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Corporate Governance on Organisational Performance: Case Study of Gweru Municipality, Midlands Province, Zimbabwe

Dr Shadreck P. M Makombe

Academic researcher, Gweru, Zimbabwe.

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Abstract: This study examined the impact of corporate governance on organizational performance in Gweru Municipality, Midlands Province, Zimbabwe. It has been recognized that providing effective governance is a key driver of development, and developing nations are being urged to provide services effectively and efficiently. However, unethical behaviors and bad governance are common in underdeveloped nations like Zimbabwe, which hinders local economic growth and development. A comparative study of other municipalities' governance practices was used to find practical strategies for advancing governance and improving public sector organizational performance. The study chose 130 individuals and used both qualitative and quantitative approaches to gather data via questionnaires and interviews. The research discovered that inadequate company governance lowers performance by causing employee absenteeism. According to the study, corporate governance is also vital since it guarantees that the organization is managed well. Good corporate governance was suggested for Gweru Municipality as it would improve overall performance and have a beneficial impact on staff productivity. Additionally, the municipality must periodically assess the operational corporate governance principles already in place within the organization and ensure that all employees and stakeholders are aware of them.

Keywords: Corporate governance, Governance, Organizational performance

INTRODUCTION

Gweru, which was once known to the Ndebele as Gwelo, or "The Sleep Place," due to the banks of the Gweru River, was transformed into a military station by Leander Star Jameson in 1894. In 1914, it was granted municipality status, and in 1971, it became a city. It is located between Harare and Bulawayo along the road and railroad. The person in charge of the organization's administration is the Chief Executive Officer, also known as the Town Clerk. Corporate governance was seen to be at its peak in colonial-era Zimbabwe. Nevertheless, despite having clear and comprehensive goals and objectives that direct their operations, the majority of Zimbabwean cities still struggle to provide sound corporate governance forty years after gaining independence. The Urban Councils Act is essential to urban administration, especially since it specifies how local authorities must operate.

In order to ensure that all Council committees are duly constituted and that business is carried out in accordance with the law and corporate governance principles, the Chamber Secretary Department is in charge of both central administration and secretarial services, according to the Urban Council Act (Chapter 29:15). Despite Council Acts that provide for public access to council information (section 88) and council meetings (section 87), the public has criticized the lack of independence in decision-making processes by elected and employed officials, stakeholder participation, transparency, and accountability.

Every municipal government is run according to a set of rules. A foundational set of legal requirements, governance principles, and management procedures are all included into this interconnected system. Historically, local government has had a solid foundation upon which to grow and has adhered, in whole or in part, and in a variety of ways, to the principles of good governance. Strong regulatory frameworks and effective monitoring and evaluation systems have been in place. Openness, integrity, and accountability are the three fundamental tenets of corporate governance, a framework that gives local governments the authority to guide and regulate their operations in relation to the community they serve. The many facets of the duties performed by local authorities must be consistent with the core tenets of corporate governance. These include, but are not limited to, community focus, performance management, structures and procedures, internal control and risk management, and standards of behavior.

Among other tactics, internal controls were seen as the answer to healthy governance, and international organizations like the UN and SADC have attempted to lessen inequities. But among other things, Gweru Municipality is having trouble ensuring good corporate governance because it hasn't engaged and communicated with the right people in the community to promote active participation, it hasn't shown proper accountability for the Municipality's performance and effectiveness in using its resources and providing services, and it hasn't shown integrity in the decision-making process.

According to Kunaka *et al.* (2001), corruption occurs when a person in a position of power misuses public resources for their own benefit. This results from a lack of openness on the practices employed by the various municipal agencies. Since locals have criticized Gweru Municipality for providing residents and other stakeholders with insufficient information, this lack of openness demonstrates a lack of sound corporate governance.

The topic of corporate governance has several facets. In order to attract financial and human resources on the best terms and to prevent corporate failure by pursuing goals that are in the best interests of the company and all stakeholders, it has as its central theme simultaneously improving corporate performance and accountability of those involved in the management of an organization (UNESCO, 2017). The collapse of well-known multinational corporations, the need for accountability and transparency in the use of shareholders' funds, and the growing recognition of the importance of sound corporate practices in luring investment capital and achieving long-term organizational strategic goals have all contributed to the growing interest in corporate governance. As a consequence, all businesses—private or public—should always strive to achieve and maintain corporate success via sound corporate governance. With an emphasis on Gweru Municipality, the purpose of this article was to evaluate the impact of corporate governance on organizational performance.

Statement of the problem

The lives of local citizens are directly impacted by the quality of services provided in municipal regions. The delivery of services by municipal and local government has been the subject of several grievances in Zimbabwe since the year 2000. A number of stakeholders, including the Minister of Local Government, the non-governmental organization (NGO) community, and associations of municipal residents, have attested to the general deterioration in capital development and municipal service delivery in areas under local authority control. The minister has sometimes been forced to remove the head of council, head of administration, senior council officials, or even all of them in severe situations like those in Harare, Chitungwiza, Bindura, and Redcliff. Most of the time, the accusations focused on poor service delivery, bad management, misuse of public money, abuse of power or position, dishonest business practices, and corrupt inclinations. We thus sought to determine the impact of corporate governance and service delivery in Gweru Municipality due to the deplorable condition of governance and service delivery in Zimbabwe's metropolitan local authorities.

RESEARCH OBJECTIVES

The research aimed to assess the principles of good corporate governance, to examine the causes of poor corporate governance by Gweru Municipality, to determine the impact of poor corporate governance on the employees of Gweru Municipality and to suggest recommendations on how corporate governance may be improved.

THEORETICAL FRAMEWORK

The study was guided by the agency theory and stakeholder theory

The agency theory

The agency relationship, according to Hamid (2011), is viewed as a contractual arrangement between the management (agent) who oversees the business and the owners (principals) who supply the company with funds. In addition to assigning the agent certain decision-making authority, the principals hire the agent to carry out certain tasks on their behalf. However, management, who possessed the necessary skills and experience to run the business, gained more and more effective control as the number of owners and operational complexity increased. This placed them in a position where they were more likely to look out for their own interests. There is a trade-off between incentives and risk sharing under the Agency Principal theory, as argued by Hart (1995). High-powered incentives encourage managers to put in extra effort, while low-powered incentives, like compensation that is unaffected by a firm's performance, protect them from risk.

According to Letza (2008), managers would only want to maximize the firm's worth if doing so aligns with their own best interests, since the agency theory contends that individuals are driven by their own self-interest. This can effectively result in a conflict of interest, which causes the business to incur agency costs. According to Jensen and Meckling (1976), agency costs are the total of bonding expenses, monitoring expenses, and any remaining loss from decision-making. A firm's worth rises when agency charges are reduced (Hart, 1995). By allocating remaining control powers in the same interest as the shareholders, ownership structures can help resolve conflicts of interest by facilitating choices that were not covered by the initial principal-agent contract. The effort problem, asserts' usage problem, and differential preference risk problem are the three issues that might result from this approach. The effort dilemma, according to Hamid (2011), is whether or not managers put forth enough effort while running businesses in order to maximize the wealth of shareholders.

*Corresponding Author: Dr Shadreck P. M Makombe

The stakeholder theory

Gordon (1988) asserts that the stakeholder theory of corporate governance is concerned with how corporate actions impact each and every one of the corporation's recognized stakeholders. A group or people that may influence or be impacted by the accomplishment of an organization's goals is considered a stakeholder, according to Freeman (1984). Internal and external stakeholders are the two main categories of stakeholders. Employees and company directors are considered internal stakeholders as they actively participate in the corporate governance process. Creditors, auditors, suppliers to consumers, governmental organizations, and the general public are examples of external stakeholders. Freeman (1984) introduced the idea of stakeholder theory, which holds that managers have a moral duty to take into account and fairly balance the interests of all stakeholders.

According to the notion, corporate management, including officers and directors, ought to consider the interests of all parties involved in the governance process. This involves making an attempt to lessen stakeholder interest conflicts. It considers the interests of any third party that is somewhat dependent on the company in addition to the typical members of the organization, such as executives, directors, and shareholders. According to stakeholder theory, an organization's goal should be to further social interests in addition to generating financial value for shareholders. The concept that business organizations rely on stakeholders for success and that stakeholders have a stake in the company is expressed by stakeholder theory. No stakeholder is seen to have too much influence, and the worries of the larger group of stakeholders are taken into consideration. Both are combined in the synthesis process. Only shareholders are subject to the corporation's fiduciary duty, despite its moral and ethical obligations to other stakeholders.

Overview of corporate governance

The evolution of corporate governance in a few chosen nations, the systems that were implemented, the convergence of corporate governance practices toward globally recognized standards, and the steps taken to guarantee efficient corporate governance procedures were all covered in the paper. Cultural and legal system disparities may have contributed to the polarization of corporate governance. Compared to emerging nations, affluent nations have started their attempts to implement good governance considerably sooner. For instance, the government of Malaysia has made significant efforts to establish the necessary framework for efficient corporate governance procedures. Lastly, enforcement, monitoring, and advocacy must get significant attention in order to implement a successful corporate governance program. The necessity to standardize corporate governance procedures globally has arisen as a result of the financial markets' recent ten-year globalization.

A comprehensive code on corporate governance, which includes a crucial section on directors' compensation, has emerged in the United Kingdom (UK) as a result of a series of public reports on corporate governance over the past ten years, starting with the Cadbury report in 1992 and continuing with Greenbury (1995), Hampel (1998), Turnbull (1999), Higgs (2003), and Smith (2003). In the UK, the Cadbury Committee was established in 1992 as a result of many well-known business failures. The Cadbury report was written with the fundamental premise that the UK's current, implicit corporate governance structure was solid and that many of its proposals were just ways to make an effective implicit system more explicit (Cadbury Report, 1992). Together, the recommendations made by the committee became the Cadbury Code of Best Practice for listed company governance.

Institutional investors were a major force in promoting sound corporate governance in the US. Among them, the California Public Employee Retirement System (CalPERS) has demonstrated a notable ability to promote sound corporate governance. Starting in 1993, CalPERS began concentrating on businesses that were deemed to be "poor" financial performers by almost all standards. By focusing its efforts and resources in this manner, CalPERS was able to show people who doubted the need of corporate governance extremely concrete and measurable economic outcomes. Now that it had gained experience, CalPERS started its next phase of development. According to CalPERS, the requirements outlined in the Corporate Governance Core Principles and Guidelines (2005) are significant and serve as the cornerstone for responsibility between a company's shareholders and management. According to CalPERS, the Guidelines are further characteristics that might strengthen this responsibility relationship.

Despite having a significantly more concentrated ownership than the US, Germany has a statutory role for its employees in its corporate governance structure. In Germany, property ownership is viewed as entails obligations to use the property for the benefit of the public. In one case, a German company's board of directors forbade the management from using insurance funds from a fire-damaged facility to increase output elsewhere. Another example of government-business collaboration in action is the role played by German industry in developing educational infrastructure through technical apprenticeships.

Principles of corporate governance

The word corporate governance has been defined by several writers. Sifuna (2012) refers to corporate governance as "a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of

***Corresponding Author:** Dr Shadreck P. M Makombe

management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers." As stated by Tricker (2009) and the OECD (2004), corporate governance encompasses market and regulatory processes, as well as the functions and interactions among a company's board, shareholders, and other stakeholders, as well as the objectives for which the organization is governed.

Rights and equitable treatment of shareholders

Organizations should uphold shareholders' rights and assist them in exercising them, according to the OECD (2004). This means that companies should encourage shareholders to attend general meetings and provide information in an open and efficient manner in order to support shareholders in exercising their rights.

Interests of other stakeholders

Businesses should be conscious of their legal, contractual, social, and market-driven responsibilities to stakeholders who are not shareholders, such as workers, creditors, suppliers, consumers, local communities, investors, and policymakers.

Role and responsibilities of the board

The board requires sufficient proper skills and intellect to review and challenge management performance. It also needs adequate size and appropriate levels of independence and commitment.

Integrity and ethical behaviour

Integrity and ethical behaviour should be of paramount importance during the selection of corporate officers and board members. Organizations should develop a code of conduct for their directors and all other employees that promotes ethical and responsible decision making.

Disclosure and transparency

Organizations should open up and make publicly known the roles and responsibilities of board and management to provide stakeholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, relevant information.

Organizational Performance

Increased financial performance or wealth maximization for stakeholders is a corporate organization's ultimate aim (Joseph and Dai, 2009). However, achieving the organization's objectives is contingent on the degree of organizational performance achieved (Katou and Budhwar, 2007). Effectiveness, efficiency, customer and employee happiness, innovation, product or service quality, and the capacity to retain a top talent pool are all indicators of an organization's performance. The current study's organizational performance factors included attributes including product quality, customer satisfaction, new product development, employee attraction and retention, and management-employee relationships.

Organizational performance, as defined by Kaplan and Norton (1993), is the conversion of inputs into outputs in order to achieve certain goals. Performance provides information about the relationship between economy and economy, between economy and efficiency, and between efficiency and output, as well as between effectiveness and achieved results. Sales performance may be defined as all of the company's investments or activity throughout the specified time frame. It is quantifiable by the total quantity of money received from the sale of commodities. Growth revenue is the entire amount of money received by the business from the sale of its goods over a given period of time; this number is determined before any costs are deducted. The three fundamental performance determinants—efficiency and process dependability; people resources and relationships; and innovation and environmental adaptation—are what determine an organization's effectiveness (Joseph and Dai, 2009).

Finally, an organization must be both financially sustainable and relevant to its stakeholders and their evolving demands in order to endure over time. These four performance facets are the organization's primary performance characteristics according to the organizational performance framework. Organizations operate in certain external surroundings or contexts that either help or hinder their success. Important elements of the economic, political, sociocultural, environmental, and technical surroundings, as well as the policy or regulatory environment, have an impact on how the organization operates. (1993, Kaplan and Norton). Performance is influenced by organizational capacity, which we now recognize to be present in seven fundamental areas: infrastructure, programming and process management, financial resources, human resources, strategic leadership, and inter-institutional relationships (Usha, 2009).

Impacts of poor corporate governance.

According to Bohren and Strom (2010), a consequence of inadequate corporate governance is the erosion of shareholder confidence. A corporation gives its shareholders the impression that it is unreliable when it departs from its corporate governance plan. This weakens the shareholders' faith in the company and makes them feel defrauded or misinformed. According to Bohren and Strom (2010), shareholders may leave the firm to avoid any possible loss if they think poor business decisions will be made soon.

Beasley, M. S. *et al.* (2009) state that investors may become alarmed if a firm fails to follow its corporate governance plans. A key consideration for investors

***Corresponding Author:** Dr Shadreck P. M Makombe

when choosing an investment is the degree of profitability, which guarantees a return on investment, and the application of corporate governance principles, which include equal treatment of shareholders, public disclosure of information, and protection of shareholder rights. Therefore, an organization is likely to lose investors if it has inadequate corporate governance (Beasley, M. S. *et al.*, 2009).

One aspect of this is the internal realm of corporate governance, where the CEO and middle management strive to maximize business earnings in order to boost shareholder profits. Self-interest and the possibility of greater benefit (promotion, bonus, etc.) drive this, creating a desire to perform in order to achieve that objective. Similarly, workers are similarly driven to do their duties. Their requirements, however, are not immediately connected to those of the higher management structure members, who have greater authority and possess more knowledge inside the same company. An instance of information asymmetry occurs when one business entity possesses more information than the other. According to Cadbury and Vienot (2010), if this kind of imbalance is not controlled, it may lead to conflict at work.

Local authority

In addition to grants and loans from the federal government and other sources, local authority refers to the provision and upkeep of public services and infrastructure at the local level using money raised locally. The creation of democratically elected, participatory organizations that are able to recognize the needs of the populace at the local level, translate those demands into real programs and initiatives, and maintain basic services is essentially what is meant by local government. When a local government system is successful and efficient, it can supply and maintain high-quality infrastructure and services, and openness and accountability are essential to the decision-making process.

The two primary forms of local government in Zimbabwe are the Urban Councils in urban regions and the Rural District Councils in rural areas. Three worlds may be used to better understand the nation's institutional framework for local government: the center, the urban universe, and the rural universe. The latter two revolve around the center. Local government, according to the UN, is a political division of a country or, in a federal system, a state that is established by legislation and has significant authority over local affairs, including the ability to levy taxes or perform labor for designated purposes. A local election or equivalent selection process is used to choose the governing body of such an organization.

According to Maddick (1963), a local government is a sub-unit of government that is governed by a local council. The council is authorized by the central government to enact ordinances with local applications, impose taxes or exact labor, and, within the parameters set by the central government, modify centrally decided policies locally. According to the Nigeria 1976 Reform Plan, local government is local governance carried out by a representative council that is legally empowered to exercise particular powers within designated boundaries. Local government, according to Gomme (1987), is that portion of a country's or state's overall government that is run by officials who report to the state but are chosen independently of the state's authority by eligible residents or property owners in specific localities that were created by communities with shared interests and histories.

To sum up, corporate governance is a crucial aspect of operations in local government. We have shown that it has an impact on all aspects of business organizations and the different stakeholders. Additionally, the hierarchical structure of corporate governance makes it clear that effective leadership is just as important. To foster a culture of smooth corporate governance, employees in executive, management, technical, and administrative functions must perform their duties within their designated tasks. The word "corp" in corporate comes from the fact that, while leadership is important, the entire company is crucial in the context of corporate governance. Corporate governance, however, needs to maintain a level of order; here is where the term governance becomes more significant.

METHODOLOGY

The design used both quantitative and qualitative methods and was descriptive and analytical in character. In contrast to the qualitative technique, which Mugenda and Mugenda (1999) said allowed the researcher to obtain information that could not be measured, the quantitative approach allowed the researcher to obtain quantifiable information. 40 individuals were purposefully selected from various departments, and the study's population consisted of 80 people from the Gweru Municipality. In order to gather data, the researcher employed interview guides and a self-administered questionnaire.

FINDINGS

To examine the efficacy of corporate governance in local government, with a focus on Gweru Municipality. Although a total of 80 employees were utilized, 40 of them were sampled, and 30 of them answered, yielding a 75% response rate. The comments provided were compelling enough to support the study's results. A response rate of 50% is sufficient for analysis and reporting, 60% is regarded as acceptable, and 70% or more is exceptional, according to Mugenda (2003). This indicates that the response rate obtained during the research was excellent.

***Corresponding Author:** Dr Shadreck P. M Makombe

As indicated by 80% of the participants, it was evident from the questionnaires that all respondents were aware of the corporate governance principles in place at Gweru Municipality. However, their application varies depending on their position within the organization. For instance, the top management team, who are either directly or indirectly involved, is not happy with the current state of poor corporate governance. The answers made it apparent that although the organization understands the need of improving stakeholder involvement and consultation in order to improve its image, it is not meeting its goals. The Urban Councils Act, chapter 29:15 of 1996, section 88, provides for the creation of standing committees, which are used to manage the council.

The results demonstrate that during council meetings, there is a power struggle between the management and the council members, which results in inappropriate decisions and resolutions that might have an impact on the entire Gweru Municipality. This indicates a lack of Ubuntu, integrity, and moral behavior, which damages the organization's reputation. Although 60% of the participants at Gweru Municipality are aware that following corporate governance principles is essential to the organization's success, they are not really putting them into practice. Even while the rights and fair treatment of shareholders, the interests of other stakeholders, the board's roles and responsibilities, disclosure, and openness are occasionally compromised, these values must form the foundation of every organization. Although the Gweru Municipality is not responsive, it does interact with the public. For instance, one respondent stated that the council should be more responsive, particularly to external publics, as stakeholders frequently complain about the Council's tardy responses, which typically result in inconveniences.

The purpose of the survey was to determine whether or not workers thought corporate governance was essential. The results showed that 90% of respondents thought corporate governance was important, while just 10% disagreed. This suggests that most employees thought corporate governance was essential. This might be because of competition, since other organizations are offering strong corporate governance, which makes employees think it's important as well. It was also thought to be crucial since a workplace with sound corporate governance encourages employees to put in extra effort because they know that their efforts would be rewarded, which raises morale.

The importance of corporate governance was also attributed to the fact that it draws in new employees to the Gweru Municipality. It aids the organization in recruiting and retaining good individuals. Bulawayo City Council is today regarded as the finest in Zimbabwe, demonstrating the power of corporate governance and its ability to build a positive brand image. Additionally, an organization may become dynamic and vibrant via the training of its directors. The success or failure of the organization is primarily dependent on the directors, who must be trained to follow strong corporate governance practices because they play a significant role in decision-making. Corporate governance is also crucial because it increases stakeholder participation in decision-making. Accordingly, corporate governance may be utilized to enhance shareholder-organization communication.

The goal of the survey was to establish how much respondents thought corporate governance was essential. Out of the 30 respondents, 46.6% indicated to a very large extent, 30% indicated to a great extent, 16.7% indicated to a moderate level, and 6.7% indicated to a low extent, according to the study's findings. This suggests that the majority of workers thought corporate governance was very essential. This might be because it fosters a high-quality work environment by encouraging accountability, responsibility, fairness, and openness.

66.7% of respondents believed that the principles and guidelines of corporate governance were not being applied fairly, while 33.3% disagreed. The study's goal was to ascertain whether corporate governance was being practiced in the organization. According to this, the vast majority of respondents were unhappy with the state of affairs. Determining the degree to which corporate governance has a detrimental impact on employee performance was the aim of the study. Based on the results, the research concluded that 10% of respondents indicated a low extent, 16.7% indicated a moderate extent, 30% indicated a big extent, and 43.3% indicated a very high extent. This demonstrates that the overwhelming majority of respondents believed that staff performance was significantly impacted by a lack of corporate governance. This is because ineffective corporate governance causes employees to perform their jobs inefficiently.

According to others, this is largely because King II supports the idea that corporate governance and ethical business practices go hand in hand. Regarding ethics, many local authorities consider whether there is political will to effectively discipline council members and local authority officials who are accountable for these unacceptable ethical circumstances, whether consultants should be hired at great expense to perform the work of corrupt or incompetent individuals, and whether political encumbrance from politicians that prohibits officials from collecting service fees in arrears (2009). One possible explanation for the respondents' assertion that inadequate corporate governance has a detrimental impact on employee performance is that newly hired employees are more motivated to put in extra effort and raise the organization to its highest potential.

When a company has good corporate governance, its employees believe that their requirements are met and that their performance at work won't be affected. A high degree of proficiency is the outcome of good corporate governance, which is related to accountability and governance. As employees connect with one another, their self-discipline keeps changing, which contributes to the environment of responsibility and governance in which they work. Corporate governance is therefore unavoidably a component that enhances employee productivity inside the company. At Gweru Municipality, this isn't the case. Although the respondents are aware of the need of sound corporate governance, it should be noted that they are not proficient in it. The Gweru Municipality, the audit unit, the management group, and the executive decision makers (Councils) should all have an interest in thorough auditing. In order to build its professional cadre and ensure that it is offering its clients relevant and reliable public services and goods, the entire organization might utilize these standards as crucial benchmarks. This suggests that Gweru Municipality staff members do not consistently enhance their service quality, efficacy, and proficiency.

Employee needs change over time, making it impossible for a worker to stay in an organization with poor corporate governance for an extended period of time. Instead, they must find a better position with more attractive corporate governance. This is one of the main reasons why many respondents said they would leave the organization if given the chance. Everyone wants to see change, and change for the better. Employees over 50 who are hoping to retire and receive their benefits make up 10% of those who said they would not quit the company because they are too laid back.

RECOMMENDATIONS

From the findings, the study recommends the following

- Gweru Municipality should provide good corporate governance as it will positively influence employee productivity and raise overall performance. Gweru Municipality must review the existing operational corporate governance principles in the organisation from time to time, and make sure that they are made known to all workers and its stakeholders as well.
- Gweru Municipality employees are hereby recommended to play their role of willingly improve their skills for the betterment of themselves and public at large. They should have the ability to question the decision makers on the ineffectiveness of corporate governance and be willing to learn from other organisations with better corporate governance.
- The study also recommends the Central Government to take leading role in monitoring the practices in the local government authorities and other public sectors in terms of complying with underlying financial and risk management rules.
- Local authorities must increase their operational efficiency when it comes to communication with their stakeholders and the rest of the public. Also there must be a good communication base between the employer and employees so that the employees feel free to spit out what they consider as good corporate governance and that which they consider to be poor. Since the study revealed that a high percentage of the workers are not satisfied with the present corporate governance, and this has been affecting their commitment to work.

CONCLUSION

The study unequivocally demonstrates the significant influence that sound corporate governance has on urban municipal governments. This chapter emphasizes how closely corporate governance and the organization's well-being are related. An evaluation of corporate governance in urban local authorities was conducted, and the results unequivocally demonstrated that effective corporate governance inspires workers to perform at their highest level and contributes to the organization's success.

According to the report, companies follow corporate governance principles because they are crucial to an organization and, when done well, may prevent fraud, corporate scandals, and an organization's domestic criminal debt. Additionally, it improves an organization's reputation as a self-policing entity that is responsible and deserving of funding from debt holders and shareholders. It monitors an organization's and its employees' common beliefs, customs, and culture. An organization without a corporate governance framework is sometimes compared to a body without a conscience or soul. It serves as a mitigating tool for hazards. Because corporate governance meticulously outlines the decision-making process, it helps limit the responsibility of directors and senior management. The foundation for establishing enduring trust between organizations and outside capital sources is established by corporate governance. Among important stakeholders, it has a lasting impact on reputation, both internally (workers) and outside (customers, communities, governmental or regulatory agencies).

King II agrees with the study that corporate governance and ethical business practices are closely related. Political interference from politicians, particularly councillors, who stop officials from collecting service fees in arrears, whether expensive consultants should be hired to perform the work of incompetent individuals, and whether there is political will to effectively discipline councillors and local authority officials who are accountable for these unacceptable ethical circumstances are some of the political reasons why ethical consideration is being compromised in many local authorities (Lube & Rossouw, 2009). Therefore, if an organization wants to operate effectively, it must take this into account since failing to do so will result in the organization's failure.

***Corresponding Author:** Dr Shadreck P. M Makombe

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***Corresponding Author:** Dr Shadreck P. M Makombe

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