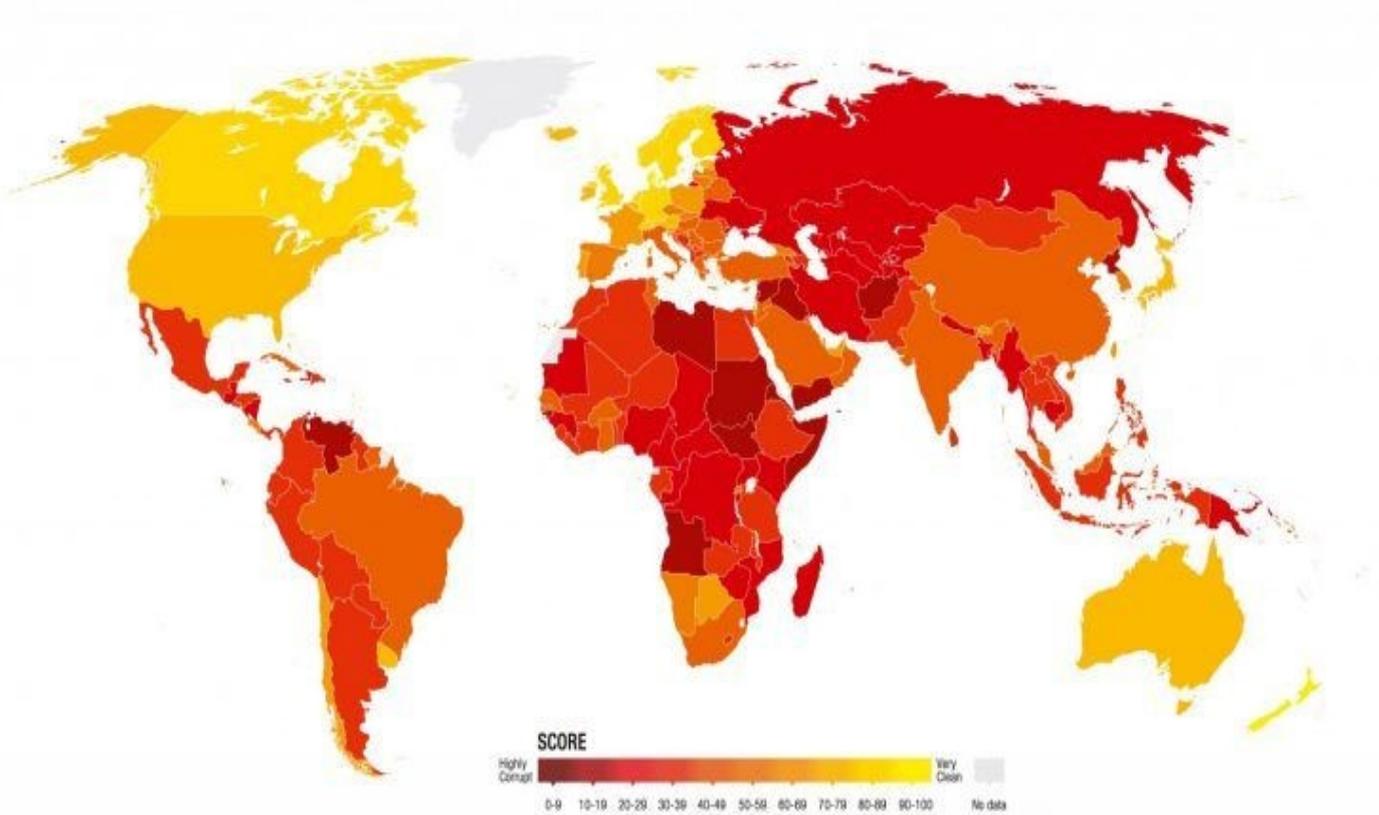
In his keynote address, the Minister explicitly highlighted the importance of moral behaviours and good governance as crucial variables in propelling economic recovery and sustainable growth. He underscored the importance and significance of moral sanity as prime and key to promoting sustainable growth in relation to education. The speech drew delegates' attention as corporate citizens, to the requirement to adhere to ethical conduct and good governance and shun unethical behaviours as they drive away capital. He cited various pieces of legislations that are meant to regulate and promote ethical behaviours in various disciplines. He added that the thrust of the New Economic Order was seized with an uphill task of dealing with corruption and other rent-seeking behaviours to pave way for economic recovery which could only be made possible through radical transformation. The Minister was therefore optimistic that the platform would assist with candid suggestions of tackling this. He further detailed measures aimed at dealing with corruption from his 2018 Budget statement, key among these being capacitating anti-corruption agencies to nab corruption and strengthening the Judiciary system to deal with corruption cases. In concluding his address, the Minister, implored delegates to clearly and candidly pin-down concise resolutions that will act as additional pointers in addressing the country's economic woes.

## **PRESENTATIONS BY SPEAKERS**

All speakers echoed that it was needless to point out that work ethic decay is a corrosive drain to public trust and legitimacy of organisations and what they stand for both in the private and public sectors. The programme and topics were so robust and the speakers clearly tracked the genesis of unethical behaviours tracing them back to the values and ethics decay at macro level and micro levels; what one speaker called the non-adherence to Constitutionalism. This was also enunciated in the account of “*The Fall*”. It was clearly illustrated how unethical behaviours and poor Corporate Governance have caused major corporate failures here and beyond, thus resulting in economic decline and in our case resulting in what could be referred to as a mortuary economy. The alarming level of poor governance and work –ethic decay in Zimbabwean organisations in general, has had a push effect on foreign capital as money is fungible, it will go to where there are strong institutional corporate governance systems and monitoring mechanisms, and the converse is true. It was sad to note that out of the 192 world countries, Zimbabwe is ranked amongst the top 25 most corrupt countries in the world. (*Transparency International 2017*) on the Corruption Perceptual Index scale. Effectively, it follows then that as a country the advocacy for efficacy of management in organisations should be driven at a macro level. Given this ranking, it would then be very difficult to attract foreign capital. It is however comforting to note that the thrust of the New Era is geared to clean up all epicenters of greed, corruption and rent-seeking behaviours.

The map below illustrates the most corrupt countries in the world, those that are depicted in dark colour and the cleanest are highlighted with a lighter colour.

## **MOST CORRUPT COUNTRIES IN THE WORLD (*Transparency International 2017*)**



### **LIST OF 15 MOST CORRUPT COUNTRIES IN THE WORLD (*Transparency International: 2017*)**

22- Zimbabwe (154/176)

15- Eritrea

14- Syria

13- Turkmenistan

12- Yemen

11- Haiti

10- Guinea Bissau

9- Venezuela

8- Iraq

7- Libya

6- Angola

5- South Sudan

4- Sudan

3- Afghanistan

## 2- North Korea

### 1- Somalia

It is however worrisome to note that most countries in Sub-Saharan Africa are among some of the most corrupt in the world, and no doubt some of the poorest despite of the billions of dollars that have been poured into their economies ever since independence of these states. A lot of aid was given to stimulate economic growth, eliminate the dependency syndrome and reduce poverty, sadly the converse is true as that aid went into institutions that were poorly managed with no proper governance and moral sanity. These institutions were paralyzed by administrative inefficiencies. In many instances the foreign aid instead of assisting in developing the African economies was diverted to fund greed excursions at the expense of economic development.

The Summit highlighted in explicit terms the extent to which ethical behaviours and good governance are pillars to corporate performance and ultimately to economic development. Ethical behavior is essential in all organisations and at all levels within the organisations, as has often been said, ethical behavior defines, “*the tone at the top, the beat in the middle and the dance at the feet*”. The speakers cited the collapse of Enron in 2001, WorldCom in 2002 and Parmalat in 2003 and in our backyard, the country has seen a number of corporate failures due to the same unethical behaviours driven by the agency problem. The collapse of banks in Zimbabwe could have served an important lesson on the catastrophic effects and damaging ripple effects of unethical practices and poor governance and that this upsets economic stability with wealth being concentrated in the hands of a few individuals through illicit means. It was further highlighted that these behaviours are due to greed, consumerism, entitlement mentality and the misdirected belief of the lost equity.

All presentations highlighted crucial research findings, clearly pointing to the fact that when unethical behaviours ran down institutions, the boards were there. What it then meant was that the boards were also partakers to the corruption and rent seeking behaviours. However, it was clearly indicated that all hope is not lost in the case of Zimbabwe as the new Government is vigorously pursuing a journey of correcting what went wrong. In the pursuit of what needs to be done beyond the corporate’ Codes of Conduct to reprimand the agents, who to a large extent, are the perpetrators of unethical behaviours was the engendering and adherence to the concept of Constitutionalism.

## **CONSTITUTIONALISM AND THE SOCIALIZATION PROCESS**

It was extensively discussed that the situation that existed and is still persisting albeit the aggressive initiatives by the New Era was a kleptocratic business environment and civic society which does not reflect any ethical values at all. There is value decay at all levels of the society and what is there is a situation where the business is corrupt and operating in a society that has come to accept corruption as a way of life. Unethical businesses sap the energies of the general populace as the spillover of such corruption is felt across all sectors of the economy. This situation in turn will even infect future generations. It was suggested that this being the case, it was imperative for Government to start nurturing ethical behaviours at a very tender age thus introducing ethical modules in the school curriculum. Once the socialization process engrains the ethical behaviours throughout the entire educational process, it at least, guarantees the Nation of breeding ethical leaders to run the Zimbabwe's organisations in future. The general consensus was that it was necessary for the country to strictly adhere to constitutionalism and not just to follow a set of rules. Constitutionalism goes well beyond the law, and it is based on a value system, a way of life. It was further stressed that ethical conduct is not a myth but a choice, and citizens can choose to be ethical which will result in ethical organisations. The benefits of ethical organisations are far and wide reaching as they tend to uplift the lives of societies in which operate in and the converse is true.

It was further elucidated that the socialization process is key in moulding ethical behaviours hence the need to introduce ethics and morals at nursery through to tertiary education. It was emphasised that there was a need for a National vision and a deliberate stance taken to have a National Code of Ethics as this would set the tone for an appropriate value system that would then cascade to organisations. Constitutionalism is not just about following laws; it is about having good values and designing good rules. Rules will only make sense if they are interpreted in light of the value system. Codes of Conduct alone in organisations will not help unless, the Constitution is followed in letter and spirit to mould ethical business characters devoid of greed, entitlement mentality and corruption. Constitutionalism is the cornerstone to economic recovery, the need for National values and charter for what we stand for as a nation could not be over emphasised.

All speakers gave credit to the New Government for boldness in tackling this area which had been skirted for a long time, with only lip service being paid but without any visible and meaningful action to confront the vice. The current thrust is aimed at uprooting the deep seated roots of corruption, poor governance, unethical practices, work ethic decay and to hold all those responsible for such behaviours accountable, to transform the economy. Unethical tendencies by leaders due to non-adherence to Constitutionalism and the concept of 'ubuntu'

at both macro and micro levels are responsible for the current woes, with rent-seeking behaviours so rampant in state enterprises reducing them to “cocktail enterprises”. It is sad to note that greed, mismanagement of institutions, poor policy choices and the entitlement mentality both at Government level and corporate level have contributed in running down the economy, with corporate leaders being given golden handshakes for destroying institutions.

It was further brought to the fore that economic actions that negate constitutionalism, such as the public circumventing the banking system giving rise to a flourishing black market right under the nose of the Reserve Bank of Zimbabwe, with the banking rules and regulations rendered useless in the face of greed by perpetrators should be stopped. However, it was encouraging to note that all strides were being aggressively undertaken to rid trading with paper money as this tends to promote unethical behaviours. It was clearly cited in the Risk Management topic that there was need to plug this area as it was a major factor in driving away sensible and meaningful foreign direct investments.

## **CONCLUSION**

Ethical behaviors and good corporate governance are essential for a thriving economy and for this to happen, Zimbabwe requires radical ethical transformation both at the macro and micro level where Government, the civic society and organisations are held to account. Radical reforms should be made at macro level and a strong ethical tone should exist and be strongly projected and supported by senior executives. Where we are right now as a nation, demands that executives in corporates should not be persuaded to support the vision but coerced to support it for the common good of the nation. Good governance should be a way of life at all levels if Zimbabwe is to attract meaningful investment. An ethical public sector, well run businesses and an equitable and just society are pre-requisites for attracting foreign direct investment.