Corporate governance in an emergent economy: a case of Ghana

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Abstract

Purpose – *The purpose of this study is to examine corporate governance practices in an emerging economy. It focusses on how ownership control and board control systems operate in corporate organisations in an emergent economy, assuming that these systems are essential for enhancing good corporate governance practices in emerging countries.*

Design/methodology/approach – *The paper builds on descriptive multiple-case study with multiple units of analysis to divulge how ownership control and board control systems function to ensuring effective corporate governance in publicly listed corporate organisations in Ghana. A criterion-based sampling technique is used to select the companies. Thereafter, three techniques of data collection are used to gather data from the companies: archival records, semi-structured interviews and observation.*

Findings – *By linking the gathered data to the paper's theoretical propositions, the study highlights that all the companies are characterised by the presence of large shareholders, and, in consequence, they tend to exert extensive control over the activities of the companies through their involvement in the decision-making processes. However, whilst the presence of large shareholders has the tendency to solve the agency problem, it poses challenges in regards to minority shareholders' interests in these corporate organisations. The study also reveals that boards of directors tend to exercise control over corporate organisations when majority shareholders stop interfering in their dealings. This implies that when major shareholders fully partake in corporate decision-making processes of companies, boards of directors seem to be sheer advisory bodies to management.*

Research limitations/implications – *This is a paper to shed light on corporate governance practices in four large publicly listed corporate organisations on the Ghana Stock Exchange, so the observable facts do not apply to other emergent economies. In addition, the sample does not represent all corporate organisations in Ghana; thus, the empirical observations cannot be generalised to other organisations that have not been included in this study. However, the empirical results can be applied to other similar corporations in Ghana and other emergent economies in an analytical sense. With the application of inductive reasoning, the results can be applied to provide important appreciation in an effort to understand the structure of corporate governance practices in organisations in developing countries.*

Practical implications – *A comparative analysis of the empirical observations from this study and the recommended guidelines of corporate governance of Ghana has been carried out, and aspects in which organisations need to reform and improve to fully comply with the guidelines are highlighted: director independence, director evaluation, introduction of new directors and board education. This could possibly be the foundation upon which corporate governance structures in these organisations can be restructured and further enhanced.*

Originality/value – *The majority of the studies of corporate governance in emergent economies have used quantitative techniques to examine the relationship between corporate governance mechanisms and firm performance. However, this study takes a different approach to examine corporate governance practice in an emergent economy by using a comprehensive and defensible qualitative analysis to examine relations between ownership structure and shareholder control, and board of directors and board control. In addition, it highlights how ownership and board control systems interact in corporate organisations in emergent economies.*

Keywords *Case studies, Corporate governance, Board of directors, Corporate ownership, Boardroom effectiveness, Audit committees*

Paper type *Case study*

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1. Introduction

Corporate governance has its roots from the emergence of capitalism and modern stock organisations, the development of international trade and the enormous growth of multinational corporations during the "industrial revolution" in the early part of the nineteenth century (Erismann-Peyer *et al.*, 2008). It has recently received much attention as a result of the incidence of corporate frauds, accounting scandals, excessive compensation packages, insider trading, self-dealing, misleading disclosures and possible civil and criminal liabilities of corporate organisations. Accordingly, these have alerted both internal and external stakeholders to intensify their inspection of the unassailability of corporate governance practices within corporations (Mark, 2011). In addition, many economies are incrementally making reforms to corporate governance practices to raise the entire standards of corporate governance and to offer corporate organisations possible financial and investment benefits (Grimminger and Benedetta, 2013). However, there has been a spate of arguments about the "essential" principles of effective corporate governance in the sense that this concept develops and expands, and it changes in accordance with new insights and challenges in the corporate world (Jacques du Plessis Hargovan and Bagaric, 2011).

Issues of corporate governance are germane to emerging countries, in view of the assertion that these economies lack vibrant, long-established financial institutions to address matters pertaining to corporate governance (McGee, 2009). The widespread existence of small enterprises that do not have their shares listed, and of large family-, foreign- and or state-owned enterprises (SOEs) whose stocks are also not widely listed locally, is argued to be the obvious logic behind the absence of corporate governance issues in these economies (Oman *et al.*, 2003). However, the view that issues of corporate governance are less relevant to countries with insignificant amount of large corporate organisations with widely traded stocks are flawed (McGee, 2009; Berglof and Claessens, 2004; Oman *et al.*, 2003). Just as good public governance allows the citizenry to effectively ascertain whether their interests are being served, corporate organisations, irrespective of their sizes and locations, must also strive to strengthen their governance practices so that their shareholders can make reasonable investment decisions. Currently, virtually all developing, transition and emerging market economies are faced with one pressing concern: how to establish the groundwork for long-term economic performance and competitiveness in diverse ways. But the setting up of such foundation to embark on such tasks cannot be materialised without the existence of good corporate governance in these economies. This has, currently, prompted governments, directors, corporate owners, corporate managers and other stakeholders in these economies to realise the indispensability of good corporate governance practice.

In Ghana, more and more corporate organisations are being induced to apply good corporate governance to effectively and efficiently compete on the international market. The recommendations of the Companies Code 1963 (Act 179), Security Industry Laws 1993 (PNDCL 333) as amended by the Securities Industry Act, 2000 (Act 590), as well as the listing regulations 1990 (L.I. 1,509) of Ghana Stock Exchange (GSE), outline the roles of the board, directors and auditors. They also provide shareholders' rights and regulatory framework for the setting up and operations of corporate organisations in corporate governance practice. The Institute of Directors (IoD-Ghana), the Private Enterprise Foundation and the State Enterprises Commission are all involved in the enhancement of effective corporate governance practice in Ghana.

There has been quite a number of programmes to addressing corporate governance issues in Ghana. In 1999 and 2000, several seminars on issues of corporate governance were hosted by the Ghana Institute of Directors, in partnership with the Commonwealth Association of Governance. A survey on Ghana's top 100 corporate organisations and some SOEs was presented during those conferences. The aim of the survey was to examine the prevailing situation with regards to corporate governance practice in both privately owned and SOEs. The report revealed that good corporate governance practice was gaining roots in the operations of corporate organisations in Ghana. Nonetheless, the IoD recommended some measures for enhancing corporate governance practice in Ghana. These are: the strengthening of existing legal and regulatory frameworks that demand more transparency to back solid and stable corporate governance practice; and the clarification of governance roles and responsibilities. In 2001, a conference sponsored by the Centre for International Private Enterprise was held in Accra to discuss issues pertaining to the significance of effective corporate governance for sustainable growth in West African economies.

The report of this conference highlighted the main constraint confronting corporate governance practice in SOEs in Ghana. Government interference in the affairs of these corporate organisations raises a lot of pressing concerns in terms of corporate governance. This kind of interference leads to a rarity of effective corporate governance practice in these corporate organisations. Etukudo (1999), in a report, notes that this rarity of effective corporate governance practice in Sub-Saharan African economies mostly arises from the unclear relationship among the state, as the owner of the corporate organisations, the board and senior management. The rarity of good corporate governance in state-owned corporate organisations in Ghana has led to abysmal performance and failure of these corporate organisations. Lack of institutional and legal reforms that ensure that managers of state-owned corporate organisations are independent in carrying out their day-to-day activities while also strengthening their accountability resulted in poor performance of these corporate organisations.

In 1983, the government of Ghana considered the importance of undertaking comprehensive reforms of state-owned corporate organisations in Ghana by introducing the Economic Recovery Programme. These reforms included:

- a policy reform to ensure that state-owned corporate organisations operate in a commercial way;
- institutional and legal reforms;
- rationalisation of state-owned corporate organisations via divestiture and mergers;
- rehabilitation of selected profitable state-owned corporations;
- improvement in the management of state-owned corporate organisations; and
- restoring financial solvency and discipline.

With the establishment of the State Enterprises Commission law, 1987 (PNDCL 170), these reforms were validated. To complement these reforms, the divestiture implementation programme was launched in 1987, aimed at encouraging private sector growth by limiting the role of the state in the economy, as well as to relieve the state of the drain on its scarce resources. Following these reforms, a lot of state-owned corporate organisations have been divested. Some of them have been successful in their performance. Although not all have been successful, privatisation of SOEs is vitally important for effective corporate governance practice, in that most state-owned corporate organisations do not comply with the existing rules and regulations in relation to corporate governance, and this eventually affects their performance.

Socio-economic development of Africa and the world, in general, raises alarm for the need to create an atmosphere to appreciate corporate governance practice in Ghana. The New Partnership for African Development is a vision that was adopted by African leaders to create a new partnership between the Western and African countries in achieving socio-economic development of the African region. This initiative considers good corporate governance as one of the vital issues for poverty reduction through investment-driven economic growth and economic governance. This initiative highlights the fact that, to reduce poverty in an economy, effective corporate governance practice should be the cornerstone, as it helps allocate resources efficiently. This implies that there is an overt correlation between good corporate governance and poverty alleviation.

Transcending the borders of Africa, Ghana, as a Commonwealth country, is required to develop good corporate governance structures. In 1999, the CACG made available some sets of principles to ensure effective corporate governance practices throughout the Commonwealth (CACG, 1999). The principle is concerned with:

- the profitability and efficiency of Commonwealth corporate businesses and their ability to create wealth and employment;
- the long-term competitiveness of Commonwealth nations in the global market;
- the stability and credibility of the Commonwealth financial sectors, both nationally and internationally; and
- the relationship between corporate businesses within an economy and their sustained capacity to partake in the global economy (CACG, 1999).

This beefs up the call for understanding the prevailing situation with regards to corporate governance practices and make such understanding the foundation for additional enhancement strategies in the Ghanaian setting. Therefore, this paper aims to examine how ownership control and board control systems work in four publicly listed corporate organisations in Ghana.

Our primary contribution to the accumulated body of knowledge is a comprehensive and defensible qualitative analysis of the relation between ownership structure and shareholder control, and board of directors and board control. It also brings out the superiority of shareholder control over board control in most developing and transition economies, as these economies almost share the same corporate governance characteristics with Ghana (for instance, ownership concentration). We make three additional contributions to the body of knowledge:

1. A substantial amount of research has been carried out on the subject of corporate governance, and the challenges confronting its development and implementation in major Western economies (Okpara, 2010). However, McGee (2009, p. 10) put forth that studies on corporate governance in transition economies are important in that “the subject of corporate governance is relatively new for them and even their top government and private sector leaders have little or no experience governing market oriented private firms that have a public constituency”. Therefore, this study has contributed to the extant literature by bridging the research gap on this issue and unearthing the challenges inhibiting the development and execution of effective corporate governance in Ghana.
2. A comparative analysis of the empirical observations from this study and the recommended guidelines of Ghana’s Companies Code 1963 (Act 179) has been carried out, and aspects in which organisations need to reform and improve to fully comply with the guidelines highlighted: director independence, director evaluation, introduction of new directors and board education. This could possibly be the foundation upon which corporate governance structures in these organisations can be reformed and further improved.
3. Finally, this study has identified the essence of considering the consequences of privatisation on corporate governance and the eventual position of large shareholders in the decision-making processes of corporate organisations. It has been deduced that instead of privatisation via strategic investors/capital providers to empower local shareholders, it undermines them and, eventually, makes them susceptible to the expropriation problem.

The remainder of this paper is arranged as follows. We review and develop propositions in Section 2. Section 3 defines the various variables in the propositions, as well as how they are measured. The paper's methodology is being described in Section 4. Section 5 brings out the results. Comparative analysis between the empirical facts and Ghana's Companies Code 1963 is done in Section 6. Section 7 provides the prevailing condition with regards to corporate governance effectiveness in Ghana and its driving forces. Issues concerning the advancement of good corporate governance in Ghana are presented in Section 8. Finally, we present our conclusions and recommendations in Section 9.

2. Literature review and propositions

2.1 Ownership structure and shareholder control

Bebchuk (1999) contends that corporate systems that are either characterised or not characterised by a controlling shareholder are distinctively critical in some ways. In corporate entities where ownership is fragmented, shareholder control leads to a struggle for superiority or victory between rivals, in that a rival can seek to usurp control forcibly from the incumbent contrary to its (incumbent) will. Contrariwise, in corporations where ownership is concentrated, control is not contestable, but, instead, it is "fixed" in the sense that it is confined and cannot be obtained contrary to the will of the incumbent, but only through negotiations with the incumbent (Bebchuk, 1999). There are arguments that the presence of controlling shareholders will permit minority shareholders to play a lesser role on how the corporate organisation is governed (Okpara, 2010). For instance, if a person holds 10 per cent of the total stocks of a corporate organisation and the remainder is highly dispersed, it is probable that he/she could exercise a certain level of influence in the corporate organisation. However, if the remaining equity holders of the corporate organisation include two block holders of 40 per cent each, then with their collusion, the 10 per cent he/she holds would not possibly give him/her the kind of influence he/she desires. It is also expected that small shareholders' interests will be violated because of their role in the company. Berglof and Claessens (2004), in their study on corporate governance in developing economies, found that large equity holders, with their control rights, are inclined to abuse minority equity holders, in that there is a presence of weak legal protection to safeguard the interests of minority equity holders. However, with the role of large shareholders in controlling corporate organisations, all shareholders, irrespective of their holdings, benefit. This is because shareholder control over the corporation's management induces corporate managers to gear corporate decision-making processes towards shareholder wealth maximisation. Although the presence of large shareholders in corporate organisations exposes minority shareholders to some disadvantages as mentioned above, minority shareholders also reap some advantages when corporate decision-making processes are geared towards shareholder value maximisation. Carlsson (2003) argues that when large chunks of stocks fall in the hands of a single individual or a small group of equity holders, there is an incentive on the part of these equity holders to monitor and control management painstakingly and enhance corporate efficiency. If the ownership structure at the initial stages is widely fragmented, the rise of a large equity holder will perhaps overcome the free-rider problem in monitoring and controlling management, and the rights of the largest equity holder can minimise its urge for expropriation and maximise incentives to pay out corporate dividends (Jensen and Meckling, 1976). Okpara (2010) also posits that equity holders who hold large number of stocks thus limit agency problem by having a sufficient number of stake to take a more active and effective interest in the corporate body. The implication is that these large equity holders have sufficient influence and ownership in dealing with their monitoring and controlling activities in a corporate body that will eventually serve shareholder interest. Therefore, we propose that:

P1. Shareholders with large shareholdings exert shareholder control in a corporate body.

2.2 Board of directors and board control

Bebchuk (1999) suggests that it is time that academics and business practitioners breathe life into the notion of the equity holder-controlled public corporate entities. But in a sharp contrast, Stout (2007) argues that because board control has both costs and benefits, the astuteness of Bebchuk's proposal to make it easy for equity holders to oust board of directors must be evidence-based. The author further contends that empirical evidence strongly supports the claim that equity holders themselves usually prefer corporate entities with a very pungent and robust board control. And if that is the case, why then do observers still believe that there should be shareholder control at the expense of board control?

Stout (2007) argues that the expressive appeal of equity holder control can be traced to three main sources:

1. a common but deceptive metaphor that considers equity holders as the owners of corporate entities;
2. the opportunistic calls for activist equity holders in quest of leverage over board of directors for selfish gains; and
3. a strong but a slur sense that something ought to be done in the wake of current corporate scandals.

There exist some reasons why equity holders in listed firms should be prevented from controlling corporate boards and corporations in general.

First, the activities of board of directors benefit equity holders by carrying out a significant economic function. Possibly, the most palpable is the promotion of a more efficient and well-informed business decision-making. The reason is that it is difficult and more cumbersome to bring together thousands of dispersed equity holders to put forth their views on how to run the corporate entity. In addition, given the illogical apathy most equity holders bring to the fore, should we anticipate that equity holder control will probably produce first-class outcomes? For that reason, most experts agree that board control offers significant advantages with regards to efficient and well-informed decision-making.

Further, the power of boards, without any doubt, serves equity holder interests by safeguarding them (equity holders) from each other. Stout (2007) contends that the risk that equity holders with large stocks might attempt to manipulate corporate decisions in a selfish way that harms other equity holders is rampant in closely held corporate entities. Harris and Raviv (1991), in examining equity holder control, found that some equity holders have different agendas other than value maximisation. More often than not, it has been claimed that large equity holders sometimes want to use corporate resources to promote a social or political agenda at the expense of value maximisation.

Finally, equity holders can be exploited not only by corporate managers and board of directors but also by their fellow equity holders. Stout (2007) argues that equity holders face the risk of being exploited because stock is counter-intuitively and illiquid venture. If shareholders control corporate entities, to a lesser extent, some may try to use their influence in an opportunistic manner at the expense of other stakeholders. This is as a result of the capabilities on the part of equity holders to threaten other stakeholders' interests of the company. For instance, equity holders can raise earnings by demanding that long-term employees should allow their health benefits to be reduced or risk being fired, or by requiring customers to buy additional software to make sure that they get continued customer assistance.

The discussion so far has pointed to the fact that shareholders should not be the controlling force in a corporate entity and that it is incumbent on the board to ensure that it (board) exercises the full control function as proposed by Stout (2007). But one should bear in mind that not all boards are capable of ensuring effective and efficient board control to the benefit of its shareholders and other stakeholders. Castellini and Agyemang (2012) suggest four major ideas that would assist boards to effectively and efficiently exercise their control function: instituting audit committee (with well-qualified independent non-executive directors), the establishment of remuneration committee (with well-qualified independent non-executive directors), the non-duality structure and effective and efficient board meetings.

Recent corporate scandals and frauds have necessitated the establishment of board audit committees in corporate organisations to help boards in accomplishing their fiduciary duties. With audit committees, boards of corporate organisations would be able to appraise the satisfactoriness of the resources for both internal and external audit functions and insure that their work strategies offer a satisfactory exposure of possible risk areas (Arguden, 2009). The membership of the audit committee must consist of individuals who have both the alacrity and capability to savvy complex concepts in accounting and auditing. Apart from such characteristics, board audit committee member-composition has become an important issue in corporate governance debate. There is an argument that the inclusion of insiders on board audit committees does help audit committees with regards to their operations.

Conger (2009) argues that the inclusion of insiders on audit committees offers an in-depth perspective on the corporate organisation. He further argues that insiders also offer a better source of information about corporate organisations, their operations, as well as the environments in which they operate. Contrary to this argument, in their work on shareholder and board control systems, Agyemang and Castellini (2013) argue that the involvement of insiders on the audit committee would swing the balance of power between the board and management in support of the latter, resulting in management control over the activities of the board audit committee and degrading the aptitude of the audit committee to effectively and efficiently perform its functions. This implies that the membership composition of audit committees must only be made up of non-executive directors who are independent of management. It is therefore expected that, instituting board audit committee with well qualified independent non-executive directors as its members would ensure board effectiveness in Ghana and, consequently, result in board control. We, therefore, propose that:

P2a. Instituting an audit committee with well-qualified independent non-executive directors leads to board control in a corporate entity.

The board remuneration committee is argued to be one of the important committees of the board. This committee is required to examine the overall remuneration structure of the corporate organisation to establish suitable incentive packages for corporate managers and employees alike. Many codes and principles of corporate governance around the globe suggest that there should be board remuneration committees in corporate organisations to insure that independent chief executive officer (CEO) evaluation and remuneration take place (OECD, 1999, 2004; CACG, 1999; Securities and Exchange Commission of Ghana's guidelines, 2010). Nevertheless, like the audit committee, the membership composition of this committee has also received attention in the current corporate governance debate. In Ghana, the Companies Code 1963 suggests that the remuneration committee should entirely consist of independent non-executive directors. The rationale behind this recommendation is that if executive directors become members of the committee, they may be biased towards the CEO, resulting in incentive packages that would one-sidedly enrich management to the detriment of equity holders (Agyemang and Castellini, 2013). Therefore, it is expected that, establishing board remuneration committee with well-informed independent non-executive directors as its members would insure board effectiveness in Ghana, which will ultimately lead to board control. We thus propose that:

P2b. Establishing a remuneration committee with well-qualified independent non-executive directors leads to board control in a company.

The idea of a dual leadership structure was among the initial application of the principal–agent theory. The emergence of leadership structure on boards has influenced how well boards are able to demonstrate their monitoring and controlling functions over corporate managers and corporate organisations (Lorsch, 2009). There is an argument that the non-duality structure produces a new stratum of agency cost and raises information transfer cost from the CEO to the chairperson (Brickley *et al.*, 1994). As long as the CEO controls the quality, quantity and timing of available information to directors, it is quite difficult for directors to be sure of getting what they really need for true independent supervision. Baliga *et al.* (1996) and Daily and Dalton (1997) argue that there are no disparities in financial performances between corporations with and without combined positions, describing them as either "fussing about" or "much ado about nothing". Dalton and Dalton (2009) contend that the separation of these two roles does not necessarily indicate independence of the leadership structure. Their argument stems from the assertion that, in most cases, the person who is the "separate" board chairperson is the former CEO of the firm. In some cases too, this separate board chairperson is either the founder of the firm or former CEO of acquired or merged companies. The authors further argue that a single voice directing the company at the board level is the most efficient and effective form of leadership. In this situation, "there will be no parties and constituencies-internal and external- who will question who is in charge and who is accountable" (p. 83). The fundamental idea is that any subordinate or minor must be supervised by a single and clear-cut authority. For instance, Mathew 6:24 state "no one can be a subordinate to two masters [. . .]" (Good News Bible, 2007).

However, there are also arguments that the principal–agent problem is intensified when an individual performs these two roles – those of CEO and board chairperson. The Companies Code 1963 and other corporate governance observers (Jensen, 1993; Millstein and McAvoy, 2003; Pease and McMillan, 1993; Castellini and Agyemang, 2012; Agyemang and Castellini, 2013) have argued that the CEO and board chairperson roles – the two most important roles in corporate organisations – should be performed by different persons. The chairperson of a corporate organisation cannot serve as the CEO, as the CEO is the leader of the company's management and the chairperson is the principal overseer of the board, which includes the CEO. Iskander and Chamlou (2000) argue that the combination of the two roles will definitely lead to moral hazard. In addition, if the chairperson is the CEO, real conflict might emerge "when the tie-breaking vote is cast" (Iskander and Chamlou, 2000, p. 103). In Ghana, the Companies Code 1963 considers the non-duality structure as a conduit for enhancing board effectiveness with regards to board control, which eventually leads to good corporate governance. It is expected that the non-duality structure leads to board effectiveness in Ghana. Therefore, we propose that:

P2c. The non-duality structure leads to board control in a company.

Board meetings vary across corporate organisations. The number of board meetings in corporate organisations becomes higher in times of crises than in normal settings. Huse (2007) contends that the time span of board meetings is considered as one of the principal constraints of board effectiveness. He argues further that longer meetings may allow board of directors to deliberate and rummage strategic issues of corporate organisations. In addition, frequent meetings will possibly aid board members to get abreast with emerging issues in corporate organisations. Nevertheless, these meetings have to be effective and efficient in a manner that will inform directors about the emerging issues of the corporate organisation and how they are to be addressed (Agyemang and Castellini, 2013). Meeting times have to be properly and efficiently utilised to offer the required and suitable information, to permit in-depth discussions. Agyemang and Castellini (2013) argue that for board members to effectively perform their fiduciary duties and responsibilities to the benefit of the corporate organisation, they should be fully informed about all the major developments in the organisation. The authors continue that when board members are furnished with the right information at the right time, they would be able to play their roles effectively, which will eventually result in board effectiveness. The principles of corporate governance of the OECD (1999, 2004) and the Companies Code 1963 of Ghana stress on the significance of providing information to directors when the need arises. This implies that timeliness and adequacy of information to board of directors can help them to effectively and efficiently deliberate on strategic issues of the corporate organisation. It is, therefore, reasonable that effective and efficient board meetings would enhance board effectiveness and, eventually, lead to board control. Thus, we propose that:

P2d. Effective and efficient board meetings lead to an extensive board control in a firm.

3. Explanation of variables

Variables of the propositions and their measurements are explained in Table I.

4. Methodology

The application of a qualitative approach in carrying out research on corporate governance has increased recently. In their study, McNulty *et al.* (2013) revealed that qualitative studies on corporate governance have increased in absolute figures since the 1990s, but still remain a small proportion of works on corporate governance. Because corporate governance is considered as an "evolving, complex, global, multi-level phenomenon" (McNulty *et al.*, 2013, p. 184), it requires for an enquiry that can be explored and examined using a qualitative research approach. In line with this, this study aspired to use qualitative approach to explore and examine corporate governance practices in Ghana in a real empirical context. A descriptive qualitative case study approach was used. The rationale behind is that we wanted to get more insight into the issue at hand, and, as the case study approach, unlike other approaches, adds two important sources of evidence: direct observation of the events studied and interviews of the individuals engaged in the events (Yin, 2003), it (case study) was considered more appropriate. This research approach provided the researchers an opportunity to access and generate a comprehensive or detailed and sufficient data essential for this study

4.1 Case selection

Stake (1994, p. 237) suggests three main types of case study: intrinsic, collective and instrumental. The author describes an intrinsic case study as:

> [. . .] not undertaken primarily because the case represents other cases or because it illustrates a particular trait or problem, but because in all its particularity and ordinariness, [the] case itself is of interest [. . .]. The purpose is not to come to understand some abstract concept or generic phenomena [. . .] The researcher temporarily subordinates other curiosities so that the case may reveal its story.

Collective case study is where a variety of cases are studied together to investigate the phenomena, population or general setting. Instrumental case study is used to achieve something other than a specific situation (Baxter and Jack, 2008). It provides an insight into an issue or theory refinement. Stake (1994, p. 237) contends that instrumental "[. . .] case is of secondary interest; it plays a supportive role, facilitating our understanding of something else". It often looks at in-depth, its context scrutinised, its ordinary actions detailed, as it assists the researcher to pursue his/her external interest.

Because this study was interested in gaining an insight and understanding corporate governance practices in Ghana, the instrumental case was applied. Stiles and Taylor (2002) argue that corporate governance is an issue in listed corporate entities, where the issue of ownership and control, which rests at the centre of the corporate governance discourse, will surface. Listed corporate entities are likely to have widely dispersed ownership, as they have the propensity to create capital from a very large number of capital providers. They also have the tendency to be large.

Table I Explanations of the variables of the propositions and their measurements

Variable	*Explanation*	*Indicator*	*Literature*
Shareholder control	How shareholders directly or indirectly exert control over the operations of the firm	1. exerting power over decisions, 2. influence the appointment of "important personalities" such as the CEO and Chairperson, 3. influence corporate decisions taken by the board or management, 4. direct partaking in the running of the corporate entity	Denise and McConnell (2003), Babatunde and Olaniran (2009)
Board control	Undertaking actions to exert control and monitor management	1. selection of and ability to dismiss the CEO, 2. assessing the performance of the CEO, activities of the board and other top executives, 3. approval of corporate strategy, 4. setting up the CEO's remuneration package	Jensen and Meckling (1976), Mintzberg (1983), OECD (1999), CACG (1999), Company Code (1963), Monks and Minow (2004), Brink (2011)
Ownership structure	Are identities of shareholders and the size of equity held by shareholders	1. identities of shareholders, 2. the size of equity held by shareholders	Shleifer and Vishny (1986), Roe (2003), Carlsson (2003), Denise and McConnell (2003)
Board composition	The percentages of outside and inside directors	1. executive directors, 2. non-executive directors	Mace (1986), Babatunde and Olaniran (2009), OECD (1999), CACG (1999), Companies Code (1963), Solomon (2007)
Board/director independence	Not employed by the company or have a significant social or economic independence to management	1. non-existence of social ties with the CEO, 2. non-existence of business association with the firm or management, 3. not representing or elected by a major equity holder	Lorsch and McIver (1989), Denise and McConnell (2001), Baysinger and Butler (1985), Ghana Security and Exchange Commission (GSEC) (2010)
Non-duality structure	Separation of the positions of the CEO and the Chairperson	CEO-chairperson separation	Jensen (1993), Millstein and McAvoy (2003), OECD (2004), CACG (1999), Companies Code (1963)
Board meetings	Meetings by the board to discuss and exchange ideas on how they would be in a position to serve as monitors, as well as to undertake key strategic issues concerning the firm	1. timeliness of meetings, 2. adequacy of information available to outside directors	Demb and Neubauer (1992), OECD (1999), CACG (1999), Companies code (1963)
The board audit committee	Committee to effectively and efficiently manage financial affairs of the firm	1. how functioning is the committee, 2. kind of directors on the audit committee	Massen (1999), Canyon and Mallin (1997), OECD (1999), CACG (1999), Companies code (1963)
Board remuneration committee	Committee that sets the CEO's and other top executives' remuneration packages	1. how functioning the committee is, 2. sort of directors that constitutes the committee	Felo (2011), OECD (1999), CACG (1999), Companies code (1963)

Source: Castellini and Agyemang (2012)

Thompson (1999) posits that sampling technique in qualitative study is guided not by the need to generalise about something but somewhat by the need to select subjects and data possible to produce robust, rich and unfathomable levels of appreciation. Sampling for qualitative case study is about suitability, objective and access to adequate information rather than representativeness as in the case of quantitative research (Bleijenbergh, 2010; Fletcher and Plakoyiannaki, 2010). This study used the criterion-based sampling technique where cases were selected to provide rich evidences, but not for statistical reasons. The rationale behind this selection was that this technique furnishes the investigator a combination of circumstances to alter the emphasis of the study at early stages so that the data collected are a mirror image of what is happening in the field rather than conjecturing about what is supposed to have taken place (Coyle, 1997; Glaser, 1978; Strauss and Cobin, 1990).

To apply the criterion-based sampling technique in this study, the various companies in Ghana were categorised in terms of their sizes as depicted in Table II. This grouping was based on the National Board of Small Scale Industries' categorisation of companies in Ghana.

Even though there are many large companies in Ghana, this study limited itself to those large companies that are listed on the GSE. Large companies are those that employ more than 100 workers and have a value of fixed assets exceeding US$100,000. The rationale was that selecting cases with same characteristics retains theoretical flexibility, constrains extraneous variation and sharpens external validity (Eisenhardt, 1989). At the beginning of the research, the strategy was to cover all large corporate organisations listed on the GSE. Consequently, these companies were contacted, and their authorities concurred to cooperate. But when it was time for data collection, most of these companies were reluctant to cooperate, and without spending much time wooing them, we thought it wise to proceed to collect data from the four companies that were willing to cooperate, as, generally, for case study research, between four and ten cases are considered appropriate. This is because, fewer than four cases are too few to provide the necessary and adequate evidence, while more than ten cases are not needed (Eisenhardt, 1989a). Therefore, the requirement for adequacy of evidence was realised in this study.

4.2 Data collection techniques

This study used three sources of data collection techniques to gather data: archival records, semi-structured interviews and observation. All the three techniques complemented each other. Each technique gathered different forms of data and had helped the study in one way or the other. The main aim for data collection was to create a storehouse of information upon which the study could achieve its aim. This multi-approach system was used to maximise the series of available information to the researchers, enhance data credibility, as well as to offer a source for triangulation among these methods. Each of these methods had its strengths and weaknesses, and by using a combination of methods, weaknesses of one method were substituted by the strengths of another. This combination also offered the researchers differing views about the subject matter.

Table II Classification of companies in Ghana

Firm characteristics	*Micro*	*Small*	*Medium*	*Large*
Number of workers	1-5	6-29	30-99	Above 100
Value of fixed assets (US$)	Not exceeding 10,000	Not exceeding 100,000	100,000	Exceeding 100,000

Note: Value of fixed assets excludes land and building
Source: National Board of Small-Scale Industries

Even though archival records were first examined by the researchers, data collection was, in actual sense, an iterative and interactive method using all three sources of data collection techniques. For instance, the archival records offered the researchers historical backgrounds of the companies, but these information gained weight through the introduction of other sources of data. During the interview session, relevant and interesting developments cropped up that really helped the researchers. These developments were not available in the archival records. In addition, interesting developments were highlighted during the observation session, in that some information that were gathered from the interviewees were in contradiction to what actually prevailed during annual general meetings.

4.2.1 Archival records. Patton (1990, p. 245) posits that archival records' "analysis provides behind-the-scenes look at the program that may not be directly observable and about which the interviewer might not ask appropriate questions". Lincoln and Guba (1985, p. 27) also viewed archival records as: "a stable source of information [. . .] [. . .] [in] that they may accurately reflect situations that occurred at sometime in the past and that they can be analysed and re-analysed without undergoing changes in the interim". Prior to this research, archival research in secondary resources such as the corporate organisations' annual reports, prospectuses, extracts from internal memos and circular to shareholders helped the researchers to draw a firm profile and describe each firm's recent history and performance. Additional information of each company was gathered from publications and company's press releases. As the knowledge and know-how of board of directors could contribute to explaining board effectiveness, additional quest helped the researchers in highlighting the professional backgrounds of most of the directors. Following other works (such as Baysinger and Zardkhooni, 1986; Hillman *et al.*, 2000; Ravasi and Zattoni, 2006), board of directors were grouped on their presumed strategic roles as controllers of decisions (i.e. representative of shareholders), executive directors, business experts and supporting specialists such as lawyers, bankers and other professionals. Data from the GSE on the companies were also referred to. These archival records helped corroborate and support the various evidence collected during the interviews.

4.2.2 Interviews. Face-to-face interviews were conducted with company directors, senior management, company secretaries and shareholders. In addition, to gain historical data, past executive and non-executive directors of the company were interviewed to offer extra insight into the operations of the corporate organisations with regards to corporate governance practice. The selection of this study's informants was aimed at:

- collecting data from respondents who were in a better position to offer rich information with regards to corporate governance;
- capturing different views on board-related issues, as well as company operations; and
- minimising the risk of selecting biased representation.

Goulding (2002) posits that, in a more realistic manner, a qualitative case study research has to use a face-to-face, semi-structured, open-ended, ethnographic, in-depth conversational interview. The justification is that it has the possibility to produce rich and comprehensive accounts of a person's experience. It also allows interviewees to articulate themselves in a more candid manner to define the world not only from the viewpoint of the investigator but also from their own viewpoint.

In the context of this study, interviewees were asked about how they carry out their various activities in relation to the topic in hand (corporate governance). The interviews took the structure of semi-structured interviews. Interviews with officials of the regulatory bodies such as the GSE and Ghana Securities and Exchange Commission were also conducted to gain more insight into the subject matter. The various interviews that were conducted were tape-recorded and transcribed immediately after each interview. Following suggestions from Miles and Huberman, 1994, as well as from Ravasi and Zattoni (2006), transcriptions were reinforced by contact summary sheets and interview notes (such as report of important data, vital issues cropping up from the interviews, as well as detailed quotations). Even though interviews were mostly carried out in English, some were also carried out in Twi (one of the local languages in Ghana). However, during the reporting stage, the quotations from the interviews that were carried out in the local language were translated into English.

4.2.3 Observation. Observation, as a data collection technique, means an active engagement with a phenomenon in its natural setting. Adler and Adler (1994) point out that the trademark of observation is its non-meddling feature that lessens any intrusion in the behaviour of those observed, neither wangling nor provoking them. For this study, the researchers had direct experience with how corporate organisations conduct their annual general meetings. This observation involved two main components:

1. observation of how corporate governance structures are put to use during the companies' annual general meetings, as well as recording the observation in a set of field notes; and
2. subsequent interviews were conducted with selected shareholders to aid cross-examining and member checking for data quality of the field notes.

The role of the researchers was to observe how these corporate organisations carry out their annual general meetings. During these meetings, the researchers recorded the events that occurred in a set of field notes. These events were also tape-recorded. Following Merriam (1998, pp. 98-99), vital issues were recorded in the field note: descriptions of the event, the individuals involved; "activities and interactions"; quoting directly or a gist of what participants said; and "observer comments".

The researchers paid critical attention to voting on key decisions, how decisions were taken during such meetings, how minority shareholders were allowed to ask questions, election of board members, how board members reacted to minority shareholders' questions *vis-à-vis* majority shareholders questions and other series of actions. Subsequent interviews with shareholders who were present during such meetings offered us an additional strategy to minimise researcher bias in the data gathered from the observation. This offered the purpose of member checking and cross– examination, in that it helped in evaluating the accurateness and quality of field notes and the researchers' understandings of the activities and behaviours that prevailed during such meetings.

4.3 Method of analysis

Case study analysis typically involves detailed case write-ups for each case (Eisenhardt, 1989). Those write-ups are often simply pure descriptions, but they are central to the generation of insight (Gersick, 1988; Pettigrew, 1988; both cited in Eisenhardt, 1989). McNulty *et al.* (2013, p. 188) state that "corporate governance is a complex multi-level phenomenon and research can be developed along different levels of analyses". This study relied on theoretical propositions and the development of a case description for its analysis. With this, there was a descriptive framework for organising the case study while following the propositions. Descriptions included a tabular presentation of the ownership structure of the companies. Finally, the data were summarised qualitatively, in that data acquired from each case were compared with those of other cases, and that resulted in the creation of four studies in one and one study from four. However, for the purpose of ease of reading, four pseudonyms have been used to represent the four corporate organisations.

5. Results

5.1 Ownership structure

There is a presence of ownership concentration in all the four organisations examined. This implies that each corporate organisation has a large shareholder that holds a sizeable amount of its equity capital. These large shareholders hold more than 50 per cent of the equity capital of their respective corporations. Table III depicts the large equity holders'

Table III The ownership structure of the four corporate entities

Ownership control indicators / *Large shareholder*	*QCB* Government of Ghana and SSNIT	*SIS* Government of Ghana and SSNIT	*TG* UT holdings Ltd	*BLA* SABMiller
Degree of holdings by controlling shareholders (%)	51.17	51.291	61.11	69.20
Holdings of other shareholders combined (%)	48.83	48.709	38.89	30.8
Ownership by foreign shareholders (%)	5.76	14.614	19.66	69.20
Ownership by local shareholders (%)	94.24	85.386	80.34	30.8
Number of individual shareholders	96,805	–	9,858	3,700
Market capitalization (GH₵)	72,000,000	2,500,000	85,275,000	–
Issued shares	265,000,000[a]	195,645,000[a]	456,310,181[a]	249,446,664

Note: [a]The total number of issued shares as at 7 May 2013
Source: The annual reports of the companies

identities and the degree of their holdings in the organisations. With the exception of Blue Arrow Agency (BLA), the controlling shareholders are local bodies. This means that key decisions that have upshots on the performance of these companies and, consequently, the Ghanaian economy are taken locally.

The ownership structures of these corporations mirror historical developments in Ghana that keep on shaping corporate governance in Ghana. The ownership concentration of BLA reflects the country's privatisation policy that was adopted divest of SOEs via the selling of large number of stocks to strategic investors. Even though the state holds a large number of shares of Quality Commercial Bank (QCB) and Standard Insurance Services (SIS), ownership structures of these two corporations reflect the privatisation programme (i.e. the Divestiture Implementation Policy) of the government in the 1990s.

Trust Ghana (TG) bank was set up after the economic reforms. Its ownership structure mirrors the sources of the funds used for its establishment, which mainly came from TG Holdings Ltd. This feature of ownership concentration is not only limited to these companies. Most companies in Ghana have been, and continue to be, divested through the selling of substantial amounts of state shares to strategic investors, leading to ownership concentration in corporations. For instance, SSNIT, which held about 90 per cent of the total shares of Merchant Bank Limited, Ghana, sold its stake to Fortiz bank in 2013, as part of its plans to increase returns on its investments.

5.2 Ownership control

All the four organisations are characterised by controlling shareholders. These controlling shareholders exert control over the activities of the companies through their participation in the decision-making activities of these companies. This participation is always made possible through the incessant flow of information to these controlling shareholders. For instance, while minority shareholders always depend on information that are always available in annual audited and quarterly un-audited reports, majority shareholders always have access to information upon request.

In addition, management of these four organisations always consults controlling shareholders before any major decisions are made. The set goals that management is striving to realise are also in consonance with those of controlling shareholders. To ensure free flow of information from management to them (i.e. controlling shareholders), they have put in place some internal structures and mechanisms in these companies.

Controlling shareholders of these organisations have access to key personalities in the companies. For instance, they have access to the board chairperson and CEO. These key personalities are either appointed/selected by these controlling shareholders or have a certain level of influence in their selection. Apart from the TG bank, controlling shareholders of the remaining three companies appoint or select the board chairperson, CEO and the majority of the directors who constitute their boards.

The level of influence of these controlling shareholders always comes to the fore during annual general meetings of the companies. For example, when major decisions that need shareholders' approval are to be voted on, controlling shareholders, more often than not, determine the outcome of the vote. The panoptic control exerted by controlling shareholders has been considered and positively regarded by the regulatory authorities (i.e. the Securities and Exchange Commission [SEC] and GSE) in Ghana. This may stem from the fact that the rules and regulations with regards to corporate governance are poorly enforced, thus leading large shareholders to protect their investments. In this case, large shareholders serve as a substitute for legal protection by ensuring investor protection in Ghana. This is in line with the assertion by La Porta *et al.* (1998) that the emergence of ownership concentration is a substitute for legal protection for economies with poor investor protection. In an interview with one of the officers of the SEC, he said:

> Since companies in developed countries are well-supervised, they have the tendency to perform well. This situation is different from Ghana's experience. This is because, our companies are poorly supervised. And for that matter, it is incumbent on these controlling shareholders to supervise their companies in order to put them on track so that they can perform well. Until we started enforcing our laws, we should not attempt to oppose this kind of occurrence.

The findings of this study apply to a large number of listed and non-listed companies in Ghana. The shareholder control phenomenon, which is as a result of ownership concentration, applies to a large number of organisations in Ghana. This implies that the separation of ownership and control is absent in Ghana. Whilst this conclusion challenges Berle and Means's assertion that ownership and control have been separated, it backs the existing body of knowledge that, apart from the USA and the UK, in most countries, ownership and control work hand-in-hand (i.e. have not been separated) (Berglof and Claessens, 2004; Clarke and Clegg, 1998). Table IV depicts responses with respect to ownership control in the four companies via interviews and documents.

5.3 Effectiveness of the board

5.3.1 Board composition. All the organisations studied have board of directors that are characterised by more non-executive directors than executive directors. The rules and regulations governing these four companies have categorically made it clear that Non-Executive Directors (NEDs) should always form the majority of the board. Two of the organisations (QCB and SIS), include on their board, persons who hold senior government positions or who, one way or the other, have links to the government. It is clear that those individuals are on the board to make sure that the government's influence on the decision-making processes of these companies is properly effected. Even though TG and BLA do not have such persons on their boards, the state still has a certain level of influence in their decision-making processes. This is consistent with the observation that corporate governance in developing economies is directly or indirectly characterised by politics (Berglof and Claessens, 2004; Agyemang and Castellini, 2013).

5.3.2 Director independence. In all four companies studied, director appointments are closely linked to shareholdings. At QCB, SIS and BLA, majority shareholders appoint the majority of directors who serve on their boards. For instance, at QCB and SIS, as the state is the majority shareholder, it (i.e. the state) appoints almost all their board members. At BLA, the majority shareholder also appoints the majority of directors who serve on the company's board. In the case of TG, even though director selection is connected to shareholding, it has been unambiguously stated in the company's rules and regulations governing it that, equity holders with at least 5 per cent of the total equity capital of the

Table IV Ownership control in Ghanaian organisations

Board effectiveness indicators		*QCB*			*SIS*			*TG*			*BLA*	
	A	*O*	*N*	*A*	*O*	*N*	*A*	*O*	*N*	*A*	*O*	*N*
Duties of the board are fulfilled when they report to shareholders during AGMs	✓			✓			✓			✓		
Annual audited reports are made available to shareholders before AGMs	✓			✓			✓			✓		
Quarterly reports are made in public	✓			✓			✓			✓		
All shareholders receive invitations to AGMs	✓			✓			✓			✓		
During AGMs, shareholders have the right to vote on board's proposals/suggestions	✓			✓			✓				✓	
Large shareholders exert extensive influence on AGMs	✓			✓			✓			✓		
Decisions taken at AGMs are subject to voting	✓			✓			✓			✓		
The kind of influence that majority shareholders have in the selection or appointment of directors makes it possible for them to exert control over the firm	✓			✓				✓		✓		
It is easy for large shareholders to have access to very important personalities in the firm	✓			✓			✓			✓		
Decisions of management or directors can be questioned or altered by large shareholders	✓			✓			✓			✓		
Shareholders have the right to call for Extraordinary General Meetings for further clarifications of certain issues		✓			✓			✓			✓	

Notes: A = At all times; O = Occasionally; N = Never/Absolutely Not

company are entitled to appoint/select a director to represent them on the company's board.

In addition, in all four cases, the nomination of directors has to be approved by all shareholders, irrespective of their shareholdings at their (i.e. the companies) annual general meetings. Most of the minority shareholders interviewed expressed their displeasure in terms of the approval process. They considered it as a "rubber stamp", in that before those nominated are presented to them at annual general meetings, the majority shareholders had already given their approval, and, in view of this, their votes cannot influence the approval process. One interviewee observed that:

> My brother, I was not surprised when those who were nominated to be board members were given an approval to serve on the company's board. It is nothing new. It has been there since the day I started attending these meetings. Even if we [minority shareholders] disapprove, they will still go ahead to appoint them as directors [. . .] [. . .].

Furthermore, in all four organisations, the CEO or managing director does not have any influence over the selection of directors. There is an absence of business connection between the organisations and their board members. This implies that board members are always independent of CEOs of these organisations. Board members normally know the shareholders that selected them and to whom they are accountable to in all four corporate organisations. The implication is that board members or directors are not independent of the shareholders who selected them to the board.

There are no overt criteria for the selection of directors in all organisations. Shareholders apply their own value judgement in selecting individuals they perceive as suitable for the directorship job. However, in all organisations, it was noticed that for a person to be appointed, he/she needs to possess special kinds of skills and knowledge that are considered as being useful for board discussions. For instance, he/she is supposed to have knowledge about the organisation, as well as the financial aspects of the corporate organisation.

5.3.3 Board leadership structure. In all organisations studied, the posts of the board chairperson and that of the CEO have been separated. This split is considered by the organisations as a way of bringing in checks and balances to avoid circumstances where a person will be created (for instance, a "Frankenstein Monster"), who may be difficult to be monitored and controlled. In that case, this decision (i.e. the decision to separate the two posts) is taken to exert control and, therefore, it helps in solving agency problem. In the case of the TG bank, this split is more or less considered as power sharing between the two founding fathers of the organisation instead of checks and balances mechanism. This situation does not foster board control in this corporate organisation.

5.3.4 Board meetings. The boards of the four organisations have a formal procedure for conducting their meetings. These procedures are explicitly stated in the rules and regulations governing these organisations. The procedures include meeting preparations, conveying board papers, as well as meeting agenda to board members to give them ample time to prepare. Meeting procedures of these organisations are in consonance with the internationally standardised way of conducting board meetings.

In principle, board meetings of these organisations follow an agenda that includes minutes' approval, the quarterly reports and issues arising, as well as other businesses. In all four cases, management always prepares meeting agendas, but, more often than not, they seek advice from the board chairperson. Notwithstanding that, directors are also allowed to incorporate new ideas into the set agendas for deliberation. The manner in which meeting agendas are set, as well as board meetings are executed, paves the way for directors to effectively heed all important issues, which are considered as vital for carrying out board control functions effectively.

5.3.5 Board audit committee. In all four organisations, they have a formal board audit committees with non-executive directors as the majority of their members. In the case of BLA, even though the committee members are not entirely made up of non-executive directors, non-executive directors constitute the majority. At QCB, SIS and TG, the board audit committee meets at least four times in a year, but the number of meetings can be increased when situations demand. In the case of BLA, the committee is supposed to meet at least three times a year, but the number of meetings can be increased when circumstances require.

In addition, in all four cases, the principal duties and responsibilities of the committee are:

- monitoring the maintenance of proper accounting records and the reliability of financial reports used in the affairs of the company;
- putting forward reasonable assurance of the protection of assets against unauthorised use or disposition;
- authorizing, directing and reviewing the programme of the internal auditor;
- receiving reports from the internal auditor and considering the major findings of those reports;
- monitoring follow-up activities of management;
- keeping accounting policies of the company under review and making recommendations to the board to amend or repeal such policies;
- monitoring compliance with the vital legal and regulatory framework;
- presenting audit reports to board members during board meetings;
- discussing any challenges or reservations that arise from the interim or final audit and any issues the external auditor may wish to deliberate on;
- reviewing the way in which management ensures and monitors the manner, magnitude and efficacy of the company's accounting, risk management and financial control systems; and

- holding discussions with the external auditor ahead of the period their audit commences.

5.3.5 Board remuneration committee. QCB and the TG bank have established a formal board remuneration committee with non-executive directors as members of the committee. At QCB, the main responsibility of the committee is reviewing the recruitment and termination policies of the bank including employment contracts remuneration, pension and other rewards, making appropriate recommendations and any other responsibilities that may be assigned by the board. Furthermore, the TG bank's remuneration committee is responsible for reviewing all human resource (HR) policies to ensure that workers are treated honestly and work in very favourable environment. It is also responsible for putting up performance indicators for the company and determining the structure of remuneration of the Bank's chairperson and executive directors. In addition, the Committee reviews and approves the remuneration packages, incentive plans and staff bonuses for the company. These responsibilities make the board to get to know all HR, compliance and financial aspects of the firm.

SIS and BLA have not established a formal board remuneration committee. However, at SIS, the audit and finance committee of the company has been delegated by the board to look into issues concerning compensation packages. The audit and finance committee has been tasked by the board to deal with the following issues:

- recommending the levels of remuneration of non-executive directors for approval by the board and, ultimately, by the shareholders;
- undertaking annual reviews of executives emoluments; and
- reviewing and recommending to the board, executives and staff bonuses and long-term incentive packages.

In the case of BLA, discussions are on-going about the formation of a remuneration committee. Table V depicts the responses with regards to the determinants of board effectiveness of Ghanaian Companies.

5.4 Board control

In the case of the TG bank, board members/directors carry out all activities in relation to the control function of the board:

- taking decisions in terms of hiring and disciplining the CEO;
- replacing the CEO in case of mismanagement;
- discussing and approving the company's strategies, determining the type of information they need from management; and
- setting up the CEOs' compensation package.

In the other three cases of QCB, SIS and BLA, board members have limited control over the activities of the organisations. The only control activity members carry out is to discuss and approve corporate strategies in these three organisations. But these discussions of corporate strategies are not for the purpose of exerting board control over the activities of management. They rather aid the purpose of providing board members with a chance to offer advice to management on how the set goals can be realised.

With respect to a formal assessment of the activities of the CEO, the board and individual board members, it was observed that directors of QCB, SIS and BLA perform implicit assessments of their CEOs/managing directors. The levels of assessment of board of directors of QCB, SIS and BLA differ from those of the TG bank, in that directors of QCB, SIS and BLA conduct such assessments only when they are discussing and approving corporate strategies of these organisations. In the case of the TG bank, the board performs its control function without any interference from the controlling shareholders.

Table V Board effectiveness in Ghanaian companies

		QCB			*SIS*			*TG*			*BLA*	
Board control indicators	*A*	*O*	*N*	*A*	*O*	*N*	*A*	*O*	*N*	*A*	*O*	*N*
For the past 10 years, the majority of board members have been NEDs	✓			✓			✓			✓		
There is an existence of social or economic tie between directors and the firm			✓			✓		✓				✓
There is an existence of social or economic tie between directors and top managers			✓			✓		✓				✓
There is a presence of social or economic tie between directors and majority shareholders		✓			✓		✓				✓	
Positions of the CEO and chairperson have been divided and occupied by different persons for the past 10 years	✓			✓			✓			✓		
There is an existence of board audit committee instituted by the board	✓			✓			✓			✓		
There is a presence of a board remuneration committee	✓				No Remuneration Committee		✓				No Remuneration Committee	
Majority of the members on the audit committee are NEDs	✓			✓						✓		
NEDs form majority on the board remuneration committee	✓				No Committee		✓				No Remuneration Committee	
Membership appointments to the audit committee are made known to shareholders	✓			✓			✓			✓		
Membership appointments to the remuneration committee are made known to shareholders	✓				No Remuneration committee		✓				No Remuneration Committee	
There is a criterion for the selection and replacement of directors			✓			✓			✓			✓
There is a laid-down procedure upon which board meetings are held	✓			✓			✓			✓		
Before board meetings, information about the firm are made available to members on time	✓			✓			✓			✓		

Notes: A = At all times; O = Occasionally; N = Never/Absolutely Not

At QCB, SIS and BLA, the control function of directors has been replaced by the controlling prowess of their controlling shareholders. This is in line with the assertion of Roe (2003) that, when controlling shareholders exert an extensive control over the activities of management, it leaves little room for the board to exercise its control function. Although the controlling shareholders of QCB, SIS and BLA exercise control over the activities of the company, they (i.e. the controlling shareholders) leave room for directors to exert a certain level of control as witnessed via their involvement in control activities. Table VI indicates responses with respect to board control in Ghanaian Companies.

5.5 Analysis and confirmation of propositions

Thus, the analyses have divulged that the four organisations investigated have large controlling shareholders. These controlling shareholders are important mechanisms in driving good governance in these organisations. This means that *P1*, which states that: Shareholders with larger shares exert shareholder control in a company is verified in all four corporate organisations.

In terms of a prim and proper audit committee, the findings indicate that all four organisations have established a formal board audit committee with non-executive directors as its members. However, the observable facts also reveal that there is a relationship between a board audit committee and board control in only one organisation. This means that *P2a*, which states: instituting a board audit committee with independent

Table VI Board control in Ghanaian companies

	QCB			*SIS*			*TG*			*BLA*		
	A	*O*	*N*	*A*	*O*	*N*	*A*	*O*	*N*	*A*	*O*	*N*
Decisions in terms of hiring a CEO are made by the board			✓			✓	✓					✓
The CEO can be replaced by the board in case of mismanagement		✓			✓		✓					✓
Strategies are discussed and approved by the board	✓			✓			✓		✓			
Decisions on the CEO's remuneration package are made by the board via the remuneration committee			✓			✓	✓					
The activities of the CEO are assessed by the board	✓			✓			✓					✓
The board makes sure the firm complies with existing laws regarding the day to day running of the firm, e.g. generally accepted accounting and auditing principles laid down by ICAG	✓			✓			✓		✓			
The board determines the type of information it needs from management at anytime	✓			✓			✓					✓

Notes: A = At all times; O = Occasionally; N = Never/Absolutely Not

directors leads to board control in an organisation is verified in one organisation and not verified in the other three.

The findings of a board remuneration committee show that two of the four organisations investigated have established a remuneration committee. Despite this, a relationship between a board remuneration committee and board control exists in only one of these two organisations. This implies that, *P2b*, which states: setting up a board remuneration committee with independent directors leads to board control is confirmed in one organisation and not confirmed in the other three.

With regards to the leadership structure, the observable facts depict that the positions of the CEO and the board chair have been separated in all four organisations. However, the relationship between this schism and board control was not realised. This means that, *P2c*, which states: the non-duality structure with independent chairperson results in board control is not confirmed in all four corporate organisations.

With respect to board meetings, the empirical facts illuminate that elements of effective and efficient board meetings are in existence in all four organisations. However, the connection between effective and efficient board meetings and board control was only realised in one organisation. This implies that, *P2d*, which states: an effective and efficient board meetings result in an extensive board control is verified in one organisation and not verified in the other three.

6. Comparison of recommended guidelines with the empirical observation

The regulatory framework for effective corporate governance in Ghana is contained in the Companies Code 1963 (Act 179). This framework deals with issues that intensify the focus of this study. For instance, it deals with issues such as shareholder rights and control, activities of board in exerting its control function and determinants of board effectiveness with regards to board control. Table VII reveals the aspects of shareholder control contained in this framework which have been compared with the observable facts of the four cases investigated.

6.1 Board effectiveness with regards to board control

The recommendations of the Companies Code 1963 with regards to board effectiveness and control, and their associated determinants are indicated in Table VIII. They are compared with the observable facts from the four cases.

Table VII Shareholder control	
Companies code 1963	*Observable facts*
Shareholders have to actively get involved to protect, preserve and actively exercising the supreme authority of the organisation through annual general meetings	Controlling shareholders actively partake in the affairs of the companies by influencing decision-making processes in the four organisations
Shareholders have the right to be satisfactorily informed about decisions concerning fundamental changes such as amendment of statutes, authorization of additional shares and so on	Information of this kind is normally provided. However, for these changes to be effected, an approval from controlling shareholders is needed
Shareholders have the right to partake in the decision-making processes of the organisation. For instance, partaking in the company's voting process, obtaining timely and regular information and so on	Large shareholders have greater access to information, as they have access to key persons such as the board chairperson and CEO. Minority shareholders, on the other hand, only rely on the statutory disclosures of the companies
The rights of shareholders are to be safeguarded and the manner in which these rights are to be effected ought to be secured	This requirement is clearly stated in the various rules and regulations governing all the four companies
There should be an equitable treatment of all shareholders irrespective of their holdings	Large shareholders always receive more attention than their minority counterparts. For instance, they have access to key persons in the organisations, have greater access to information and so on

6.2 Discussion of the comparison of the Companies Code 1963 with the empirical facts

Ghana's Companies Code 1963 mirrors the Anglo-American concept of corporate governance (i.e. directing boards to monitor management to take decisions that will maximise shareholder wealth).

A comparison of the Companies Code 1963 with the observable facts reveals that, in all four companies, a number of corporate governance practices suggested by the Companies Code do shape their current corporate governance practices. In addition, this comparison shows that there are some germane aspects that are thoroughly needed to be applied by companies for them to be in conformity with the Companies Code's recommendation completely.

With regards to the type of directors who constitute the board, the findings show that in all four companies, NEDs form the majority of their boards. The Companies Code 1963 recommends that NEDs should at least be one-third of the total membership of the board. Although the code recommends that all shareholders, irrespective of their holdings, are supposed to be represented on the board, this was not the case in all four organisations. In all organisations, director appointment right is closely connected with the degree or magnitude of shareholdings.

With respect to board meetings, the four organisations portray uniform ways in carrying out board meetings: information are sent by management to directors on time; directors have opportunity to integrate items they deem germane for deliberations; and board deliberations are efficiently and effectively carried out. This is consistent with the recommendation of the Companies Code 1963. Even though this is consistent with the recommended guidelines of SEC, three of the companies' board meetings do not enhance board control, as their controlling shareholders exert substantial influence on board activities.

Table VIII Board control

Board control		*Observable facts*
Effective board should properly manage the company to safeguard and enhance shareholder value, and to meet the company's obligation to shareholders. It also has to provide strategic guidance and effectively control the management of the company		In the cases of QCB, SIS and BLA, boards do not exert control. In the case of the TG bank, the board does exert extensive control over the management of the company. During annual general meetings, formal reporting takes place as well as the provision of Annual Report
	Board effectiveness	
	Description	Observable facts
Composition	The board should include a balance of executive directors and independent non-executive directors, with the complement of non-executive directors being at least one-third of the total membership. Independent non-executive directors should be independent of management and should be free from other connections with the company, which may interfere with their ability to carry out their responsibilities in an independent manner	Non-executive directors form the larger constituent of the board of directors of all the companies studied. In all four companies, NEDs are independent of management, but not independent of appointing shareholders
Leadership structure	The positions of the CEO and that of the board chairperson should be separated. The chairperson should be a person who is independent and does not interfere in the day-to-day management of the company	The roles of the CEOs and that of the board chairs have been separated in all companies investigated. The board chairpersons of these companies are independent of management, but not independent of controlling shareholders
Selection and board independence	The selection procedure of new directors ought to be based on merit and should be formal and transparent	In the cases of QCB, SIS and BLA, directors are selected by controlling shareholders. In the case of the TG bank, selection/appointment can be done by a shareholder, if he/she/it satisfies a specified criterion. There are no lucid criteria for the selection of directors in all four organisations investigated
Board meetings	For the board to discharge its duties effectively, it should meet at least six times a year	In all four organisations, board of directors meet four times a year and can be increased as situation demands
Board committee	For the board to work effectively and avoid any conflict of interest, it should establish independent committees, as it may deem appropriate to help it perform its duties: independent audit and remunerations committees	All four companies investigated have established a formal board audit committee with independent non-executive directors as members. When it comes to a formal board remuneration committee, only QCB and the TG bank boards have established one
Board succession plan	For companies to adjust to the dynamics of corporate governance, the board is responsible for the drawing of succession plans and appointments	In all four companies, there is no succession plan, in that directors are all shareholder appointees

In terms of leadership structure of the board, the two positions of the board chairperson and CEO have been separated in all four organisations. However, this proves inadequate to meeting the principles' recommendation. This is because, in three of the companies, their CEOs and board chairpersons are appointed by their controlling shareholders. And if these two topmost individuals of these organisations are always appointed by these controlling shareholders, then it leaves no room for board chairpersons of these companies to function effectively as expected of them. In addition, the leadership structure of the remaining company proves inadequate in the sense that these two positions are occupied by the founding fathers of the company. The implication is that, this sort of separation is more of "power sharing" mechanism rather than a "check and balance" measure. This is in line with Dalton and Dalton's (2009) assertion that the non-duality structure does not automatically indicate independence of the leadership structure.

A board audit committee has been set up in all four organisations studied, which is, to some extent, in line with the recommendation of the Companies Code. However, they prove inadequate in three of the companies, in that committee members are not independent of the whims and caprices of their controlling shareholders. Even though the remaining company's committee members are not independent of its controlling shareholder, the manner in which committee members carry out their activities makes the committee effective and efficient.

Furthermore, a board remuneration committee has been established in two organisations, which is, to some level, consistent with the Companies Code's recommendation. However, they prove inadequate in one of the companies, in that committee members are not independent of controlling shareholders. Even though the remaining company's committee members are not independent of its controlling shareholder, the manner in which committee members carry out their activities makes the committee effective and efficient. The other two organisations have not instituted a formal board remuneration committee and, therefore, do not meet the code's recommendation.

The Companies Code recommends that the method of director appointment should be formal and transparent to all shareholders and that information about potential persons are to be made public. These include the working experience, accomplishments, stature and credibility of potential persons. However, none of the four organisations studied has a clear explanation in relation with the criteria for director appointments as recommended by the Companies Code.

7. Prevailing condition with regards to corporate governance effectiveness in Ghana and its driving forces

The shareholder perspective of corporate governance put forth that the objective task of an organisation ought to focus only on those who have monetary share of the organisation. It considers organisations as devices for shareholders to maximise their investment returns, on the basis that, theoretically, they (i.e. shareholders) are residual claimants (Jensen and Meckling, 1976). Accordingly, effective corporate governance was defined in this study as to how the ownership structure and the board structure serve as good corporate governance mechanisms in reducing agency problem in an organisation, by narrowing the gap between the interests of shareholders and managers. In the context of this study, effective corporate governance is realised if the mechanisms examined (i.e. the ownership structure and the board structure) help in solving agency problems in the current Ghanaian setting.

7.1 Ownership structure

In all organisations studied, controlling shareholders function as monitors and controllers of managers. Controlling shareholders exert control over decisions of management via their incessant access to and selection (and the authority to dismiss) of key persons in the organisations, their frequent access to information and their activeness in decision-making processes of the organisations. With these possibilities, controlling shareholders induce management to take decisions that would maximise shareholder value and, consequently, help reduce agency problem. In all organisations, controlling shareholders have the ultimate say on decisions during annual general meetings, in view of the fact that they have the control rights. This allows them to pervasively influence decisions of management, and, as a result, the management has to take actions to maximise shareholder value. The revelation of this ownership concentration in all four organisations studied is a feature that cuts across all Ghanaian organisations listed on the GSE, and a number of organisations that are not listed. In simple terms, all Ghanaian organisations have controlling shareholders. The four cases offer dependable proof that the ownership structure is a vital driving force of effective corporate governance in Ghana. This revelation from the cases investigated with regards to the role of large shareholders is in line with the extant literature on corporate governance. Denise and McConnell (2003) opine that large shareholders have the incentive to use up resources to monitor and control management to make sure that their interests are met. Large shareholders are observed as vital corporate governance mechanism in the developing world, in that they strongly influence the course of effective corporate governance (Berglof and Claessens, 2004).

7.2 Board effectiveness

With regards to the board, the study concentrated on elements that are regarded vital in agency theory to determine board effectiveness in connection with board control. The elements examined in this study were: board composition, leadership structure of board, director independence, meetings of board, board audit committee and board remuneration committee.

7.2.1 Board composition. The findings of the study depict that, in all organisations, non-executive directors form the majority of their boards. The degree to which board composition determines board effectiveness in connection with board control function is assessed to be low in three organisations. In these three cases, boards do not get involved in the crucial elements of control in the organisations, as controlling shareholders execute such operations. This observable fact from these three organisations confirms the findings in the extant literature that the existence of large shareholders has the propensity to weaken other corporate governance mechanisms (Berglof and Claessens, 2004). It is only in one case that board composition was evaluated to settle on board control to a large extent. The board's non-executive directors carry out all the crucial elements pertaining to board control in the organisation. This enhances the debate in the extant body of knowledge that boards can be effective governance mechanism (Berglof and Claessens, 2004; Denise and McConnell, 2003). However, this study highlights that boards can only become effective corporate governance mechanism if large shareholders allow them (by means of absenting themselves from performing control-related operations) to carry out their control function in the organisation.

The finding with regards to the number of non-executive directors relative to the board size in all organisations studied meets the recommendations of the Companies Code 1963, which states that at least one-third of board members should be non-executive directors.

7.2.2 Director independence. In all organisations studied, the extent to which director independence drives board effectiveness relative to board control is high. Such director independence has the propensity to transform into effective and efficient control of management. However, the observable facts also show that although directors are independent of management, the subject of director independence in relation to controlling shareholders continue to be challenging. The prevailing condition where controlling shareholders are given rights to select directors, present a conundrum to director independence. This observable fact is in line with the extant body of knowledge, in that large shareholders, in general, jeopardise director independence, as large shareholders tend to have an authoritative command in relation to director appointment (Berglof and Claessens, 2004). The aspect of director independence in all four organisations met the recommended guidelines by the principles of corporate governance of Ghana.

7.2.4 Board leadership structure. The extent to which the division of the roles of the CEO and the board chairperson settles on board control in the four organisations is low. With regards to the suggested guidelines, the division of the roles in all four organisations meets the requirement of Ghana's principles of corporate governance, as one person does not perform the two roles. However, the division of the roles in three organisations that scored low do not conform with the guidelines of the Companies Code, in that board chairpersons in these organisations are not independent of controlling shareholders. The remaining organisation also scored low, in that the two topmost positions are held by the two founders of the organisation. Thus, making the separation of these two positions, a power-sharing strategy, rather than a strategy to enhance board effectiveness.

7.2.5 Board meetings. The extent to which board meetings settle on board effectiveness with regards to board control function is low for three organisations and high for one. As with other driving forces of board effectiveness, board meetings do not pave an important way to board effectiveness with respect to board control in three organisations because their boards do not exert board control. In the remaining organisation, board meetings settle on board control, in that they (i.e. board meetings) represent platforms that offer the board to exert control over management and corporate decisions.

In addition, it is only in one of the four organisations studied that its board has put in place performance evaluation mechanism to assess the performance of directors, the CEO and the board. With regards to this finding, three organisations do not meet the recommendation of the principles of corporate governance of Ghana.

7.2.6 Board audit committee. The role of the board audit committee in driving board control is low for three organisations and high for one. As with other determining forces of board effectiveness, the establishment of board audit committees does not necessarily lead to board effectiveness in relation to board control function in three organisations, in that controlling shareholders perform extensive control over the organisations. This is in line with the assertion that the ownership structure has influence on internal mechanisms of corporate governance (Berglof and Claessens, 2004). As a matter of fact, the ineffectiveness of the board audit committees of these three organisations in consequence of the presence of controlling shareholders makes the Companies Code’s recommendation with respect to board committees irrelevant. Because the board is ineffective as a result of the extensive control over its activities by the controlling shareholders, it can be envisaged that any committee established by the board will be ineffective.

7.2.7 Board remuneration committee. Two of the organisations studied have established a board remuneration committee. However, the role of the remuneration committee in determining board control is low for one of the two organisations and high for the remaining one. The establishment of a board remuneration committee does not foster board control in the organisation that scored low in the sense that controlling shareholders perform extensive control over the organisation. This is in line with the observation that the ownership structure has an influence on internal mechanisms of corporate governance (Berglof and Claessens, 2004).

8. Issues concerning the advancement of effective corporate governance in Ghana

The observable facts reveal three key issues that need to be given the necessary attention to enhance corporate governance practice in Ghana. These are: improving the corporate governance foundation; safeguarding the right of minority shareholders; and issues that affect board effectiveness.

8.1 Improving the corporate governance foundation

Market-oriented economy is still gaining roots in Ghana. This is because a lot of factors that create efficient market-oriented economy are still developing. For instance, Ghana’s capital market is still in its early stage. Hitherto, the capital market is not efficient to induce management to proceed along the course of maximising shareholder value. In simple terms, it does not serve as an effective, efficient and dependable threat to management, which does not take decisions to maximise shareholder value. In addition, law enforcement, which is a key element for efficient and effective market-oriented economy is weak in Ghana. The World Bank (2003) reports that corporate governance in most developing and transition economies is not properly practiced because these economies have not succeeded to always and equably enforce rules and regulations concerning corporate governance. Practices like insider trading and self-dealing are common. Such offenses, by and large, go undisciplined, even if tough penalties apply in theory (World Bank, 2003). Ghana’s position to support the implementation of corporate governance is weakened by weak monitoring and enforcement. Because of the aforementioned challenges, there is a need to improve on the foundation for effective corporate governance in Ghana, which is no different to the needs of other emergent economies. For example, most Commonwealth countries are faced with such challenges (Berglof and Claessens, 2004).

8.2 Safeguarding the right of minority shareholders

Currently, large shareholders play a significant role in determining effective corporate governance in Ghana, but they also cause a significant challenge. This is because shareholders with large shares are more likely to represent a controlling interest (Okpara, 2010). Such control furnishes them (i.e. shareholders with large shares) with the possibility of private benefit (i.e. benefits that are unavailable to other shareholders), and with this practice, firm value is likely to be reduced (Berglof and Claessens, 2004; Denise and McConnell, 2003).

The observable facts from the four cases reveal that there are significant information and power asymmetries between controlling equity holders and small/minority equity holders. Currently, small equity holders cannot effectively influence decision-making processes of organisations. Generally, minority shareholders do not have representations on the boards of corporate organisations. Even in annual general meetings where they depend on for information about the growth of the organisation, they are always denied to voice out their concerns as they want. This generally, makes them vulnerable and, as a result, they play a lesser role on how organisations are governed.

The vulnerability of small equity holders means that the conventional agency problem confronting Anglo-American organisations, which sets equity holders against powerful management, is not salient in the Ghanaian setting. This is because the main problem is the struggle between controlling equity holders and minority equity holders. This is archetypal of most developing and transition economies (Okpara, 2010; Berglof and Claessens, 2004). This leads to the expropriation problem where majority shareholders with their controlling prowess over organisations tend to divert resources from organisations in a manner, which dispossesses minority shareholders of their fair share of income from those resources (Oman *et al.*, 2003). These controlling rights of large shareholders not only offer them with unrestricted power to punish poorly performed management but to also channel company resources for their private gains (Zhonghua, 2008). Such revelations have been reported to have taken place in some independent Commonwealth economies and South-Eastern economies of Europe (OECD, 2003). Even though this study has not found concrete evidence that such deprivation of possession of minority shareholders is prevalent in Ghana, it brings out that the prevailing condition presents a fertile ground for this to happen.

The implication for further improvement of corporate governance practice in Ghana is to put some measures in place to safeguard minority shareholders. La Porta *et al.* (2000) have suggested six legal protection forms termed as anti-director rights measured by the “anti-director rights index”:

1. permitting equity holders to mail their proxy votes to the company;
2. not requiring equity holders to deposit their shares before the annual general meeting;
2. cumulative voting;
4. ensuring proportional representation of small/minority equity holders on boards;
5. the presence of a mechanism for oppressed small equity holders; and
6. allowing small equity holders to organise an extraordinary shareholders meeting.

The Companies Code of Ghana points out the principle of equitable treatment of all shareholders (for example, minority shareholders should be given the opportunity to attain effective redress for violation of their rights). Even though this section of the code is aimed to safeguard minorities, the main problem confronting Ghana with regards to laws is their enforcement. There may be an existence of laws to safeguard minorities, but their application is generally poor. A law-oriented method of solving this problem, which is clearly spelt out by Black *et al.* (1999), in the context of Russia also applies to Ghana:

> [T]he principal problem is not that laws aren't strong enough; but that they aren't enforced [. . .] unhappy shareholders can rarely develop enough facts to prove the rampant self-dealing that occurs every day. The courts respect only documentary evidence, which is rarely available, given limited discovery and manager's skills in covering their tracks [. . .] pursuing a case [. . .] will take years, and when you are done, enforcing a judgment is problematic, because enforcement is by the same biased or corrupt lower court that the shareholder began at (Black *et al.*, 1999 cited by Dyck, 2001).
>
> The problem of enforcing laws, and rules and regulations is a challenging issue confronting most developing and transition economies with respect to corporate governance (Okpara, 2010; Berglof and Claessens, 2004). If the law courts do not effectively perform their functions in developing countries where corruption is rife, governance structures in individual firms will lack appropriate means of enforcement (Charkman, 2005). A situation like this automatically leads to weak investor protection which will shy foreign investors away from these countries. This then points to the fact that mechanisms should be put in place for such enforcement. For instance, meeting this problem needs the recognition that the structure and capacity of regulatory and judicial frameworks are essential parts of the corporate governance structure.

8.3 Issues that affect board effectiveness

A number of issues that drives board effectiveness with regards to board control function still needs to be dealt with. These include: director independence, assessment of directors and the leadership structure of the board.

8.3.1 Director independence. The observable facts of the four cases reveal that the size of equity capital that is needed for shareholders to select representatives to the board is well-established in the various rules and regulations governing the companies. This regulation normally backs controlling shareholders because it permits them to select the majority of board members, the chairperson and the CEO, while excluding a lot of small equity holders from partaking in all vital decision-making processes. This is in line with the findings of Berglof and Claessens (2004) that director independence is weakened with the presence of controlling shareholders.

8.3.2 Assessment of director. With an exception of one organisation, the various boards of the companies studied do not deal with issues pertaining to formal assessments of directors and board activities. Because there are no laid-down measures in assessing board members, once these individuals are appointed or selected, they tend not to fully involve themselves with regards to how they apply their skills, knowledge, competencies and expertise for the betterment of the companies. Evaluation of directors – be it at board level, committee level or individual level – is relevant, in that it facilitates the board's understanding of whether it is meeting its own performance expectations (Larcker and Tayan, 2011). In circumstances where a director is inactively involved in board activities, this assessment mechanism can be an effective way for introducing a discussion about his/her performance.

8.3.3 Leadership structure of the board. All four organisations have separated the roles of the board chairperson and the CEO, but none of these separations enhances board control. The general evidence is that the division of the two positions is only vital for the purposes of control when the board is, practically, involved in decision control. However, in a situation – as witnessed in our four cases – where large shareholders always wield control over the activities of their companies, such schism can never be considered as a value added approach.

9. Conclusions and recommendations

We present a comprehensive and defensible qualitative analysis of the complex issue between shareholder control and board control. We use four large publicly listed organisations on the GSE. The empirical observation shows that shareholders with substantial shares in corporate organisations actively exercise control over corporate decisions. In addition, we find that when large shareholders fully involve themselves in corporate decision-making processes, boards appear to be advisory bodies. This is in line with the findings of Coles *et al.* (2008), Adams and Ferreira (2007), Adams and Mehran (2003) and Agrawal and Knoeber (2001). Furthermore, the findings regarding director independence put up some challenges to the various principles of corporate governance (OECD, 1999, 2004; CACG, 1999; Companies Code 1963), which recommend that NEDs must be independent. In circumstances where the controlling shareholder appoints the majority of directors, independence remains a problem or huge challenge. This will then necessitate for a substantial amount of efforts/attempts to get rid of that gargantuan challenge, mostly because it can be opposed by large shareholders (Berglof and Claessens, 2004). The paper has identified the essence of considering the consequences of privatisation of corporate organisations and the eventual position of large shareholders in the decision-making processes of organisations. It has been deduced that instead of privatisation via strategic investors/capital providers to empower local shareholders, it undermines them and, eventually, makes them vulnerable to the expropriation problem.

On the basis of these findings, we recommend the following: although Ghana has sufficient laws and regulations with respect to corporate governance, the major challenge is the absence of active devices for their effective enforcement. Without an effective enforcement of the rules and regulations with regards to corporate governance, it would be very difficult for developing and transition economies to develop a strong and vibrant capital markets, which are currently regarded as important for sustainable economic development for countries (Shleifer and Vishny, 1986; Berglof and Claessens, 2004). On the basis of this issue, the recommended strategy to ensuring effective enforcement of existing laws and regulations is by recognising that the structure and capacity of the laws, and legal and regulatory framework, are essential components of the corporate governance system. In achieving this, the following mechanisms have been suggested by this study:

- improving the regulatory framework by making the laws accessible to all equity holders and the populace;
- fashioning out effective mechanisms for law enforcement, as well as strengthening enforcement mechanisms (by providing training, logistics, equipments and so on);
- taking on alternative dispute resolution strategies;
- creating a conducive environment by keeping up the possible will to execute policies;
- creating an independent and intrepid judiciary; and
- encouraging the media to report issues of corporate governance and become more critical/judicious on issues of corporate governance.

An important issue that cropped up from the empirical findings was the need to safeguard small equity holders from the abuses of large equity holders. Safeguarding small equity holders is currently a very important issue in developing economies (Berglof and Claessens, 2004), of which Ghana is no exception. The protection of small equity holders basically demands that the implementation of existing rules and regulations be improved. It also requires a simultaneous implementation of other strategies including the gaining of greater access to information, reviewing the current rules and regulations, educating small equity holders and an effective enforcement of existing recommendations and guidelines/principles of corporate governance. To protect the right of minority shareholders, they should be educated. This will make them aware of their rights to further reduce abuses of large shareholders. Educational campaigns can be organised to bring about an understanding of their rights. The SEC, Bank of Ghana and GSE should also encourage corporate organisations to organise educational symposiums, conferences, forums and so on to sensitise their shareholders on their rights. SEC and GSE can also encourage minority shareholders to form vibrant associations to safeguard their interests.

An arrangement of a company's internal corporate decision-making processes helps in safeguarding minority shareholders. In all organisations studied, minority shareholders were not given ample time to express their grievances during annual general meetings. When board chairpersons chair those meetings, they may have an interest in safeguarding the board from shareholder criticisms. It is recommended that annual general meetings should be reformed so that they could be chaired by individuals who are independent of both management and boards. Those individuals should be elected by shareholders for each annual shareholder meeting. This will enable the board to be accountable to all shareholders. To give credence to this recommendation, regulatory bodies such as SEC and GSE ought to include this in the listing requirements of GSE.

This is a study to shed light on corporate governance practices in four large publicly listed corporate organisations on the GSE, so the observable facts do not apply to other emergent economies. In addition, the sample does not represent all corporate organisations in Ghana; thus, the empirical observations cannot be generalised to other organisations that have not been included in this study. However, the empirical results can be applied to other similar corporations in Ghana and other developing countries in an analytical sense. With the application of inductive reasoning, the results can be applied to provide important appreciation in an effort to understand the structure of corporate governance practices in organisations in developing countries.

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