The role of corporate governance in Logistics and Supply Chain Management in the Fourth Industrial Era- Challenges for the developing economies such as Zimbabwe

ABSTRACT
The study interrogates the role of corporate governance in Logistics and Supply Chain Management in the context of automation processes in supply chains as dictated by the Fourth Industrial Revolution Era (4IR). The study noted that it is people who give value and power to technical systems and as such corporate governance will be needed more than before. This paper recommends mutually beneficially synergies based on current trends in corporate governance to improve service delivery through data and technology transfer in order to make supply chains from developing countries more competitive and sustainable.

Key Terms: Corporate governance, Fourth Industrial Revolution Era, Digitalization Processes

1.0 Introduction

Digitalization processes of logistics and supply chain networks and strategies in the Fourth Industrial Revolution have helped organizations to gain competitiveness in their respective markets due to increased efficiency and productivity. In their quest for survival and growth, the Fourth Revolution era led organizations to become agile, flexible, responsive and competitive through use of technologies that have seen the entire supply chain links being connected electronically. The Fourth Industrial Revolution is characterized by velocity, scope and systems impact that have improved transparency and accountability along supply chain networks. It appears as if automation of all systems including supply chains is rendering people useless and corporate governance an outdated concept. This study interrogates the relevance of corporate governance in this era of high connectivity, fast flowing of data and ever changing economic frontiers couple with challenges of meeting the new normal customer demands.

1.1 Research Questions

The study was guided by the following research questions:

a. What is the role of Corporate Governance in logistics and supply chain management?
b. Where is the connection between Corporate Governance and The Fourth Industrial Revolution Era?
c. How does Corporate Governance impact on logistics and supply chain management practices in developing countries?

2.0 Literature Review

2.1 Corporate Governance

Corporate governance (CG) is a strategic building block for the success of an organization regardless of the nature of the business it is into. It helps to develop a framework by which a conducive environment that facilitate easy trading within the confines of the expectations of all stakeholders. The UK Corporate Governance Code (1992), as deliberated by the Cadbury Committee define CG as the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting. In another study, the OECD (2001) cited in Yusoff and Alhaji (2012, p. 1) argue that CG refers "to the private and public institutions, including laws, regulations and accepted business practices, which together govern the relationship, in a market economy, between corporate managers and entrepreneurs (corporate insiders) on one hand, and those who invest resources in corporations, on the other". From the two definitions above, it can be argued that CG is a vehicle for proper deployment and management of resources in an organization meant to protect the interests of stakeholders and at pre-determined point in the course of the business, an explanation on how each task or activity is required and weighed against set and agreed tenets. The tenets or principles of CG include transparency, responsibility, accountability, honest, integrity and truthfulness among others. These tenets build a health economic operation environment of a company and form the theoretical framework underpinning this study. In essence, CG is a set of interlocked or interwoven rules and procedures by which the board of directors, investors, employees and management control their behavior in an ethically accepted manner during the conduct of the business. CG depends on the institutional environment promoted by auditors, company laws and policies or regulations.

In developing countries, most of the logistics and supply chain companies are family owned and being subject to expropriation by those employed in them as most owners just have the money to buy the capital assets but lack the required professional skills to run these entities. Thus some of the employees fraudulently steal the money or profits, can demand divert loads meant for their organizations in ex-change of kickbacks or thank you tips and at times overcharge the rates in order to profiteer at the end. The majority of these entities employ semi-skilled and in some instances family members with no qualifications in strategic positions. This has seen a lot of companies folding up and initial investment put waste. Even state owned enterprises are characterized by scandals ranging from procurement tenders and mismanagement of resources leading to operational inefficiency and poor services. CG is adopted and applied in a professional manner, help in realizing how a company must be directed and managed for the good of all stakeholders. Good governance ensures transparency, accountability, efficiency and upholding of the rule of law in economic, political and administrative processes.it also minimizes chances of corruption, uncalled for interferences, proper costing or pricing and help in professional contract formation and management. It clearly defines the instruments to be used in running the business.

2.2 Logistics and Supply Chain Management and the Fourth Industrial Revolution Era

The Fourth Industrial Revolution Era (4IR) has ushered into a period where optimizing resource performance through managing information and data has become the norm for gaining competitive advantage across supply chains. The 4IR has led to the evolution of Logistics Management Information System (LMIS) which " is a system of records and reports – whether paper based or electronic – used to aggregate, analyze, validate, and display data (from all levels of the logistics system) that can be used to make logistics decisions and manage the supply chain. A well-functioning LMIS provides decision-makers throughout a supply chain with accurate, timely, and appropriate data, such as stock on hand, losses and adjustments, consumption, demand, issues, shipment status, and information about the cost of commodities managed in the system" (USAID,2010, p. 3). All logistics and supply chain systems are drifting toward total automation through integration of technical systems. This Electronic Technology is facilitating the fast flow of information within and between supply chains. Both logistics and supply chain management point to importance of time oriented activities within a seamless flow of goods and services for the benefit of customers and all stakeholders. In reality, logistics and supply chain management enable an organization to become strategically competitive through utilization of competences and capabilities inherent within and outside the entity itself. Christopher (2011) points out that logistics and supply chain management help management in better risk management and improving greater visibility of the of the organization. The organization will be able to assess its competition, skills level or strengths and then evolve suitable business strategies. Innovation and research are key aspects in logistics and supply chain management as they help to reshape the business's focus.

3.0 Methodology

This was a comparative-survey- based study that adopted a Qualitative- quantitative research design. This strategy was adopted because Corporate Governance deals with attitudes, beliefs and behavior of those running entities hence predominantly qualitative in nature as it provided flexibility and afforded the researcher the opportunity to conduct an in-depth research (Yin, 2011). According to Green and Bricki (2017,p.3), qualitative research is "characterized by its aims, which relate to understanding some aspect of social life, and its methods which (in general) generate words, rather than numbers, as data for analysis."

For triangulation, a quantitative approach was also fused in to bring about higher degree of credibility and trustworthiness in the research (Saunders, et al, 2009). Thus ten interviewees were interviewed and sixty questionnaires were distributed. All ten interviews were successful giving a 100% response rate. Out of sixty questionnaires distributed to both professional run companies (30) and family owned companies (30), 49 were retrieved, giving a response rate of 81.67%, and since the response rate is above half, it shows the research was successful. Also an observation approach was taken as the research resides in the same research environment. Data was analyzed using thematic approach that were shown in the form of graphs and tables since a Qualitative-quantitative research design was adopted.

4.0 Findings, Discussion and Analysis

4.1 What is the role of Corporate Governance in logistics and supply chain management?

The following were the responses for the question above:

Thirty-eight (77.56%) of the respondents concurred that Corporate Governance help in effective and efficient management of resources in a company for the good of all stakeholders as shown in the table below where as some Eleven (22.45%) seemed not to have a clear idea of what CG is all about. From the interviews. Seven (70%) maintained that CG is importance especially when it comes to building relations both upstream and downstream along the supply chain. They further on alluded to the fact that a supply chain ought to be clean without any non-compliance issues. The other three (30%) interviewees were of the view that what is needed above all was discipline and professional management. Generally since the majority of respondents pointed to the fact that stakeholders' interests must be protected and there was need to check abuses along a supply chain as that would affect marketing of products or services as customers shun companies that violate fundamental human rights. Management of logistics capabilities based on quality of information that flows into the organization is one role of CG where clear definitions of roles of those in management are as well as those of the board of directors and at what point each will be responsible for what in the entire running of the entity. Another crucial aspect was the issue of accepting responsibilities by those in management on the decision they make, whether good or bad. The management should be held accountable for their actions and this will bring about the needed trust along the supply chain. Of late, an error by any member of the supply chain will cost all other members along the supply chain. Hence timely implementation of strategies or actions will ensure the next player along the supply chain is not negatively affected as customers may decide to do business with businesses of integrity.

Table 4.1 T**he role of Corporate Governance in logistics and supply chain management**

Aspect	Response rate	Percentage rate
Improves level of transparency in the organization and empowers stakeholders to take management to task over their entrusted stewardship.	14	77.56%
It helps to check if there were no human rights abuses along the supply chain.	3	
Investors feel comfortable to deposit their money in a business that is competently run and always gives meaningful reports	16	
If an organization is practicing good corporate governance like corporate social responsibility it creates a good name and improves its market share	3	
Good customer care	2	
That is not necessary as long as you know the POLC principle and can sell your goods or services. What is important is that one is making money out of the business	11	22.45%

4.2 Where is the connection between Corporate Governance and The Fourth Industrial Revolution Era?

The responses to this question are as shown in the figure below:

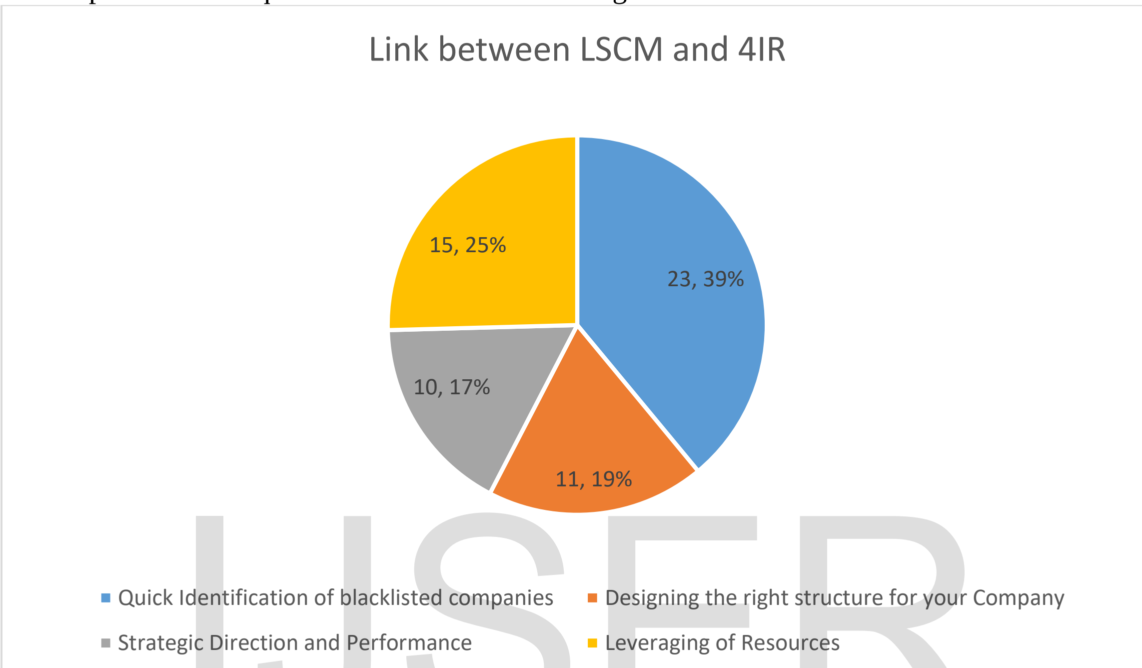

Figure 4.1 Link between LSCM and 4IR

From the figure above, twenty-three (39%) were of the view that 4IR is instrumental in providing technology that help management to quickly identify if the company they want to do business with is blacklisted or not. They can also get all the information about trade volumes in a particular area of the globe and make appropriate decisions. This tallied with eight (80%) of the interviewees who pointed out that modern technology requires managers who are fast to think, review their policies and standard operating procedures so that they can match the fast flow of information in the global businesses. Two (20%) of the interviewees were of the view that two LSCM and 4IR are instrumental in global sourcing as suppliers and buyers across the globe can now be easily connected and payments can now be done through electronic funds transfer. Fifteen (25%) were of the view that both LSCM and 4IR are central to leveraging resources of company resources. Combining both the modern electronic systems would help to evaluate the performance of the company in relation to others on the market and then benchmark the level of performance for future development. Eleven (19%) were of the view that 4IR is now instrumental in designing the right structure for the company which will be connected by the right technology for fast decision making and analysis of global markets. It also implies that physical meetings can be fewer as to teleconferencing which is a cost saving strategy. These agree with those who saw the link between the two as good for strategic decision making and determining the course of action to take. Ten (17%) indicated that 4IR influences the strategic direction and performance of the company as it has electronically connected the entire globe and huge volumes of data are being exchanged on a daily basis. It can be noted that a company that has the potential to manage data technology and information is the one likely to remain competitive in this economic environment characterized by stiff competition.

4.3 How does Corporate Governance impact on logistics and supply chain management practices in developing countries?

The following responses were given:

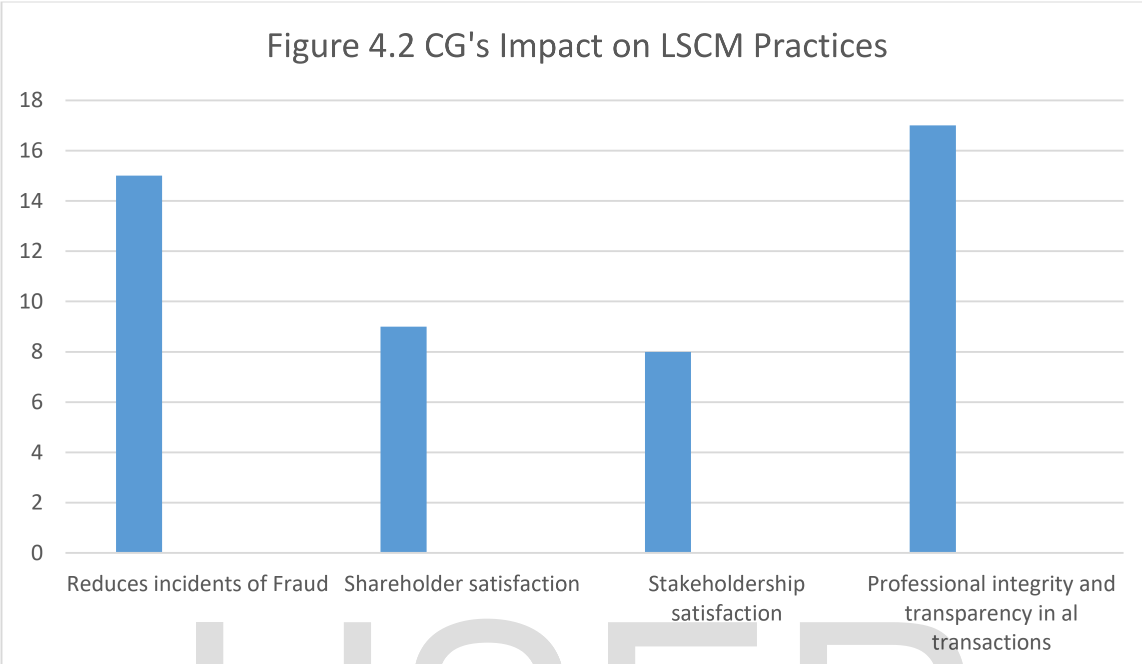

Fig. 4.2 CG's Impact on LSCM Practices

From the above figure it can be noted that Fifteen (30.61%) of the respondents were of the view that CG affects LSCM practices through reducing incidents of fraud as every individual is to behave in an ethically upright manner. However this view was contested by six (60%) interviewees who saw the impact of 4IR as giving and promoting a lot of cybercrimes through generation of counterfeit documents, phishing and use of malware software systems that hijack information flowing between two companies thereby stealing their strategies and potential. It can be concluded that it is the individual who feeds information into the technical system not the vice versa, hence there is need to mold the sort of behavior one wants in an organization. Nine (18.37%) of the respondents believed that CG will ensure that shareholder's interests as investors will be guaranteed leading to their satisfaction. Three (30%) interviewees suggested the same view but they argued that for family owned run Logistics and Supply Chain companies it is difficult to implement the scope of CG as what governs the institutional structure or laws are family ties and it is very difficult to enforce the idea. Family norms cascade into business circles thereby dilute the essence of CG and another issue is that of succession or continuity of the business. They are no clear lines on the subject of succession and also one member who knows what logistics or supply chain is all about is the most powerful figure in that entity and all will listen to her or him. Eight (16.33%) suggested that CG influences LSCM in the sense that all stakeholders' interests will be taken care of, for example, suppliers, customers, financiers and compliance enforcers will all be in light of what is happening and their expectations will be met. It will be more like an open-book system where each player will have an insight into the cost of production and pricing. Seventeen (34.7%) hinted that CG affects LSCM in that employees in these industries will be ethical and professional in the way they charge for their services as they will not overcharge or undercharge customers or clients. All transactions will be handled in a professional manner. This will definitely lead to more business. However, one (10%) interviewee indicated that even if professionalism is attained, the skills levels of these professionals need to be upgraded so they are at par with 4IR technical skills otherwise they be professionally incompetent experts lacking relevant and useful skills for the moment. There is need to develop a culture of acquiring new technology and using it effectively to enhance performance and skills. There was also an observation that besides all the benefits brought about by 4IR like tracking systems, advanced data permutations and computations, such technology is still viewed as expensive and needs approval from the authorities to acquire it.

Conclusion and Recommendations

The study concluded that Corporate Governance is still needed regardless of the advances in the Fourth Industrial Revolution Era as people, not technologies, put value to their systems and as such will have to respect them for future development that is in line with their constitutions and aspirations. People still need to exchange commodities or trade and live. This paper recommends mutually beneficially synergies based on current trends in corporate governance to improve service delivery through data and technology transfer in order to make supply chains from developing countries more competitive and sustainable.

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