

Environmental Constraints of Corporate Governance : Evidence in Ghana

Patrick Obeng Danso¹, Yusheng Kong¹, Michael Owusu Akomeah^{1,2}, Stephen Owusu Afriyie¹

¹School of Finance and Economics, Jiangsu University, 301 Xuefu Road, Zhenjiang, Jiangsu, P.R. China

²School of Business, Ghana Technology University College, Private Mail Bag, Accra-North

Corresponding author : Patrick Obeng Danso

ABSTRACT

The pertinence of corporate governance doctrines in the management of corporate organisations cannot be overlooked (underestimated). The increasing influence of principles of corporate governance around the world has been greatly linked to the recent corporate frauds and scandals. These frauds and scandals are largely the outcome from the failure of authorities of countries to effectively implement the legal and regulatory frameworks pertaining to corporate governance. Ghana is archetypal in regards to the failure of authorities to enforce the laws and regulations in relation to corporate governance. During the enforcement of the laws and regulations of corporate governance, some vitally important issues are either overlooked or deliberately deserted. This paper attempts to examine the legal and regulatory framework of Ghana in respect of corporate governance and points out the importance of conforming to good corporate governance. It also accentuates prevailing issues of corporate governance practice in Ghana. It finally makes some recommendations, which are considered the major contribution of this paper.

Keywords : Prospects, Challenges, Corporate Governance, Ghana

I. INTRODUCTION

Good corporate governance has been accentuated to be essential to corporate organisations especially in transition and developing economies. The effectiveness of a company's corporate governance structure has a far-reaching effect on how well it functions. An organisation that undertakes a good corporate governance practice provides an indispensable information to its shareholders and other stakeholders to reduce information asymmetry. Financial scandals that are currently happening around the world and the recent fold up of major corporate organisations in the US, Europe and other parts of the world have made corporate governance to take on the centre stage for academic and professional discourse. Thus, what does corporate governance really mean?

Corporate governance could be defined as 'the implementation of a set of powerful micro-policy tools in an organisation to ensure an efficient and effective use of resources in accomplishing the main goals of its capital providers, succeed in the competitive market, as well as maximizing its positive impact on other stakeholders and at the same time, minimizing its negative impacts on them' (Agyemang and Castellini, 2015). Corporate governance is the relation among various participants-such as Chief executives, shareholders, management and employees in determining a firm's direction and performance (Supriyono et al., 2015). It has also been defined by (Cole et al., 2011) as the use of formality, thoroughness and transparency to a consolidated structure of corporate policy in order to ensure that only calculated risks are taken by the corporate organisation to achieve shareholder value as well as to

succeed in the market. From the earlier definitions, we profess that corporate governance is represented by laid down structures and procedures to alleviate the level of agency costs in a corporate organisation.

The capability of a corporate organisation to lure or attract capital providers is subject to how effective its corporate governance practice is, since this will persuade capital providers to invest with the hope that, their investments are in the hands of trustworthy organisation and that they will protect their invested capital, and in the end reward them appropriately. By all, not to be rewarded today or tomorrow, but also to be rewarded in five, ten, twenty, or fifty years later. Also, an effective corporate governance practice lifts the image of a corporate business by making it more appealing to customers and suppliers (Rughoobur, 2018). (Mule et al., 2015) posits that the actual value of a corporate business is what capital providers or investors will make available to the corporate business on the basis of its anticipated returns to its owners.

Currently, countries are facing different difficulties in their attempt to developing/designing effective corporate governance principles that can be actively implemented as well as reliable. These difficulties if not appropriately addressed could thwart the administration of corporate organisations and other vitally important institutions in the concerned economy. In order to subdue these challenges, the constituent elements of good corporate governance are needed to be appropriately highlighted. The common constituent elements of good corporate governance are efficiency, probity, responsibility, transparency and accountability (Governance, 1999). However, due to the prevailing economic meltdowns across the globe, there is no doubt that the implementation of the principles of good corporate governance is vitally significant to ensuring good corporate governance in every economy.

This paper tends to bring to bear and highlights some of the trials that confronts corporate governance practices with it's special focus on Ghana. The paper

also issued some recommended statements that can help boost corporate governance practices focusing on SMEs in Ghana.

The paper later focussed on some key highlighted sub topics which could help throw more light on the trials which eludes corporate governance practices in Ghana.

II. METHODS AND MATERIAL

1. Methodology

A systematic approach of a three-phase strategy for searching for relevant literature was adopted through the standard selection activities of PICOS. However, it adopted the Preferred Reporting Items for Systematic Reviews and Meta-Analysis (PRISMA) flow chart as a graphical representation of these selection activities. In the first phase, we searched for literature related to the topic; in the second phase, the focus was on the abstract and the third-phase emphasized on reading the full text. A range of relevant terms were searched for on corporate governance and corporate governance codes, corporate governance laws: ISI Web of Science, Science Direct, etc (CMMC). Further, search was conducted on Taylor and FrancisOnline, Google and Google scholar and others. Corporate governance and corporate governance codes, corporate governance laws were some key terms for our search. We adopted both back and forward snowball sampling technique. In the back snowballing, the reference list of the various searched literature was screened to identify relevant papers to include; in the forward snowballing, the papers which have cited the paper being examined were analyzed and relevant ones selected. The search generated 2568 records from the databases and 553 from the other enlisted websites resulting in a total of 3121 as depicted in figure 1. The removal of duplicated documents resulted in 1598 records. Titles and Abstracts of 1510 documents were then screened for the inclusion and exclusion

eligibility of the next phase. In this eligibility phase, the full texts of 88 articles were accessed. The inclusion/exclusion criteria were applied, after which 22 articles were selected as the articles to be reviewed.

2. Permissible and Governing Framework of Corporate Governance Issues in Ghana

The regulatory framework for an essential corporate governance implementation in Ghana can be found in the (Code, 1963), Securities Industry Law 1993 (PNDCL 333) as revised by the Securities Industry (Amendment) Act, 2000 (Act 590) and the listing regulations, 1990 (L.I. 1509) of the Ghana Stock Exchange. For consistency purposes, this study will focus on six governing frameworks of Ghana for essential corporate governance. The following are the six key thematic areas this paper focused on: the role of board of directors, their mission, responsibilities and accountability, Corporate Governance Instructive Committees of the Board; Maximizing Shareholders worth through Stakeholders Involvement; The Climax of Financial affairs and forensic accounting; The intuitiveness of financial disclosure and annual report; and Standardization of Codes and Ethics. The full glee of some components with regards to regulatory framework of corporate governance issues are discussed in the various portions of this paper.

2.1 The Role of Board of Directors, their Mission, Responsibilities and Accountability.

This part enumerates the major purpose of the board of directors of a corporate entity. The board of directors' ultimate responsibility is to ensure that the corporate entity is properly managed so as to safeguard and enhance stockholders' value and to meet the corporate entity's obligation to: 1) stockholders; 2) the industry in which it operates; and 3) the law. However, it also states that the interests of other stakeholders are significant as a derivative of the duty of stockholders.

Furthermore, this part talks about the primary responsibilities of the board of directors. That is, they are to ensure that good corporate governance prevail within them. This section also clearly states the principal duties of the board:

- 1) The strategic guidance of the corporate entity in keeping its goals.
- 2) Overseeing or supervising the management of the business.
- 3) Identification of risk as well as the implementation of systems that manage risk.
- 4) Succession planning and the appointments, training, remuneration and replacement of senior management.
- 5) Supervision of internal control system.
- 6) Maintenance of the corporate entity's communications and information dissemination policy.

The concept also demonstrates the sovereign rights of shareholders, since the boards of directors, who are to make sure that effective corporate governance mechanism are at work, are to be held accountable to shareholders. Again, this part also depicts the board size. It states that the composition of board's size of every organisation has to be arrived at with the notion of promoting the board's efficacy as well as making sure appropriate representational needs are met.

However, this study didn't specify a specific number that should be on a board, but gave a suggestion of a number in a range of 8-16 number. There should be transparency in the selection of the board members, also shareholders have to be furnished with the detailed information of all the appointees. Shareholders should be furnished with the: names, age and country of residence, their areas of responsibilities, working experience, shareholding in any corporate organisation and its branches. They should also be informed if the appointee has direct ties with any director as well as a major shareholder

of the organisation and if there is any conflict of interest.

The operational structure of corporate institution is comprehensively outline in this part of the concept.

It states that there should be separation of role of the CEO and the chairperson. In addition to this separation, there must be clear definition of the responsibilities of CEO as well as the chairperson.

This part also specifies the board composition, it declares that the board has to be balanced with Executive and Non-Executive Directors, the adjunct of the Independent Non-Executive Directors should be at least a third of the number of the board. The selection of the independent Non-Executive directors should base on their qualification and expertise also their appointment should ordinarily be a matter of the board.

It also suggests that the Independent director should be free from any activity that will impedes him or her from carrying out his or her activity independently, it clarify them in the following criteria, he or she is not a substantial stockholder of the corporate entity, is neither a supplier or a customer, has no contractual connections with the corporate business, is not an employee of the corporate entity, finally he or she should neither a professional advisor nor consultant to the corporate business. It also states that all directors and Independent Non-Executive directors must have unrestricted access to information, records and documents of corporate business.

It also states that the board should have periodic meeting and in the case of listed companies, it must meet at least six times in a year in order to perform their duties efficaciously. It states again that the committees on the board must also have prerequisite frequent meeting in order to properly accomplish their duties efficiently. There the paramount element that should keep the directors especially the

Independent Non-Executive Directors must be their regular attendance of board meetings.

2.2 Corporate Governance Instructive Committees of the Board

This part instructs the board to put in place a committee as necessary as practicable which will enable the board to execute its duties effectively. It also prescribed that the constitution of the committee should include no-members of the board on a condition that any decision and suggestion made at the meetings should be the responsibilities and also remain with the directors who are members of the committee.

Also, the members of the board's committee should publish in the company's annual report.

As directed by this part, the committees should comprise of: the audit committee, and remuneration committee. There must be at least three directors on the remuneration committee of whom the independent Non-Executive Directors should be the majority. The committee members must be expertise in some fields like, finance, accounts and fundamental knowledge of the laws under which the company runs. To enhance transparency, the board should make sure that the chairperson of the audit committee should be an Independent Non-Executive Director.

Furthermore, the principal function of the audit committee has been outlined in this part. These are to:

1. Approved the appointment of the external auditors of the corporate organisation;
2. To work hand in hand with external auditors with the aim of upholding and ensuring audit quality, effectiveness, risk assessment and evaluation, liaising with internal auditors and dealing situations governing the resignation of an external auditor.

3. Assess the sufficiency of internal control machinery and the level of concession with material policies, laws and the code of ethics as well as business practices of the corporate organisation;
4. Enhance direct channel of communication between external auditors and the board, internal auditors, accountant and compliant officers of the corporate organisation;
5. To make available to the board the details of all the issues pertaining to financial transactions; and
6. To assist the board to put in place corporate strategies that would enhance board control and system of operation of the corporate organisation.

Nonetheless this part emphasises that the audit committee, should have the power to probe into any issue under its term of reference and to be given the required logistics to undertake such investigation and should access to information as and when needed. Again, the audit committee should also undertake an assessment of the corporate entity's internal control over financial, operational and compliance issues annually and publish on the same to the shareholders in the annual report of the organisation.

2.3 Maximizing Shareholders worth through Stakeholders Involvement

This part specifies that corporate governance framework put in place by the board should not be directed towards the stakeholder's benefit at the expense of shareholders but should try to build up shareholder's worth by keeping track and maintaining stakeholder relationships effectively and professionally.

Furthermore, this part also stipulates the prerogatives of shareholders. These are; proper methods of ownership registration; transfer of shares; the right of regular access to information of the firm; voting rights; the right to elect board members; getting dividends of the corporate business.

Also, shareholders have the right to be involved in and to be notified about any decisions pertaining to basic changes such as: amendments of the statute, or article of incorporation or same governance documents of the firm; the authorisation of additional shares; variation of class right; and extraordinary transactions that in effect results in the sale of the corporate business.

This part also postulates that all shareholder must have fair and unbiased treatment. This concept:

1. Require that there should be disclosure of equity ownership above prescribed thresholds.
2. Guarantee that market for corporate control of listed firms operates in an efficient and pellucid way; and
3. To ensure that all shareholders are fairly dealt with in relation to the acquisition of corporate control

In addition, minority stockholders should be given the chance to have effective redress when their rights is being violated. All shares issued unless otherwise specified rank *pari passu* (of equal step) with other share of the same class and in the case of ordinary shares, one shares bear one vote. This part also bars the act of inside trading and self-dealing therefore any act pertaining to that will be punished.

2.4 The Climax of Financial affairs and forensic accounting.

This part encompasses financial governance, financial reporting and disclosure of price sensitivity, information responsibility of the board, external auditors' duties, audit report, departures or deviations from standards, rotation of audit personnel and removal or resignation of an auditor.

This part also outlines four main responsibilities of financial governance of the board of directors, these are:

1. Keeping adequate records for safeguarding the assets of the corporate organisation
 2. Ensure that corporate organisation made on time payments of statutory payments payable by them.
 3. Ensure that systems of internal control are in place for risk monitoring, adherence to financial governance systems and compliance with the law; and
 4. To make sure that well-qualified and experienced auditors are engaged to have regular audit of the financial statement of the corporate organisation as directed by the law, regulation and the internal policies of the organisation.
- 1) disseminating price sensitive information to the market and stockholders in a timely way;
 - 2) requesting a temporary suspension in the securities of the company where a disclosure may cause unfavourable price movements in the market for the company's securities.

This part also defined the boards responsibility for financial reporting

1. The financial statement must have accurate information;
2. To ensure that in preparation of financial statement, mandated accounting policies should consistently be employed;
3. To ensure that annual financial statements of the company are presented in line with the financial standard of Ghana National Accounting Standards (GNAS) and other accounting standards;
4. To ensure stockholders and regulators are furnish with annual and interim financial statement of the company within the prescribed time frame by the law and regulation;
5. Ensure that annual interim financial statements are prepared effectively in a sense that it can facilitate comparability;
6. Ensure that the report of auditors on financial statements are faithfully reproduce to the users of such statements; and
7. To ensure that the company provides a balanced and comprehensive evaluation in their financial and operating results in their financial reports.

Moreover, the disclosures of price sensitive responsibilities of board of directors of listed companies are also outlined in this part. These are:

This part also outlined the duties of an external auditors of an organisation. It stipulates that the main source of an objective, independent and effective opinion on the financial statement of the organisation must be the external auditor. It also urges the auditor to perform his or her duties with diligence, objectiveness and independence. It further stipulates that the external auditor must ensure that the audit of the organisation is done in conformity with the required standard by the Institute of Chartered Accountants, Ghana(ICAG). It further postulates that, there should be an indication in the external auditors financial statements audited report have been prepared in line with Ghana National Accounting Standards (GNAS) standards.

Furthermore, the external auditor is required to cite any variation from accounting standards and should contain the auditor's opinion as to whether or not the variation is not premeditated and give explanation for such variation. Meanwhile to make sure there is a continuous effectiveness of audit, there should be periodic change or rotation of audit personnel and their team so as to give resent methods in respect to audit work.

Lastly, this part states that there should be clarification by an auditor for any withdrawal, resignation or refusal to stand for re-lection by which the corporate organisation must dispatch to stockholders.

2.5 The intuitiveness of financial disclosure and annual report

This part gives directives on the presentation of annual audited accounts of corporate organisation before its shareholders as stated in the concept. It recommends shareholders to be furnish with information on:

- 1) the financial and operating outcomes of the corporate entity
- 2) the aims and objectives of the corporate entity
- 3) major share ownership and voting right
- 4) material predictable with factors
- 5) material issues regarding employees and other shareholders; and
- 6) remuneration of board members and their key executives.

This part also emphasised on the formation of remuneration committee and Independent Non-Executive Directors being majority of its members. It stipulates that executive directors who are members of remuneration committee should desist from issues pertaining to their remuneration packages. It further outlined the basic task of the committee. These are:

- 1) Initiating reputable and approved system to take care of executive compensation
- 2) To ensure that there an appropriate structure in place to reward performance-oriented managers
- 3) Scrutinise executive service contract with the objective of identifying any unjustifiable losses the corporate organisation may face in occasion of early service termination.

The members in the committee should ensure that their annual report must contain their policies and should be reveal to the shareholders during their annual general meeting.

Their report should have some amount of fee, basic salaries, benefits in kind, allowances, pension

contribution schemes, paid bonuses, paid compensations for office loss directors and executive officers.

2.6 Standardization of Codes and Ethics

This part of code of ethics ascertain that every corporate entity is obliged to put in place its own code of ethics and statement of business practices, which should carry out as part system that foster good corporate governance. It is the responsibility of the boards of directors for the establishment of such document. However, the content is applicable not only to the employees but the board as a whole. Also, the board is obligated to initiate a system that will keep track and make sure members stick to it and also discipline those who deviate or breaches it.

III. RESULTS AND DISCUSSION

1. Perspective, Ideologies and a throwback of Corporate Governance in Ghana

From earlier discussion, it can be reckoned that corporate governance mechanism in Ghana reflect shareholder perspective of Anglo-American system of corporate governance. The reason being that the system reflects predominantly the rights of shareholders, since the board if directors who are known to be the main drivers of good corporate governance system are accountable to shareholders. Again, the system reflects the principles of corporate of CACG. Furthermore, the system stresses the traditional notion where the board is seen as frontman of shareholders. Lastly, they obviously declare the components that ascertain the efficacy of the as a system for corporate control. These factors are made up of the board, independence of the board, the leadership structure (CEO-Chairperson separation), board committees for example the audit and remuneration committees and easy access to timely and regular information by directors.

2. THE PRESTIGE OF GOOD CORPORATE GOVERNANCE PRINCIPLES

The rapid growth awareness of effective corporate governance mechanism around the world is to extend very essential. It is absolutely certain that with impressive corporate governance mechanism, boards will be able to take decisions that will fulfil the interest of all stakeholders. Again, good corporate governance system put in place system of transparency, accountability, probity, responsibility and checks and balances. The presence of effective corporate system can mitigate any problem that can arise from corporate flaws and tackle issues such as bad business leadership, constant poor organisational performance and prevailing lack of hope and trust in and around corporate organisations. It gives a system for assessing corporate organisations. In lieu of that it makes it practicable for comparative analysis among all areas of an economy. In addition, it builds a good foundation for corporate governance benchmark for corporate organisations.

In conclusion, there assurance that corporate governance benchmark encourages successful and efficient proportion of resources, it assists corporate organisations in securing capital at minimum cost and help corporate organisations in increasing their performance as well as their capacity in meeting environmental needs.

3. CORPORATE GOVERNANCE ISSUES IN GHANA

This part of the study will be review on the basis of a research undertaken by (Agyemang and Castellini, 2015) on corporate governance in four big publicly held corporate organisation in Ghana. The researchers used a qualitative case study methodology in their study. This paper adopted their analysis because of their motive of having absolute knowledge of how corporate governance system works in large corporate organisations in Ghana. We deemed it necessary to

adopt their analysis for our study because their work gives detailed knowledge in the area of our study. We therefore give the existing situation of corporate governance in respect of their findings.

The shareholder theory of corporate governance stipulates that, the ultimate aim of an organisation should prioritise only on those who has shares in the organisation. It regards organisations as a tool for shareholder to increase returns on their investments, with the reason that theoretically shareholders are residual claimants (How et al., 2019). In respect to this, good corporate governance was explain in this study as to how the ownership structure and the board structure perform as effective corporate governance system in minimising agency problem in an organisation, by lessening the gap between the interest of shareholders and managers.

3.1 Ownership Structure and Ownership control

The outcome of their research of four listed organisations in Ghana revealed that controlling shareholders function as monitors and controllers of managers. With the shareholders constant power of selection and dismissal of the important personalities in the organisations, and also their periodic access to information and their activeness in decision-making processes of the organisation, controlling shareholders apply control over decisions of management. With these opportunities, controlling shareholders influence management's decision to boost shareholder value and consequently, help to minimise agency problem. In every organisation controlling shareholders dominates the decisions that will be made in their annual meetings with their thought simply because they possess the controlling rights. This give them leeway to extensively influence the decision of management and they have to do their bid to take steps to maximise shareholders value. The researchers postulated that their revelation of this ownership concentration that pertains in all the four organisations studied, is a culture that is being

practiced in all local organisations listed on the Ghana Stock Exchange, and those that are not listed. This findings from the cases studied in respect to the duties large shareholders is in conformity with the extant literature on corporate governance. (Chbib, 2015) propose that the number shareholders (large in number) is as motivation to use up resources to monitor and control management to ensure that their bid are been met. In the developing world, large number of shareholders are seen as an essential corporate governance machinery in this respect they actively influence the course of good corporate (Berglöf and Claessens, 2006).

3.2 Board Effectiveness

In view of the board, the researchers focused their study on components that are seen as essential in agency theory to establish board efficacy in relation to board control. In their study they used, board composition, leadership structure of the board, director independence, meetings of board, board audit committee and board remuneration committee as components to test their study.

3.3 Board Composition

The results of their research show that in all the organisations studied, the Non-executive directors form the majority of their boards. Its also revealed that the extend to which board structure ascertains boards efficacy in relation to board control function assessed to be low in three organisations of their study. In these three scenarios there is no involvement of board as far as critical part of organisational control is concern because controlling shareholders have taking over execution of such operations. This evidence gathered from the three organisations reasserts the results of past research that there is the tendency that the presence of large shareholders can render other corporate governance mechanism ineffective (Berglöf and Claessens, 2006).

Therefore, it is only in just a situation that board composition was appraise to remedy on board control to a large extent. The non-executive directors of the board do undertake all the critical part involving board control in the organisation. This boost the discourse in the extant school of thought that boards can be effective corporate governance mechanism ((Berglöf and Claessens, 2006, Zainol Abidin et al., 2016). However, their study emphasise that it is only when large shareholders abstain from taking part in the control-related duties and gives the board the mandate to undertake their control duties in the corporate organisation that will make the board run effective corporate governance system. The outcome in respect to the size of Non-executive directors relative to the number of boards in every organisation under their study fulfil the guidance of principle of corporate governance in Ghana, which asserts that non-executive directors should constitute at least one-third of board members.

3.4 Director Independence

In their study of all the organisations, it was revealing that independent directors have a higher degree of driving board effectiveness relative to board control. Such director independence has the tendency to modify into effective and efficient control of management. Although there are conspicuous facts that depicts that directors are independent of management from their research, the issue of director independence in respect to controlling shareholders is an ongoing challenge. The existing situation whereby controlling shareholders are given the mandate to appoint directors, present a dilemma to director independence. This obvious fact in accordance with existing school of thought that; large shareholders in all, threaten director independence in a sense that large shareholders are incline to possess utmost control in relation to director appointment (Berglöf and Claessens, 2006). In their conclusion, they stipulated that the facet of director independence in

all four organisations met the approved guidelines by the principles of corporate governance of Ghana.

3.5 Board Leadership Structure

Their study also reveals that the degree to which separation of duties of the Chief Executive officer and the chairperson of the board rests on the board control is minimal in all four organisations studied. In respect to the approved guidelines, the authors pinpointed that the separation of duties in all the organisations studied conform to the requirements of Ghana's principles of corporate governance since each and everyone performs his own duties. However, they postulated that this this separation in all the organisations is not in line with guidelines of the principles such that, board chairpersons in these organisations still falls under the commanding powers of controlling shareholders.

3.6 Board Meetings

In their research it came out that the degree to which board meeting rest on effectiveness of the board in respect to board control performance is low in three organisations and high for one. They postulated that, with various factors that determine board effectiveness, board meetings do not necessarily bring about board effectiveness as regards to board control in three organisations since their boards do not exercise board control. In the rest of the organisation, their study emphasises that, board meetings descend on board control in that, board meetings constitute policies gives the board to exercise control over management and corporate decisions.

Also, their study revealed that out of the organisations studied it is only one that has a system in place that evaluates the performance of directors, the CEO and the board. They then concluded that out of the four organisations under study only one meets the recommendation of the principles of corporate

governance in Ghana, three of the organisations did meet the said recommendation.

3.7 Board Audit Committee

Their research also showed that the task of the audit committee to push up board control is low in three organisation and high in one. They postulated that with various factors that drives board efficacy, setting up audit committee of the board doesn't foster productiveness with respect to board control performance in three organisations, in that controlling shareholders perform a profound control over the organisations. This in conformity with existing literature that with internal corporate governance system, ownership structure has tremendous influence (Berglöf and Claessens, 2006). They also maintained that, the existence of controlling shareholders renders the board audit committee ineffective in the three organisations and that principles' recommendation in relation to board committee is insignificant. They advance the ineffectiveness of the board audit committee caused by the interference of the controlling shareholders in their activities, they predicted that establishment of any committee by the board will as be ineffective.

3.8 Board Remuneration Committee

Out of the organisations studied by the researchers, two of them had put in place board remuneration committee. They presumed that the responsibilities of the board remuneration committee in regulating board control is low for one out the two organisations and high in the other one. Also, they argued that setting up of board remuneration committee will not enhance board control in any of the companies in question, simply because there is so much interference of the activities of the boards by the controlling shareholders. This is in conformity of the existence of outcome of various studies that ownership structure has impact on internal systems of corporate governance.

IV. CONCLUSION

Enforcing existing laws and regulations for effective corporate governance Ghana has put in place adequate laws and regulations which governs corporate governance, but the lack of vigorous mechanism has been paramount setback for its effective implementation. Lack of effective implementation of the rules and regulations with respect to corporate governance, up surging and developing economies will find it difficult to establish robust vigorous capital markets, which are seen as vital for sustainable economic development for countries in the 21st century (Kuzman et al., 2018, Berglöf and Claessens, 2006). In view of this situation, the proposed plan to make sure of effective implementation of existing laws and regulations is by knowing that the structure and capacity of the laws, and legal and regulatory scheme are the most important elements of corporate governance mechanism. The study opine that certain systems have to be implemented in order to realize effective corporate Governance; laws have to be within the reach of all equity holders and the public to enhance regulatory framework; building effective mechanisms for law implementation as well as fortifying implementation systems through provision of training, and other accoutrements; undertaking other conflict resolution approach; establishing favourable atmosphere by maintaining practicable desire to implement policies; establishing unrestrained and dynamic judiciary; also to inspire the media to make known to the public the issues of corporate governance and become more profound and prudent on matters of corporate governance.

1 Defending the 'widows' mite' Equity Holders

From the study of (Agyemang and Castellini, 2015), the vital part that came to light is that, there should be a system in place to protect the small shareholders from the abuses by the large shareholders. Presently protection of small shareholders is a vital issue in an

emerging economy (Berglöf and Claessens, 2006) for Ghana fall within these economies. In order to achieve protection of small shareholders, there is the need for the enhancement of extant rules and regulations for its implementation. There should also be the need of simultaneous enforcement of other policies like easy accessibility of information, evaluation of existing rules and regulations, enlightening small shareholders and the implementation of existing recommendation and guidelines and principles.

Easy accessibility of information by small shareholders will allow them to stand up to managers as well as large shareholders in respect to organisational decisions. This opposition will forestall future diversion of organisational resources. Systems like establishment of highly recognised institutions such as well focused investigative financial organisation, brokerage firms and financial gurus have to be in place to enhance easy accessibility of information by small shareholders so as to help to intensify corporate governance procedure.

Enfranchising professional accounting and auditing institutions such as ICAG should also be part of effort to boost corporate governance practice. When minority shareholders are well educated, it will enable them to safeguard their right. Having knowledge of their right will minimise abuses from majority shareholders. Undertaking public education can also give birth to awareness of their right. Security and Exchange Commission of Ghana (SEC) and Ghana Stock Exchange (GSE) should also motivate institutions to hold educational symposiums, conferences, forums to create awareness of their shareholders of their rights.

Minority shareholders should be inspired by SEC and GSE to establish dynamic associations to protect their interest.

2. Widening the Proceeding time for Annual General Meetings.

In order to assist in protecting minority shareholders, there should a groundwork of a company's internal corporate decision-making processes. It came to light that minority shareholders do not have enough time to voice out their dissatisfaction during annual general meetings. When the board chairperson chairs those meetings, their interest may gear towards protecting the board from shareholders criticisms. Therefore, it was suggested that there must be reforms in the annual general meetings and that the meetings should be chaired by Non-Executive Directors of both managements and the board to maintain sanity and fairness in decisions taking at annual general meetings. These individuals should be appointed by shareholders for annual general meeting. This will make the board accountable to all the shareholders. to make this suggestion acceptable by corporate organisations, the regulatory bodies such as Security Exchange Commission (SEC) and Ghana Stock Exchange (GSE) have to include it in their code of company requirements of Ghana Stock Exchange.

4. Stakeholders Involvement

The recommendation of the theories of corporate governance, states that the interest of other stakeholders has to be considered by directors, this can only be achieved if other stakeholders such as employees have their representative on the board. Security Exchange Commission has to be involved in realising the consideration of stakeholders' implementation, and include employee representation law in the requirements. Labour associations like the Trade Union Congress (TUC) of Ghana and Ghana Federation of Labour (GFL) should keenly consider on this issue and endeavour to find actual employee representation on boards as proposed by law.

5. Respect to the Citizenry regarding accountability

To have well developed corporate governance in Ghana, the business organisation in Ghana should be accountable to the Ghanaian community since it's suitable for the development of corporate governance. Corporate governance should be seen as a public policy issue, there should be an effort to differentiate corporate decision-making processes from political decision-making processes. This issue has to be handled as element of broad strategy of boosting effective corporate governance.

6. Consistent Review of Corporate Governance Manuals

Even though the companies code 1963 does address the difference between majority and minority shareholders, organisations are not enforcing this recommendation. Furthermore, Security Exchange Commission (SEC) and Ghana Stock Exchange (GSE) should effectively influence organisations to implement this recommendation. There should also be periodic assessment by the SEC to have the idea of the number of organisations that comply to the recommendation and also do occasional review of the guidelines. This will encourage self-monitoring and assist in achieving effective corporate governance.

7. Divestiture policies and corporate governance

The essence of considering the consequences of privatization on corporate governance, and the eventual position of large shareholders in the decision-making processes of organisations, call for a revision of Ghana's principles of corporate governance to protect minority shareholders. It has been deduced that instead of privatization via strategic investors/capital providers to empower local shareholders, it undermines them, and eventually makes them vulnerable to the expropriation problem.

The study recommends that future divestitures should also deal with the position of local shareholders.

V. RECOMMENDATIONS

1. Board of Directors Recommended Issues

Improvement of the Independency of Directors

It has been discovered that the major challenge that is battling corporate governance in Ghana has been the issue of director independence. To curtail this there should be public announcements for the positions available and its requirements to enable qualify applicants to tender in their applications. This signifies that company directors will be employ from a pool of applicants and with the application of free and fair mechanism, best applicant will be recruited from well-qualified applicants.

2. 6.2.2 Assessment of Directors

The concept of board assessment is being accepted in the corporate environment. This is the fact that putting board of directors in any form of assessment is something of a great value. In order to achieve this, it is opine that corporate organisations should have evaluation system in place. (Nordberg and Booth, 2017)suggests that though the particular form of assessment may not be the same, he further suggested that the assessment ought to be formal and frequent, and should be done at least on a yearly basis. Director's assessment can be done under the supervision of independent directors and with the help from external consultants. There has been numerous recommendations in respect to the purpose and forms of board evaluation. (Nordberg and Booth, 2017)has categorise them into two: extrinsic cognate objectives which has to do with transparency; and intrinsic cognate objectives which also has to do with establishment of internal efficacy of the board by assessing the way the board run their activities, by ensuring that all essential proceedings are properly

prepared and discussed, and by evaluating the actual input of each and every director to the board's duties in general, together with his or her expertise, abilities and contribution in board discussions. The board can have bi-annual meetings for which the performance of the various positions like board chairperson, individual directors as well as the CEO can be assessed. (Rasmussen, 2015) opined that if assessments are conducted diligently and in a well-crafted way and implemented in a method that is well accepted by the directors, with the assurance of confidentiality, these assessments can yield dividends to the board as a whole. However, there may be setbacks in respect to the evaluation of individual board members in such that it can deteriorate the shared power and authority endowed among board members as well as their common trust on the board. This study suggests a peer review approach whereby the various directors are given the mandate to assess the performance of each and every director, also to set up corporate governance committee which should comprise of all Non-executive directors of the board to undertake such evaluations. The outcome should be involved in the annual reports and should be presented to the shareholders at the annual general meetings for its implementation. It is the responsibility of the board of directors for the implementation of this suggestion.

3. 6.2.3 Orienting New Entrants of the Board

Taking directors through orientation when they are new to their job, is very essential for efficient performance (Nordberg and Booth, 2017). However, the outcome of the research depicts that corporate institutions hardly organise orientation for their newly-appointed board members, and also don't do formal introduction to their various jobs. There should be formal orientation for newly-appointed directors to usher them into the culture of the organisation. It should be the responsibility of the board chairperson to ensure that newly-appointed directors are given detailed, solemn and customised

orientation in welcoming them to the board. Newly-appointed directors should get themselves acquainted with the corporate organisation's policies and top management, its surrounding and be engaged in respect to the duties and responsibilities entrusted in them, as well as the expectation of the board. There should also be a proper training for newly-appointed directors who has little or no experience on the job.

4. Introduction of Training Programs by the Board

(Nordberg and Booth, 2017) postulates that it is the responsibility of the board, being at the apex of the board structure and having the final say in the organisation's decision to put up job specification, together with the customs of the boardroom. The factual consideration from the study depicts that organisations seldom educate their employees on the essence of accounting and auditing. The Cadbury Code of the UK throws light on the role of directors' education in this regard and pronounce their role as follows:

Preparation of directors for their post depends on their level of authority and commitment their job requires; these accentuate the significance and the way with which their preparation should be. Given the different backgrounds, abilities and expertise of directors, it is of immense important that all the directors should undergo some kind of internal and external training; this is best for directors who have not serve on any board before.

Since its appropriate to have skilful and vigorous board on ineffective structure that incompetent ones on an effective structure, this study suggests that corporate organisations chairpersons should ensure that board members undergo on the job training to improve on their expertise and their capabilities, and also get themselves familiarised with the organisations so as to usher in effective board responsibilities on the board and the board

committees as a whole. The emphasise of training of the board members should be given priority, simply because good corporate governance does not suffice everything (Storey, 2002).

5. Composition of the Board

The empirical observation of the study of (Agyemang and Castellini, 2015) gave different outcomes with regards to leadership framework in boosting the efficiency of corporate governance. It further recommended that care must be taken with the application of split leadership structure and established its significance on a case-by-case basis. Despite the suggestion of Ghana companies code 1963 that there should be segregation of duties, this is suitable in a situation where there is director independence. Hence, setting up boards and drawing its composition as well as committees becomes very vital and a pivot point with regards to making organisational structure work effectively.

6. Recommendations to SMEs in Ghana

Appointment of board members has become very necessary especially when it comes to corporate governance issues. Most often than not, people with much experience in relationship to the company in question are appointed so they can bring their expertise on board for onward progress of the organization. It has however, become more like "a fashion show" where people are appointed base on familiarity without looking at what they can actually offer or do for the organisation, and this is usually common when it comes to the public organizations where appointment is done by the government.

This study seemingly agrees with the vital role that organisational boards play in achieving the goals of an organisation as well as improving the organizational performance of companies.

It is therefore recommended that; proper corporate governance issues must be adhered to in order to bring the well-qualified personnel's or people with much experiences to fill the compositions of boards and its committees to maximize shareholders wealth and bring greater value to the organization. Private organizations like the SMEs can also create a pool system where old directors of those organisations records can be kept so they can reach out to them after their retirement to bring their expertise to bear by adding them to their board members.

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