

**SPEECH BY THE GUEST SPEAKER MR. M.A. MASUNDA AT
THE 2018 EXCELLENCE IN CORPORATE GOVERNANCE
AWARDS DINNER HELD AT THE RTG TOWERS ON
THURSDAY, 29TH NOVEMBER, 2018 AT 6.30 P.M.**

I WOULD LIKE TO THANK THE INSTITUTE OF CHARTERED SECRETARIES & ADMINISTRATORS IN ZIMBABWE [ICSAZ] FOR GIVING ME THIS OPPORTUNITY TO ADDRESS THIS AUGUST GATHERING OF BUSINESS PERSONS AND CAPTAINS OF INDUSTRY ON THE OCCASION OF THE 6TH EDITION OF THE ANNUAL EXCELLENCE IN CORPORATE GOVERNANCE AWARDS.

AS JAMES D. WOLFENSON, THE FORMER PRESIDENT OF THE WORLD BANK, APTLY PUT IT, “THE GOVERNANCE OF COMPANIES IS NOW AS IMPORTANT IN THE WORLD ECONOMY AS THE GOVERNANCE OF COUNTRIES”.

BARONESS LYNDA CHALKER PUT IT SLIGHTLY DIFFERENTLY BUT THE RATIONALE IN HER MESSAGE IS THE SAME – “AFRICA MUST RECOGNISE THAT GOOD GOVERNANCE IS A PRE-REQUISITE FOR GROWTH. SHOWING GOOD GOVERNANCE AND BEING OPEN AND TRANSPARENT ABOUT THE GOVERNANCE ISSUES WILL MAKE THE DIFFERENCE”.

PROFESSOR JONAH ISAWA ELAIGWU OF THE UNIVERSITY OF JOS IN NIGERIA PUT IT MORE BLUNTLY – “UNLESS AFRICA AND AFRICANS TAKE STEPS TO IMPROVE THE QUALITY OF GOVERNANCE ON THE CONTINENT, WE WILL END UP HOLDING THE COW FOR OTHERS TO MILK IT”.

I SINCERELY HOPE THAT BY SHARING MY EXPERIENCES WITH YOU, WE MAY TOGETHER HAVE A BETTER UNDERSTANDING OF THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE FOR THE ULTIMATE GOOD OF OUR SOCIETY AS A WHOLE. COMPANY DIRECTORS HAVE A COLLECTIVE DUTY, AS ANDREW YOUNG PUT IT WHEN HE DELIVERED THE KEY NOTE ADDRESS AT THE 1991 CZI CONGRESS IN VICTORIA FALLS TO CREATE “AN HONEST AND OPEN PARTNERSHIP WITH GOVERNMENTS BECAUSE GOVERNMENTS ALONE CANNOT ATTRACT INVESTMENTS. A DYNAMIC AND CREATIVE RELATIONSHIP BETWEEN GOVERNMENTS AND BUSINESS IS A NECESSITY IN THE FACE OF THE HARSH REALITIES OF THE COMING 21ST CENTURY”.

A STRONG BUSINESS COMMUNITY IS AN ESSENTIAL FEATURE OF ANY SUCCESSFUL, FREE AND DEMOCRATIC SOCIETY. IT IS THROUGH BUSINESS LEADERSHIP THAT OUR COUNTRY CAN BUILD AN INTERNATIONAL NETWORK AT THE HIGHEST AND MOST EFFECTIVE LEVEL. PEOPLE DO BUSINESS WITH PEOPLE THEY LIKE AND TRUST. THEY DON'T DO BUSINESS WITH THOSE WHO CHEAT THEM. IN ANY SOCIETY, CORRUPTION IN BOTH BUSINESS AND GOVERNMENT RETARDS ECONOMIC GROWTH. THERE IS A MORAL DIMENSION TO ANY EFFICIENT AND EFFECTIVE ECONOMIC SYSTEM.

GOOD CORPORATE GOVERNANCE IS MORE THAN JUST A CATCH PHRASE OR A FASHIONABLE THING TO DO.

CORPORATE GOVERNANCE IS THE SYSTEM OF RULES, PRACTICES AND PROCESSES BY WHICH A COMPANY IS DIRECTED AND CONTROLLED.

A COMPANY HAS MANY DIFFERENCE STAKEHOLDERS SUCH AS SHAREHOLDERS, DIRECTORS, MANAGEMENT, EMPLOYEES, CUSTOMERS, SUPPLIERS, FINANCIERS, GOVERNMENT AND THE COMMUNITY.

CORPORATE GOVERNANCE HELPS TO BALANCE THE RESPECTIVE INTERESTS OF EACH OF THESE STAKEHOLDERS.

THE THEME OF THIS YEAR'S EXCELLENCE IN CORPORATE GOVERNANCE IS "**GOOD CORPORATE GOVERNANCE, THE KEY TO SUSTAINABLE ECONOMIC GROWTH**". THE THEME DEFINITELY DOVETAILS INTO OUR GOVERNMENT'S EFFORTS TO TURNAROUND THE ECONOMY AND THUS SUSTAIN THE FORTUNES OF ZIMBABWE. IT IS ALSO IN TANDEM WITH PRESIDENT EMMERSON DAMBUDZO MNANGAGWA'S VISION TO GROW THE ZIMBABWEAN ECONOMY TO BE A MIDDLE INCOME EARNER BY 2030. I AM SURE THIS IS ACHIEVABLE IF WE ALL WALK THE TALK AND PUT OUR RESPECTIVE SHOULDERS TO THE WHEELS OF INDUSTRY AND COMMERCE.

WE HAVE CERTAINLY COME A LONG WAY SINCE THE MID-1990S WITH REGARD TO THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE PRACTICES IN ZIMBABWE. THE JOURNEY STARTED WITH THE RECOMMENDATIONS GLEANED FROM THE ADRIAN CADBURY COMMISSION IN THE UK AND THE MERVYN KING COMMITTEE ON CORPORATE GOVERNANCE IN SOUTH AFRICA. WE HAVE SINCE DEVELOPED OUR OWN PRODUCT, THE NATIONAL CODE ON CORPORATE GOVERNANCE (ZIMCODE), AND IN MAY 2018 OUR GOVERNMENT ENACTED THE PUBLIC ENTITIES CORPORATE GOVERNANCE ACT. IN FACT, MOST SECTORS ARE DEVELOPING REGULATIONS THAT WILL ENSURE THAT ENTITIES AND ORGANISATIONS PRACTISE GOOD CORPORATE GOVERNANCE. IT IS MY FERVENT HOPE THAT THESE PUBLICATIONS WILL NOT BE USED TO JUST DECORATE THE SHELVES OF OUR LIBRARIES AT HOME AND IN THE OFFICE.

WHAT CONSTITUTES GOOD CORPORATE GOVERNANCE? AS WE ARE ALL GATHERED HERE TO CELEBRATE EXCELLENCE IN CORPORATE GOVERNANCE AWARDS, I WOULD LIKE TO SHARE WITH YOU SOME CHARACTERISTICS OF GOOD CORPORATE GOVERNANCE IN THE CHEERFUL HOPE THAT YOU MAY THEREAFTER BE BETTER PLACED TO DETERMINE WHETHER OR NOT YOUR ORGANISATION IS TOEING THE LINE OF GOOD CORPORATE GOVERNANCE PRACTICES. LADIES AND GENTLEMEN, FOR ANY COMPANY TO BE EFFECTIVE, THE LEADERS OF THAT PARTICULAR CORPORATE ENTITY MUST TAKE RESPONSIBILITY FOR THEIR DECISIONS AS WELL AS THE PERFORMANCE OF THE COMPANY AS A WHOLE. FOR EXAMPLE,

THE COMPANY'S BOARD OF DIRECTORS SHOULD DESIGN AND ADHERE TO A CODE OF ETHICS THAT HELPS MANAGEMENT TO PROMOTE EACH OF THE IMPORTANT CHARACTERISTICS OF GOOD CORPORATE GOVERNANCE. IT IS ABSOLUTELY IMPERATIVE FOR A COMPANY TO HAVE THE FOLLOWING:

1. CLEAR STRATEGY

GOOD CORPORATE GOVERNANCE STARTS WITH A CLEAR STRATEGY FOR THE CORPORATE ORGANISATION.

THE BOARD OF DIRECTORS OF A COMPANY, ABLY ASSISTED BY THE MANAGEMENT TEAM, SHOULD SCAN THE MARKET TO IDENTIFY A PROFITABLE NICHE; CREATE A PRODUCT LINE TO SATISFY THE NEEDS OF THAT TARGET MARKET AND THEN ADVERTISE THE COMPANY'S PRODUCTS THROUGH A MARKETING CAMPAIGN THAT IS DESIGNED TO REACH THE CONSUMERS DIRECTLY. AT EACH STAGE, BEING AU FAIT WITH THE OVERALL STRATEGY HELPS THE COMPANY'S WORKFORCE TO STAY FOCUSED ON THE MAIN GOAL WHICH IS TO SATISFY THE NEEDS OF THE CONSUMERS IN THAT TARGET MARKET. NOWADAYS, WE SEE IN SOME CORPORATE ENTITIES COPYCAT STRATEGIES WHICH ARE NOT NECESSARILY IN SYNC WITH THE COMPANY'S CORE BUSINESS.

2. EFFECTIVE RISK MANAGEMENT

EVEN IF YOUR COMPANY IMPLEMENTS SMART POLICIES, COMPETITORS MIGHT STEAL YOUR COMPANY'S CUSTOMERS, UNEXPECTED DISASTERS MIGHT CRIPPLE YOUR COMPANY'S OPERATIONS AND VOLATILE FLUCTUATIONS IN THE POLITICAL AND SOCIO-ECONOMIC ENVIRONMENT MIGHT ERODE THE BUYING CAPABILITIES OF YOUR COMPANY'S TARGET MARKET. IF YOU ARE IN BUSINESS, YOU SIMPLY CANNOT AVOID RISK. ACCORDINGLY, IT IS ABSOLUTELY VITAL TO PUT IN PLACE EFFECTIVE RISK MANAGEMENT STRATAGEMS. I AM GLAD THAT THE ICSAZ SAW FIT TO FACTOR EFFECTIVE RISK MANAGEMENT INTO THE ADJUDICATION PROCESS. HOWEVER, DESPITE SUCH SAGE ADVICE, ONE STILL FINDS A NUMBER OF CORPORATE ENTITIES WITHOUT A PROPER RISK MANAGEMENT PLAN. ONE CANNOT HELP WONDERING IF WE ARE TRYING TO DO BUSINESS IN THE SAME ENVIRONMENT THAT IS FRAUGHT WITH SO MANY RISKS!

3. DISCIPLINE

CORPORATE POLICIES ARE ONLY AS EFFECTIVE AS THEIR IMPLEMENTATION. A COMPANY'S MANAGEMENT TEAM CAN SPEND YEARS DEVELOPING A STRATEGY TO PUSH INTO NEW MARKETS, BUT IF THE TEAM CAN'T MOBILIZE ITS WORKFORCE TO IMPLEMENT THE STRATEGY, THE INITIATIVE WILL INEVITABLY FAIL. GOOD CORPORATE

GOVERNANCE REQUIRES HAVING THE DISCIPLINE, COMMITMENT AND COURAGE TO IMPLEMENT POLICIES, RESOLUTIONS AND STRATEGIES.

4. FAIRNESS

FAIRNESS MUST ALWAYS BE A HIGH PRIORITY FOR THE MANAGEMENT TEAM. FOR EXAMPLE, MANAGERS MUST PUSH THE COMPANY'S EMPLOYEES TO BE THE BEST THAT THEY CAN BE IN THEIR RESPECTIVE FIELDS OF ENDEAVOUR BUT THEY SHOULD ALSO RECOGNIZE THAT A HEAVY WORKLOAD CAN HAVE NEGATIVE LONG-TERM EFFECTS, SUCH AS LOW MORALE AND HIGH TURNOVER OF STAFF. COMPANIES MUST ALSO BE FAIR TO THEIR CUSTOMERS, BOTH FOR ETHICAL AND PR REASONS. TREATING CUSTOMERS UNFAIRLY, WHATEVER THE SHORT-TERM BENEFITS MAY BE, ALWAYS COMES BACK TO BITE AND HURT A COMPANY'S LONG-TERM PROSPECTS.

5. TRANSPARENCY

SOMETIMES MANAGEMENT TEAMS IN VARIOUS COMPANIES HAVE AN INEXPLICABLE TENDENCY OF LIMITING THE INFORMATION THAT SHOULD FILTER DOWN TO EMPLOYEES. ON THE CONTRARY, TRANSPARENCY ACTUALLY HELPS TO UNIFY A CORPORATE ORGANISATION. IT MAKES IT POSSIBLE FOR MANAGEMENT AND EMPLOYEES TO SING FROM THE SAME

HYMN SHEET. WHEN EMPLOYEES UNDERSTAND THE COMPANY'S STRATEGIES AND ARE ALLOWED TO MONITOR THE COMPANY'S FINANCIAL PERFORMANCE, THEY GET TO UNDERSTAND THEIR RESPECTIVE ROLES WITHIN THE COMPANY. TRANSPARENCY IS ALSO IMPORTANT TO MEMBERS OF THE PUBLIC WHO GENERALLY DO NOT LIKE CORPORATIONS WHICH TEND TO KEEP THEIR CARDS CLOSE TO THEIR CHESTS.

6. CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY HAS INCREASINGLY BECOME A TOPICAL ISSUE. CONSUMERS EXPECT COMPANIES TO BE GOOD CORPORATE CITIZENS, FOR EXAMPLE, BY INITIATING RECYCLING EFFORTS AND REDUCING WASTE AND POLLUTION WITHIN THE COMMUNITIES WHERE THEY OPERATE. IT IS A GOOD CORPORATE GOVERNANCE PRACTICE FOR A COMPANY TO PROMOTE SOCIAL GOOD BY REINVESTING IN THE LOCAL COMMUNITY. I AM SURE WE HAVE SEEN HOW WELL SOME CORPORATE ENTITIES RESPONDED TO THE RECENT OUTBREAK OF CHOLERA AND TYPHOID IN GREATER HARARE.

7. SELF-EVALUATION

MISTAKES WILL BE MADE, NO MATTER HOW WELL YOU MANAGE YOUR COMPANY. THE KEY THING IS TO EMBARK ON A SELF-EVALUATION EXERCISE ON A REGULAR BASIS IN ORDER TO IDENTIFY AND MITIGATE ANY PROBLEMS BEFORE THEY SPIRAL OUT OF CONTROL. EMPLOYEE AND CUSTOMER SURVEYS, FOR EXAMPLE, CAN SUPPLY VITAL FEEDBACK ABOUT THE EFFECTIVENESS OF YOUR COMPANY'S CURRENT POLICIES. THE ENGAGEMENT OF OUTSIDE CONSULTANTS TO ANALYSE YOUR COMPANY'S OPERATIONS CAN ALSO HELP IDENTIFY WAYS OF IMPROVING YOUR COMPANY'S EFFICIENCY AND PERFORMANCE.

NEEDLESS TO SAY, THERE ARE QUITE A NUMBER OF OTHER CHARACTERISTICS OF GOOD CORPORATE GOVERNANCE BUT TONIGHT WE ARE NOT IN A LECTURE THEATRE WHERE WE COULD TRY TO DELVE INTO THIS TOPIC AS DEEPLY AS POSSIBLE. WHAT IS CRITICAL IS TO WALK THE TALK.

LADIES AND GENTLEMEN, AS WE ARE OBLIGED, PROFESSIONALLY, MORALLY AND OTHERWISE, TO ADOPT AND IMPLEMENT GOOD CORPORATE GOVERNANCE PRACTICES IN OUR RESPECTIVE ORGANISATIONS, THEN WE SHOULD REST ASSURED THAT WE NOW HOLD THE KEY TO SUSTAINABLE

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ECONOMIC GROWTH. WE HAVE GRADUATED FROM MEGA DEALS INTO REAL AND TANGIBLE BUSINESS!

I AM VERY CONFIDENT THAT YOU WILL MAKE A LIFE-CHANGING DECISION TO EMBRACE GOOD CORPORATE GOVERNANCE PRACTICES SERIOUSLY AND TREAT THESE ECG AWARDS WITH THE RESPECT WHICH THEY SO RICHLY DESERVE. I SINCERELY HOPE THAT YOU WILL ENJOY TONIGHT'S PROCEEDINGS. I WISH TO CONGRATULATE THE RECIPIENTS OF THE AWARDS AND ENCOURAGE ALL THOSE WHO WILL GO AWAY EMPTY-HANDED NOT TO LOSE HEART AS NEXT YEAR WILL BE YOUR TURN.

M.A. MASUNDA

HARARE

29TH NOVEMBER, 2018