***Original Research Article***

# An Assessment of Institutional Governance Restructuring: Examining the Case of SADC


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## Abstract

Democratic governance was seen is an instrument that would strengthen political institutions, governance effectiveness, rule of law and this would in turn ensure a conducive environment that would enable corporate governance practice to thrive. This research uses data from World Bank Governance indicators for all SADC countries, and examines how institutional quality has changed from 1996 to 2015. The research methodology used in investigating this research is a cross country research analysis. The findings of this research reveals that countries with entrenched democratic culture appeared to have better political and regulatory institutional quality, more stable governments, and better corporate governance practices. In such countries, coercive isomorphism tends to be strong. On the contrary, the opposite also holds true, countries with poor democratic structures tend to have weak political and regulatory institutions; these countries experienced political turmoil, increasing levels of political violence, electoral violence and have poor corporate governance practices. Countries with weak democratic institutions tend to have ceremonial conformism and coercive isomorphism in these states tend to be weak and fragile. Also, confining of press freedom and pervasive culture of corruption in the region have counteractive influence on corporate governance practices.



Keywords: Institutional Quality, Corporate Governance, Developing Countries, Institutional Governance Reforms


## 1 INTRODUCTION

The South African Development Community does have significant impediments and hindrances that it needs to address, conquer and overcome if it intends to tackle the institutional challenges that have hindered corporate governance. At the moment, it is estimated that more than half the population in the SADC region live on less than a dollar a day and 10 countries within the region have economies that earn less than $10 billion per annum [1]. Furthermore, SADC countries are faced with many socio-economic developmental challenges: worsening levels of poverty, food insecurity, prevalence of high incidents of infectious diseases such as HIV and AIDS, poor delivery of social services, high/rising levels of youth unemployment, social alienation and criminality. Many of these developmental issues have largely resulted because of the failure of the state's institutions and government to make the difficult decisions that are necessary to tackle underdevelopment and poverty.

In a bid to address these institutional and developmental problems, there has been a serious clamour for regional integration as a viable mechanism to strengthen member states weak institutional and infrastructural deficits such as epileptic power supply, poor road network, limited communication and transportation links with the rest of the word, as well as un-competitive market structures and providing accessibility to landlocked member states [2]. More significantly, it is inconceivable that any meaningful regional integration is achievable without the existence of strong institutions that will direct, manage, administer and supervise the regional integration [3].

The reasons for selecting of SADC region for this research investigation are because of the following: first, countries in the SADC region share a similar socio-economic and cultural history. They have deeply entrenched poverty issues the region, high rates of youth unemployment, a lack of the basic social infrastructure such as electricity, roads, hospitals and drinking water that have also contributed to hindering the growth of good corporate governance practices. Second, most countries in the SADC region, if not all, had to go through some form of political transitioning, transitioning from colonial rule to self government. For that reason, they tend to share similar turbulent political history and military coups that have disrupted legitimately democratically elected governments. Third, member states in the SADC region have to deal with similar institutional weaknesses such as an inability or incapacity to enforce of corporate governance regulations, a lack of political will, institutionalized corrupt practices, and weak institutions that are incapable of taking legal action to penalize wrongdoers. As previously stated, research in corporate governance has not paid attention to the external influences and budding prospects of corporate governance in the region.

This research is intends to expand the budding debate on institutional quality in SADC region by examining six key governance variables: political stability and the absence of

violence, voice and accountability, governance effectiveness, regulatory quality, rule of law and corruption. This research intends to examine the extent to which institutional quality influences corporate governance practices in the SADC region. The research question this paper sets out to examine is, what influences does political stability, media and press freedom have on corporate governance in the SADC region? In investigating this, this research, intends to fill the research void; as there is a visible lack of research studies on corporate governance from an institutional perspective in Southern African Development Community.

## 2 INSTITUTIONAL THEORY

Institutional theory is regarded as one of the most dominant perspectives in modern organizational analysis [4,5]. A central premise of institutional theory[6,7] suggests that institutional pressures are responsible for leading business organizations to adopt similar firm-structures, strategies, and processes. Explained differently, all institutional theoretical arguments tend to be similar in one respect; they posit that something that has been identified at a higher level is used in explaining processes at lower level of analysis [8]. In general, institutionalists have an inclination to avoid both individual-level explications and elucidations situated at the same level of analysis [5].

In the institutional theory literature, the definition of the term institution has generated so much controversy. The social scientist proffered the earlier definitions of institutions. Their description of the term institution was focused on the objective and formal elements of an institution [9]. A particular definition referred to an institution as a form of organization such as banks, prisons, nursing homes, mental hospital and schools. A second definition referred to institutions as sectors such as business, education and military**.** In doing so, the terminology institution was defined in narrowly as formal structures that constrain and enable behaviour [10]. Failure to abide by the rules laid down by the institution leads to punishments; this could take different forms such as fines, or penalties [11].

An obvious and deliberate oversight in the earlier definitions is the focus on formal institutions; informal institutions were not given much attention [12]. Current research in institutional theory exposes the weaknesses of focusing solely on formal institutions, it reveals that formal institutions have not been successful in explaining how human behaviour is enabled or constrained, especially in the case of developing countries which are littered with weak formal institutions [13]. To resolve this dilemma, researchers investigating institutional theory have begun to explore the influences of both formal and informal institutions in institutional theory analysis.

[14] describe informal institutions as socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels. These rules are often based on an implicit understanding, often times, they are socially constructed [7] and consequently, it is impossible to access it through written documents, neither can it be sanctioned through a formal process [15]. Hence, informal institutions consist of socially accepted norms, customs, and political processes [5]. Specific exemplification of informal institutional arrangements includes the fact that business deals are ratified on the basis of a firm handshake, and most times such agreements are strictly adhered to, that sharecroppers whose crops mature at different times support each other with harvesting the produce, or that there is a custom or practice within a society which encourages individuals to harvest only fish that their family can consume [16]. For the purpose of this research, institutions will be defined in a manner that embraces both formal and informal elements of institutions. [17] define institutions as 'institutions are structures based on more or less taken for granted, formal or informal, rules that restrict and controls (or support) social behaviour.

## 2.1 Institutional Isomorphism

Institutional isomorphism provides a template for understanding the simultaneous emergence of similar kind of organizational structures in business organizations, non-governmental organizations, governmental bodies and professional associations [18]. Institutional isomorphism explains the structural changes organizations make, when they seek relevance, legitimacy and when they seek to cope rationally with environmental uncertainty and constraints that exist in their organizations as well as their environment [19]. A central argument in institutional theory is that institutional pressures are considered responsible for organizational isomorphism [20]; they exert pressures on government, civil societies, corporations and other socio-political actors to conform by adopting similar structures, strategies and process [21].

[21] stress that isomorphism has some critical consequences for organizations**:** they integrate elements which are legitimated externally, instead of in terms of efficiency; they use external evaluation criteria in defining the value of structural elements**;** and they depend on external institutional influences reduces turmoil and maintains stability. [22] classify institutional isomorphism into three types: coercive isomorphism, mimetic isomorphism and normative isomorphism. Coercive isomorphism occurs when organizations are influenced by external pressures (formal or informal pressures), emanating from other organizations that they are dependent or as a result of socio-

cultural expectations of the society where they reside. [23] maintain that cohesive isomorphism arises when firms or organizations are forced to abide by existing norms, rules and regulations in order to avoid sanctions. For example, in Europe, coercive economic pressures and regulative institutions were largely responsible for influencing the adoption of business planning models in European hospitals [24].

Mimetic isomorphism refers to companies benchmarking and copying each other, this normally happens in times of environmental uncertainty that causes organisations to model themselves after other business organizations that they perceive as successful or legitimate. Witnessing the businesses success of other organizations in the same industry, may cause other organizations to exhibit mimetic behavior [25]. Mimicking other business organization may serve as a cost-effective way of attaining legitimacy [22,26]. Normative isomorphism postulates that normative isomorphism occurs when norms and practices are internalized within an organization [26]. Normative isomorphism occurs as a result of professional training or education and socialization**.** Professionalization is attained through formalized education, recruitment, employment, occupational autonomy and socialization that results in producing a shared cognitive base that ensures that organizational structure are identical to each other [27]. For example, business firms can be pressurized by industrial associations and unions to adopt industry's best practice guidelines [28].

## 2.2 External Influence on Corporate Governance in SADC Countries

So far, the available research does show that institutional quality can significantly influence and shape the practice of corporate governance: institutional quality such as a country's law, regulations, political institutions are critical determinants of the quality of corporate governance [19]. [29] find that institutional quality variables explain 39-73% of the governance choices of firms, while firm variables explain only 4-22% of governance variance. Moreover, they argue that firm characteristics explain almost none of the governance variation in "less-developed countries" because the costs of adopting good governance outweigh the benefits in such locations. [19] maintain that that the following institutional qualities can significantly influence corporate governance practice: democratic government, freedom of the press, and corruption.

Democratic Government: One of the most important political instruments that can hold a government accountable is a transparent democratic election [30]. A democratically elected government has been given the mandate to influence and pressure citizens and business corporations to comply with societal laws, norms and culture**.** In most

democratic countries, the elected government is held responsible for the wellbeing of its citizens, when the government performs wells by providing opportunities for its people to have a better life, elected citizens are voted to say in office and when they fail to perform, they are voted out of office. However, in non-democratic countries with dictatorial leadership such as North Korea – the government is not held responsible for its performance, and cannot be voted out of office since the government came to power through a non-democratic process.

As a result, this research intends to examine the institutional quality on political stability and the absence of violence. [31] define political stability and the absence of violence as "the perception of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism." For corporate governance to be effective at country governance level, it is imperative that a country has in place a stable political institution and democratically elected government [32]. The government is saddled with the responsibility for making laws, implementing them and also building a stable as well as conducive environment for its people and businesses to flourish. To achieve this, government of nation states uses legislations and regulations to monitor and ensure compliance to existing rules and laws. Without a doubt, a democratically elected government is expected to be better equipped to influence corporate governance practice, for the following reasons: political office holders are held responsible for government policy by the public and are likely to be punished when they fail or even worse, they may be voted of office for poor performance [33].

In countries where the legal and regulatory system is functional and effective, law and finance theory posits that the following are likely to hold true: protection of rights to ownership of private property, legal protection of both domestic and foreign investors and the support for business contractual agreements. In such countries, investors are more inclined to invest heavily in local capital markets and partner with local business because of the effective legal and regulatory systems [34,35]. On the contrary, countries with weak legal and regulatory mechanisms which are incapable of supporting private ownership of property, and are unable to protect both domestic and foreign investors are more likely to have weak capital markets and meagre capital inflow [36,34].

In their influential paper, [37]La Porta, Lopez-de-Silanes, Shleifer and Vishny (2000) argue that best practice in corporate governance will not be attain in an environment where there a weak legal and regulatory mechanisms. In order for corporate governance to attain best practice, it is crucial that the legal and regulatory institutions

are effective so that they can protect the rights of the investors. Doing this, will ensure investors, business men and individuals can rely on the law to protect them, resolve contractual agreement issues.

As a matter of fact, developed countries such as the United States of America and Britain are known to have effective legal and regulatory institutions, the laws are more effective in protecting investors' right, and as a result, they are in a better position to access external finance than most countries in South America and Africa [35]. Still, developing countries have not been able to develop effective legal and regulatory institutions and the necessary private sector market infrastructure that is an essential ingredient in creating an effective corporate governance system [38]**.** Regrettably, most countries in the SADC region share the same faith as they attempt to strengthen their legal and regulatory institutions.

Certainly, it is an unquestionable fact that having an effective legal institutions with the necessary enforcement instruments will coerce business firms to abide by existing rules and will also act as a deterrent by stopping them from breaking the rules, as when they do, they are most likely to face the consequence of their actions. Conversely, in the absence of an effective legal mechanism, poor corporate governance practices are likely to be the norm rather than the exception, this will inevitably result in poor investors' confidence and restricting the capital inflows. Regrettably, as at now, there is a dearth of academic and scholastic papers that examine the relationship between a nation's democratic culture and state or quality of corporate governance practices. Still, there is significant reason to suggest that some relationship does exist between certain proxies of corporate governance. For example, research on financial market reveals that the size of the financial market does influence corporate governance practices, countries with larger financial market tend to have sophisticated and functional legal institutions that apply and enforce the rules of law [37], higher levels of economic productivity [39] and smaller underground economies [40].

Freedom of the Press: A free press is considered a rudimental institutional quality that can influence corporate governance practices is the SADC region. A free media is considered a useful instrument that can be used in bolstering political stability. [41] examines the influence of a free media on political stability and finds that the media reduces political instability. Research studies does show that in hotly contested elections, desperate politicians will intentionally attempt to create chaos to either discourage voting or to earn more voting through controversy by exploiting a tense situation [42]. The media plays a critical role in providing timely information and also reduces information void between citizens and government; thus, facilitating the implementation of government policy.

Besides, a free media facilitates, promotes and encourages political involvement and also provides an inexpensive channel for expressing concerns and grievance with the political process with the purpose of reducing ethnic, social and religious tensions [43]. More significantly, the media has a role to play in encouraging the development of good corporate governance practices; it does so by mitigating the principal-agent dilemma by informing and educating members of the public and providing timely information that is essentially in improving government accountability, transparency and disclosure [44].

In reality**,** the media does have an important responsibility in ensuring the delivery of a broad variety of factual information to the public, the accuracy and precision of the quality of information is crucial in enabling the public make informed decisions about political, economic and social issues. However, if a pertinent or controversial issue is distorted, down-played, or even suppressed by the media as a result of influences of government or powerful corporations; there is the tendency that the quality of the discuss will suffer and no society can resolve its problems or provide solutions to important issues without an accurate identification of the problem [45].

Finally, the media is instrumental in influence of corporate governance in two critical ways [46]. First and foremost, the media has the ability to generate significant amount of attention on any issue it considers significant, for example, corporate missteps that may have been managed in an easy and quiet manner can be blown out of proportion so that it becomes a crisis. Consequently causing shareholders to take action to address the issue, as failure to do so, can hurt them financially or even worse it can lead to the demise of the firm. Secondly, finance and governance literature have realized the importance of reputation in disciplining erring managers; media scrutiny of board of directors, executive office holders and other members of staff can alter their reputation in the eyes of critical stakeholders and members of the general public.

There are notable examples in many parts of the world where a restriction of press freedom, is often times, closely associated with a culture of poor corporate governance practices. In China, for example, there is a monopoly of press freedom and China in particular, has been accused of not only restraining press freedom, but also paying lip service to human right issues [47]. Many developing countries in Latin America and Africa share similar stories of repression of media freedom and gross human rights abuse. Again, and again, there are several stories of journalists and members of the press being manhandled, persecuted and harassed for wanting to uncover and investigate contentious issues [48].

On an encouraging note, a few scholastic papers have examined the relationship between the media and good corporate governance practices, and their findings reveal

that this is a positive relationship between the media and good corporate governance practices. [41] reaches the same conclusion, he finds that a free media is a vital instrument that can be used to enhance political and economic stability as well as creating an enabling business environment that can encourage higher investments. To sum up, a free media, potentially, has the resources to uncover, investigate, expose, inform and notify a country of laudable corporate governance practices, it can also expose shady business practices and corrupt practices as well.

Corruption: A third institutional quality that is has the potential to significantly influence corporate governance practices is corruption. The literature on corruption maintains that corruption does have detrimental effects on a country's economy [49]. In the economic sphere, corruption may reduce economic growth rate by eroding and weakening foreign direct investments and local investments too [50]. It does so by escalating the costs of doing business, thus allowing for the existence of an unhealthy business climate that enables the distortion of resource allocation, crippling of competitive markets and consequently, reducing domestic/public spending [51,52]. In the political realm, corrupt practices is capable of breeding political instability, it corrodes and weakens the rule of law, undermines the effectiveness of public institutions and threatens government legitimacy by subverting formal procedures [53]. Corruption in the legislature weakens accountability and deforms representation in designing of government policy. The socio-economic and socio-political consequence of corruption deepens the inequality divide, exacerbates poverty, increases income inequality and destroys the inculcating of good moral values within the society [54].

Within Africa, the problem of corruption has continued to plague and scourge the entire continent [3]; with some countries having mild cases of corruption, in comparison to others which have deeply entrenched, systemic and institutionalized cases of corruption [55]. In this vein, corruption can be considered as a symptom or manifestation of institutional weaknesses such as insufficient enforcement of legal regulations, poor ethical culture/standards, and prevalence of distorted incentive structure [56]. Indulging in corrupt practices enables a person or group of persons to benefit from the illicit activity through the circumvention of laid down rules and regulations that have been constructed to ensure some measure of fairness, equity and efficiency [57]. In the end, corrupt behaviour tends to produce inequitable, unfair, wasteful and inefficient outcomes [51]. The illegitimate gain from engaging in corrupt practices usually goes to a select few, who brazenly engage in rule-breaking for their own selfish gains and the society at large is forced to pay a huge price for their indiscretion [58]. There are also individuals who suffer significant losses too, those who are forced to cough out large

sums of money in forms of bribe, and those who also lose out to competitive biddings, lucrative contracts because they are unable to make such unethical payments or refuse to do so for moral reasons [59].

In corporate governance, the literature on corruption suggests that there is a converse relationship between corruption and good corporate governance practices [52]. This means that countries with good corporate governance practices normally have low levels of corruption, while the reverse also holds true; that is, countries with poor corporate governance practices tend to have higher levels of institutionalized corruption [35]. Moreover, countries which have developed a culture of good corporate governance practices tend to have higher compliance standards, better levels of transparency, disclosure and accountability [36]. Sadly, the opposite also holds true, countries with weak corporate governance practice often have weak compliance measures, poor transparency and accountability culture [60]. In countries with corrupt government, firms and business organizations are often forced to pay bribe to government officials for the continued existence and growth of the firm and by so doing, tacitly encourage the malfeasance to continue [55].

For developing countries such as the SADC member states, corruption poses a significant threat to imbibing of good corporate governance. These unethical corrupt practices which include giving and receiving of bribes, corporate fraud, misappropriation of funds in the public and private sectors has become institutionalized and are a serious challenge to corporate governance in developing countries [58]. This is because corruption discourages foreign and domestic investments, it significantly increases the cost of doing business and by so doing creates an unhealthy business environment for corporate governance to flourish. It illicitly encourages the defilement of rule of law, existing regulations and business norms [61]. Furthermore, it distorts, disfigures and deforms the market mechanism by ensuring it becomes uncompetitive as it allows for unfair competition and by so doing, it weakens economic and political institutions. Thus, the need for institutional governance reforms is required.

## 2.3 Institutional Governance and Institutional Governance Reforms

Institutional governance can be explained as the configuring and structuring of public and private organizations and institutional arrangements that create mechanisms through which socio-economic outcomes in a country are produced [62]. Institutional governance theory and principles were put forth as a response to the flaws and limitations of the business management literature with regards to corporate competitiveness and national industry [63,64,65].The advocates of business management literature maintain that a firm can only create its competitive advantage

through the internal resources, strategies, internal capabilities of a firm and its industry structure [66,67]. Competitiveness of a firm they argue is firm-centric [68]. The proponents of institutional governance theory have a different perspective; they argue that national governments and public institutions are critical in building and creating competitive capabilities [69,70]. Thus, advocates of institutional governance system place emphasis on state-centric nature of corporate competitiveness and national industry. As a result, institutional governance framework suggest the integrating of four institutional configurations for building industrial competitiveness, namely state governance, market governance, corporate governance and joint governance [62].

As a solution to the problems of fragile political structure, weak regulatory mechanism and poor corporate governance practices such as endemic corruption facing developing countries, institutional governance reforms has been sort as a an instrument and tool to address them; through restructuring, maintaining, strengthening weak institutions, and creating new institutions when the need arises [60,71]. Institutional governance reforms go beyond the restructuring, strengthening and modernizing state institutions; it also involves building and developing strategic partnership with the private sector and civil society so as to enhance and improve the quality of public and private sector service delivery, and encourage broader involvement and participations by local residence in governance [62].

The goal of institutional governance reforms is to restructure, maintain and strengthen public sector management by devising policies that improve organizational performance and working conditions of public sector employees [72]. This may include public sector reforms that make government more effective by making it more result oriented. In addition, it could imply strengthening institutional processes to address the following issues, weak accountability, poor decision-making processes and gross mismanagement by public sector employees [60]. Furthermore, institutional governance reforms are intent on curbing self serving and opportunistic behaviour of public office holders who misuse public office and public funds or those who take advantage of the loopholes or blind spots in the system for personal gratification [62]. This is because such shameful misconduct and unruly behaviour, and abuse of public office carry huge economic and social costs that can have lasting consequences for generations unborn. Hence, the sole purpose of institutional governance reforms is targeted at making government more responsive and accountable in discharging of its duties to broader constituencies [62].

## 3 METHODS

The Worldwide Governance Indicators (WGI) is a long standing research project to develop cross country indicators of governance. The WGI consists of six composite indicators of governance. The WGI consist of six composite indicators of broad dimensions of governance covering over 200 countries since 1996. Political Stability and

the Absence of Violence/Terrorism, Voice and Accountability, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. These indicators are based on several hundred variables obtained from different data sources, capturing governance perception as reported by survey respondents, non-governmental organizations, commercial business information providers and public sector organizations worldwide.

Voice and Accountability (VA): captures the perceptions of the extent to which a country's citizens are able to participate in selecting their government as well as freedom of expression, freedom of association and a free media

Political Stability and Absence of Violence/Terrorism (PV): captures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means including politically motivated violence and terrorism.

Government Effectiveness (GE): captures the perceptions of the quality of public services, the quality of civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation and the credibility of the government commitment to such policies.

Regulatory Quality (RQ): captures the perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

Rule of Law (RL): captures the perceptions of the extent to which agents have confidence in and abide by the rules of society and in particular the quality of contract enforcement, the police, the courts, as well as the likelihood of crime and violence.

Control of Corruption (CC): captures the perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption as well as 'capture' of the state by elite and private interests.

## 3.1 An Assessment of Institutional Quality in Corporate Governance in SADC Countries

A comparative examination of the percentile rank for political stability and the absence of violence/terrorism were made for Democratic Republic of Congo, Madagascar and Zimbabwe from 1996 and 2015. The findings show that Democratic Republic of Congo seemed to have made marginal improvements in political stability between 1996 and 2015, it went from 0% to 3.8% for the Democratic Republic of Congo and for

Madagascar the decline was more drastic, it declined by 16.1% points from 49% to 32.9%. For Zimbabwe, the decline in institutional quality was also marginal, during the period. It fell by only 2.3% points from 28 to 22%.

These are disturbing developments, some of the causative factors that have contributed to the deteriorating state of political institutions in some member states in the region are complex and diverse, amongst the notables are: the weak forms of political governance, state failure, imperialism, civil wars, military intervention, contested election outcomes, and non-democracies as well as an increasing intensity of political violence from resulting from entrenchment and institutionalization of intra-party democracy in some member states - have had profound influence on the political development of the region. Unfortunately, these peculiar challenges for the member states are ones that the states cannot resolve overnight.

Yet, in the SADC region, there are countries that have been successfully in building sustainable democracies. They have been able to entrench democratic institutions and are regarded as models of good governance in the region; countries such as Botswana, Namibia, Seychelles, Mauritius, Zambia and South Africa. The aggregate indicators for voice and accountability can be seen in appendix 1 and 2, it examines the institutional quality of press and media freedom, the picture presented for SADC countries is sad. Many countries in the SADC region recorded declines in the institutional quality of voice and accountability. The declines are of varying degrees, some were significant declines over the 19 year period, while others were marginal. The following countries saw a sharp deterioration in institutional quality for voice and accountability: Madagascar, Malawi, and Zimbabwe. Other countries such as Namibia, Seychelles, South Africa and Zambia recorded marginal declines in the institutional quality of voice and accountability. The percentile aggregate indicators for voice and accountability index in appendix 1 and appendix 2 show that between 1996 - 2015, Madagascar Zimbabwe had declines of an estimated 8.2 and 15.7 percentage points respectively. Nonetheless, some countries did record some improvements in the voice and accountability index. In appendix 1, the percentile rank for voice and accountability in 1996 for Angola was an abysmal 5.7%, however by 2015, the voice and accountability percentile rank had risen significantly to 15.3%. Lesotho and Tanzania also achieved commendable improvements in the institutional quality for voice and accountability.

The percentile rank for voice and accountability for Lesotho had an estimated 17.6% increase in percentage points, while that of Tanzania had increased by 15% over the 19 year period. The significant improvement in institutional quality for Lesotho and Tanzania were as result of specific institutional restructuring and reforms both countries have made: Lesotho and Tanzania are responsible for instituting democratic reforms

which has seen a laudable improvement the voice and accountability index. For one, it created an enabling environment for the freedom of expression, it has ensured that members of the opposition party, and journalist can criticize government socio-political policies without being persecuted, arrested, locked up or even assassinated.

The aggregate indicators for corruption can be seen in appendix 1 and 2, the WGI index on corruption illustrates that more than a few SADC countries have been fighting and battling institutionalized corruption for several years; corruption can be regarded as cancerous at all levels, it is said to weaken, and distort efforts to improve governance. It is an epidemic that reduces the living standard of the people in the SADC region. In general, changes in corruption for most SADC countries are slow and gradual.

The following SADC countries have made significant strides in the fight against corruptions Botswana, Lesotho, and Zambia as indicated by the aggregate governance indicators for SADC Countries (1996 -2015). In appendix 1, the percentile corruption index for Tanzania in 1996 was 15% and it increased to 25.5% by 2015. For Zambia, the percentile corruption index in 1996 was 15% and it climbed to 43.3% in 2015. Lesotho and Zambia took particular reformative steps that strengthen existing institutional capabilities that ensured the recorded such significant achievements. Some of the measures taken by both countries include reduction of red tape and streamlining of administrative and bureaucratic procedures, investigating and prosecuting of corruption cases involving high-ranking public officials.

However, there are a few member states in the SADC region which had a significant decline in the institutional quality of control for corruption index. Amongst the worst-case scenario include Madagascar, Zimbabwe and South Africa. In appendix 1, the percentile corruption index for Madagascar in 1996 was 64% and it nosedived to 24% by 2015. In the case of Zimbabwe, the percentile corruption index in appendix 2 was 44% in 1996 and it plummeted to 7.2% in 2015. Some predisposing factors responsible for the decline in Madagascar and Zimbabwe include: weak political and regulatory institutional infrastructure and an inability to prosecute high ranking corrupt public officials. Also, the South African president Jacob Zuma has been accused of paying lip service to issues of corruption and there are allegations that his government is handling the pandemic with kid gloves. Other countries also recorded marginal decline in the corruption index such as Malawi, Mauritius, Mozambique and Seychelles recorded marginal declines**.**

## 4 DISCUSSION AND CONCLUSION

The findings of this research work is consistent with the works of [73,19,35], they conclude that in an environment where there are weak political and regulatory institutions it is virtually impossible for best practice in corporate governance to occur. The global competitive report in appendix 3 and 4 for SADC countries does reaffirms that weak institutions and poor infrastructure will constrain corporate governance practices. Sub-Saharan African countries continue to remain the least competitive in the global competitive index, in part because of its weak institutions and poor infrastructure. Several SADC countries ranking in the global competitive index are poor with the exception of Mauritius and South Africa (See Appendix 3 and 4). For there to be improvement in corporate governance practices in the SADC region, it is imperative that existing institutional restructuring focuses on strengthening existing political institutional quality, the following measures can be adopted to resolve some of the issues: establishing of institutions that are capable of monitoring, forestalling, alleviating and managing election violence all through the electoral period; addressing the primary causes of electoral violence and decentralizing the power of the executive office holders. For corporate governance to thrive, there is the need for strong and stable political institutions.

Nonetheless, SADC member states have made some laudable progress; amongst the most important is in its implementing of institutional reforms that has seen the adopting of democratic culture that has spread through the region. Still, for some member states in the SADC region democratic institutions are weak, fragile and unstable. Consequently, there is genuine apprehension about political stability in the region, political violence, and electoral fraud continues to persist and threaten fledgling democratic institutions. Political violence is a cause for serious concern in states like Zimbabwe, Lesotho, Madagascar and Tanzania have been quite violent which take the form of malicious destruction of public property, violent disruption of public meetings and campaign rallies as well as attempt to assassinate political office holders and opposition candidates. There is evidence to suggest that elections with high degrees of conflict or intense and sporadic violence may slow the consolidation of democracy. Of principal import is the need to entrench and institutionalize democratic culture in the SADC region, this will necessitate institutional restructuring aimed at strengthening and bolstering existing democratic establishments, promoting electoral reforms that pave the way for free and fair elections to be conducted easily and also there is the need to ensure the smooth transition from one political regime to another. Admittedly, while some countries in the SADC region have been able to entrench democratic culture, many other countries such as Zimbabwe, Madagascar, and Swaziland have fragile democratic institutions that are vulnerable to abuse.

On a positive note, it is important to recognize the constructive role the press and media plays in promotion of good corporate governance practices in the SADC region. In the region, some countries have made commendable improvements in the voice and accountability index, others have made marginal improvements and some have stagnated or maintained positions they had obtained during the 16 year period. The best results in the voice and accountability index go to Lesotho, Namibia, Tanzania and Zambia, while countries such as Swaziland and Democratic Republic of Congo appear to have made marginal improvements. [74]acknowledge the crucial role the press and media play in encouraging political participation and decreasing the information gap between government and citizens.

The role of the press cannot be underestimated, especially in developing countries where press freedom is severely threatened: incidences of harassing, hounding, and persecuting journalist are an ugly reoccurring trend, more so in countries with weak political institutions [75]. In countries where there enforcement of the right of press freedom is entrenched, coercive isomorphism appears to be quite strong, as the right of press freedom is respected, journalist are allowed to scrutinize, investigate and criticize government without facing any undue harassment. The opposite holds true, in countries with weak enforcement of right of press freedom, press men and women live under perpetual threats; some may even have to pay the ultimate sacrifice in the course of performing their duties. In countries like this, to achieve considerable and sustainable improvements in corporate governance it is essential that a conducive environment for press freedom to thrive is cultivated. The press has the necessary resources and tools to expose government's political propaganda, half-truths and misinformation. Also, the press should be allowed to uncover unethical business practices such as corporate fraud, corruption and financial irregularities.

The indoctrinating and infusion of democratic culture and press freedom is expected to significantly reduce corrupt practices. Research has shown that in countries where democracy is entrenched and there is respect for press freedom, corruption in such countries is curtailed within the ambits of the law. In comparison to those countries where the political institutions are weak and there is limited press freedom. A free press has the ability to check government excesses; it does this through keeping the public informed of government decisions and policies, exposes corruption, fraud and embezzlement committed by both public and private office holders. Sadly, in many countries within the SADC region, corruption remains highly institutionalized and continues to constitute a menace to the region and has negatively influenced corporate governance practices.

SADC has two strategies for fighting corruption in the region, on a country level, some member states in the SADC have established anti-corruption legislations and institutions**:** Botswana for instance, has two statutes designed to fight corruption: The penal code is specifically targeted at addressing public corruption and the Corruption and Economic Crime Act which was instituted to fight public and private corruption. Lesotho anti-corruption law, the Prevention of Corruption and Economic Offence Act is quite recent, it was instituted in 1999**.** In Tanzania, there are three statutory instruments devised to combat corruption: The Prevention of Corruption Act of 1971, Economic and Organized Crime Control Act of 1984 and Penal Degree anticorruption law. While others such as Angola and Democratic Republic of Congo have are yet to build dedicated agencies to fight and combat corruption.

At the regional level, SADC protocol on the fight against corruption was established with the singular intent of strengthening existing mechanisms to combat, contain and eradicate corruption through enabling collaboration between member states. This consists of the following; promoting the development of anti-corruption mechanisms at the national level, promoting cooperation in the fight against corruption by state parties and harmonizing anti-corruption legislation in the region. To do this, the SADC protocol provides a wide range of preventative mechanism which are aimed at eliminating corruption, they include: development of a code of conduct for public officials, transparency in public procurement of goods and services, protection of whistleblowers, development of systems of controls and accountability, and the establishment of anti-corruption agencies. Regional approach to addressing the issue of corruption is a clear example of mimetic Isomorphism at work. SADC was established with the purpose of building an enabling environment for corporate governance practice to thrive between member states through integrating diverse economic, business and socio-cultural activities. Moreover, the adopting of a regional approach was intended to combat regional problems such as corruption, unemployment and poverty. SADC is one of many other regional integration alliances, put together to improving economic and business ties between member states**.** Others include: Economic Community of West Africa States (ECOWAS), East African Community (EAC) and Common market for Eastern and Southern Africa (COMESA).

Yet, the effectiveness and capabilities of these institutions in tackling corruption has been called into question, allegations of anti-corruption agencies of being rubber-stamps have been raised, an inability of the agencies to prosecute and jail corrupt public servants and business men on numerous occasions has made a mockery of these institutions. This implies that even though, there exist; well articulated statutes, laws, regulations and agencies determined to fight corruption in the SADC region, the

pandemic disease continues to devastate SADC member states. In some states, it appears to be worse than others since there are no deterrents, punishments or sanctions on errant offenders. When caught, the threat of disciplined or penalized is slim, and the ill-gotten gains from corrupt practices are huge, there is the inclination for business firms to engage in these unethical practices as a means of enhancing their competitiveness.

In a nutshell, this research has investigated institutional quality of corporate governance in SADC region. Thus far, the research finds that countries with entrenched democratic institutions tend to have better political institutional quality, less violent political climate, more stable governments, and better corporate governance environment. In such countries, coercive isomorphism is strong. On the contrary, the opposite is also likely to be true, countries with weak political institutions tend to have poor democratic structures; these countries are more likely to experience political turbulence, electoral violence and have weak corporate governance practices. To improve corporate governance in these states, it is important to strengthening existing political and regulatory institutions so as to increase political stability, as well as reduce corrupt and fraudulent business practices. Doing so will create the right incentives for improving corporate governance practice in the SADC region.

## 5 Future Research

This research limited the investigation of institutional quality to countries in the SADC region, further research should investigate other regional blocks in Africa such as East African Community, Economic Community of West Africa States to assess the institutional quality in those states, it would be interesting to see if political stability, and regulatory quality have a significant influence on corporate governance practices. In addition, research on institutional quality should examine how countries in SADC region such as Botswana and Seychelles have been able to build strong and credible political and regulatory institutions, while countries such as Zimbabwe have not been able to make that transition.

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Appendix 1: Aggregate Governance Indicators for SADC Countries (1996 - 2015)

| **Countries** | | Angola | Botswana | DRC | Lesotho | Madagascar | Malawi | Mauritius |
|---|---|---|---|---|---|---|---|---|
| **Indicators** | Year | Percentile Rank | Percentile Rank | Percentile Rank | Percentile Rank | Percentile Rank | Percentile Rank | Percentile Rank |
| **Political Stability** | 1996 | 3 | 77 | 0 | 49 | 49 | 27 | 84 |
| | 2015 | 25.2 | 86.7 | 3.8 | 41.9 | 32.9 | 45.2 | 79.5 |
| **Voice and Accountability** | 1996 | 5.7 | 74.5 | 4.3 | 32.6 | 42.7 | 43.2 | 73 |
| | 2015 | 15.3 | 62.6 | 12.8 | 50.2 | 34.5 | 48.2 | 72.4 |
| **Government Effectiveness** | 1996 | 20 | 68 | 3 | 52 | 31 | 34 | 63 |
| | 2015 | 15.3 | 72.1 | 3.8 | 26.9 | 8.7 | 26.4 | 80.8 |
| **Regulatory Quality** | 1996 | 2 | 75 | 3 | 37 | 17 | 39 | 50 |
| | 2015 | 17.7 | 68.3 | 6.2 | 39.4 | 26 | 23.1 | 82.2 |
| **Rule of Law** | 1996 | 5 | 63 | 1 | 51 | 33 | 35 | 78 |
| | 2015 | 12 | 73.1 | 3.4 | 51 | 28.8 | 44.2 | 77.4 |
| **Control for Corruption** | 1996 | 7 | 75 | 0 | 36 | 64 | 49 | 73 |
| | 2015 | 3.8 | 77.4 | 9.1 | 31.2 | 24 | 23.1 | 67.8 |

Source: World Wide Governance Indicators (2015)

Appendix 2: Aggregate Governance Indicators for SADC Countries (1996 - 2015)

| **Countries** | | Mozambique | Namibia | Seychelles | South Africa | Swaziland | Tanzania | Zambia | Zimbabwe |
|---|---|---|---|---|---|---|---|---|---|
| **Indicators** | Year | Percentile Rank | Percentile Rank | Percentile Rank | Percentile Rank | Percentile Rank | Percentile Rank | Percentile Rank | Percentile Rank |
| **Political Stability** | 1996 | 44 | 72 | 82 | 32 | 36 | 23 | 39 | 28 |
| | 2015 | 26.2 | 66.7 | 68 | 44 | 29.5 | 30.5 | 51.4 | 25.7 |
| **Voice and Accountability** | 1996 | 38.94 | 63.9 | 57.2 | 73.5 | 13.4 | 25.4 | 37 | 31 |
| | 2015 | 37.9 | 67.5 | 49.8 | 69 | 11.3 | 40.4 | 44.8 | 15.3 |
| **Government Effectiveness** | 1996 | 53 | 69 | 76 | 79 | 28 | 24 | 14 | 47 |
| | 2015 | 23.1 | 64.4 | 68.8 | 64.9 | 34.1 | 31.2 | 33.2 | 11.6 |
| **Regulatory Quality** | 1996 | 28 | 64 | 62 | 63 | 42 | 33 | 34 | 19 |
| | 2015 | 34.1 | 51 | 50.4 | 63.9 | 33.1 | 41.4 | 37.9 | 3.8 |
| **Rule of Law** | 1996 | 24 | 57 | 69 | 50 | 32 | 44 | 30 | 26 |
| | 2015 | 19.7 | 61.5 | 62 | 59.1 | 46.6 | 39.4 | 47.1 | 6.3 |
| **Control for Corruption** | 1996 | 40 | 77 | 82 | 79 | 60 | 15 | 15 | 44 |
| | 2015 | 20.8 | 65.4 | 77.9 | 58.2 | 48.1 | 25.5 | 43.3 | 7.2 |

Source: Worldwide Governance Indicators (2015)

Appendix 3: Global Competitiveness: SADC Ranking for 2015

| | | Angola | Botswana | DRC | Lesotho | Madagascar | Malawi | Mauritius |
|---|---|---|---|---|---|---|---|---|
| **1** | **Overall Ranking** | NA | 71 | NA | 113 | 130 | 135 | 46 |
| **2** | **Institutions** | NA | 37 | NA | 45 | 129 | 92 | 34 |
| **3** | **Infrastructure** | NA | 96 | NA | 113 | 138 | 135 | 37 |
| **4** | **Macroeconomic Environment** | NA | 9 | NA | 44 | 101 | 140 | 73 |
| **5** | **Goods Market Efficiency** | NA | 95 | NA | 88 | 199 | 117 | 25 |
| **6** | **Labour Market Efficiency** | NA | 39 | NA | 75 | 42 | 29 | 57 |
| **7** | **Financial Market Development** | NA | 63 | NA | 127 | 133 | 100 | 34 |
| **8** | **Technological Readiness** | NA | 91 | NA | 123 | 129 | 133 | 65 |
| **9** | **Business Sophistication** | NA | 111 | NA | 105 | 119 | 121 | 34 |

Appendix 4: Global Competitiveness: SADC Ranking for 2015

| | | Mozambique | Namibia | Seychelles | South Africa | Swaziland | Tanzania | Zambia | Zimbabwe |
|---|---|---|---|---|---|---|---|---|---|
| **1** | **Overall Ranking** | 133 | 85 | 97 | 49 | 128 | 120 | 96 | 125 |
| **2** | **Institutions** | 126 | 44 | 61 | 38 | 74 | 96 | 46 | 122 |
| **3** | **Infrastructure** | 126 | 66 | 47 | 68 | 104 | 127 | 120 | 129 |
| **4** | **Macroeconomic Environment** | 122 | 71 | 61 | 85 | 93 | 84 | 83 | 104 |
| **5** | **Goods Market Efficiency** | 122 | 85 | 65 | 38 | 111 | 121 | 53 | 131 |
| **6** | **Labour Market Efficiency** | 98 | 49 | 43 | 107 | 101 | 46 | 87 | 134 |
| **7** | **Financial Market Development** | 126 | 50 | 106 | 12 | 82 | 101 | 62 | 124 |
| **8** | **Technological Readiness** | 124 | 87 | 71 | 50 | 125 | 131 | 108 | 118 |
| **9** | **Business Sophistication** | 120 | 77 | 62 | 33 | 123 | 114 | 85 | 130 |