Corporate Governance

Boards and governance of state-owned enterprises
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Abstract

Purpose – *This study aims to examine the structure, attributes, and performance of boards of directors of state-owned enterprises (SOEs) within the broader context of public sector governance. This is informed by the less attention given to the concept among public sector organizations despite efforts to make state enterprises more effective and efficient, especially in developing and middle income countries.*

Design/methodology/approach – *Data was collected through questionnaires self-administered in 2010 to all 25 SOEs in Accra, Ghana, out of the 29 nationwide. Some key officials were interviewed and documentary evidence analyzed to achieve triangulation of data and results.*

Findings – *Results show that state-owned enterprises have boards and comply with the minimal governance issues outlined the legal frameworks establishing them. However, they exhibit significant weaknesses in the areas of board performance evaluation, criteria for board appointment, the balance of executive directors and non-executive directors, and other board characteristics, indicating a departure from general practices.*

Practical implications – *Findings suggest the need for a tailored corporate governance framework or code for state-owned enterprises in developing countries.*

Originality/value – *Compared to the literature, this study provides insight on boards from the perspective of state enterprises in ensuring good corporate governance, particularly in the context of a middle income country (Ghana).*

Keywords *Corporate governance, Ghana, Developing country, Boards, State-owned enterprises*

Paper type *Research paper*

Introduction

This paper is part of a project that seeks to examine public sector reform programmes in Ghana and their impact on corporate governance practices of state-owned enterprises (SOEs). The current study focuses on the governance of SOEs in relation to board structure, characteristics, and performance evaluation. This paper argues that leadership by way of a board is very critical in ensuring that the objectives and corresponding strategies are formulated to achieve better SOE performance. Furthermore, boards play key roles in monitoring and providing feedback to management of SOEs.

Corporate governance has historically been associated with the private sector, focusing on corporation-shareholder relationship, and specifically large and listed firms. Later studies have explored the concept in other entities: SMEs (Abor and Biekpe, 2007); NGOs (Simpson, 2008); and the public sector (Edwards and Clough, 2005; Halligan, 2006; Hicks, 2003; Nicoll, 2006; OECD 2005a, b, 2010). In the public sector (at macro level), studies show strong positive correlation between per capita incomes and the quality of governance across countries (Kaufmann *et al.*, 2005), but the concept is not receiving the same attention as in the private sector (Edwards and Clough, 2005; Halligan, 2006; Hepworth, 2004; Hicks, 2003; Nicoll, 2006). These scholars explain that the public sector deserves more attention

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because while unethical behaviors in the corporate sector impact the shareholders of a company, unethical behavior in the public sector impacts all taxpayers and citizens. Furthermore, good public sector governance can ensure a quality public sector (accountability, efficiency in service delivery, transparency, and so on) which correlates strongly with, long-term growth and poverty reduction (Bates, 2001; Kaufmann *et al.*, 2005).

Similarly at the micro level of the public sector (SOEs), less attention has been given to the issue of governance (OECD, 2005a, b; Robinett, 2006; Wong, 2004) despite evidence that the poor performance and collapse of SOEs are traceable to corporate governance. Nellis (2005) for instance reports that the poor performance of SOEs, particularly in African countries, is due to problems related to corporate governance:, e.g. poor monitoring, managerial and technical challenges, and deficient boards of directors, poor reporting systems. Robinett (2006) adds that corporate governance tools including the constitution of quality board of directors (BODs) can help state-owned enterprises perform well and act in the best interests of citizens and other stakeholders. A study by OECD (2005b) confirms the potential of improved SOE governance in promoting growth through better performance and increased productivity.

Interestingly however, many of the studies on improving the performance of SOEs have been on how to transfer ownership to the private sector (divestiture, etc), instead of examining and addressing the governance and other problems traced to the SOE sector (Chang, 2007; OECD, 2003). Cook (1997) reports that privatization is seen by many as the panacea for SOE problems. This perhaps explains the limited empirical studies on the impact of non-privatization reforms on practices in the SOE sector, including governance (Kamal, 2010). Indeed, developing countries have been the focus of many SOE reform programmes (Cook, 1997; World Bank, 1995); hence the need for the current study.

Existing studies on SOE governance draw on local factors in OECD countries; which differ from lower income level countries. These motivate the current study which is exploratory, and focuses on the fundamentals of governance, that is, the internal mechanisms of corporate governance such as board structure, attributes, and performance evaluation.

Ghana is chosen over other developing countries due to some key considerations including accessibility and proximity to required data. Moreover, Ghana is a pioneer in political independence, democratic, social and economic progress in Sub-Sarahan Africa (SSA). Since 1992 Ghana has enjoyed political stability, good democratic governance, and successfully transferred political power between two major political parties three consecutive times. These achievements have earned Ghana recognition by many scholars as a reliable site for scientific study; and in particular, have made the country everyone's favorite for researching into issues associated with Africa (Ayee, 2008). Furthermore, Ghana has a rich history of SOEs and reforms in SSA due to the vast levels of experience with respect to the research issues raised in this study. Indeed, the Ghanaian SOE sector have had both ''good'' and ''bad'' experiences, and such evidence will contribute significantly to the body of knowledge, policy and practices in the SOE sector of other developing countries.

The rest of the paper is organized as follows: The next section reviews the extant literature on corporate governance, emphasizing the issues on board attributes. This is followed by discussions on the Ghanaian SOE context and the research methodology. Results are discussed in the penultimate section, and finally the concluding comments in the last section.

Literature on corporate governance and boards

The term corporate governance has been severally defined and discussed from diverse contexts. It is simply the mechanisms by which organizations are directed and managed with the aim of being accountable and improving performance. Cadbury Committee (1992) defines corporate governance as the system by which companies are directed and controlled. It includes the structures, processes, cultures and systems that engender successful operation of any organization (Keasey *et al.*, 1997). Earlier scholars define corporate governance as an umbrella term that includes specific issues arising from interactions among senior management, shareholders, boards of directors, and other corporate stakeholders (Cochran and Wartick, 1988). Oman (2001) expands the definition to include the regulatory environment, and explains that, the term comprises the laws, regulations and accepted business practices (external mechanisms), which govern the relationship between corporate managers on one hand, and those who invest resources in corporations on the other. These definitions clearly suggest some fundamental elements in any governance process: parties, relationships, roles and responsibilities, and other exogenous issues (regulatory). Thus, the elements of corporate governance are grouped into internal and external mechanisms (e.g. Weir *et al.*, 2002).

Theoretically, there is panoply of theories in the governance literature that explains the concept. This can be grouped into economic-based and non-economic based theories. From the economic perspective, the most widely used theory is the agency theory. It generally assumes a relationship or a contract (formal and informal, implicit and explicit) between two parties; principal and agent, shareholders and managers (Jensen and Meckling, 1976; Ross, 1973), and managers and subordinates (Watts and Zimmerman, 1978). This relationship results in separation of ownership (principals) and control (agents), information asymmetry, goal conflicts and opportunistic behavior on the part of the contracting parties, especially the agent (Eisenhardt, 1989; Jensen and Meckling, 1976; Noreen, 1988). Thus, solving these problems require BODs to perform oversight functions for the principals, i.e. monitor the agents.

However, the agency theory has been questioned by non-economic theorists such as the stewardship and stakeholder theorists. Proponents of the stewardship theory argue that mangers are rather team players, less prone to having individualistic goals and interests, so they serve and are willing to work for the well-being of the larger group (Donaldson and Davis, 1991; Mayer *et al.*, 1995; Van Slyke, 2007). So, managers must be trusted to give account of their stewardship. This appears theoretical and not practicable; as evidence suggests that managers cannot be trusted, hence the need for monitoring and bonding (Deegan, 2006). The stakeholder theorists add that principals of an organization are not only shareholders, but all other groups or individuals who can affect or are affected by the activities of the organization (Clarkson, 1995; Donaldson and Preston, 1995; Freeman, 1984). This theory has also been critiqued for being overly morally based.

In the public sector, the foregoing theories, especially the agency theory, have received criticism in terms of practicality. Benz and Frey (2007) for instance explain that though corporate governance approach in the public sector is identified with agency theory in terms of controlling self-interested behavior of managers, very critical questions peculiar to the public sector remain unanswered in practice; for instance, who has the actual right to decide over what?; and is there actual board and management autonomy?; Heath and Norman (2004) add that the multi-task agency problems and multi-principal agency problems make the agency theory less useful in the public sector.

On account of the above, stakeholder theory appears the most appropriate in reducing any existing and potential conflicts among multiple stakeholders including shareholders as in the case of SOEs by harmonizing their interests in order for each group to receive some degree of satisfaction (Friedman and Miles, 2002). In effect, leadership by way boards should comprise representatives of all parties with direct and indirect interest in the public sector organization in question, but a fundamental issue that can be raised is: who should be on the boards of public sector organizations? Indeed, every citizen and taxpayer is both a shareholder and a stakeholder in all public sector organizations (see Edwards and Clough, 2005; Halligan, 2006; Hepworth, 2004; Hicks, 2003; Nicoll, 2006). This perhaps confirms the call by Clarkson (1995) of the need to formalize the relationship between an organization and the various stakeholders, because stakeholder issues are not subject to any regulation. Donaldson and Preston (1995) specifically call for a legal version of the stakeholder model to enforce stakeholder relationships, as well as recognize economic and non-economic stakeholders.

Perhaps Mitnick's (1973) version of agency theory may suffice in identifying stakeholders (including shareholders) in the SOE sector. Proponents explain that this theory advocates the same principles of agent-principal contract, but the agency relationship consists of several bureaucratic agents surrounded by multiple principals, so the relationship is not a dyadic one (e.g. Mitnick, 1973; and Shapiro, 2005). So, focusing on one principal and one agent may be for research expediency (Moe, 1984). Indeed, this version of agency theory recognizes multiple agents and principals; heterogeneous preferences or goal conflict, and competition among principals and agents as well as between them; problems of collective action; a more complicated palate of interests and therefore different incentives mobilized to control them; varying sources and mechanisms to mitigate informational asymmetries; an active role of third parties (interest groups, regulated parties, etc.); and a dynamic playing field on which relationships unfold and are transformed (Shapiro, 2005, p. 271). These lead to different modes and levels of delegation by the multiple principals, and several relationships which require different agency contract (Shapiro, 2005).

From the foregoing discussions, it is clear that agency theory is still relevant since it goes beyond shareholders to include other stakeholders as in stakeholder theory. Moreover, relationship is not based on moral argument but law as recommended by stakeholder theorists (Clarkson, 1995; Donaldson and Preston, 1995). The adoption of this version of agency theory extends its application; and perhaps explains the unenforceability of principles in favor of non-shareholders outlined in many corporate governance codes.

Board structure, attributes, and performance

Boards of directors representing the leadership of any organization generally comprise the shareholders (owners) of an organization and/or their representative(s) and sometimes, other stakeholders. They are the final decision makers, thus they need a wide range of skills, and high level of comprehension to be able to deal with business issues and review management performance. Indeed, the decision to ensure that the direction (strategic decision) and control (monitoring and evaluation) of the company is unyielding is reserved for the board (Cadbury Committee, 1992).

From the perspective of public sector organizations, Edwards and Clough (2005) argue that boards should exhibit a combination of ''soft'' and ''hard'' features. The hard features include: separation of the roles of chairperson and chief executive officer (CEO); appointing more non-executive directors (NEDs) or independent directors; small board size; a good balance of director skills and competencies; audit and other board committees; effective board performance evaluations; linking CEO rewards to performance; transparent appointment processes; and adequate communication with investors (see also Heracleous, 2001; Leblanc, 2001; Leblanc and Gillies, 2004). The ''soft'' attributes include: clarity in roles, responsibilities, and relationships between: CEO and chairperson, directors and management, directors and shareholders/stakeholders; healthy chairperson/CEO interface; directors working as a team; culture, trust and open dissent; right skills and competencies, including industry/business knowledge; good induction process and ongoing access to training; leadership skills of chairperson; information flows; regular evaluation of board performance (see also Cook and Deakin, 1999; Kocourek *et al.*, 2003; Lawler *et al.*, 2002; Nadler, 2004; Roberts, 2002).

The above features do not differ significantly from the characteristics outlined in the OECD guidelines (OECD, 2005a). These include board characteristics such as: board size; composition; nomination process; board functions; work of boards; board evaluation; and board remuneration. The literature is however vague with respect to the structure and size of SOE boards. The reason probably is that the optimal board size and structure varies from firm to firm; so it is suggested that a not-too-large board helps in efficient decision-making by minimizing negative board dynamics.

The Australian Stock Exchange (ASX, 2003) recommends a limited board size to encourage efficient decision-making, but eight directors is cited as the typical or upper limit, and 6.6 as the mean board size (Kiel and Nicholson, 2003; Larcker *et al.*, 2004). Leblanc and Gillies (2004) note that eight to 11 can be viewed as optimal for any sector, but Uhrig (2003) reports that six to nine is considered a good practice in the private sector, and explains that in the public sector optimal board size differ from one organization to another. Confirming this, evidence from OECD countries (OECD, 2005b) show that, the overall SOE board size is generally high, a maximum of 15 and an average of seven.

Regarding the composition of SOE boards, OECD recommends that the BODs must possess the requisite acumen to contribute to firm growth. It adds that, such individuals may represent the state, employees and other groupings. In all of these, the members must be independent and free from political and other influences to protect shareholder interests from managerial opportunism. Psaros and Seamer (2002) explain that, independence is critical to ensuring that the BOD fulfills its oversight role and holds management accountable to shareholders. Moreover, appointing independent directors onto boards ensures: an appropriate mix of skills and expertise to govern effectively – in particular; facilitate good decision-making – if unavailable in-house; and good board diversity (Cairnes, 2003; Nicholson and Kiel, 2004).

Related to the above is the separation of chairperson and CEO. The OECD guideline encourages the practice, the UK insists on it but the USA does not have a firm recommendation on the issue. Donaldson and Davis (1991) explain that the recommended separation of Chairperson and CEO is primarily grounded in the understanding that when the CEO plays the dual role of chairperson, owner interests will to some extent be sacrificed to the benefit of managerial interest. While the board provides a mechanism for keeping managerial action in check, an independent chairperson will enhance the board's capacity to achieve this. Moreover, the chairperson can serve as a confidant, perhaps even a mentor, to the CEO and even play the supportive role of talking openly and in depth about the difficulties experienced in heading an organization (Kocourek *et al.*, 2003).

On the functions and work of SOE boards, the OECD (2005a) guidelines generally state that the boards of state enterprises should have the necessary authority, competencies and objectivity to carry out their function of strategic guidance and monitoring of management. Besides, they should act with integrity and be held accountable for their actions. Specifically, the board should:

- Be assigned a clear mandate and ultimate responsibility for the company's performance. The board should be fully accountable to the owners, act in the best interest of the company and treat all shareholders equitably.
- Carry out their functions of monitoring of management and strategic guidance, subject to the objectives set by the government and the ownership entity. They should have the power to appoint and remove the CEO.
- Be composed so that they can exercise objective and independent judgment. Good practice calls for the Chairperson to be separate from the CEO.
- If employee representation on the board is mandated, mechanisms should be developed to guarantee that this representation is exercised effectively and contributes to the enhancement of the board skills, information and independence.
- When necessary, SOE boards should set up specialized committees to support the full board in performing its functions, particularly in respect of audit, risk management and remuneration; and nominations.
- Carry out an annual evaluation to appraise their performance.

Other corporate governance reports confirm the foregoing and argue for the creation of sub-committees or special committees to provide support to BODs, and most importantly enhance the independence of their activities, especially in the area of nomination and remuneration. These committees may also engage in risk management, dealing with auditing and reporting issues, and many more. Furthermore, the reports recommend the need for the performance of boards and the various committees to be evaluated at least once a year, as well as organize trainings and orientations to improve their effectiveness (Greenbury Report, 1995; Higgs, 2003; Smith Report, 2003). However from the literature, it is clear that the recommendations relate to publicly listed companies and not necessarily public sector organizations including SOEs.

Evidence from the limited studies on SOE governance confirms the above. For instance, Kamal (2010) using evidence from Indonesia demonstrated that reports that many of the existing corporate governance frameworks are useful, but not for pure SOEs. He explains that such codes are relevant to the publicly listed companies or partially owned SOEs which have fragmented shareholders, but common objective; maximization of shareholder wealth. In the case of pure SOEs or wholly owned SOEs, governments represent the public as shareholder, but have multiple interests and objectives, including political ones. These features, coupled SOE problems such as conflicting objectives, political interferences, reporting and transparency and unprofessional board members (e.g. Kamal, 2010; Nellis, 2005), make the combination of ''soft'' and ''hard'' features of SOE boards different and comparatively difficult. Moreover, the development of governance framework and code for organizations in different sectors (universities, SOEs, state and local government department. etc) clearly show the failure of the principle of one-size-fits-all governance models, hence, the current study using evidence from a developing country.

The Ghanaian context and methodology

State-owned enterprises, since independence in 1957, continue to be an integral part of the Ghanaian economy. Their numbers grew steadily post-independence and their economic contribution was significant. For instance, between the period of independence, 1957 and the end of 1966, employment in public corporations increased from 11,052 to 115,826, almost 950 percent increase (Adda, 1992). Furthermore, government was able to set up additional enterprises, including Banks using appropriated surplus of a single SOE (Appiah-Kubi, 2001). By late to mid-1980s, there were over 300 public enterprises operating in various aspects of the Ghanaian economy (Adda, 1992; Appiah-Kubi, 2001; Christensen, 1998), accounting for over 85 percent of employment in the country (World Bank, 1995).

Despite their physical presence and size, their economic contributions by way of savings or profitability were not as expected. Indeed, they rather became a budgetary burden due to their poor performance, poor monitoring, managerial and technical challenges, deficient boards, poor reporting systems, huge accounts receivable from other state agencies, corruption, and political interference (see Ayee, 1994; Nellis, 2005; World Bank, 1983, 1995). The performance of SOEs became so deteriorated that, subsidies, subventions, and loans to SOEs averaged around 12 percent of total government expenditures between the years 1980 and 1982 (Adda, 1992).

The above problems and other economic challenges led to the adoption of World Bank, and IMF sponsored reforms which included radical restructuring and divestiture of SOEs. The latter was popular since that brought in financial resources (SEC, 1995). However, there are still a number of SOEs operating in strategic sectors such as energy and power, communication, agriculture, etc. to create jobs, and execute developmental objectives. Indeed, the significant roles that they play triggered the restructuring reform programmes to among other things; revamp the State Enterprises Commission (SEC) as the regulatory and supervisory body, and implement the performance contracts system (Christensen, 1998; Larbi, 2001). There were also some legal reforms to corporatize SOEs, and distinguish clearly between ministers' responsibilities for policy issues and managers' responsibilities for operational issues, with the former giving the latter managerial autonomy (Larbi, 2001). These included the conversion of some statutory corporations into state-owned limited liability companies under the Statutory Corporations (Conversion to Companies) Act 461, 1993, and the Companies Code, 1963, Act 179. Indeed, these changes appear to have resulted in a rather complicated governance arrangement characterized by a multiplicity of agencies with overlapping responsibilities, entrenched practices, and *ad hoc* interventions (see SEC, 1995).

In the specific case of SOE governance, there has been an extension of responsibilities of the board of directors to include the management of the affairs of the company; strengthening the authority of boards relative to senior management; and the transfer of responsibilities from the Government to boards regarding financial and borrowing decisions. Moreover, SEC has been mandated to among other things, advise government on the processes/procedures for the appointment and removal of chief executive officers/managing directors, and board members of SOEs; ensure the establishment of internal audit units, corporate planning and management systems; recommend or encourage managerial and professional training programmers for staff; and generally ensure good corporate governance and practices.

Despite the foregoing, SOEs in Ghana, unlike companies listed on the Ghana Stock Exchange (GSE) do not have the luxury of a governance framework. Although the Companies Code 1963, Act 179 provides the legal basis for all companies in Ghana, listed (public) companies also benefit from mandatory corporate governance guidelines issued by the GSE and the Securities and Exchange Commission, Ghana, to fill the gaps in the companies' code. These make the case for SOE governance in terms of framework unclear since none is listed on GSE and many do not operate under the Companies Code. As highlighted in the literature review, the same corporate governance code cannot be used by all kinds of organization (including SOEs) considering their unique differences in form, nature, and objectives (see also Kamal, 2010; OECD, 2005b, 2010).

Considering the exploratory nature of the current study, the targeted population was all the SOEs under the supervision of Ghana's State Enterprises Commission (SEC). They are commercially oriented and the state has 100 percent ownership. Open and close-ended questionnaires were designed along the objective of the study and administered in 2010 to all 25 SOEs in Accra out of the 29 nationwide. Overall, 17 of the questionnaires were returned, representing a 68 percent response rate. Officials of SEC were interviewed to clarify some of the issues from regulator's perspective. Furthermore, annual reports of SOEs and legal documents were obtained and analyzed in relation to the objectives of the study.

Discussion of results

Corporate governance from the literature is evidenced by both internal and external mechanisms. As stated in earlier discussions, this paper focuses on the internal mechanisms relating to board structure, attributes, and evaluation of their performance.

Board structure and attributes

Data collected shows that there is no single SOE in Ghana without a board (see Table I). This is indicative of the sector's recognition of the importance of boards as a part of their organizational life. This has been further highlighted by legal documents establishing SOEs in Ghana. Also evident in a few of the legal documents reviewed show that there is only one representation from management to SOE boards. The data collected confirms this, showing that the majority of board members in SOEs are NED. Specifically, 65 percent of the SOEs have only one executive director (see Table II). This suggests the lack of balance between the number of NEDs and EDs which is crucial for effective corporate governance. These findings perhaps confirm the observation made by SEC officials during the interview. An

Table I Existence of board

Responses	*Frequency*	*Percent*
Yes	17	100
No	Nil	
Total	17	100

Table II Number of executive directors (EDs) on boards

Number	*Frequency*	*Percent*
None	1	6
1	11	65
2	2	11.5
3	2	11.5
4	1	6
Total	17	100

official notes: ''... the few SOEs doing well are those with experienced and professional NED, though their appointments are political''. The official further explained that in practice however, other EDs attend board meeting to provide information but cannot vote on issues.

On CEO duality, eighty-eight percent of SOE boards have two different individuals holding the positions of CEO and board chairperson (see Table III). However, reviewing the annual reports and legal documents collected show that CEO duality is non-existent in the Ghanaian SOE sector. This seems to suggest that board chairpersons are very active or ''powerful'' to the extent that they are seen as playing the role of CEOs.

Moreover, evidence of SOE board attributes and composition vary across SOEs in Ghana. The results as shown by Table IV indicate that the maximum board size is 11 and the minimum is five. However, the majority of SOEs have board sizes between seven and nine. Compared to evidence from OECD countries and practices in the private sector, SOE boards in Ghana are not overly large. Furthermore, SOE boards are gender sensitive. Of the SOEs, 82 percent have at least one female (Table V). This is obviously different from other jurisdictions where a quota is reserved for females as a policy (OECD, 2005b).

Board appointment, responsibilities, and tenure

Appointment onto boards is generally one of the important aspects of corporate governance. The process must be transparent in relation to procedures and responsibilities of the BODs. Furthermore, there should be good induction process and ongoing access to training. From the data gathered, more than one-half, representing 59 percent of the SOEs do not have any criteria for appointing members onto their boards (Table VI). This explains the dominance of NEDs without the relevant ''soft'' attributes. An official of SEC adds ''... the politicians will not allow us to make input in the appointment of board members even though the law that establishes the Commission gives us that power''. Section 2(g) of the State Enterprises Commission Law, 1987 (PNDCL 170) confirms this, but

Table III CEO duality board chairman

Response	*Frequency*	*Percent*
Yes	2	12
No	15	88
Total	17	100

Table IV Board size

Number	*Frequency*	*Percent*
5	1	6
7	7	41
9	5	29
10	3	18
11	1	6
Total	17	100

Table V Number of females on board

Number	*Frequency*	*Percentage*
0	3	18
1	10	58
2	3	18
3	1	6
Total	17	100

Table VI Criteria for appointing board members		
Response	*Frequency*	*Percentage*
Yes	6	35
No	10	59
No response	1	6
Total	17	100

the non-adherence to this by the politicians perhaps stems from the use of the expressions like ''advise government . . . '' in the law or the non-existence of any written guideline for reference. Should there be some documents to refer to; the politicians may be encouraged to do as in other jurisdictions (see OECD, 2005a).

Moreover on the responsibilities of SOE boards, review of the legal documents provides very little information on the subject; but data collected through the questionnaires show that SOE boards meet to discuss issues covering corporate performance and finance, vision and strategies, budgets, business plans, and human resources. As can be seen from Table VII, most SOE boards discuss strategic, corporate finance, and performance concerns. These are consistent with the high-level activities, including oversight to management, and handling of strategic issues and corporate internal problems cited by Jensen (1993). Though the frequency of meetings varies across SOEs, more than one half of the respondents hold board meetings at least once a month (Table VIII). The frequency of meetings by majority of the enterprises is consistent with best practice (OECD, 2005a, b), except that for SOEs which are less active, monthly board meetings is considered too expensive.

Furthermore, best practices require that all NEDs on boards should have a specified tenure, in order to ensure their independence. Data collected show that the tenure of BODs of SOEs in Ghana only ends when there is a change in the political party in government. This is confirmed by the evidence that majority of the SOEs report there is no retiring age for board members and they are always eligible for re-election (Table IX).Compared with boards of private sector organizations, and practices in developed countries, this evidence is not consistent with best practices as the current practices result in board members getting themselves entrenched, thus affecting their independence. Furthermore, SOEs with less competent BODs will continue to suffer until the change of government.

Board sub-committees and board evaluation

As explained during the literature review, boards are generally supported by sub-committees in performing some crucial roles, and enhancing the independence of

Table VII Duties of board		
Issues	*Frequency*	*Percentage*
Vision and strategies	11	37
Business plans	3	10
Budgets	4	13
Corporate performance and finance	10	33
Human resource management issues	2	7
Total	30	100

Table VIII Frequency of board meetings		
Response	*Frequency*	*Percentage*
Once a month	10	59
Semi-monthly	1	6
Quarterly	6	35
Total	17	100

Table IX Retiring age and eligibility for re-election				
	Retiring age		*Eligibility for re-election*	
Response	*Frequency*	*Percent*	*Frequency*	*Percent*
Yes	0	0	12	71
No	15	88	3	17
No response	2	12	2	12
Total	17	100	17	100

board functions, especially in the area of remuneration. Other relevant committees cited in the governance literature are: audit, risk, remuneration, and nomination committees (Smith Report, 2003; Higgs, 2003; Greenbury Report, 1995). Results show that audit committee is common in the SOE sector (see Table X). Furthermore, the committees are composed of more ED than NED. SEC adds that the formation of any type of board sub-committee is the sole responsibility of a particular SOE. The officials explain that the dominance of such committees with ED is to contribute to the discussions of the board which is dominated by NED. These practices are again inconsistent with best practices since these committees also play oversight responsibility over management, and thus, must demonstrate independence even in their compositions.

On the performance of board of directors as well as their committees, it has been recommended that they are evaluated at least once a year, considering the critical nature of the role they play (Higgs, 2003). In addition, they must be trained to improve their effectiveness, especially the non-executive directors (NED). The results do not support these recommendations (Table XI). Indeed, the majority of SOEs report that their boards are not evaluated. The board sub-committees receive no orientations apparently because most of them are ED and argue that they do not need orientation about the SOE they are already managing. The absence of these best practices affects the contribution of board members to effective growth. Boards should therefore undertake regular evaluation of their own performance and that of individual directors to determine whether roles are being performed as assigned. Officials from SEC confirm the importance of evaluating the BOD of SOEs. They added that when the practice is institutionalized, it will improve the commitment level of board members towards achieving the performance targets in the performance contracts between the state and managers of SOEs.

Conclusion

There have been various interventions in the SOE sectors of many developing countries to improve SOE governance and ultimately improve the much acclaimed poor performance of the sector. This paper focuses on an aspect of the SOE governance mechanisms: the SOE

Table X Board-sub-committee and composition board			
Type-committee	*Percent*	*Composition*	*Percent.*
Audit Committee	71	ED	60
No response	29	NED	40
Total	100		100

Table XI Evaluation of board and committee performance		
Response	*Frequency*	*Percent*
Yes	4	24
No	13	76
Total	17	100

board-related issues such as board structure, attributes, performance evaluation, and many more (internal aspect of corporate governance).

From the foregoing discussions, the SOE sector has made remarkable improvement in terms of the formation of boards, compared to the period before SOE reform programmes and the early years after the reforms. Furthermore, the board sizes are neither overly large nor too small compared to practices in developed and OECD countries. Moreover, the boards are gender sensitive; meet regularly and appears too expensive for less active SOEs. Issues discussed at such meeting are high- level strategic and oversight responsibilities, though such roles are not clearly specified as in other jurisdictions (OECD, 2005b). Furthermore, the balance of NED and ED on SOE boards seems non-existent. Apart from the MD or CEO, all board members are not staff of the SOE in question. Though this demonstrates a high level of board independence, the board members are not politically independent. This is evidenced by their continuous support and approval of SOE activities (not necessarily profitable) that give political advantages to the government that appointed them. These appointees are thus rewarded by remaining on SOE boards; becoming entrenched; and losing their independence as a result of their long association with the SOE in question. This is aggravated by the absence of mechanisms for evaluating board performance.

From the above, one can conclude that governance practices of SOEs developing countries are still at an embryonic stage. This stems from evidence of minimal guidance on ensuring good governance practices among SOEs, thus, providing opportunity for unnecessary political interference in appointing boards without the relevant ''soft'' and ''hard'' attributes to ensure improved performance of SOEs. In fact, the existing regulatory frameworks establishing SOEs and the regulatory bodies in charge of supervising and monitory SOEs (e.g. SEC) give little attention to corporate governance. This study therefore add that some form of governance guidelines or code as in developed countries is crucial to encouraging politicians to ensuring good corporate governance. Indeed, it is better to talk about good corporate governance with an existing guideline than without any thing.

Theoretically, this study shows that the composition of SOE boards does not necessarily reflect the multiple principal principles associated with public sector organizations (stakeholder theory and Mitnick's agency theory). Board members are appointed by the sole shareholder (government) without any regard to the institutions whose activities influence and/or are influenced by SOEs. Moreover, the governance practices adopted by SOEs are voluntary and seem consistent with the general requirements in their legal framework. This makes it imperative for regulatory bodies in charge of the supervision and monitoring of SOEs to build on the minimum governance issues in the various regulatory frameworks for the sector in order to ensure the appointment of board members with the optimum mix of attributes.

Future studies may build on this paper and take into account the views of the multiple principals suggested by Mitnick's agency theory, and explore the contribution of other internal elements of corporate governance such as internal control and auditing, and internal flow of information to the literature on SOE governance in developing countries.

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