REVISITING THE RELATIONSHIP BETWEEN BOARD PRACTICES AND FIRM PERFORMANCE

Andrews Owusu *

* School of Economics, Finance and Accounting & Centre for Financial and Corporate Integrity, Coventry University, Coventry, the UK
Contact details: School of Economics, Finance and Accounting & Centre for Financial and Corporate Integrity, Coventry University, Coventry, CV1 5FB, the UK

How to cite this paper: Owusu, A. (2021). Revisiting the relationship between board practices and firm performance. *Corporate Board: Role, Duties and Composition, 17*(1), 60–68. https://doi.org/10.22495/cbv17i1art6

Copyright © 2021 The Author

This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0). https://creativecommons.org/licenses/by/4.0/

ISSN Online: 2312-2722
ISSN Print: 1810-8601

Received: 09.05.2021
Accepted: 15.06.2021

JEL Classification: G30, G32, M13
DOI: 10.22495/cbv17i1art6

Abstract

This paper examines whether and how firm performance is influenced by board practices in Ghana. The analysis shows that chief executive officer (CEO) duality has a negative impact on firm performance, evidence that supports agency theory's position. Further analysis shows that the smaller Ghanaian board size appears to be optimal because it has a positive impact on firm performance. However, the larger non-executive director representation on the board has no impact on firm performance. Overall, these results suggest that the Ghanaian firms should be encouraged to separate the role of CEO and the board chair positions, have a board size of between eight and nine, and make good use of non-executive directors' time in the board decision process if they are to achieve better performance.

Keywords: Corporate Governance, Board of Directors, Board Practices, Firm Performance

Authors' individual contributions: The Author is responsible for all the contributions to the paper according to CRediT (Contributor Roles Taxonomy) standards.

Declaration of conflicting interests: The Author declares that there is no conflict of interest.

1. INTRODUCTION

The role of corporate governance and in particular the board of directors cannot be underestimated in a developing country like Ghana where investor protection is weak (Klapper & Love, 2004). Ghana, a developing country is characterised by economic uncertainties, a weak legal system, weak investor protection, an illiquid stock market and recurring government interventions (Rabelo & Vasconcelos, 2002). Recently, the country has been ranked by Forbes Magazine as the ninth worst-management economies in the world (Fisher, 2011), suggesting that firms operating in such economic environment performance may be negatively affected. However, these firms could benefit from the implementation of board governance to ensure effective risk management, accountability and transparency, leading to better performance compared with those firms with poor board practices. In 2003, and given its importance, the Security and Exchange Commission Ghana (SECG) introduced corporate governance guidelines on best practices (hereafter the Ghanaian Code) with which all Ghanaian listed firms were encouraged to comply. In particular, the Ghanaian Code placed much emphasis on the role and functions of the board of directors in maximising shareholders' value.

This paper seeks to examine board practices in Ghana and whether these practices affect company performance. Specifically, the paper focuses on the effect of board composition (i.e, board leadership structure, board size and board independence) and board committees (i.e., audit and renumeration committees) on firm performance.

The paper is organised as follows. Section 2 describes the Ghanaian legal and regulatory framework. Section 3 analyses corporate board practices in Ghana. Section 4 presents the performance consequences of corporate board practices, while Section 5 concludes the paper.

2. THE GHANAIAN LEGAL AND REGULATORY FRAMEWORK

In Ghana, companies are governed by the Companies Code 1963 which determines their existence, continuity and winding-up. Focusing on companies limited by shares, the 1963 Companies Code empowers shareholders to elect directors to govern the companies on their behalf. Section 300a of the Companies Code called for all public companies to have a minimum number of three directors to manage the affairs of a company to the benefit of its shareholders. In addition, Section 193 mandates the board from time to time to appoint a managing director (MD) or chief executive officer (CEO) to direct and administer the business of a company. However, there is no provision made by the Companies Code regarding the chairmanship of the board which suggests that it does not prohibit the MD/CEO to occupy the two positions. Further, the Companies Code placed much emphasis on the appointment of executive directors (Section 192) but failed to make provision for the appointment of non-executive directors to the board.

Even though the Companies Code does not mandate Ghanaian companies to establish board committees, it does ask the board to exercise their powers through committees as they think fit (Section 138a). It is unclear as to which committee the board should delegate its power to act on their behalf and whether the committees' composition includes board members or not. The Companies Code in Section 194 also suggests that the determination of the directors' remuneration from time to time should be agreed through an ordinary resolution of the company which implies that there is no specific committee charged with the responsibilities to handle board remuneration. However, Section 128 of the Companies Code stipulates that a note to the accounts regarding particulars of directors' emoluments and pensions for both existing and past directors is required. To make things clearer and as will be described in Section 3, the Ghanaian Code makes provision for the establishment of two main committees namely, an audit committee and a remuneration committee that have the delegated authority from the board to perform their assigned functions.

The Companies Code also makes room for additional regulation of companies subject to special regulation (Adda & Hinson, 2006). In this case, the SECG was created to supervise the operation of stock exchanges and companies. In May 2000, the SECG was admitted as a full member of the International Organisation of Securities Commission. The SECG's primary objective spans from the protection of investors to the maintenance of the integrity of the securities market in Ghana. Focusing on the contribution to the development of corporate governance in Ghana, the Securities and Exchange Regulations 2003, LI 1728 (SECG, 2003) have provided a series of corporate governance mechanisms that govern companies in the area of board composition and board committees. In relation to board composition, Section 3 of the regulations has indicated qualifications and disqualifications of directors and executive officers that should serve in the office of a particular company. Specifically and similar to the Companies Code provisions discussed earlier, Section 3(1) mandates listed companies to have not less than three directors as its board members. In this respect, a majority of the board members must have recognised academic or professional qualifications or experience in banking, accountancy, economics, business administration, dealing in securities or any other relevant qualifications (SECG, 2003, Section 3(2)). Consequently, Section 4 of the regulations placed much emphasis on the CEO of such companies that, no licence shall be given if the CEO does not qualify up to the requirement outlined in Section 3(2) above. Further, Section 3 (3a–3e) disqualifies a person to become a director or executive officers if such person has the following: convicted, adjudged bankrupt, misconduct himself in the public office, any breach of law or regulation, and if the person is prohibited to hold such position. However, Section 3 of the regulations fails to provide the maximum number that should constitute the board membership. This failure is a replication of the weaknesses of the Companies Code governance framework discussed earlier.

Unlike the Companies Code 1963, Section 61 of SECG Regulations mandate all public companies to make available to the Commission written evidence on the operation and effectiveness of the audit committee. This section of the regulation is important because it is one of the board committees that has oversight responsibilities of listed companies' financial affairs and auditing. Arguably, and in line with international best practices, the worldwide corporate governance development has also considered the establishment of an audit committee as an important governance mechanism. In this case, any person in Ghana who contravenes Section 61 of the regulations shall be liable to a fine of 2 million old Ghana cedis for each day that the default subsists (SECG, 2003, Section 62).

Apart from the Companies Code and the SECG Regulations, the revised 2006 Ghana Stock Exchange (GSE) Listing Rules has played a very substantial role in the regulation of companies and the development of corporate governance in Ghana. Adda and Hinson (2006) noted that the weaknesses of the governance framework of the Companies Code are somewhat dealt with by the GSE Listing Rules. In this regard, the GSE Listing Rules have reinforced, if not all, some of the corporate governance provisions found in the Companies Code and the SECG Regulations. The main aim of the GSE is to provide a fair, orderly and efficient market for trading of securities issued (Ghana Stock Exchange, 2006).

In particular, the rules for a potential listing and existing listed companies are detailed in Part I to Part X with the various sections dealing with a range of issues regarding the sponsorship for listing new applicants and the authority of the GSE in relation to the ownership structure. The focus for attention in this chapter is the contribution that is being made by GSE in the development of corporate governance in Ghana. In this regard, the Listing Rules placed much emphasis on board composition and board committees. For example, the GSE Listing Rules have a requirement for a company seeking admission to the official list to have at least 50% of its board of directors to be non-executive directors

(NEDs) to which 2 or 25% of the total board shall be independent (Ghana Stock Exchange, 2006, rule 11, 1–3). This listing requirement meets international best practice in relation to the inclusion of NEDs on the board. However, it did not state the minimum and a maximum number that shall constitute a particular company's board membership. In addition, the requirement of the 50% NEDs is not consistent with the provisions made by the Companies Code and the SECG Regulations, where only the minimum number of three is provided to constitute the board. As will be described in Section 3 and consistent with what is experienced internationally, the Ghanaian Code only called for the majority of the board to be NEDs without stating the exact proportion that should constitute non-executive directors. In this respect, failure to comply with rule 11 can lead to the suspension of listing and compulsory delisting. This confirms the assertion that listing on the GSE further increases the chances of a company strengthening its corporate governance practices (Adda & Hinson, 2006).

In line with SECG Regulations, the guidelines and steps for listing on the GSE state that written evidence of the existence, operation and effectiveness of the audit committee of a particular company must be submitted as one of the listing requirements (Ghana Stock Exchange, 1990). It is therefore expected that companies seeking a listing on the GSE must prove the establishment, operation and effectiveness of an audit committee of which the membership should be comprised of NEDs. Although the number of the membership is not stated in the guidelines, its functions include the oversight for the appointment and remuneration of statutory auditors; review and evaluation of internal control system; review of audited accounts; review of internal audit procedures and effectiveness; and the appraisal of the general conduct of the business of the company. It is important to state here that the requirement of the establishment of an audit committee is similar to what is experienced globally. It is also worth noting that the GSE guidelines regarding the establishment of an audit committee are consistent with the provisions in SECG Regulations discussed earlier and the Ghanaian Code that will be discussed in Section 3.

The above discussion on the legal and regulatory framework has demonstrated some inconsistencies and weaknesses across the rules and regulations of the Companies Code, SECG Regulations and the GSE Listing Rules regarding corporate governance practices in Ghana. Hence, the Ghanaian Code was the first attempt to make official corporate governance guidelines on best practices not backed by the force of law. The Ghanaian companies were encouraged to comply with the Ghanaian Code introduced in 2003 or explain for non-compliance. This governance model is consistent with what is practiced in, for example, the United Kingdom and South Africa, respectively. In general, the typical functions of the Ghanaian board include strategic formulation, policy making, providing accountability and monitoring of executive directors.

3. ANALYSIS OF CORPORATE BOARD PRACTICES IN GHANA

3.1. Board composition

The board practices in Ghana are underpinned by the Ghanaian Code especially when a company is limited by shares. Consistent with the worldwide corporate governance practices and in particular what is practiced in the UK and South Africa, the Ghanaian Code recognises the crucial role that the company chairman plays in securing good corporate governance. As such, and to avoid power concentration, it is suggested that the positions of the CEO and the chairman of the Ghanaian companies must be separated, with particular emphasis on listed companies unless there is a specific reason not to do so. In this regard, there should be an explanation to shareholders with the reason why the two positions are held by one person. Extant research suggests that 16% of the Ghanaian listed firms combined the role of the CEO and the chairman of the board of directors (Owusu & Weir, 2018). This chairman-CEO combined role practice is consistent with the findings in the UK, the US, Nigeria and South Africa (Conyon, 1994; Rayton & Cheng, 2004; McKnight & Weir, 2009; Linck, Netter, & Yang, 2009; Kajola, 2008; Ntim, 2009). However, the Ghanaian Code recommends only for the role to be separated but not expressly requiring the chairman to be an independent NED as practised in the UK and South Africa.

In respect of board size, the Ghanaian Code recommends for the size of the board to be representational in order to promote effective and responsible management. It argued that the membership of the board should be between a minimum of eight and a maximum of sixteen members and maintained that the procedures for appointment to the board should be formal and transparent. Owusu and Weir's (2018) recent study suggests an average board size of Ghanaian listed firms to be around 8.52. This evidence is consistent with Lipton and Lorsch (1992) who note that board size should be around eight or nine if they are to achieve better firm performance. However, the minimum of eight and the maximum of sixteen board membership proposed by the Ghanaian Code are all even numbers that could create potential voting problems at the board meetings if the board membership is not based on odd numbers.

The Ghanaian Code also calls for a balance of executive and NEDs on the board, with particular emphasis on independent NEDs to represent at least one-third of the total membership of the board and at any event not less than two. Recent empirical evidence suggests that the Ghanaian listed companies have an average of 75.96% outside director representation on the board (Owusu & Weir, 2018), suggesting that the Ghanaian boards are more independent (John & Senbet, 1998). However, this evidence is in sharp contrast with listed and non-listed banks in Ghana where outside director representation is 25% (Kyereboah-Coleman & Biekpe, 2007).

With regards to the significant role played by the finance director and the regular board meetings held in the case of listed companies, the Ghanaian Code calls for a specific director on the board to be made responsible for the finance function of the company. It also recommends that a qualified company secretary should be appointed as required under the Company Code, charged with the responsibilities as an adviser and guide to the chairman of the board. As such, the board should meet regularly and in the case of listed companies, the meeting should take place at least six times a year. In practice, Owusu (2012) finds evidence to suggest that all the Ghanaian listed companies have a company secretary in place but only 34% have a finance director. He also reports that only 11% of the Ghanaian listed companies' boards met six times in 2009, the highest since 2000. This is a deviation from the recommended board practice by the Ghanaian Code which requires the board of directors of the Ghanaian listed companies to meet six times a year. This is an area that the Ghanaian boards need to improve because it is pivotal for them to have frequent meetings if they are to achieve their strategic goal.

3.2. Board committees

Similar to the worldwide board practices, the Ghanaian Code recommends the establishment of two separate committees in order to improve the functioning and responsibilities of the board as follows: the audit committee and a remuneration committee. Of these, the audit committee is required to be constituted by at least three directors to whom the majority should be non-executive directors. Specifically, it suggested that the membership of the audit committee should include directors with adequate financial knowledge and the chairman of the committee should be a non-executive director. The Ghanaian Code also requested the provision of information on the activities of the audit committee in the company's annual report. Recently, Owusu and Weir (2018) report that on average 70% of the Ghanaian listed companies have established an audit committee. This is an improvement from the work of Kyereboah-Coleman and Amidu (2008) who find 38% of small and medium enterprises have an audit committee in place. In addition to the Ghanaian Code, the SECG Regulations and the revised GES Listing Rules discussed earlier require listed companies to provide written evidence regarding the operation and effectiveness of the audit committee. Notwithstanding these mandatory requirements, only 70% of the Ghanaian listed companies met this requirement, suggesting that mandatory requirements do not guarantee perfect board practices. This view is supported by the work of Carcello, Hermanson, and Neal (2002) in the US who recorded 85% of the firms having audit committees based on the rule-based approach to corporate governance. By contrast, Weir, Laing, and McKnight (2002) recorded the highest (96%) of the UK firms having audit committees in place during 1996, evidence supported by Ntim (2009) with South African listed firms having 95% of the audit committee in 2006.

With regards to the remuneration committee, although the Ghanaian Code requires the membership to be composed of a majority of non-executive directors, no guidance is given regarding the chairmanship and the minimum number of directors that should constitute the remuneration committee. Like the audit committee, information on its membership and the aggregate amount of compensation paid to the directors must be provided in the company's annual report. This should include whether directors receive part of their remuneration in stock or stock options. In practice, only 28% of the Ghanaian listed companies have a remuneration committee in place (Owusu & Weir, 2018). This evidence is not supported by what is practiced in the UK and South Africa where 95% of the firms had a remuneration committee in 1995 and 2006, respectively (Weir & Laing, 2000; Ntim, 2009). These variations in board practices may be explained by the weak enforcement strategy by regulatory institutions in Ghana relative to strong enforcement in the UK and South African regulatory institutions.

Nonetheless, the board committee practices differ from the worldwide company board practices in the following areas: there is no requirement for the chairman of the remuneration committee to be an independent non-executive director in Ghana as in the case of the UK and South Africa; and the Ghanaian Code also failed to recommend for the establishment of a nomination committee which has been considered as company board practice in the UK and South Africa. In view of these, and with the recent visit by the UK foreign secretary Boris Johnson and the Germany Chancellor Angela Merkel, the Ghanaian corporate boards are encouraged to emulate best corporate board practices around the world in order to attract investors now that Africa and in particular Ghana has become an attractive place to do business.

4. CORPORATE BOARD PRACTICES-PERFORMANCE NEXUS

4.1. Board composition and corporate performance

The relationship between board governance and firm performance can be well understood from an agency theory standpoint. This is because the separation of ownership and management of a firm leads to agency problems (Berle & Means, 1932) whereby managers' interest conflicts with the shareholders (Jensen & Meckling, 1976). To resolve the agency problem, agency theory has proposed corporate board practices such as role separation, the optimum board size, non-executive directors' representation, and audit and remuneration committees to ensure that managers are monitored and become accountable to shareholders. These board practices have been embedded in corporate governance codes (e.g., the UK, South Africa, etc.) around the world and Ghana is not an exception. However, do these board practices resolve the agency problem between managers and shareholders?

According to the agency theory, the combined role of CEO and the chairman of the board of

directors also known as CEO duality is not good board practice for shareholders value maximisation. In view of this, different corporate governance codes around the world and, in particular, the Ghanaian Code have recommended for CEO-chairman role separation. However, the empirical research does not entirely support the agency theory position. For example, whereas one group of researchers have found a negative relationship between CEO duality and corporate performance to support the agency theory position (Rechner & Dalton, 1991; Pi & Timme, 1993; Dahya, Lonie, & Power, 1996; Worrell, Nemec, & Davidson, 1997; Faccio & Lasfer, 1999; Kiel & Nicholson, 2003; Bozec, 2005; Haniffa & Hudaib, 2006; Ujunwa, 2012; Soliman, Ragab, & Eldin, 2014), others have found a positive relationship between CEO duality and corporate performance (Donaldson & Davis, 1991; Brickley, Coles, & Jarrell, 1997; Boyd, Howard, & Carroll, 1997; O'Sullivan & Wong, 1999; Coles, McWilliams, & Sen, 2001; Buckland, 2001; Peng, Zhang, & Li, 2007; Dey, Engel, & Liu, 2011; Guillet, Seo, Kucukusta, & Lee, 2013; Yang & Zhao, 2014). However, the third strand of researchers did not find any relationship between CEO duality and corporate performance (Daily & Dalton, 1993; Baliga, Moyer, & Rao, 1996; Vafeas & Theodorou, 1998; Dalton, Daily, Ellstrand, & Johnson, 1998; Weir & Laing, 2000; Weir et al., 2002; Dulewicz & Herbert, 2004; Elsayed, 2007; Chen, Lin, & Yi, 2008; Mashayekhi & Bazaz, 2008). In contrast with the above mixed results, the researchers in Ghana have consistently found evidence to support the agency theory position. For example, Kyereboah-Coleman and Biekpe (2007) reported a negative relationship between CEO duality and corporate performance; evidence supported by Owusu, Holmes, and Agyemang (2017) recent study across Ghanaian listed firms. This evidence suggests that the Ghanaian firms should be encouraged to separate the CEO-chairman role in order not to implement decisions that are in the CEO's personal best interest as opposed to shareholder value maximization.

Some researchers suggest that the larger the board size the problem it becomes in the area of coordination and communication leading to ineffective board practices (Lipton & Lorch, 1992; Jensen, 1993). However, research on board size-corporate performance relationship is mixed. For example, Yermack (1996) who was the first to investigate the relationship between board size and corporate performance found a negative relationship between the two. His evidence is supported by Eisenberg, Sundgren, and Wells (1998), Bozec (2005), and Guest (2009) who also concluded that larger board size is negatively associated with corporate performance. In contrast, Faccio and Lasfer (1999), Coles, Daniel, and Naveen (2008), Meyer and de Wet (2013), and Soliman et al. (2014) have found a positive association between board size and corporate performance. Interestingly, Dulewicz and Herbert (2004), Bennett and Robson (2004), and Wintoki, Linck, and Netter (2012) have found no relationship between larger or smaller board size and corporate performance. In Ghana, and given that the board size ranges between eight and nine (Lipton & Lorch, 1992), Owusu et al. (2017) found a positive relationship between board size and corporate performance across the Ghanaian listed firms. This evidence is consistent with the earlier study by Kyereboah-Coleman and Biekpe (2007) in Ghana. Although the Ghanaian Code recommends the board size to be in the range between eight and sixteen, the board size in practice should be between eight and nine if they are to achieve better performance.

Agency theory position is that board of directors dominated by executive directors are effectively not accountable to shareholders (Fama, 1980; Sonnenfeld, 2002). This may be true because Cadbury Committee (1992) suggests that the representation of NEDs on the board enhances the board of directors' independence in mind and judgement and thereby enhances their decision-making process. However, the empirical research on the relationship between NEDs representation and corporate performance does not provide consistent support to the agency theory position. Whilst Pearce and Zahra (1992), Faccio and Lasfer (1999), Weir et al. (2002) and Gupta and Fields (2009) found a positive association between the representation of NEDs on the board and corporate performance in support of the agency theory position, Agrawal and Knoeber (1996), Kiel and Nicholson (2003), Dulewicz and Herbert (2004), and Mangena, Tauringana, and Chamisa (2012) reported a negative relationship between the two. The third group of researchers has reported no relationship between the representation of the NEDs on the board and corporate performance (Daily & Dalton, 1993; Klein, 1998; Vafeas & Theodorou, 1998; Laing & Weir, 1999; Weir & Laing, 2000; Haniffa & Hudaib, 2006; Ghosh, 2006; Kajola, 2008; Sanda, Mikailu, & Garba, 2010; Adams & Mehran, 2012; Wintoki et al., 2012). In Ghana, the results are not different from prior studies. For example, whereas Abor and Biekpe (2007) found a positive relationship between the representation of NEDs on small and medium-sized enterprises (SMEs) boards and performance, Kyereboah-Coleman and Biekpe (2007) reported a negative association between the two across Ghanaian listed firms. Recently, Owusu et al. (2017) grouped the Ghanaian listed firms into pre and post Ghanaian Code board governance and found no relationship between NEDs representation and corporate performance across both sub-periods. These results suggest that the benefit of different expertise, independent in mind and judgement from the representation of NEDs on the board appears not to maximise shareholder wealth.

4.2. Board committees and corporate performance

The relationship between board committee practices and corporate performance is considered an emerging research area (Dalton et al., 1998; Laing & Weir, 1999), and the limited studies on the relationship between the two have not produced consistent results. For example, Wild (1994) examined the market reaction before and after the establishment of audit committees and found an improvement in share returns following the establishment of an audit committee. This evidence is supported by Laing and Weir (1999) and

Soliman et al. (2014) who reported a positive association between the presence of audit committee and corporate performance. In contrast, Bozec (2005) found the establishment of an audit committee to have a negative impact on corporate performance. In Ghana, the recent study of Owusu et al. (2017) suggests that before the introduction of the Ghanaian Code, the presence of an audit committee has no impact on corporate performance but the relationship became positive after the introduction of the Ghanaian Code across Ghanaian listed firms. These results suggest that the introduction of the Ghanaian Code which encouraged the establishment of an audit committee has benefited those firms who complied with it.

In regard to the relationship between a remuneration committee and corporate performance, the extent of research to date is not encouraging but with inconsistent results. Whilst Laing and Weir (1999) reported a positive association between the presence of a remuneration committee and corporate performance, Lam and Lee (2012) found a negative relationship between the two. The third strand of researchers (Klein, 1998; Vafeas & Theodorou, 1998; Weir et al., 2002; Dulewicz & Herbert, 2004; Kajola, 2008; Black & Kim, 2012) has found no impact of the establishment of a remuneration committee on corporate performance. In Ghana, researchers have found a consistent and positive association between the establishment of a remuneration committee and corporate performance (Kyereboah-Coleman & Amidu, 2008; Owusu et al., 2017). Although a remuneration committee compliance level of 28% across the Ghanaian listed firms is not encouraging (Owusu & Weir, 2018), the Ghanaian boards need to take this governance mechanism seriously because it appears to align managers' and shareholders' interests through reasonable remuneration packages for executive directors. They then work towards the achievement of shareholder value maximization.

5. CONCLUSION

This paper has examined board practices in Ghana and whether those practices have any impact on corporate performance. The analysis shows that companies in Ghana are governed by the Companies Code 1963 which determines their existence, continuity and winding-up but it also gives room for other regulations, including SECG Regulations and the GSE Listing Rules. However, and until the introduction of the Ghanaian Code, there were some inconsistencies and weaknesses in the corporate board practices of companies in Ghana. Since the introduction of the Ghanaian Code, the Ghanaian corporate board practices has particularly focused on CEO-chairman role separation, board size ranging from eight to sixteen, a balance of executive and NEDs on the board, board committees (i.e., audit and remuneration), the appointment of a finance director charged with the finance function, company secretary to guide the board and in particular the chairman of the board of directors, regular and frequent board meetings (i.e., six times a year for listed companies).

However, the evidence shows that the Ghanaian firms do not fully adhere to these board practices. In particular, 16% of the Ghanaian listed firms on average have the CEO-chairman combined with the board size making up an average of 8.52. The average representation of NEDs on the board is 75.80%. On average, 70% of the Ghanaian firms have established audit committees but only 28% on average have a remuneration committee. These Ghanaian corporate board practices in most cases fall short of what is practiced globally especially in the UK and South Africa.

The impact of the Ghanaian corporate board practices on corporate performance is somewhat interesting. In particular, the analysis shows that CEO duality has a negative impact on corporate performance, evidence that agency theory supports and in line with the view that firms with the CEO-chairman role tend to perform poorly due to the implementation of decisions that favours the CEO's interest. However, the smaller Ghanaian board size appears to be optimal because it has a positive impact on corporate performance. The larger representation of NEDs on the Ghanaian corporate boards has no impact on corporate performance. But there is a positive relationship between board committees (i.e., audit and remuneration committees) and corporate performance across Ghanaian listed firms. Overall, these results demonstrate that the Ghanaian firms should be encouraged to separate the role of CEO and the chairman of the board of directors, have a board size between eight and nine, establish both audit and remuneration committees and make good use of NEDs time in the board decision process if they are to achieve better corporate performance.

Although the analysis shows that the Ghanaian corporate board practices are generally influential to corporate performance, the managers across the Ghanaian firms are more likely to engage in earnings management. This is something that they may do to influence the stock market and investors by manipulating especially the accounting-based firm performance measures. Therefore, future research could investigate whether the current Ghanaian corporate board practices improve financial reporting quality to assure investors and other users of financial information about the credibility of the financial information for decision-making.

REFERENCES

1. Abor, J., & Biekpe, N. (2007). Corporate governance, ownership structure and performance of SMEs in Ghana: Implications for financing opportunities. *Corporate Governance: The International Journal of Business in Society, 7*(3), 288–300. https://doi.org/10.1108/14720700710756562
2. Adams, R. B., & Mehran, H. (2012). Bank board structure and performance: Evidence for large bank holding companies. *Journal of Financial Intermediation, 21*(2), 243–267. https://doi.org/10.1016/j.jfi.2011.09.002

3. Adda, E., & Hinson, R. (2006). Exploring the legal framework for business and ethical practices in Ghana. *Journal of Legal, Ethical and Regulatory Issues, 9*(2), 69–80. Retrieved from https://www.proquest.com/openview/c42cd46e6dc362237c7c912f194ed5ab/1?pq-origsite=gscholar&cbl=38868
4. Agrawal, A., & Knoeber, C. R. (1996). Firm performance and mechanisms to control agency problems between managers and shareholders. *Journal of Financial and Quantitative Analysis*, *31*(3), 377–397. https://doi.org/10.2307/2331397
5. Baliga, B. R., Moyer, R. C., & Rao, R. S. (1996). CEO duality and firm performance: What's the fuss? *Strategic Management Journal*, *17*(1), 41–53. https://doi.org/10.1002/(SICI)1097-0266(199601)17:1%3C41::AID-SMJ784%3E3.0.CO;2-%23
6. Bennett, R. J., & Robson, P. J. A. (2004). The role of boards of directors in small and medium-sized firms. *Journal of Small Business and Enterprise Development*, *11*(1), 95–113. https://doi.org/10.1108/14626000410519137
7. Berle, A. A., & Means, G. C. (1932). *The modern corporation and private property.* New York, NY: Macmillan.
8. Black, B., & Kim, W. (2012). The effect of board structure on firm value: A multiple identification strategies approach using Korean data. *Journal of Financial Economics*, *104*(1), 203–226. https://doi.org/10.1016/j.jfineco.2011.08.001
9. Boyd, B. K., Howard, M., & Carroll, W. O. (1997). CEO duality and firm performance: An international comparison. In H. Thomas, D. E. O'Neal, & M. Ghertman (Eds.), *Strategy, structure and style* (pp. 23–39). Chichester, the UK: John Wiley & Sons.
10. Bozec, R. (2005). Boards of directors, market discipline and firm performance. *Journal of Business Finance & Accounting*, *32*(9–10), 1921–1960. https://doi.org/10.1111/j.0306-686X.2005.00652.x
11. Brickley, J. A., Coles, J. L., & Jarrell, G. (1997). Leadership structure: Separating the CEO and chairman of the board. *Journal of Corporate Finance*, *3*(3), 189–220. https://doi.org/10.1016/S0929-1199(96)00013-2
12. Buckland, R. (2001). *UK IPO board structures and post-issue performance* (Accountancy, Finance & Mgmt, Working Paper No. 01-5). https://doi.org/10.2139/ssrn.276049
13. Carcello, J. V., Hermanson, D. R., & Neal, T. L. (2002). Disclosures in audit committee charters and reports. *Accounting Horizons, 16*(4), 291–304. https://doi.org/10.2308/acch.2002.16.4.291
14. Chen, C.-W., Lin, J. S. B., & Yi, B. (2008). CEO duality and firm performance — An endogenous issue. *Corporate Ownership and Control*, *6*(1), 58–65. https://doi.org/10.22495/cocv6i1p6
15. Coles, J. L., Daniel, N. D., & Naveen, L. (2008). Boards: Does one size fit all? *Journal of Financial Economics, 87*(2), 329–356. https://doi.org/10.1016/j.jfineco.2006.08.008
16. Coles, J. W., McWilliams, V. B., & Sen, N. (2001). An examination of the relationship of governance mechanisms to performance. *Journal of Management*, *27*(1), 23–50. https://doi.org/10.1177/014920630102700102
17. Conyon, M. J. (1994). Corporate governance changes in UK companies between 1988 and 1993. *Corporate Governance: An International Review, 2*(2), 87–100. https://doi.org/10.1111/j.1467-8683.1994.tb00060.x
18. Conyon, M. J., & Peck, S. I. (1998). Board size and corporate performance: Evidence from European countries. *The European Journal of Finance*, *4*(3), 291–304. https://doi.org/10.1080/135184798337317
19. Dahya, J., Lonie, A. A., & Power, D. M. (1996). The case for separating the roles of chairman and CEO: An analysis of stock market and accounting data. *Corporate Governance: An International Review*, *4*(2), 71–77. https://doi.org/10.1111/j.1467-8683.1996.tb00136.x
20. Daily, C. M., & Dalton, D. R. (1993). Board of directors leadership and structure: Control and performance implications. *Entrepreneurship: Theory and Practice*, *17*(3), 65–81. https://doi.org/10.1177/104225879301700305
21. Dalton, D. R., Daily, C. M., Ellstrand, A. E., & Johnson, J. L. (1998). Meta-analytic reviews of board composition, leadership structure, and financial performance. *Strategic Management Journal*, *19*(3), 269–290. https://doi.org/10.1002/(SICI)1097-0266(199803)19:3%3C269::AID-SMJ950%3E3.0.CO;2-K
22. Dey, A., Engel, E., & Liu, X. (2011). CEO and board chair roles: To split or not to split? *Journal of Corporate Finance*, *17*(5), 1595–1618. https://doi.org/10.1016/j.jcorpfin.2011.09.001
23. Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, *16*(1), 49–64. https://doi.org/10.1177/031289629101600103
24. Dulewicz, V., & Herbert, P. (2004). Does the composition and practice of boards of directors bear any relationship to the performance of their companies? *Corporate Governance: An International Review*, *12*(3), 263–280. https://doi.org/10.1111/j.1467-8683.2004.00368.x
25. Eisenberg, T., Sundgren, S., & Wells, M. T. (1998). Larger board size and decreasing firm value in small firms. *Journal of Financial Economics*, *48*(1), 35–54. https://doi.org/10.1016/S0304-405X(98)00003-8
26. El Mehdi, I. K. (2007). Empirical evidence on corporate governance and corporate performance in Tunisia. *Corporate Governance: An International Review*, *15*(6), 1429–1441. https://doi.org/10.1111/j.1467-8683.2007.00655.x
27. Elsayed, K. (2007). Does CEO duality really affect corporate performance? *Corporate Governance: An International Review, 15*(6), 1203–1214. https://doi.org/10.1111/j.1467-8683.2007.00641.x
28. Faccio, M., & Lasfer, M. (1999). *Managerial ownership, board structure and firm value: The UK evidence* (Cass Business School Research Paper). Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=179008
29. Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of Political Economy*, *88*(2), 288–307. https://doi.org/10.1086/260866
30. Fisher, D. (2011, June 5). The world's worst economies. *Forbes Magazine.* Retrieved from https://www.forbes.com/sites/danielfisher/2011/07/05/the-worlds-worst-economies/?sh=606f99955e96#41375%20eac5e96
31. Ghana Stock Exchange. (1990). *GSE listing regulation 1990, LI 1509.* Retrieved from http://elibrary.jsg.gov.gh/fg/LEGISLATIVE%20INS%20-%20LN/LI%201451%20-%201692/STOCK%20EXCHANGE%20(GHANA%20STOCK%20EXCHANGE)%20LISTING%20REGULATIONS,%201.htm
32. Ghana Stock Exchange. (2006). *Listing rules.* Retrieved from https://gse.com.gh/listing-rules/
33. Ghosh, S. (2006). Do board characteristics affect corporate performance? Firm-level evidence for India. *Applied Economics Letters*, *13*(7), 435–443. https://doi.org/10.1080/13504850500398617

34. Guest, P. M. (2009). The impact of board size on firm performance: Evidence from the UK. *The European Journal of Finance*, *15*(4), 385–404. https://doi.org/10.1080/13518470802466121
35. Guillet, B. D., Seo, K., Kucukusta, D., & Lee, S. (2013). CEO duality and firm performance in the U.S. restaurant industry: Moderating role of restaurant type. *International Journal of Hospitality Management*, *33*, 339–346. https://doi.org/10.1016/j.ijhm.2012.10.004
36. Gupta, M., & Fields, L. P. (2009). Board independence and corporate governance: Evidence from director resignations. *Journal of Business Finance & Accounting*, *36*(1–2), 161–184. https://doi.org/10.1111/j.1468-5957.2008.02113.x
37. Haniffa, R., & Hudaib, M. (2006). Corporate governance structure and performance of Malaysian listed companies. *Journal of Business Finance & Accounting*, *33*(7–8), 1034–1062. https://doi.org/10.1111/j.1468-5957.2006.00594.x
38. Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *The Journal of Finance*, *48*(3), 831–880. https://doi.org/10.1111/j.1540-6261.1993.tb04022.x
39. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X
40. John, K., & Senbet, L. W. (1998). Corporate governance and board effectiveness. *Journal of Banking & Finance, 22*(4), 371–403. https://doi.org/10.1016/S0378-4266(98)00005-3
41. Kajola, S. O. (2008). Corporate governance and firm performance: The case of Nigerian listed firms. *European Journal of Economics, Finance and Administrative Sciences*, *14,* 16–28. Retrieved from https://www.academia.edu/5808381/Corporate_Governance_and_Firm_Performance_The_Case_of_Nigerian_Listed_Firms
42. Kiel, G. C., & Nicholson, G. J. (2003). Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance. *Corporate Governance: An International Review*, *11*(3), 189–205. https://doi.org/10.1111/1467-8683.00318
43. Klapper, L. F., & Love, I. (2004). Corporate governance, investor protection, and performance in emerging markets. *Journal of Corporate Finance*, *10*(5), 703–728. https://doi.org/10.1016/S0929-1199(03)00046-4
44. Klein, A. (1998). Firm performance and board committee structure. *The Journal of Law and Economics*, *41*(1), 275–304. https://doi.org/10.1086/467391
45. Kyereboah-Coleman, A., & Amidu, M. (2008). The link between small business governance and performance: The case of the Ghanaian SME sector. *Journal of African Business, 9*(1), 121–143. https://doi.org/10.1080/15228910802052880
46. Kyereboah-Coleman, A., & Biekpe, N. (2007). The relationship between board size, board composition, CEO duality and firm performance: Experience from Ghana. *Corporate Ownership & Control*, *4*(2), 114–122. https://doi.org/10.22495/cocv4i2p11
47. Laing, D., & Weir, C. M. (1999). Governance structures, size and corporate performance in UK firms. *Management Decision, 37*(5), 457–464. https://doi.org/10.1108/00251749910274234
48. Lam, T.-Y., & Lee, S.-K. (2012). Family ownership, board committees and firm performance: Evidence from Hong Kong. *Corporate Governance: The International Journal of Business in Society*, *12*(3), 353–366. https://doi.org/10.1108/14720701211234609
49. Linck, J. S., Netter, J. M., & Yang, T. (2009). The effects and unintended consequences of the Sarbanes-Oxley Act on the supply and demand for directors. *The Review of Financial Studies, 22*(8), 3287–3328. https://doi.org/10.1093/rfs/hhn084
50. Lipton, M., & Lorsch, J. W. (1992). A modest proposal for improved corporate governance. *The Business Lawyer*, *48*(1), 59–77. Retrieved from https://www.jstor.org/stable/40687360?seq=1
51. Mangena, M., Tauringana, V., & Chamisa, E. (2012). Corporate boards, ownership structure and firm performance in an environment of severe political and economic crisis. *British Journal of Management*, *23*(S1), 23–41. https://doi.org/10.1111/j.1467-8551.2011.00804.x
52. Mashayekhi, B., & Bazaz, M. S. (2008). Corporate governance and firm performance in Iran. *Journal of Contemporary Accounting & Economics*, *4*(2), 156–172. https://doi.org/10.1016/S1815-5669(10)70033-3
53. McKnight, P. J., & Weir, C. (2009). Agency costs, corporate governance mechanisms and ownership structure in large UK publicly quoted companies: A panel data analysis. *The Quarterly Review of Economics and Finance*, *49*(2), 139–158. https://doi.org/10.1016/j.qref.2007.09.008
54. Meyer, E., & de Wet, J. H. v. H. (2013). The impact of board structure on the financial performance of listed South African companies. *Corporate Board: Role, Duties and Composition, 9*(3), 18–31. https://doi.org/10.22495/cbv9i3art2
55. Ntim, C. G. (2009). *Internal corporate governance structures and firm financial performance: Evidence from South African listed firms* (PhD thesis, University of Glasgow). Retrieved from http://theses.gla.ac.uk/1282/
56. O'Sullivan, N., & Wong, P. (1999). Board composition, ownership structure and hostile takeovers: Some UK evidence. *Accounting and Business Research*, *29*(2), 139–155. https://doi.org/10.1080/00014788.1999.9729575
57. Owusu, A. (2012). *An empirical investigation of the relationship between corporate governance and firm performance: Evidence from Ghana* (PhD thesis, Robert Gordon University). Retrieved from: https://openair.rgu.ac.uk/handle/10059/845
58. Owusu, A., & Weir, C. (2018). Agency costs, ownership structure and corporate governance mechanisms in Ghana. *International Journal of Accounting, Auditing and Performance Evaluation*, *14*(1), 63–84. https://doi.org/10.1504/IJAAPE.2018.089414
59. Owusu, A., Holmes, M., & Agyemang, J. (2017). The performance consequences of board structure changes: Evidence from Ghana. *Corporate Ownership & Control, 15*(1–2), 421–434. https://doi.org/10.22495/cocv15i1c2p11
60. Pearce, J. A., & Zahra, S. A. (1992). Board composition from a strategic contingency perspective. *Journal of Management Studies*, *29*(4), 411–438. https://doi.org/10.1111/j.1467-6486.1992.tb00672.x
61. Peng, M. W., Zhang, S., & Li, X. (2007). CEO duality and firm performance during China's institutional transitions. *Management and Organization Review*, *3*(2), 205–225. https://doi.org/10.1111/j.1740-8784.2007.00069.x

62. Pi, L., & Timme, S. G. (1993). Corporate control and bank efficiency. *Journal of Banking & Finance*, *17*(2–3), 515–530. https://doi.org/10.1016/0378-4266(93)90050-N
63. Rabelo, F. M., & Vasconcelos, F. C. (2002). Corporate governance in Brazil. *Journal of Business Ethics*, *37*(3), 321–335. https://doi.org/10.1023/A:1015249300794
64. Rayton, B. A., & Cheng, S. (2004). *Corporate governance in the United Kingdom: Changes to the regulatory template and company practice from 1998–2002* (University of Bath, School of Management, Working Paper Series No. 2004.13). Retrieved from https://www.researchgate.net/profile/Bruce_Rayton/publication/228762423_Corporate_governance_in_the_United_Kingdom_Changes_to_the_regulatory_template_and_company_practice/links/0a85e532075afae8db000000/Corporate-governance-in-the-United-Kingdom-Changes-to-the-regulatory-template-and-company-practice.pdf
65. Rechner, P. L., & Dalton, D. R. (1991). CEO duality and organizational performance: A longitudinal analysis. *Strategic Management Journal*, *12*(2), 155–160. https://doi.org/10.1002/smj.4250120206
66. Sanda, A. U., Mikailu, A. S., & Garba, T. (2010). Corporate governance mechanisms and firms' financial performance in Nigeria. *Afro-Asian Journal of Finance and Accounting*, *2*(1), 22–39. https://doi.org/10.1504/AAJFA.2010.035193
67. Security and Exchange Commission Ghana (SECG). (2003). *Securities and Exchange Commission Regulations 2003, L.I. 1728.* Retrieved from https://sec.gov.gh/wp-content/uploads/Securities-Industry-Laws/SEC-Regulations-2003-LI-1728.pdf
68. Security and Exchange Commission Ghana (SECG). (2009). *Corporate governance guidelines on best practices.* Retrieved from https://ecgi.global/code/corporate-governance-guidelines-best-practices-2009
69. Soliman, M. M., Ragab, A. A., & Eldin, M. B. (2014). Corporate governance structure and firm' financial performance: Evidences from Egypt. *Corporate Board: Role, Duties and Composition, 10*(1), 49–59. https://doi.org/10.22495/cbv10i1art4
70. Sonnenfeld, J. A. (2002). What makes great boards great? *Harvard Business Review*, *80*(9), 106–113. Retrieved from https://hbr.org/2002/09/what-makes-great-boards-great
71. The Committee on the Financial Aspects of Corporate Governance (Cadbury Committee) and Gee and Co. Ltd. (1992). *Report of the Committee on the financial aspects of corporate governance*. Retrieved from https://www.icaew.com/technical/corporate-governance/codes-and-reports/cadbury-report
72. Ujunwa, A. (2012). Board characteristics and the financial performance of Nigerian quoted firms. *Corporate Governance: The International Journal of Business in Society*, *12*(5), 656–674. https://doi.org/10.1108/14720701211275587
73. Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics*, *53*(1), 113–142. https://doi.org/10.1016/S0304-405X(99)00018-5
74. Vafeas, N., & Theodorou, E. (1998). The relationship between board structure and firm performance in the UK. *The British Accounting Review*, *30*(4), 383–407. https://doi.org/10.1006/bare.1998.0075
75. Weir, C., & Laing, D. (2000). The performance-governance relationship: The effects of Cadbury compliance on UK quoted companies. *Journal of Management and Governance*, *4*(4), 265–281. https://doi.org/10.1023/A:1009950903720
76. Weir, C., Laing, D., & McKnight, P. J. (2002). Internal and external governance mechanisms: Their impact on the performance of large UK public companies. *Journal of Business Finance & Accounting*, *29*(5–6), 579–611. https://doi.org/10.1111/1468-5957.00444
77. Westphal, J. D., & Zajac, E. J. (1995). Who shall govern? CEO/board power, demographic similarity, and new director selection. *Administrative Science Quarterly*, *40*(1), 60–83. https://doi.org/10.2307/2393700
78. Wild, J. J. (1994). Managerial accountability to shareholders: Audit committees and the explanatory power of earnings for returns. *The British Accounting Review*, *26*(4), 353–374. https://doi.org/10.1006/bare.1994.1024
79. Wintoki, M. B., Linck, J. S., & Netter, J. M. (2012). Endogeneity and the dynamics of internal corporate governance. *Journal of Financial Economics*, *105*(3), 581–606. https://doi.org/10.1016/j.jfineco.2012.03.005
80. Worrell, D. L., Nemec, C., & Davidson III, W. N. (1997). One hat too many: Key executive plurality and shareholder wealth. *Strategic Management Journal*, *18*(6), 499–507. https://doi.org/10.1002/(SICI)1097-0266(199706)18:6%3C499::AID-SMJ898%3E3.0.CO;2-F
81. Yang, T., & Zhao, S. (2014). CEO duality and firm performance: Evidence from an exogenous shock to the competitive environment. *Journal of Banking & Finance*, *49*, 534–552. https://doi.org/10.1016/j.jbankfin.2014.04.008
82. Yermack, D. (1996). Higher market valuation of companies with a small board of directors. *Journal of Financial Economics*, *40*(2), 185–211. https://doi.org/10.1016/0304-405X(95)00844-5