

## **The Role of Leadership on the Operational Performance of State-Owned Enterprises in Zimbabwe <sup>1</sup>**

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### **Abstract**

State-owned enterprises have featured prominently in the socio-economic and socio-political development of all developing sub-Saharan African countries, including Zimbabwe. Various research findings show that these enterprises' operational and strategic performance of these enterprises was exceptionally well prior to the independence of these countries, but declined substantially thereafter. Various research findings indicate that this underperformance was due to inter alia leadership style and politically related extraneous factors. This investigation sought to determine whether the prevailing leadership styles relied on at any given point in time played a constructive role in the operational performance of the said enterprises in Zimbabwe and whether a situational leadership style will have a more positive impact on their operational performance. It was concluded that there is no direct, causal relationship between the operational performance of the state-owned enterprises and leadership style alone. A rebuttable conclusion was that the leadership style used prior to independence which entrenched some positive extraneous factors, underpinned the sound operational performance prior to independence and that the change in prevailing leadership after independence plus the negative extraneous factors which it permitted, was the underlying cause of the decline of this operational performance and their apparent, imminent demise.

**Key words:** leadership; operational performance; state-owned enterprise; situational leadership; transformational leadership

### **Introduction**

State-owned enterprises in Zimbabwe have been faced with serious performance challenges in recent decades, ostensibly as a consequence of the quality of the leadership of these organisations. Various research findings and official reports testify to the inadequate organisational performance of all the state-owned enterprises in Zimbabwe. The reliance on treasury for bailouts, high indebtedness, consistent loss-making and low contributions to the gross domestic product by state-owned enterprises in Zimbabwe, are all indicators of their poor operational performance,

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ostensibly attributable to inadequate leadership and poor management systems, according to Chavunduka and Sikwila (2015:652), Chiguvi and Magwada (2016:2), Muzapu, Havadi, Mandizvidza and Xiongyi (2016:97), and Mutanda (2014:5). It is trite to comment that effective leadership is the differentiator between successful and unsuccessful business organisations and that there is a direct and positive correlation between effective leadership and organisational performance. It is against this background that the envisaged investigation aimed at evaluating the role and impact of leadership on the operational performance of the state-owned enterprises in Zimbabwe, to augment the body of scientific knowledge which, according to Mwenje and Mwenje (2017:29) and Chinguruve (2019:14), is currently quite limited.

## **Research Problem**

The research problem on which the envisaged investigation is predicated comprises the question whether the prevailing leadership styles relied on at any given point in time did play a constructive role in the operational performance of state-owned enterprises in Zimbabwe and whether a situational leadership style will play a more constructive role in and have a more positive impact on, the operational performance of state-owned enterprises in Zimbabwe. The research question is based on the null hypothesis that ‘the prevailing leadership styles relied on at any given time did not have a positive impact on the operational performance of state-owned enterprises in Zimbabwe’. Concomitantly, it is also necessary to investigate whether leadership can obviate the effect of factors such as unethical practices that include nepotism and political influence on the operational performance of state-owned enterprises in Zimbabwe. It is trite that the relationship between leadership and organisational performance in Zimbabwe has not been subjected to proper empirical investigation as corroborated by Mwenje and Mwenje (Ibid., p.29), and Chinguruve (Ibid., p.14).

## **Literature Review**

### ***State-Owned Enterprises***

State-owned enterprises have been defined by several authors, including the Organisation for Economic Co-operation and Development (2015:14), Kim and Ali (2017:1), Matsiliza (2017:38) and Schneider (2019:3), as business organisations in which the state is the sole owner or has a majority stake or shareholding, or a controlling interest in some form or other. However, Willemyns (2016:659), and the 2018 Asian Development Bank report as recorded by Schneider (2019:2), suggests that there is no common definition of a state-owned enterprise, but rather that there are a variety of definitions that are used for different purposes. It is the author’s understanding that state-owned enterprises, are business organisations that are owned by the state, established to deliver socio-economic and socio-political value to the country by delivering efficient and cost-effective social services such as assuring a consistent and affordable supply of electricity, building and maintaining a serviceable road, rail and air transport system, an effective sewerage reticulation system in all villages, towns and cities and the development of the requisite infrastructure.

State-owned enterprises have been a prominent feature in the global economic and socio-political development agenda of virtually all countries in the world, including most of the developing sub-Saharan African countries, according to Nellis (2005:9). The Organisation for Economic Corporation and Development report (Issue no.5, April, 2015:1) and Masekoameng and Mpehle (2018:23) who report that most, if not all, state-owned enterprises were inherited from the colonial governments that were in power prior to the independence of said countries, and that they had been very effective and had performed exceptionally well then.

In the period after political independence however, according to Nellis (2005:5-6) a number of countries in sub-Saharan Africa including Zimbabwe, could not maintain the viability and sustainability of virtually all their state-owned enterprises, especially those involved in infrastructure development and maintenance, that have been found to have a long history of exceptionally poor performance. A number of contributory factors to the poor or under-performance of these state-owned enterprises have been identified by research investigations. These factors, according to Muzapu *et al.* (2016:90), and Sithomola (2019:72-74), include monopolistic government policies that result in an absence of competition, leadership incompetence, below-cost pricing, poor reporting structures and systems, poor investment decisions, political interference, lack of professionalism and inadequate capitalisation. The failure of state-owned enterprises in sub-Saharan African countries to perform optimally, are among the reasons for the pressure on state-owned enterprises in sub-Saharan Africa to improve their operational performance, competitiveness, and quality of service delivery, in order to positively contribute to the socio-economic and socio-political development of their own country's economy.

### **Leadership**

Leadership is defined by Northouse (2016:6), as a process whereby an individual influences a group of individuals to achieve a common goal. Yukl (2013:2), states that researchers usually define leadership according to their own personal perspectives.. Leadership has therefore emerged as a complex construct underpinned by an enormous body of knowledge where, according to Vroom and Jago (2007:17) citing Bass (1990), there are as many explanations and definitions of leadership in the normative literature as there are theoreticians or scholars attempting to define the term. Northouse (2016:6), argues that regardless of the various ways in which leadership has been conceptualised, leadership has four central components, that is (a) leadership is a process, (b) leadership involves influence (c) leadership occurs in groups, and (d) leadership involves common goals". Yukl (2013:7) defines leadership as ... "the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives". These definitions all serve to emphasise that leadership is a critical determinant of organisational performance. Therefore, the researcher contextually presupposes that business leadership is the process whereby an individual who is in charge of and responsible for the operational performance of that business, influences a group of individuals, colleagues and sub-ordinates to strive to achieve a common goal.

The study of leadership as a theory is derived from the 'Great Man' theory of leadership propounded by Thomas Carlyle in 1841. The study of leadership proliferated in the period

following the industrialisation of the British and European economies during the late 19th and the early 20th centuries, where Classical management theories including scientific management by Fredrick Taylor, bureaucratic management by Max Weber, and administrative management by Henri Fayol were propounded. The classical management theories laid the foundation upon which modern management theories are based. The ‘Great Man’ theory prompted the development of trait theory in the 1920 and 1930s – this was followed by Kurt Lewin’s behavioural leadership theory. Other leadership theories that emerged included the contingency leadership theory, continuum of leadership behaviours, the Ohio State University studies, situational leadership, and transformational leadership.

Transformational leadership is regarded a frame-breaking process that triggers sustainable organisational transformation and comprises four dimensions – idealised influence, individualised consideration, inspirational motivation, and intellectual stimulation. Transformational leaders through idealised influence instil pride and respect in their followers to identify with and emulate the leader. Individualised consideration advocates personalised attention being given to the followers by listening to their concerns and offering mentorship and coaching towards the achievement of a common goal. Inspirational motivation involves the articulation of a clear and appealing view of the future to create a shared vision within the organisation. Intellectual stimulation prompts followers’ proactive thinking which results in self-reflective change in personal values and beliefs in line with the organisation’s broader perspective. Transformational leadership has largely been associated with positive organisational outcomes. Accordingly, transformational leadership has emerged as one of the most popular modern leadership theories and has generated increasing interest among researchers in recent years.

The situational leadership theory developed by Hersey and Blanchard (1977), is premised on the ability of the business organisation’s leader to adapt to a prevailing situation coupled with the followers’ competencies and willingness to undertake the required tasks in order to deliver product and service offerings to meet customer expectations. It follows that leadership effectiveness is based on the ability to adapt the leadership style to meet the demands of the situation. This is achieved through proper diagnosis of the organisation’s age as well as the followers’ stage in the development continuum. The appropriate leadership style should be adapted as necessary to meet market demands. Situational leadership does not propose a single leadership approach but rather suggests that situational contingencies will determine the leadership style that is deemed appropriate especially given the dynamic global demands which characterise the 21st century business environment. This also provides a theoretical basis for assessing if a situational leadership style and approach would be the preferred leadership style and approach for assuring the optimum operational performance, commercial viability, sustainability and an acceptable rate of return by state-owned enterprises in Zimbabwe.

### ***The Role of Leadership on the Operational Performance of State-Owned Enterprises***

Most, if not all, business management scientists, researchers and academics, including Jun Hao and Yazdanifard (2015:4), Zahoor and Khan (2018:129), and Ibrahim and Daniel (2019:37), agree that there is a strong, positive correlation between effective leadership and the successful

operational performance of all organisations, including business organisations. The achievement of any organisation's strategic and operational goals and objectives is a function of the qualities and competencies of the persons appointed to strategic and senior leadership roles in these organisations. This, by extension, holds true for state-owned enterprises.

State-owned enterprises are beleaguered by leadership deficiencies according to studies by Ncube and Maunganidze (2014:138), Chiguvi and Magwada (2016:2), and Muzapu *et al.* (2016:90). In their research into the reasons for the poor and under-performance of state-owned enterprises, Wong (2018:13), and Donkor and Zhou (2019:149), state that many boards of directors of state-owned enterprises fail to play a significant role in directing the affairs of their corporations due to a number of factors including political interference. This results in their mandated role in the formulation and implementation of long- and short-term strategy being limited and constrained. Equally, their role in the appointment of competent and suitably experienced senior executives and management is severely constrained. Cabinet ministers and other political role players who decide on management and leadership appointments according to personal or political affiliation or for reasons of political expediency, frequently do so unilaterally without any consultation with the respective boards of directors.

The consequence of this interference in the formulation and implementation of strategies as well as in the appointment of suitably qualified and experienced leadership in state-owned enterprises, according to Sithomola (2019:63), supported by the World Bank report (2017:27), is maladministration, inefficiency, lack of accountability and an inherent culture of dependence on financial bailouts by the national treasury. This is exacerbated by political patronage as both leaders and managers in state-owned enterprises are inclined to implement decisions and interventions simply to please their principals, rather than making sound and appropriate business decisions to further the legitimate aims of the enterprise. In the process, the responsibility for steering their state-owned enterprises to positively contribute to the socio-economic growth and development of the nation is negatively impacted or is obviated entirely. Political interference can often also lead to conflict between opposing individual politicians as well as between politicians and the boards of directors in the relevant state-owned enterprises for which they are responsible. A case in point is that of the South African Broadcasting Corporation whose board of directors, according to Thabane and Snyman-van Deventer (2018:4), resigned at one stage due to serious differences with the South African government. Similarly the resignation of a former chairman of the Zimbabwe Iron and Steel Company, a Dr. Gift Mugano, from the board on 29 June 2020 followed a fallout with some certain sections of the government as a result of displeasure at Mugano's criticism of the country's policy discourse (Mugano, 2020: **Online** and *The Independent*, 2020: **Online**). This incident demonstrates that state-owned enterprise leadership is implicitly expected to align their views with those of the government.

The dispersion of accountability amongst different state bodies or institutions which have inherently different policies has a significant detrimental impact on leadership effectiveness in state-owned enterprises. This is especially true in Zimbabwe where line ministries are responsible for particular state-owned enterprises and their boards of management. Parliament has overall control over the line ministries. Parallel to the line ministries is the Ministry of Finance and Economic Development which has set the agenda for the reform of state-owned enterprises. In

addition there is a state-owned enterprise reform agency known as the ‘State Enterprises Reform Agency’ which was established to manage and coordinate the state-owned enterprise reform programme that seeks to deliver effective and efficient state-owned enterprises that will positively contribute to the socio-economic development of the country (State Enterprises Reform Agency: **Online**). Alongside the State Enterprises Reform Agency is a corporate governance unit in the Office of the President and Cabinet that is mandated, *inter alia*, to oversee line ministries’ discharge of their responsibility to monitor compliance with the provisions of the Public Entities Corporate Governance Act [Chapter 10:31] No. 4 of 2018. Therefore, the degree of dispersion in accountability makes the harmonisation of the activities of the various state institutions tasked with state-owned enterprise performance and governance an immense task.

Additionally, the presence of convoluted and multi-faceted leadership and governance systems in state-owned enterprises creates loopholes that can be exploited by unscrupulous state-owned enterprise boards and management to advance their own personal interests rather than those of the corporation and/or the general public. A case in point is that of Zimbabwe’s state-owned largest medical aid services provider, Premier Services Medical Aid Society which was deemed to be an institution of predation Ncube and Maunganidze (ibid:132). This followed collusion by the board and management to award each other hefty allowances and salaries in total disregard of the remuneration guidelines contained in a cabinet-approved remuneration policy for state-owned enterprises as reported by Transparency International (2016:16). It is therefore indisputable that balancing the pursuit of operational viability and sustainability of state-owned enterprises with the socio-economic objectives of the country is challenging. This is mainly due to the dynamics and complexities of the leadership and corporate governance systems in state-owned enterprises.

The urgency and importance of the call for improved performance in Zimbabwean state-owned enterprises cannot be overemphasised. However, for this to be realised, changes in leadership approaches in the sector are essential. Among the various leadership approaches, transformational leadership and situational leadership are two popular and potentially appropriate approaches to leadership in the 21st century. Transformational leadership has a significant impact on organisational performance as it influences the fundamental assumptions, attitudes and behaviours of organisational members and creates a common mentality towards the attainment of common goals. This approach co-creates meaning and value for all organisational stakeholders, customers, shareholders, and the broader society in which the organisation operates. On the other hand, situational leadership focuses on immediate and current organisational problems and challenges and seeks to address the problematic issues to ensure organisational goal achievement. When seeking a solution to performance inadequacies in state-owned enterprises, due cognisance should be taken of the respective contrasts in focus of transformational and situational leadership as it is imperative that the appropriate leadership style is selected to support the achievement of organisational goals in the most efficient manner to ensure that the envisaged socio-economic impact of state-owned enterprises to the economy is realised.

## Research Design and Findings

Based on an explorative survey approach using a six interval, bi-polar Likert type measurement scale data was collected from a sample of 48 respondents regarding the perceived and factually known causes of the decline and ultimate distress of the state-owned enterprises in Zimbabwe from inception until Zimbabwe's independence, the period immediately after independence, and in the more recent past. The validity and reliability of the data that was collected is confirmed by the representativity of the sample of respondents that was 15.7% of the target population of 306 of those persons that are perceived to be competent to provide the primary data that was collected from a pool of 10 state-owned enterprises prioritised for reforms by the Government of Zimbabwe.

A Cronbach's Alpha coefficient baseline of 0.70 was applied in ascertaining the reliability of a research instrument. Descriptive statistical analysis, the chi-square measure of association, the Spearman's correlation coefficient matrices, the Kaiser-Meyer-Olkin measure of sampling adequacy, and inferential statistical analysis were employed in analysing data in the study. Inferential statistics were applied to test the research hypothesis and to proffer inferences about the population from which the research sample was drawn. This study adopted a cut-off statistical significance of  $p < .05$  for all the statistical tests. The entire research process was conducted in accordance with accepted ethical principles that included obtaining ethical clearance to conduct the study, the informed consent of participants, and the assurance of the confidentiality of information supplied by participants.

The general perception of all the respondents is that the operational performance of these state-owned enterprises to have declined significantly since inception prior to independence, until the most recent 10 to 15 years. From the findings with regard to the role and impact of the extraneous factors on the operational performance of the state-owned enterprises in Zimbabwe from the inception of these enterprises until the most recent 10 to 15 years, the conclusion can be drawn that the positive extraneous factors such as sound and effective operational and financial management systems and practices, well trained, experienced and competent managers, as well as well trained, experienced and competent operational and technical employees assured the excellent, very good and good operational performance of the state-owned enterprises in Zimbabwe prior to independence. The findings also suggest that the operational performance of these state-owned enterprises started to decline during the first 10 years after independence, ostensibly as both (a) the systems and practices were replaced by less sound and effective systems and practices or (b) the managers, operational and technical employees were replaced by less competent persons.

The measures of central tendency and variability for the three periods being investigated revealed a similar pattern of the distribution of the means. The numerical values for the initial period, that is, the period from inception until independence, is substantially higher than the numerical values for the other two periods, which incidentally are quite similar. Similarly, the variability around the means are shown to be quite low and reflective of a quite similar pattern, except for some of the standard deviation values which were found to be greater than those for all the other interval values, which can also be understood to suggest a level of consistency of the responses. Consistencies in the patterns of distributions of the means and the standard deviations, supports a

presumption of validity and reliability of the findings and a probability of a well-balanced sample of respondents. However, the patterns of the individual frequency distributions themselves did not suggest any definitive meaning that could serve to address the research problem.

The comparative analysis of the positive and negative extraneous factors on the operational performance of the enterprises in the context of the prevailing leadership styles adopted during any one of the three periods being investigated was also conducted. Whereas positive extraneous factors relate to: sound/effective management systems/practices, sound/effective financial systems/practices, well trained/experienced management, and well trained or experienced operational technical employees. Negative extraneous factors relate to nepotism/tribalism/political cadre deployment, persons pursuing personal gain, party political influences, political interference, as well as socio-political policies. The findings demonstrate that the leadership styles adopted during any one of the three periods being investigated, were not themselves determinant of the operational performance of these state-owned enterprises. Therefore, the leadership style relied on cannot be said to have been the sole cause of the decline over time in the operational performance of the state-owned enterprises in Zimbabwe and their imminent distress.

The Mann Whitney U test and Wilcoxon W test methodologies indicate unequivocally that there is a positive, causal relationship between the positive extraneous factors and the operational performance of the state-owned enterprises in Zimbabwe over the three periods being investigated. This allows the presumption that positive extraneous factors contributed to the acceptable level of operational performance of these enterprises prior to independence and that the decreasing contribution of these positive extraneous factors to the operational performance of these enterprises, contributed to the decline and apparent distress of the state-owned enterprises in Zimbabwe after independence. Concomitantly, there is a positive causal relationship between the negative extraneous factors and the operational performance of the state-owned enterprises in Zimbabwe over the three periods being investigated. This also allows the presumption that these negative extraneous factors contributed substantially to the decline and apparent distress of the state-owned enterprises in Zimbabwe. The loglinear modelling of the significance test for each of the multi-variate inter-relationship measures confirms the Mann Whitney U test and Wilcoxon W test results. This reaffirms the presupposition that the prevailing leadership styles were not the only determinants of the operational performance of state-owned enterprises prior to or after independence.

## **Conclusions**

Literature is agreed on a strong correlation between leadership and operational performance of business organisations including state-owned enterprises. Leadership style does have an impact the operational performance of the state-owned enterprises in Zimbabwe and undoubtedly did have an impact on the operational performance of these enterprises during each of the three time periods being investigated. Whereas studies by Ncube and Maunganidze (2014:138), Chiguvu and Magwada (2016:2), and Muzapu *et al.* (2016:90) assert that state-owned enterprises are beleaguered by leadership deficiencies that undermine their operational performance, this study found unequivocally that the operational performance of these enterprises was not determined by

the prevailing leadership style alone. Equally, the findings of the investigation did not provide a clear indication of the nature or extent of the relationship between any specific leadership style and the operational performance of the state-owned enterprises in Zimbabwe during the three periods that were investigated. Therefore, it cannot be concluded with any degree of scientific certainty, that any specific leadership style alone will be the determinant of improved operational performance of state-owned enterprises in Zimbabwe in the future.

The findings of the investigation also revealed that whilst transactional, transformational and the situational leadership styles were the three most used leadership styles during the 10 year period immediately prior to the independence of Zimbabwe, these three leadership styles supported by various positive extraneous factors, including (a) sound and effective operational management systems, (b) sound and effective financial management systems, (c) well trained and experienced general management employees and (d) well trained and experienced operational and technical management employees, contributed substantially to and were ostensibly determinant of the operational performance of the state-owned enterprises during that period. This also allows the rebuttable conclusion that there must be a causal relationship between the said three leadership styles and the abovementioned positive extraneous factors, without rejecting the possibility that other leadership styles would have or could have equally have allowed or promoted these positive extraneous factors.

The findings obtained from the investigation also suggested that the negative extraneous factors identified in previous research including Wong (2018:13), and Donkor and Zhou (2019:149) and also identified in this investigation, such as (a) nepotism, tribalism and political deployment, (b) pursuance of personal gain, (c) party political influences and beneficitation, (d) political interference and (e) socio-political policies such as Africanisation and Affirmative Action were not found to be present and therefore had limited, if any, impact on the operational performance of these state-owned enterprises during the 10 year period prior to independence when the abovementioned three leadership styles were prevalent. This allows the rebuttable conclusion that these three leadership styles do not allow for such negative extraneous factors.

The findings suggest that the prevalence of these leadership styles in the operational and strategic management of the state-owned enterprises in Zimbabwe started to decline during the 10 year period immediately after independence, and that this trend continued during the most recent 10 to 15 year period, during which the operational performance of these state-owned enterprises in Zimbabwe were found to have declined to a point of operational and financial distress. This again suggests the conclusion that there is unequivocally a causal relationship between these leadership styles and the operational performance of these state-owned enterprises, without supporting a conclusion that these leadership styles alone were determinant of the said operational performance of these enterprises.

There is a causal relationship between the decline in the use of the abovementioned three leadership styles and the said negative extraneous factors in these state-owned enterprises, as well as causal relationship between these two factors and the decline and imminent distress of the operational performance of these enterprises. Therefore, it can, rebuttably, be concluded that neither transformational nor situational leadership alone, will assure the sound operational

performance or improve the poor or declining operational performance of the state-owned enterprises in Zimbabwe, or assure their continued viability and sustainability.

Further, these leadership styles will support the above-mentioned positive extraneous factors and obviate the negative extraneous factors and that a combination of either a transformational or a situational leadership style and the positive extraneous factors will assure the sound operational performance of the state-owned enterprises in Zimbabwe. Concomitantly, a combination of any leadership style, irrespective of the negative extraneous factors, will unequivocally promote the decline and ultimate distress of state-owned enterprises in Zimbabwe, and will undoubtedly also obviate their achieving the infrastructural role they were established to assure as well as the socio-economic and socio-political objectives of the developing, post-colonial, country of Zimbabwe.

The findings and conclusions obtained from this investigation corroborates literature review that identified inadequate and ineffective leadership as one of the primary causes in the under-performance of state-owned enterprises in sub-Saharan African countries in general and in Zimbabwe in particular, *inter alia* because such inadequate and ineffective leadership, irrespective of the particular style being relied on, permit and in some cases also promote the presence of the abovementioned negative extraneous factors. This promotes the proposition that competent leadership can serve to minimise or obviate the possible negative impact of such negative extraneous factors on the operational performance of state-owned enterprises and that, by logical deduction, competent leadership which will inevitably incorporate the abovementioned positive extraneous factors, can serve to assure the sound and effective operational performance of state-owned enterprises that will procure acceptable levels of return on investment for shareholders, the achievement of the operational and strategic objectives of these enterprises, as well as a positive contribution to the socio-economic and socio-political development of Zimbabwe.

### ***Limitations of the Study and Suggestions for Future Research***

It is arguable that the research population was limited and the sources from which data was collected for analysis and interpretation were quite small. Therefore, it is appropriate that this investigation should be replicated and expanded to include all the state-owned enterprises in Zimbabwe and every attempt should be made to collect data from the largest possible number of sources. It is also important that all participants in a future study should be given the assurance of indemnity against any form of retribution given the politically sensitivity of the data collected.

### **Disclosure Statement**

The authors reported no real or potential conflict of interest.

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