Corporate Governance Practices of Small and Medium Enterprises (SMEs): An Exploratory Study in Ghana

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Bismark Asumadu

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Small and Medium Enterprises (SMEs) consist of 92% of registered businesses in Ghana. Prior studies like Abor & Quartey (2010) and Aryeetey & McKay (2007) have found that SMEs are the key contributors to Ghana's Gross Domestic Product (GDP) and job creation, yet they hold the unenviable statistics of high rate of collapse due to weaker operating structures (Quartey, 2003). In order to understand the rate of collapse and weak structures of SMEs, this research explores Corporate Governance (CG) in SMEs in Ghana. Given that most CG studies focus on developed countries; CG has not been adequately documented or understood in developing and under-developed countries. This research examines CG practices in SMEs in Ghana using a multi-method approach. The research methodology is divided into two linked phases (that is, Phase 1 and Phase 2). Phase 1 uses a qualitative approach of face-to-face interviews with ten purposively sampled interviewees. The themes that emerged from Phase 1 together with those identified in the prior literature, were used to develop a survey for Phase 2, which had a sample size of 268 businesses.

The research found that although Ghanaian SMEs are aware of CG practices, SMEs differ widely in the implementation of them. The difference in CG practices were found to be associated with type of business, shareholding structure, and level of knowledge. Firstly, the evidence provided by Phases 1 and 2 revealed that there are 11 sources of information for SMEs in Ghana. Of these, media is the most popular source of information. Secondly, the research found that there are eight reasons that affect CG practices in SMEs in Ghana, with finance being the most important reason. Thirdly, the research found that SMEs in Ghana face similar challenges in the implementation of CG to their counterparts in other developing countries. Lastly, the research recommends that punitive measures, education, training, enforcement of laws, the strengthening of key institutions and financial assistance are needed to improve CG practices in Ghana.

The research expands CG knowledge in two significant ways. Firstly, it enriches the body of literature of studies on Ghana, a developing country that is often neglected by researchers due to the unavailability of data. Secondly, this research focusses on SMEs, which are overlooked in research in favour of publicly-listed businesses where data is widely and easily available from plentiful of database providers. This research is the first to identify current CG practices, reasons, and challenges of CG adoption among Ghanaian SMEs. Furthermore, the research extends the reasons for the adoption of CG in SMEs to include corporate social responsibility (CSR), investor confidence, competitors, and shareholder rights and ownership concentration. The recommendations will be of particular interest to Ghanaian authorities for devising or amending the rules and regulations pertaining to CG matters. This research hopes to encourage further studies on CG and SMEs in developing and non-developed countries.

Keywords: Corporate Governance, Practices, Reasons, Challenges, Small and Medium Enterprises, Ghana.

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Brief Contents

Detailed Contents

List of Tables

List of Figures

Abbreviations

ACGN	African Corporate Governance Network
AGI	Association of Ghana Industries
ASX	Australian Stock Exchange
BCCI	Bank of Credit and Commerce International
BoG	Bank of Ghana
CalPERS	California Public Employees' Retirement System
CAC	Corporate Affairs Commission
CAMA	Company and Allied Matters Act
CCG	Centre of Corporate Governance
CEO	Chief Executive Officer
CG	Corporate Governance
ECOWAS	Economic Community of West African States
FRC	Financial Reporting Council
GDP	Gross Domestic Product
GNI	Gross National Income
GSE	Ghana Stock Exchange
IMF	International Monetary Fund
LSE	London Stock Exchange
MDG	Millennium Development Goals
MNCs	Multi-National Businesses
NACD	National Association of Corporate Directors
NBSSI	National Board for Small Scale Industries
NCCE	National Communication for Civic Education
NCFFRTC	National Commission on Fraudulent Financial Reporting and Treadway Commission
NEEDS	National Economic Empowerment and Development Strategy
NGOs	Non-governmental organisations

NYSE	New York Stock Exchange
NZ	New Zealand
OECD	Organization for Economic Co-operation and Development
PMMC	Precious Mineral Marketing Commission
PWG	Proxy Working Group
SBA	Small Business Association
SEC	Security and Exchange Commission
SMEs	Small and Medium Enterprises
SOEs	State Owned Enterprises
TIAA-CREF	Teachers Insurance and Annuity Association–College Retirement Equities Fund
TIN	Tax Identification Number
UK	United Kingdom
UKBIS	United Kingdom Business Innovation and Skills
UKSBS	United Kingdom Small Business Statistics
UNIDO	United Nations Industrial Development Organization
USA (US)	United States of America

Chapter 1

Introduction

Governments in many African countries are facing enormous challenges of low growth, unemployment, weak trade, low investments, and rising or persistently high inequality (Cant & Wiid, 2013; DeBerry-Spence & Elliot, 2012; OECD, 2016; Ramutsindela & Mickler, 2020). These issues have led to growing dissatisfaction among citizens who are faced with high standard of living, unemployment, high exchange rate and lack of infrastructure (Aryeetey & Baah-Boateng, 2007; Aryeetey & McKay, 2007; Meng, 2004). Citizens often express their dissatisfaction in the form of civil disobedience, rioting, and protesting (Lynch, 2012). Governments worldwide have attempted to address these challenges using many different methods. However, one approach involves empowering small businesses to flourish for the benefit of society (De Silva, 2011; Moon & Knudsen, 2018). Various governments have attempted to achieve this goal by creating conducive corporate governance (CG) frameworks that support business development and benefit the economy and wider society (Abor, 2007; Abor & Biekpe, 2005; Maurizio, 2014). Prior studies (Bokpin, 2013; Mensah, 2004) have shown that SMEs in developing countries have weaker structures, poor governance structures and other deficiencies. For these reasons and many others, introducing corporate governance is vital for the direction of SMEs in developing countries (Agyemang & Castellini, 2015; Okenwa, Francis, & Abiahu, 2017).

CG can simply be defined as how "companies are directed and controlled" (Cadbury, 1992, p. 2). CG includes the mechanisms and processes businesses use to protect their various business interests (Kang, Cheng, & Gray, 2007; Khan, Muttakin, & Siddiqui, 2013; Kroll, Walters, & Wright, 2008). In their quest to regulate businesses and improve their national development, many governments have adopted CG principles (Chung, Elder, & Kim, 2010; Network, 2016;

Oman, 2001). CG principles have been very effective in regulating businesses around the world since the 1980s and provide a resource in the fight against financial and accounting malpractices (Benton, 2016; Donaldson, 2013; Reed, 2002; Van Ees, Gabrielsson, & Huse, 2009).

CG is the most researched topic in the business management field in the developed countries because of the effects of large-scale scandals on various national economies (Dahawy, 2009). However, the same cannot be said of CG research on developing countries (Dahawy, 2009; Rabelo & Vasconcelos, 2002). Although Reed (2002) reported that the lack of interest in CG in developing countries was changing due to international trade, globalisation and international investment practices, Abor (2007) and Dahawy (2009) reports that the rate of change is slow due to political and cultural factors. In fact, Rabelo and Vasconncelos (2002) reported that developing countries have political and economic problems that do not apply to developed countries. Among the problems reported by prior studies are weak institutions, limited human resource capabilities, and weak legal and judiciary systems (Mensah, 2004; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). These problems contribute to SME failure, since most SMEs do not have the proper business structure like the publicly listed or large businesses (Dzigba, 2015).

SMEs are small entities that are usually characterised by a small number of employees. They are often owned by an individual, a small group of people or a family and as a result, often have limited financial reserves. Despite these limitations, SMEs are key players in many countries' economies (OECD, 2004) and the broader business environment (Harris & Gibson, 2006; Kiggundu, 2002; Okpara & Wynn, 2007; Van Eeden, Viviers, & Venter, 2004). Prior studies (Harris & Gibson, 2006; Van Eeden et al., 2004) indicate that SMEs employ more people than listed businesses and contribute significantly to GDP worldwide. Hence, encouraging SMEs to adopt CG principles and thrive in a more open environment will enhance a country's economic growth and reduce pressure on that society in terms of unemployment and government expenditure (that is, through unemployment assistance and social benefits) (Potter & Storey, 2007). Although the importance of SMEs have been documented by scholars such as Ayyagari et al. (2011) and Fabayo (2009), who note their contribution to world economy, more emphasis is placed on listed or large businesses due to greater public interest (Flynn & Davis, 2016; Gustafsson, Manduchi, & Stephan, 2019).

While Ghana's Company Law (ACT 179) of 1963 has undergone amendments in 2006 and 2013, it still does not address the gaps (i.e., ownership concentration, shareholder rights, voting rights) in the existing CG laws (Agyemang & Castellini, 2015; Bokpin, 2013; Gupta & Gupta, 2015; Okenwa, Francis, & Abiahu, 2017). Due to the inability of ACT 179 to address the modern-day corporate problems, in 2019, the Ghanaian Government introduced a new company law (ACT 992). Ayagre and Appiah-Gyamerah (2014) suggest that effective CG laws steer performance thereby helping businesses to create more employment, which in turn increase citizen's standard of living and help alleviate poverty (Aboagye & Otieku, 2010; Okpara & Kabongo, 2010). However, as a result of this new law, stakeholders expect SMEs to have well-developed CG frameworks which will enable them to reach their full potential.

1.1 Ghana

Present-day Ghana (formally known as Gold Coast) is an independent state in the west of Africa. Ghana was colonised by the British and, after Liberia, was the second west-African country to gain independence; it gained independence on the 6th of March 1957. Ghana's republic status came into existence on the 1st of July 1960. Until 2018, Ghana consisted of ten regions, but in 2019, it consists of 16 regions. Three French speaking countries surround Ghana. On the western side of the border is the Ivory Coast. Burkina Faso is on the northern side of the border and Togo is on the eastern border. The Atlantic and the Gulf of Guinea surround Ghana at the south. The country has over 49 languages. English is Ghana's official language due to the country's colonial ties to Britain. Ghana's population is currently estimated at over thirty million (Service, 2014). This population size makes Ghana the 48th most populous country in the world. Ghana's landmass is almost the same as the UK. Figure 1-1 below is a map of Ghana as described above.

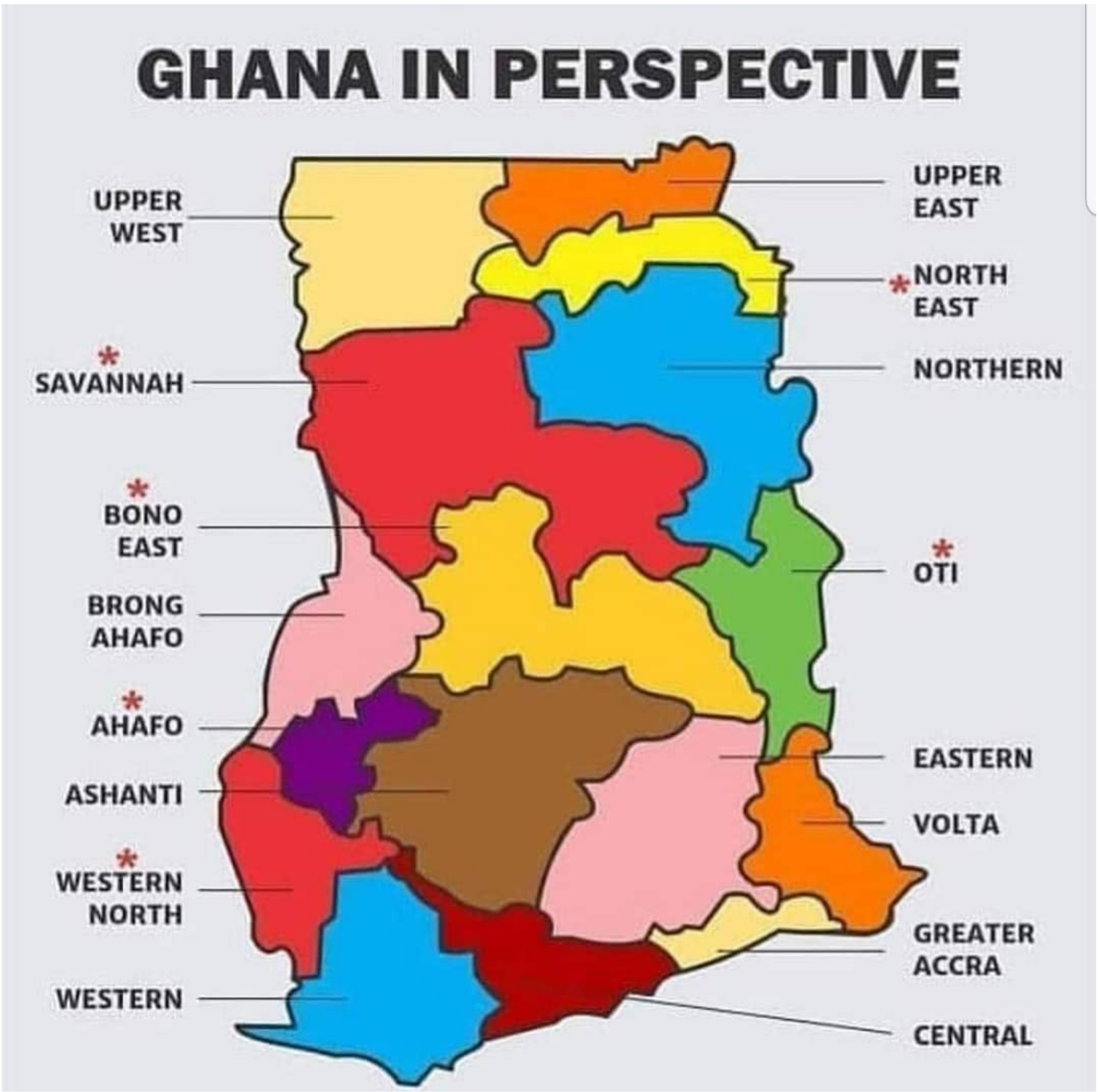

Figure 1-1 Map of Ghana

Source: Information Service Department (2019)
Note: * are newly created Regions

Accra is the largest city and the capital of Ghana. Accra is in the Greater Accra region alongside metropolis like Tema. It has an urban population of approximately four million inhabitants, which makes it the 11th city in Africa. The second-largest city in Ghana is Kumasi in the Ashanti Region, which has nearly 1.5 million inhabitants. Ghana, like Nigeria, Malaysia, and China, is a multi-cultural society, and is dominated by the Akan tribe which predominantly consists of the Asantes, Fantes, and the Bonos. Aside from the Akans, there are the Mole Dagbon tribes, the Ewes, the Ga-Adangbe and other minorities. The main ethnic groups have been working and living together since the country changed its name from Gold Coast to Ghana. Ghana is a collectivist society where ethnic values are embedded in daily life and respected across ethnic groups (Gervedink Nijhuis, Pieters, & Voogt, 2013; Otsuki, Jasaw, & Lolig, 2018). The next three subsections provide further detail about Ghana in terms of its economy, environment and culture.

1.1.1 The Ghanaian Economy

In 2018, the International Monetary Fund (IMF) reported that Ghana's economy was the 81st largest in the world. It has a total Gross Domestic Product (GDP) of US$56.7 billion. This figure represents 0.05% of world GDP. It has a per capita Gross National Income (GNI) of US$1,885 (International Monetary Fund Report, 2018). Ghana is the second-largest economy behind Nigeria in the Economic Community of West African States (ECOWAS) sub-region, accounting for over 10% of the total GDP of the West African sub-region. Ghana's economy is based on three sectors. They are: agriculture (mainly cocoa and cashew) (Diao, Hazell, Kolavalli, & Resnick, 2019); industry (minerals mining, manufacturing, and construction); and services, mainly hospitality and tourism (Yankson & Gough, 2019). Almost 40% of the GDP and 50% of all employees work in agricultural sector (Aryeetey & Kanbur, 2005).

Ghana's economy has maintained a commendable growth trajectory with an average annual growth rate of over 6% over the period of 2005 to 2018. In 2011, the country reached a record high of 15% growth rate due to Ghana joining the league of oil-producing nations. However, the booming oil resources has caused the neglect of the agricultural and industrial sectors, which has resulted in poor performance in both of these sectors. This neglect of the agricultural sector has resulted in a growth decline of 7.1% from 15% in the previous year to 7.9% in 2012 and a further decline to less than 5% in 2013. The mining sector, which was the 2nd largest contributor to the GDP, decelerated due to sharp declines in international gold prices, while the oil sector was below predicted targets. However, in 2010, the growth rate was driven primarily by the service-oriented sectors, which account for approximately 50% of the country's GDP overall (World Bank Group, 2013).

In 2012, oil production earned Ghana approximately US$3 billion. This figure represented approximately 22% of the total value of exports and around 5% of the total government revenue. In 2014, oil production was estimated at approximately 120,000 barrels per day. Apart from oil, gold production remains the largest source of income for the country, with Ghana ranking second to South Africa in the continent for gold production. In 2012, gold production rose by 17%: from 3.6 million ounces in 2011 to 4.2 million ounces in 2012. This increase in gold production was bolstered by a gradual rise in world prices, to US$1,666 per ounce in 2012. In 2017, Ghana's economy accelerated to 8%, driven by the mining and oil sectors, making it the second-fastest-growing African economy behind Ethiopia. In addition to the impact of the oil sector, gold output was high, while cocoa production levels remained stable (Amenshiah & Analoui, 2019; Nienkamp, 2016).

In 2018, Ghana's economy continued to expand rapidly, albeit at a slower pace than 2017 the rate. Quarterly GDP growth was estimated at 5.4% in the first quarter of 2018; and 5.4% in the second quarter. The full-year real GDP growth projection was revised from 6.8% to 5.6% due to the rebasing exercise conducted in October 2018. Ghana's growth target for 2019 is 7.4%. It is expected to be driven mainly by the industry sector, especially oil, gas, and mining. Ghana's fiscal performance has shown a broad turnaround since 2017 (Amenshiah & Analoui, 2019; Nienkamp, 2016). The fiscal deficit narrowed to 5.9% of GDP in 2017, down from 9.3% in 2016, mostly represented by expenditure measures as revenues remained weak. Table 1-1 below provides a timeline of the growth rates and sector's contribution to the country's GDP.

Table 1-1 Timeline of Sectoral Growth Rate and Contribution to GDP

Sector	Agriculture		Industry		Service	
	Growth Rate (%)	GDP (%)	Growth Rate (%)	GDP (%)	Growth Rate (%)	GDP (%)
1984- 1988	-	49.00	-	13.00	-	37.90
1989-1992	(11.22)	43.50	7.70	14.00	12.40	42.50
1993-1996	(6.00)	40.90	99.29	27.90	(26.59)	31.20
1997-2000	(1.71)	40.20	(0.71)	27.70	2.88	32.10
2001- 2005	(1.24)	39.70	(1.08)	27.40	2.49	32.90
2006- 2010	(29.00)	28.20	(20.80)	21.70	52.28	50.10
2011- 2012	(10.28)	25.30	17.97	25.60	(2.00)	49.10
2013- 2014	(10.28)	22.70	6.64	27.30	1.83	50.00

NB: () means negative growth Source: Computed from National Accounts

1.1.2 The Ghanaian Environment

The business climate is still considered relatively weak and continues to hinder productive investments, particularly in manufacturing. Private sector development has been hampered by adverse conditions that have significantly affected business confidence (Ayepa, Boohene, & Mensah, 2019; Nyadu-Addo & Mensah, 2018). Critical among the adverse conditions are

Ghana's energy crisis, and the negative impact of an inadequate power supply to businesses and its ultimate impact upon the country's economic performance (Parnell, Mensah, & Oppong, 2018; Quarshie, Agyeman, & Bonn, 2017; Spillan & King, 2017). Every country relies on its energy sector for national development but unfortunately Ghana has been experiencing erratic power supply (since 2012) due to low voltage and the countries' contracts to supply power to neighbouring countries like Togo, Burkina Faso and Ivory Coast (Asumadu-Sarkodie & Owusu, 2016; Eshun & Amoako-Tuffour, 2016; Gyamfi, Modjinou, & Djordjevic, 2015).

Corruption is one of the key elements of institutional failure in developing countries (Aladwani, 2016; Barkemeyer, Preuss, & Ohana, 2018). As a developing country, Ghana shares these similar institutional failures. There is mass corruption in state institutions and business regulatory bodies (Türedi & Altıner, 2016; Williams, 2018). Although there is corruption in Ghana, it is perceived to be comparatively less prevalent than in other African countries. However, it still presents an obstacle for foreign direct investments and local businesses (Faruq, 2017; Williams & Le Billon, 2017).

Ghana is also characterised by a lack of adequate financing for business operations due to the size of its economy (Aryeetey & Kanbur, 2017; Boadi, Dana, Mertens, & Mensah, 2017). This is a common problem in all developing countries as the economy is over-burdened with developmental projects which leads the country been immersed with loans from IMF and other developed countries (Alagidede, Mensah, & Ibrahim, 2018; Owusu-Nantwi & Erickson, 2016). Money generated from taxes and additional revenues are used to repay loans from international businesses and creditors. Ghana is a highly indebted country; thus, over 60% of GDP is used to service debts (International Monetary Fund, 2018). The remaining percentage is used to pay salaried government workers and for infrastructure (Younger, 2016). This situation happens because there are no innovative ways for the government to generate revenues; they must borrow to finance infrastructure (Antwi, Mills, Mills, & Zhao, 2013).

The loans developing countries borrow, always come with pre-conditions; for example; offering infrastructural projects to international businesses (that is, the lending country) (Alagidede et al., 2018; Owusu-Nantwi, & Erickson, 2016). This means that Ghana is unable to stabilise its currency due to foreign businesses remitting the monies into their countries. This practice causes a high deficit in the balance of payments. The balance of payment deficit causes the Ghana cedi to devalue. When this situation occurs, the repo effect is that cost of living becomes high since Ghana is an import-dependent economy (Alagidede et al., 2018; Owusu-Nantwi & Erickson, 2016). Since cost of living becomes high due to the balance of payment deficit, Ghanaian SMEs are forced to engage in malpractices in order to compete (Antwi et al., 2013).

1.1.3 The Ghanaian Culture

Ghanaians are allowed to practice their cultural and religious beliefs while respecting others' differences (Englund, 2011; Neuwirth, 2013). Ghanaian managers can adapt to different business values. Ghanaian managers are predominantly influenced by foreign oriented concepts which they have learnt from managerial textbooks developed using Western corporate values (Darley & Blankson, 2008; Witte, 2011). Although managers may be impressed by these philosophies, they still believe that their values and culture supersede what they have learnt (Abdulai & Ibrahim, 2016). Hence, the collectivist nature of the population creates high dependency on the few rich people or the elites.

Many people in Ghana live below the poverty line. In order to prevent rioting, protesting or revolts, people who are financially stable often end up shouldering the societal and financial burden of the majority. For comparative purposes, a comparison is drawn between Ghana and

New Zealand (World Bank Group, 2013). Ghanaians practice the extended family system, which consists of a broader nuclear family. Within the extended family system, one nuclear family usually becomes successful. The successful nuclear family is expected to support other nuclear families in terms of school fees for children, funeral-expenses, and other family activities (Abbey, 2002; Segall, 1984). These societal pressures over-burden individuals into indulging in unethical activities as they attempt to maintain their prominence in the society. Conversely, in New Zealand, these nuclear families are independent or individualistic. They share their resources. For a struggling nuclear family in New Zealand, the state is their first point of call; it acts like an extended family system (Boston, 2019; Gilbert, 2017).

1.2 The Purpose of the Research

Since the 1980s, business stakeholders in Ghana have expressed greater interest in CG issues due to issues with tax evasion, reporting scandals, Ponzi schemes, corporate collapses, and bribery and corruption (Adams & Nyuur, 2018; Bokpin, 2013; Kwakye, Yusheng, Ayamba, & Osei, 2018). These examples of corporate misconducts (financial and disclosure), perpetuated by large, listed, MNCs and SOEs are not limited to large businesses, but also affect SMEs (Abor & Adjasi, 2007; Boadi, Boateng, Hinson, & Opoku, 2007; Boateng, Boateng, & Acquah, 2014). Improving CG enables SMEs to withstand periods of economic turbulence, which is important given that SMEs, especially those in developing countries, are noted to have weak structures and other governance problems (Kolay, 1991; Lin, Liu, & Zhang, 2006). Likewise, effective CG is also essential for businesses during booming economic periods (Chan, Getmansky, Haas, & Andrew, 2007). Effective CG structures not only insulate businesses from financial upheavals but to improve competitiveness and profitability of businesses (Caldwell & Hansen, 2010; Healy, 2002).

This research focusses on SMEs because prior CG tend to focus on larger/ listed/ multinational businesses and state-owned enterprises (Abor & Adjasi, 2007; Agyemang & Ansong, 2017; Bokpin, 2013; Fiador, 2013). Many prior studies also employ the quantitative methods where the independent variable (CG) is examined to explain its effect on the dependent variable (usually a performance-related variable). In contrast, this research uses both qualitative and quantitative methods (a multi-methods approach) to explore and describe SMEs in Ghana.

More importantly, CG has not been adequately researched in developing countries (Dahawy, 2009; Rabelo & Vasconcelos, 2002). As Ghana is a developing country and research area, the research focussed on exploring and finding the knowledge of CG, current practices, challenges and reasons of CG practices. As noted, there is a lack of understanding about CG practices, especially in SMEs in developing countries due to limited research. Given the discussions above, this research explores the CG practices in Ghana, in Small and Medium Enterprises (SMEs) (Mensah, 2004; Young et al., 2008).

1.3 Research Questions

This research seeks to address the following four questions:

1. What is the level of knowledge of corporate governance in SMEs in Ghana?
2. What are the current corporate governance practices in SMEs in Ghana?
3. What are the reasons and challenges of corporate governance practices in SMEs in Ghana?
4. How can corporate governance practices in SMEs in Ghana be improved?

1.4 Research Methodology

The research adopted the multi-method approach in addressing the research questions. This multi-method consisted of two linked phases (i.e., Phase 1 and Phase 2). Phase 1 involved conducting a face-to-face with ten interviewees using semi-structured interviews guide. In order to ensure the generalisability of the findings, the qualitative responses were classified and coded into themes to develop a survey for a larger sample size. In Phase 2, the survey developed through the themes of Phase 1 are administered on 268 participants. The survey results are then analysed used quantitative methods. For comprehensive understanding, the research combined the strengths of both qualitative and quantitative in addressing the research questions. The use of a multi-method approach is limited in prior CG and SME studies. The use of both exploratory (Phase 1) and descriptive (Phase 2) research methodologies allowed the concepts to be operationalised.

1.5 Contributions of the Research

In exploring the CG practices of SMEs in Ghana, this research contributes to, and extends the body of, CG knowledge – closing the gap between current CG practice and theory (principles). It provides insights into the level of knowledge, reasons and challenges of CG practices in SMEs in Ghana. Previous CG studies have attempted to explain CG practice in developing countries (Abor & Biekpe, 2005; Abor & Adjasi, 2007; Brunninge, Nordqvist, & Wiklund, 2007; Daniel, Cieslewicz, & Pourjalali, 2012; Licht, Goldschmidt, & Schwartz, 2007; Sweeney, 2007). Although they have contributed valuable information about CG from a financial modelling perspective, none of these studies have developed a comprehensive understanding of the SMEs in Ghana. CG research in Ghana has predominantly been examined by the quantitative methods and in rare occasions, qualitative methods. The literature search showed that the quantitative method and qualitative methods has never been used together (mixed-method) in explaining CG in SMEs. Therefore, this research expanded the body of knowledge by comprehensively describing the CG practices in SMEs in Ghana using the multi-method approach.

As discussed in Chapters 5 and 6, Ghanaian SMEs are aware of CG and learn of CG about its principles from 11 sources. However, their level of awareness depends on three variants (role, experience, and structure of the business). In addition to the findings about the level of knowledge, the current practices, reasons and challenges, there were several other key findings;

1. SMEs prefer smaller board sizes due to the number of employees.
2. Current SME practices cover terms of reporting, committees, selection criteria and quorum.
3. Eight reasons influence the adoption of CG practices in Ghana.
4. SMEs' major challenges include limited financial reserves and issues relating to duality (executives and CEOs performing two or more roles).

1.6 Thesis Structure

This thesis is divided into six Chapters. Chapter 2 provides an extensive literature review of the CG literature. The Chapter covers various perspectives, theoretical framework, CG developments of CG, and CG mechanisms. The research topic covers two broad fields: CG and SMEs. Chapter 3 discusses small and medium enterprises. The Chapter explores how they are defined, worldwide and then in Ghana. The Chapter also discusses the contributions firstly, to the world economy and secondly, the Ghanaian economy.

Chapter 4 explains the rationale for using both qualitative and quantitative methods (a multi-method approach). The Chapter elaborates on the reasons and purposes of the choice of research design, target population selection, sampling methods, sampling criteria, and data collection and analysis. These critical discussions lay the foundation for Chapters 5 and 6 which discuss the research and its findings.

Chapter 5 presents the results obtained from the semi-structured interviews from ten SME in Ghana. The Chapter divides the results based on their relationship to each of the four questions.

Thus, it first addresses the findings related to the level of knowledge of CG practices. Secondly, the Chapter addresses the current CG practices in SMEs. Thirdly, the Chapter presents the findings on the reasons of CG practices in SMEs in Ghana. Finally, the Chapter discusses the existing challenges in CG practices by SMEs in Ghana.

Chapter 6 discussed the results of Phase 2 (the survey). The Chapter provides quantitative evidence for understanding the existing CG practices of SMEs in Ghana. Like the previous Chapter, the findings are categorised into four Sections, based on the research questions: knowledge of CG, current practices of CG, reasons of CG and challenges of CG. The findings are discussed and examined in relation to the extant literature.

Chapter 7 compares the results from Phase 1 and Phase 2. The findings are examined in relation to prior studies. Findings are grouped together based on the research question they answer: reasons of CG, importance of CG, challenges of CG, and CG recommendations. Chapter 7 documents the challenges related to the research and explains the study's limitations. To briefly summarise, these include a lack of literature, data sources, and issues relating to the research methodology. Having identified the research's contribution to knowledge and the study's limitations, the final Section suggests potential areas of future research for CG and SMEs.

Chapter 2

Corporate Governance (CG) Review

2.1 Introduction

Understanding of the existing situation and the future directions of CG research requires an in-depth examination of the concept, developments, and review of prior CG studies. There has been a surge in CG research around the world (Aguilera & Cuervo-Cazurra, 2009; Velnampy, 2013) due largely to financial scandals and the collapse of once respectable businesses like Enron and WorldCom in the UK and USA (Elhabib, Rasid, & Basiruddin, 2014; Parker 2007). These financial scandals and corporate collapses are not limited to the developed countries; similar events are occurring in developing countries like Ghana (Network, 2016).

Ghana's corporate collapses have been mainly attributed to weak institutions and obsolete CG laws (Amartey, Yu, & Chukwu-Lobelu, 2019; Andoh, Quaye, & Akomea-Frimpong, 2018). The collapse of businesses (for example, R5 and Pyram Savings and Loans, DKM Savings and Loans, Menzgold Dealership) and the collapse of seven banks in 2018 confirms the African Corporate Governance Network (2016) report which stated that the regulatory agencies in Ghana are weak and ineffective.

Since CG is about direction and control, Mallin (2011) and Cuomu, Mallin and Zattoni (2016) urge stakeholders to demand greater CG implementation for businesses they have an interest in. These mechanisms include transparency and accountability in order to prevent corporate collapse and business malpractices. To better understand CG practices, it is first necessary to define them. This research sees CG holistically, from its emergence to its current state. To build a coherent understanding of CG, the Chapter is structured as follows; the concept of CG, developments in CG, OECD, CG mechanisms, CG theories, and a Chapter summary.

2.2 The Concept of Corporate Governance (CG)

Corporate Governance (CG) refers to the direction and control of businesses (Cadbury, 1992). For effective direction and control, there must be proper CG mechanisms and structures (Harvey, Atrill, & McLaney, 2013; Owusu, 2016). CG research has increased in recent years (Aguilera & Cuervo-Cazurra, 2009; Armstrong & Baron, 2005; Velnampy, 2013). Today the field attracts a lot of scholarly and public attention (Armstrong & Baron, 2005) because of corporate fraud that has happened around the world. A review of prior studies shows that differences in CG definitions have arisen due to the different cultures and variations in different countries' legal systems (Aguilera, Desender, Bendnar, & Lee, 2015; Owusu, Holmes & Agyemang, 2017). However, broadly speaking, prior studies define CG in one of two perspectives. These two perspectives are sharply distinguished on the grounds of business objectives (Harvey, Atrill, & McLaney, 2013). For the purpose of this research and in line with Olayiwola (2010) and Oppong et al. (2016), the two perspectives are categorised as the narrow perspective and the broad perspective. The two perspectives are discussed in turn, respectively.

2.2.1 The Narrow Perspective

Businesses have multiple stakeholders who have various interests related to the existence and continuation of the business (Harvey et al., 2013; Redhead, 2008). The narrow perspective sides with traditional financial theorists who believe that businesses should prioritise the interest of capital providers (shareholders) because they bear the risk of the business in times of liquidation. Harvey et al. (2013) posit that a business' primary responsibility is to maximise its shareholders' wealth: this ensures continued investment in the business. They believe that without these shareholders other stakeholders could not exist. In a nutshell, the proponents of the narrow perspective of CG lay more emphasis on structures that protect shareholders' interests and ensure the maximisation of wealth (Maher & Anderson, 2000). Table 2-1 outlines definitions that lean towards the narrow perspective.

Table 2-1 Narrow Perspective Definitions of Corporate Governance

Author and Year	Definitions
Cadbury (1992, p. 2)	"The system by which companies are directed and controlled".
Sheikh and Chatterjee (1995, p. 5)	"A system whereby directors are entrusted with responsibilities and duties to the direction of a company's affairs".
Sternberg (2004, p. 28)	"The ways of ensuring that corporate actions, agents, and assets are directed at achieving the corporate objective established by the corporation's shareholders".
ASX CG Council (2019, p. 1)	"The framework of rules, relationships, systems, and processes within and by which authority is exercised and controlled in corporations. It encompasses the mechanisms by which firms, and those in control, are held to account".

These definitions in Table 2-1 above are consistent with traditional finance theorists who argue that the primary obligation of a business is to maximise the wealth of its shareholders (Sundaram & Inkpen, 2004). Although the definitions in Table 2-1 above have evolved from a simplistic interpretation of CG (thus direction and control), to complex interpretations (systems, rules and relationships), the traditionalist core principle of protecting the interest of capital providers still remains the primary objective of all the definitions (Harvey et al., 2013; Redhead, 2008). In the traditional view, the shareholder plays the role of the principal, while the manager is the agent. The Walker Review (2009, p. 23), promotes a similar view: "the role of corporate governance is to protect and advance the interests of shareholders through setting the strategic direction of a business and appointing and monitoring capable management". In support of the traditional view, Lin and Hwang (2010), posit that good CG structures help managers to act in the best interest of shareholders. In brief, the narrow perspective emphasises on CG structures that enforce shareholder protection like auditing, transparency, board independence, and other proper board mechanisms.

2.2.2 The Broad Perspective

In contrast to the narrow perspective, the broad perspective sides with modern financial theorists who believe that businesses should pay equal attention to the interests of other stakeholders (that is, creditors, suppliers, customers, employees, management, government, and the local community) (Gaur, Bathula, & Singh, 2015; Mallin, 2011; Ntim, 2018; Vu & Nguyen, 2017). The broad perspective argues that a business' obligation is not only to its shareholders, but to all stakeholders whose contributions are necessary for the success of the business (Jain & Zaman, 2019; McKiernan, Ackermann, & Eden, 2018). The proponents of the broad CG perspective put more emphasis on structures that protect the interest of all stakeholders (Maher & Anderson, 2000; Owusu & Weir, 2018). This research adopts the definition of the broad perspective particularly the OECD's (2004) definition of CG because they consider the interest of stakeholders and is generalisable to OECD members which includes Ghana. Table 2-2 below presents some definitions of the broad CG perspectives.

Table 2-2 Broad Perspective Definitions of Corporate Governance

Author and Year	Definitions
OECD (2004, p.11)	"A set of relationships between a company's management, its board, its shareholders and other stakeholders".
Nelson (2005, p.198)	"A set of constraints on managers and shareholders as they bargain to determine how the value of the business will be allocated".
Rezaee (2009, p. 9)	Defines CG as "a process through which shareholders induce management to act in their interest, providing a degree of confidence that is necessary for capital markets to function effectively".
Solomon (2010, p. 6)	"System of checks and balance, both internal and external to businesses, which ensure that businesses discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity".
Castellini and Agyemang (2015, p.1)	"The application of a set of powerful micro-policy instruments in an organisation to ensure efficient and effective use of resources in achieving the main objectives of its capital providers, succeed in the competitive market, as well as maximising its positive influence on other stakeholders and at the same time, minimising its negative impacts on them".

The definitions in Table 2-2 above stress mechanisms which protect the interests of all stakeholders. This school of thought emphasises how CG structures the relationships among the management, Board of Directors, majority shareholders, minority shareholders, and other stakeholders about the allocation of corporate directions, strategies, and resources (Agyemang & Castellini, 2015; Owusu & Weir, 2016). The relationships specified by the CG structure as noted by OECD (2004) are best seen in the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the proper structure (such as a chain of command, duties and responsibilities, and line of communication), through which the business objectives are set, as are the means of attaining those objectives and evaluating performance over time (OECD, 2004).

2.3 Developments of Corporate Governance (CG)

Just as the concept of CG has evolved in research over time, there have also been developments in CG practice. The collapse of corporations around the world since the 1980s has increased the awareness of CG (Baker & Anderson, 2010; Quadri, 2010). This Section provides a brief history of CG focusing on the USA, the UK, Egypt, Nigeria and Ghana. This Section examines developmental stages of the USA and UK, because Ghana is an Anglophone country meaning that many of its laws are modelled on the laws of these countries, especially the UK. Developments in CG in Egypt and Nigeria are discussed because they are developing countries: as they share similar cultural and geographical locations, it is likely that there will similarities between their practices. The discussion is structured as follows: CG developments in the USA (see Section 2.3.1), CG developments in the UK (see Section 2.3.2) and CG development in Egypt, Nigeria and Ghana (see Sections 2.3.3, 2.3.4 and 2.3.5 respectively).

2.3.1 Corporate Governance (CG) Developments in the USA

Discussions about CG are believed to have originated in the USA with Berle and Mean's book, which was published in 1932. CG discussion is believed to have originated from USA because Berle and Means' book in 1932 precedes the UK's combined code (Cadbury Report, Greenbury Report, Higgs Report and Hampel Report) (Hopt, 1994). CG has been researched more in the USA than in any country because there have been more scandals and the design of their laws (that is, state laws and federal laws) (Awolowo, Garrow, Clark & Chan, 2018; Lubatkin, Lane, Collin, & Very, 2005; Owusu & Weir, 2013). Table 2-3 below summarises the key CG developments in the USA and the focus of these developments since 1987.

Table 2-3 Timeline of CG Developments in the USA

CG Developments	Year	CG Recommendations
National Commission on Fraudulent Financial Reporting and Treadway Commission	1987	Financial Statement Fraud
California Public Employees' Retirement System	1998	Accountability and Shareholder Rights
National Association of Corporate Directors	1999	Board Evaluation and Responsibility
Centre for CG	2002	Audit Quality
Sarbanes Oxley Act	2002	Accountability, Integrity, and Transparency
Proxy Working Group	2005	Voting and Proxy Process

The National Commission on Fraudulent Financial Reporting and Treadway Commission (NCFFRTC), which was launched in 1987, was the first CG development in the USA. Their main objective was to provide stakeholders with recommendations for stakeholders related to inaccurate business information (information asymmetry) provided by listed businesses (Aoki, 2000; Hao et al., 2017). The Security and Exchange Commission (SEC) realised that the share price of listed businesses was either under- or over-priced their shares for the personal benefit (Cai, Liu, Qian, & Yu, 2015).

The California Public Employees' Retirement System (CalPERS) was established in 1998 to provide recommendations on CG principles. The CalPERS focused on accountability in governance and other issues such as board processes and evaluation, individual director characteristics, and shareowner rights (Black, 1998). In the same year, the New York Stock Exchange (NYSE) and the National Association of Corporate Directors (NACD) formed a committee to investigate audit committee effectiveness. In 1999, this committee released The Blue-Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees

Report. The National Association of Corporate Directors and the Centre for Board Leadership launched the NACD Report: Blue-Ribbon Commission on Director Professionalism. This report included four areas:

1. Responsibilities -What should boards do?
2. Processes - How should boards achieve their responsibilities?
3. Selection - Who should the directors be?
4. Evaluation - How should boards and directors be judged?

The NACD wanted to define, establish and refine 'best practices' in order to enhance board performance. The Centre for Board Leadership has thus conducted research related to enhancing boardroom performance by having roundtable debates with CEOs and directors (NACD, 2001). The Enron scandal drew further attention to CG malpractices. In response to the Enron scandal, the Centre of Corporate Governance (CCG) and the IIA Research Foundation were established. CCG at Kennesaw State University aimed at improving CG for businesses by proposing the independence of audit committees (Hermanson & Rittenberg, 2003). CCG identified ten principles to prevent scandal like Enron: interaction, independence, board purpose, disclosure, expertise, leadership, committees, board responsibilities, internal auditing, and meetings and information.

These significant corporate governance changes (such as NCFFRTC, CalPERS and NACD) led to the Sarbanes–Oxley Act in 2002 (Calder & Watkins, 2008). The Sarbanes–Oxley Act strengthened CG mechanisms of businesses by requiring senior managers to personally certify the financial documents for the authenticity of financial reports. The regulation imposes tough punishment for the obstruction of justice, and for security and accounting fraud. The SEC adopted these regulations in 2002 to increase listed businesses' accountability, integrity, and transparency.

The Conference Board Commission on Public Trust and Private Enterprise (CBCPTPE) was established to address the decline of investor confidence in US capital markets after the numerous corporate scandals. The Board Commission's work focused on three main aspects: CG, auditing and accounting, and executive compensation. This report concentrated on the relationship between the board and management, fulfilling the board's responsibilities, director qualifications, the role of the nominating/governance committee, board evaluation, hiring special investigative counsel, shareowner involvement, and long-term share ownership (McGuckin & van Ark, 2003).

In 2005, the New York Stock Exchange (NYSE) set up the Proxy Working Group (PWG) to evaluate the voting and proxy process, including rules that allowed brokers to vote on specific issues on behalf of shareowners. The PWG report, published in 2006, recommended that both the NYSE and the SEC develop the proxy voting system. In 2007, the Teachers' Insurance and Annuity Association–College Retirement Equities Fund (TIAA–CREF), established CG policies. Their aim was to establish a culture of integrity, strengthen and ensure the continuity of corporate leadership, guarantee board and management accountability, and encourage long-term growth and profitability of the fund. These CG policies involved shareholder rights, director elections, majority voting, establishing a board of directors, board structure, and processes, board responsibilities, executive compensation, international governance, environmental and social issues, and a securities lending policy (Hoxby, 2007).

The National Association of Corporate Directors (NACD) improved on TIAA–CREF by setting up the 'Agreed Principles' as a framework for strengthening governance in the US (Hao, Moreira & Haq, 2017). These principles were: board responsibility for governance, corporate governance, transparency, director competency and commitment, board accountability and objectivity, independent board leadership, integrity, ethics and responsibility, attention to information, agenda and strategy, protection against board entrenchment, shareholder input in director selection, and shareholder communications (Cox, Comiskey, & Kelly, 2008).

In response to the financial crises of 2008 and 2009, the NYSE decided to support a comprehensive review of CG principles that would be widely accepted and supported by issuers, investors, directors and other market participants and experts. In addition, in 2009, the NYSE established the Commission on Corporate Governance to debate fundamental governance issues, including the proper role and scope of a director's authority, management's responsibility for governance, and the relationship between shareholders' trading activities, voting decisions and governance. A diverse group of committee members analysed changes that had occurred over the past decade, their effect on how directors viewed their jobs, their relationship to management and shareholders, and how the current governance system generally worked (Duchin, Matsusaka, & Ozbas, 2010).

2.3.2 Corporate Governance Developments (CG) in the UK

In the UK, there was increased public awareness of CG due to high profile incidences of corporate fraud and scandals in the 1980s and early 1990s, involving Polly Peck, the Bank of Credit and Commerce International (BCCI) and Robert Maxwell pension funds (Jones & Pollit, 2004; Redhead, 2008). These scandals made stakeholders demand for tougher laws to regulate corporations because reports suggested that corporate executives (agents) were not acting in the interest of the shareholders (Jones & Pollit, 2004; Redhead, 2008).

Redhead (2008) posits that aside from the scandals and fraud cases that arose in the 1990s, the importance of CG was growing due to the demographic time bomb in the UK. Demographic time bomb arises when there is an ageing workforce population. The implication is that the contribution of the young workforce could not take care of the aged/retiring population. This makes individuals tend to contribute to their pension funds and investment opportunities. Scott

(1999) indicated that for the security of people's investments, and to prevent future corporate fraud and scandals, the Committee on the Financial Aspects of Corporate Governance, chaired by Sir Adrian Cadbury, was set up in 1992 (Cadbury, 1992) to evaluate the effectiveness of audits and the relationship between shareholders, directors and auditors by investigating the structure and responsibilities of the boards of directors. The Cadbury Report provided several recommendations for the operations of the board, as well as the establishment, composition, financial reporting, and the code of best practice. These recommendations were incorporated into the London Stock Exchange (LSE) Listing Rules in 1992.

Scott (1999) criticised the Cadbury Committee's recommendations by arguing that their definition of CG was too simple because it does not consider stakeholder groups interests such as employee welfare, responsibilities to creditors, debtors, and relationship with supervisory and regulatory bodies of the market. Although the Cadbury report examined board structure and board composition, it failed cover executive remuneration and incentives (Scott, 1999). Concerns about executive remuneration focussed on three areas: the size of necessary pay increases; the substantial gains from share options; and the compensatory payments made to directors for their loss of office (Short, Keasey, Wright, & Hull, 1999). The Study Group on Directors' Remuneration had the following terms of reference: to identify good practice in determining direct remuneration and prepare a code of such practice for use in the UK. The Cadbury Committee suggested that the Financial Reporting Council (FRC) should establish a new committee to review the implementation of, and compliance with, its recommendations and to identify whether there was a need to update the code (Cadbury, 1992). Subsequently, the Confederation of British Industry formed the Greenbury Report Committee in 1995. The main objective of the Greenbury Report Committee was to determine a good code of practice for directors' remuneration. The Greenbury Committee's Code of Best Practice deals specifically with the following: the establishment, membership and status of remuneration committees; the reasons of remuneration policy for executive directors and other senior executives; the disclosure and approval of the details of remuneration policy; and the length of service contracts and the determination of compensation when these are terminated (Larcker & Tayan, 2015). The committee's recommendations laid the foundation for executive pay, remuneration policy, disclosure, and audit independence (Greenbury Report, 1995). After the Greenbury Report Committee, the Confederation of British Industry, the Institute of Directors, the Consultative Committee of Accountancy Bodies, the National Association of Pension Funds, and the Association of British Insurers were also tasked in 1995 with reviewing the Cadbury Committee's recommendations on corporate governance. The report of the committee was released in 1998 and is popularly called the Hampel Report. The report consisted of 17 principles of corporate governance divided into four distinctive categories: directors, directors' remuneration, shareholders, and accountability and audit (Rayton & Cheng, 2004; Short et al., 1999).

In 1999, the Turnbull Committee was formed to review the effectiveness of the internal control system and offer guidelines for listed companies (Jones & Solomon, 2010). The Committee was chaired by Nigel Turnbull and was intended to provide guidance to assist listed businesses to implement the requirements in the code relating to internal control (Drew, Kelley, & Kendrick, 2006). This guidance covered five key areas:

1. The importance of internal control and risk management
2. Maintaining a sound system of internal control
3. Reviewing the effectiveness of internal control
4. The board statement on internal control
5. Internal Audit

Corporate scandals such as Enron and WorldCom revealed some difficulties in the US CG system, which raised similar concerns in the UK (Sauvant, 2009). In response to these concerns, in 2002, Sir Robert Smith formed and chaired the Smith Committee. The main aim of this committee was to review the effectiveness of audit committees. Its focus was to assist a business board in making suitable arrangements for their audit committees and to assist directors serving on audit committees in carrying out their roles as audit committees, and internal auditing was one of the main reasons for the Enron failure (Jones & Solomon, 2010). The main recommendations of the Smith Report (2003) were that there should be no less than three independent non-executive directors involved in an audit committee and that one of the three members should have experience related to finance.

Additionally, in response to the 2001 corporate failures in the US, the Higgs Committee was set up by the Secretary of State for Trade and Industry of the UK and the Chancellor of the Exchequer of UK in 2002, and it was nominated by Derek Higgs to assess the effectiveness of non-executive directors (Jones & Pollitt, 2004). The Higgs Report was released in 2003 and offered guidance for non-executives and chairpersons. It contained recommendations designed to improve transparency in the director nomination and appointment processes (Rayton & Cheng, 2004). The Higgs Report was critical in three main respects:

1. The identification of a senior independent non-executive director;
2. A chief executive of the business should not become the chairman;
3. At least half of the board members should be independent non-executive directors.

Both the Smith and Higgs reports stated that the development of a CG system was sound, but they suggested reviewing the combined code to ensure the best practice in the UK. As a result, the FRC formed a working group, which included Smith and Higgs committees, to revise the combined code (Jones & Pollitt, 2004). Many of the recommendations on audit committees and non-executive directors (outlined in the Smith and Higgs' reports) were incorporated in the new combined code. The FRC established a new combined code in 2003, which included guidance from Turnbull, Smith, and Higgs committees.

In 2004, the FRC established the Turnbull Review Group to investigate the effect of guidance and linked disclosures and to determine whether the guidance needed to be updated. The new revised guidelines were published in 2005. These were designed to evaluate how their businesses had implemented the Combined Code requirements; specifically, those related to internal control and risk management (Mallin, 2011). Following the Turnbull Review, the new Combined Code was published in 2006 and introduced the following fundamental principles:

1. The roles of a business' chairperson and chief executive.
2. The composition of the business' board of directors.
3. The composition of the board's three main committees, namely the Nominations, Remuneration and Audit Committees.

In an effort to foster prudent management and facilitate effective entrepreneurial spirit, the UK Code on Corporate Governance was introduced in 2010 (Financial Reporting Council, 2010) which included a 'comply or explain' approach. The code was necessary as the Walker review of the governance of banks and other financial institutions suggested that the quality of CG depends on the *behaviour* and not the *process*. The Walker Review (2010) laid more emphasis on improving relations between board and management with board being made aware of key material changes in operations. The United Kingdom Corporate Governance Code of 2010 highlights five key principles: (1) Leadership, (2) Effectiveness, (3) Accountability, (4) Remuneration and (5) Relations with Shareholders. The code has since been updated, with the UK CG Code of 2018 focusing on the application of the principles. The 2018 code centres on companies stating how they apply the principles for evaluation and has four principles with 41 provisions and recommendations for companies (UK CG Code, 2018).

2.3.3 CG Developments in Egypt

Egypt is located in the northern part of Africa. Like Ghana, it is also a developing country. Both countries are characterised by political instability and civil unrest. The Egyptian Corporate Governance Framework was released in 2005 and revised in 2016. Their CG code was drafted by Institute of Directors, and is based on French civil law and the OECD corporate governance code (Dahawy, 2009; Egyptian Institute of Directors, 2016; OECD, 2015). Primarily, the Egyptian CG framework consists of laws, regulations, and decrees (Dahawy, 2009). Despite the similarities with Ghana (i.e., political instability, weak institutions, bribery, culture, poor governance structure, weak legal system), the Egyptian CG laws are considered better than the Ghanaian CG laws because they are dynamic due to the political situation in the country (African Corporate Governance Network (ACGN), 2016). Over the years, Egypt has been ruled by dictators, hence, the government is able to decree as the situation arise. The Egyptian CG laws consist of notable regulations such as:

- The Executive Regulations No. 96 of 1982. This law regulates the incorporation and management of all Egyptian businesses. Egypt has a company law which is not sector specific. It regulates listed businesses, multinational businesses, SMEs and SOEs.
- Executive Regulations No. 135 of 1993. This law regulates all Egyptian businesses, whether listed or non-listed. Essentially this means that in Egypt all businesses (both large and small) are held to the same standards.
- Incorporation of public business sector entities.

The Egyptian company law applies to all businesses registered in the country. In short, the law applies to domestic and foreign investment in all sectors regardless of business size. In situations where the law is silent or is unable to address a specific corporate problem, the Egyptian Investment Laws are to be applied.

Egypt's company laws have undergone significant revision. The most notable revisions were an extension of the corporate veil protection for senior business executives; trimming customs duties; establishing additional forums for investor-state disputes, establishing a business registration system to facilitate greater investment. The decree of investment disputes was designed to limit the number of cases being resolved in the courts. The Ministerial Committee on Investment Contract Disputes is responsible for settling disputes arising from a public or private body. A Committee for Resolution of Investment Disputes was established to review complaints or disputes between investors and the government related to the implementation of the Investment Law. In short, CG developments of Egypt have been based on the company law and the political decrees.

2.3.4 CG Developments in Nigeria

CG has had an evolving history in Nigeria. Nigeria, like Ghana, was a British colony and hence it is not surprising that the first Nigerian governance code for business (Companies Act of 1968) was modelled on the British Companies Act of 1948. With political instability, transition of governments, government initiatives and economic reforms, the Company Act 1968 was repealed and replaced by Companies and Allied Matters Act (CAMA) No. 1 of 1990. There have been several amendments but it still remains the statutory regulation for businesses. Although CAMA remains the primus inter parous of company law in Nigeria, there exist other CG codes promulgated by other regulating bodies applicable to their members just like Ghana. For example, the Code of Corporate Governance for Banks and Other Financial Institutions in Nigeria, issued by the Bankers Committee in August 2003, in response to the financial crisis of the 1990s. The code focussed on 11 principles of which regulate appointments, board proceedings, board responsibilities, and assessment and audit committees.

Further, in 2006, the Central Bank of Nigeria (CBN) revised its code in 2003 and issued its Code of Corporate Governance for Banks in Nigeria Post Consolidation. This code was introduced to ensure accountability on the part of bank CEOs. It specifies fines and penalties, including jail terms for offenders. It prescribes risk management measures within the organisation, particularly emphasising the role and qualification of a company's internal auditor. To complement the CBN code, the SEC, through a 17-member committee, issued the Code of Best Practices on Corporate Governance in Nigeria. The SEC code emphasised the role of the board and management; shareholder rights and privileges; and audit committee.

The National Pension Commission (PENCOM) issued its own code in 2008, known as the 2008 PENCOM Code. Subsequently, the National Insurance Commission (NAICOM) issued its Code of Corporate Governance for the Insurance Industry in 2009. These three industry-specific codes were meant to address the issues that were not addressed in the SEC legislation. However, in 2011, SEC released the Code of Corporate Governance for Public Companies in Nigeria, which effectively replaced its 2003 legislation. The code is anchored on five main principles which include: leadership, effectiveness, accountability, relations with shareholders and remuneration.

2.3.5 CG Developments in Ghana

This Section explains the state of CG in Ghana and how it has evolved over time. Ghanaian laws are modelled on UK laws (African Governance Centre Network (ACGN), 2016). In short, Ghanaian laws stress shareholder protection over other stakeholders. The Ghanaian company law is one of the strongest in Africa in terms of protecting shareholder rights and ownership concentration (ACGN, 2016). Ghana has its fair share of CG developments over time. Table 2.4 summarises the key CG developments in Ghana (since 1960).

Table 2-4 Key Initiatives to Promote the Development of CG in Ghana

Date	Regulation	Regulators
1963	Businesses Code (Act 179)	Company law
1999	CACG	Guidelines for Commonwealth Countries
2010	Security and Exchange Commission	Governing Listed Businesses
2015	Africa CG Program	In collaboration with the IFC and the Swiss State Secretary for Economic Affairs
2015	CG Manual for Governing Boards/Councils of the Ghana Public Services	Issued by the Public Services Commission
2019	Companies Code (Act 992)	Registrar General

Source: African Corporate Governance Network (2016)

There has been a new company code in 2019 (ACT 992) to replace the old businesses code of 1963 (Act 179) in terms of governing businesses. It covers the role and responsibilities of directors, and stakeholder rights (shareholders and debenture holders). There are other laws (i.e., the Procurement Act 663, the Financial Administration Act 654 and the Internal Audit Act 658) that support the Business Code (Act 992), but these laws only have the power to regulate its constituent bodies (Constitution, 1992). Combined, they are designed to promote transparency, ethical behaviour and business accountability (ACGN, 2016). Sector-specific legislation includes the Banking Act (673), which imposes additional corporate governance obligations on banks (Constitution, 1992). The Ghana Securities and Exchange Commission issued its CG guidelines on best practices in 2002 and revised in 2010. The SEC code was developed regarding OECD principles of CG and the Commonwealth Association for CG guidelines (OECD, 2004, 2015). The SEC code applies to all listed corporate bodies and businesses under the securities industry laws. Under the present regulations, businesses in Ghana, are not mandated and obliged to disclose business accounts which ultimately leads to corporate malpractice.

2.4 Organization for Economic Co-operation and Development (OECD)

The OECD is discussed because its definition and principles are used in this research as the benchmark (Chowdary, 2002; Jesover & Kirkpatrick, 2005). The OECD principles are adopted as the benchmark because they consider the socio-cultural, political and business environment of countries (Demise, 2006). The OECD was established in Paris on the 14th of December 1960. Though it was established in 1960, its operational functions started on the 30th of September 1961. The OECD promotes policies designed to:

- Achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability and thus contributing to the development of the world economy.
- Contribute to sound economic expansion in member and non-member countries in the process of economic development.
- Contribute to the expansion of world trade on a multilateral, non-discriminatory basis per international obligations.

The OECD's key function is to provide management consulting to member governments. It researches and produces policies on a myriad of topics, ranging from trade matters to environmental issues. It has the power to make recommendations, which are non-binding agreements for non-members, but legally binding on its members. In 1998, the OECD members met to develop a set of CG standards and guidelines. In a 1999 meeting, OECD ministers established the principles of CG for members, which were enhanced by an Ad Hoc Task Force on CG (Maher & Anderson, 2000). The OECD adopted these principles as reference tools for their members (Jesover & Kirkpatrick, 2005).

The OECD's definition was chosen as the standard for this research because it seeks to promote governance reforms in close cooperation with other international organisations such as World Bank and International Monetary Fund. The policies of OECD are in-depth as it usually involves senior policymakers, regulators and market participants around the world that understand CG principles (Chowdary, 2002).

In 2000, the OECD Principles of Corporate Governance became one of the 12 core standards of global financial stability. Today they are used as a benchmark by international financial institutions (Cornford, 2004). The OECD Principles of CG were revised in 2004 to assist governments in their efforts to evaluate and improve legal, institutional, and regulatory frameworks for CG in their countries. The OECD Principles also provide guidance for developing good CG framework. Although cultural and institutional differences exist between countries, the underlying principles allow uniformity and generalisability (Jesover & Kirkpatrick, 2005).

The primary purpose of an assessment is to identify the nature and extent of specific strengths and weaknesses in CG and thus highlight policy dialogue that will identify reform priorities. This should ultimately lead to the enhancement of CG and economic performance, as the principles are concerned, in part, with company law, securities regulation and the enforcement/legal systems (Rahman & Ramos, 2010).

The OECD Principles have become benchmark for developing codes in many countries especially Africa (ACGN, 2016), as well as International bodies such as International Federation of Accountants, the International Organisation of Securities Commissions, the Asian Development Bank, and the World Bank (Ioana & Gherghina, 2007; OECD, 2004, 2015). This is so because the OECD Principles are adaptable in nature and considers environmental factors like cultures and traditions in different countries in its development

(Chowdary, 2002; Jesover & Kirkpatrick, 2005). Mallin (2011) shares similar ideals with the OECD principles and believes that the principles help businesses exhibit these essential features;

1. Ensuring an adequate and appropriate system of controls operate within a business and that assets are safeguarded.
2. Avoiding power-grabbing by a single person.
3. Encouraging both transparency and accountability in the relationship between management, the board of directors and other stakeholders.

Sheridan and Kendall (1992), reiterate that achieving good CG requires a system of structured operation and control that fulfils the following objectives:

1. Suggest a long-term strategy to maximise shareholder value or control market share.
2. Secure employees' interests at all times and ensure that they are guaranteed a positive working atmosphere, further training courses, health coverage and fair retirement packages.
3. Maintain excellent long-term relations with customers and suppliers in terms of service, quality, and financial settlement procedures.
4. Comply with all relevant legal and regulatory requirements.

Since Mallin (2011) and Sheridan & Kendall (1992) believe that the adherence of a business to the OECD principles show that the business has good CG practices, the next sub-Section is dedicated to discussing the OECD principles.

2.4.1 Rights of Shareholders and Key Ownership Functions

CG principles should protect and facilitate the exercise of shareholder rights (OECD, 2004, 2015). Good CG practice prevents shareholders from gaining more control in countries where investor protection is low, such as Ghana (ACGN, 2016). This is reflected in measures of performance and market valuation (Doidge, Karolyi & Stulz, 2004; Klapper and Love, 2011). Their findings have substantial policy implications. They argue that it is essential for businesses to adopt good CG practices in countries with weak legal systems.

Mallin and Melis (2012) recommend that competent boards should oversee the business and ensure that effective strategies are chosen for the business' overall corporate performance and long-term sustainability. Mallin and Melis (2012) believed that since shareholders are the providers of risk capital, the protection of their investments should be paramount. John, Litov and Yeung (2008) suggest that businesses with better shareholder protection are more likely to engage in riskier investments because shareholders have confidence in board decision-making mechanisms. King and Wen (2011) recommend that businesses should ensure shareholders' rights by allowing shareholders to participate and vote in general shareholders' meetings. King and Wen (2011) further propose that shareholders should all shareholders should be allowed to select board members. This will ensure that board member allegiance is not to majority shareholders but rather to all shareholders. Shareholders should also be provided with information that is relevant and material about the business on a regular basis (through the annual general meeting notice) (Gillan & Starks, 2000). Shareholders' rights should be protected, including ownership rights (Cheung, Connelly, Jiang, & Limpaphayom, 2011). Further, Murphy and Topyan (2005) state that the most significant role of CG is to protect minority shareholders who are not active, compared to large and active shareholders.

2.4.2 Equitable Treatment of Shareholders

CG principles should ensure the equitable treatment of all shareholders, including minority shareholders. All shareholders should have the opportunity to obtain effective redress for any violation of their rights (OECD, 2015). The equitable treatment of all shareholders demands transparency in the distribution of voting rights and the ways that voting rights are exercised (Shanikat & Abbadi, 2011). This principle also requires the disclosure of any material interests that management and board members have in transactions or matters affecting the corporation (Nestor & Jesover, 2000). Santiago-Castro and Brown (2011) investigated the relationship between the expropriation of minority shareholders' rights and business performance in Latin American markets. They found that a lack of investor protection in emerging markets could cause the expropriation of minority shareholders' rights, leading to poorer performance.

The implementation of the principle of equity to all shareholders is important for good CG in Ghana. It is important because the investment pattern in Ghana shows that there are a lot of foreign institutional shareholders from countries with a strong tie to CG practice. These institutional investors seek for the adoption of CG to protect their investments (Wahyuni & Prabowo, 2012). This is because investing businesses face performance pressure to ensure the proper monitoring of their foreign and local investments, which calls for adoption of CG principles for transparency (La Porta et al., 2000). This implies that good CG is based on equitable treatment, which ensures that business members or relevant shareholders do not receive benefits from commercial, financial or asset-involving operations, whether directly or indirectly (Salvioni & Bosetti, 2006).

As all shareholders should have the same voting rights, they must be able to obtain sufficient information about their voting rights before they purchase shares (Shanikat & Abbadi, 2011). Shareholders should have the opportunity to receive effective redress for any violation of their rights. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders, whether directly or indirectly (Cheung et al., 2011). Further, internal control systems need to be established to prohibit the use of inside information (Cohen, Malloy, & Pomorski, 2012). A business's ability to protect minority shareholders' rights could be enhanced by the strong implementation of CG (Chhaochharia & Laeven 2009). The higher the degree of ownership concentration, the more likely managers' strategic decisions will mesh with shareholder value maximisation (Connelly et al., 2010). Institutional owners are vigilant not only of CEO behaviour and performance but also the board's effectiveness and transparency. However, an overly concentrated ownership structure, has its drawbacks. The power of small individual shareholders may be weakened when equity ownership is concentrated within a few large-block shareholders. Moreover, conflicts of interest between large-block shareholders and small shareholders, or between shareholders and other stakeholders may increase as executives may be more likely to maximise a few large-block shareholders' values at the expense of smaller ones or other relevant stakeholders.

2.4.3 The Role of Stakeholders

CG frameworks should recognise stakeholders' rights established by law or through mutual agreements. They should encourage active cooperation between corporations and stakeholders in creating wealth, employment and the sustainability of financially sound enterprises (Shanikat & Abbadi, 2011). The stakeholders' principle focuses on the relationship between the corporation and stakeholders' interests in the business (OECD, 2015). The stakeholder theory explains the various stakeholders' interests such as the interaction with, and treatment of, stakeholders such as employees, creditors, suppliers, shareholders, and the environment (Cheung et al., 2011). Allen, Carletti and Marquez (2007) argue that, in some circumstances, businesses can voluntarily choose to be stakeholder-oriented, as this increases their value. Jensen (2010) states that a business cannot maximise its value if it ignores its stakeholders' interests. Consequently, stakeholder engagement associated with business performance can be enhanced if the framework of stakeholder engagement provides an effective management system for corporate stakeholder engagement within the business (Bowie, 2005).

Management has a responsibility to ensure that shareholders receive a fair return on their investments; but it also has a responsibility to all stakeholders (Prugsamatz, 2010). Directors are in a position of trust. They should manage the business in a way that creates long-term sustainable value, while simultaneously considering their relationships with wider stakeholder groups including employees, customers, suppliers, and communities that their activities affect. Stakeholder relationships have direct and indirect effects on business performance (Harrison & Wicks, 2013).

2.4.4 Disclosure and Transparency

CG principles should ensure there is transparency, and that all relevant reports are disclosed to all stakeholders, including minority stakeholders. All stakeholders should have the opportunity to obtain effective redress for any violation of their rights (OECD, 2004, 2015). Transparency requires the disclosure of any material interests that management and board members have in transactions or matters affecting the corporation (Nestor & Jesover, 2000). The CG framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the business (Biswas, 2015; OECD, 2004, 2015).

Disclosure of a business information consists of corporate performance disclosure and financial accounting disclosure. The two forms of disclosure are considered as the principal means through which businesses become transparent to all stakeholders (Gill, Vijay & Jha, 2009). For effective disclosure and transparency, business practices should align with the existing policies, instructions, and laws regulating the nature of the business (Shanikat & Abbadi, 2011). Transparency and disclosure are significant and fundamental features of CG, which means that good disclosure practice is a form of good CG. This is because the market might expect more serious information asymmetry problems if a business has poor information disclosure and transparency practices (Khanna & Yafeh, 2007).

Patel, Balic and Bwakira (2002) report that higher transparency and better disclosure reduces the information asymmetry between a business's management and its stakeholders. Their results suggest that businesses with lower transparency and disclosure are less valued than businesses with higher transparency and disclosure. Chi (2009) states that better transparency and disclosure practices establish stronger CG practice, which leads to good corporate performance. Chi (2009) implies that the quality of corporate disclosure practice has a positive relationship with business performance. Chiang (2005) also finds that corporate transparency has a significant positive relationship with business performance, concluding that transparency is one of the essential indicators of corporate performance.

Improving transparency is one of the main aspects of CG (Patel & Dallas, 2002); further, good CG calls for a high level of financial disclosure to reduce information asymmetry between all parties and to make corporate insiders accountable for their actions (Melis, 2004). A business should provide accurate disclosure in all material matters concerning the business, including their financial situation, performance, ownership, and governance (Cheung et al., 2011). Material information should be provided about members of the board of directors and key employees (Seal, 2006). External disclosure of material information, such as related-party transactions, external audit results and insider transactions, is a feature of a well-governed business (Fan & Wong, 2005; Cheung, Qi, Rau, & Stouraitis, 2009).

2.4.5 Board Responsibilities

The CG framework should ensure the strategic guidance of the business, the effective monitoring of management by the board, and the board's accountability to the business and its shareholders (OECD, 2004, 2015). The board's main responsibilities are to make decisions on the business operations of the business and to manage the directors' activities (Black, Jang & Kim, 2006). The board of directors should be a well-functioning and effective board because it is an important aspect in enhancing CG (Solomon, 2010). As its top executive unit, the board of directors is responsible both for formulating policies and strategies and supervising business operations (Ahmed & Gabor, 2011).

In addition, board members should direct and control the business' affairs, act on a fully informed basis and in good faith, with the best interests of the shareholders and all other stakeholders. It should also ensure compliance with applicable laws (Awotundun, Kehinde, & Somoye, 2011). In short, the board acts as a mediator between the principals and the agents to ensure that capital is directed to the right objective. The board also performs an important function in the CG framework: it is essentially responsible for monitoring management performance and achieving an adequate return for investors (Ongore & K'Obonyo, 2011).

The board of directors is an important aspect of CG for aligning managers and all stakeholders' interests. The board provides advice and support to managers to improve their decision-making processes (Minichilli, Zattoni, & Zona, 2009). When corporate boards exercise greater accountability, honesty, integrity and ethical responsibility, fairness prevail in satisfying stakeholder interest (Ferrer & Banderlipe, 2012).

2.5 Corporate Governance Mechanisms

The OECD principles are put into practice through the use of a range of CG mechanisms to serve as models for governance practices (OECD, 2016; Potter & Storey, 2007). This is because CG is considered a mainstream concern in business boardrooms, among academics and legislators (Biswas, 2015; Claessens, Djankov, & Lang, 2000). CG mechanisms are the procedures employed by businesses to solve CG problems. However, the use of these mechanisms depends on the individual CG system (Weimer & Pape, 1999). CG mechanisms can be divided into two parts: internal and external mechanisms (Fan, Lau, & Wu, 2002).

While external CG mechanisms refer to the external factors that influence the administration or management of the business, internal governance mechanisms refer to the structural components that serve to mitigate the principal-agent problem (Kiel & Nicholson, 2003). The board of directors and the audit committee are considered internal governance mechanisms and thereby incorporate four variables: the size of board, board composition, audit committee's independence and board leadership structure (Khanchel El Mehdi, 2007). These mechanisms are internal governance mechanisms because their usage is solely dependent on internal decision-makers (Agrawal & Knoeber, 1996; Biswas, 2015).

Consequently, the main objective of CG mechanisms, in particular, the board of directors, is to monitor management operations and processes (Gillan, 2006). They can achieve this by adopting better internal CG mechanisms, such as an enhanced board and audit committee, to improve supervision and reduce information asymmetry problems (Aldamen et al., 2012). Businesses, especially SMEs, require strong internal CG mechanisms to limit CG malpractices. Previous studies have found that CG mechanisms affect business performance (Hu & Izumida, 2008; Lupu & Nichitean, 2011). Below is a discussion of four commonly researched CG mechanisms: board size (Section 2.5.1), duality (Section 2.5.2), board independence (Section 2.5.3) and audit committee independence (Section 2.5.4).

2.5.1 Board Size

Board size represents the total number of people in a business trusted with the strategic decision making. The two most important functions of the board of directors are those of advising and monitoring (Adams & Ferriera, 2007; Raheja, 2005). Therefore, the board of directors are considered a vital CG mechanism for aligning managers and stakeholders' interests (Sanda, Garba, & Mikailu, 2011). Zahra and Pearce (1989) classified two main roles of the board: (1) it should control the business's operations and the CEO's activities; and (2) it should enhance the business's image and sustain a good relationship between the stakeholders and business management to encourage the business culture. These functions could be useful for the realisation of performance with the right board size (Guest, 2009).

Upon the review of board size studies like Guest (2009) and Zheng and Tsai (2019), this research specifies a small board size as having board composition of seven or less and a large board size as having a board composition of more than seven. Brown and Caylor (2004), Cadbury (1992), Jensen (1993), and Lipton and Lorsch (1992) all recommend a small board. The most recommended board size is between six and ten members. However, some suggest that there should be equal number of executive and non-executive directors to: (1) enhance business performance (Brown & Caylor, 2004); (2) coordination and communication (Lipton & Lorsch, 1992), and board effectiveness (Jensen, 1993).

Scholars like Dalton and Dalton (2005) argue that a larger board provides more expert advice and opinions. Larger boards are expected to increase board diversity in relation to experience, skills, gender, and nationality. Board size is widely accepted as a significant component of CG (Guest, 2009). Determining the right number of board members is like solving half the problem already (Redhead, 2008). There has been much research on how to determine how many board members are needed, but there is no consensus on the right number. Guest (2009) found that board size is negatively related to profitability (Tobin Q's and share return), using panel data from 2746 listed businesses in the UK from1981-2002.

2.5.2 Duality

Duality describes a situation whereby an individual performs two or more roles. There are two types of duality: Executive duality and CEO duality. These two types of duality are explained and discussed below.

Executive Duality – occurs when the management and board function a performed by a group of top management executives (Dedman & Lin, 2002). This phenomenon often occurs due in SMEs because it is usually expensive to separate their board and the management due to financial constraints. The main function of the board in large companies is to direct and formulate actionable strategies for the management to achieve the company objectives (Yasser, Entebang, & Mansor, 2011). An important function of the board is to monitor the performance of the senior management (Varshney, Kaul, & Vasal, 2012). Dedman and Lin (2002) believe that combined authority in a group of individuals leave them unchecked and defeats the function of supervision of the board. Since some group of individuals perform board role and management role, decisions made at the management level becomes a rubber stamp at the board level for these individuals. Executive duality causes the board to be less incentive to monitor the corporate managerial team's activities because some members of the board are also members of management (Joseph, 2019; Khan, 2019).

CEO Duality – Agency theory argues that the CEO and chairman should be separate because the chairman cannot accomplish their duties without a personal conflict of interest (Jensen, 1993). Cadbury (1992) believes that the role of chairman should, in principle, be separate from that of the chief executive; if the two roles are combined, it represents a considerable concentration of power within the decision-making process. Various corporate governance guidelines recommend that the CEO role be separate from the role of the chairman of the board of directors (see for example, the Australian Corporate Governance Principles and Recommendations, 2019). In the UK, the primary function of the board of directors is to reduce agency costs resulting from the separation of ownership and control (Yasser, Entebang, & Mansor, 2011).

2.5.3 Board Independence

Bhagat and Bolton (2008) define board independence as the number of unaffiliated independent directors to the total number of board members. It is normally assumed that a board which has more independent directors will be more efficient and effective in decision making than a board dominated by executive directors. The board of directors plays an important role in CG practices because it is responsible for planning and monitoring whether a business' is meeting its objectives (Bhagat & Bolton, 2008; Haniffa & Cooke, 2002). Thus, an active board with an appropriate composition of directors is crucial for ensuring the board accomplishes its aims (Al-Matari et al., 2012). The composition of the board has a direct effect on the business' activities (Klein, 1998). Generally, the composition of the board refers to the proportion of inside and outside directors serving on the board. Boards of directors include both executive and non-executive directors.

The term, 'executive directors' refers to dependent directors. In contrast, non-executive directors refer to independent directors (Ali Shah, Butt, & Hassan, 2009). The Cadbury Report (1992) states that the presence of non-executives should enhance board independence and business performance. ASX CG (2019) recommends that all businesses should have board of directors that consist of sufficient non-executive directors who have calibre in order for the non-executive directors to have an important influence on the board's decisions. In the UAE, the board of directors should consider an appropriate balance between executive, non-executive and independent board members. Businesses are required to have at least one-third of its board members to be independent members and that a majority of members are non-executive members (Hawkamah, 2010).

Non-executive directors are outside directors who help protect shareholders' interests, and inside directors, who participate directly in the business's day-to-day management (Klien, 2002; Petrovic, 2008; Wan & Ong, 2005). Fama and Jensen (1983) argue that a higher proportion of independent non-executive directors increases board effectiveness in monitoring managerial opportunism and, consequently, increases voluntary disclosures. In a similar vein, Forker (1992) argues that the inclusion of non-executive directors on corporate boards enhances the quality of financial disclosure and reduces the benefits of withholding information. Pye (2001) identified the following significant functions that non-executive directors should fulfil: preventing the undue exercise of power by executive directors, safeguarding shareholders' interests in board decision-making, contributing to strategic decision-making, and ensuring competitive performance.

Shrqivastav and Kalsie (2015) found that board composition has a negative and significant impact on business performance. Their findings revealed that non-executive directors lack information about business operations which reduces their ability to function effectively, hence reduces the business's performance. Conversely, Connelly and Limpaphayom (2004) found that independent boards have a positive relationship with profitability ratios. The panel data from their research on 24 insurance companies in Thailand revealed that independent boards are risk averse and bureaucratic in their decision-making.

2.5.4 Audit Committee Independence

The separation of corporate ownership and control results in agency conflict problems that require the effective functioning of audit committees to solve. The audit committee is seen as a subcommittee of the board of directors, which is important in good CG (Abbott, Park & Parker, 2000; Jensen & Meckling, 1976). Garcia-Meca and Sanchez-Ballesta (2009) argue that an independent audit committee enhances the quality and credibility of financial reporting. Cohen and Hanno (2000) emphasise the significance of audit committee independence to appraise management actions regarding risk assessment. In addition, independent directors do not have personal or economic interests in the business in their role of overseeing and monitoring the business' executive management as professional referees (Munro & Buckby, 2008). Thus, independent directors are believed to be maintaining the integrity of external financial statements and protecting stakeholder interests in the business (Bradbury, 1990; Paulinus, Oluchukwu, & Somtochukwu, 2017). According to the Australian Corporate

Governance Principles and Recommendations (2007), businesses are required to have at least three board members in the audit committee, at least one non-executive director and two independent directors.

The UK CG Combined Code (Council, 2003) emphasises the audit committee's independence from managers: while all directors have a duty to act in the interests of the business, the audit committee has a particular role, acting independently from the executive, to ensure that shareholders' interests are properly protected in relation to financial reporting and internal controls. In the UAE, audit committees should include at least three non-executive board members, at least two of whom should be independent members; they should also be chaired by independent members (Hawkamah, 2010). An audit committee is considered a monitoring mechanism that verifies and validates records to enhance a proper communication relationship between the board of directors, management and other stakeholders (Blue Ribbon Committee, 1999). Independent directors can support external auditors over executive management in external auditor–management conflict situations. The independent board may not be expected to reword their financial statements (Abbott, Park, & Parker, 2000; DeZoort & Salterio, 2001; Farber, 2005).

2.6 Theoretical Framework

In addition to the codes of practice, and CG mechanisms, CG practice can also be explained using agency theory, resource dependency theory and stakeholder theory. This research uses these three theories to explain the concept of CG in SMEs in Ghana. The choice of these three theories is informed by prior CG studies. Prior literature indicates that the implementation of CG mechanisms resides in the board since they are responsible for decision-making in a business. The board has the powers to direct and control the business, hence; CG cannot be discussed without talking about the board. Agency theory just like many prior CG studies is the main theory underpinning this research. Agency theory in this research explains the conflicts of interest that arise in the relationship between agents (management) and principals (shareholders). In order to understand the CG situation from different perspectives, the research adopted the stakeholder theory and research dependency theory to explain: (1) the multiple stakeholder interests that management consider in their decision-making processes, and (2) the bounded rationality resulting from the board size, composition and structure.

2.6.1 Agency Theory

Agency theory originated in the early 1930s with the works of Berle and Means. The term ‘agency theory’ was first coined and used in an article entitled “The Modern Corporation and Private Property” (Berle and Means, 1932). Berle and Means highlighted the conflict of interest which exists between managers and their shareholders, calling it an ‘agency problem’. Agency theory is introduced in this research because SMEs in developing countries’ (such as Ghana), unlike those in developed countries, have many shareholders similar to large companies. Financial constraints have been identified to be a major problem for SMEs hence they resort to the amalgamation of funds from many investors to undertake projects. Shareholders invest in businesses to maximise their wealth because they are the risk bearers (Harvey et al., 2013). Shareholders’ interests are not shared by managers which creates the agency problem (Redhead, 2008). It is also noteworthy that the weak legal system, bribery, corruption and the business culture create the agency problem in developing countries.

In large corporate context, shareholders appoint the board to steer the direction of their business (Redhead, 2008). The power entrusted by shareholders to the board for oversight responsibilities of the business is sometimes misused by the board. Primarily, the anecdotal purpose of shareholders in investing in a business is to increase wealth or gain a reward after taking risks overtime. This shareholder view is not always shared by the board. In the case of

SMEs, particularly those in Ghana, the business is usually owned by friends and family. However, while the constituents of the board are usually related, they have diverse economic interests in the business, therefore creating the problem of conflict of interest.

Demsetz and Lehn (1985) posited that the agency problem existing between shareholders and their agents (i.e., managers) could be addressed by the provision of effective corporate governance mechanisms and appointing a non-executive board of directors. Demsetz and Lehn (1985) further asserted that the chief executive officers (CEOs) or managers should be monitored by the appointed board of directors whose responsibility is to make sure managers work for the business' interest. Jensen and Meckling (1976) re-affirmed Demsetz and Lehn's (1985) assertions by stating that the monitoring role should be conducted by an appointed board of directors. This according to them minimises managers' conflict of interest and makes managers work for the interest of the business. Fama and Jensen (1983) also share the same view as previous scholars. They state that managers would perform better if they know that they are being monitored.

2.6.2 Stakeholder Theory

Stakeholder theory is an important theoretical perspective which highlights choices businesses must make as a result of having multiple stakeholders who have different and often conflicting interests. Every board must choose from a pool of pressing demands when making a strategic choice. Businesses have many stakeholders to consider when making decisions about long-term strategies. Business stakeholders could include shareholders, managers, customers, workers, media, and the government. These groups have different interests, and each groups' interests should be considered.

Ackermann and Eden (2011, p. 180) define stakeholders as "those groups without whose support the organisation would cease to exist". Freeman and McVea (2001) define stakeholders as those groups who are interested in the dealings and operations of the businesses. Freeman (1983, p. 25) posited that "the stakeholder theory has become so dominant that it is being used ubiquitously". Goodpaster (1991) summarises the stakeholder theory by categorising it into three levels, as listed below:

1. The strategic level, which advocates considering (non-owner) stakeholders' interests as a means of achieving the business' (economic) goals but without any moral content.
2. The multiple-trustee level, which on a moral level, attributes a fiduciary responsibility to the business' managers towards all the stakeholders alike, whether they are owners or non-owners.
3. The 'new synthesis' level, which distinguishes between certain fiduciary responsibilities towards the owners and other restricted, non-fiduciary responsibilities towards the other stakeholders.

2.6.3 Resource Dependency Theory

Salancik and Pfeffer (1978) were pioneers of the resource dependency theory. They posit that the environment plays a part in decision-making, so it is necessary for business to have diversity of board members. According to humanistic psychology, every human being is uniquely gifted, so individuals should be treated individually in relation to his or her environment (Salancik & Pfeffer, 1978). Salancik and Pfeffer (1978) share these assumptions held by the humanistic psychologists and believes that the incorporation of these ideas in the business setting will help improve organisational performance.

In the business setting, Aldrich (1979) postulated that the recruitment or selection of employees or directors should be related to that person's unique characteristics and the suitability of those characteristics to help improve the business's performance. According to Salancik and Pfeffer (1978), the board is a constituent of the business which lives within an environment. Organisational information and resources are derived from this environment, but sometimes these environments can be uncertain. Businesses need board members from diverse backgrounds to help mitigate business problems due to environmental uncertainty (Zald, 1969)

Hrebiniak and Joyce (1985) argued that strategic choice and environmental determinism do not have to be mutually exclusive. They reasoned that control over scarce resources is central to the relationship between choice and determinism (Hrebiniak & Joyce, 1985). Bedeian (1990) argued that assertions by Hrebiniak and Joyce (1985) were inaccurate and instead, postulates that organisational adaptation is continuous. Bedeian (1990) indicates that a business' survival depends on the limited resources the environment offers. In this environment, scarcity is seen as a source of uncertainty. Resource dependency theory postulates that businesses succeed if businesses adjust their boards to adapt to uncertain environment. Resource dependency theory predicts that larger boards will perform better than smaller boards, as a larger board are more likely to include individuals from diverse backgrounds (Bernile, Bhagwat, & Yonker, 2018; Harjoto, Laksmana, & Lee, 2015).

2.7 Chapter Summary

This Chapter has introduced the concept of CG and highlighted two financial perspectives that explain why there is a need for CG. The Chapter has also provided a brief history of CG, the scandals and CG developments regulation changes and the reasons behind reforms in both developed and developing countries, focusing on the USA, the UK, Egypt, Nigeria and Ghana. The Chapter has explored CG from an international business perspective, using OECD definition. The OECD principles were the reasons for adopting their principles and definition in this research. Since this is exploratory research, this Chapter also reviewed prior literature on CG and examined corporate mechanisms. The Chapter concluded by introducing three theories which are used to underpin this research. The first one of these, agency theory (the primary theory used in this research), focuses on the relationship between the agent and principals. Other supporting theories are stakeholder theory and resource dependency theory.

Chapter 3

Small and Medium Enterprises (SMEs)

3.1 Introduction

Corporate governance (CG) is not just an issue for large listed businesses, despite them being the focus of many prior studies. CG is important for all businesses, including listed companies, SOEs, NGOs, and SMEs. For example, CG is important for SMEs in Ghana because they make up 92% of registered businesses in the country. They are key contributors to the country's economy in terms of GDP and job creation (Abor & Quartey, 2010; Aryeetey, 2001; Fredua, 2007). Prior studies indicate that SMEs have weaker operating structures than the listed businesses (Quartey, 2003). There is thus an urgent need for CG laws to be implemented to safeguard these SMEs. CG laws will help safeguard Ghana's economy through decreasing the rate of collapse. Since the prior studies have established the importance of SMEs, especially to the Ghanaian economy, this Chapter is dedicated to describing the SMEs, firstly in developed countries and then in developing ones.

3.2 Small and Medium Enterprises (SMEs) in Developed Countries

This Section discusses definitions of SMEs. It reviews the classifications of SMEs in the USA, the UK and New Zealand. These countries were chosen because they have; (1) high standards for SMEs; and (2) provide continental representation. This Section explains SMEs' contributions to the world economy.

3.2.1 Definitions of Small and Medium Enterprises (SMEs)

Defining SMEs is difficult due to differences in countries around the world. SMEs in developed countries are often considered large companies in developing countries (Natarjan & Wyrick, 2011). This difference is due to exchange rates and type of business (Kayanula & Quartey, 2000). Natarjan and Wyrick (2011) posited that the SME definition depends on the market economy within which the business operates. In some cases, SMEs are defined as a heterogeneous group of businesses, ranging from a single artisan working at home producing handicrafts to sophisticated software-producing firms selling in specialised global niches (Kayanula & Quartey, 2000). Since there is no universally accepted definition of SMEs, Meredith (1994) proposes that they should be defined using both qualitative and quantitative perspectives. The qualitative component should specify the mode of operation and organisational procedures, whilst the quantitative component should reflect the tangible financial measures such as asset turnover and sales. Reviews of prior studies (Ayyagari et al., 2011) have shown that a popular method of classifying SMEs is by their total number of employees because universally SMEs are known to have small employee size relative to large companies. Other classification categories include factors like annual sales revenue or total capital and total assets, which are often proprietary and are rarely disclosed by smaller, privately-owned businesses (Montazemi, 1988). As a result of this lack of consensus, governments and other organisations use a variety of approaches. The next sections provide a brief description and explanation of SMEs in developed and developing countries with particular interest in Ghana.

3.2.2 Classifying SMEs in Developed Countries

To gain a clearer understanding of the term 'SME', this research explores three different countries' classification systems: the USA, the UK and New Zealand. These three developed countries are considered because prior studies indicate that they have excellent CG regulations for their SMEs. Another reason why these countries were considered was because they were from different continents in the world. They also have definitions of business size (as identified in section 3.2.1 above) that combine number of employees and size in terms of total assets or sales revenue. These developed countries are discussed below.

USA – The United States Small Business Administration has no formal SME definition. However, the Small Business Act defines small businesses as those firms which have less than 500 employees. It divides small businesses by their annual receipts which vary according to industry sectors. Even though they accept all legal businesses, joint business ventures with more than 49% foreign ownership are not considered as SMEs. In the USA, the primary focus is on the number of employees; it is assumed that for a business to have more than 500 employees, they would need to have assets worth more than ten million dollars. According to Mead and Liedholm (1999), in the USA, SMEs are responsible for the creation of 80% of all new jobs, because most of the business have less than 500 employees. According to the United States International Trade Commission (2012), the US economy is powered by SMEs; they contribute between 50-70% of the country's GDP through employment creation and self-dependency.

United Kingdom – The UK classification system is based on the Bolton Committee Report of 1972. The committee report offered two SME definitions: SMEs are classified according to their economic prowess in terms of turnover and total assets. The committee stated that firms are small if they meet the following three criteria:

1. Have a reasonably small share of their marketplace.
2. Are managed by the owner or co-owners of the firm in an informal manner.
3. Independent and not configured as part of a larger enterprise.

The second definition is statistical and relates to the number of employees. Presently the UK's Department for Business Innovation and Skills (UKBIS) (2009) defines a SME as a business with less than 250 employees, and turnover less than £50 million. In short, the UK adopt both classification methods. In 2014, 99.9% of the UK businesses were SMEs (The United Kingdom Small Business Statistics (UKSBS), 2019).

New Zealand – In New Zealand SMEs are defined as enterprises with 19 or fewer employees (The Ministry of Business, Innovation and Enterprises (MBIE), 2014). In contrast to the USA and the UK, the New Zealand definition does not consider the financial prowess of SMEs. Like most economies, New Zealand's enterprises are mainly small and medium-sized, with 97% of all enterprises employing 19 or fewer people (MBIE, 2014). Ninety percent of all enterprises (421,823 businesses) employ five or fewer people. Nearly 70% of all enterprises (323,935 businesses) have no paid employees. These enterprises are described as zero-employee enterprises. Zero-employee enterprises are often structured and operate differently than businesses with at least one employee. An employee count of zero usually indicates an enterprises with only a working proprietor who is not receiving a salary or wage. These enterprises might operate in areas such as asset management, property investment, or where the labour input is provided by the employees of other businesses (MBIE, 2014). Table 3-1 below provides a summary of the three countries' SME classifications.

Table 3-1 Classification of SMEs

Country	Employees	Investment Capital/ Assets ($)
USA	≤ 500	10,000,000
UK	≤ 250	50,000,000
New Zealand	≤ 19	N/A

(Source: MBIE, 2011; SBA, 2009; UKBIS, 2009)

A review of the classifications from these developed countries above indicate that the term ‘SME’ is best defined when the economic and statistical characteristics are used due to the complex nature of the economies SMEs operate in. In view of that, this research adopts the definition of using both the qualitative and quantitative classification of SMEs. Having described the various approaches to defining SMEs, the following Section outlines the importance of SMEs to the world economy.

3.2.3 Importance of SMEs to the World Economy

Small scale businesses provide a feeder service to large-scale industries (Fabayo, 2009). Ayyagari et al. (2011) contends that SME sector plays a central role in increasing employment, economic growth, and poverty alleviation. SMEs are vital to most developed and developing countries: they contribute significantly in terms of Gross Domestic Product (GDP), employment, productivity, and innovation (Abor & Quartey, 2010; Kayanula & Quartey, 2000).

More importantly, OECD (2004) states that SMEs constitute 95% of the total enterprises around the world, accounting for 66% of employment and 55% of total production. According to OECD statistics, in industrialised countries SMEs are major contributors to private sector employment. Empirical evidence shows that in high income countries, SMEs contribute 55% of the GDP and over 65% of total employment. In low income countries, SMEs account for over 60% of the GDP and over 70% of total employment. In middle income countries, these figures are even higher: they contribute approximately 70% of the GDP and 75% of total employment (Abor, 2007). These statistics suggest that, placing more focus on SMEs, developing countries can transform their economies and provide good socio-economic environment for their people.

Of industrialised economies, Japan has the highest proportion of SMEs; they account for 99% of all total enterprises (EIU, 2010). The Annual Report on EU SMEs (2012/2013) indicates that SMEs accounted for 66.5% of European jobs in 2012 and over €3.4 trillion value added. SME development has contributed greatly to China's economic growth. In China, SMEs account for 99% of all enterprises. The output value of SMEs account for at least 60% of the country's GDP. They employ more than 82% of the working population in China (Liu & Lu, 2007). SMEs are also the backbone of the Indian economy, employing close to 40% of the workforce and contributing 45% to the country's manufacturing output (Raju & Gopal, 2006).

According to Mead and Liedholm (1999), SMEs are responsible for the creation of 80% of all new jobs. In Northern Ireland and the UK, it is estimated that SMEs account for 56% and 48% of employment in the private sector, respectively (Buckland & Greer, 1997). In the Netherlands, SMEs account for 98% of all private sector companies; they contribute 31.6% to the country's GDP and employ 55% of the total workforce (Indarti & Langenberg, 2004). In Australia, small businesses account for approximately 97% of all private sector businesses, and 51% of private sector employment (Wijewardena & Tibbits, 1999).

3.3 Small and Medium Enterprises (SMEs) in Developing Countries

In developing countries, SMEs are crucial for improving the distribution of income, increasing employment rates, reducing poverty levels and increasing exports. SMEs have also led to the development of entrepreneurship, various industries and rural development. Beck, Demirguc-Kunt and Levine (2005) found that a large proportion of SMEs contribute to employment creation. Liedholm and Mead (1999) and the World Bank (2003) state that this contribution has been increasing, particularly in developing countries. Stein et al. (2016) highlighted that SMEs in developing countries represent approximately 45% of all employment and approximately 33% of GDP.

Ayyagari et al (2011) show that SMEs are the largest contributors to total job creation across developing countries. They have the largest share of employment, accounting for 71% of all jobs. Not only do SMEs employ the largest number of people, they also generate new jobs. SMEs play a critical role in generating millions of jobs, especially at the low-skilled level. India's 1.3 million SMEs account for 40% of the country's total exports and contribute 17% to the GDP (World Bank Group, 2013). In Malaysia, evidence shows that SMEs contribute 32% to the country's GDP, 56.4% to employment opportunities, and 19% to exports (Omar, Arokiasamy, & Ismail, 2009). In Bangladesh, 99% of all firms have fewer than 100 employers. These business account for 58% of all employment. Similarly, in Ecuador, 99% of all private companies have less than 50 employees and account for 55% of all employment (OECD, 2004).

In Africa, the informal/private sector which is important for economic growth, is dominated by SMEs. For example, SMEs constitute approximately 90% of all businesses and account for more than 60% of employment in the continent (OECD, 2004). According to United Nations Industrial Development Organization (1999) SMEs represent 90% of all private businesses and contribute more than 50% of employment and GDP in most African countries. For example, in Morocco, 93% of industrial firms are SMEs; they account for 38% of the production, 33% of all investment and 30% of exports. SME contributions is considerably higher in South Africa.

3.3.1 SMEs in Ghana

In Ghana, SMEs are essential to economic development in both rural and urban areas (Kayanula & Quartey, 2000). The SME sector contributes to the socio-economic development of Ghana in terms of employment generation, wealth creation and poverty alleviation. Most businesses in Ghana are SMEs. According to Mensah (2004), data from the Registrar General Department indicated that 92% of businesses registered in Ghana are small and medium enterprises. While there are a variety of definitions, the most commonly used criterion is the total number employees because access to information about SME finances is limited and/or restricted (Kayanula & Quartey, 2000). Confusion often arises when applying this definition due to the arbitrariness of the cut-off points used by various official sources. However, as Kayanula and Quartey (2000) note, using fixed assets in the classification process is problematic due to continual depreciation of the local currency. This depreciation makes the asset value either of large businesses to depreciate to become SMEs. Table 3-2 below presents the National Board for Small Scale Industries' (NBSSI) classification system:

Table 3-2 Classification by the National Board for Small Scale Industries

Business Enterprise	Employees	Investment Capital/ Assets (US$)
Micro Enterprise	0 - 5	Up to $10,000*
Small Enterprise	6 - 29	Up to $100,000*
Medium Enterprise	30 - 99	Up to $1,000,000*
Large Enterprise	Over 100	Over $10,000,000*

Source: NBSSI (1999) Note: * excludes land and buildings

3.3.2 Characteristics of Ghanaian SMEs

Although Ghana SMEs are dispersed across urban centres and rural areas, most are concentrated in/around a few principal cities and towns (Boohene, Sheridan & Kotey, 2008). The urban-based small businesses have developed quicker than the rural based businesses because of the presence of labour force within their locality. Urban businesses can be divided into formal and informal businesses. Formal businesses normally have paid employees and registered offices. In contrast, informal businesses typically consist of employees who work in open spaces, at home or in impermanent wooden structures. These businesses often only employ a few workers or have no salaried staff members; instead, many of them rely on family members or apprentices. This is particularly true of rural businesses which are largely made up of family groups, individual artisans and women engaged in food production from local crops (Kayanula & Quartey, 2000).

Quartey (2003) posits that most of the SMEs in Ghana are owned by locals with only a few owned by foreigners. Furthermore, most SMEs operate as sole proprietorships; there are only a small number of partnership or joint ventures (Quartey, 2003). Owner-managers of these SMEs are either the founders or inherited the business from a family member. In rare cases, the business was purchased or formed from a merger (Quartey, 2003). These businesses typically have insufficient capital: finance is mostly sourced from personal savings, relatives and friends. Only a few of these businesses obtain financial assistance from commercial banks, the government or other formal sources (Bani, 2003).

Small and medium enterprise are pivotal to Ghana's development. This sector is considered a more reliable vehicle for balanced, equitable and harmonious socio-economic development, and responsible for providing employment to approximately 65% of the labour force (Aryeetey & Fosu, 2005). Additionally, Abor and Quartey (2010) argue that this sector provides approximately 85% of employment in the manufacturing sector and contributes approximately 75% to Ghana's GDP. According to Abor and Quartey (2010) SMEs make up 92% of all Ghanaian businesses.

3.3.3 Importance of SMEs to Ghana's Economic Development

SMEs are key contributors to Ghana's economy and play a significant role in the country's economic growth. In Ghana, SMEs contribute immensely to the industrial output and export of goods and services. SMEs account for 85% manufacturing employment and 75% general employment (Abor & Quartey, 2010; Aryeetey, 2001). According to Fredua (2007), Ghana's informal sector, which is dominated by SMEs, contributes to its economic activities, especially employment which is estimated to be 70% of the total labour force. SMEs assist in the creation of jobs, contribute to national revenue by way of tax revenue, and improve national income (Keskin, 2006; Abor & Quartey, 2010). Among other things, Kayanula and Quartey (2000) found that SMEs contribute to national development, help generate employment, conserve foreign exchange rates, increase exports through non-traditional commodity exports, and contribute to economic growth and development through innovation and creativity. Kuffour (2008) found that small businesses in Ghana make up the largest portion of the employment base and are the bedrock of the local private sector.

Buame (2004) notes that SMEs are essential to any economy because they make more efficient use of resources, act as a source of skill creation and the cradle of entrepreneurship. They are also noted for utilising financial resources that are otherwise dormant (like family savings), innovation, and having; lower cost per job, wider geographic spread, greater presence in rural areas and job creation. Edmiston (2007) notes that entrenched bureaucracy can lead to long chains of command and subsequent communication inefficiency, inflexibility, and loss of managerial coordination. Further, to the extent that operate in a more competitive environment, small firms may have a greater incentive to be innovative in order to stay ahead of their rivals. Lastly, because ownership and management are more likely to be intertwined in smaller firms, the personal rewards of potential innovators are higher.

3.4 Challenges of Small and Medium Enterprises (SMEs)

Despite their importance to the Ghanaian economy, SMEs continue to face several constraints, especially financial difficulties, because they often start with inadequate capital (Mensah, 2004). Several empirical studies have identified financial constraints as the key issue facing small businesses in developing countries, Ghana included. Small businesses are considered riskier than their larger counterparts (McAdam, Antony, Kumar & Hazlett, 2014) resulting in higher failure rates (Bunker & MacGregor, 2000; Jenkins, 2000). In Australia, the SME failure rate is reported to be as high as 23% (Watson, 2003). In a comparison of SMEs with larger organisations, Jones and Jain (2002) concluded that SMEs suffer from a lack of trained staff and have a short-range management perspective. In order to survive, they recommend that SMEs align themselves with technocrats or experts in their area of operation. Deficiencies in skills and training are often called resource poverty. Jones and Jain's (2002) concept of 'resource poverty' is echoed by Barry and Milner (2002) who found that most SMEs lack technical expertise, adequate capital to undertake technical enhancements (Narula, 2004; Raymond, 2001), and organisational planning (Miller & Besser, 2000; Tetteh & Burn, 2001). SMEs also differ from their larger counterparts in the range of the products/services they offer to their customers (Tauringana & Afrifa, 2013).

Jenkins (2006) and Spence (2000) note that inadequate resources limit a firm's ability to focus on strategic gains or deal with issues from a marketing or public relations perspective. Along with the above limitations, there exists a significant difference in the organisational structure and management styles of small and large organisations. Several studies (Murphy, 1996; Bunker & Mac Gregor, 2000) have shown that among other characteristics, SMEs tend to have smaller management teams (often one or two individuals) who are strongly influenced by the owner and owner's personal idiosyncrasies (Balachandra et al., 2019). They also have little control over their environment (Hill & Stewart, 2000) and a strong desire to remain independent (Drakopolou-Dodd et al., 2002). The owners-managers of these firms often undertake several tasks at once and they have low awareness of issues beyond the day-to-day running of the business (Tilley, 2000). The relatively simple, flexible and highly centralised management structure of SMEs are further reinforced by the limited number of hierarchical levels (Thanki, Govindan, & Thakkar, 2016).

3.4.1 Prior CG Studies around the World

As has been noted in Chapter 2, although CG is a popular field of research, most of the research focuses on large and/or listed companies, state owned enterprises (SOEs) and multi-national companies (MNCs). Hence, there are limited CG studies on SMEs. Prior studies have focussed on CG mechanism and principles worldwide especially in developed countries. Notably, most researches identify the impact on CG mechanism or principle with performance. Table 3-3 provides a summary of prior studies on SMEs.

Table 3-3 Prior CG Studies on SMEs in the World

Author(s) and Year	Country	Methodology	Main Findings
Brunninge, Nordqvist and Wiklund (2007)	Sweden	Quantitative (uses panel data)	They found that closely held SMEs perform better than widespread ownership structures. They further stated that closely held SMEs could overcome weakness by utilising outside directors in board decisions.
Clarke (2007)	Worldwide	Quantitative	The CLERP reforms have affected SMEs disproportionately, as their key personnel are stretched to providing compliance and monitoring roles, in addition to maintaining the ongoing management roles.
Rachagan and Satkunasingam (2009)	Malaysia	Qualitative (content analysis)	They found that the current prohibitive models of law are not desirable as they have promoted compliance with the letter but not the spirit of the law
Belghitar and Khan (2013)	United Kingdom	Quantitative	They found that ownership structure is significant only in explaining the firm's cash holding with high growth investment opportunities, and leverage is only significant in explaining the cash held by businesses with low growth investment opportunities.
Gnan, Montemerlo and Huse (2013)	Italy	Quantitative	Family council partially substitutes the shareholders' meeting and the board of directors in playing their respective CG roles of ownership and monitoring.
Shapiro, Tang, Wang and Zhang (2015)	China	Quantitative	They found that CG and ownership affect innovation activity more strongly when innovation is measured by using patents, rather than new product sales.
Gangi, Meles, Monferra and Mustilli (2020)	51 countries	Quantitative	They found that both CSR engagement and corporate governance mechanisms have a significantly negative influence on the firms' risk of financial distress measured by the Altman et al. model (1995).

3.4.2 Prior CG Studies of SMEs on Ghana

Regardless of their country of origin, all businesses need structure and direction; CG provides both through their mechanisms (Redhead, 2008). While CG is not an entirely new concept within the Ghanaian research community, most of the prior studies have focused on SEC regulated listed companies, financial institutions, insurance companies and state-owned enterprises (Agyei-Mensah, 2010). The focus has been on large and listed companies because data is present and accessible (SEC, 2002). More importantly, the focus has been on large and listed companies because the collapse of these companies is felt by the wider public (Addison, 2018; & ACGN, 2016) who in turn put pressure on public institutions to intervene (Bodammer, Prie, & Addy-Nayo, 2005). Table 3-4 below displays prior CG studies on Ghanaian companies, outlining the methodology used and the main findings.

Table 3-4 Prior CG Studies on SMEs in Ghana

Author(s) and Year	Methodology	Main Findings
Abor (2007)	Multivariate Regression Analysis	There is a statistically significant and positive association between capital structure and board size, board composition, and CEO duality. The results generally indicate that Ghanaian listed businesses pursue high debt policies with larger board size, higher percentages of non-executive directors, and CEO duality.
Tsamenyi, Enninful-Adu Onumah (2007)	Multivariate Regression analysis	The level of disclosure in Ghana is low. Furthermore, ownership structure, dispersion of shareholding, and business size (measured as total assets and market capitalisation) all have significant effects on disclosure.
Abor and Biekpe (2007)	Multivariate Regression Analysis	Board size, board composition, management skill level, CEO duality, inside ownership, family business, and foreign ownership have significantly and positive impacts on profitability.
Isshaq, Bokpin and Onumah (2009)	Multivariate Regression Analysis	Board size is found to be positively and statistically significantly related to share price among the corporate governance variables.
Bokpin and Arko (2009)	Multivariate Regression Analysis	The regression results reveal that managerial shareholding significantly and positively influences the choice of long-term debt over equity.
Bokpin (2011)	Multivariate Regression Analysis	Foreign share ownership significantly and positively, influences dividend payment among businesses on the GSE. It found board size to have a statistically positive effect on dividend payment among the corporate governance variables. It did not, however, find a significant relationship between inside ownership, board independence, board intensity, CEO duality and dividend payment.
Aboagye-Otchere, Bedi and Kwakye (2012)	Multivariate Regression Analysis	Although there has been improvement of disclosure practices over the years, the level of disclosure in Ghana is fair. The study also documents a significant positive relationship between the presence of accounting/finance expert(s) on ACs and CD practices.

3.5 Chapter Summary

The Chapter has examined common definitions of small and medium enterprises (SMEs), focusing on three developed countries. The Chapter has outlined the importance of SMEs to the world economy, and highlighted SMEs' contributions to GDP and employment generation in various countries around the world. Having discussed SMEs from a global perspective, the Chapter has examined their importance for developing countries, African countries in particular. The Chapter has defined SMEs in Ghana using the National Board for Small Scale Industries' (NBSSI) definition. The Chapter has outlined why it is essential to study CG in relation to SMEs. It has argued that SMEs play a crucial role in the Ghanaian economy. In order to address the research questions holistically, this Chapter has addressed the characteristics and challenges of CG alongside prior international CG studies and those which focus specifically on Ghana.

Chapter 4

Research Methodology

4.1 Introduction

Literature reviewed in Chapters 2 and 3 on CG and SMEs, respectively, showed that most CG research focus on large, listed or multinational businesses in developed countries. As discussed in Chapters 2 and 3, there is limited research on CG and SMEs around the world, particularly in Ghana, hence the need to fill the identified research gaps. This Chapter presents the research methodology used to address the following research questions (which were outlined in Section 1.3):

1. What is the level of knowledge of CG in SMEs in Ghana?
2. What are the current CG practices in SMEs in Ghana?
3. What are the reasons and challenges of CG practices in SMEs in Ghana?
4. How can CG practices in SMEs in Ghana be improved?

The Chapter is organised into three Sections: research paradigm (see Section 4.2), research design (see Section 4.3), and Phases (see Section 4.4). Section 4.2 introduces the scientific processes of conducting research. The research paradigms are discussed including the philosophical views of the researcher influencing the research process. Section 4.3 discusses the research design in carrying out the research. Section 4.4 gives a detailed description of the research methods used in carrying out the phases in the research. Figure 4-1 below provides a graphic representation of the research methodology framework.

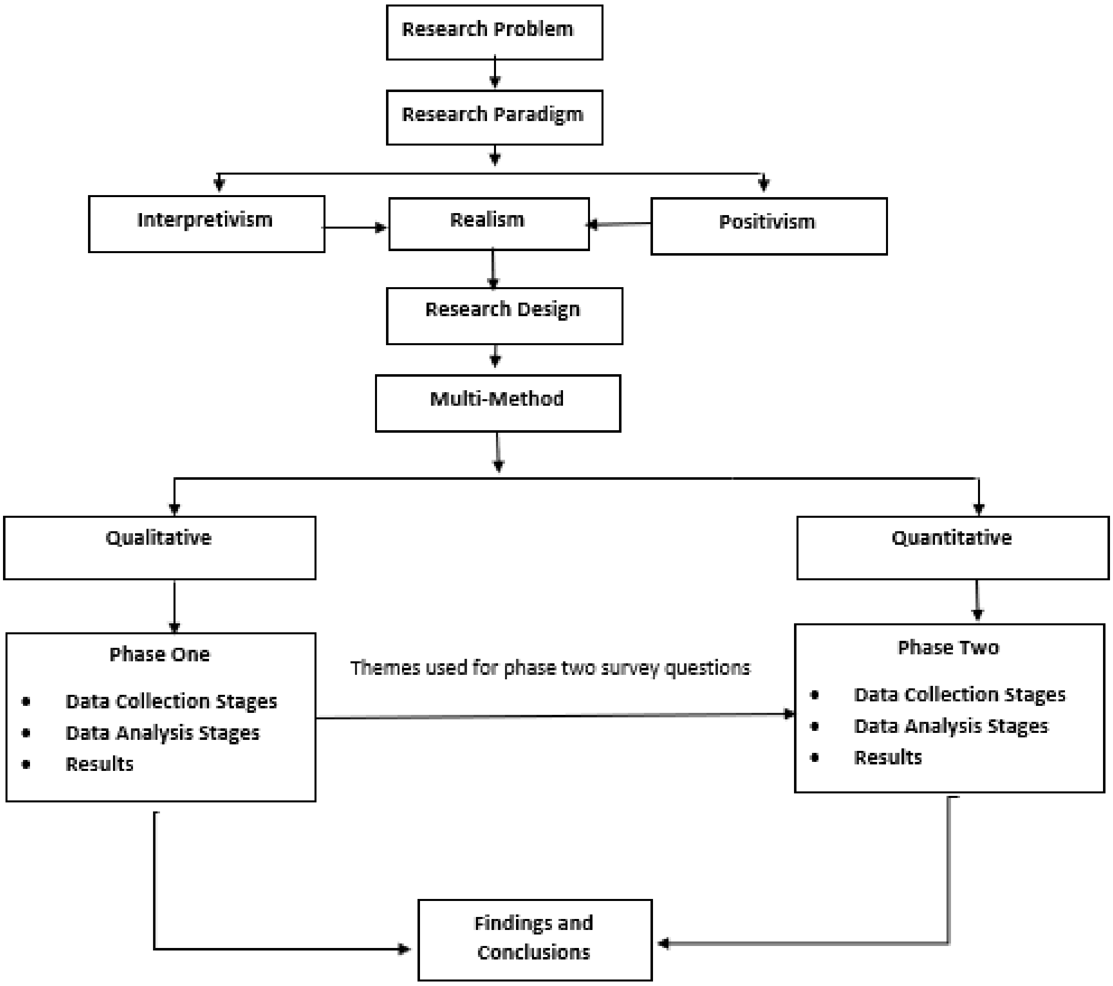

Figure 4-1 Research Framework Chart

Figure 4-1 above provides a snapshot of the research's methodological approach. The diagram illustrates the various research stages. After examining the research problem through the review of literature as done in Chapters 2 and 3, the research chose the realism paradigm. The choice of realism approach is informed by the research purpose, the research questions, and what the researcher sought to address. Considering the research purpose, research questions, and the choice of the realism approach, the research was best suited to a qualitative research design (which seeks to explore and comprehensively describe the state of CG in Ghana). For generalisability, the research design used the multi-method approach which comprised of two phases, namely Phase 1 and Phase 2. Phase 1 used semi-structured interviews and Phase 2 used a survey. The interview responses of Phase 1 was analysed and the themes were then used to develop the survey for Phase 2. For a larger sample and representativeness, the research employed the survey method of data collection. Phase 2 was analysed quantitatively. The findings of both phases are discussed in Chapter 5 and 6 respectively and later compared and contrasted in Chapter 7. Below is a detailed step-by-step description of the research process.

4.2 Research Paradigms

There are rigorous steps and procedures for ascertaining the validity and reliability of the research results (Saunders, Lewis, & Thornhill, 2009). These rigorous processes and steps show the direction of the research, from thought processes to practical processes (Walliman, 2011). The thought process of this research is the research paradigm underlining the research, while the practical processes begin from research design to data analysis (Flick, 2014). The thought process is usually preconceived (depending on the research questions), meaning that it determines the research direction (Halcomb & Hickman, 2015; Saunders, 2011). In a more general sense, Saunders, Lewis, and Thornhill (2009, p. 140) defined a research paradigm as "a way of examining social phenomena from which particular understandings of these phenomena can be gained, and explanations attempted”. Bryman and Bell (2015) view a research paradigm as a cluster of beliefs which dictates to the researchers what should be studied, how it should be studied and how research should be interpreted. Both definitions indicate that a philosophical view of the world not only reflects the nature and demands of the work to be provided but also the researchers' view of the social world (Pansiri, 2009).

Pansiri (2009) stated that the philosophical position of the researcher shapes the research. Although this is the case, Saunders et al. (2009) believe that the main task of a researcher is to adopt the most appropriate research paradigm achieving the research objective and providing answers for the research questions. They further advise that before deciding on the research paradigm, the researcher must have a clear understanding of these various approaches, because once chosen, "the research paradigm acts as a ‘set of lenses' for the researcher by allowing the researcher to view fieldwork within a particular set of established assumptions, thus merging the abstract usefulness of the paradigm with the practical application of conducting rigorous research" (Burke, 2007, p. 477). There are three main research paradigms, namely interpretivism, positivism and realism, as discussed below.

4.2.1 Interpretivism

Interpretivism believes that there is no objective truth. Interpretivism argues that "realities are apprehended in the form of multiple, intangible mental constructions, socially and experimentally based, local and specific in nature" (Guba, Lincoln, Denzin, & Lincoln, 1998, p. 206). Interpretivists believe in people being interactively linked to the environment and use methods such as observations, interviews, historical documents, and accounts of participants' experiences to study them (Cavana, Delahaye, & Sekaran, 2001). While each paradigm has a particular logic, offers specific benefits and a lens through which to interpret the research, each approach has its limitations (Mayer, 2015). One of the main limitations of interpretivism paradigm is that it is subjective and not replicable. Therefore, interpretivism could be suitable for an aspect of the research which is Phase 1. Though it is suitable for Phase 1 in terms of exploring an under-researched phenomena (namely, CG in SMEs in Ghana), it is not applicable when there is quantitative evidence as in Phase 2.

4.2.2 Positivism

The positivist school of thought views the world as objective and understandable. Proponents of this view believe that their findings are valid and accurate. Cavana, Delahaye, and Sekaran (2001, p. 34) liken quantitative research to positivism because of its “objective observation, precise measurements, statistical analysis, and verifiable truths”. Positivists are known for their use of hypotheses. They believe in conducting experimental studies to identify the real facts. In other words, the positivist seeks to determine relationship between objects (Guba & Lincoln, 2007). The positivist believes inexact science where the replication of results is objective (Saunders, 2011). The positivist school of thought cannot be used for this research because;

1. The research questions do not seek to examine the cause and effect relationship (Saunders et al., 2009). Respondents’ answers are subjective, and are based on individual experiences, organisational sectors, and other factors.
2. The results cannot be exact. For example, when combined, sodium and chloride will produce salt, regardless of the external environment. The same cannot be said about interview results. Interviewees from different environments will interpret the same information differently.
3. An analysis on the research questions for an example shows that research is heading to the unknown of exploring what the current situation is which is more of a narrative and subjective as the description of what constitutes the reasons for the adoption of CG, challenges of CG in SMEs tend to be different from one respondent to the other.

4.2.3 Realism

Realism is defined by Phillips (1987, p. 205) as “the view that entities exist independently of being perceived, or independently of our theories about them.” Schwandt (1997, p. 133) adds that “scientific realism is the view that theories refer to real features of the world. ‘Reality’ here refers to whatever it is in the universe (i.e., forces, or structures) that causes the phenomena we perceive with our senses”. Realism distinguishes not only between the world and our experience of it, but between the real, the actual and the empirical, defining these in a special way (Bhaskar, 1975). Based on the research purpose and nature, the research adopts the realism paradigm because it allows both Phases of the research to be interpreted and described based on its natural or social existence. Furthermore, realism also allows the research to choose any method that helps to adequately understand the nature of the problem. While we may be able to observe things such as the structure of an organisation or a household, as well as what happens when they act, some structures may not be observable. Observability may make us more confident about what we think exists, but existence itself is not dependent on it. In virtue of this, then, rather than rely purely upon a criterion of observability for making claims about what exists, realists accept a causal criterion too (Collier, 1994). Realist ontology therefore makes it possible to understand how we could be or become many things which currently we are not: the unemployed could become employed, the ignorant could become knowledgeable.

4.3 Research Design

Polit, Hungler, and Beck (2001, p.167), define research design as "the researcher's overall plan for answering the research question or testing the research hypothesis”. The research design chosen is usually determined by what is being investigated and the research questions being posed (Pansiri, 2009). The research design guides and prompts a researcher's attention when they are veering away from the research objectives (Maxwell, 2012; Creswell & Creswell, 2017). The research design acts as a planned block of activities that shapes how the research is conducted. Prior studies in this field have typically used one of three research designs: quantitative, qualitative, or mixed methods.

4.3.1 The Quantitative Method

The quantitative method is broadly based on positivist ideals, which arose some two hundred years ago. These ideas espouse precise quantitative data and value rigorous exact measures (Mayer, 2015). The hallmarks of good research are seen as objective observation, precise measurements, statistical analysis, and verifiable truths (Mayer, 2015). Hypotheses are tested by carefully analysing the data, usually via statistical tests. Positivist research aims to identify the universal laws of human behaviour with the intention of controlling and predicting events (Bryman & Bell, 2015). There is an overriding perception that reality is out there to be uncovered and an assumption that universal laws of nature operate according to deductive and logical reasoning (Saunders, 2011; Saunders et al., 2009). The ideal quantitative research design is to identify the research hypothesis and then attempt to prove that this research hypothesis is not correct (Cavana et al., 2001). This research is unable to adopt the quantitative method due to the reasons given for positivism paradigm in Section 4.2.2.

4.3.2 The Qualitative Method

Qualitative researchers believe that humans are complex, somewhat unpredictable beings and that individual differences and idiosyncratic needs override any notion of universal laws of human behaviour. They aim to provide a deeper understanding of human behaviour (Willig, 2013). Proponents of qualitative research argue that true meaning can be discovered only by detailed study and through contemplating of rich and multifarious evidence of human thoughts and behaviour (Zikmund et al., 2009). Qualitative research aims to discover how humans construct meanings in their contextual setting. Reality is believed to be constructed by individuals, and the exigencies of life are what people perceive them to be. Qualitative research reveals people's values, interpretative schemes, mind maps, belief systems, and rules for living. It is interested in understanding different respondents' realities (Schutt, 2008; Schutt 2012). Rather than concerning itself primarily with representative samples, qualitative research emphasises careful and detailed descriptions of social practices in an attempt to understand how participants experience and explain their world (Cavana et al., 2001). Therefore qualitative research is appropriate for this research. Table 4-1 below shows the contrasting positions of the quantitative method and the qualitative method.

Table 4-1 Differences between Research Designs

Quantitative Method	Qualitative Method
• Reality is objective and singular, and apart from the researcher. • The researcher is independent of that being researched. • Research is assumed to be value-free and unbiased. • The theory is largely causal and deductive. • Researcher tests hypotheses • Concepts are in the form of distinct variables. • Measures are systematically created before data collection and are standardised. • Data are in the form of numbers from a precise measurement. • There are generally many cases or subjects. • Procedures are standard, and replication is assumed. • The analysis proceeds by using statistics, tables or charts, and discussing how what they show relates to hypotheses.	• Reality is subjective and multiple, as seen by participants in a study. • The researcher interacts with that being researched. • Research is value-laden and biased, with values generally made explicit. • Theory can be causal or non-causal. • Meaning is captured and discovered once the researcher becomes immersed in the data. • Concepts are in the form of themes, motifs, generalisations, and taxonomies. • Measures are created in an ad hoc manner and are often specific to the individual setting or researcher. • Data are in the form of words from documents, observations, and transcripts. • There are generally a few cases/ subjects. • Research procedures are particular, and replication is rare. • The analysis proceeds by extracting themes from evidence and organising data to present a coherent, consistent picture.

Source: Cavana et al. (2001, p.35)

4.3.3 The Choice of Research Method

Based on the research questions, research purpose and the discussions throughout the previous sections, it is clear that there is not a single method which can address the research objective. Hence the research adopts the multi-method proposed by Saunders (2011). Mixed-method provides the combination of both quantitative and qualitative methods in solving a research problem, the mixed-methods draws on the extreme ends of both methods such as cause and effect relationship in quantitative. Whereas multi method focusses on numbers as an expression of quantitative method. On this note, the research adopts multi-method as the most suitable research method because it allows the research to use either qualitative or quantitative method to explore a limited researched area based on the research questions, research objective and research purpose. To give more credence to the results, the multi-method allows themes from the qualitative data in Phase 1 to be used to develop a survey for a larger sample in Phase 2. Although the research is underpinned by qualitative data collection method, the use of qualitative analysis for Phase 1 and quantitative analysis for Phase 2 make the research lean towards multi-method. The choice of multi-method was necessary because the research wanted larger sample representation and a comprehensive description of CG among SMEs in Ghana..

4.4 Phases

The research questions lend themselves to a multi-method. However, as there is a lack of prior studies examining CG in SMEs and CG in Ghana, it was deemed necessary to conduct a preliminary examination of CG in SMEs in Ghana using semi-structured interviews. The preliminary examination (Phase 1) was analysed and clustered into themes that provided the foundation for the survey questions. Material from prior literature was used to construct the survey questions alongside the themes from Phase 1. Data collection was conducted using two linked phases, known as Phase 1 and Phase 2. The methodological steps for the two phases are described below.

4.4.1 Phase 1

As noted in Section 4.4 above, the purpose of Phase 1 was to provide a preliminary examination of CG in SMEs in Ghana. This was necessary because, as Chapter 3 showed that there are limited studies in the research area. In order to achieve the purpose of Phase 1, some methodological steps were undertaken to generate the themes for the process of Phase 2 to begin. These methodological steps are structured and explained in detail as follows; (1) the choice of research design, (2) data collection and (3) data analyses.

4.4.1.1 The Choice of Research Design

In choosing the most appropriate research design for Phase 1, the study focused on the research questions to be answered. It also consider the methods previous CG studies that had employed: most use qualitative research design (see for example, Nakpodia & Adegbite, 2018; Nakpodia, Adegbite, Amaeshi, & Owolabi, 2018; Osemeke & Adegbite, 2016; Pansiri, 2009). Phase 1 settled on qualitative research design because the research sought to explore a limited area of research thus SMEs and CG (Abor & Adjasi, 2007; Abor & Biekpe, 2005; Brunninge, Nordqvist & Wiklund, 2007; Sweeney, 2007). Interviewees' descriptions and the context of information is considered crucial for understanding the phenomenon and providing in-depth data (Patton, 2002). Denzin and Lincoln (2011) view the qualitative method as multi-method in focus, involving an interpretive, naturalistic approach (usual offices of respondents) to its subject matter. Munhall (2001, p. 106) states that "the richness and in-depth description of the experiences gained from the qualitative approach, provides a unique appreciation of the reality of the experience". Morse and Richards (2002) corroborate the arguments of Vaivio (2008) and Munhall's (2001) arguments, insisting that qualitative approaches are constructive because evidence of experience and knowledge can easily be missed when quantitative methods are used (Easterby-Smith, Thorpe, & Jackson, 2012).

4.4.1.2 Data Collection

There are several possible data collection instruments. The choice of data collection instruments are influenced by the research questions, research approaches, and the applicability of the research method to the context (Saunders et al., 2009). Since the aim of Phase 1 was to explore a limited research area, three methods of data collection were considered: observational studies, case study, and interviews. The following Sections provide a brief explanation of these data collection instruments and the reason for the chosen method.

Observational Studies – Observational studies gather data without asking respondents to answer a series of questions. This approach believes in observing people in their natural work environment or a lab setting (Cavana et al., 2001). Apart from the activities performed by the individuals under the study, researchers using this method may also make note of their movements, work habits, statements, and meetings conducted by them. They may also consider facial expressions (joy or anger) and body language. Other environmental factors, such as workplace layout, workflow patterns, how close the seating arrangement is, may also be noted (Cavana et al., 2001).

Case Study – A case study systematically gathers in-depth information on a single entity – an individual, a group, an organisation or a community – using a variety of data collection methods. Case studies can involve contextual analyses of similar situations in other businesses, in which the nature of the problem and the problem definition happen to be the same as the one experienced in the current situation. As in all research investigations, research objectives can be developed in case of studies as well (Merriam, 1988; Yin, 2017).

Interviews – An interview provides a unique opportunity to uncover rich and complex information from an individual or a group/s. There are several different types of interviews. Face-to-face interviews are often preferred over online or skype interviews because they provide an opportunity to observe other cues, such as physical expressions. An experienced interviewer may encourage the interviewee to share personal opinions and memories from the unconscious mind. This rich and rare material invariably includes tacit knowledge from the interviewee (Cavana et al., 2001). In this case, face-to-face interviews were chosen over other methods because the research is interested in obtaining rich material from the interview subjects. The process of designing the interview guide is explained below.

Designing the Interview Guide

This research's semi-structured interview guide was developed using previous literature on CG in listed companies and SMEs (Guest, 2009; Nakpodia, Adegbite, Amaeshi, & Owolabi, 2018; Osemeke & Adegbite, 2016; Vafeas 2005) and OECD principles. The interview guide was helpful as it steered the interview to ensure that the right data was collected.

Ethical Considerations

Phase 1 involved human interaction through face-to-face interviews. As Corbin and Strauss (2008) note, any research that involves human interaction raises confidentiality concerns. Various preventive measures were used to protect the identities of respondents and the companies that they worked for. These included assigning codes for anonymity, for use during the process of transcribing the interviews, reports, data analysis, thesis preparation, and storage The interview guide was reviewed by the supervision team to ensure that it met Lincoln University's Human Ethics Committee (HEC) requirements. Each interviewee was provided with information about the research and was asked to sign a consent form that detailed their rights and responsibilities. Copies of these documents are included in Appendix A. These documents also described the research objectives, data storage, access to data, confidentiality, and the researcher's methods for protecting the interviewees and ensuring the safety of the information gathered. The consent form also outlined interviewees' right to withdraw from the research. Each interviewee signed a consent form stating that they were happy for interview data to be analysed and published, provided anonymity was preserved; pseudonyms were given to individuals and companies in all ten interview. This research used an independent researcher to form an independent view of each case to ensure the research findings' validity. An independent researcher undertakes similar tasks, including coding the primary evidence, and forms independent views of the cases. The independent researcher cross-checked the data and compared their codes with the primary researcher's to ensure that nothing was missed.

Target Population

Polit and Beck (2004, p.50) define a target population as "the aggregate or totality of those conforming to a set of specifications". The target population of Phase 1 is SMEs in Ghana. SMEs were chosen because they represent 92% of the Ghanaian businesses and are the greatest contributors to job creation in Ghana (Abor & Quartey, 2010). SMEs were also considered because they are the most significant contributors to Ghana's GDP (Oppong, Owiredu, &

Churchill, 2014), they are less regulated, and they are not required by law to disclose particular information (Assenso-Okofo, Ali, & Ahmed, 2011 & Agyei-Mensah, 2019). The target population included all SME in Ghana's manufacturing and service sectors. The manufacturing and service sectors was chosen for this research because the sectors are more established (Addae-Korankye, 2013), make significant contribution to the economy and generates employment (Abor & Adjasi, 2007; Kufuor, 2008). Farming was not chosen because businesses in this sector are usually subsistence, run by sole proprietors and lack formal structures. The owner usually has few employees and no formal structures (thus owner is usually the management team). In cases such as these, CG is less of an issue (because the owner is usually the CEO and accountant and is responsible for almost all of the executive functions, hence there is either minimal or no conflicts of interests) than in businesses operating in the manufacturing sector which have more semi-formal structures.

A target population of over 1,000 manufacturing and service sector SMEs was estimated based on information from the Association of Ghanaian Industries (AGI) and the National Board for Small Scale Industries (NBSSI). The target SMEs include engineering businesses, construction businesses, agro-chemical distributors, pharmaceutical businesses, food processing businesses, and retail businesses across the Greater Accra and the Ashanti regions.

Sample and Sampling Technique

Polit and Beck (2004) and Darun (2011) note the difficulty in researching an entire population due to time limitations (Acharya, Prakash, Saxena, & Nigam, 2013; Einsenhardt, 1989), and resources and logistics. This explains the need for a sample selection (Polit, Hungler, & Beck, 2004).

Sampling techniques refers to the methods that are used to select a sample from the population by reducing it to a more manageable and representable size (Saunders et al., 2009). A non-probability sample, based on a purposive sampling technique, was used to select participants for this phase. This sampling technique was used because the research required that individuals meet certain pre-determined criteria. This led to the use of a purposive sampling technique. The selection criteria helped the researcher to identify businesses that were more likely to be organised in terms of governance. The selection criteria were:

- The interviewee's business must have total assets worth less than one million US dollars (US $1,000,000 as of 31st December 2016 at the rate of US$1 to GH₵4.23). This was necessary to limit the number of businesses. The researcher believed that businesses of such nature are not large businesses based on the SME classification of NBSSI.
- The company must be registered with the Registrar General's Department (Business Registration Department) in Ghana.
- In operation for at least five (5) years (see Al Mutawaa & Hewaidy, 2010; Owusu-Ansah, 1998). This was necessary to limit the number of businesses. Businesses in this category were more likely to be more organised with formal structures (Flatten, Greve, & Brettel, 2011).
- The interviewee's company should employ no fewer than 30 people and no more than 99, as shown in Table 3-2. This condition was included to make sure that sole proprietors and informal sectors were excluded. CG malpractices are less likely in SMEs with less than 30 employees because there is constant supervision because of smaller employee size.
- The interviewee must have five or more years' experience with the current business and must have been in the senior management for at least five years. Any person with experience of five or more years' experience, but not at the current company, was excluded due to limited time and the resources required to verify that person.

Gaining Access

After numerous searches on the internet (the AGI website) and asking financial experts, 100 SMEs met the selection criteria (shown in Table 4-2). They were originally contacted on the phone numbers provided on their company websites. The researcher chose to contact participants via phone rather than email or letter because of the collective nature of Ghanaian society, a view echoed by Hofstede and Minkov (2010). A phone call builds connections. A researcher can also provide further information about the research. As a result of these phone calls, 30 managers and owners of SMEs agreed to be interviewed. The researcher travelled from New Zealand to Ghana for a period of six weeks during which the interviews were to be conducted. The table below shows the number of companies that met the sampling criteria.

Table 4-2 Sampling Statistics based on Sampling Criteria

Selection Criteria	Sample		Sampled	
	SMEs	Number of Interviewees	SMEs	Number of Interviewees
Operational Years (5 years or more)	100	Over 400	55	47
Total Asset worth (less than US$ 1 million)	100	Over 400	53	42
Employee Size (from 30 to 99)	100	Over 400	46	42
Interviewee experience (5 years or more with the current business)	100	Over 400	44	40

NB: The table shows the number of companies and interviewees that met the selection criteria.

Upon arrival in Ghana, the researcher found that all the pre-arranged interviewees were unwilling to take part in the research as previously agreed over the phone. The main reasons for their withdrawal were the requirement to sign a consent form and the request to be audio recorded. Six interviewees gave the reason that they were uncomfortable to sign any document, especially something that makes them liable to their views on such a confidential matter in politics, society and cultural shape of business in the country; hence, they decline to take part in the research. Others cited the fact that they were not comfortable with their signatures with someone they do not know (trust issues).

This led the researcher into adopting an opportunistic approach (where an individual uses his/her contacts) to gain access to interviewees. The researcher believed that an opportunist approach would provide a greater level of participation due to already established bonds. The researcher with a bank (the researcher knew the Business Group Head) to identify a list of SMEs on the AGI website who were customers and met the sampling criteria. The researcher contacted all of them via the bank relationship managers for their participation in the research. Ten businesses agreed to take part because they trusted the bank as an institution. The bank sent along their relationship manager who the clients were familiar with. This brokered the trust as interviewees were quite comfortable (Marshall, Cardon, Poddar, & Fontenot, 2013). These techniques proved beneficial in securing access to interviewees (Stigliani & Ravasi, 2012).

Interview Data Collection

The interviews took six weeks to complete. They were conducted between March and April 2017. The interview consisted of ten open-ended questions about interviewees' knowledge of CG, perceptions of CG, board characteristics, the business environment, the political environment, regulations, and CG principles and frameworks. The interviewees consisted of three owners, two CEOs, one auditor, two accountants, one manager, and one shareholder who functions as a CEO. Individual appointments were scheduled with each respondent. The interviews took place at the respondents' place of business, except for one interview, which was conducted in the business lounge of Kotoka International Airport as the interviewee was traveling out of the country. All interviews were audio recorded to allow for verbatim transcription. Transcription was undertaken by the researcher. Each interview took approximately 30 minutes. The researcher explained the purpose, nature, methods, and use of the research to the interviewees who were asked to sign a consent form which outlined their rights and obligations. This form assured interviewees' of their anonymity and the confidentiality of the information (Saunders, 2011).

4.4.1.3 Data Analysis

The data analysis procedures for Phase 1 were influenced by Nakpodia et al. (2018), Darun (2011), and partly influenced by Eisenhardt (1989), Eisenhardt and Graebner (2007), Miles and Huberman (1994), and Yin (2017). Richards (1999, cited in Cavana et al., 2001, p. 173) argues that there is a "constant comparative analysis" from the first interview until the last interview in the analytical process. This statement indicates that in qualitative studies, the data analysis process covers transcription of the first interview to the last interview. The transcription stage is the first stage of data analysis followed by data codification and data classification.

Data Codification

Data codification is a process where data, in a transcribed form, is organised into 'blocks' of raw data (Corbin & Strauss, 2008). At this stage, the interviews were assigned code numbers for anonymity. Table 4-3 below shows the code names assigned to each interviewee, their position, business sector, business location, interviewee's experience, and total number of years in that particular business.

Table 4-3 Interviewees Background Data

Interviewee Code Names	Interviewee's Position/Job	Business Sector	Business Location	Interviewee's Experience	Operational Business Years
A-C-E-A	CEO	Engineering	Accra	7	13
B-A-E-A	Accountant	Engineering	Accra	6	11
C-O-C-K	Owner	Construction	Kumasi	17	17
D-C/S-R-K	CEO/ Shareholder	Retail Services	Kumasi	9	18
E-A-M-K	Accountant	Manufacturing	Kumasi	5	21
F-O-M-K	Owner	Manufacturing	Kumasi	14	14
G-O-R-K	Owner	Retail Services	Kumasi	8	18
H-A-S-A	Auditor	Services	Accra	7	12
I-M-B-A	Mgt. Member	Banking Services	Accra	6	23
J-C-M-K	CEO	Manufacturing	Kumasi	5	15

The first letters of each code in Table 4-3 denote the interview sequence (from A-J). The second letter of each code denotes the interviewee's position/job, as shown in the table. The third letter in each code refers to the sectors in the table. The last letter refers to the business location.

Data Classification

After data collection, the interview responses were classified and categorised in stages from codes (through open codes) to sub-themes and then to themes. This Section describes the data categorisation process, and the processes involved in generating themes that resulted in the survey for a larger group of respondents in Phase 2.

NVivo – Interviews usually contain a lot of rich words and texts (Richard, 1999; Cavana, Delahaye and Sekaran, 2001). Researchers may sometimes miss these texts or data due to researcher bias, oversight, and perceived irrelevance to the research topic (Patton, 2002). The NVIvo software takes care of these biases in the data management of qualitative (Saunders et al., 2009). Corbin and Strauss (2008) argue that NVivo software allows qualitative researchers to justify the scientific nature of their work through a systematic process of rearranging data and generating themes. This research used the NVivo 11 software program to assist with data coding. NVivo 11 software is designed to support researchers to manage data, query data, construct models, and generate reports (Bazeley & Jackson, 2007). NVivo11 software allows the researchers to organise data effectively by recognising that the diversity of data as respondents differ in the analysis process (Cavana et al., 2001). This software has been part of the research process, and the tools provided for qualitative research ensured the analysis processes were rigorous. The NVivo 11 was used in two ways, thus through the document system and the node system as described by Richards (1999) in Cavana et al. (2001).

Coding Process **–** Manual coding was adopted alongside coding using NVivo software. There are two different coding processes: open coding and the axial coding (Cavana et al., 2001). Both coding processes were used. It is important to note that open codes and axial coding were done concurrently. Open coding deals with the initial identification of the codes by naming, describing and categorising them. In contrast, axial coding process involves relating codes to each other through a combination of deductive and inductive reasoning. By virtue of the explanation above, the researcher initially created as many codes as possible, provided they were relevant or important in explaining the research subject (Auerbach & Silverstein, 2003). Initially, the study produced 56 open codes. The codes were compared and contrasted as new interview is being conducted by the use of axial codes. Texts that had similar code were clustered into the open codes. To demonstrate the coding process, the researcher has provided excerpts from two of the interviews (H-A-S-A and G-O-R-K):

1. *H-A-S-A: When I think about corporate governance, I think of* ***the urge*** *to use* ***rules and regulations*** *to be* ***accountable****,* ***transparent***[4]*,* ***anti-bribery****, and stopping* ***corruption****.* ***Cronyism and nepotism*** *have taken over the business in this country too much and have created this* ***network of worms*** *destabilising businesses and* ***hindering their progress****.*

2. *G-O-R-K: For our line of work, we do not have regulatory agencies unless we are tendering for a government project; thus, when we follow the Procurement Act. We also follow labour laws and they can sometimes be difficult with this maternal leave and other hindrances.*

Open codes start with categorising H-A-S-A's quote. In these examples, the open codes are highlighted. Axial coding occurs when the quote of G-O-R-K is categorised. In this case, G-O-R-K's quote is related to the open codes generated from H-A-S-A. This process leads to constant comparative analysis (thus the comparing of new codes to the existing themes to see if they can be clustered on the existing themes or a new theme is needed). In the case of Phase 1, this process was repeated until all the transcripts were reviewed. The frequency of codes differs in terms of volume; some codes appear many times while others are only mentioned a few times.

The frequency of a recurring code signifies the importance of that code. Certain codes are not recurring but provide new information. Some are sector-specific, as interviewees are from other sectors and have different positions. At this stage, any ideas or propositions that could explain CG practices in the Ghanaian context were considered vital. To distinguish between existing codes and new codes, descriptions of relevant codes were reviewed and compared to the context of the statements. When working with too many codes, researchers may face difficulties in interpreting, linking, and explaining the data (Miles & Huberman, 1994). The researcher needed to make sense of the data and organize it in a logical and explanatory manner. Table 4-4 below shows the codes and sub-themes generated as a result of open coding.

Table 4-4 Codes

Sub-themes	Codes
Stakeholder Interests	Profit Maximization, Pay-out, Giving Back, Social Services
Reports and Auditing	Types of Report, Preparer of Report, Uses of Report
Education	Training, briefings, Values and Ethics, Motivation, Monitoring, and supervision
Legal System	Rules and Regulations, Enforcement, Punishment, Procurement Act, Labour laws
Legacy Issues	Family Related, Cronyism, Nepotism
Political Environment	Political class, Elites
Corruption and Bribery	Generosity, Empathetic, Kickbacks
Economic Environment	Multinational Businesses, Banks and Financial Institutions
Socio-cultural Environment	Culture, Values, Symbiosis
Security Apparatus	Police, Bureau of National Intelligence, Military
Investor Confidence	Business Expansion, Job creation, Stability
Corporate Social Responsibilities	Education Trust Fund, Boreholes, Orphanage homes, Party organizing, Social services
Transparency, Accountability Fairness & Equity	Information flow, Communication, Mutual Respect
Shareholders Rights	Decision making, Voting Rights
Competitors	Competitive advantage, Market trends, Diversification, Innovation
Decision-making body	Domineering, Power, Unitary, Binary, aggressive, risk, rewards
Number of Meetings	Frequency of Meetings, Quorum for Meetings
Duality	CEO, Board
Selection criteria (Board/ CEO)	Professional Experience, Qualification, Relation
Board Composition	Gender, Age, Ethnicity, board size, board independence

Data Categorisation

Data categorisation is a process of grouping open codes into categories that bring some meaning to the codes and highlighting the relationships between them. Table 4-4 exemplifies the grouping of codes into categories. This process includes comparing the meaning of each code and linking it to a category or creating a standalone category that adds values or logical explanations to the emerging determining perspectives. The two examples in Section 4.4.1.9 above illustrate the grouping of codes which express similar meanings and relationships. In the first example, H-A-S-A and G-O-R-K's statements expressed the need for separation of control, transparency, and accountability in Ghanaian SMEs, especially in the retail services in Kumasi as they both share sectorial and regional similarities. To further make the results more meaningful and usable, the sub-themes have been further categorized into themes. Table 4-5 below depicts the categorisation of sub-themes into themes.

Table 4-5 Themes Development

Themes	Sub-themes
Business Interest	Stakeholder Interests, Auditing, and Reporting
Challenges of CG	Education System, Legal System, Legacy Issues, Security Apparatus, Environment, Institutions, Corruption, and Bribery, Selection Criteria
Board	Decision-Making Body, Number of Meetings, Duality, Board Size, Board Composition, Board Independence
Implications of CG	Investor Confidence, Corporate Social Responsibilities, Transparency/ Accountability/ Fairness and Equity, Shareholders Rights, Competitors, Reporting and Auditing
Reasons of CG	Investor Confidence, Political Environment, Transparency/ Accountability/ Fairness and Equity, Shareholder Right and Ownership Concentration, Reporting, Competitors, and Auditing
Recommendations of CG	Laws, Implementation, Punitive Measures, Rewards and Diversity

4.4.2 Phase 2

This phase was necessary because it helped to gain a broader understanding of CG in SMEs in Ghana through reaching more businesses. This phase was designed to validate the responses of the small sample from Phase 1 by supporting or debunking the responses of Phase 1 responses. This Section details the research steps involved in carrying out Phase 2: ethics, the survey, the target population, the sample and sampling technique used, ethics, gaining access, and lastly, the method of data analysis.

4.4.2.1 Ethical Considerations for Phase 2

As Corbin and Strauss (2008) note, any research that involves human interactions raises confidentiality concerns. Various preventive measures were taken to protect the respondents' and their companies' anonymity, especially in the writing of reports, thesis preparation, transcriptions, data analysis, and storage arrangements. In Phase 1, the researcher supplied interviewees with a consent form that explained the research background, the researcher's, and interviewees' rights, and responsibilities. Respondents were provided with the consent form and survey at the same time. Respondents were advised that submitting the survey indicated their consent to participate. As with Phase 1, pseudonyms were used for Phase 2 (see Table 4-3). Respondents were assigned a number from 1 to 268 in no particular order.

4.4.2.2 Survey

A survey is a list of pre-determined questions based on the research questions designed to elicit responses (Collis & Hussey, 2003). Creswell (2009) regards the survey as an effective way to understand the numeric description of trends, attitudes, or opinions of a population. Gill and Johnson (2002) state that a survey provides stronger population validity and reliability. This method is less inexpensive than other methods like an interview; in Phase 1 the researcher had to travel from New Zealand to Ghana. This technique also helps to ensure respondents' anonymity. They often feel freer to express their opinions (Falgi, 2009). Surveys are the most commonly-used method in CG (Khan, 2010; Jackling & Johl, 2009), and other business and management research because of its promise of anonymity (Saunders et al., 2009).

There are two major types of surveys: self-administered surveys and interviewer-administered surveys. A self-administered survey was used in this research because it provided a greater degree of anonymity. Even if the interviewer-administered survey could provide anonymity, the responses might be less reliable as participants might rush their responses (Saunders et al., 2009). Phase 1 respondents indicated that they would prefer to complete a survey in their own time. Hence, a self-administered survey was used for data collection. However, to avoid the possibility of data ambiguity, questions were asked using clear and simple language.

The self-administered survey is less time consuming when compared to an interviewer-administered survey (Saunders, 2011). One of the limitations of the self-administered survey is that even if the survey is sent addressed to a particular person from whom the researcher wants to elicit a response, it is hard to ensure that particular person will be the respondent (Bryman & Bell, 2015; Saunders, 2011). This means that the reliability of the response is questionable. This limitation can be minimised using one of two techniques:

1. Hand delivering surveys and hand collecting them from the respondents
2. Using an online survey (Saunders et al., 2009). It is more likely for people to respond themselves due to personal information and security breaches with a secondary access to email login.

The researcher chose to hand deliver surveys because, as discussed earlier, Ghanaians are considered a collectivist society (Hofstede & Minkov, 2010); hence, a personal approach was determined to have a more favourable outcome.

This research built on Phase 1 by developing a survey using Phase 1 themes outlined in Table 4-5 along with prior literature on CG and SMEs (Jackling & Johl, 2009). Since the aim of Phase 2 was to corroborate the themes of Phase 1 for generalisation (Gill & Johnson, 2002), the survey was comprised of questions relating to all the sub-themes, which in turn were related to the research questions. The survey was made up of 59 questions with 8 open-ended questions, 30 5-point Likert scale questions which measured importance or agreement, and 21 closed-ended questions. The open-ended questions were included to allow respondents to provide more in-depth answers. Closed-ended questions were used where the researcher was seeking definite answers. Some of the questions offered an 'other' option to allow respondents to provide further information.

4.4.2.3 Target Population

The target population for Phase 2 was the same as that for Phase 1 (see Section 4.4.1.2).

4.4.2.4 The Sample and Sampling Technique

It is difficult to research an entire population due to time limitations (Acharya, Prakash, Saxena & Nigam, 2013; Eisenhardt, 1989), as well as problems with resources and logistics; thus researchers select a subset of the population are selected to participate in the study (Polit et al., 2004). In this phase, a non-probability sample based on a purposive sampling technique was used to select participants. This sampling technique was used because the research required respondents to meet specific pre-determined criteria. For a respondent to be chosen as part of the sample population, they needed to meet the following criteria:

1. The respondent's business must have total assets worth less than one million US dollars (US $1,000,000 as of 31st December 2016).
2. The respondent's business should employ between 30 and 99 staff members.
3. They should have been in operation for at least two years. In phase 1, the researcher needed to explore the existing situation, hence the requirement of five or more years of work experience. In Phase 2, this was less important, hence the standard was lowered to capture people below five years of work experience.
4. The respondent must have been working in the top management level for at least two years in the same company. Due to time constraints, it was deemed necessary to add this condition because it was too difficult to verify a participant's work experience at a prior workplace.

Using the sampling criteria, 268 respondents of the 300 sampled (thus over 89%) were able to answer the survey questions. All 268 respondents had over two years of experience in top management at their current businesses. They had all held senior positions for at least two years and were all based in Accra and Kumasi. The respondents consisted of owners, CEOs, Auditors, Accountants, Consultants, and Shareholders. Participants were from a range of sectors, including manufacturing, engineering, construction, retail services, and service businesses responded to the survey.

4.4.2.5 Gaining Access

Given the access constraints in Phase 1, the researcher identified the need to have the surveys hand delivered. Due to logistics and a lack of trust in the Ghanaian postal services, the researcher used the services of four research assistants who were employed to hand-deliver the 300 surveys to 300 eligible participants. Data for this phase was collected between June 2017 and September 2017. Surveys (which were also accompanied by a prepaid addressed envelope) were sent to four research assistants who hand-delivered and hand-collected the survey over a two-week period. The research assistants were known to the researcher and were contacted via phone about their interest in data collection for this research. The research assistants used a snow-balling approach to identify the participants. The researcher discussed their roles and responsibilities, as well as entitlements with them. After they agreed, supervisors were notified, and a total of 300 surveys were sent from New Zealand to Ghana. Research assistants were given a one-month time frame to collect the data. The four research assistants divided the 300 survey questions equally (75 surveys per person). They were each allocated a particular region to avoid sampling the same businesses multiple times. The research assistants used the 'foot in the door' approach: the first introduced themselves research assistants and explained their purpose to company receptionists who, in turn, forwarded them to the appropriate person. This approach is favoured in collectivist societies like Ghana (Hofstede & Minkov, 2010). From a total of 300 surveys, the research assistants obtained 268 responses.

4.4.2.6 Method of Data Analysis

Phase 2 used a qualitative and quantitative approach to data analysis. As noted earlier, there were eight open-ended questions, 30 5-point Likert scale questions, and 21 close-ended questions. After being coded, five of the open-ended questions were analysed using SPSS. The data analytic process involves critiquing and determining the significance of important information, such as survey results, experimental findings, observations, or narrative reports (Cavana et al., 2001).

Qualitative Analysis

Pratt (2009) state that analysing qualitative evidence involves coding data into categories that organise it and then relate these to one or more frameworks or sets of ideas. Miles and Huberman (1994) note that the coding process begins with "packaging texts" (that is, transcribed interviews) into codes, then identifying the trends and repackaging and organising categories into themes. The process continues with the conceptualisation of themes into one or more explanatory framework(s) (Miles & Huberman, 1994). All the responses from the open-ended questions were transferred to NVivo 11 software, where raw data was coded and classified. Codes were organised to represent phenomena found in the raw data, known as open coding (Corbin & Strauss, 2008), similar in principle to the codes developed in Phase 1. Codes were reviewed again to distinguish their meanings (Miles & Huberman, 1994); codes that had similar meanings were combined or left as what are called "free nodes" in NVivo 11. The codes were then grouped into themes (Auerbach & Silverstein, 2003; Miles & Huberman, 1994). At this stage, each code was compared to understand the meaning behind them.

Quantitative Analysis

The quantitative analytical method deals with the number of representations in making inferences. Descriptive statistics were chosen as the quantitative analysis tool because the research questions did not seek to predict or examine any causal relationship. The three descriptive statistics used to form inferences in Phase 2 were;

- The mean is used to determine the central figure or the average response of respondents.
- The standard deviation serves as a measure of the dispersion of observations around the mean in a normal distribution curve (Bowers, 1982). The standard deviation helped to

describe the dispersion of variables. Using the standard deviation helps to identify outliers and how the variables are dispersed.

- The coefficient of variation is the ratio of the standard deviation to the mean. The coefficient of variation is calculated as the mean divided by the standard deviation. The coefficient of variation was used to rank the variables from the lowest risk per response to the highest risk per response.

SPSS, a statistical tool, was used to analyse the survey responses. Participants' responses were assigned codes from 1 to 5 for the Likert-scale responses, and 0 or 1 for dummy variables such as gender and city. Survey data was then specified and categorised using SPSS.

4.5 Chapter Summary

The Chapter discussed the research methodology. In discussing the research methodology, the research paradigms, research methods, data collection stages and data analysis were explained. Among the highlights of this Chapter was that the research adopted the realism paradigm as the research paradigm of the research. The choice of the realism paradigm was informed by the research questions and research problem. The nature of the research questions led the research to adopt the mixed-method approach because the research used two linked Phases consisting of interviews (ten interviewees) and survey (268 respondents). The Chapter details the data collection and analysis stages Phase 1 underwent to generate the themes which helped in the development of the survey questions for Phase 2. In Phase 2, similar methodological steps of data collection and analysis were explained and discussed. The results of these phases are presented in the following two Chapters: Phase 1 in Chapter 5 and Phase 2 in Chapter 6.

Chapter 5

Phase 1: Results and Discussion

5.1 Introduction

To comprehensively understand the corporate governance (CG) practices in SMEs in Ghana, Chapter 2 focused on reviewing prior literature on the historical developments, the concept and the principles of CG. Chapter 4 explained the two-phase research approach. Phase 1 addressed the research questions qualitatively and provided themes for the formulation of the Phase 2 survey questions. Chapter 5 presents the results obtained from the semi-structured interviews with ten SMEs in Ghana. The findings provide a comprehensive and an in-depth understanding of CG practices in SMEs in Ghana. The main focus of Phase 1 is to provide themes from interview responses for the development of Phase 2 in addressing the research questions stated below:

1. What is the level of knowledge of corporate governance in SMEs in Ghana?
2. What are the current corporate governance practices in SMEs in Ghana?
3. What are the reasons and challenges of corporate governance practices in SMEs in Ghana?
4. How can corporate governance practices in SMEs be improved?

To better understand CG in SME in Ghana, the Chapter presents interviewees' responses under four themes: (1) Knowledge of CG, (2) Importance of CG, (3) Reasons for CG adoption, and (4) CG Challenges. The Chapter begins with the results presentation of interviewees' knowledge of CG in Section 5.2. In Section 5.2 qualitative understanding of CG knowledge in SMEs in Ghana are [presented and discussed. After Section 5.2, the Chapter then presents results on the importance of CG believed to be beneficiary to interviewees' businesses in Section 5.3. Under this Section, results and discussions of the benefits of CG to businesses are discussed. The results of the next two Sections thus 5.4 and 5.5 (i.e., Reasons for CG adoption and CG challenges) are presented and discussed respectively. It is important to note that, these themes were developed with the interest of Phase 2 addressing the research questions by describing the current practices, reasons and challenges related to CG for SMEs.

5.2 Knowledge of CG

Chapter 2 indicated that the knowledge of CG has been fuelled by corporate malpractices around the world like Enron, Polly Peck, and Anderson (Elhabib, Rashid & Basiruddin, 2015; Parker, 2007; Velnampy, 2013). Similarly, prior literature in Chapter 2 also indicated that Ghana has faced similar examples of corporate malpractices, including Ponzi schemes, auditing scandals, financial malpractices, theft, bribery and corruption: for example R5, Pyram, Unibank, Capital Bank, UT Bank and most recently MenzGold dealership. The interview responses indicate that these corporate malpractices and scandals have not only created greater awareness but helped in the understanding of CG principles and values (see Section 5.2.1 below for further explanation). In this Section, evidence is categorised under two themes: (1) awareness of CG (see Section 5.2.1) and (2) sources of knowledge on GG (see Section 5.2.2).

5.2.1 Awareness of CG

Prior literature has noted the existence of CG in SMEs in Ghana. However, it fails to explain the acquisition of knowledge (awareness) and understanding (level of awareness) of CG. This research fills the gap by distinguishing between the CG awareness and the level of awareness. Awareness comes by having knowledge of what CG is about, whilst the level of awareness deals with qualifying the level of CG knowledge.

The results indicate that all ten interviewees are aware of the concept of CG. This is not surprising as prior literature has indicated that scandals around the world have increased its presence in everyday life. The research’s use of the purposive sampling method and the sampling criteria may also explain interviewees’ knowledge as all had been in senior management for five years or more. Although this research supports Dzigba's (2015) finding that SMEs in Ghana are aware of CG, the research also found that levels of awareness vary depending on the interviewee's position, experience and business structure. To better understand this finding, excerpts of interview transcripts are shown in Table 5-1 below (refer to Table 4-3 for an explanation of the interviewee codes).

Table 5-1 Interviewees' Awareness of the Concept of Corporate Governance

Interviewee	Quotes
B-A-E-A	*"**Normative rules** which are supposed to **govern the relationship** between stakeholders, management and board of directors… set of rules become intrinsic and a norm if one adheres to it...".*
C-O-C-K	*"... I don't think we adhere so much to good governance practices because you can't be holier than thou ... Profit is the main thing...".*
F-O-M-K	*"A **mechanism** put in place to address principal-agent-problem, where a board informed to have **surveillance** of the activities of the management to bring about **profit maximisation**".*
A-C-E-A	*"... Is the **structures** established by a business or institution to oversee the operations of the business such as **organisational chain of command and line of communication**".*
H-A-S-A	*"... The urge to use **rules and regulation** to be accountable, transparent, anti-bribery and stopping corruption".*

Table 5-1 above shows that interviewees are aware of CG with their views aligning with the characteristics of CG in Table 2-1 and Table 2-2. Although all ten interviewees were aware of CG, the results contradict those of the ACGN (2016) report and Dzigba's (2015) study which found that CG awareness in Ghana is very low. A review of Table 5-1 above suggests that the varied understandings of CG are dependent on the business objectives. It is only natural to have shareholders or owners subscribing to the narrow perspective school of thought because of the emphasis on shareholder wealth maximisation (see Section 2.2) and management ascribing to the broad perspective school of thought (see Section 2.3) A further analysis of the interview responses indicated that these variations in the understanding of CG have also arisen due to the positions and experience of the interviewees along with the business structure. The three CG variants of interviewees are discussed in detail below: role (see 5.2.1.1), experience (see 5.2.1.2) and business structure (see 5.2.1.3).

5.2.1.1 Role

Evidence from Table 5-1 above shows that interviewees' roles are likely to impact their thoughts on CG. An analysis of both C-O-C-K and F-O-M-K's quotes (both owners) indicate that the main objective of owners regardless of the sector they operate in is profit making (see Table 5-1), hence they think of CG from the narrow perspective. This finding supports the position of prior studies like Sternberg (2004) and Lin & Hwang (2010) (as shown in Table 2-1) on the narrow view perspective. An inference from the interviewees who were owners, suggest that their understanding of CG leans toward the narrow perspective, in other words, they favour CG principles that protect shareholder wealth maximisation. Although, owner F-O-M-K (an owner), together with G-O-R-K, agree with C-O-C-K on shareholder maximisation as the primary business objective, they also note the need of CG mechanisms to address conflicts of interest that arise in businesses in order for them to be profitable.

Interviewees who are part of the business' management team (D-C/S-R-K, B-A-E-A and H-A-S-A) have a different perspective of CG, contrary to that of the interviewed owners. They ascribed to the broad perspective of financial management theory as described in Chapter 2. They believe in structures, lines of communication, rules, regulations, roles and responsibilities. This view was shared by all interviewees in management positions, including D-C/S-R-K who tends to support the idea of businesses maximising shareholder wealth, but using structures and a set of rules. This is not surprising because D-C/S-R-K was the only interviewee who is a management member and a shareholder, so the idea is that, CG principles are needed to safeguard shareholders' investments. A critical review of the interviewees' responses suggests that, although interviewees' who belong to management teams have similar beliefs, their responses vary according to their awareness of CG. For example, a critical review of B-A-E-A, H-A-S-A and A-C-E-A suggests that B-A-E-A's awareness is centred on rules, relationship and norms. The view of H-A-S-A's (an auditor) focuses on accountability, transparency and anti-corruption and A-C-E-A (a CEO) focuses on structures, the chain of command and lines of communication.

5.2.1.2 Experience

In addition to interviewee's role, his/her experience was expected to impact upon their understanding of CG. This link was indicated in prior studies (Burke, 1997; DeZoort & Salterio, 2001; Kroll et al., 2008). However, the interview results were inconclusive. As was expected, the research found that in some cases the interviewee's level of CG awareness was synonymous with the length of time they had been in top management member (Kroll, Walters, & Wright, 2008). From the description in Table 4-3, it is evident that owners have a lot of experience, yet their interview responses suggest that they have the least understanding of CG principles (outlined in Section 2.4).

5.2.1.3 Business Structure

The business structure refers to the organisational chart, which defines the channels of communication or lines of communication and the rules and regulations governing the business. These business structures can be categorised as informal or formal. The age of the business appears to have a strong effect on the operating structure. A business' values and norms are developed through repetition (Kieschnick & Moussawi, 2018). These values become institutionalised and all employees formally or informally conform to them.

Table 4-3 shows that interviewees J-C-M-K, E-A-M-K, I-M-B-A and D-C/S-R-K are from businesses that have been in operation for over 15 years. Their responses show that CG becomes informal in cases where the employees have embraced the values and norms of the SME. The belief that CG becomes informal over time was seen to exist in SMEs with a well-defined business structure (that is, line of communication and chain of command). For I-M-B-A, he believed that *"the adherence of CG creates some kind of mental maps in every employee"* hence there is no need to be strict in defining employees' duties and responsibilities.

Conversely, the research found that SME businesses with less than 15 years operation tend to adhere more strictly to CG principles (formal structures). This finding is in line with prior studies (Chung et al., 2010; Michelon & Parbonetti, 2012; Randøy & Nielsen, 2002). This is because younger organisations need structures to serve as guides for their operations. This is reflected in H-A-S-A's quote whose business is 12 years old *"The structure and strict laid down procedures are put in place, it is difficult for a company not to achieve their organisational goals"*. In fact, prior studies encourage SMEs to adopt formal structures as it lays a clear path and streamlines goals and objectives (Castka, Balzarova, Bamber, & Sharp, 2004; Mahzan & Yan, 2014).

5.2.2 Sources of Knowledge

Due to the collapse of well-known companies, GC publicity is high in Ghana: It has been publicised on media talk shows, through the parliament and political discussions (Witte, 2011). Sixty percent of the interviewees stated that they learnt about CG practices from the media, especially during the collapse of companies in the 1990's like 'Pyram' (F-O-M-K, A-C-E-A, H-A-S-A, J-C-M-K) and 'R5' (I-M-B-A) and again, in the 2000's due to collapse of companies like 'Just being Paid' (B-A-E-A), US Tilapia (A-C-E-A and I-M-B-A) and DKM (J-C-M-K). Apart from the media, interviewees identified ten other sources of knowledge (other local businesses, Non-Governmental Organisations, government agencies, research, formal education, books, consultancy, internal training, business advisory centres and seminars). Interviewees are not only aware of CG (from the media), but approximately 70% of them have actively sought further knowledge about CG from other sources. This may explain the depth of CG understanding as discussed in Section 5.2.1.

Some interviewees demonstrated that they had command of the topic, especially those working as accountants (B-A-E-A and E-A-M-K) and auditors (H-A-S-A). A snapshot of Section 5.2 reveals the following findings:

- SMEs use CG practices in Ghana (see Section 5.2.1). Some SMEs adhere to CG principles in the form of structures, chains of command, lines of communication, the separation of powers, roles and responsibilities. The research also found that the implementation of CG practices was related to company age.
- Three variants explained interviewees' understanding of CG (discussed in Section 5.2.2 1 above).
- Interviewees are aware that CG provides mechanisms to protect stakeholders' interests.
- The media is the first source of information about CG for 70% of the interviewees. Ghanaian SMEs reported learning about CG from 11 different sources as stated in Section 5.2.2 above.

5.3 Importance of CG Practices

As noted by Gregory and Simms (1999), CG practices are important because they directly affect:

1. The efficiency with which a SME employs its assets.
2. The ability of the SME to attract low-cost capital.
3. The ability of the SME to meet society's expectations.

The interview responses showed that SMEs in Ghana share Gregory and Simms' view (1999) of the importance of CG. Three main themes were clustered under the importance of CG. They are financial assistance (see Section 5.3.1), objectivity, integrity and independence (see Section 5.3.2) and corporate social responsibilities (see Section 5.3.3).

5.3.1 Financial Assistance

Prior research indicates that CG helps to lower the cost of capital by improving investor confidence. Banks, venture capitalists, family members and governments all want assurances that their investment will be used for the agreed purpose. Prior studies have found that SMEs are willing to pay more for a well-structured company, all things being equal (Ericsson, Charness, Feltovich, & Hoffman, 2006; Rahman, Yaacob & Radzi, 2015). As mentioned earlier, interviewees who work for a structured company (those which use CG practices) in some instances "*borrow at the base rate of Bank of Ghana from commercial banks*" (D-C/S-R-K). In short, these companies benefit financially from having good structures in place (Nkuah, Tanyeh, & Gaeten, 2013; Quartey, 2003). In contrast, H-A-S-A's views echo those of Jensen and Meckling (1976) who emphasise the importance of the separation of control, which prevents managers from misusing company funds. The evidence suggests that checks and balances are needed for:

1. Independent management monitoring.
2. Transparency related to performance, ownership and control of the corporation.
3. Participation in certain fundamental shareholder decisions.

5.3.2 Objectivity and Integrity

Objectivity and integrity exposes a business to many opportunities as referrals from previous dealings become a necessary goodwill for the business. As has been discussed in Chapter 3, SMEs are mainly family-owned with limited resources (Abor 2007; Abor & Adjasi, 2007; Abor & Biekpe, 2005). As a result of their limited resources, they usually cannot embark on aggressive marketing strategies like large or listed companies, hence they rely on customer relations, word of mouth and goodwill (Gill, Vijay, & Jha, 2009; Nestor & Jesover, 2000). The practice of CG in SMEs enhances the trust of their stakeholders in their operation. For an example, J-C-M-K stated *"that invoices of purchases from clients are kept for more than ten years"*. This practice enhances customers' reliability and satisfaction in buying their products as they believe in the business brand. Apart from the customer satisfaction and reliability, CG has also been found to ensure the optimal use of resources both intra-firm and inter-firm. Ghanaian SMEs operate in a collectivist environment where businesses are dependent on each other for resources such as skill and support. Effective CG systems, ensure that in spite of the socio-cultural environment, SMEs become adaptable and thrive in its operations. They are able to do so by the internal CG mechanisms they introduce in the business (Nkuah, Tanyeh, & Gaeten, 2013; Quartey, 2003). Prior studies have indicated that when SMEs have effective CG structures, investors are more confident to invest in the company at a market premium.

5.3.3 Corporate Social Responsibilities (CSR)

For long-term success, corporations must comply with the laws, regulations and expectations of the societies in which they operate. Many corporations take their role as corporate citizens seriously, thus contributing to civil society. Ghanaian SMEs have not been an exception to these benefits from CSR reported in prior studies like Sternberg (2004) and Sweeney (2007). As discussed in Chapter 1, most employees in Ghana have religious beliefs. The three main religion (Christianity, Islam and Traditionalist) entreat their members to adhere to the habit of giving. Most businesses see CSR as an opportunity to reach out to the society for a larger purpose (De Silva, 2011). In the case of Ghana, SMEs expect the practice of CSR to be rewarded by the community for several reasons based on the SMEs' interest. According to F-O-M-K their business practice CSR to seek "what also benefits their company". G-O-R-K on the hand thinks the company reputation that comes with these gestures by stating that "*Our community trust us and believe in the products that we sell*". An interesting approach adopted by B-A-E-A's company was to make the community feel part of the business by *"employing 30% of our staff from the local community, sponsoring sanitation-related projects, building of school, and scholarship for brilliant but needy children in the community"*. This approach by their company fosters a harmonious relationship between this company and the residents.

5.4 Reasons For CG Adoption

This Section addresses research question 3 by outlining the reasons for CG adoption in Ghana. Evidence from Phase 1 suggests that Ghanaian SMEs adhere to CG principles due to the benefits associated with their adoption. This can be seen in F-O-M-K's statement: *"[CG allows us to] implement some mechanisms to meet standards for financial assistance ..."*. F-O-M-K shares Khan et al.'s (2013) and Reed's (2002) view that globalisation and international trade are forcing local companies to adopt CG practices because they lack competitive power due to inadequate resources. Prior studies (Abdullah, Ismail & Nachum, 2013; Akpan & Amran, 2014), have shown that reasons for CG adoption can be divided into two groups: internal reasons and external reasons. They are explained further in the following subsections.

5.4.1 Internal Reasons

Internal reasons are the CG mechanisms that affect the internal operations of a company. Four types of internal reasons were identified in the interview responses: decision-making body (board) characteristics (see Section 5.4.1.1), transparency, accountability, fairness and equity (see Section 5.4.1.2), shareholder rights and ownership concentration (see Section 5.4.1.3), and reporting and auditing (see Section 5.4.1.4).

5.4.1.1 Decision-Making Body (Board Characteristics)

The direction and control of a business is crucial for ensuring its success (Cadbury, 1992). Hence, businesses must have a decision-making body (board) that is resolute and dynamic in formulating the company's goals and strategic direction (Gaur, Bathula, & Singh, 2015; Vafeas, 2019). This research found that the quality and status of a board is the key reason for the adoption of CG for SME in Ghana. Three sub-categories emerged under the internal reason category; board diversity, board independence and board committees.

Board Diversity – Board diversity typically refers to gender diversity (that is, the total number of women on a board) (Carter, Simkins, & Simpson, 2003; Johl, Kaur, & Cooper, 2015). However, this research uses the term board diversity in a broader sense to include diversity amongst decision making body members in terms of age, gender, culture and skills. As discussed in Chapter 2, resource dependency theory suggests that companies must have diverse boards to overcome the issue of bounded rationality. Evidence from this research supports this finding: diverse boards tend to adhere to CG principles more than less diverse boards. SMEs interviewed for this research perceive board diversity as a key reason for adopting CG. In fact, some interviewees (I-M-B-A and A-C-E-A) believe that a diverse board structure (an inclusive one) helps in terms of 'winning of contracts' and 'networking' which provides a company with a competitive advantage. Interviewees believe diverse decision-making groups enhance the quality of board decisions. These views are like those of Abdulai & Ibrahim (2016) and Darmadi (2013) who argue that diverse boards (different cultures, political beliefs, skills, ages and genders) make better decisions. F-O-M-K and E-A-M-K (both from the manufacturing sector) revealed are more likely to ensure that structures are implemented. E-A-M-K interview believes that women do so because they believe *"[companies should have] institutional memory ...".* In contrast, I-M-B-A believes board diversity should be *"centred on the age of the members of the board".* Interviewees believe that the world is a global village, so younger boards are more preferable because they are accustomed to modern business practices. J-C-M-K supports I-M-B-A but suggests a more mediating role between proponents of gender composition and board age: *"women are known to be meticulous and thoughtful in their decision-making, but they only work with what they know, so it advisable to focus on younger female representatives…".* Although there are some differences in opinion, all the interviewees generally believe that board diversity is a central CG component.

Board Independence – Board independence is defined in this research as the degree of distance between board members and the CEO. This is necessary to avoid collusion. Prior studies have indicated that the 'principal-agent problem' as discussed in Chapter 2 has weakened CG structures in most companies. Prior studies (Gupta & Fields, 2009; Kang et al., 2007) propose that board independence (that is, most of the members should be non-executive members) is the solution to the agency problem. Phase 1 interviews revealed that decision-makers are less independent in performing their primary responsibility of monitoring and supervising management. This is because executive duality creates an unclear chain of command and lines of communication. Moreover, checks and balances are compromised as management members are also board members. As G-O-R-K states *"recruitment processes breed favouritism and nepotism ..."*. Interviewees noted that in some cases, shareholders try to oust the decision-making members if their interests are not prioritised. D-C/S-R-K offers a classical example where a shareholder asked him to offer a job to a relative who did not meet the recruitment criteria. When the relative was not employed, the recruitment body was met with hostile treatment afterwards by the said shareholder. D-C/S-R-K believes that fellow shareholders feel that the CEO has an advantage due to inside information. D-C/S-R-K noted that shareholders in his company feel that the CEO makes 'selfish' deals as a result of power concentration.

This research supports the findings of prior literature (Abdullah, Ismail & Nachum, 2013; Akpan & Amran, 2014) which found that there is board dependence in SME in Ghana. Executive duality was found to be prevalent in most SMEs due to the "financial cost of board independence in binary boards" (I-M-B-A). Executive duality occurs when key members of the management team also act as board members within the same company:

> *"In this company, management and board responsibilities are inseparable since the company is a family owned and basically management is made up of the family members who own the business"* (G-O-R-K).

This shows that there is an overlap of responsibilities as management and board duties are being executed by a select number of people, hence the board is unable to execute the function of checks and balances as most of the management team are also members of the governing decision-making group. Although there exists executive duality which makes achieving board independence an issue, the research found that SMEs also face challenges like:

1. *"... **Cost** in operating binary decision-making groups"* (I-M-B-A).
2. *"... **Trust** and **inadequate resources** due to **economic volatility**..."* (J-C-M-K).
3. "*... The owner (CEO), all decisions are made by him as the **size of this company** can be managed by one person ..."*(B-A-E-A).

Board committees – comprised of both executive and non-executive directors are established to advise, review, and approve a company's management strategic decision making. The committees are empowered by the board to focus on specific areas and make recommendations to them for approval. The results show that there are six board committees for SMEs in Ghana. They are compensation and nomination, health and safety, risk, auditing, legal and regulatory, and finance. Prior studies (especially Sahu & Sharma, 2015) suggest that SMEs around the world usually have eight board committees. Interestingly, none of the Ghanaian SMEs interviewed have all the eight, but rather six board committees. Board committees appear to be formed in line with the organisation's goals, or in some cases problems. The highest number of board committees for a company was four. It belonged to the company of interviewee D-C/S-R-K. Two SMEs did not have any board committees and had no intention of having them (C-O-C-K and G-O-R-K). These findings show that non-listed Ghanaian SMEs share similarities with the world view in terms of purposes and types of board committees (Blake, 2016; Harrison, 1987; Samaha, Khlif, & Hussainey, 2015).

5.4.1.2 Transparency and Accountability

The interviewees revealed that transparency and accountability are reasons for CG adoption because most SMEs rely on external financial assistance (family grants, bank loans and government subventions). Since most SMEs are not financially independent and need external funding (from banks and venture capitalists), they are obliged to adhere to transparency measures like reporting and auditing. Banks and venture capitalists require transparency and accountability to determine a business' financial health. They do this to ensure the viability of their investment (Strischek, 2001). Businesses with no external help often do not strictly adhere to transparency and accountability or may not adhere at all because they believe in business secrecy and there are no laws which require them to share this information. In some cases, interviewees believed that becoming transparent involves revealing your business secrets (resources and financial worth). SMEs are often scared to be entirely transparent because they are worried that this information will be used by their competitors.

5.4.1.3 Shareholder Right and Ownership Concentration (SROC)

The size of most SMEs means that shareholder rights and ownership concentration is a key reasons for CG adoption. As discussed in Chapter 3, SMEs are mostly owned by families or individuals because they do not require large amounts of capital: As F-O-M-K states: (*"... I am the sole owner of this company as the company code (Act 179) of the 1963 constitution permits an individual to own a company but have board of directors before it can operate"*. The greater the amount of capital you have invested in a business, the greater your power. As B-A-E-A notes, *"Fair treatment of shareholder, manage relationship with key stakeholders"* does not exist in most SME. It is widely believed that most SMEs equate votes with the proportion of share ownership (Shapiro, Tang, Wang, & Zhang, 2015). Although this situation is similar in all companies, A-C-E-A and G-O-R-K urge the minority shareholders to demand transparency and accountability since they have no or less control their investments.

Conversely J-C-M-K believes that although fair treatment should be admired, stating that it would be unfair not to protect the majority's interests. F-O-M-K agrees, stating that *"as the sole owner of this company [as the company code Act 179 of the 1963 constitution permits an individual to own a company but have board of directors before it can operate], my position is always to protect the majority owners first"*. The majority shareholder argument focuses on the degree of risk these shareholders have taken on (Harvey et al., 2013; Redhead, 2008).

The SROC however also takes care of the minority shareholders as seen in C-O-C-K's statement: "*I am the manager but during huge transactions, vital decisions and crisis, they are consulted to be actively part of the business". J-C-M-K observed that "... any agenda usually pushed by minority stakeholders usually fell apart because the majority shareholders interests are always at the apex in terms of hierarchy".* To substantiate the reason why shareholder rights and ownership concentrations are key reasons of CG, H-A-S-A narrates a case whereby *"a minority shareholder had to buy a consortium the majority shareholder had defaulted a loan in other to get voting right transference on a decision of interest".*

Another interesting revelation was that most interviewees believe that SMEs, especially family owned companies, need CG because the demise of the founder or owner leaves space for others to inherit the company (Boohene, Sheridan & Kotey, 2008; Kayanula & Quartey, 2000). These successors often don't have management skills or appropriate ideas but inherit the company. If there are CG procedures in place, their survival can be guaranteed. The problem with this is that most owners think their life expectancy is equal to that of the SMEs, hence they do not mentor people who will inherit the company as they believe no one else is good enough to manage it. As C-O-C-K explains: "*This company was owned by my husband who passed away about four years ago. So, under the Interstate Succession Law 111, I inherited it together with my step children so basically it is run by family".*

5.4.1.4 Reporting and Auditing

Phase 1 of this research finds that SMEs view reporting and auditing as a reason of CG. The general view was that CG is about rules, norms, transparency and good business practices. For CG principles to be effective, there should be some openness, checks and balances (Cheung et al., 2011). Reporting is viewed as an act of openness whereby a SME company accounts for their activities, ranging from financial activities, production, ethics, regulations and corporate social responsibilities (Chi, 2009; Khanna & Yafeh, 2007). A-C-E-A views reporting and auditing as *"setting the tune for comparing plans and objectives".* These businesses believe that the act of reporting should be promulgated in the new company code (ACT 992). All the interviewed SMEs prepared reports but the quality of these reports vary. Further analysis revealed that although interviewees believe that reporting is necessary, they believe that CG practices must go further: it must include effective audits. Being open or reporting does not mean that the reports are authentic. The interviewees' general belief was that just as there are checks and balances in the political system, similarly there should be transparency and accountability in SME. One way of ensuring that there is transparency and accountability is to ensure that there are reports and audits. These two CG mechanisms according to H-A-S-A gives room *"for probity, transparency and accountability highlighted by the constitution of the country"*. Audits ensure the authenticity of the reports and provide standards which must be followed.

5.4.2 External Reasons

Notwithstanding the view of SMEs that internal reasons of CG are key, there was a common belief among the interviewees that external reasons shape the internal reasons. The interviews revealed two types of external reasons which are discussed in turn: environment (see Section 5.4.2.1) and competitors (see Section 5.4.2.2).

5.4.2.1 Environment

A calm, ordered business environment enables businesses to maximise their potential. This research, in line with the findings of prior studies such as Laufs, Bembom and Schwens (2016), and Akram & Jamal (2018), finds that CG adherence is influenced by the environment a business operates in. Companies operate within a larger regulatory environment and must meet certain reporting requirements, tax laws and CSR objectives. Evidence from the interviews suggest that in Ghana, the political and business environment affects CG adherence for SMEs.

Political Environment – The political environment can compel businesses to adhere to CG practices. A classic example of this is the mandatory requirement of every business to have a tax identification number (TIN) which was only introduced recently in 2019. As revealed by the Freedom House Report (2019) and Hodgson (2006), politics plays a vital role in the business cycle of SMEs. Interestingly, all interviewees share similar views. Interviewees believe that there is a glimmer of hope in seeking redress from the law court should there be a business victimisation from the government. Some interviewees believed that *"the law courts are the extension of the executive power… so when they plan to sabotage your company, there is little you can do"* (J-C-M-K). H-A-S-A shares similar view and notes that "*Politics and business in Africa are married ... so if you don't want to involve in that marriage then you do the right thing"*. A-C-E-A believes that businesses which belong to the political class are more likely to receive favours (and favourable policies) from the government.

Business Environment – The business environment in Ghana makes for companies that do not adhere to CG principles. Some interviewees believe that there are some informal classification of businesses within the business environment in Ghana. This informal classification forces SMEs into adhering to CG principles because some companies do not want to associate with such companies. The goodwill of companies have necessitated them into adhering to CG principles. G-O-R-K recounted an incident where a *"merchant failed to give their company merchandise on credit for allegation of transparency and corruption"*.

5.4.2.2 Competitors

As has been established in Section 1.1.3, in respect of the competition that exists among SMEs, they do have a harmonious business relationship, although some prefer not to work together for various reasons. They share problems and possible solutions in unofficial meeting places like football matches or after 'church gatherings' and other social events. Research from Adomako, Opoku and Frimpong (2017) support the findings of this research that there exists intense competition among Ghanaian SMEs. Nerantzidis and Tsamis (2017) believe that the competition among SMEs enhances their growth or enables them to become experts.

5.5 CG Challenges

Prior studies (for example, Agyemang & Ansong, 2017; Ingley, Khlif, & Karoui, 2017), together with evidence from Section 5.3, have indicated the importance of SMEs adhering to CG principles. Evidence from Section 5.3 corroborates prior studies that SMEs are aware of the benefits attached to the adherence of CG principles. However, the interviewed businesses fail to fully commit. This is mainly due to financial constraints (*"... you can't be holier than thou and expect a good fortune of profit in this country ... I have bills, taxes and the economic situation in the country is worsening..."*. (C-O-C-K). This Section discusses the hindrances related to CG adherence in Ghanaian SMEs. The discussions in this Section are directed toward addressing research questions 2 and 3. For better understanding and coherency, the challenges identified in the interview responses have been divided into external and internal challenges.

5.5.1 External Challenges

External challenges refer to external forces (obstacles beyond a business' control) that make adherence of CG principles unappealing. Prior studies like Babatunde and Olaniran (2009) and Filatotchev & Nakajima (2013) have found external challenges to be key factors in the survival and collapse of businesses, especially in Africa. Evidence from this research indicates that Ghanaian SMEs also share similar challenges, especially Nigeria, as reported by Babatunde and Olaniran (2009). The findings of most prior studies have identified issues relating to the political environment. The interviews revealed three external challenges facing Ghanaian SMEs: institutions (see Section 5.5.1.1), environment (see Section 5.5.1.2) and stakeholder issues (see Section 5.5.1.3) respectively.

5.5.1.1 Institutions

Institutions are social structures characterised by resilience and robustness in executing its mandate to interested stakeholders (Hodgson, 2006). Every institution has a purpose such as education, formulating laws for parliament, or security for the police force. Institutions are designed to be objective (applying rules and regulations accordingly) and resilient (they must be able to stand the test of time). Evidence from the interviews suggest that although institutions (Courts, Police and Regulatory Agencies) in Ghana are established and empowered by law to be objective and impartial, they are unable to achieve this feat due to several challenges. The interviews revealed that key institutional challenges are: financial constraints, professional standards, political policy directives and issues with/within the justice system.

Financial Constraints

Although Ghana is the second largest economy in West Africa, the country still has many developmental and social problems (World Bank Group, 2013). The pursuit of these social projects drains scarce national resources which means that the government has a very limited budget which is reflected in poor institutional funding (IMF, 2018). Some interviewees believed that institutions under-perform because they are under resourced (IMF, 2018). Staff motivation and welfare are low, hence the glorification of dubious practices by institutional employees to increase their standards of living. Some interviewees also believe that even with the financial constraints, those at the top are better off. This perception means that subordinates feel neglected by their superiors. This is predominantly in the security and regulatory agencies.

Professionalism Standards

Service quality and professional standards are believed to be very low. This is because institutions have financial constraints for training and or professionalism standards. Most interviewees think integrity is lost at the very first stage of institutions (that is at the recruitment stage). They believe that the recruitment processes for selection of employees (who are supposed to be objective and promote the resilience of the institution as described by Hodgson (2006) hinges on bribery (by job seeker since unemployment is high) and corruption by institutions (because ethics standards and professionalism is low).

In some cases, interviewees believe that there exist institutional corruption where bosses demand their share of "informal incentives" (A-C-E-A). Corruption leads to positions being filled by unqualified employees F-O-M-K describes this situation as *"putting square peg in a round hole"*. Many interviewees believe that professional standards are lacking because politicians want weak institutions that they can control: *"... by the hearing of their name people tremble for laws to be put aside"* (J-C-M-K). It has been established that most employees gain positions through bribery and gain promotions using the same method. In other words, these are the very employees who are supposed to be enforcing regulations but are instead pursuing their own personal gain. B-A-E-A raised an interesting point by positing that the *"... rot is allowed to perpetuate because these employees have a godfather backing them"*. They are usually linked to a political party, hence they have allies when their political party is in government. Politics in Ghana is considered a zero-sum game.

Political Policy Directives

Together with Sao Tome, Ghana is the third democratic country in Africa behind Cape Verde and Mauritius (Freedom House Report, 2019). This report states that businesses in Ghana have more freedom than those in the other 48 African states, yet the interviewees revealed that business victimisation occurs through policy directives. Politicians use their positions to settle personal scores: "*... Cronyism and nepotism has taken over business in this country too much and has created this network of worms destabilising companies and hindering their progress".* (H-A-S-A). In Ghana, politics is primarily about voting. In the case of Ghana, politicians gain votes via their manifesto and policies but more important through giving hand-outs or buying votes. This process involves a lot of funding, mainly from the business community, fuelled by the corruptive practice of executing contracts (Haselip, Desgain, & Mackenzie, 2014). One way of holding onto power is by cutting the source of funding for other political parties, hence institutions have become the tools for executing politicians' whims and caprices (Abotsi, Dake, & Agyepong, 2014). The use of institutions to pursue politicians' parochial interests legitimises their quest to sabotage other businesses perceived to be in alliance with opposing parties. As politics is a zero-sum game in Ghana, policies are designed to help ‘government-backed’ SMEs as opposed to those who align themselves with opposition parties. These policies involve the divestiture of state enterprises to party members and the protectionist mechanisms like the cement and sugar monopolies in Nigeria for Dangote Group of Companies.

The Justice System – In most countries, the justice system, which is comprised of judiciary bodies, is believed to be fair and right (Appiah, 2015). The interviewee responses indicated that this is not the case in Ghana. The interviews revealed that Ghana lacks integrity which has undermined the justice system’s credibility. Interestingly, interviewees’ perceptions have been echoed by an undercover journalist (Anas Aremeyaw Anas) who unearthed injustices in the judiciary system and security institutions. Interviewees believe that justice is served to the rich at the expense of the poor. This means that SMEs are reluctant to seek redress as they view it as a no win situation and are unwilling to waste their time waiting for their ‘day in court’, which ultimately impacts upon their business operations.

5.5.1.2 Environment

Discussion of the institutional challenges that prevent SMEs from adhering to CG principles led to the revelation that SMEs [*do not live in isolation*] (F-O-M-K), hence the environment they operate in has a major impact on their existence and survival. In most previous studies, environment is synonymous with the political environment because political decisions directly affect businesses (Pourmand, 2011; Govori, 2013). Although the interviewees acknowledged the impact of the political environment, they identified other environmental challenges. Aside from the political environment (discussed in Section 5.5.1.1 under Political Policy Directives) are the social and cultural environments, respectively.

The Social Environment – The interviewees expressed concern about the social perceptions of their business. The interviewees believe that Ghanaian people are generally risk aversive due to the nature of their culture. They exhibit a cautious approach to risk and a high degree of angst in the face of an uncertain future. As B-A-E-A notes the *"fear of failure has made them used to the status quo"*. I-M-B-A contends that the social environment creates a high dependency ratio. According to I-M-B-A, in Ghana, people must juggle competing demands while living on meagre salaries. Social obligations (like taking care of one's parents or siblings) means that employees are forced to indulge in corrupt practices because they want to be seen as "*kind, rich, charitable and generous"* (I-M-B-A).

The Cultural Environment – As has been discussed in Section 1.1.2, the collectivist nature of Ghana breeds inequality and malpractice. People are integrated into strong, cohesive in-groups throughout their lifetime. In other words, strong ties exist between individuals which creates interdependence. This is evident in the Ghanaian system of extended family which is different from individualistic socio-cultural systems where there are loose ties between people, and everyone is expected to look after themselves (and immediate family).

The Phase 1 interviews revealed that the role of men and women in business varies greatly. In many societies women do not enjoy (pay) parity with men as participants in the economy. Gender roles find their way into the business world and have a noticeable impact on the composition of boards. In Ghana, there is much gender discrimination in the business world. Traditional beliefs about the position and role of women prevents them from engaging in serious economic activities and thus, places a limit on Ghanaian women's entrepreneurial drive. In Ghanaian culture, women's primary role is to maintain the home. Engaging in activities outside the home is seen as a rejection of Ghanaian culture and tradition. Although the situation has improved somewhat, it is still the dominant view in the country today.

5.5.1.3 Stakeholder Issues

The Section discusses stakeholder issues reported by the interviewees. These issues arise due to multiple and competing interests. There are ten typical stakeholders involved in most SMEs in Ghana: owners/shareholders, CEOs, accountants, auditors, financial institutions, media, government agencies, employees, competitors and non-governmental organisations. As discussed in Chapter 2, this means there is the potential for conflicting interests. Analysis of the interview material revealed three common stakeholder issues: succession plans, conflict of interest, and voting rights and transfers.

The Succession Plan – CG structures in most Ghanaian SMEs are weak: they lack transparency, have issues with integrity, and engage in fraudulent activities. Prior studies discussed in Chapter 3 argue that SMEs in Ghana are mostly owned by families or small groups of people. Majority shareholders prefer that their resources are managed by people they can control (see D-C/S-R-K's quote in Section 5.4.1.1). When majority shareholders are successful in implementing succession plans, they can become domineering and in some cases, marginalise minority shareholders. For example, A-C-E-A reported that when the CEO/owner retired he overlooked competent staff members and gave positions to family members to ensure generational legacy. I-M-B-A states that this situation creates continuity and ensures that the owner is able to influence decision-making processes. Interviewees (particularly J-C-M-K) revealed that legacies and succession plans breed 'cronyism and nepotism'.

Conflicts of Interest – As has been established in Section 5.3 one reason why SMEs implement CG practices is that they require external funding. This means that they are obliged to serve the interest of all stakeholders. The obligation to serve multiple stakeholders brings forth competing interests. Managers may choose to override the interest of their financial backers and pursue their own personal interests. As discussed in Chapter 2, in this respect, Ghanaian SMEs face similar challenges to other SMEs and listed companies around the world (Redhead, 2008). Shareholders believe the decision-making bodies have so much power within the business when there are no checks and balances. The interviewees also provided evidence for the existence of executive duality (where members of the management are also board members). This phenomenon grants unscrupulous directors the chance to expropriate shareholders' wealth.

Voting Rights and Transfers – Voting is a tool that is used by SMEs to give preference to the list of strategical options available to them. In Ghana, the company law states that anyone who has the right to vote also must have a say in the constitution of the company. However, the interviewees note that that this power is sometimes misused. Members may manipulate the system by granting voting rights to those who support their interests. Every voting member is supposed to receive a vote. However, individuals can buy other people's vote through proxy voting and transfer votes from one member to another.

5.5.2 Internal Challenges

Interviewees also noted that internal challenges affect the implementation of CG in Ghanaian SMEs. Internal challenges refer to internal factors which makes CG practices unappealing to SMEs in Ghana. Prior studies like Guest (2009) and Rahmadianti & Asandimitra (2017) identify internal challenges as key factors in value creation and profitability. Ghanaian SMEs face similar challenges to the UK in terms of decision-making size, meetings and duality (Guest, 2009). They also share similar challenges with Indonesia on every internal challenge identified and discussed in this research. Interviewee responses identified three (3) internal challenges facing SMEs in Ghana: group size (see Section 5.5.2.1), selection criteria (see Section 5.5.2.2) and meetings (see Section 5.5.2.3), respectively.

5.5.2.1 Group Size

The decision-making group (board) is empowered to action strategies to meet stakeholders' interests. The interviews revealed that Ghanaian businesses face two issues related to group size as identified in Chapter 2. Whilst some prefer a smaller group size other prefer a large group size. A small group size has from one to seven members, whilst a large group size is from seven upwards. It was found that smaller companies were usually under resourced in terms of employees (the total number of employees) and they tend to out-source most of their responsibilities to external agents who over-charge them. The evidence suggests that SMEs out-source their responsibilities because they want expert advice on the project, but Agyei-Mensah (2010) has disproven this argument and instead state that they need external assistance. Previous studies have indicated that a small group size helps in the realisation of performance as there is more effective discussion and efficient time management (Guest, 2009; Vafeas, 2005; Zahra & Pearce, 1989), as well as better coordination and communication. More than ten members derails board focus and leads to the suppression of opinions (Lipton & Lorsch, 1992). Ghanaian SMEs are generally smaller in size and therefore there is a higher probability of them having a smaller decision-making group size. However, this does not mean that they will out-perform a well-structured large decision-making group with abundant human resource at their disposal in decision-making. The out-performance of small group size in prior literature perhaps may be due to other factors not considered.

5.5.2.2 Selection Criteria

The research found that Ghanaian culture represents a challenge for the nomination and compensation committee in having a standardised mechanism for selecting management roles and decision-making body (board) roles. As discussed in Chapter 1, there is a high dependency ratio coupled with a collectivist culture. These characteristics mean that people in authority often overlook requirements in the selection of board and management roles. In some instances, interviewees reported that members of the selection body are induced or given gifts by individuals wanting to be considered for the roles (it is essential to note that corruption is not a crime in Ghana when it happens in a private company). Although some interviewees reported that their company does not allow inducement, however, they noted that members of the selection committees are usually people close to their retirement and have no authority to appoint relatives (nepotism) so they make sure that they select somebody who will repay them in future by giving their relatives opportunities.

5.5.2.3 Meetings

In order to ensure political favour, most SMEs have a politician or a respected person on their boards. The weak institutions (courts, police, and regulatory bodies) have made politicians become shields to SMEs. This means that business owners like to associate themselves with politicians to protect their business. I-M-B-A believes that these few elite are "*nominal members of the board,"* meaning that they do not attend meetings. H-A-S-A reports that they are unable to come these meetings because they are over-burdened with "*responsibilities of being part of many boards, as many as 17*". Hence, they have no time to attend board meetings. Board meetings which are supposed to be prompt and scheduled in times of distress often do not occur due to the difficulty of scheduling the meeting at a time everyone can attend. The research found that meeting quorums were an issue because decision-makers do not attend the meetings. To prevent the quorum from becoming an issue in decision-making, A-C-E-A's company lowered the number from seven to three for a board with ten members.

Interviews revealed that there are five typical meeting types for decision making groups: daily, monthly, quarterly, half-yearly and yearly. C-O-C-K spoke about daily meetings: in his business the owner is the manager, thus every decision is made by the owner on daily basis. Quarterly meetings frequently happened in SMEs with executive duality. For board meetings, most of the interviewees reported half-yearly and yearly meetings.

5.6 Chapter Summary

This Chapter has outlined the Phase 1 results according to the research questions. The following are a brief snapshot of some of the research's findings.

Research Question 1 (current level of CG understanding) – SMEs are aware of CG, but interviewees' level of knowledge varies due to their position, experience and company structure. Analysis of the interview material also revealed that there are 11 sources of information about CG, the most popular of which was the media.

Research Question 2 – CG practices in Ghana exist, but only to achieve SME goals. The research found that SMEs are selective about what CG mechanism they adopt. While they are concerned with accountability and equity, they are not interested in bribery and corruption. The research also found that although many of the SMEs have committees none of them have all six identified by the various interviewees.

Research Question 3 – The research also found that eight reasons affect the adoption of CG practices. These reasons can be divided into internal and external reasons. CG challenges were also divided into two categories: internal and external challenges.

Following the results discussion of Phase 1, the next Chapter discusses the results of Phase 2.

Chapter 6
Phase 2: Results and Discussion

6.1 Introduction

Chapters 1-3 have provided insights into the concept of CG, CG developments around the world, CG theories and prior CG and SME studies. A review of prior studies, along with information about the current status of CG and SMEs in Ghana (obtained via thematic analysis and presented in Chapter 5), provide insight into the level of knowledge, current practices, reasons for adopting CG, importance and challenges of CG practices in Ghanaian SMEs. Therefore, the focus of this Chapter is to present quantitative evidence for a holistic understanding of CG practices in SMEs in Ghana. The Chapter is divided into three main Sections: knowledge of CG (see Section 6.2), current CG practices (see Section 6.3) and reasons of CG (see Section 6.4).

6.2 Knowledge of CG

As discussed in Chapter 2, there has been an increase in awareness of CG (Acheampong & Hinson, 2019) which has been fuelled by scandals around the world and in Ghana. Knowledge of CG requires discussing the source of this knowledge and the quality or content (Crowther, Seifi & Wond, 2019). As this Section seeks to present a holistic description of the Ghanaian situation, it is divided into three sub-Sections: sources of CG knowledge (see Section 6.2.1), level of knowledge on CG (see Section 6.2.2) and CG structure (see Section 6.2.3

6.2.1 Sources of Knowledge on CG

Knowledge acquisition involves gathering relevant information on a particular topic (Robinson & Reed, 2019). In Table 6-1 below, Phase 2 respondents were asked to choose one or more of 11 information sources (these sources were identified by Phase 1). The results in Table 6-1 below shows that Phase 2 respondents share similar ways of accessing CG knowledge. Prior studies have indicated that businesses use five or six information search sources (Mort, 2019). However, no survey respondent chose more than one information source even though they were allowed to. This result was unexpected because the researcher expected two or more sources of knowledge. Since participants learned of CG from single and different sources, it can be argued that participants' depth of knowledge also varies, as some sources are more credible and richer in explanation of the concept than others (Ho, Leong, Looi, & Chuah, 2019). Table 6-1 below presents results for the information sources used by respondents.

Table 6-1 Information Sources of CG

Sources of Information	Respondents	Percent (%)
Media	112	45.71
Other Local Businesses	45	18.37
NGOs	42	17.14
Government Agencies	25	10.20
Research	6	2.44
Formal Education	4	1.67
Books	3	1.22
Consulting	2	0.82
Internal Training	2	0.82
Business Advisory Centres	2	0.82
Seminars	2	0.82
Total	245	100.0

As Table 6-1 shows, the media (newspapers, radio, Facebook and other social media platforms) were identified by most respondents (45.71%) as their primary source of information about CG. This result contradicts Cooper, Folta and Woo's (1995) study of 1176 entrepreneurs on information searches for business practices. Their study overlooked the importance of the media as a credible source of information for businesses. Media awareness creation cannot be overlooked, as evidence from this research indicates that the media plays a major role in CG awareness. The results further imply that authorities cannot overlook the importance of the media in their quest to inform and enlighten SMEs management teams. Although the importance of the media cannot be overlooked, information should be scrutinised to ensure it is credible (Westerman, Brandon & Patric, 2012).

The media has proven to be an effective tool in directing the political atmosphere in major African countries; replicating it in the business environment is necessary for the good of SMEs. Evidence from Sanni and Ojewale (2013) indicated that media influence in the creation of awareness of tax duties and government developments are positively related. They surveyed 172 peoples across four communities in Nigeria on government developmental projects. They found that 80% of the respondents become averagely informed on a 3-point Likert scale when media creates awareness of government projects. This research, along with Sanni and Ojewale's, suggests that the media should be empowered as they perform an important civic duty (disseminating information).

Apart from the media, Table 6-1 shows that 18.37% of the respondents (45 SMEs) became aware of CG from other local businesses. This finding was expected because, as Chapter 1 indicates, Ghana is a collectivist society. The idea that businesses learn from each other is not only synonymous with collectivist culture, as a study conducted by Cooper, Folta and Woo (1995) on 1176 respondents revealed that local businesses in the US have similar practice when it comes to entrepreneur information research. Motoyama, Goetz & Han (2018) found that 100 local businesses in Kansas City met weekly to share ideas. These meetings were found to be increasingly vital for those who had limited experience. Businesses are likely to adopt similar practices if another SME known have adopted CG and there are visible benefits for CG adoption (Crane, Matten, Glozer, & Spence, 2019).

The third most common source of information is NGOs. Over 17% of respondents (42 SME) selected NGOs as their information source. NGOs like The African Network of Entrepreneurs, World Vision International, OIC International, and ASA International Ghana are continuously providing quality assurance and educating SMEs about CG practices (Amponsah-Tawiah & Dartey-Baah, 2016).

Government agencies like NBSSI, PMMC, SEC, The Bank of Ghana, the National Insurance Commission and the National Communication for Civic Education (NCCE) need to do more in creating awareness on CG (Erastus, Stephen, & Abdullai, 2014). Evidence from Table 6-1 above shows that the media, other local businesses, and NGOs have a greater impact on CG awareness than government agencies. The government could improve this by providing more resources and empowering state agencies to enforce business laws. It is necessary for the government (institutions) to enforce laws because the survival of these SMEs is vital for the country as indicated in prior literature (Bani, 2003; Fabayo, 2009; Quartey, 2003). As argued, SMEs contribute to Ghana in terms of employment, GDP and tax generation. Table 6-1 above shows that 8.57% of respondents (21 SMEs) became aware of CG through sources such as research, formal education, books, consulting, internal training business advisory centres and seminars.

6.2.2 Level of CG Knowledge

Table 6-2 below shows the results of the level of knowledge of respondents on CG. The results show that majority of the survey respondents have in-depth knowledge of CG (as indicated by extremely or very important). A self-appraisal response from respondents indicated that 41.20% of respondents believe CG is extremely important as shown in Table 6-2 below. The evidence from Table 6-2 below is in contrast with prior studies such as ACGN (2016) and Abor (2007) who found that the level of CG in Ghana is very low. The research rather supports the findings of Dzigba (2015) that SMEs in Ghana are aware of CG. Table 6-2 below presents the results on level of awareness of corporate governance in SMEs in Ghana.

Table 6-2 Awareness of Corporate Governance

Level of Awareness	Respondents	Percent (%)
Extremely Aware	108	41.20
Very Aware	75	28.63
Somewhat Aware	27	10.31
Aware	33	12.60
Not Aware	9	3.44
No opinion	10	3.82
Total	262	100.00

Evidence from Table 6-2 further showed that approximately 91.4% (245 SMEs) of total respondents of the research have knowledge of CG but interestingly 41.20% of the respondents are extremely aware of CG as shown in Table 6-2 above. The survey respondents who are extremely aware of CG have formal structures (such as compensation & nomination committee, health & safety committee, risk, auditing, finance, legal and regulatory committees) that help in the proper functioning of organisational activities.

6.3 Current CG Practices

In line with the quest to address the research questions, this Section presents the results of the current CG practices in SMEs in Ghana. The results cover eight SME practices in Ghana: (1) reports, (2) decision-making body, (3) group size, (4) board and management selection, (5) meetings, (6) quorum, (7) duality and (8) committees.

6.3.1 Reports

Reports are a form of CG mechanism used in promoting accountability (Mack and Ryan, 2006). The preparation of reports is a necessity as prior studies (Cascino et al., 2014; Mack & Ryan, 2006) posit that reports shows the performance of a business. With inference from Table 6-3 below, it could be observed that the assertion by prior studies above is supported as the evidence in the table shows that majority of the respondents believed that the reports are prepared for management decision-making purposes. A further analysis of the table below showed that at least 66% of the SMEs prepare each of the reports identified by Phase 1. This is a good sign that majority of SMEs in Ghana have embraced these mechanism. It is a good sign because it was discussed in Chapter 1 on how SMEs and supported in Chapter 5 about the impact of SMEs in a collectivist on other SMEs in the practice of CG.

More importantly, these reports are prepared as a measure for specific functions in the business operation (Harvey et al., 2013). The specific functions of these reports includes; quality control analysis, cost analysis, revenue analysis, detecting fraud and financial position of the business (Harvey et al., 2013) The evidence in the Table 6-3 below shows that majority of the respondents prepare these reports for management purposes, followed by regulatory bodies and other purposes which consist of consumers, workers and other stakeholders. It could be implied that majority of SMEs prepare these reports for management purposes because they deal with the direction and control of operational activities hence they are furnished with these reports for the development of the best strategic choices in decision-making. Although the findings reveal that all these reports are prepared for management purposes, the table further shows that there is a decline in stakeholder interests. Among such reports are the auditing report, quality control and the production report where stakeholder interests rise on such occasions.

Lastly, the table reveals that most Ghanaian SME prefer reports to be prepared internally. This is expected as prior studies in Chapter 3 and the findings in Chapter 5 had indicated that one main challenge of SMEs are financial assistance hence the assumption that they might not want to pay external businesses who are normally costlier than preparing internally in terms of cost effectiveness and confidentiality issues. Table 6-3 below shows the current practices of reports among SMEs in Ghana.

Table 6-3 Current Practices on Reports

Type of Report	Prepared		Prepared by		Prepared For		
	Yes (%)	No (%)	Workers (%)	Out-sourced (%)	Mgt. (%)	Regulators (%)	Others (%)
Income Statement	84.28	15.72	84.94	15.06	70.50	14.20	15.30
Balance Sheet	77.77	22.23	78.44	21.56	61.20	16.80	22.00
Auditing	76.27	23.73	63.92	36.08	50.70	27.20	22.10
Cash flow statement	73.72	26.28	79.27	20.73	60.80	21.60	17.60
Quality Control	72.42	27.58	70.23	29.77	53.40	21.30	25.30
Production	66.56	33.44	74.76	25.24	58.20	13.80	28.00

Because SMEs prefer to prepare their reports internally rather than externally, majority of the workers prepare the reports using the Ghana Accounting standards (GAS) as to the International Financial Reporting Standards (IFRS). Evidence from Appendix B.3 reveal that 69.50% (164) of respondents preferred Ghana Accounting Standard (GAS), 16.90% (40) preferred IFRS, 6.4% (15) preferred UK standards and business standards exclusively.

6.3.2 Decision-Making Body

The prior studies reviewed in Chapter 2 shows that CG is about direction and control. For this direction and control to be effective, there should be a decision-making body tasked with the strategic guidance and effective monitoring of management of the business (OECD, 2004). In view of this description, the research found that the predominant decision-making body among SMEs in Ghana is the board of directors. They constitute nearly half of the respondents. The research finds that 48.10% of Ghanaian SMEs just like their counterparts in the rest of the world vest the decision-making power in the hands of the board (Black, Jang & Kim, 2006). Based on the evidence provided in Table 6-4 below, this research affirms the statement by Yasser, Entebang and Mansor (2011) that the businesses are managed under the direction and supervision of a board of directors that delegates to the management for the operational management of the business' activities. Varshney, Kaul and Vasal (2012) stress on the important function of the board to monitor the performance of the top management. Table 6-4 below presents the results on the type of decision-making groups in SMEs in Ghana.

Table 6-4 Decision-Making Groups

Decision-making groups	**Respondents**	**Percent (%)**
Board of Directors	126	48.10
CEO/Chairperson	73	27.90
Untitled decision-makers group	46	17.60
Owners	11	4.20
Others	6	2.30
Total	262	100.0

6.3.3 Group Size

Out of the decision-making bodies identified in Table 6-4 above, 95.04% (249) responded to have a decision-making group size as shown in Table 6-5 below. In Chapter 2, the research operationalised smaller board size as decision-making group of less than seven and large decision-making group as consisting more than seven members. Based on this description, the evidence shows that SMEs in Ghana prefer smaller board size. The evidence from Table 6-5 reveals that SMEs with seven or less consist of 59.84% (149) respondents whilst SMEs with more than seven consist of 40.26% (100). Prior study like Agyei-Mensah (2010) offer an explanation as to why SMEs prefer smaller board size in Ghana as due to the fact that they are not financially resourced and have few employees. Apart from Agyei-Mensah (2010), previous studies have indicated that small board sizes also help in the realisation of performance as there is effective discussion and efficient time management (Guest, 2009; Vafeas, 2005). Table 6-5 below presents the results on decision-making group size.

Table 6-5 Decision-Making Group Size

Group Size	Respondents	Percent (%)
1	26	10.40
2	4	1.60
3	27	10.80
4	10	4.00
5	35	14.10
6	21	8.40
7	26	10.40
8	25	10.00
9	13	5.20
10	26	10.40
11	11	4.40
12 or more	25	10.00
Total	249	100.0

Contrary to the majority preference, a significant number of respondents also preferred larger board size as evidenced in Table 6-5 above. This could be explained using the position of stakeholder theory and resource dependency theory as discussed in Chapter 2. The involvement of various stakeholder groups to complicit the problem of bounded rationality (Salancik & Pfeffer, 1978). As it has been established that SMEs in Ghana prefer smaller boards, the research presents the results on the selection criteria for the constituents of the decision-making group members.

6.3.4 Selection Criteria

The constituents of the decision-making group is a very important CG because of the varied interest from stakeholders in strategic decision-makers (Freeman & McVea, 2001). Salancik and Pfeffer (1978) discussed the impact of the predisposition of members due to the environmental backgrounds and the vital effect on the decision-making process. Table 6-6 below shows that SMEs tend to professional expertise ahead of qualifications and relationship ties in selecting board members and management members. The survey respondents indicated that most of the decision-makers are selected based on their professional experience in board or management roles. This practice enhances minority shareholder protection as varied interests are considered (Ackermann & Eden, 2011). It is interesting to note that over 34% of group members were selected based on relationships (that is, family and friends, shareholders and business networks) for board roles but strangely similar cannot be said when it comes to management roles probably because shareholders believe management do not reserve a superior power in decision-making, so their interest is little or non-existent. Table 6-6 shows the selection criteria for board and management roles.

Table 6-6 Selection Criteria

Criteria	Respondents		Percent (%)	
	Board	Management	Board	Management
Professional Expertise	167	153	64.2	60.2
Qualification	-	69	-	27.2
Family and Friends relation	80	-	30.8	-
Shareholders	9	-	3.4	-
Business networks	3	32	1.2	12.6
Consultancy	1	-	0.4	-
Total	260	254	100.0	100.0

6.3.5 Meetings

Previous research from Ntim & Osei (2011), Vafeas (2005), and Yin (2017) had indicated that there is a positive relationship between board meetings and CG. The evidence in Table 6-7 below indicates that majority of SMEs in Ghana meet frequently. The most common practice of meetings reported was quarterly meetings which accounted for nearly 40% of the responses. This finding shows that SMEs in Ghana are improving on board meetings because in 2015, the findings of Dzigba (2015) reported that 20% of the board of SMEs meet quarterly. Vafeas (1999) recommends quarterly board meetings as ideal for businesses to address issues regularly and the board becoming familiar with the operations of the businesses. It was observed that these set of people are part of management and as part of their duties they have a team briefings and discussions on the business. This may be the case in small businesses because management functions and board functions are intertwined. Furthermore, the research also found that SMEs smaller decision-making size tend to meet frequently. This finding further support the proponent of the small board size as being effective in discussion and efficient in time management (Guest, 2009; Vafeas, 1999). Table 6-7 below presents the results on meetings.

Table 6-7 Decision-Making Group Meetings

Frequency	Respondents	Percent (%)
Quarterly	104	39.7
Semi-annually	60	22.9
Annually	74	28.2
Daily	24	9.2
Total	262	100

6.3.6 Duality

Duality exists when a person assumes two or more positions. As noted in Chapter 2, there are two types of duality. They are CEO duality and Executive duality. CEO duality exist when the head of management is also the chairperson of the board. On the other hand, Executive duality occurs when the management and board function a performed by a group of top management executives (Dedman & Lin, 2002). The results of these two findings are discussed using the correlation table below.

Table 6-8 Correlation of Duality, Quorum and Group Size

	CEO Duality	Executive Duality	Group Size	Quorum
CEO Duality	-	-	0.15	-
Executive Duality	-	-	0.63^{**}	0.58^{**}
Group Size	0.15	0.63^{**}	-	0.83^{**}
Quorum	-	0.58^{**}	0.83^{**}	-

Note: ** means correlation is significant at the 0.01 level (2-tailed)

The table above shows that executive duality is significantly related to group size. As the size of the decision-making bodies is usually small in SMEs as noted in table 6-5, the presence of a set of individuals with executive duality roles will make the board a rubber-stamping authority of the management decisions as noted by Dedman and Lin (2002) in Chapter 2. More importantly, the influence of executive duality in Ghanaian SMEs become more significant when other board members who are not part of management fail to attend meetings. As indicated in the table above, there is CEO duality, but the correlation table shows that in a two tailed test, CEO duality is not significant.

6.3.6.1 CEO Duality

The evidence in Figure 6-1 shows that there is CEO duality in most of the SMEs. The evidence presents that 58.02% (149) of the respondents have CEO duality while 41.98% have no CEO duality. Prior studies report that CEO duality is a challenge for CG practices in many countries. Ghana seems to be different. This assertion is made on the premise that although there is CEO duality, the other board members are able to counter any conflict of interest resulting from CEO duality. One of the major effects of CEO duality by many prior studies is on executive pay. Deducing from Table 6-3, the research can speculate that CEO duality is not an issue as respondents believe compensation and nomination committee is the least important board committee.

6.3.6.2 Executive duality

Executive duality occurs when the management members also perform board functions. Table 6-9 below shows that board monitoring function is compromised as over 81% of the SMEs have either secretary, accountant or management member in the board apart from the CEO. The implication of the result presented in Table 6-9 below raises questions on factions and conflict of interest. Literature suggests that Ghanaian SMEs are shareholder centric but with over 81% duality in SMEs and less than 30% of shareholders in decision making, this research does not agree.

Table 6-9 Executive Duality

Size	Respondents	Percent (%)
1	64	29.40
2	50	22.90
3	39	17.90
4	29	13.30
5	14	6.40
6	9	4.10
7	3	1.40
8	3	1.40
Above 8	7	3.20
Total	218	100.00

6.3.7 Quorum

The results show that SMEs in Ghana prefer a smaller quorum size. This is not surprising as has been indicated in Table 6-5 that SMEs in Ghana prefer smaller board size; hence, there is a high probability of having a small quorum size (Anderson, Jack, & Drakopoulou Dodd, 2005). The problem with this small quorum size is in decision making. Research dependency theorists argue that the size is too small hence there exist bounded rationality as decision-makers may not be all-round in knowledge (Salancik & Pfeffer, 1978). The next Section talks about the existence of duality within SME.

Table 6-10 Quorum size

Size	Number of Respondents	Percent (%)
1	35	14.40
2	13	5.30
3	76	31.30
4	13	5.30
5	61	25.10
6	3	1.20
7	22	9.10
8	3	1.20
Above 8	17	7.00
Total	243	100.00

6.3.8 Structures of CG

The successful adoption of CG guidelines and framework needs some fundamental structures such as committees that steer operational activities within the SME. Six committees were identified in Phase 1. Respondents were asked to choose the importance of these committees to their business. The 5-point Likert scale was used to determine the level of importance of each committee (1= extremely important to 5 = not important). This means that the lower the mean, the more important the committee is to SMEs in Ghana. Table 6-11 below shows the level of importance of these committees.

Table 6-11 Importance of Board Committees

Committees	Mean	Standard Deviation	Coefficient of variation
Finance	1.56	0.90	0.58
Legal and Regulatory	2.27	1.15	0.51
Auditing	2.45	1.21	0.49
Risk	2.56	1.31	0.51
Health and Safety	2.76	1.36	0.49
Compensation and Nomination	3.39	3.42	1.01

Note: 1 = extremely important; 5 = not important

Table 6-11 above reveals that the finance committee is the most important committee for SME in Ghana. This finding is not exclusive to this research as prior studies like Agyei-Mensah (2010) and Dzigba (2015) found that finance committee is extremely important to SME because most of the decision-makers have inadequate finance knowledge and thus they are always keen to seek expert advice of financial consultants. The finding of this research supports the study by both scholars that indeed the finance committee is the most important committee for SMEs in Ghana. The results show that finance is the most important committee because business operation starts with capital mobilisation (Harvey et al., 2013; Redhead, 2008). As noted in Section 2.2.1, there cannot be a business when there are no capital providers. This process of capital mobilisation is done by the finance committee or the full board in the case where there is no finance committee. The existence of the finance committee ensures that the SMEs source of finance strategies is planned especially when Chapter 5 had noted that SMEs rely on external source of funding due to financial constraints.

Since CG is about rules and regulations as discussed in Chapter 2, the evidence indicate that SME view legal and regulatory as the next important committee for SME in Ghana. This is not surprising because majority of SME are managed by people other than the shareholders (Jensen, 1993), hence, the existence of codes and regulations are considered by the respondents to check the fiduciary trust given to managers (thus spelling the duties and responsibilities of stakeholders). Although Dzigba (2015) highlights the relevance of this committee, this research contradicts his findings in the sense that the survey respondents of this research believe that legal and regulatory committee is the next most important committee. This is because the laws spell out the auditing practices and functions within the business.

Auditing bridges the gap between the principal and the agent in the form of verifying records and the compliance of statutory obligations (Lisic, Neal, Zhang, & Zhang, 2016; Alqatamin, 2018). Although the audit committee is regarded as important, it is not seen as extremely important for SME in Ghana as most SME are family-run hence there is existence of trust.

Risk management committee was the next most important committee. Ghanaian SMEs regard risk as important but they do not view it as an extremely important committee that need to exist like finance, legal and auditing committees. The relaxed attitude of SMEs toward risk committees stem from the view that the Ghanaian society and culture is regarded as a collectivist culture. Prior studies have shown that businesses from collectivist societies are risk aversive in nature. This societal and cultural make-up are imprinted in a person which affects the business. Contrary to the collectivist argument, Agyei-Mensah (2010) found that SMEs in Ghana take unnecessary risk, for example, high-interest loans and risky ventures. The findings of this research suggest that SME are fairly risk aversive (cautious in risk taking). These unnecessary risks mentioned by Agyei-Mensah (2010) are sometimes come from external pressure from accountants, capital providers, and bankers (Avevor, 2016; Yeboah, 2014).

Health and Safety are paramount to quality work output and time efficiency (Pouliakas & Theodossiou, 2013). The mean shows that respondents believe that this committee is important for CG. Kheni (2008) reported that work incidences are very high in SMEs in Ghana and these work incidences are very expensive to SMEs in lost time and human resources (Kheni, 2008). Kheni (2008) reveals that the psychological and physical costs of these incidences suck as work of experienced human resources are daunting on SMEs as they do not have enough resources. As Kheni (2008) and Puplampu & Quartey (2012) found that safety culture in Ghanaian SMEs are below average, it is surprising to know that the survey respondents see health and safety as important and not extremely important as seen in developed countries like the UK and New Zealand (Barrington, 2019; Wepa, 2015). Dwomoh, Owusu and Addo (2013) in examining the impact of health and safety on performance found that performance is inversely related to safety practices thereby proposing that the government ought to enact a law and introduce punitive measures to make health and safety in businesses mandatory.

Compensation and Nomination Committee is regarded as the least important for SME in Ghana. This result is unexpected as literature suggests the compensation and nomination committee should be more important because of the conflict of interest that arise when setting up remuneration for the decision-making group members (Aggarwal, Dahiya, & Prabhala, 2019; Mans-Kemp & Viviers, 2019). The majority of people in decision making groups are also responsible for determining the remuneration and compensation of decision-makers and hence they seek to promote their interest at the expense of the business (Acheampong & Hinson, 2019).

6.4 Reasons of CG

Table 6-12 presents the reasons of CG based on the importance to SME in Ghana.

Table 6-12 Importance of Reasons of Corporate Governance

Reasons	Mean	Standard Deviation	Coefficient of variation
Investor Confidence	2.18	1.16	0.53
Shareholder Rights & Ownership Concentration	2.32	1.31	0.57
Transparency, Accountability, Equity and Fairness	2.34	1.40	0.60
Auditing	2.46	1.39	0.56
Reporting	2.86	1.36	0.48
Political Environment	2.93	1.45	0.50
Corporate Social Responsibilities	2.95	1.39	0.47
Competitors	2.97	1.39	0.47

Note: 1 = extremely important; 5 = not important

Table 6-12 above revealed that investor confidence is important to SME in Ghana. This is unsurprising because one of the main challenges of SME identified by prior studies is financial constraints. SME rely a lot on external financial assistance like bank loans, venture capitalists and grants from family members and NGOs. Before they get this assistance, they are expected to implement good practices toward accountability, reporting and disclosure before they would have access to financial help.

As has been identified by prior studies like ACGN (2016) in Chapter 2, Ghanaian company law is one of the strongest in Africa in terms of the protection of shareholder rights and ownership concentration. This results from the research buttresses that indeed shareholder rights and ownership concentration is very influential when it comes to the CG practices of SME (OECD, 2004). As discussed in Chapter 1, the high dependency ratio as a result of the society puts pressure on the few employed to conduct unethical behaviours like misappropriation of funds and fraud, so it is not surprising to see shareholder right and ownership concentration as important. A research finding by John, Litov and Yeung (2008) suggest that businesses with better shareholder protection are more likely to engage in riskier investments that can create business value. As identified in Chapter 5, ownership concentration leads to the majority getting proxy voting rights which is permitted by the company law; hence, the largest block of shareholders controls the decisions on CG practices as evidenced in prior studies in terms of measure of performance and market valuation (Doidge , Karolyi, & Stulz, 2004).

Transparency, accountability, fairness and equity are always expected to be important for CG practices in SME in Ghana because of stakeholders' interests (Acheampong & Hinson, 2019). The discussions of prior studies in Chapter 2 had indicated that transparency and accountability build trust between managers and shareholders (Patel, Balic, & Bwakira, 2002). The results of this research indicate that most of these SMEs are not managed by their shareholders, so there is a high probability that shareholders do seek open and transparent CG structures to settle their doubts of misappropriation and breach of trust.

Competitors are the least important reason for SME in Ghana. This is in contrast to prior literature discussed in Chapter 1 and 3 that SMEs in collectivist society operate in a harmonious business relationship hence they do copy from each other. In support of this claim, evidence from Table 6-1 showed SMEs learnt from other businesses in the practice of CG.

With the exception of investor confidence which was classified under external reasons, it seems SME are affected mostly by internal reasons because the mean of all the internal reasons are lower than that of the external reasons. The results show that SME recognise stakeholder pressure (Tijani, Ishola , & Udofia, 2019), the value of social capital (Boohene, Appiah-Gyimah, & Osei, 2019) and employees' perception (Asante Boadi, He, Bosompem, & Opata 2019). It could be seen that though they are not important like the internal reasons, political pressures, competitors and CSR affect the CG practices for SMEs in Ghana.

6.5 Chapter Summary

The Chapter presented the results and discussion of Phase 2 of the research. Under this Section, the quantitative evidences provided above are linked to the research question they address. The Chapter was structured into three Sections – Knowledge of CG (see Section 6.2), Current practices (see Section 6.3) and Reasons of CG (see Section 6.4). The key findings of Phase 2 are:

Research Question 1

The evidence reveal that most SMEs are aware of CG and informed about the principles and values of CG (see Table 6-1 and 6-2). Another finding was that the Media is the best source of spreading information on CG. NGOs are making an impact on the SME. On the contrary, the relaxed approach by Government agencies was highlighted (see Table 6-1 and 6-2).

Research Question 2

1. SMEs in Ghana prepare reports, but their reports are prepared internally and it is for management purposes.
2. There exist a decision-making body in all SMEs in Ghana but the most prevalent is the board.
3. SMEs in Ghana prefer a smaller board size which consist of less than seven to over seven perhaps because of the size of their business.
4. SMEs prefer quarterly meetings to daily, half-yearly and yearly.
5. Quorum, CEO duality and Executive duality was evidenced to be in SMEs in Ghana.

Research Question 3

1. Quorum and Executive duality was found to be significant and therefore a challenge in relation to board size.
2. Financial constraint was highlighted to be a major challenges as it was ranked the most important committee due to the external assistance needed by SMEs in Ghana.

In order to holistically understand this research, the results of Phases 1 and 2 are compared and contrasted in the next chapter.

Chapter 7

Discussion, Contributions, Limitations and Future Research

7.1 Introduction

The purpose of this research was to explore corporate governance (CG) practices in SMEs in Ghana, focusing on the level of knowledge, the current practices, the reasons for CG adoption, and challenges and possible solutions. Thus, Chapters 2 and 3 reviewed the literature on CG and SMEs respectively. The literature review showed that there are very few CG studies on Ghana, very few CG SME studies, and an even smaller number of CG SME studies on Ghana. Furthermore, most prior studies which examine CG for SMEs use quantitative and secondary data. This research adopted a mixed method approach in order to more fully understand CG practices in SMEs in Ghana. The adoption of a multi-method approach was considered necessary as this research is exploratory as there is very little known about the research area. As explained in Chapter 4, the multi-method approach was well suited because the research involved two linked phases (i.e., Phase 1 and Phase 2). Phase 1 involved semi-structured interviews with ten interviewees and responses were analysed using qualitative methods. The results were presented in Chapter 5. The interviewee responses were analysed and clustered into themes that, along with prior literature, provided the foundation of the development of a questionnaire. Phase 2 involved the use of a questionnaire to obtain data from 268 respondents. This data was analysed using quantitative methods. These results were presented in Chapter 6. This Chapter discusses specific findings of this research with a focus on comparing and contrasting the findings of Chapters 5 and 6. More specifically, it outlines how the research questions below have been addressed:

1. What is the level of knowledge of corporate governance in SMEs in Ghana?
2. What are the current corporate governance practices in SMEs in Ghana?

3. What are the reasons and challenges of corporate governance practices in SMEs in Ghana?
4. How can corporate governance practices in SMEs in Ghana be improved?

The Chapter explains the significance of the findings, along with prior literature from developing and developed countries. The Chapter is divided into four sections: discussion (see section 7.2), contribution of the research (see section 7.3), limitations (see section 7.4) and future research (see section 7.5).

7.2 Discussion

This section compares and contrasts the results of Phase 1 and Phase 2 with references to prior studies.

7.2.1 Knowledge of CG

Prior studies have reported that CG awareness is very low, especially in Ghana (ACGN, 2016). Although Dzigba's (2015) study notes the low awareness of CG in Ghana, B-A-E-A suggests that there has been a significant improvement in CG awareness since "the collapse of certain respected companies" and "CG discussion dominating the media space". The result on CG awareness found in Phase 1 is supported by the Phase 2 results. This research thus supports Dzigba's (2015) finding that over 90% of SMEs in Ghana have knowledge of CG. Albeit the findings show that respondents' knowledge on CG is high, the recent collapse of seven banks and the shutdown of several microfinances indicate that further improvements in CG adoption and implementation are necessary for stakeholder interests.

To further facilitate the improvement of CG practices, this research suggests that the media should be engaged in all CG deliberations and discussions; evidence from both Phase 1 and Phase 2 indicates that the media is the most popular source of CG information for stakeholders. Another way to improve CG practices is to provide an enabling business environment for SMEs which allows them to thrive and operate. The findings of this research show that both interviewees (Phase 1) and respondents (Phase 2) learn about CG from other local businesses. Thus, equipping and training stakeholders will help to improve CG standards and the adoption of GC mechanisms by many SMEs. This is even more likely in a collectivist society such as Ghana (Hofstede & Minkov, 2010).

7.2.2 Current Practices of CG

The current CG practices identified in both phases show that SMEs in Ghana generally practice CG, albeit in varying levels. The varying levels of CG practices found in Phase 1 are the result of individual experience, position and company structure. Variations can be explained, in part, by where SMEs obtain their knowledge of CG practices and by their limited funds. Noteworthy areas of CG practice are outlined below:

Reports and Auditing: SMEs in Ghana are not currently mandated by company law to prepare reports and undertake financial audits; however as the research findings show, most of the SMEs voluntarily prepare reports and audits specifically for management and regulatory bodies. This shows that SMEs in Ghana are willing to embrace change if they are called upon or directed to. The research found that due to firm size and financial limitations (as reported in Chapter 3), SMEs often prepare reports or audits internally rather than pay an external company. Further, their reports do not need more detail that requires the skill of external preparers (experts). This research found that these reports and audits are prepared primarily for management decision-making, and regulatory bodies.

Committees: Aside from reports and audits, the research found that participating companies typically have six board committees, with finance being the most important committee. This finding is not surprising because revenue generation is key to SME survival. This does not mean that SMEs have neglected to establish other committees but more that their focus is on revenue generation and/or cost cutting measures due to their limited funds.

Board Characteristics: All of the participating SMEs had a decision-making body; in most cases, this was known as the board. This shows a conscious effort by Ghanaian SMEs to establish bodies that oversee management operations and activities. This finding is in line with prior literature (Bokpin, 2013; Guest, 2009), which notes that the board is responsible for directing and controlling the business. Ghanaian SMEs which participated in this research prefer smaller boards (less than seven members). This preference may be due to the small size of their companies. Most of these companies also have a small quorum size. Businesses must monitor this, because it may lead to management overriding the company's interests. This research found that CEO duality and executive duality is very high in Ghanaian SMEs. This explains why probably the survival rate of Ghanaian SMEs are low because the existence of duality (CEO or Executive) ensures that decisions either by the CEO or the management override other better strategies (Appiah & Chizema, 2015; Arthur; 2016).

7.2.3 Reasons and Challenges

This section discusses two significant research findings related to questions 3: the reasons of CG practices and the challenges SMEs face in implementing and ensuring adherence with CG practices.

Reasons of CG: This research found that there are eight reasons of CG practices for Ghanaian SMEs: investor confidence, shareholder rights and ownership concentration (SROC), transparency, accountability, fairness, and equity (TAFE), auditing, reporting, political environment, CSR and competitors. Although these reasons have been found in prior studies, this research provides further information about their influence in Ghanaian businesses, especially in relation to CSR, the political environment and competitors. The identification of these reasons shows where the attention should be focused.

Challenges of CG: Further, this research finds that respondents typically face multiple challenges when implementing CG (i.e., external and internal). These challenges have been identified by prior studies (see for example, Kwaning, Nyantakyi, & Kyereh, 2015; Van Scheers, 2011), which argue that they hinder SMEs from realising their full potential. This research finds that SMEs are dependent on external financing; these challenges hinder access to credit (Arthur, 2016). The research participants face two types of challenges: internal and external. This research has shown that SMEs have problems with all the internal mechanisms discussed in Chapters 5 and 6. Similarly, the research found that external challenges also prohibit SMEs from implementing CG practices.

7.2.4 Recommendations

The findings of this research with the support of prior literature show that although CG is known in Ghana, there are numerous challenges related to its widescale adoption. To tackle these challenges, this section outlines the policy implications of the recommendations of the research for academia and various stakeholders. The recommendations are grouped under four categories: reports and audits, regulatory agencies, legal and security institutions and board characteristics.

Reports and Audits: To improve transparency, this research recommends that SMEs should adopt IFRS accounting standards. The adoption of IFRS accounting standards benefits SMEs in creating higher value financial output which is understandable and meet global standards for potential investors (Kaya & Koch, 2015; Pacter, 2014). Also audits and financial reports should be mandatory for all SMEs. Although the findings suggest that the majority of Ghanaian SMEs voluntarily prepare reports and audits, mandating SMEs to prepare these reports will lead to increased stakeholder engagement, investor confidence and enhanced financial integrity. These reports should be freely available to all members of the management team, shareholders and for regulatory purposes. This is necessary because stakeholders have specific interests in these SMEs. Audit regulations which are specific to SMEs would need to be established. These would need to take into consideration the cost of preparing these financial reports and audit materials.

The Ghanaian Tax Office helps with resources needed to audit SMEs. The provision of resources and financial aid is important because prior research indicates that SMEs make a significant contribution to most countries' GDP. Several countries, like South Africa and developed countries like the USA provide (financial) support for their SMEs in the form of tax reliefs (Smatrakalev, 2014). The implication is that audit regulations need to be developed for SMEs. The recommendation is that these audit regulations should be tailored to the size of the SMEs. For an example, SMEs with more than 30 staff and one million Ghana cedis should be made to both internally and externally audited at least annually. However, due to the evidence of financial constraint by SMEs in Ghana, SMEs with less than 30 staff and less capital should be internally audited and voluntarily externally audited.

Regulatory Agencies: The findings of this research demonstrate that while Ghanaian SMEs have implemented several CG practices, further support is needed for them to improve their level of CG adoption and implementation. It is thus recommended that the Ghanaian government establish a regulatory agency which focuses specifically on monitoring and supervising SMEs. Such an agency will be more effective if empowered and established through an act of parliament. This would enable regulatory bodies to act autonomously and make decisions without fear of losing political favour.

SMEs could be incentivised in the form of tax rebates and government grants when they adhere to CG practices for more than five years. This will will increase the government role in the implementation of CG practices.

Legal and Security Institutions: In addition to a regulatory agency, the implementation of CG practices in Ghana would be greatly improved if the existing laws were better enforced. Fairness and equity must prevail in the application of the law. Punitive measures for every instance of malpractice should be spelt out and not left to the discretion of the enforcer. This would act as a stronger deterrent for those engaged in financial malpractice. Employees in the legal and security institutions need to act professionally and ethically in their work environment as impression signals intent. Institutions should be strengthened through staff training, re-orientation of values and proper employment selection processes. The implementation of strong legal and security institutions devoid of politics will ensure that external factors (i.e., political environment, social environment and business environment) is limited for businesses to operate in a fair environment.

Board Characteristics: This research has shown that SMEs in Ghana prefer smaller boards, are characterised by smaller quorum size, have more frequent meetings, and have challenges with board and management selection. This research recommends that SMEs retain a smaller board size because they allow greater communication, easier coordination and quicker decision-making processes (Guest, 2009). However, when using a smaller board, it is important that SMEs ensure that their boards are diverse (i.e., gender, age, experience and ethnicity) and that they use a proper selection criterion (such as qualifications and professional experience shown in Table 6-6). Further, boards need to minimise CEO and executive duality to prevent conflicts of interest, information asymmetry and enable more effective decision-making. This can be done by introducing more outside independent directors in the board composition. This will help mitigate the effects of the CEO and Executive duality as the board is more likely to have increased independent decision-making strategies.

7.3 Contribution of the Research

There are limited studies on CG and SMEs, especially in developing countries. Previous CG studies have attempted to explain CG practices in developing countries primarily from a financial perspective (i.e., they focus on measuring the performance of business against CG characteristics) (Abor & Adjasi, 2007; Abor & Biekpe, 2005; Brunninge, Nordqvist, & Wiklund, 2007; Daniel, Cieslewicz, & Pourjalali, 2012; Licht, Goldschmidt & Schwartz, 2007;

Haniffa & Cooke, 2002; Sweeney, 2007). This research has expanded CG understanding in Ghanaian SMEs. Noteworthy contributions are outlined below:

- This research has identified the reasons and challenges of CG practices pertaining to SMEs in Ghana.
- This research contributes to pre-existing knowledge by using two-linked phases to understand CG practices in a developing country (Ghana) from both qualitative and quantitative perspectives.
- This research provides important insights into CG practices for SMEs by exploring businesses operating in a developing country, Ghana. In doing so, this research identifies current practices and provides recommendations for improving current CG practices in Ghana. These recommendations will enable stakeholders to make informed decisions.

7.4 Limitations

While recognising the contributions of this research, it is necessary to acknowledge the limitations.

1. The adoption of interviews and questionnaires raises the possibility of subjectivity (Cavana et al., 2001; Creswell & Creswell, 2017; Flick, 2014). However, the coding process and use of software ensured that issues related to subjectivity were minimised (Bryman & Bell, 2015, Halcomb & Hickman, 2015; Maxwell, 2012; Saunders, 2011).
2. Data collection was challenging due to the nature of the topic and interviewees' concerns about whether they could trust the researcher. Issues of confidentiality were paramount, as the researcher sought private information. However, the modification of the research approach (the adoption of the snowballing approach), helped in data collection.

3. Given the similarity of Ghana's culture and economy to other African countries, the results of this research may be more generalisable to developing countries in Africa, rather than developing countries in other parts of the world.
4. As with most research, this research had its own time and resource constraints that were managed using purposive sampling. The decision to sample companies only in Accra and Kumasi may mean the results of the research are less generalisable to other parts of Ghana. However, as the research was conducted in the main regions, a level of generalisability is expected.

7.5 Future Research

Research is a continuous process (Cavana et al., 2001). This research thus provides the foundation for future CG research. There are several areas in this research that would benefit from further examination, as identified below:

- Future research could consider expanding the sampling criteria by including respondents with less than five years' experience in the same SME company, and/or allowing cumulative experience from other companies. As the research found that the level of knowledge varies with experience, modifying the criteria would provide further insight into this phenomenon.
- Expanding the research to include SMEs from the remaining 14 regions in Ghana.
- Examining the impacts of reasons for CG adoption and financial performance. If CG practices are found to be positively associated with performance, Ghanaian SMEs may be more likely to adopt them.
- Repeating this research in a different country (developing and/or developed) to provide a comparative perspective.

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Appendix A
Phase 1

A.1 Introductory Letter and Consent Form

Name of Project: The determinants of corporate governance practices on SMEs in Ghana.

I hereby invite you to take part in the above-named research project. The research project quests to find the challenges, determinants and applicability of corporate governance on SMEs. With your co-operation, we can help throw more light on corporate governance on SMEs. Thank you.

I have read and understood the description of the above-named project and my involvement. On this basis, I agree to participate in the project, and I consent to publication of the results of the project with the understanding that anonymity will be preserved. I understand also that I may withdraw from the project, including withdrawal of any information I have provided, within 2 weeks of the interview date.

I consent to the interview being recorded.

Name: ______________________________

Business Name:

Signed: __________________________ Date:

A.2 Interview Guide

1. What is your understanding of the term "corporate governance"?

2. Can you please describe the ownership structure and the management structure of this business? In terms of:

   - Role and Responsibility of authority
   - Decision making processes (Including stakeholder engagement)

   Independence (committees)

3. Describe the role you see being played by the board of directors, or similar group, in your business.

4. How often does the business prepare financial reports for stakeholders? Externally or Internally and why?

5. What practices has your business adopted or implemented to ensure it subscribed to principles of transparency, fairness and accountability?

6. How does the political, cultural and social environment affect the way you do business?

7. How does the regulatory environment affect the way you do business?

8. How do ethical practices affect the way you do business?

9. In what way can good business practices (corporate governance) be improved?

10. Is there any other information that you believe would be relevant to my study?

Appendix B
Phase 2

B.1 Introductory Letter and Consent Form

The determinants of corporate governance practices on SME in Ghana
Research Information Sheet

Introduction and invitation
Thank you for accepting to take part in this research project entitled *"The determinants of corporate governance practices on small and medium-sized enterprises (SMEs) in Ghana*".
What is the aim of the Project?
This project is aimed at finding out the determinants of corporate governance practices on SMEs in Ghana. The critical role SMEs play in the socio-economic development of nations both in the developed and developing countries in terms of economic growth, job creation, income distribution and poverty alleviation, has been recognised and documented worldwide. The project seeks a longer-term solution to the challenges of corporate governance practices and will explore suitable determinants for SMEs in Ghana.
What type of participants are being sought?
Your participation in this interview is voluntary. Your participation will help to understand matters of relevance among SMEs in Ghana.
What will you be asked to do?

- What will your participation involve?
    - Your participation in this project will involve being interviewed by the researcher on your businesses experiences as an SME and knowledge on good conduct of doing business (corporate governance). The interview will be scheduled for a mutually agreeable date, time and place between the participant and the researcher.
    - The interview will be approximately 45-60 minutes.
    - The interview will take place at your place of business or other mutually agreeable location.
    - You will need to sign a consent form.

- **What are the participant's rights?**
    - You may decline to answer any questions during the interview, each participant will be asked to sign an individual consent form prior to participating in the interview.
    - Participants can also choose to withdraw by an email or phone call to the researcher prior to the schedule period for the meeting.

How will my data be used?

- What will happen to the results;
    - Only the researcher and his supervisors will have access to the data. All the consent forms, interview notes, and transcripts will be stored in locked cabinets in my office and on the university network servers (H: drive) which can only be accessed by login and passwords.
    - The privacy of participants will strictly be protected. Complete anonymity and confidentiality of the participants will be protected.
    - The results of the project will be published in a doctoral thesis and may also be published in journal articles, but you will be assured of your anonymity in this study. The identity of any participant will not be made public or made known to any person other than researcher and his supervisors without the consent of the participants.

Medium of communication for any questions?

- The project is being carried out by Bismark Asumadu, Ph.D. candidate, bismark.asumadu@lincolnuni.ac.nz (+233-265986639, Ghana) (+64225312337, New Zealand) in the Faculty of Agribusiness and Commerce, Lincoln University, New Zealand.
- If you have any questions or concerns about your participation in this project, please feel free to contact my supervisors:

Dr. Tracy-Anne De Silva	Prof. Sazali Abidin
Tel: +6434230244	Tel: +6434230286
Email: tracy-anne.desilva@lincoln.ac.nz	Email: sazali.abidin@lincoln.ac.nz

B.2 Survey

Survey on "good business practices" for SMEs in Ghana

For each question please indicate the response(s) that best suit your business. Where applicable, please write your answer in the space provided.

1. How does your business learn about "good business practices"?
   a. Media (e.g. websites, local newspaper) ☐
   b. Other local businesses ☐
   c. NGOs ☐
   d. Government agencies ☐
   e. Other (specify) ______________________________

2. Indicate the importance of each of the following factors to the way you do business.

Factors	Extremely Important	Very Important	Somewhat Important	Important	Not Important	No Opinion
Keeping investor confidence						
Giving back to society						
Political environment						
Transparency, accountability and fairness						
Protecting shareholder rights						
Competitors						
Reporting						
Auditing						
Knowledge of good business practices						

3. What is your understanding of "good business practices"?

....

....

....

Please answer questions 4 to 16 with respect to decision-making in your business.

4. Indicate who makes long-term business decisions in your business?

a. CEO / Chairman of the board ☐

b. Decision making group ☐

c. Board of Directors ☐

d. Other (specify)…………………

5. Indicate how often the decision maker(s) from Q4 meet in a year?

a. Quarterly ☐

b. Semi -annually ☐

c. Annually ☐

d. Not at all ☐

e. Other (specify) ______________________________

6. Is the chairperson of the decision-maker(s) also the CEO?

a. Yes ☐

b. No ☐

If the decision maker(s) from Q.4 is/are more than one please indicate

7. Total size of the decision-maker(s)...................

8. Factors determining the size of the decision-maker(s)..

9. Quorum for the decision-maker(s)................

10. Members of the decision-maker(s) acting as part of management……………

11. Are employees represented during decision making?

a. Yes ☐ b. No ☐

12. Are union members represented during decision making in your business?

a. Yes ☐ b. No ☐

13. How many members of the decision-maker(s) are shareholders?...............

14. Who appoints the CEO?

a. Decision maker(s) ☐

b. Shareholders ☐

c. Chairman ☐

d. Other (specify)…………………

15. What i s the selection criteria for members of the decision-making body? (Please select as many as appropriate)

a. Family Relations ☐

b. Friends ☐

c. Professional expertise. ☐

d. Other (please specify) ………………

16. What does the decision maker(s) consider in appointing the management team? (Please select as many as appropriate)

a. Qualifications ☐

b. Relevant working experience ☐

c. Professional expertise ☐

d. Networks ☐

e. Other (please specify) …………………………….

17. Does the decision-maker(s) from Q.4 comprise of committees?

a. Yes ☐

b. No ☐

c. Unsure ☐

18. For each of the following functions, please indicate the importance to your business.

Functions	Extremely important	Very important	Somewhat important	Important	Not important	No opinion
Finance						
Legal and Regulatory						
Risk						
Audit						
Health and safety						
Compensation and Nomination						

19. For each of the following statements, indicate your level of agreement

Institutions	Strongly agree	Agree	Disagree	Strongly disagree	Not sure
The Legal systems in Ghana is robust and supports good business practices					
The National Board for Small Scale industries (NBSSI) promotes good business practices for SMEs					
The political environment in Ghana hinders good business practices					

20. For each of the following reports, indicate if you prepare the report, and if so who are the reports prepared for, and who prepares the report.

<table>
<tr><th rowspan="2">Type of Report</th><th colspan="2">Prepared</th><th colspan="2">Prepared for</th><th colspan="2">Prepared by</th></tr>
<tr><th>Yes</th><th>No</th><th>Management</th><th>Regulatory purposes</th><th>Workers</th><th>Out-sourced</th></tr>
<tr><td>Income statement</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Cash flow statement</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Balance sheet</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Production</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Auditing</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Quality control</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

21. For each of the following reports, indicate the usefulness of this report to your business and the frequency of preparation.

Type of Report	Usefulness			Frequency of Report			
	Useful	Somewhat Useful	Not Useful	Less frequently than semi-annually	Semi-annually	Annually	More frequently than annually
Income statement							
Cash flow statement							
Balance sheet							
Production							
Auditing							
Quality control							

21. Does your business adhere to any accounting standard for the preparation of financial statements?

a. Yes - Ghana Accounting Standards ☐

b. Yes - UK Accounting Standards ☐

c. Yes - International Financial Reporting Standards (IFRS) ☐

d. Yes - Other (specify)………………………

e. No (Please explain) ……………………………..

22. For each of the following stakeholders, indicate their level of importance to your business.

Stakeholders	Extremely Important	Very Important	Somewhat Important	Important	Not Important	No opinion
Shareholders						
Customers						
Government						
Workers						
Management						
Media						
Union						

23. Years of operation for your business: a. 0-5 years ☐ b . 5-10 years ☐

c. 10-15 years ☐ d. 15-20 years ☐ e. Over 20 years ☐

24. Industry you operate in: a. manufacturing ☐ b. Agriculture ☐ c. Commerce ☐
d. Other ……………………………………

25. Business location…………………………

26. Your gender: a. Male ☐ b. Female ☐

27. Your position: a. Management ☐ b. Board Member ☐ c. Shareholder ☐

d. Other………

B.3 Accounting Standards

Accounting Standards	**Number of Respondents**	**Percent**
Ghana Accounting Standards (GAP)	164	69.50
International Financial Reporting Standards (IFRS)	40	16.90
United Kingdom Standards	15	6.40
Business Standards	15	6.40
Personal Standards	2	0.80
Total	236	100