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## Perception on the Impact of Corruption and Salary Gate Scandals on the Image and Reputation of Parastatal Entities in Zimbabwe: A Case of Premier Service Medical Aid Society PSMAS and Zimbabwe Broadcasting Corporation ZBC, Gweru

**Chisango Future Fortune T.**

Lecturer, Faculty of Agriculture, Zimbabwe Open University, Matabeleland North Region, Zimbabwe

**Lindani G. Dube**

Graduate Student, Department of English and Communication, Midlands State University, Gweru, Zimbabwe

### **Abstract:**

*The salary gate scandals that broke out in the mainstream print media in late 2013 were a defining moment in the history of state enterprises, parastatals or quasi government firms in Zimbabwe. The revelations by media outlets exposed the rot in corporate governance of some strategic national companies, where managers earned up to US\$530 000 a month against the background of non-performing economy, towering losses and poor service delivery. Most notorious being Premier Service Medical Aid Society PSMAS and Zimbabwe Broadcasting Corporation ZBC, who both hogged the limelight parallel to the public outrage over preposterous incomes afforded to chief executive officers. The study therefore sought to assess and evaluate, for such organizations, the impact of the salary gate scandals on corporate reputations in the public relations framework. The study sought to determine, the public's trust of PSMAS and ZBC in the wake of the malpractices. The research explored institutional corruption, public relations and media discourses, while referencing Zimbabwe's ranking on the Transparency International Corruption Perception Index. Earlier scandals like Willowgate backdrop the nature of impropriety by institutions, and officials mandated to safeguard public interest in the country that eventually set the tone to what is now widely known as the exposes of salary gate. Public opinion was a central complimentary theme in the study, the selected newspapers; The Chronicle and The Daily News stories on salary gate were used in the study as exhibits to demonstrate the extent of reputation damage on Zimbabwe's national companies. The major participants in the study were stakeholders, staff at companies implicated and broader members of society who were interrogated to provide insights on deeper perspective on salary gate scandals in the country. The generated data from publications and questionnaire responses from the public was analysed qualitatively. Findings revealed that the majority of Zimbabweans viewed salary gate as gross betrayal of the liberation struggle, where few individuals personalized state wealth and resources. The study therefore recommended better forms of conduct for national companies to avoid recurrence of such gross impropriety.*

**Keywords:** *corruption, salary gate scandals, image and reputation, and parastatal entities*

### **1. Introduction**

Zimbabwe is a Southern African country that attained political independence from Britain in 1980. The nation has since been a talking point at global level for its unique politics, capital flight, public sector mismanagement, rampant corruption, alleged human rights abuses, abundant natural resources and a dislocated economy in the 21<sup>st</sup> century. Corruption is not a new phenomenon in the country; it is reported to be at endemic levels ranked at an alarming 157 out of 176, by Transparency International Corruption Perception index in December 2013. Transparency International is an organisation that ranks countries primarily based on how their public sectors are viewed to be corrupt by citizens.

The Zimbabwe Revenue Authority (Zimra) declared that the country lost US\$2bn in 2012 due to corruption. The tax collecting body stated that corruption in Zimbabwe was unprecedented and required more than government intervention to redress it. Salary gate is the recent corruption affiliated scandal wave where heads of parastatals and state enterprises have been exposed for earning 'preposterous' incomes against a backdrop of a faltering economy, poor service delivery, nepotism, acute lack of foreign direct investment and high levels of unemployment. In 1989, a corruption scandal in the form of Willow gate hogged the limelight were *The Chronicle*

newspaper unearthed that senior ranking government officials who had been awarded motor vehicles by government from Willowvale motor industries at unlawfully discounted prices had to resale them at inflated prices.

Numerous scandals of a similar nature in the public, private and local government sectors have successfully soiled the corporate governance in Zimbabwe. Dating back to independence, the young democracy has witnessed a mainstream media fraternity characterized by high levels of polarisation. However, in a recent turnabout following the 2013 harmonised presidential contested elections, polarization appeared to tone down as state run mainstream media and the privately owned newspapers all set the agenda by carrying out numerous expositions of salary gate scandals. It was therefore against such background that the study was carried out to explore impacts of corruption and salary gate scandals on the image and reputation of parastatal entities in Zimbabwe.

### *1.1. Background of the Study*

The Salary gate scandals in Zimbabwe are arguably one of the most calamitous crisis and ignominy to shell shock and detrimentally plough into the public relations and the reputations of state enterprises, parastatals and local authorities in the post-colonial era. The monumental scandals that transfixed the nation were characterised by board members, chief executives and managers of public sector firms fingered for ostensible impropriety and loot earnings that initially broke out in the media, a member of the fourth estate, causing shock and outrage across all spectrums of the nation.

According to the *Financial Gazette* newspaper (27 March 2014, p.9), the scandals tangled allegations and claims of Zimbabwe's leaders of 181 parastatals, state enterprises and local authorities, being afforded preposterous earnings and perks from an incredible mountain of US\$15 000 all the way up to US\$40 000 and an incredible US\$530 000 a month, all against a backdrop of loss making, joblessness of more than 80% in the country, negative balance sheets, disjointed service delivery systems, retrenchments and inconsistent monthly salary earnings for employees in both public and private sectors.

The American Heritage dictionary (1992) posits that reputation is the general view of one held at ransom by a public. A refined strategic view on the importance of reputation is rendered by Carves and Porter, (1977) who contend that images are assets and barriers to mobility for organizations.

Fuelled by unofficial outlets like social media, official newspaper articles and technological advancements in ICTs of wide unregulated mobile phone coverage, the sensationalism of salary gate raged on proving the changing times in reputation management were the litmus test for perception and performance of organisations is now hardly controlled by internal company strategists of Corporate Affairs, communications and public relations departments but by anyone who has the power to inform. This is supported by Fombrun and Shanley, (1990) who noted that reputations are externally perceived, and are entrenched outside the grip and control of managers at firms.

Socrates (- 469 BC – 399 BC) as cited in (Binneman, 2014: Your Reputation is like a Garden).

Regard your good name as the richest jewel you can possibly be possessed of, for credit is like fire; when once you have kindled it you may easily preserve it, but if you once extinguish it, you will find it an arduous task to rekindle it again. The way to gain a good reputation is to endeavor to be what you desire to appear.

Van Riel, (1999) stipulates that there is a very close inter-relationship and correlation between the reputation of a C.E.O and that of overall corporate reputation.

Reputations established over many years after attainment of self and majority black rule in 1980 at the government administrated health insurer for civil servants, Premier Service Medical Aid Society (PSMAS), the national airline Air Zimbabwe, the public broadcaster Zimbabwe Broadcasting Corporation (ZBC) and local governance authorities like the Harare city council more notable among others were cracked and shattered instantly. Stigler, (1962) postulates that reputation is the manner in which stakeholders with meager information about an establishment's intent can perceive whether the organization is worthy to be trusted.

The Salary gate scandal has undeniably affected individuals, separate communities and the Southern African country's society as a whole who have been devastated by what has been thought of as tantamount to personalisation of state assets. Former PSMAS chief executive was reported to have been earning a large \$530,000 monthly when contributors to the scheme were being denied access to services and some treatment facilities due to the society's failure to settle debts. ZBC head was also reported to have been earning around \$40 000, Net One managing director in the region of \$43 500 and Harare city council town clerk and his executives were in the region of \$27 000, a month before remunerations were revised through government pressure. Parastatals and state enterprises' poor management coupled with a contracting economy therefore made stakeholders resent the leadership styles.

Leadership, at the implicated organisations, became insensitive to the perceptions held by the general public and stakeholders. Officials entrusted with the daily running of national strategic assets on behalf of government and citizens however awarded themselves 'gross' salaries in the midst of a faltering economy failing to source crucial funding from global monetary institutions partly due to international trade sanctions. In modern day global village businesses, perception is reality, to most Zimbabwean stakeholders the salary gate saga portrayed the leadership of affected parastatals, enterprises and local authorities in a bad light and showed how unrehearsed they were to manage crises.

## **2. Statement of the Problem**

Salary gate scandal has been a hot topic in the discourse of Zimbabwe media, an intervening public and a member of the fourth estate, opening up debates in society as to why inequities of such a magnitude were manifesting, three decades deep into political independence which was attained to level the playing field in society and strive towards a more equal society envisaged by the liberation movements. More importantly, from public relations perspective, the colossal reputational damage to the implicated

organisations was not explored in the turmoil brought to the table by the emotions induced by salary gate's executives labeled for alleged impropriety.

### 2.1. Main Objective

Main aim of the study was to investigate and evaluate the extent to which Salary gate has exposed and damaged the image and reputation of parastatal entities in Zimbabwe with particular reference to PSMAS and ZBC.

### 2.2. Specific Objectives

- Establish people's perceptions and responses on risks associated with corruption on the image of government owned institutions or organisations
- Identify sources of information and their reliability on corruption issues and appraise media role in ensuring sound corporate governance in public entities
- Evaluate the negative impact of corrupt tendencies such as salary gate scandals on corporate reputation for government owned companies such as PSMAS and ZBC in Zimbabwe

## 3. Research Methodology

The study's target population was PSMAS and ZBC's selected clients, Midlands State University students who were beneficiaries of the PSMAS scheme, academics for critical insights on the salary gate scandals and the general public in city of Gweru. The study focused on media texts from *The Chronicle* and *The Daily News* from February to April, 2014. The sampled articles consisted of 27 narratives from *The Daily News* and 26 published by *The Chronicle* in the same period. The study complimentarily used stratified random sampling method in order to attain the set objectives. As the larger society has in recent times made gender an important discourse this therefore prompted the study to seek more precise data by having the strata separating male and female respondents, comprising of MSU students and the general public affording them all equal chances to reveal their perceptions on possible risks of corrupt tendencies on reputation of parastatals in developing countries.

## 4. Presentation of Results and Interpretation

### 4.1. Perceptions and Responses on Risks of Corruption as Influenced by Age

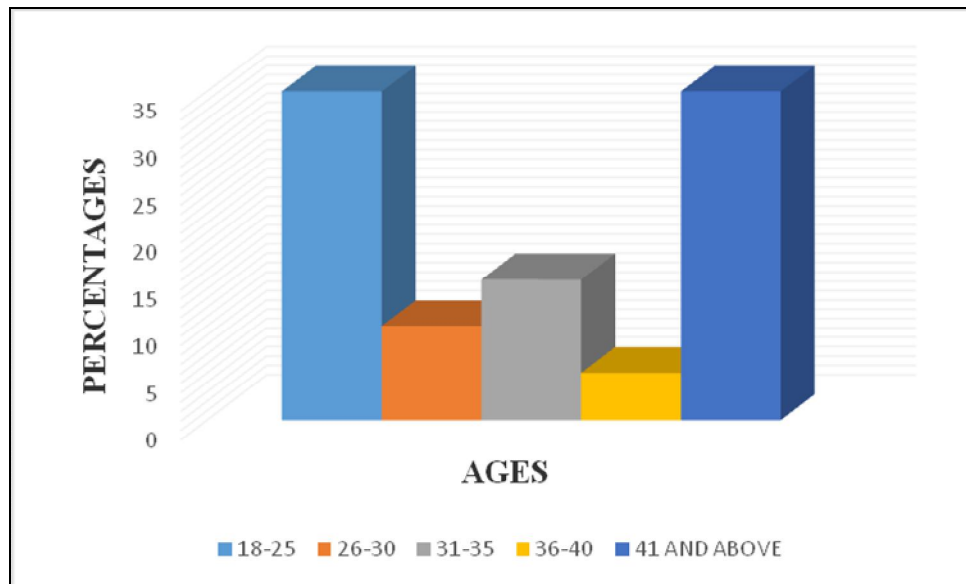


Figure 1: Questionnaire respondents according to age

It was key for the study to include the ages of respondents in the data analysis to ascertain interest levels in corruption, media, corporate reputation and current affairs. Those occupying the 18-25 demography as shown in figure 1 showed keen interest in the salary gate topic questions, of the 35 % respondents most were MSU students and perhaps the term 'scandals' appealed more to them due to their vibrancy and affinity for news of a scandalous nature.

10% of the respondents were in the 26-30 age group, a sharp decline probably because the questionnaires were administered during working hours and much of the general population are working people across the formal and informal sectors, hence the researcher could not get the opportunity to administer the questionnaires to them. The 31-35 age group showed a marked increase in the number of respondents with 15 % as they displayed a significant affinity to current affairs, media and corruption discourses. The 36-40 age group constituted 5 % of the subject sample revealing a significant lack of interest in answering a time consuming questionnaire. The

41 and above age group comprised 35 % of the respondents, they expressed great interest in the research and are followers of current affairs matters.

#### 4.2. Perceptions and Responses on Risks of Corruption as Influenced by Gender

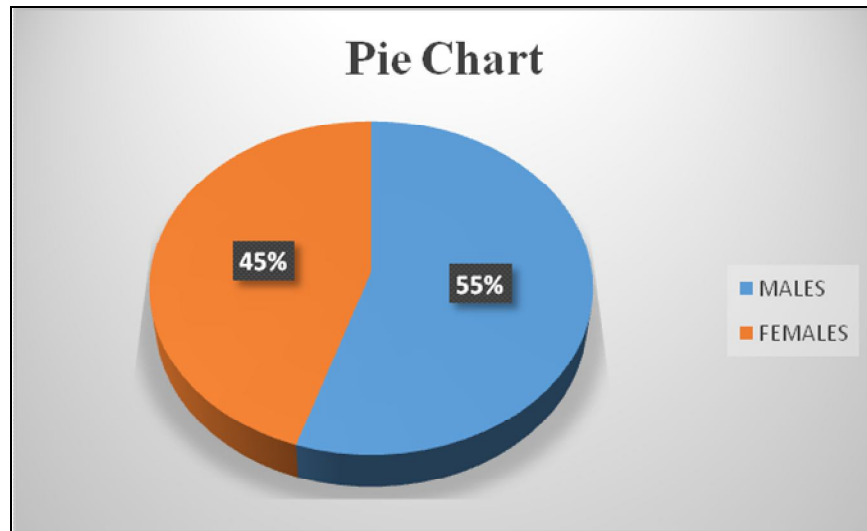


Figure 2: Questionnaire responses according to gender

The study also focused at the growing gender global debates and viewed it important to include an analysis of how males and females interests in corruption, media, corporate reputation and current affairs. 55% of males partook in the questionnaire activities and 45 % comprised of female respondents.

Women were mostly actively participant in the student and general population category than in the academic and general sub population, the near difference in percentages of women and men respondents reveals that society has made inroads in including women who had some interesting views on the salary gate scandals showing that they followed national current affairs with keen interest.

#### 4.3. Sources of Information and Their Reliability on Corruption and Salary Gate Scandals in Zimbabwe

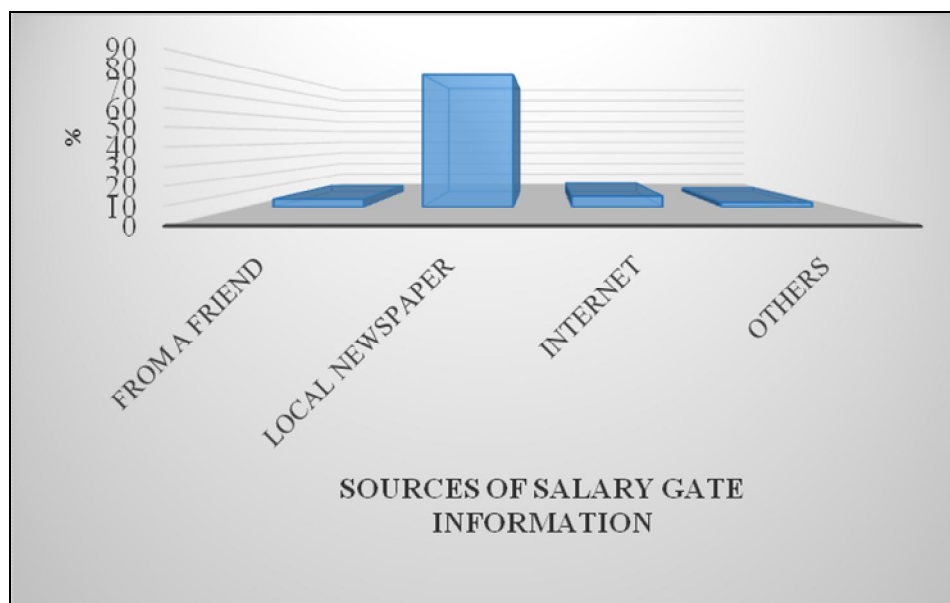


Figure 3: Sources of information for the salary gate scandals

The research findings ascertained that 5 % of respondents sourced information about the salary gate scandals from informal interactive events while the majority constituting 85 % accessed developments of the matter from a local Zimbabwean newspaper. About 7% of the respondents cited the internet as the information source while other channels like television, social media and radio constituted

only 3% of the sample subjects, therefore the researcher notes that print media specifically newspapers were highly instrumental in setting the agenda for the salary gate scandals.

Under the findings the respondents specified the newspaper of choice; *The Herald* came out as the most preferred newspaper by the sample subjects followed by *The Daily News*, *The Chronicle*, *NewsDay*, and *Southern Eye* in descending order.

#### 4.4. Negative Impact of Corrupt Tendencies Such as Salary Gate Scandals on Corporate Reputation for Parastatals in Zimbabwe

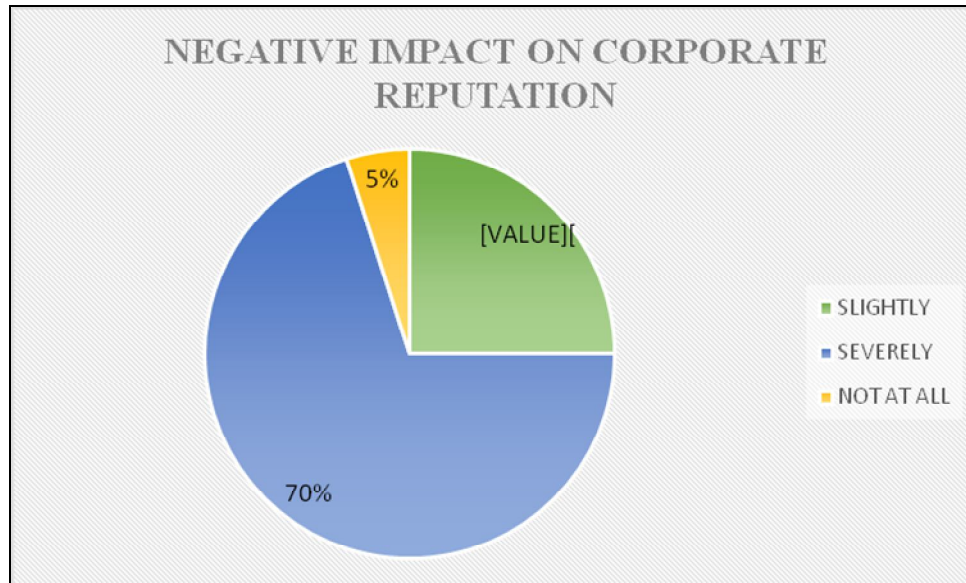


Figure 4: Negative salary gate impact on corporate reputation for PSMAS and ZBC

Based on the questionnaire research findings 70 % of the respondents held the view that the corporate reputations of PSMAS and ZBC were negatively impacted, stating that the extent of damage was severe. A quarter of the respondents viewed the impact of the reputations following the salary gate scandals on both organisations as slight while 5 % of the respondents claimed that PSMAS and ZBC's public images were not at all affected. The researcher views the logic could be derived from the fact that they are both big organisations who can withstand a single crisis like salary gate or the viewpoint could arguably be ignorance on the part of the respondents.

## 5. Discussion, Conclusions and Recommendations

### 5.1. Discussion

The thrust of the study was to assess and evaluate the impact of the salary gate scandals on the reputation of PSMAS and ZBC and essentially how mainstream media led and shaped public opinion, or envenomed perceptions held by society about their corporate governance. The research also aimed to assess the public trust of state firms and uncover their perceptions towards the organisations.

Findings of the research revealed that all subject samples including women and men showed that the population was well versed on media's importance in relaying current affairs issues like the salary gate exposes. Though the majority of the respondents were not well versed with the technicality and jargon on the subjects of corporate reputation, media, public relations, corruption or ethics, they were however at liberty to divulge their opinions as consumers of local media content. Some few potential respondents declined participation despite the confidentiality clause because of the nature of the study and undertaken under a volatile political environment. State systems therefore need robust regulation so that members of society feel secure to opine on matters of national importance like salary gate and broadly corporate governance in the public sector.

The participants were overwhelmingly in harmony with the notion that the mega salaries awarded to heads of parastatals and state enterprises were highly unethical, obscene, insane and preposterous factoring in the economic impasse, lack of service delivery and a staggering unemployment rate across the board in Zimbabwe. The resultant effect was that 70 % of the participants held the notion that the reputation of PSMAS and ZBC as a health insurer and national broadcaster respectively were severely tarnished and needed to be repaired through organisational behaviour change.

The study revealed that public outrage was still present among the members of the general public and was not only a characteristic of the period in the wake of the exposes. An array of labels were given by the respondents with regard to PSMAS and ZBC boards and management from irresponsible, out of touch with people, crooks, self-serving, extravagant capitalists, robbers and incapable leaders, showing that the general populace had gross negative perception on the administration of parastatals in the country.

The study also captured that the media has a great influence in the Zimbabwean society in making and breaking reputations of organisations along with its eminent leaders. Society tends to accept the media portrayal of current affairs as authentic, the only variation comes in the preference of the outlet whether state controlled like *The Chronicle* or independently run like *The Daily News*. The study also remarkably found out that there is more to the salary gate exposes than meets the eye. The research made reference to Dive, (2009: 34), who asserted the 'napoleon syndrome' of a major weakness of focusing on one leader out of 100 000, like singling out from a pool only, the head of (PSMAS) and head of (ZBC). The study also noted that the media neglected interrogating the role of the boards who approved the hefty salaries as well as government departments and ministries who did not effectively supervise their respective parastatal pay schedules.

### 5.2. Conclusions

Based on the findings of the study it can be concluded that the salary gate scandals severely tarnished the reputations of PSMAS and ZBC, as public sector firms. The generated data from participants helped in ascertaining the role of media in shaping public opinion, largely negative characterised by outrage, shock and disbelief due to the nature of the mega salaries that reached the \$530 000 a month peg in the backdrop on a non performing economy, where millions of people are living under abject poverty.

The study revealed that the exposes greatly reduced the public's trust in parastatals holistically and particularly PSMAS and ZBC, the focused institutions. The study also revealed a new dimension to the recent scandals by interrogating the implicated boards and relevant government ministry involvement in nurturing the appalling malpractices of the salary gate exposes. This categorically qualified claims that the two heads of PSMAS and ZBC allegedly acted in unison with other influential figures within their boards and or government ministries. With the above exhibit, the study concluded that corporate reputations of PSMAS and ZBC were dealt with a severe blow due to the salary gate exposes in the media. And from a public relations communication perspective, the research views the revelations as prolonged and sustained bad publicity.

### 5.3. Recommendations to Enhance Corporate Reputation

#### 5.3.1. PSMAS

- As a leading health insurer in the country PSMAS should balance stakeholder interest through rapid economic overhaul by regulating executive pay schedules in order to assist more contributors to gain medical access across a variety of services and procedures.
- The organisation should be more robust in crisis management and take charge of its reputation by communicating and conducting the process effectively in order to help shape its own reputation to counter media hegemony over its reputation.
- Through its board and executive, PSMAS should endeavour to achieve the highest standards of transparency, accountability and integrity in all operations and dealings with stakeholders and the community at large.
- The organisation should strive to measure the client's satisfaction regularly
- If all fail in repairing the company reputation, Alsop (2004: 273) suggests "Change your name, sometime a name change is the only way to shed a negative reputation."

#### 5.3.2. Government

- The government departments and ministries who are custodians of relevant parastatals and state enterprises like the Ministry of information, media and broadcasting services for ZBC and the ministry of health for PSMAS as well as other ministries should increase oversight in the tender procurement process and tightly monitor all loopholes to avoid a repeat of the salary scandals or similar institutional malpractices.
- Government should designate chapter 9 institutions like the public protector's office to investigate corruption and avoid a case where no institution takes initiative, the research findings note the reluctance of the police, prosecutor general and relevant ministries to facilitate investigations of criminal allegations in the salary gate scandals. The study noted that the above placed the task on each other, none of them took responsibility of initial investigations.
- As one academic respondent pointed out, the Chinese approach of harsh deterrence sentences that also include death sentences for public sector funds corruption and convictions would go a long way in stopping malpractice that drains billions of dollars from the economy annually.

#### 5.3.3. ZBC

- As a loss making firm, the ZBC should try and find innovative ways of improving broadcast quality through following the steps of regional state broadcasters like SABC and BTV to help the firm capitalise on advertising revenues from indigenous companies.
- The state broadcaster could desist from burdening society with expensive TV and radio licences, which far exceed regional standards against the backdrop of poor quality and outdated programming.
- The findings of this research note that ZBC had a negative corporate reputation that only deteriorated further in the aftermath of the salary gate scandals, the firm needs to be amenable to audience needs and not only to the government and the ruling ZANU-PF party.

- Similarly as PSMAS, if ZBC fails completely in reviving its corporate reputation, Alsop (2004) suggests that a name change would help to capture the attention for new reforms.
- The organisation should also adopt better crisis management in order to build a foundation for the daunting task of building its public image and not maintain a vow of silence in the hope that media scrutiny will subside when reputation is threatened.
- Executives should be given short contracts of a maximum of 4 years so that rotation is encouraged and complacency that leads to impropriety is significantly reduced.
- Both PSMAS and ZBC could regularise management perks and salaries because respondents noted that service delivery is still way below desired levels.

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