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Ethical Dimensions of Corporate Governance Practice in Ghana: Building a Theoretical Perspective

Boadu, Mark

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ETHICAL DIMENSIONS OF CORPORATE GOVERNANCE PRACTICE IN GHANA: BUILDING A THEORETICAL PERSPECTIVE

by

Mark Boadu

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DEDICATION

This work is dedicated to three individuals in my life who have had the greatest impact on my success not only in completing this doctoral degree, but in whatever accomplishments I can claim in my personal and professional life. To my grandmother, Mrs. Mercy Amankwa - Gyamfi who taught me that a strong faith, a quiet patience, and treating people the right way can take one as far as he wants to go. To my children, Alberta Serwaa Owusu – Boadu and Yaw Ansah Owusu – Boadu, who have been such inspirations to me. This thesis would not have been completed without you by my side. I dedicate to you three, this humble first attempt at scholarly work.

PLYMOUTH UNIVERSITY
PLYMOUTH BUSINESS SCHOOL

ABSTRACT

PhD Thesis

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Having dominated policy agenda in developed economies for well over three decades, corporate governance is now getting to the top of the policy agenda in developing countries (Abor and Adjasi, 2007). However, the issues of corporate governance have focused on the major shareholders and institutional shareholders of the organization while little or no attention has been paid to public sector and the private enterprises in developing countries. This has been ignored by the literature. This study investigates the ethical dimensions of corporate governance practice in Ghanaian public sector and private enterprises. It aims to understand the phenomena of governance practices in this context and examine its implications for good corporate governance systems in Ghana.

Using grounded theory methodology, data was collected from 28 semi structured interviews with board of directors and senior officials, and group discussion of 9 participants, mainly directors and officials involved with Ghanaian corporate governance system. The interviews were informed by the survey of governance practice. Through the constant comparative method of open coding of interviews, categories emerged which were subsumed into main categories during the axial coding. The paradigm model was used to establish the relationship among the categories. This formed the basis for the selective coding which identified the core category and its relationships with the sub-categories, verified to develop the substantive theory of corporate governance systems.

The study explored the relationship between culture relativism and universalism and the formal theory in terms of stakeholder theory and shareholder theory. The substantive theory identifies that corporate governance practice in the public sector and private enterprises is influenced by traditional cultural values which has implications for ethical business environment.

This study is the first attempt to combine corporate governance, grounded theory and national level culture in public sector and business enterprises, and to offer relevant recommendations for policy-makers. The substantive theory demonstrate that corporate governance systems are socially constructed and as such understanding the behaviour of board of directors is vital for understanding how corporate governance is practiced.. The study contributes to better understanding of governance practice in the public sector organisations and the informal sector.

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AUTHOR'S DECLARATION

At no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award.

The following activities were undertaken in connection with the programme of the study:

- Participated in the Plymouth University Postgraduate Symposium 2010, presented a paper on "Corporate Governance Practices in Ghana" – A review of Literature
- Attended and completed the General Teaching Associates (GTA) Certificate, 2011, from Plymouth University
- Lecturing at the Plymouth International College (PUIC), An Affiliate College of the Plymouth University, Since 2010
- Participated in the School of Management Seminar Series, Plymouth Business School 2012, with a paper on "Corporate Governance Practice in Ghana – Building a Substantive Theory
- Attended Postgraduate Certificate in Research Methodology I, 2012, Plymouth University
- Participated in the State and Local Government Programme (SLGP)Annual Conference, 2012, Plymouth University
- Attended Research Students Skills Development Programmes held at the Plymouth University (Research Methods, Transfer Process, Presentation Skill, Endnote for beginners, Using NVivo for analysis, Structuring your Thesis, Writing Literature Review, Project management, Giving and receiving feedback, performance management skills).

This thesis has a word count of 79,806

Mark Boadu

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LIST OF ABBREVIATIONS

AEA: American Evaluation Authority
BoG: Bank of Ghana
CEO: Chief Executive Officer
IoD: Institute of Directors
IMF: International Monetary Fund
FSA: Financial Services Authority
NED: Non-Executive Directors
OECD: Organization of Economic Cooperation and Development
ROSC: Report on observance of Standards and Codes
SMEs: Small and Medium Enterprises
SOX: Sarbanes Oxley Act
SOE: State –Owned Enterprises
SECG: Securities and Exchanges Commission, Ghana

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.0 Background

Corporate governance was highlighted as an issue of international concern, following the Cadbury Committee Report (1992) on the "Financial Aspect of Corporate Governance" in the UK. The Committee was established in the wake of corporate scandals in four major public companies in the UK, namely: Maxwell Corporation, Polly Peck, Bank of Credit and Commerce International (BCCI) and Barings Bank. The Cadbury report (1992) outlined a number of recommendations around the separation of the role of an organization's Chief Executive and Chairman, balanced composition of the board, selection processes for non-executive directors, transparency of financial reporting and the need for good internal controls including Code of Best Practices. This Report had a significant influence on corporate governance debates internationally and witnessed the publication of the Combined Codes of corporate governance in the UK and other Codes in many other countries (Stiles and Taylor, 2001; Monks and Minow, 2004, 2011). In addition, it is argued that the increasing levels of international corporate financial scandals and the growing acknowledgement that improved corporate governance was crucial for economic growth and development have raised the profile of corporate governance internationally(Clarke, 2004; Arjoon, 2005; Mulili and Wong, 2010). In most cases increasing levels of corporate scandals led to increased regulations and corporate governance reforms in both developing and developed countries (Reed,

2002; Gugler *et al.,* 2003; Tsamanyi *et al.,* 2007). Also, the experiences of UK and other developed economies reveal that:

> *"a good corporate governance reduces risk, stimulates performance, improves access to capital markets, enhances the marketability of goods and services, improves leadership, increases the value of the corporations, enables the corporation to acquire external finances more easily and at a lower cost"* (Giurca-Vasilescu, 2008: 1)

Corporate governance is the system by which companies are directed and controlled. It is concerned with the relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate accountability (Deakin and Hughes, 1997) and includes the structures, processes, cultures, and systems that engender the successful operations of the organizations (Keasey *et al.,* 1997). That is, a framework by which the various stakeholder interests are balanced. In a broader sense, the Organisation for Economic Cooperation and Development (OECD) (2004a) defines corporate governance to involve:

> *"a set of relationships between a company's management, its board, its shareholders and other stakeholders and provides the structure through which objectives of the company are set, and the means of attaining those objectives and monitoring performance determined" (p. 11).*

The debate on corporate governance seems to focus on the shareholder vs. stakeholder perspectives and the primary concern has been which of the approaches is appropriate for managing the affairs of the corporation (Tik, 2009; Sun, 2011; Letza *et al.,* 2004). The Anglo-Saxon system of corporate governance is based on the shareholdership perspective with the focus on protecting shareholders wealth as the shareholders are the owners of the organizations through shareholdings (Nwanji and Howell, 2007a; Weiss, 2003).The Continental European system of corporate governance relates with the stakeholdership perspective which advocates the protection of the stakeholders' interests as they contribute to the success of the organization (Nwanji and Howell,

2007b). The authors further argue that shareholder theory of the traditional Anglo-American model of corporate governance failed to overcome the problems of unethical business practices of corporate boards and their managements. What makes the stakeholder theory a real challenger of the shareholder model is that, its ethical dimensions maintain:

> *"Profit maximisation is constrained by justice. Also, that regards for individual rights should be extended to all constituencies that have a stake in the affairs of a business, and that organisations are not simply or only 'economic' by nature but can and do act in socially responsible ways as members of communities." (Weiss, 2003, p.30)*

The stakeholder theory maintains that the organisation has a moral relationship with groups other than shareholders which are based on the assumption that an organisation as well as individuals possess moral status and therefore should act in a morally responsible manner (Freeman, 1984; 1994). The stakeholder theory could be divided as "business ethics" and the "instrumental" (Scholl, 2001; Jones *et al.*, 2002; Kakabase *et al*, 2005). Business ethics-based stakeholder theory assumes that each stakeholder of the firm has an intrinsic value regardless of her actual power or legal entitlement and calls for ethical guiding standards for managers. It seeks to formulate correct ethical norms for managerial behaviour (Kakabadse *et al*, 2005). Through narrative accounts, this approach to stakeholder theory gives evidence for desirable and undesirable managerial practices. On the other hand, the instrumental stakeholder theory understands stakeholder theory as an instrument to achieve expected outcomes, principally profitable. The normative stakeholder theory, however, acknowledges as primary the ethical legitimacy of the stakeholders' claims on the organisational purpose (Jones *et al*., 2002).

In relation to the business ethics perspective of stakeholder theory, it is of interest to all stakeholders that the corporation follows ethical codes regarding how the company is run when realising corporate purposes. Ethics refer to the normative appraisal of the actions and character of individuals and social groups which relates to the issue of moral principles or conscience (Sherwin, 1983). The two main ethical dimensions used to explain moral reasoning is deontological and teleological ethical approaches. Whiles the deontological theory maintains that duty is the basic moral category independent of the consequences of the action (Nwanji, 2005), the teleological ethical theory considers an action to be moral or immoral by examining the consequences of the action. The objective of stakeholder theory is to assist board of directors and senior management to understand their stakeholders' environments and manage more effectively within the terms of the relationships that exist for their companies. Thus, the major ethical theories help the analysis of ethical dilemmas improving the value of the consequences of their actions, and minimise the harms to stakeholders. In this study, the teleological and deontological theory are applied in which the consequences of any action taken by the board of directors and senior management are evaluated to ascertain whether they are of more benefit to stakeholders of their companies or they are the right actions taken.

Though, some corporate governance issues and board concerns are consistent around the world; their solutions may be diverse (Arjoon, 2005; Mulili and Wong, 2010). Corporate governance systems vary widely across nations due to the differences in economic conditions, legal systems and cultural and political environments (Mensah, 2003; Mulili and Wong, 2011). Indeed, the OECD (1999; 2004) advocated the need for pluralism, flexibility and adaptability in corporate governance, instead of the "one size fits all" approach. This view was reinforced when it outlined that to remain competitive

in a changing world, corporations must innovate and adapt their corporate governance practices so that they can meet new demands and grasp new opportunities. Firms in developing countries operate in business environments where institutions are either weak or non-functional. As a result, informal institutions, personalized and relational aspects govern corporate governance in the context of developing economies while the western corporate governance context follows the arm's length principle. To this end, the Business Roundtable states:

> *"Good corporate governance is not a one size fits all proposition, and a wide diversity of approaches to corporate governance should be expected and is entirely appropriate. Moreover, a corporations practice will evolve as it adapts to changing situations." (1997:4)*

1.1 Overview of Corporate Governance in Ghana

As a former British colony, Ghana inherited the English common law system from their colonial masters, Britain. Ghanaian corporate governance system follows the Anglo American model. The company law is based on this model of corporate governance. Some of the legal and regulatory frameworks of Ghanaian corporate governance system include:

(i) The Company's Code established in 1963 (Act 179) to regulate all companies incorporated in Ghana. The Code anticipated and provided adequately for the central issues of corporate governance in the Ghanaian private sector.

(ii) The Securities Industry Law, 1993 (PNDCL, 333) and the Securities Industry (Amendment) Act, 2000 (Act 590) created the Securities and Exchange Commission, Ghana. The two laws, as well as the Ghana Stock Exchange (GSE) rules regulate stock exchanges, investment advisors, securities dealers, and

collective investment schemes are licensed under the Securities and Exchange Commission.

The Companies Code, 1963 (Act 179) outlines some relevant issues discussed under: membership, independence and expertise of directors.Every public limited company, and every private company that is a subsidiary of a public limited company, must have at least two directors with the maximum to be fixed by each company representing the shareholders. Directors have fiduciary role and the code provides sanctions in the event of breaches. In appointing board of directors, the code has no requirement to appoint independent directors or elected by the shareholders at the annual general meeting (Companies Law, Act 179). Similarly, the Securities Industry Law,1993 (PNDCL, 333) gives the Securities and Exchange Commission regulatory authority over institutions and persons operating in the industry such as stock exchanges, investment advisers and securities dealers.The primary goal of the Securities Exchange Commission, Ghana is to protect investors and maintain the integrity of the securities market. The Securities and Exchange Commission is an active regulator that has been unafraid to suspend market participants that disobey. Also, the Ghana Stock Exchange (GSE) regulates listed entities under the Stock Exchange Act (1971) and the Listing Regulations (1990). Listed companies are required to comply with the corporate governance guideline for best practices by Securities and Exchange Commission, Ghana and the Listing Regulations. The GSE has only 35 listed companies who are predominantly foreign and multinationals and operate under mandatory regulations. As a result, most companies tend to be compliant with the requirements and the international corporate governance principles of best practices (ROSC, 2005). Furthermore, the Bank of Ghana regulates financial reporting by banks and non-bank financial services under the accounting and

auditing requirements set by the Banking Law (1989). The Bank of Ghana is the overall supervisory and regulatory authority in all matters relating to banking and non-banking financial services in Ghana. Bank of Ghana strongly enforces relevant regulatory provisions which have extensive sanctions available to impose on banks such as fines, revocation of license (in extreme cases), variations in the terms and conditions of licensing, as well as civil and criminal penalties for non-compliance.

1.2 Rationale for the Study

There are four key features that characterise Ghana's corporate governance framework (ROSC, 2005). Firstly, the Ghanaian corporate governance framework is dominated by multinational companies and banks. The presence of multinational companies and banks introduces a high corporate governance standard as a source of emulation and learning. Secondly, Ghana is characterized by a relatively large set of institutional investors (who are yet to become active in the area of corporate governance), and a small but sophisticated securities market operators industry, servicing mostly foreign investors (Julian and Ofori-Dankwa, 2013). Corporate governance and capital market awareness of retail investors is largely non-existent. The third key feature is that, bank credit to the private sector is relatively low, 15% of GDP in 2011, and bank assets are mostly held in government paper (ROSC, 2005). This is partly due to the fact that there are high reserve requirements, and attractive interest rates on government paper. The low lending figures also reflect the composition of the private sector borrowers, most of whom are small and medium enterprises or informal micro enterprises. It is estimated that the informal sector comprises over 70% of the labour force and a large part of GDP (Ofori,

2009; Baah, 2007).Finally, there is weak institutional base and capacity limits enforcement improvement (Kirkpatrick, 2001; ROSC, 2005).

Additionally, Prempeh (2002b) argued that the public sector (national and regional governments and related government entities) and unincorporated businesses are not registered under the Code but are governed by Corporate Governance Guidelines of Best Practices which is non-mandatory. This means that, the state-owned enterprises and other public institutions operate under the State Enterprises Commission, Ghana, a statutory body charged with the responsibility to coordinate and ensure sound corporate governance practice. Indeed, many private enterprises in Ghana continue to operate like sole proprietorships. It is evident that corporate governance in Ghana and other developing countries have largely focused on listed companies and large public companies (Tsamenyi *et al*, 2007; Okike, 2007; Kyereboah-Coleman and Biekpe, 2005; Abor and Adjasi, 2007) with limited literature on public sector organisations (Prempeh, 2002a). Meanwhile, corporate governance is equally important in the public sector and unincorporated businesses. Thus, shareholder accountability and minority shareholder-protection systems in most companies can appear to exist only on paper, leaving room for much self-dealing by corporate management and insiders. In order to create an enabling business and investment environment in Ghana, the issue of corporate governance is crucial.

Additionally, ethical dimensions of corporate governance practice in public sector organisations are important particularly in developing countries where the issues of corruption and mismanagement of public sector financial systems remains a major concern. The issues of corruption and mismanagement could be viewed through ethical

and moral point of issues or practices. The focus of management of public sector organisation is the provision of services to the society as their stakeholders. Therefore, stakeholder theory involves issues which require ethical theory, accountability and responsibility on the one hand and justification and ethics on the other (Nwanji, 2005). It is argued that the nature of the Ghanaian business environment, particularly, the public sector and unincorporated businesses allow traditional cultural values to permeate the governance practice (Odotei and Awedoba, 2006). Similarly, ROSC (2005) maintain that business practices in Ghana still fall short of promoting an ethical, responsible and transparent corporate governance environment. To this end, the thesis investigates the ethical dimensions of corporate governance practice in Ghana.

1.3 The Research Objectives

The purpose of this research is to carry out an investigation into the ethical dimensions of governance action and behaviour in Ghanaian organisations and its implications for good corporate governance system. The main objective of the study is to determine what contributions, if any; corporate governance systems help management to meet the needs of stakeholders within the society. Using the grounded theory approach, this research critically investigates the influence of national level culture on corporate governance practice in public and private sector organisations.

The specific objectives for this research are to:

1. critically examine corporate governance practice in Ghanaian public sector organisations and private enterprises,

2. explore the factors which may affect the implementation of effective corporate governance practice
3. examine whether governance action is ethical
4. evaluate the extent to which national level culture influences governance practice in Ghana.

1.4 Research Questions

This research is an empirical investigation of the ethical dimensions of corporate governance practice in Ghana. The central research question is how ethical are governance practice in meeting stakeholder needs in Ghana? In order to address the central research question, the following four sub-questions have been developed:

1. What is the current corporate governance practice in the Ghanaian Public Sector and private enterprises?
2. What factors (if any) may deter the implementation of effective corporate governance in Ghanaian organisation?
3. To what extent is governance action ethical? To what extent does culture influence governance practice in Ghana?
4. Is the behaviour of corporate governance ethical?

The answers to each of these research sub-questions address the research objective and contribute to an integrated answer to the central research question. In the first sub-question, an analysis of the qualitative data collected form a starting point for obtaining insights into the governance practices in Ghana. The second research question addresses

the issue of the effectiveness of corporate governance practicein Ghana. It seeks to contribute to the central research question by exploring factors (if any) may deter the implementation of effective corporate governance practice in Ghana. The third research sub-question contributes by examining those national level culture values that influence governance practice. The categories found in answering the first, second and third research sub questions were applied in exploring the ethical dimensions of governance practice in Ghanaian public sector organisations. The fourth research sub–question seeks to advance the emergence of the core category with respect to the development of substantive theory of corporate governance practice in Ghana and the developing countries in general.

1.5 Research Methodology

As stated by Collis and Hussey (2003), our personal research paradigm helps us to determine which methodology to adopt and in turn, determine the methods of collecting data. Any paradigm adopted has implications for the methodology chosen and the outcome of the overall result of the research. The importance of research methodology emanates from the fact that it provides the logic behind the method selected. Paradigms offer a framework comprising an accepted set of theories, methods and ways of defining data (Bryman and Bell, 2003).Phenomenological paradigm is a qualitative research method employing inductive process concerned with understanding human behaviour from the participant's own frame of reference. The paradigm adopted by the researcher for this study is a combination of phenomenological and constructivism paradigms of enquiry**.**

The appropriate methodology suitable for the paradigm of enquiry is grounded theory methodology. The grounded theory approach was first developed by Glaser and Strauss (1967) and offers a comprehensive and systematic framework for inductive theory building. Though, there are different versions of the grounded theory, the Straussian approach to grounded theory was adopted for this study. The systematic, flexible and emergent nature of grounded theory fit with a number of paradigms of enquiry including: constructivism, critical theory and postmodernism (Mills *et al.,* 2006). The Constructivist approach to grounded theory facilitates the continuous interplay between the researcher and the participant and the incorporation of multiple perspectives in writing the emerging theory (Graham and Thomas, 2008; Strauss and Corbin, 1994; Corbin and Strauss, 2008). The researcher and researched interact "so that the 'findings' are literally created as the investigation proceeds" (Graham and Thomas, 2008: 111).

A grounded theory is discovered, developed and provisionally verified through systematic data collection and analysis of data pertaining to a particular phenomenon (Strauss and Corbin, 1990). The careful and precise application of this method ensures that the theory which emerges, meets the criteria of good science; generalisability, reproducibility, preciseness, rigour and verification (ibid). A number of the basic features of grounded theory make it an appropriate method for this research; (i) grounded theory methodology includes analysis of process. Within grounded theory methodology, the term 'process' is used to describe 'the linking of sequences of action/interaction as they pertain to the management of, control over or response to, a phenomenon' (Strauss and Corbin, 1990: 143), (ii) grounded theory methodology directly links macroscopic issues to the phenomenon under investigation, (iii) grounded

theory makes it greatest contribution in areas where little research has been undertaken (Howell, 2000, 2004, 2013; Nwanji, 2005).The nature of grounded theory is such that the theory to emerge 'will be abstract enough and include sufficient variation to make it applicable to a variety of contexts related to the phenomenon' (Strauss and Corbin, 1990, p.23). In other words, the substantive theory developed from this research can be used as a precursor for further investigation of this phenomenon and related issues. However, there are some constraints of using grounded theory method:: the need to maintain some continuity with the research setting, using interview and focus group discussion; central practice of generalizability and reliability of the substantive grounded theory, pose some challenges. Notwithstanding, grounded theory is the most appropriate methodology for this research, taking into consideration its limitations. The researcher used grounded theory method to empirically investigate governance practiceof boards of directors and senior officers of public sector organizations in, Ghana to develop a substantive theory of corporate governance.

1.6 Research Methods

Research methods refer to the techniques used to reveal the existence of, identify the 'value', significance or extent of, or represent semantic relationships between one or more concepts identified in a model from which statements can be made (Clarke, 2005). This connotes the techniques employed in collecting relevant research materials and processing such materials into answers to the research question(s). Various methods can be employed in collecting the requisite research material (evidence) required to answer the research question. The choice between quantitative and qualitative method is seen to

be a choice between generalizability and reliability, on one hand, and rich and valid information on the other. Qualitative grounded theory method is adopted for this research using primary and secondary data.

1.6.1 Data Collection

Data collection for this study was based on grounded theory approaches of three primary research methods: survey questionnaires, interviews and focus group discussion.

A Survey Questionnaire was designed and sent to board of directors and senior management of public sector organisations and private enterprises in Ghana regarding their corporate governance practice. The design of the questions was drawn from the corporate governance system in Ghana which is based on UK Combined Code on corporate governance. Also, being public sector organizations, the stakeholder theory, and ethical theories are important issues not just for the data collection but also the theoretical framework that underpinned the research methodology and methods. The questionnaire was piloted and amended to ensure clarity. It is important to note that the survey was used to gain access to respondents and also to serve as a pre-cursive introduction to the interviews.

Semi-structured interviews were conducted with 28 boards of directors and senior managers from the organizations selected for this study. The interview questions were informed by the survey questionnaire. The interviews involved face-to-face contacts with company directors and senior management. Focus group discussion was organised

with participants drawn from boards of directors and management of public sector organisations and expert practitioners in charge of corporate governance practice in Ghana. The focus of the discussions was based on the interview questions. Taking into consideration the challenges of gaining access to board members and senior managers of organisations for interview purposes, information from secondary sources were employed such as: Securities and Exchanges Commission, Ghana guidelines on corporate governance, Ghana Companies' Code, listing requirements and World Bank Reports. In addition, through the literature review, secondary data was identified and used to support the primary data stated above. There are a number of research works from the UK and other developing countries which helped focus the data collection in relation to the research questions, the research methodology and the research objectives.

1.6.2 The Coding Process

In grounded theory research, data collection and data analysis occur concurrently. Qualitative interview data was systematically collected and analysed in an attempt to understand both the *structure* (why) and *process* (how) inherent with the corporate governance practice in Ghanaian public sector organisations. Using the three phase grounded theory method of open, axial and selective coding, data from the semi-structured interviews and group discussion were analysed along with the written notes. During open coding, "data are broken down into discrete parts, closely examined, and compared for similarities and differences" *(*Strauss and Corbin, 1998, p.102*).* This process exposes data and uncovers the thoughts, ideas and meanings attached to yield concepts. Interview transcripts were microscopically coded sentence – by – sentence to allow concepts to emerge. A number of concepts emerged as the interview process

progressed. Data collection and data analysis proceeded until the data were saturated and no new concepts emerging. The open coding analysis was also applied to the group discussion to identify emergent concepts. Through the process of simultaneous comparing concepts to identify similarities and differences, eight (8) open categories emerged in terms of its properties and dimensions based on the interview questions. They are: ***Board Ineffectiveness, Cultural Influence, Ethical Concerns, Board Accountability, Government Interference, Regulations, Training and Education and Weak Institutions.***

The analysis proceeded to the second stage which is axial coding, concerned with re-examination of the 8 categories identified in open coding to establish relationships between categories and their properties and dimensions (Strauss and Corbin, 1990). During the axial coding, the open categories were subsumed into 5 main categories, namely: ***national culture influences, stakeholder ethical values, board practices, strategies and institutional factors***. The paradigm model was used to establish the relationship among the main categories which formed the basis for the selective coding. Corbin and Strauss (2008) assert that the fundamental objective of selective coding is to identify the core category and explain the story line. According to Glaser (1978) the core category is a more highly abstracted category but must remain grounded in the data. Through further re-examination and verification of data, *national culture influence emerged* as the core category. The identification of the core category and its relationships to all other major categories, and how the core category works on the behaviour of board of directors in Ghanaian corporate governance practice. The study established a relationship between the substantive theory and the formal theories of culture relativism and universalism and teleological and deontological ethical theories

and meso theories of shareholding and stakeholding. This facilitates the development of the substantive theory of corporate governance grounded in data which demonstrates that corporate governance systems are socially constructed and as such understanding the behaviour of board of directors is vital for understanding how governance systems operate.

1.7 Structure of the Thesis

This study is organised and presented in eight chapters.

In the current chapter, Chapter 1, there is a discussion about the research background based on the corporate governance practice in relation to the Ghanaian corporate governance framework. This provides the rationale of the research and the problem in the existing literature. The outcome of the discussion is to determine the focus of the research that leads to the questions and objectives of the research. Sub-questions that contribute to answering the central research question are deliberated upon. An overview of the Ghanaian corporate governance framework and rationale of the study is outlined along with research methodology. This is followed by an outline of the method of data collection, including the survey technique, interview and focus group discussion. The analysis of data included an overview of how the coding process resulted in the generation of the substantive theory.

Chapter 2 contains a literature review in which the concepts of a corporation and governance are explored to conceptualise corporate governance. It explores the

opposing paradigms of corporate governance – shareholder and stakeholder perspectives in relation to the current major theoretical models in corporate governance based on mainstream typologies. The two main international corporate governance systems – Anglo-Saxon and Continental European systems are also examined. It further explores the nature, characteristics, basic propositions and limitations of the systems of corporate governance. The Chapter further traces the development of corporate governance in UK and reflects on the influence of Europeanisation and globalisation on the corporate governance systems of developing countries.

Chapter 3 presents a review of ethical theoretical literature underpinning the study. It reviews literature on ethics and morality in relation to ethical decision making. The Chapter critically examines business ethics in relation to normative, descriptive and meta – ethical perspectives. This was followed by the theoretical review of the major ethical theories. The issue of culture in terms of meaning, dimensions and theories are discussed and reflects the ethical theories in relation to decision making. It further examines national level culture and organisational culture in relation to three major Ghanaian cultural values. It explores cultural relativism and cultural universalism in relation to corporate governance practice. This is followed by a discussion of the theoretical frameworks underpinning governance behaviour and practices, including: ethical deontology and teleology and cultural relativism and universalism.

Chapter 4 provides the research paradigm and the methodology of the study. It explains the philosophical assumptions adopted by the researcher during the entire research process. The two main research paradigms, namely: logical positivism and phenomenology were discussed along with other major research paradigms. Each of the

research paradigms were examined in relation to the philosophical assumptions. The study adopted a combination of phenomenology and constructivism. It described the research strategies and approaches and selected the grounded theory methodology as a fitting methodology compatible with the research paradigm based on the nature of the research questions. The chapter finally explored grounded theory methodology in terms of its historical background, the different versions, its limitations and use.

Chapter 5 outlines the methods of data collection and coding procedures for this study. It presents the theoretical sampling and data collection techniques that best fit the qualitative grounded theory methodology. The justification for the choice of survey technique, semi-structured interview and focus group discussion were explored. Semi-structured interview and focus group discussion were the main instruments for data collection, supplemented by the survey technique. The survey technique was used to gain access to the potential interviewees and also inform the interview process. This chapter concludes with an examination of the grounded theory coding procedures of open coding, selective coding and axial coding as it applied to the data collected in this study.

Chapter 6 introduces the open coding analysis based on the in-depth semi-structured interview and focus group data. It outlines how the open coding procedures were applied to the semi-structured interview process and the focus group discussion. Through the application of the open coding procedures on interview data and group discussion, eight (8) open categories emerged and analysed along with their properties and dimensions based on the interview questions. The open categories were: Board Ineffectiveness, Cultural Influence, Ethical Concerns, Board Accountability,

Government Interference, Regulations, Training, and Weak Institutions. A discussion of the open categories in terms of their properties and dimensions were outlined. This was followed by a summary of the open categories along with their properties and dimensions.

Chapter 7 outlines the axial and selective coding towards the development of the substantive theory of corporate governance. Five (5) main categories were identified based on the relationship between the 8 categories that emerged during the open coding (from previous chapter). Some main categories subsume a combination of open categories. Through the application of the paradigm model, the relationships between the main categories were established. The process of identifying the major categories which form the basis for the selective coding was equally examined. The selective coding integrated, interpreted, and refined the major categories and their sub categories to form a story line that described what happened in the phenomenon. Selective coding began with the identification of the core category and the relationship between the other subcategories (major categories) to build the substantive grounded theory.

Chapter 8 presents the conclusion of the research and the discussion of the substantive theory in relation to the formal theories and meso-theories. The relationship between formal theories of deontological and teleological ethical theories and culture relativism and universalism and the substantive theory explored. It also examines the relationship between the substantive theory and the meso theory of stakeholder theory and shareholder theory. An overview of the significant contribution of this research is presented along with the author's own thoughts and reflections on the research area. For

the purpose of extending understanding in this area of research, recommendations for future research are also given.

1.8 Conclusion

This chapter aims to provide the background of the related issues and topics in order to clarify and highlight the importance of the research. Based on the existing literature, the chapter addresses the major gap in the area of ethical dimensions of corporate governance practice in public sector organisations in Ghana. An overview of Ghanaian corporate governance framework and practice in the context of the current corporate governance research is then described. This is followed by the description of the research focus, which also provides the rationale of the research along with the research questions, objectives, and the methodology and methods for the research are presented. Finally, the last section of this chapter describes the overview of the structure in this dissertation in order to provide a clear picture of what has been done and what has been found in the current research.

CHAPTER TWO

CORPORATE GOVERNANCE LITERATURE

2.0 Introduction

This Chapter sets the theoretical context upon which the study was undertaken. It is divided into five sections. Firstly, the section examines the concept of "corporation" and "governance" to conceptualise corporate governance. The nature and purpose of the corporation is described under different theories of the corporation. The meaning of governance and in turn corporate governance is conceptualised. This is followed by an explanation of regulation as a technique of governance. The second section explores the current major theoretical models in corporate governance based on mainstream typologies. A discussion of the models in relation to shareholder and stakeholder perspectives along with the arguments, basic assumptions and limitations are outlined. Thirdly, the section examines the major corporate governance systems along the two competing perspectives. It further explores the nature, characteristics, basic propositions and limitations of the Anglo-Saxon and Continental European and Japan systems of corporate governance. The fourth section describes the international initiatives on corporate governance development; the development of UK corporate governance and the influences of globalisation and Europeanisation on corporate governance practice. Finally, the next section presents an overview of corporate governance in developing countries.

2.1 Conceptualising Corporate Governance

Much has been written and debated on what corporate governance actually is or involves and why it is important over the recent past. The concept of corporate governance is based on an idea relating to the corporation and governance. It is therefore appropriate that these two concepts are adequately elaborated in order to appreciate the issue of "corporate governance". The following sections examine the nature of the two concepts to provide a background understanding of corporate governance.

2.1.1 What is a Corporation?

The concept of a "corporation" evolved in different context, and different circumstances shaped its evolution. The notion of the corporation could be traced to early canon law in Western Europe in the 17th century where the church was perceived as an entity that could survive in perpetuity. Until the 19th century, the concept has grown from a group of individuals chartered by royalty, or the papacy to build bridges or churches, serve public goods such as universities and hospitals, to the corporate system established in Britain (Tricker, 1994). This notion later spread to other jurisdictions under different economic, political and cultural context. While some governments have attempted to use regulations to tame the corporation, others have adopted major spheres of economic activity into the public sector (Zumbansen, 2008; 'O'Kelly, 2012). Whatever the terms of debate, the fundamental questions still remain: "what corporations are", and "for what purpose" do they serve. However, theoretical work on a corporation can be

discussed under four main theories: “concession or fiction, aggregate, nexus of contracts, and real entity theories” (Millon, 1990; Sun, 2011; Letza *et al.,* 2008). Though, the real entity theory seems intellectually the best, or at least no worse than the others, Phillips (1994) argued that "none of these theories is sufficiently well-grounded to be a solid basis for legal or policy implications" (p.1063).

The concession theory views “a corporation as an artificial being, invisible, intangible, and existing only in contemplation of law” (Phillips, 1994:1064; Bank, 2001). Corporate law was used to protect the financial interest of shareholders from any special restrictions on their property right. A corporation owed its existence to the positive law of the state rather than to the private initiative of individual incorporators and perceived to be “an extension of the state” (Avi-Yonah, 2005; Coelho, *et al*., 2003). The fiction theory was based on the concession theory and held sway in the early 1800s, when the corporation was perceived as a fictitious being (Machen, 1911; Avi-Yonah, 2005). A corporation is created by specific grants or charters "which usually limited them to public purposes," and became less important when new statutes made incorporation routine and mechanical, so that today the concession and fiction theories are merely formal doctrines (Phillips 1994:1065; Berle, 1947). This theory may have its applicability in state owned enterprise. Under this perspective corporate law focuses on governance problems that arise inside the corporation to give an internal perspective of a corporation.

From the perspective of aggregate theory, the corporation can be created *de facto* by the association of people that agree to undertake an enterprise and perceived as the sum of their human and sometimes non-human components (Berle, 1947; Jensen and Meckling,

1976). The aggregate entity theory clarifies the distinction between what corporations are, from how they are established, in order to determine how best to regulate them. Unlike the artificial entity theory which considers the corporation as an extension of the state, the aggregate theory argues that the corporation is an extension of its shareholders (Lee, 2005). In this regard, Letza *et al*. (2008) assert that:

> *"... behind the corporation as a legal group lie the individual members of which the corporation is composed, and the unity of such a group is purely a pretence or fiction constructed by the state. Hence, a corporation is simply a collective name for its members and their aggregate rights. Individuals are not genuinely united when they act as a group, but are an aggregate, united legally by contract." (p. 21).*

The aggregate theory separates the entity's liability from the personal liability of shareholders. Shareholders provide the capital for the company with the expectation of financial returns, but they are not liable for illegal acts committed by the company or their employees (Berle, 1947; Jensen and Meckling, 1976; Millon, 1990). This act of shielding owners from liability from creditors and other aggrieved parties by the principle of limited liability encourages investment in corporations. Thus, corporations have lives of their own and considered to be "profit-generating islands" for the exclusive benefit of the shareholders.

In addition, the "nexus-of-contracts" theory is a form of aggregate theory which asserts that a corporation is a set of contracts among the firm's participants (Phillips, 1994; Jensen and Meckling, 1976). The term 'contract' is used broadly to include not only explicit and implicit agreements, but also legislative statutes and judicial interpretations (Easterbrook and Fischel, 1991). That is, contracts are aggregated together, and may be negotiated, court implied, statutorily implied, or contracts of adhesion (take-it-or-leave-it *forms of* contracts with no bargaining). Using the corporation as the common

signatory of these contracts, the entity connects them to form a "nexus". This theory supports a stockholder-centered conception of the corporation in which the duty of managers is to serve the interests of shareholders alone (Hansmann, 1996; Ayotte and Hansmann, 2011). The contractual theory provides a clear basis for understanding corporations as it permits a more informed pragmatic analysis of the relationship between policy issues and legal rules (Hart and Moore, 1990).

However, towards the end of the 19th century, there was a gradual shift towards the natural creation of private initiatives and market forces perspective. A corporation operates within market-oriented environments and free to pursue almost any legal business activity and to change their purposes, activities, and organizational structures at will (Millon, 1990; Post *et al*., 2002a). The real (nature) entity theory claims that the corporations are social entities, comprised and represented by its different elements, and not an extension of the state or the shareholders (Phillips, 1994; Millon, 1990). Neither the state nor public interests motivate the corporate purpose; rather, the corporation defines its own purpose. The theory maintains that corporations are real, naturally occurring beings with characteristics not present in their human members (Nesteruk, 1990; Avi-Yonah, 2005). In the nature-entity theory, corporate law focuses on the relationship between the corporation and the rest of society to provide an external perspective of a corporation. Thus, under this viewpoint, Machen (1911) pointed out that the law does not create corporations but merely recognizes their independent existence. The real entity theory views the corporation as an "aggregate of individual property owners" formed naturally by contracting individuals. According to Machen (1911):

> *"When a company is formed by the union of natural persons, a new real person, a real corporate "organism," is brought into being… The corporate organism is an*

animal: it possesses organs like a human being. It is endowed with a will and with senses." (p. 256).

The real entity theory treats the corporation as an actual being controlled by its managers. Though, a corporation has its own mind or will and capacity to act, it does so through agents, who are not acting as individuals but as organs of the corporate personality (Mayson *et al*., 1994; Letza *et al*, 2008). Thus, the corporation can be punished for illegal or unethical acts, e.g. that of omission and in some cases of commission, but not others, e.g. murder and other acts of violence (Avi-Yonah, 2005; Lee, 2005). Unlike the artificial entity theory, the real or nature entity theory asserts that a corporation is the sum of its human constituents whose existence was separate from the state.

Drawing from the discussions, the theories view a corporation through the legal and not the social relations perspective. Though, the real or nature entity theory seems to recognise that the corporation can behave as an "organism" of different individuals, it does not fully consider the relations between the corporation and the civil society. However, the normative form of the contractual theory maintains that corporations ought to be managed for the benefit of all stakeholder groups, including but not limited to employees, customers, suppliers, and local communities (Evan and Freeman, 1993; Freeman, 1984). The assumption is that the stockholder-centered conception has been replaced by the stakeholder theory since it is ethically unjustifiable to neglect the interests of non-shareholder groups. It can be argued that both the stockholder and stakeholder conceptions of the firm are compatible with the contractual theory (Ayotte and Hansmann, 2011; Melyoki, 2005). The significance of the theories focuses primarily on the determinate normative implications of particular legal theories and

their role in the legitimation of legal doctrine and social practice (Millon, 1990; Letza *et al*., 2004). Particular theories of the corporation can be considered to legitimise appropriate approach to regulation of corporate activity. These legal theories define the corporation's attributes; establish dynamic and interdependent relationship between legal theories of the corporation and corporate doctrine. To this end, Millon (1990) comments:

> *"the various theories of the corporation that have enjoyed prominence since the nineteenth century have influenced thinking about how the law should treat corporate activity" (p. 205).*

Additionally, the nature and purpose of a corporation can be viewed from the shareholder and the stakeholder perspectives. The former regards corporations as maximizing the valuation of the shareholders' value, and thus, the primary goal of the corporation is to increase the wealth of the shareholder (Letza *et al*., 2004, 2008). The latter provides a broader view which describes the corporation as an organisation engaged in mobilizing resources for productive uses in order to create wealth and other benefits (and not to intentionally destroy wealth, increase risk, or cause harm) for its multiple constituents, or stakeholders (Post *et al*., 2002a; Zink, 2005, 2007). Hence, the performance of the corporation can be appraised from multiple perspectives. The issues of the shareholder and the stakeholder models of corporate governance are considered in greater detail in section 2.3.

2.1.2 Governance Defined?

The concept of governance comes from the Greek word *kybernan* meaning to pilot, steer or direct. The dictionary meaning of governance describes it as an act or manner of governing of a state or an organization (Oxford Dictionaries Online, 2011). Indeed, the

dictionary entry and the traditional use of governance define it as synonym to government. It is argued that, governance describes something broader than government (Bevir, 2010; Kjaer, 2004). To clarify the distinction between the two concepts, Stoker, (1998a) states:

> *"government signifies the formal institutions of the state and their monopoly of the legitimate coercive power while governance refers to a complex set of institutions and actors that are drawn from but also beyond government" (p. 19).*

Government is understood to mean the formal and institutional processes which operate at the level of the nation or state to maintain public order and facilitate collective action. On the other hand, governance is concerned with creating the conditions for ordered rule and collective action (Stoker, 1998a). There are diverse definitions of governance with little agreement on what actually constitutes governance (Pierre and Peters, 2000). To Rosenau (1999), "governance is conceived as systems of rules, at all levels of human activity aimed at decision-making of transnational nature with mechanisms designed to insure its safety, prosperity, coherence, stability, and continuance" (p. 17). Stoker (2006) refers to governance as "...the rules and forms that guide collective decision-making not about one individual but rather about groups of individuals or organisations or systems of organisations making decisions." (p. 3). In this regard, Rhodes (1997) refers to governance as:

> *"a new process of governing including: self-organising, inter-organisational networks characterised by interdependence, resource exchange, rules of the game and significant autonomy from the state" (p.15).*

Drawing from the definitions above, governance can be conceptualised as a: structure, process and mechanism. The conceptualisation of governance as structure refers to the architecture of formal and informal institutions (Rosenau, 1992; Lynn *et al.*, 2001; Risse, 2012). Governance structure is designed to promote transparency, facilitate

collaboration with members and consultation with stakeholders to ensure effective operations of organisations. Under this conceptualisation, governance is regarded as: “the regimes, laws, rules, judicial decisions, and administrative practices that constrain, prescribe, and enable the provision of publicly supported goals and services,” holds strong interest for public administration scholars (Lynn *et al*., 2001:7).

Governance as process signifies a mode of social coordination as a means of solving social problems by coordinating interactions of social actors (Pierre and Peters, 2000; Kooiman, 2003). It can be conceptualised as: "norm generating process" (Humrich and Zangl, 2010:343), "practices of governing" (Bevir, 2010:1) and the "exercise of authority" (Heinrich, 2011:256). Governance is identified as how power is exercised, citizens given a voice, and decisions made to resolve complex societal problems (Rosenau, 2007; Newman, 2001; Stoker, 2000; Pierre and Peters, 2000). How one gets to act, through different types of interactions in the form of deliberation, negotiation or self-regulation and the extent to which actors adhere to collective decisions?. Governance as a process lies in the interplay of structure and agency in which state interacts with society. In this respect, Kooiman and van Vliet (1993) notes:

> *“governance is always an interactive process because no single actor, public or private, has all the knowledge and resource capacity to tackle problems unilaterally”* (p. 67).

Governance embodies the overall pattern of interaction between different societal and political actors (such as, central or local governments, businesses, and voluntary organizations) and the growing interdependence between them. This conceptualisation connotes the dynamics and steering functions involved in lengthy never ending activity of policy making (Héritier and Rhodes, 2011; Rhodes, 2012). This arrangement may be well suited to address key challenges facing developing countries, especially the

provision of services to society in a context of weak institutions of state. Governance as a mechanism refers to the institutionalization and naturalization of procedures of decision making (Levi-Faur, 2011). Institutionalism conceives governance as setting, application and enforcement of rules which not only determines the framework in which citizens, government and politics interact but also shapes the spheres of civil society. This way of defining governance combines the structure of rules with agency of change; change behaviour of individuals, organisations or government. Thus, governance as mechanism signifies institutional procedures of decision-making, of compliance and of control (or instruments) (Stoker, 1998a, 2006).

The meanings of governance emanate from an idea that has a complex historical, political and social/cultural background, and hence requires an interdisciplinary approach. Ahrens (2002) characterised governance as the capacity of the formal and informal institutional environment (in which individuals, social groups, civil associations and government officials and employees interact) to apply and carry through a given government policy and to improve coordination in the private sector (p.128). The two key words in the meaning of governance are *institutions* and *government.* The notion of an institution includes several elements: formal and informal rules of behaviour, ways and means of enforcing these rules, procedures for mediation of conflicts, sanctions in the case of breach of the rules, and organizations supporting market transactions (World Bank, 2003, 2005). Thus, institutions can establish or destroy incentives for individuals to engage in trade, invest in human and physical capital which have implications for a well – functioning market. In relation to government, the UNDP (1997) identified three key pillars, namely: the economic, political and administrative pillars. To Badun (2005:134) “the economic refers to the

process of making decisions that affect the economic activities of the country and its relations with other countries; the political is the process of forming policy according to decisions that have been made, and the administrative relates to the implementation of this policy". It can be observed that the administrative pillar is embodied in public administration.

Since the second half of 1950s, the issue concerning the role of the State in economic and social development has substantially changed. This is evident in multiple trends reflecting the political, economic and social developments in several groups of countries at different points in time. For example, the shifting understanding of the "maximalist" State at the aftermath of the Second World War to the "minimalist" State of the 1980s in industrialised countries. This shift signifies the importance of both the State and the market in performing invaluable functions in society. Additionally, the changing role of the State to adjust periodically to the growth of market forces and the urgent and increasing needs of growing underprivileged groups in many developing countries. These shifting role of the State have resulted in changes in State machineries from applying new public management techniques to governance. Governance has become "a virtual synonym for public management and public administration" (Frederickson and Smith, 2004: 225).

2.1.2.1 Governance and Public Administration

Over the past two decades, the concept 'governance' has gained prominence in the field of public administration and international relations and continues to attract much public attention. The term *administration* originates from a Latin word *administrare*, which

means to serve, or to attend to someone's needs. Public administration is defined as that:

> *"system of structures and processes', operating within a particular society as environment with the objective of facilitating the formulation of appropriate governmental policy, and the efficient execution of the formulated policy" (Fox et al, 1991:2).*

These mechanisms encourages the formulation of public policies to be more responsive to social needs and institute managerial practices on the part of the public organisations that are substantially attuned to effectiveness, efficiency, and increasingly, the deeper human requisites of the citizenry (Coetzee, 1988:18; Siswana, 2007). Thus, people's involvement in public policy formulation and implementation, and the government's use of its structures and processes is fundamentally important in public administration.

Public sector largely provides public goods in the public interest and requires consistency under conditions of uncertainty. The complexity of governance and the identification of stakeholders in the public sector are pluralistic: managing multiple stakeholders with multiple goals. Satisfying the various multiple stakeholders is problematic (Bryson, 2004; McAdam *et al*, 2005).

Meanwhile, poor administration, ineffectual policy-making and weak structures of accountability remain significant barriers to effective service delivery in the public sector. The public sector has responsibilities and accountabilities to numerous and more diverse stakeholders and greater demand for openness and transparency. Though, government is traditionally seen as the primary agent in serving the public good and defining collective interest (Rhodes and Tierman, 2013; Rhodes, 2007), resources for decision making are not limited to governments alone. This calls for greater networks involving resource exchanges and dependencies. Increasingly, the world has become

vastly more interconnected, more networked. Local problems can quickly become global, and global shifts have a wide range of local impacts. However, the success of government action depends on the interaction with the private sector, public sector and other non-governmental organisations (e.g. civil society and international organisations). This enhances the quality of provision of services, increases social accountability and ensures vigorous civil participation in the decision-making (UNDP, 2003).

2.1.2.2 Governance Networks

Governance networks refer to an amalgam of all the other methods of governance that can be employed either within a single stakeholder group, or across groups. It can be defined as "more or less stable patterns of social relations between mutual dependent actors, which form around policy program and/or cluster of means and which are formed, maintained and changed through series of games" (Koppenjan and Klijn, 2004:69). Resource dependency relations are essential to the emergence and existence between actors. The resource dependencies around policy problems or policy programs require actors to interact with one another and create more intensive and enduring interactions. For instance, whiles "government networks" are often formed between national regulators; intergovernmental organisations networks are formed by treaties. Such networks provide more a flexible and inclusive mechanism through which governments coordinate their regulatory activities (Malcolm, 2008: Slaughter, 2001). This thesis focuses on multi-stakeholder networks, involving governments, within whose power it is to create domestic and international legal rules, the private sector

whose involvement is crucial to the operation of markets, and civil society which has a role in articulating and developing norms (Slaughter, 2001).

Additionally, governance networks can be characterized by a high degree of complexity: the number of actors involved, the many different locations where decisions are being taken, and the number of perceptions (value conflicts) (Agranoff and McGuire, 2003; Koppenjan and Klijn, 2004) and dynamics: level of trust, the number of employed network management strategies (Klijn and Edelenbos, 2011; Klijn et al 2010a; 2010b; Provan et al, 2009) and different patterns of decision-making and accountability (Klijn and Edelenbos, 2011). Klijn and Skelcher (2007) argue that, the the formulation of policy goals is challenged by societal actors in the case of governance networks as compared to the traditional decision-making in which political actors decide on goals before these goals are implemented. Thus, government's decisions are influenced by the decisions of others and the expectations of what others may do, creating a growing interdependence.

It is becoming clear that no single actor has the solutions to all the problems and will need the resources of others to achieve the overall government goals. This activity encourages public servants to work with others to make "smart interventions" (Klijn 2008, p. 313) that can help governments advance from a reactive stance to a more adaptive position. Consequently, networks are powerful assets in generating new solutions. Various governments can leverage the power of networks to connect actors, problems, solutions and opportunities as a means to achieving public goals. In this regard, power should rather be understood as "dependent on where actors are to be found within the core executive, and whether they are at the centre or the periphery of

key core executive networks (Heffernan, 2003; Rhodes and Tierman, 2013). It is imperative that core executives continue broadening and deepening their approaches to governing with other stakeholders. This means that public administration establishes a network between the society, public policy and government as key players by using structures and processes accurately.

2.1.2.3 The Core Executives

The concept of core executives is a theoretical idea that recognizes that the institutions of the executive are not limited to the prime minister and cabinet, but also include ministers in their departments (Rhodes and Tierman, 2013; Rhodes, 2007). It was proposed by Dunleavy and Rhodes (1990) and advanced and refined in Rhodes (1995), Elgie (1997), Smith (1999); and Marsh *et al.* (2001). To Dunleavy and Rhodes (1990: 4), core executives refer to "all those organizations and procedures which coordinate central government policies, and act as final arbiters between different parts of the government machine". It comprises the complex web of institutions, networks and practices surrounding the prime minister, cabinet, cabinet committees and their official counterparts, less formalised ministerial "clubs" or meetings, bilateral negotiations and interdepartmental committees (Elgie, 2011; Rhodes, 2007). Growing evidence in Westminster and non-Westminster systems points to political appointees as engaging various policy coordination activities within government (Eichbaum and Shaw, 2011; OECD, 2007; 2011; Peters *et al*., 2000).

Appointed political staff has attracted increased attention as core executive actors and as mechanisms for policy coordination, can best be understood in relational and locational

terms (Rhodes and Tierman, 2013). That is, their ability to engage in policy coordination along with the types of techniques utilized to do so, can be theorized as a product of their institutional location within the core executive (e.g. ministers versus first ministers offices) and relational considerations (e.g. power, resources, actors activities are undertaken with). The power dynamic among the various core executive 'members' is characterised by resource dependency and exchanges. This raises the critical questions: 'who does what?' and 'Who has what resources?' (Rhodes, 2007, p. 1247) regarding the positional power and the influence of the core executives (Dunleavy and Rhodes, 1990). That is, who has what resources and how those resources are deployed, offering a broader range of potential organizational and operational dynamics at the executive level. It is worth noting that the distribution and exchange of resources among its core executive members is significant since no single core executive has all the resources. Based on the resource dependence and exchange among members, policy coordination and formulation is considered a crucial aspect of core executive studies. There is the need for core executives to exchange resources (e.g. money, legislative authority and expertise) to achieve its goal since they depend on other actors.

Dunleavy and Rhodes (1990:3) posit that core executives was introduced as a corrective to the prime ministerial and cabinet government models which focused on the fixed nature of power. It is argued that power is better understood as contingent and relational (Bevir and Rhodes, 2008; Dunleavy and Rhodes, 1990; Rhodes, 2007, p.1247). Power is not simply assumed for first ministers or cabinet to the exclusion of others, but is instead contingent upon the distribution of resources and relational patterns of exchange among a broader set of actors in any given executive. For instance, departmental officials are endowed with resources unavailable to others in the core executive. These

include: professional, permanent and knowledgeable staff, expert knowledge and relevant policy networks, time and information (Heffernan, 2005: 614). Thus, executive actors can usefully be extended to that of political appointees. The primary task of the core executive is to identify the collective interests of the government and mobilize individual ministers and departments/agencies behind such goals. To be effective in their role, central actors are furnished with institutional authority and resources that can be used to transform ministerial incentive structures. The core uses its powers to monitor and reward or sanction the behaviour of ministers and officials. In organizational terms, the strengthening of the core executive denotes a shift from ministerial-type government to prime-ministerial or collective government (Elgie, 1997).

During the past decade, there has been a paradigm shift in public administration from the traditionally government managed service delivery towards increasing reliance by government on non-governmental partners to do its work, through “processes that relied less on authority for control" (Kettle, 2002, xi). The fundamental themes of governance involve not only the transformation in the role, direction, power, and the activities of state, but also the enhancement of institutional (formal and informal) capacity (Pierre and Peters, 2000; Stoker, 1998a, 2000) and networks (Rhodes, 2007). This creates the interaction between the decision making body (formal institutions) and the stakeholders (civil society) and how decision-makers are held accountable. Indeed the responsibility and function of the state has gone beyond the provision of services to establishing the mechanisms and processes that are conducive to organisations to meet the specific needs of their societies.

2.1.2.4 Approaches to Governance

There are several approaches to governance as used in public administration. To some, governance is the shift from the bureaucratic state to the third-party government (Frederickson, 2004; Rhodes, 1997); the market-based approaches to government or the new public management or managerialism (Kettl,1993; Donahue and Nye, 2002); the development of social capital, civil society, and high levels of citizen participation (Kooiman, 2001; Sorensen, 2002) or interjurisdictional cooperation and network management (Frederickson, 2004; Peters and Pierre, 2000). To others, the concept refers to public-sector performance (Heinrich and Lynn, 2000); and the corporate oversight, transparency, and accounting standards (Monks and Minow, 2011: Jensen 2000). The following provides an overview of New Public Management, Global governance and corporate governance.

New Public Management

New Public Management (NPM) proposes a model of public service that reflect a 'reinvented' form of government which is better managed, and which takes its objectives not from democratic theory but from market economics (Stoker, 1998a). It tends to introduce private sector management methods (managing by results, values of money) and incentive structure (like internal markets and competition and contracting out) into public provision (Rhodes, 1997). NPM focuses on how to enhance the internal management efficiencies of the state by introducing advanced management technologies

of the private sector, which are thought to replace the hierarchical control of the traditional public administration (Rhodes, 2000).

Global Governance

Global governance is concerned with issues outside the direct activity of individual governments (Rosenau, 2000a). In the field of international relations, it is widely recognised that certain important problems cannot be controlled or contained by action at the level of national states alone, such as environmental problems or economic crisis. There has been a growing discussion of the role of international agencies, interstate agreements, and common governmental practices as methods of governance (Rosenau, 2000a; Stoker, 1998a). Additionally, 'multi-level' governance refers not only to different government levels (e.g., European, national, sub-national), but also to the involvement of both public and private actors at these levels. This approach to governance shapes the nature of the relationship between local, regional, national and transnational institutions. The comparative European public policy analysis as multi-level governance is developed in response to state-centrism in European integration theory (Rhodes and Mazey, 1995). The state-centrism defines European integration as policy coordination between nation-states (Howell, 2000, 2004) in which series of rational choices is made by national leaders.

Corporate Governance

The term corporate governance is based on the application of governance in the context of corporations. It is concerned with the structures and processes for decision-making,

accountability, control and behaviour at the top of organisations (Spiller, 2004). Corporate governance addresses issues regarding the interrelationships between boards of director, like the interactions with senior management and relationships with the shareholders and other stakeholders. According to Armstrong (2004a), "good governance aims to add value to the organisation, reduce financial, business and operational risk, strengthen shareholder confidence in the entity, and assist in the prevention of fraudulent, dishonest and unethical behaviour" (p. 1). There are various governance models evident in the guidelines and standards for good governance. The type of organisation structure influences the kind of governance model adopted. Whiles governance in the private sector is governed by the corporation law, public sector organisations operate under a much more complex context. Private sector governance has attracted much public attention and continues to be at the top of policy agenda due to the collapses of major corporations around the world. On the other hand, governance in the public sector organisations has received little attention. However, corporate governance in the public sector organisations is as equally important as the private sector. John and Senbet (1998) propose that "corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected" (p. 372). Governance mechanisms refer to the set of formal and informal institutions including the internal and external corporate structures, system of laws and regulations by which corporations are directed and controlled. A review of the application of governance in a corporation to provide insight into corporate governance and its competing models is discussed in detail in the the next section.

2.1.3 What is Corporate Governance?

Corporate governance is perceived as a framework that determines whom the organisation is there to serve and how the purposes and priorities of the organisation should be decided and upon whose interest should the corporate serve (Tik, 2009; Letza *et al*., 2008). The nature of corporate governance has focused primarily on the two main perspectives of the corporation: shareholder and stakeholder orientation. Thus, corporate governance revolves around the debate on whether management should run the corporation solely in the interests of shareholders (shareholder perspective) or whether it should take account of other constituencies (stakeholder perspective). Though, there are diverse definitions of corporate governance ranging from narrow to broad based. Narrowly defined, Sternberg (1998) defines corporate governance as:

> *"ways of ensuring that corporate actions, assets and agents are directed to achieve the corporate objectives established by the corporation's shareholders"* (p. 20).

According to Shleifer and Vishny:

> *"corporate governance deals with the ways in which suppliers of finance to corporations assure them of getting a return on their investment. How do the suppliers of finance get managers to return some of the profits to them? How do they make sure that managers do not steal the capital they supply or invest in bad projects? How do suppliers of finance control managers?"* (1997, p. 737).

Corporate governance is concerned with how suppliers of capital get managers to return profits, ensure that managers do not misuse the capital by investing in risky projects, and how shareholders and creditors monitor managers. The definitions focus on economic efficiency objectives of maximising shareholders wealth which might as well encompass the relationship of the corporation to stakeholders and society. There are three key elements highlighted in the definitions. These are: the Principals (corporate owners or shareholders), the agents (corporate directors and senior managers) and

designated outcomes (corporate objectives). The agent is accountable to the Principal for the achievement of the corporate objective. This is described in the “traditional finance paradigm expressed in agency theory” (discussed in the next section 2.3.1) and limited to the relationships between a company (corporate managers and board of directors) and its shareholders (Solomon *et al.*, 2002; Solomon and Solomon, 2004). In a broader sense, the OECD (1999) states that:

> *"corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies 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 structure through which the company objectives are set and the means of attaining those objectives and monitoring performance".*

This definition is consistent with the one presented by Cadbury (1992) as "the systems by which companies are directed and controlled (Para. 2.5). Boards of directors are responsible for the governance of their companies; appoint the directors and auditors and to satisfy themselves that an appropriate governance structure is in place in the organisation, setting the company’s strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. Corporate governance is considered as web of relationships that goes beyond a company and its owners (shareholders) to include a company and a broader range of other stakeholders: customers, employees, suppliers to be expressed in stakeholder theory. Furthermore, the OECD (2004a) states that: corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders and provides the structure through which objectives of the company are set, and the means of attaining those objectives and monitoring performance determined. This definition embraces the larger question of how to organise economic activity so as to meet societal expectations. From the standpoint of a

corporation, the emphasis is placed on the relations between the shareholders and other stakeholders (the employees, customers, suppliers, investors and communities).

In relation to governance, corporate governance could be conceptualised as set of structures, processes and mechanisms. Corporate governance as set of structures refers to the set of formal and informal institutions including the internal and external corporate structures, system of laws and regulations by which corporations are directed and controlled. As a mechanism, corporate governance refers to set of customs, policies, guidelines and controls to manage an organisation and reduce inefficiencies. Viewing corporate governance as a mechanism, John and Senbet (1998) propose that

> *"corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected"* (p. 372)

From this viewpoint, firm is viewed as a nexus of contracts (both implicit and explicit). When contracts are incomplete because of, among other things, uncertainty, informational asymmetries, and "contracting costs" (Hart and Moore, 1990; Hart, 1995), conflicts of interest between insiders and outsiders resulting from the separation between ownership and control arise, and corporate governance becomes necessary (as first suggested by Jensen and Meckling, 1976). Corporate governance as a process can be conceptualised as the interaction or the relationship between various participants in determining the direction and performance of corporations (Monks and Minow, 2011). In this regard, the concept is concerned with the relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate accountability (Deakin and Hughes, 1997). As observed by Sun *et al.* (2004):

> *"Corporate reality is indeed a far more dynamic process of continuous flux, interpenetration and transformation where reflexive adjustments, rational and irrational negotiations, lobbying and deals, justifications and excuses are made in pursuit of particular outcomes, which can hardly be generalised and reduced in a*

few abstracted and static models. In other words, what is needed is a dynamic epistemology based upon an ontology of process and becoming to more adequately capture the transient and emergent features and multiple characters of corporate governance situations, and to realise the socially constructed nature of corporate governance perspectives" (p.2).

The authors stated that a processual approach is a worldview in relation to the notions of process, movement, change and transformation, and that it is fundamental to our understanding of the realities we encounter in the world, in contrast to the conventional entitative conception of reality. Corporate governance addresses the fundamental questions concerning networks and promoting ethical behaviour. Blair (1995) refers to corporate governance as the whole set of legal, cultural and institutional arrangements that determine what public corporations can do, who controls them, how that control is exercised, and how the risk and return from the activities they undertake are allocated. Described in this way, corporate governance includes all types of firms whether or not they are incorporated under civil law or common law.

The concept "corporate governance" has attracted a great deal of attention in public debate, partly due to the increasing level of international corporate failures (like WorldCom, Anderson, Enron, Tyco International, Adelphia Communications, Xerox) and falling stock markets (Plender, 2003; Machold, 2004). While some failures were the result of illegal practices, many of the same companies exhibited lack of good corporate governance practices and ethical conduct (Arjoon, 2005; Tsamenyi *et al*, 2007; Anderson and Orsagh, 2004*).* These failures impact greatly on the economic health of corporations and society and undermine investor's confidence. In addition, Sun *et al.* (2011) posit that:

"Corporate governance issues have been a wide public concern over last three decades due to the outbreak and spread of corporate fraud, corporate failure and collapse, excess of executive remuneration, abuse of management power, and corporate social and environmental irresponsibility. The failure of corporate

> *governance in preventing the 2008 global financial crisis has fuelled more debates on the effectiveness of current corporate governance rules, principles, structures and mechanisms" (p.1).*

This calls for renewed emphasis on the legal and regulatory environment of corporate governance with appropriate risk management measures, shareholder protection laws, information flows and the responsibility of senior management and the board of directors (Udayasankar and Das, 2008; La Porta *et al.*, 2000). The issue of legislative and regulatory environment of corporate governance has implications for governance regulations.

2.1.4 Defining Regulation

To control behaviour and give opportunities and incentives to actors, networks need to be governed. Thus, regulation emerges as a technique of governance and described as the official rule or a secondary law form created to implement a primary piece of legislation. Regulation is characterised as rules, state intervention in the economy, accountability and compliance (Baldwin and Cave, 1999; Ogus, 2001; Aryeetey and Ahene, 2005); or similarly 'command and control' (Ayres and Braithwaite, 1992); interaction of legal-administrative systems with political institutions and processes (Minogue and Cariño, 2006). In other words, regulation signifies actions of the state or local government designed to restrict or influence a change of behaviour in activities of the various social and economic groups in the community (Kirkpatrick, 2001; Legaspi, 2006).

Regulatory governance refers to the legal mandate given to actors in order to establish resources for policy implementation and processes for interaction. Under this

governance approach, the influence of private and civil society in the decision making process is not the only source for policy formulation, implementation, monitoring and evaluation (Bovaird and Loffler, 2003). The information is shared among all participants in the process through networking (Kooiman, 1999, 2003). The new role of the government includes being an interventionist in providing direction for regulatory instruments. Regulatory governance promotes the understanding of governance beyond the state and governance through regulation. As Kirkbridge and Letza (2003) observe, developments in corporate governance are taking place in three areas: legal, self-regulatory and in-company. Corporate governance involves the interplay of legal norms (Company Law), self-regulations (including corporate governance codes of best practices and instructions for listed firms) and in-company (range of corporate level guidelines) grounded in the disciplinary forces of the market. In this regard, Rossouw, (2005) argues that:

> *"Effective regulatory regime within which corporations operate can provide stakeholders with the peace of mind that their rights and interests will be protected. Through laws, regulations, listing requirements, professional codes, and company codes, stakeholders can be given the assurance that corporations can be trusted to adhere to certain standards of behaviour" (p.36).*

However, governance regulations operate in different legal traditions and have different approaches towards the implementation on corporate governance. The two major legal systems in the world are: common law and civil law systems (Orucu, 2008, 2010; Palmer and Reid, 2009; La Porta *et al*., 1997, 1998). The common law tradition forms a major part of the law of those countries of the world with a history as British territories or colonies. This tradition has its root in corporate law and correlated with better shareholder protection and more developed financial markets (Palmer and Reid, 2009; La Porta *et al*., 1998). On the other hand, civil law is a legal tradition concerned with private relations between members of a community. This legal system is predominantly

practiced in Continental Europe and most former colonies of continental European countries (Orucu, 2010). La Porta, *et al.* (1998) claim that, there is a systematic guidance on corporate governance under the civil law system.

The two traditions provide the channels for corporate governance interpretation. Unlike the civil law tradition which has orientation towards state interventionism, the common law system is oriented towards institutions (Palmer and Reid, 2009). Thus, in common law jurisdictions, a corporation is usually subject to the statute under which it was incorporated as well as the case law of that jurisdiction. Case law includes: the securities law requirements in the jurisdictions in which it sells securities to the public; and the requirements of the stock exchange if it is listed. Though, regulatory corporate governance framework is a global phenomenon (Deakin, 2008; Oso and Semiu, 2012), countries have developed and published their own codes for good corporate governance practices. Oso and Semiu (2012) notes that:

> *"although there are universal codes for regulating the practice of corporate governance, there exist other national codes based on local needs and the unique characteristics of each country. Importantly, regardless whether it is global or national, the regulatory framework of corporate governance can be viewed from two perspectives, namely: voluntary and mandatory" (p. 6).*

Corporate governance codes in most developing countries tend to be voluntary unless they become listing requirements at stock markets or formal legal rules (Prempeh, 2002a; Graham and Woods, 2006). The assumption underlying the growing significance of self-regulation in developing countries is that market pressures can provide incentives for firms to implement codes and standards in line with broad, internationally agreed standards. However, Graham and Woods (2006) argue that most developing countries governments are faced with challenges such as; weak institutions, absence of government administrative capacity, inadequate financial and human resources, and

lack of technological capacity to aid self - regulation. Consequently, some developing economies are either lacking the incentive or are unwilling to regulate as they compete for foreign direct investment. Enforcement of regulations facilitates the protection of investors' rights and is viewed as a tool to secure compliance with regulations. This plays a significant role in reducing violations of standards associated with market development (Jackson and Roe, 2009). La Porta *et al*. (2000:24) pointed out that:

> *"strong investor protection is associated with effective corporate governance, as reflected in valuable and broad financial markets, dispersed ownership of shares, and efficient allocation of capital across firms".*

Corporate governance regulators play a significant role in promoting good corporate governance through regulation. The 2008 global financial crisis and the increasing level of corporate scandals have placed significant doubts on the abilities of regulators to sufficiently regulate corporate governance behaviour (Levine, 2010; Kirkpatrick, 2009). To this end, this research examines the extent to which Ghanaian corporate governance regulations help managers to meet the needs of society. The next section discusses the arguments, theorems and limitations of the corporate governance models.

2.2 Corporate Governance Models

Current extensive analysis of corporate governance has generated different assumptions and insights, creating diverse theoretical models (Letza *et al.*, 2004). Hawley and Williams (1996) identified four major views in corporate governance debate, namely; the finance model, the stewardship model, the stakeholder model and the political model. Other studies conducted on corporate governance models, summarised four competing models: the Principal-agent (finance model), the myopic market model, the

abuse of the executive power model, and the stakeholder theory (Keasey, *et al*., 1997; Blair, 1995). In addition, Clarke (2004) identified three major theories of corporate governance: agency theory, stakeholder theory and stewardship theory. The theoretical models identified in the current literature on corporate governance can be categorised into two competing perspectives: the traditional shareholder model and the stakeholder theory (O'Sullivan, 2000; Friedman and Miles, 2002). The following section discusses the different corporate governance models under the two main competing perspectives: shareholder and stakeholder. The shareholder perspective is categorised into three main models: the Principal-agent or finance model, the myopic market model and the stewardship model. The common assumption for the purpose of the corporation is the maximisation of shareholders' wealth.

2.2.1 Shareholder Perspective

The traditional shareholder perspective has its roots in the principle of private property rights and considers the corporation as a legal instrument for shareholders to maximise value for its equity (Letza *et al*., 2008). That is, corporations have legal obligations to serve the interests of their shareholders, since shareholders own the firm's equity. From this perspective, private ownership is considered fundamental to social order as well as economic efficiency (Gamble and Kelly, 2001). Shareholders own the company and managers must act in the best interest of the shareholders. The assumption is that a shareholder's value objective is important to the economic development of a nation (Letza *et al*., 2004; Caprio and Levine, 2002). The shareholder model focuses on the question of how to enhance the rights of shareholders, especially minority shareholders and institutional investors, and maximises the wealth of the shareholder (Friedman,

1970; Black, 1992). The three models of the shareholder perspective are discussed below.

2.2.1.1 Principal-Agent or Finance model

As corporations become larger and ownership dispersed, shareholders can no longer be active in controlling and monitoring the company activities. As a result, the Principals engage the agent to perform services on their behalf. This shifts the controlling role of shareholders to managers who are considered to be in an agency relationship with shareholders, referred to as the Principal - agent problem (Jensen and Meckling, 1976; Eisenhardt, 1989; Fama, 1980). The traditional finance view is the most dominant theoretical model of corporate governance (Letza *et al*., 2004; Clarke, 2004) with the underlying premise that shareholders' residual voting rights should ultimately commit the corporate resources to value maximization. This model recognizes the agency costs arising from the separation of ownership and control to ensure that managers act to maximise shareholders' wealth (Letza and Sun, 2002; Jensen and Meckling, 1976). Thus, Keasey *et al*. (1997) argue that the finance model can be incorporated into the agency theory as a Principal-agent or finance model.

Eisenhardt (1989) identified two main problems associated with the agency relationship and agency theory. Firstly, the interests of the Principal and agent conflict and the Principal have difficulties controlling what the agent is doing. This possibility of opportunistic behaviour on the part of the agent has the potential to work against the interest of the Principal (ibid). As such, the Principals cannot be certain that the agents, who make the decisions, will act in the shareholders' interests. Thus, the fundamental

supposition of agency theory is that, manager's act out of self-interest and are self-centred, thereby, giving less attention to shareholder interests (Fama, 1980; Fama and Jensen, 1983). Shareholder interests could be compromised, should managers pursue their self-interest to the detriment of maximising the wealth of the shareholder. To this end, Ross (1973) asserts that:

> *"The relationship of agency is one of the oldest and commonest codified modes of social interaction,…essentially all contractual arrangements, as between employer and employee or the state and the governed contain important elements of agency" (134).*

Secondly, the Principal and agent have different attitudes towards risks due to the differences in their risk preferences and differing goals. As far as Eisenhardt (1989) is concerned,

> *"the argument underlying the conflict of goals between the Principal and agent who is more risk averse than the Principal is portfolio diversification constraints based on managerial income" (p. 58).*

The majority of company's human capital is tied to the firm they work for, and therefore, their income is largely dependent upon the performance of their company (Denis and Kruse, 2000). Thus, agents may seek to avoid investment decisions which increase the risk of their company, and pursue diversifying investments which will reduce risk. Managers may seek to minimise the risk of their company's stock. Brennan (1995b) proposes that risk averse managers will prefer equity financing because debt increases the risk of bankruptcy and default. It is suggested that agency costs will be minimized whenever managers hold an equity stake in a company (Fama and Jensen 1983; Jensen and Meckling 1976; Schulze *et al*., 2002).

Agency cost refers to an internal cost that arises from, or must be paid to, an agent acting on behalf of the Principal to cause the agent to act in the Principal's interest

(Jensen and Meckling, 1976). These costs include: the costs of monitoring the behaviour of the agents, bonding costs and residual loss (Berle and Means, 1932; Jensen and Meckling, 1976; Eisenhardt, 1989). The cost of monitoring and controlling the behaviour of agents are expenditures paid by the Principal to measure, observe and control an agent's behaviour. For example, the costs of monitoring agent's behaviour through information systems, such as reporting procedures and to establish a contract based on the loss of the agent outcome (Schleifer and Vishny, 1997; Jensen and Meckling, 1976). Though, these costs are paid initially by the Principal, Fama and Jensen (1983) contend that they will ultimately be borne by an agent as their compensation is adjusted to cover these costs. Thus, there is the need for appropriate structures to be put in place to control the behaviour of agents. Also, costs are incurred in ensuring that agents adhere to these systems, known as the bonding costs (Jensen and Meckling, 1976). This notwithstanding, the effectiveness of this mechanism is at best questionable since investment policies are at the discretion of company management. This result in a residual loss arising from the conflict of interest between the managers and shareholders as the interest of managers and shareholders are still unlikely to be fully aligned, regardless of the monitoring costs and bonding costs. In sum, it is imperative that adequate governance mechanisms are put in place to monitor the behaviour of managers and protect the shareholder's interest.

Corporate governance defines how agency can be minimized in order to maximize the returns of the shareholder. Schleifer and Vishny (1997) argue that there are two effective solutions to agency problem, including: concentrated ownership and legal protection. The effects of ownership concentration on firm performance are motivated by the separation of ownership and control (Berle and Means, 1932) and agency theory

(Fama and Jensen, 1983; Jensen, 1989). Porter (1992) maintains that outside shareholders should be encouraged to own larger stakes and to assume a more active and constructive role in companies. Ownership concentration implies a higher level of monitoring commitment, thus, the need for expanded ownership to include directors, managers, employees and even customers and suppliers in order to ensure maximisation of the value of the firm, a reduction in agency costs as well as higher profits and share prices. Additionally, the legal system of a country is a key determining factor to its corporate governance structures, arrangements and practices such as: ownership structures, capital markets and shareholder protection laws and regulations (La Porta *et al*., 1998, 2000a; Denis and Kruse, 2000). It is argued that governance mechanisms limit managerial opportunistic behaviour (Fama and Jensen, 1983; Shleifer and Vishny, 1997) to constrain manager's ability to deviate from investors' interest. Hence, corporate governance could be considered as a system in mitigating agency problem between managers and shareholders.

Under the agency model, firms can be viewed as nexus of contracting relationships which goes beyond the shareholders to include other stakeholders. This serves as a focus for a complex process in which the conflicting objectives of individuals are brought into equilibrium within a framework of contractual relations (Jensen and Meckling, 1976). That is, the firm as a grouping of contracts should establish and continue renegotiating contracts constantly with their participants. Hence, contract plays a key role inside the firm and amongst the firms. The efficient working of the agency model is to determine the most appropriate contract governing the relationship between the agent and the Principal and the mechanisms to align the behaviour of the managers with the interest of shareholders (Letza and Sun (2002). Thus, contract aims to serve as

a vehicle for voluntary exchange (Alchian and Demsetz, 1972). Against this background, Letza and Sun (2002) maintain that:

> *"…all social relations in economic interaction are reducible to a set of contracts between Principals and agents. Contractual relations are the essence of the firm, not only between shareholders, but also with employees, suppliers, customers, creditors, and other stakeholders, the focus of the agency theory are on determining the most efficient contract governing the Principal agent relationship." (p. 46).*

The authors further suggest that the adoption of an optimal incentive scheme to align the behaviour of the mangers with the interest of the owners is contingent on the availability of information. One critical question agency theory seeks to answer is whether behaviour oriented contract (e.g., salaries) is more efficient and effective than an outcome-oriented contract (i.e., commissions, stock options) (Eisenhardt, 1989). To Letza and Sun (2002), the behaviour-based contract is optimal when agent behaviour is easily observable. In situations where the agent's behaviour is not fully observable, the Principal may acquire the information about the agent's behaviour and reward those behaviours, and to reward the agent based on outcomes (e.g., profitability). Consequently, the optimal contract is the trade-off between the cost of measuring behaviour and the cost of measuring outcomes and transferring risk to the agent (Eisenhardt, 1989).

2.2.1.2 The Myopic Market model

The Myopic market model is similar to the agency theory and the finance model that the firm's purpose is to maximise the wealth of shareholders. The short-term market value is said to be the shortcoming of the Agency theory (Clarkham, 1994; Moreland, 1995a). This model criticises the Anglo-American corporate governance system as being

fundamentally flawed by an excessive concern for short-term gains (return on investment, corporate profits, management performance, stock market prices, and expenditures) due to huge market pressures (Letza and Sun, 2002). The focus of the short term market value tends to be the basis for measuring corporate performance and managerial efforts. In effect, current corporate governance systems force managers to concentrate on short-term earning data and forecasts (current share prices and short term performance) without taking into account the long term investments of the firm such as research and development (Sykes, 1994; Moreland, 1995a). According to Letza and Sun, (2002: 48):

> *"...share prices do not reflect the true value of the firm as changes in the market share prices may arise from guesses about the behaviour and psychology of market participants and the changing moods and prejudices of investors, rather than from the estimations of corporate fundamental values".*

Consequently, share prices should not be used as a basis for decision making, or otherwise risk the company to hostile take-overs by institutional investors as the price of shares may drop at any time allowing investors to buy company stocks at a lower price (Keasey *et al*., 1997). Advocates of Myopic model suggest that firms should focus on long term investments and call for increased shareholder loyalty. Shareholders are allowed to voice their opinions on the firm's governance. Both managers and shareholders are encouraged to develop long-term interests. However, it is argued this measure may increase shareholders' exit cost, thereby making them more vulnerable to poor corporate governance and impede the market efficiency by preventing takeover attempts (Keasey *et al.*, 1997).

2.2.1.3 Stewardship Model

The stewardship model rejects self-interest and seeks other ends beyond financial interest such as: a sense of worth, a good reputation, a job well done, a feeling of satisfaction and a sense of purpose (Hendry and Kiel, 2004). Hence, there is no conflict of interests between manager and owners. A steward is a person who "essentially wants to do a good job, to be a good steward of the corporate assets" (Donaldson and Davis, 1991: 51). Letza *et al* (2004) claim that:

> *"based on the traditional legal view of the corporation as a legal entity in which directors have a fiduciary duty to the shareholders, the stewardship theory argues that managers are actually behaving just like stewards to serve the shareholders' interests and diligently work to attain a high level of corporate profit and shareholder returns."(p. 47)*

The stewardship theory holds that managers inherently seek to do a good job, maximise corporate profits and good returns to stakeholders. It suggests that managers have great responsibility and will act in the public interest through the effective use of resources for both shareholders and society as a whole. In particular, stewardship theory describes situations in which managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their Principals. Thus, Executives and board of directors are more motivated to act in the best interests of the firm rather than for their own selfish interests (David *et al*., 2001; Clarke, 2004). Managers acting as stewards have an obligation to ensure that all stakeholders benefit from the organisation's actions. As social entities that affect and are affected by the welfare of its larger stakeholder groups, corporations' are judged by their ability to add value to all their corporate stakeholders (Freeman, 1984). The stewardship model believes that a positive relationship between corporations and their stakeholders provide

a mutual benefit for all. It is important for corporate managers to consider being socially responsible to their stakeholders.

2.2.2.4 Corporate Social Responsibility (CSR)

The issue of corporate social responsibility has evolved considerably since it first emerged in the 1950s (Freeman, 1984; Carroll, 1999). The term has attracted worldwide attention and continues to grow in importance and significance (Carroll and Shabana, 2010; Gray *et al.*, 1995a). This stems from the advent of globalization and international trade which have reflected increased business complexity and new demands for enhanced transparency and corporate citizenship (Jamali and Mirshak, 2007). However, several definitions of corporate social responsibility exist with little disagreement about what the term means, whether it should be implemented, how it should be implemented, or why it should be implemented (Welford, 2004; Stigson, 2002). Ismail (2009:1) defines corporate social responsibility as:

> *"a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment".*

To others, corporate social responsibility (also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity) refers to the business philosophy that directs managers making policy and management decisions towards normatively correct performance regarding expectations of multiple stakeholders of the firm (Dentchev, 2009; Van der Laan *et al*., 2010). This implies that the organizations have to comply with legislation and voluntarily take initiatives to improve the well-

being of their employees, customers as well as for the local community and society at large. To quote Holme and Watt (2000), corporate social responsibility is:

> *"the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of the workforce and their families as well as of the local community and society at large"* (p. 3).

Drucker (1984) claims that, proper social responsibility of business is to turn a social problem into economic opportunity and economic benefit. That implies public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms. Advocates of corporate social responsibility encourage corporations to take into consideration not only of the economic matters in a company, but also the social and environmental concerns of business. There are a number of approaches on corporate social responsibility which encourgaes corporations to seek the maximum profits while obeying a moral minimum. Garriga and Mele´ (2004) identified four theories of corporate social responsibility: instrumental, political, integral and ethical theories. The instrumental theories are viewed as a strategic tool to achieve economic objectives and, ultimately, wealth creation (Carroll, 1999, 1979). Supporters of this approach argue that the only one responsibility of business towards society is the maximization of profits to the shareholders (Friedman, 1970; Jamali and Mirshak, 2007). The objective of the instrumental theory focuses on: maximization of shareholder value (short-term profit) and the strategic goal of achieving competitive advantages (long-term profits). In all these theories, corporate social responsibility is used as instrument for profit. In this respect, firms act as the basic economic unit in society and all its other roles are predicated on this fundamental assumption.

The political theories involve group of corporate social responsibility theories that places emphasis on interactions and connections between business and society and on the power and position of business and its inherent responsibility (Garriga and Mele, 2004). Amongst the major approaches to this theory are: Corporate Constitutionalism and Corporate Citizenship and integrative social contract (Ismail, 2009; Adetunji and Ogbonna, 2013). Under the corporate constitutionalism, social responsibility of businesses arise from the social power the firms have whiles in corporate citizenship and integrative social contract, the firm is understood as being like a citizen with certain involvement in the community. The role of business power in society and its consequent impact on society contributes to the debate on social responsibility (Adetunji and Ogbonna, 2013; Garriga and Mele, 2004). Under this approach, firms are considered as social institutions with social power and should use the power responsibly. Davis (1967) points out that:

> *''...social responsibilities of businessmen arise from the amount of social power that they have ... and whoever does not use his social power responsibly will lose it. In the long run those who do not use power in a manner which society considers responsible will tend to lose it because other groups eventually will step in to assume those responsibilities''(p. 48).*

Advocates of this approach suggest the need to limit organisational power like the government constitution does to define conditions for responsible use which leads to Corporate Constitutionalism. Donaldson (1982) viewed the relationship between business and society from the social contract perspective. The social contract approach is underpinned by the philosophical thoughts of Hobbes, Locke and Rousseau who imagined society without the civil state and later with it to highlight the expectation of society from the state. The assumption is that there is an implicit social contract between business and society which calls for some indirect obligations of business towards society ((Lantos, 2001; Uddin et al, 2008; Ismail, 2009). The authors argue that

the approach would overcome some limitations of deontological and teleological theories applied to businesses. In this regard, the approach is used in a sense quite close to corporate philanthropy, social investment or certain responsibilities assumed towards the local community. Philanthropy responsibility meets the desires of stakeholders as optional contributions and criticised as been most controversial of all the dimensions due to its blurred boundaries and conflicting implications with profit making perspective of firms (Jamali and Mirshak, 2007; Carroll, 1999). Corporate citizenship is viewed as a new conceptualization of the role of corporations in the protection of citizenship in case government fails (Garriga and Mele, 2004).

The integrative theories refer to the way business integrates social demands, arguing that business depends on society for its existence, continuity and growth.. In effect, corporate management should take into account social demands and integrate them in such a way that the business operates in accordance with social values. Thus, the content of corporate social responsibility is influenced by the values of society at that moment, and comes through the company's functional roles (Preston and Post, 1975; Uddin et al, 2008; Ismail, 2009). Ubius and Alas (2009) hold that companies will necessarily have to take into account cultural differences when defining their corporate social responsibility policies and communicating to stakeholders in different countries. As a result, corporate social responsibility should emphasis the idea of process rather than principles. In the same vain, Jones (1980:65) insists that:

> *"corporate behaviour should not in most cases be judged by the decisions actually reached but by the process by which they are reached".*

Ethical theories are the final group of theories on social responsibility and focus on the right thing to achieve a good society. The ethical theories are concerned with the ethical

requirements that cement the relationship between business and society. This theory involves: normative stakeholder theory, universal rights, sustainable development and the common good. In relation to the stakeholder normative theory, ‘‘managers bear a fiduciary relationship to stakeholders’’ (Freeman, 1984, p. xx). To determine how corporations have to be governed and how managers ought to act, a normative core of ethical principles is required. This approach is grounded in business ethics (Freeman, 1984; 2008; Clarkson, 1995; Evan and Freeman, 1988, 2005; Phillips *et al*., 2003).Additionally, universal rights approach is based on human rights, labour rights and respect for environment whereas the sustainable development approach seek to meet the needs of the present without compromising the ability to meet the needs of future generation (World Commission on Environment and Development, 1987, p. 8). Finally, the common good approach regards business as a social group or individuals in society working together for the common good (Ismail, 2009; Garriga and Mele, 2004). Solomon *et al.,* (2002) observes that regulations only determine the limits of tolerable behaviour; they neither define ethics nor “legislate morality”. Ethical responsibility overcomes the limitation of law by creating an ethics ethos that companies can live by. This dimension of social responsibility involves activities that are moral, right, just, and fair but not necessarily codified into law which are expected of business by society (Lantos, 2001; Carroll, 1999). Jamali and Mirshak (2007) criticise this dimension due to its blurry definition and consequently the difficulty in its application by businesses.

Much research evidence in corporate social responsibility shows that there are still emerging issues such as the effect of: national cultural context (Van der Laan Smith *et al*., 2010; 2005; Tang and Koveos, 2008), corporate governance (Haniffa and Cooke, 2005; Wang *et al.,* 2008), environmental performance (Clarkson *et al*., 2008; Haniffa

and Cooke, 2005) among others influencing corporate social responsibility reporting. Also, there is empirical evidence to show that there is a positive link between social and financial performance (Orlitzky *et al.*, 2003; Waddock and Graves, 1997). Tanimoto and Suzuki (2005) regard corporate social responsibility as a concept whereby companies fulfil accountability to their stakeholders by integrating social and environmental concerns in their business operations. In an attempt to bridge the thin wedge between business and ethics (Carroll, 1999; Heinze, 2005; Schreuder, 1978), corporate board of directors and senior managers are confronted with the challenging task of applying societal ethical standards to responsible business practice (Morimoto *et al.*, 2005). The thesis investigates the influence of national culture on the behaviour of board of directors towards the ethical dimension of corporate social responsibility practices in Ghana.

2.2.2 Stakeholder perspective

The stakeholder perspective clearly rejects the view that shareholders have a privileged place in the business enterprise and argues in favour of giving more voice to stakeholders (Freeman and Reed, 1983; Freeman, 1984, 2005). The traditional definition of stakeholders as "any group or individual who can affect or is affected by the achievement of the organisation objectives" (Freeman, 1984, p. 46) acknowledges that stakeholders can influence the organisation, but also are affected by the organisation. However, one of the primary challenges in stakeholder analysis has been the construction of a universally accepted definition of the term *stake* (Donaldson and Preston, 1995). Though, Freeman's (1984) definition is one of the most frequently cited in the literature, it is criticised as having a lack of clarity in terms of both the

stakeholder and the stake (Pesqueux and Damak-Ayadi, 2005; Waxenberger and Spence, 2003). The ambiguity of the scope of stakeholder definitions has resulted in different categorisations of stakeholders in the literature (Mitchell *et al*., 1997; Phillips, 2003a). In an attempt to clarify the different levels of stakeholder relationship, Clarkson (1995) introduces a distinction between primary stakeholders (market) and secondary stakeholders (non-market). The author defines primary stakeholder group as:

> *"one without whose continuing participation the corporation cannot survive as a going concern" – with the primary group including "shareholders and investors, employees, customers and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due" (1995: 106).*

These relationships are characterized by mutual interdependence. This means that, primary stakeholders' are internal stakeholders who engage in economic transactions with the business. On the other hand, secondary stakeholders play some intermediary role and may have an important effect on the project outcome. According to Clarkson, (1995), secondary stakeholders are: "those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival" (p. 106). Secondary stakeholders are usually external stakeholders and include those who although do not engage in direct economic exchange with the business, are affected by or can affect its actions. For example, the general public, communities, activist groups, business support groups, and the media.

Since the publication of Edward Freeman's Strategic Management: A Stakeholder Approach in 1984, stakeholder theory has occupied a great deal of managerial research and debates in the academic literature (Laplume *et al*., 2008; Donaldson and Preston,

1995). In an attempt to bring greater clarity and rigor to stakeholder theory, Donaldson and Preston (1995) identified three interrelated but distinctive approaches to examine stakeholder issues based on their underlying theoretical dimensions. These are: descriptive, instrumental and normative approaches to stakeholder theory. The approaches offer managerial and practical scope which constitutes a base for the development of stakeholder theory (Freeman, 2008). Descriptive and instrumental approaches considered as analytical and normative as core part of the stakeholder theory. While the analytical part attempts to understand how managers deal with stakeholders and represent their interest in the achievement of various corporate goals, the core of the stakeholder theory addresses directly the moral justification of the organisation and the ethics of stakeholder management.

Donaldson and Preston (1995) define descriptive stakeholder theory as "…a model which describes the corporation as a constellation of co-operative and competitive interests possessing intrinsic value" (p. 66). The analytical approach is based on the identification of stakeholders and analysis of specific stakeholder perspectives to show the interrelationship between stakeholder attributes, contextual factors and managerial behaviour. It describes the value-free of what firms do or what they are able to do (Stephens and Shepard, 2005) and determines how firms interact with their multiple stakeholders (Brenner and Cochran, 1991; Jawahar and McLaughlin, 2001; Rowley, 1997). Advocates of this approach argue that managers should take into account the potential impact of the stakeholder interest and actions on organisation's performance. Many studies suggest that this approach describes organizational and managerial behaviour to stakeholders and environment (Brenner and Cochran, 1991; Hill and Jones, 1992; Rowley, 1997). Brenner and Cochran (1991) argue that organizational behaviour

is contingent upon the nature of the situation, values and influence of the stakeholders over the firm. This approach provides managers a unique position as they are stakeholders themselves and represent other stakeholders. As far as Rowley (1997) is concerned, organizations exist in a network where stakeholders have ties with the organizations and with each other. To Mitchell *et al* (1997) it is difficult for organisations to address all stakeholder concerns due to limited resources. The authors proposed a rule for prioritising stakeholder relations: the stakeholder group's "power" that may influence the firm; the "legitimacy" of the relationship between the stakeholder group and the firm; and the "urgency" with which the stakeholder group has a claim on the firm. Mitchell *et al*. (1997) conclude as:

> *"Stakeholder salience will be high where all three of the stakeholder attributes of power, legitimacy, and urgency—are perceived by managers to be present", moderate stakeholder salience when two attributes are perceived to be present and low salience when only one attribute is perceived to be present (p. 878).*

Through legitimacy, power and urgency, managers are able to identify the degree of salience and types of stakeholders who get more attention (Fontaine *et al*. 2006; Jawahar and McLaughlin, 2001; Mitchell *et al*., 2011). Descriptive stakeholder theory is essentially a narrative of how organizations operate and exist in an intrusive environment. It is possible that there are some stakeholders who do not have power but are still important to managers or the organisation. Maignan (2001) suggests that the most important stakeholder issues are determined by considering those issues dictated by organizational values or policy and norms. This approach is criticised as been simply descriptive and lacking clear objective (Treviño and Weaver, 1999).

This approach establishes a framework for examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate

performance goals (Clarkson, 1995). It is concerned with the impact of stakeholders on corporate effectiveness. Under this approach, the corporation is regarded as an entity to achieve success in the marketplace by strategically managing stakeholders (Jones, 1995; Jawahar and McLaughlin, 2001) through the adoption of mechanisms to achieve desired outcome, principally profitability. Kakabadse *et al.* (2005) assert that the instrumental stakeholder theory appears more vulnerable to criticism. This is due to the fact that the approach justifies the inclusion of stakeholders' claims in the strategy-making through merely economic reasons. Though, it makes good business sense to take into account the stakeholders' viewpoints that will lead to profitability, this stakeholder viewpoint does not automatically introduce "the moral point of view", for the organisation and lacks the essential necessary commitment to "good citizenship" (Goodpaster, 1991). From this perspective, Goodpaster and Holloran (1994) conclude that this approach may lack moral or ethical underpinnings as it ends up being purely self-interested actions to pursue economic objective.

Normative stakeholder theory provides solutions to the fundamental questions: "what are the responsibilities of the company in respect of stakeholders?" and "why companies should take care of other interests than shareholders' interests?" In this approach, stakeholders have legitimate interests in the "procedural and/or substantive aspects of the firm," and all stakeholder interests have intrinsic value (Donaldson and Preston, 1995; Freeman, 1984; Clarkson, 1995). This viewpoint identifies moral values and philosophical principles for managers to perform their role. Freeman (2008) suggests a separation between economics and ethics spheres which presupposes that every organization should define fundamental moral principles, and use these principles as a basis for decision making. Managers are expected to make corporate decisions

respecting stakeholders' well-being rather than treating them as means to a corporate end. The purpose of the firm is to serve as a vehicle for co-ordination of stakeholders' interests (Blaire, 1995; Evans and Freeman, 1993; Sherwin, 1983).

Phillips *et al*. (2003) assert that various business ethicists seem to find the case for normative approach to stakeholder model attractive: Aristotelian ethics (Solomon, *et al.*, 2002), Kantian theory (Evan and Freeman, 1993, 2003; Lea, 2004), feminist theory (Lampe, 2001; Wicks *et al*., 1994) and the principle of fairness (Phillips, 1997). Therefore, this approach is grounded in business ethics and corporate social responsibility literature (Freeman, 1984; Clarkson, 1995). The assumption is that organisations, as opposed to individuals possess moral status and therefore have to act in a morally responsible manner. However, the challenge of this model to effective corporate governance arrangement is that the definition of stakeholders virtually includes 'everyone, everything and everywhere' (Sternberg, 1997, 2000). This implies that organisations may be faced with a bewilderingly complex set of claims that cannot reasonably be accommodated. However, the approach has its critics in the private sector domain and that the concern for the intrinsic interests of all legitimate stakeholders sometimes dictate that a firm should go out of business (Friedman, 1970; Treviño and Weaver, 1999).

Donaldson and Preston (1995) contend that though the three approaches to stakeholder theory are distinctive, "the normative base serves as the critical underpinning for the theory in all its forms" (p. 66). In order to provide management with a more functional and less complicated framework, researchers have attempted to establish a set of determinants of stakeholder salience for managers (Harrison and Freeman, 1999;

Michell *et al*., 1997). Stakeholder salience goes beyond the identification of stakeholders, and refers to the degree to which managers give priority to competing stakeholder claims, as current stakeholder framework does not clearly explain the dynamics and the complex considerations inherent in each stakeholder (Michell *et al*., 1997; Parent and Deephouse, 2007). It is important to note that neither of the dimensions is complete without the other. Freeman (1999) clearly pointed out that

> *"what we need is not more theory that converges but more narratives that are divergent; that show us different but useful ways to understand organisations in stakeholder terms." (p. 233).*

It is evident that corporations should take into account the interests of all stakeholders. Stakeholder theory is criticized as being incompatible with business and all substantive objectives detrimental to both accountability and private property. To that end, Sternberg (1997: 3) contends that stakeholder theory is "incapable of providing better corporate governance, business performance or business conduct". In order to address the criticisms, Jensen (2001) proposes that, stakeholder theory should specify the objective function of the firm which is to maximize the total long-term firm value and the array of satisfaction as a whole. This provides corporate executives the opportunity to assess the trade-off among competing constituencies. The next section discusses the two corporate governance models of the stakeholder perspective, namely: the abuse of the executive power model and stakeholder theory. These models believe in a broad sense of stakeholding welfare as the purpose of the corporation.

2.2.2.1 Abuse of Executive Power Model

The fundamental argument of the abuse of power model rest on the premise that, current corporate governance problems arise from giving excessive power to corporate elites'

(Keasey *et al*., 1997). Some of these senior managements abuse the power in pursuit of their own self – interest (Hutton, 1995). The outcome is detrimental to shareholders wealth and the society as a whole. Under this model, stakeholders' do not have enough powers to be involved in the decision making process of the firm. Thus, the notion of self-regulation is ineffective as it leads to many abuses such as dividends and salary increments, being overlooked. Supporters of this approach dismiss current corporate governance checks and balance mechanisms, including: outside directors, the audit process and takeover bid, as effective mechanisms to control managerial behaviour and suggest mechanisms such as fixed-term contract and independent nomination of outside directors to curb the excessive powers of senior management (Kay and Silberston, 1995). Notwithstanding, fixed-term contracts may well force management to overly emphasize short-term gains, which happens to be the situation the myopic model tries to avoid. It is hard to find a robust pay-performance relationship in senior management remuneration.

2.2.2.2 Stakeholder Model

The stakeholder model is the most fundamental challenge to the Principal-agent model. This model assumes that values are a part of doing business and that ethics and economics are not mutually exclusive. To Freeman's (1984), stakeholder theory is essentially a normative theory with instrumental and descriptive dimensions. As the core of stakeholder theory, the normative theory is communicated in two main questions; that is, "what is the purpose of the firm?" and "what responsibility does management have to stakeholders?". While the first question encourages managers to articulate the shared value created and what brings its stakeholders together, the second

question induces the managers to formulate what relationships they need to cultivate with the stakeholders to accomplish their purpose (Freeman *et al*., 2004). In general, the assertions that:

> *"managers must develop relationships, inspire stakeholders and create communities where people strive to give their best to make good the firm's promises" are fundamental to the stakeholder theory (Freeman et al., 2004: 364).*

It describes how managers and organisations treat the interest of stakeholders in a moral and appropriate way. However, the stakeholder theory of the firm focuses on economic analysis, including: agency problems, transaction costs, and property rights (Alchian and Demsetz, 1972; Jensen and Meckling, 1976). Theories of the firm view the corporation as a nexus of contracts to alleviate incentive conflicts between shareholders and managers as well as among different members within the firm (Cheung, 1983). Studies of contract can be divided into two, namely: complete and incomplete contracts. Complete contracting perspective assumes that agents are able to anticipate all future possibilities and draw up detailed contracts without costs (Grossman and Hart, 1986). Incomplete contracting perspective highlights the costs of drafting sophisticated contracts and the importance of carrying out *ex post* monitoring (e.g., Alchian and Demsetz, 1972; Hart, 1989). Hence, stakeholder theory views the firm as an entity through which "diverse participants" achieve multiple goals.

The shareholder versus stakeholder models is reflected in the debate regarding the role of corporate social responsibility. The on-going debate is not whether businesses should or should not provide corporate social responsibility but rather, how and why organisations should act responsibly (Margolis and Walsh, 2003; Campbell, 2006). Friedman (1970) argues that the only social responsibility of business is to increase its profits, in line with the neo-classical economic principles of free market, economic

efficiency, and profit maximisation; and that corporate organisations have no direct social responsibility to the society in general (Shaw, 1999). Corporations' main goal is to enhance shareholders' profit maximisation. On the other hand, Freeman, (1984) argues that businesses provide social responsibility to improve the welfare of society beyond gaining direct benefit because ethically it is a vital component of business practice.

In relation to the two competing perspectives of corporate governance, current analyses draw more attention to evaluating and judging the superiority, rationality and universality of either the shareholder model or stakeholder model (Letza *et al*., 2004). To minimise the one-sided arguments, corporate governance needs to focus on reflexive thinking through critical examination of the main theories, approaches and assumptions of the two perspectives. From this standpoint, the authors suggest the analyses step beyond the narrow confines of the respective interests of the shareholder and stakeholder perspectives; and to investigate their underpinning theoretical genealogy, ideology, presuppositions and value systems. In reality, there seems to be a paradigm shift with both perspectives increasingly drawing attention worldwide in recent times. Stoney and Winstanley (2001) contend that countries such as Germany and Japan, which had traditionally stakeholder-committed model, have moved closer towards a more shareholder valued and market-based model due to globalisation competition. Corporate governance is flexible and dynamic and the claim of superiority of both perspectives is neither permanent nor universal but contextual. The next section examines the two major corporate governance systems practiced worldwide.

2.3 Corporate Governance Systems

Countries articulate the primary objective of the corporation in different ways and thus, corporate structures and governance arrangements differ widely from country to country. This has resulted in the creation of different systems of corporate governance (Branson, 2012). The system of corporate governance influences the decisions undertaken by firms and the subsequent impact on a country's wealth creation. Weimer and Pape (1999) define a system of corporate governance as:

> *"a more or less country specific framework of legal, institutional and cultural factors shaping the pattern of influences which stakeholders exert on managerial decision making"* (p. 153).

The authority structure of firms can be organised in a variety of ways which shape the corporate form in relation to corporate practice and company law (Branson, 2012). Moreland (1995a, b) categorised systems of corporate governance into "market-oriented" and "network-oriented". The fundamental feature of the "market oriented" system is the active role of the market for corporate control and the "network-oriented" system is characterized by the existence of oligarchic groups, which influence managerial decision making through networks of stable relationships such as cross-shareholdings and interlocking directorships (Solomon and Solomon, 2004). With reference to the legal structures and financing arrangements of corporations, corporate governance system is divided into "outsider" and "insider" model (Solomon and Solomon, 2004; Weimer and Pape, 1999; Clarke, 2004). Under the outsider model, managers direct corporations but the equity capital is owned largely outside the corporation by shareholders. This system of outsider control is prevalent in Britain (Mayer, 2000; Heinze, 2001) and in the United States (O'Sullivan, 2000). This model is

characterised by dispersed ownership, liquid capital markets and strong investors' legal protection. In respect to these assumptions, managers seek to maximise their self-interest and considers the corporation as a *nexus of contracts* (Jensen and Meckling, 1976). To direct managements' self–interest to shareholder's interest, an effectively established and functioning board of directors, aligning the interests of shareholders and management through the development of innovative remuneration schemes and curtailing managerial excesses with the establishment of rigorous internal control systems (Denis, 2001). On the other side, the basic assumptions of the insider model are the strong legal protection of creditors, a highly concentrated ownership and control residing with a small number of shareholders, and other stakeholders and relatively illiquid capital markets (Nestor and Thompson, 2001; Sheridan and Kendall, 1992; Solomon and Solomon, 2004). Banks play a more significant role as the principal sources of finance in large and listed corporations than securities markets. Thus, a small number of dominant shareholders are able to play an active role in the governance of the corporation, and this proximity of ownership and control should ease the agency problem that is so characteristic of the outsider model. The market-based and network-based models are related to the "outsider" or "insider" models (Solomon and Solomon, 2004, p.149). Thus, market-based (outsider) refers to the belief in the capacity of efficient labour and capital markets to resolve the agency problem; and network-based (insider) refers to the close relationships between the corporation and the key stakeholders.

Based on the division proposed by Moreland (1995a, b), Weimer and Pape (1999) suggested four classifications of systems of corporate governance, including:

i. the Anglo-Saxon countries (the United States, the United Kingdom, Australia and Canada);
ii. Germanic countries (Germany, the Netherlands, Switzerland, Sweden, Austria, Denmark, Norway and Finland);
iii. Latin countries (France, Italy, Spain and Belgium);
iv. Japan.

The "market-oriented" system prevails in the Anglo-American countries and the "network-oriented" system in the Continental European and Asian countries (Clarke, 2004; Braendle and Noll, 2006; Weimer and Pape, 1999). However, the categorisation of the governance systems is commonly based on the distinction between shareholder and stakeholder perspectives (O'Sullivan, 2001; Kakabadse and Kakabadse, 2001; Friedman and Miles, 2002). This distinction seeks to separate corporate governance practices according to the differing behavioural objectives and obligations of firms. From this standpoint, corporate governance systems across different institutional environment are viewed from the Anglo-Saxon system and the Continental European and Asian (Germany and Japan) model (Shleifer and Vishny, 1997; Fernando, 2009). The Anglo-American model places attention on the primacy of ownership and property rights while the Continental European and Asian model focuses on the need to satisfy societal expectations (Gregory, 2000; Fernando, 2009).

In general, corporate governance systems address issues such as: capital market mechanisms, legal framework, factor markets and private or public institutions to act as owners or corporate governance principals in the economy (Sheridan and Kendall,

1992). The differences between the systems of corporate governance could be viewed from seven main dimensions. These are:

i. the concept of the firm,
ii. the board system (two tier or one tier),
iii. which stakeholder group of the firm exert influence over managerial decision making processes,
iv. the relevance of the stock exchange,
v. the presence of the active market for corporate control,
vi. relative ownership concentration, and
vii. the nature of relationships that the institutional environment encourages (Weimer and Pape, 2000; Bradley *et al*., 1999).

The following section summarises some of the key differences in the Anglo – American and Continental European and Asian models of corporate governance worldwide and identifies moral principles that can be related to these, beginning with the Anglo-American model.

2.3.1 Anglo-American Model

This approach to corporate governance regards the corporation as a combination of managerial directors operating for the benefit of shareholders, or as an instrument for the creation of shareholder value (Weimer and Pape, 1999). Corporations grew and gained substantial economic power with increasing number of shareholders and smaller ownership stakes. With increasing shareholder dispersion, Berle and Means (1932) identified the separation of ownership (shareholders) and control (management). The corporate form of organisation, especially in relation to the concept of separation of

ownership and control, is considered fundamental feature of this approach (Berle and Means, 1932; Fama and Jensen, 1983). In the USA, corporate governance focused on how the agency problem, resulting from this separation of ownership and control, could be resolved. While Jensen and Meckling (1976) focus on efficient contracting, Fama (1980) emphasised the role of efficient markets in reducing agency costs and resolving the problem of conflicting interests. Countries that adopt this model of governance follow the common law legal system which is oriented towards the protection of shareholders. This is evident in the various legal and regulatory frameworks which exerts influence on managerial decision-making.

The Anglo-American model is market – oriented (financial and capital) approach where corporate boards and their managers are considered to be key instruments for creating shareholders' wealth (Fisher and Lovell, 2003). Weimer and Pape, (2000) argued that the market – oriented system of the Anglo-American model has an active external market for corporate control. This serves as a mechanism for independent shareholders to influence managerial decision making. The ownership structure of this model is characterised by low concentration of ownership where Company's shares are relatively widely held (Roe, 2003; Weimer and Pape, 2000). In this approach, the governing body adopts one tier model which assigns both the monitoring and the executive functions of a company to one – tier board (comprising both executive and non-executive) (Hopt and Leyens, 2004). In general, Executive compensation is related to the company performance and as such managers prefer short-term goal at the expense of long term profits. In this system of governance, the role of government is to create an effective and competitive business environment in which corporations operate.

2.3.2 The Continental European and Asian (German – Japan) Model

This model involves two main systems: the continental European (German) and the Asian (Japanese), that provide alternatives to the Anglo-American model. Countries that adopt this model of corporate governance follow the civil law system. The civil law legal system has its foundation from the French Civil Code of 1804 (rename *Code Napoleon* in 1807) and greatly influenced by the development of the German Code (Borisova, 2008). These codes and statutes provide the prescriptions through which society and corporations are more highly regulated. Hence, the role of judges is not to express opinions, but rather apply the code. Most countries in Continental Europe (Excluding UK): Germany, Italy, France and Scandinavian countries have adopted this model of corporate governance.

With reference to ownership and financing structures of corporations, the state tends to have ownership or control interests in many companies, particularly those in the financial services sector. Due to the concentrated share ownership and stakeholder representation on supervisory boards, there is no real separation of ownership and control with dominant shareholders (Fohlin, 2005; Desender, 2009; Clarke and dela Rama, 2008). As a result, it is important that the rights of minority shareholders are enhanced. The role of Government's is to direct the economy through regulations and policies to ensure directors have adequate independence to properly monitor the performance of managers'. Clarke and dela Rama (2008) notes that:

> *"...most Continental European capital markets played a reduced role as many companies raised finance through loans mainly from banks and insurance companies rather than through a public listing"* (p.171).

The German model of corporate governance employs the two-tier system which assigns governing functions to two independent boards: the supervisory and the management boards (instituted in the 1870 company law) (Fohlin, 2005, p.261). This implies that both shareholders and other stakeholders are represented and participate in decision making (Monks and Minow, 2004). The role of the supervisory board is to supervise and scrutinise the affairs of the business and the conduct of the directors. In addition, specific provisions were made for employee representation. The company and its managers seek to balance the interests of a variety of key stakeholder groups (Solomon and Solomon, 2004). Thus, this approach favours the stakeholder model (Tricker, 1994, 2000; Scott, 1997) and the insider model. Consequently, senior managers in this system are less autonomous than their US and UK counterparts (Vitols *et al*, 1997). The two-tiered board system remains more accountable to both large owners, banks employees and even local community. In addition, the stock market plays a less significant role as compared to the Anglo-American model. Again, while the Anglo-American model focuses on the shareholder, the German model focuses on the employees and the enterprise as a whole. Shareholders are considered to be one of the stakeholders and their interest taken care of during the decision making process of the companies (Monks and Minow, 2011).

The Japanese model tends to reflect many of the structures of the continental European model, including its legal system, employee participation, board structure and mechanisms for monitoring of managers (Roe, 2003). The legal system is largely influenced by the German civil code. Japan corporate governance environment follows the stakeholder-oriented approach with concentrated ownership structure dominated by banks (Tricker, 1994, 2000; Scott, 1997). In this model, ownership is more dispersed

with relatively high concentration. Hopt and Leyens (2004) argue that the board of directors, office of representative directors, and office of directors are regarded as central to the governance system. Additionally, the stock market plays a reduced role in mobilising finance as compared to the Anglo-American model. According to Clarke and dela Rama (2007), the role of Government is protecting some industries and oligopolies, accompanied by various barriers to non-Japanese businesses (p. 209). This model supports long-term and stable economic commitment. In relation to the corporate governance system discussed, this study investigates how the western Anglo-American corporate governance system in Ghana operates within a relational socio-cultural value system and its' implications for ethical corporate governance practice.

2.4 International Initiatives on Corporate Governance

2.4.1 Development of Corporate Governance in the UK

Corporate governance was highlighted as an issue of international concern, following the Cadbury Report (1992) in the UK. The development of corporate governance in the UK could be traced to the late 1980s and the 1990s in the wake of corporate scandals in four major public companies such as: Maxwell Corporation, Polly Peck, Bank of Credit and Commerce International and Barings Bank. This led to the establishment of the Cadbury Committee Report (1992) on the "Financial Aspect of Corporate Governance" in the UK. This report outlined a number of recommendations around the separation of the role of an organization's chief executive and chairman, balanced composition of the board, selection processes for non-executive directors, transparency of financial

reporting and the need for good internal controls including Code of Best Practices. This witnessed the publication of the Combined Codes on corporate governance in the UK and other Codes in many other countries (Stiles and Taylor, 2001; Monks and Minow, 2004). The Combined Codes of corporate governance system passed through two stages (Nwanji and Howell, 2004). The first stage of the Code emerged in 1998 from committee reports and included report from the following Committees:

(i) The Cadbury Committee Report (1992), on the Financial Aspect of Corporate Governance

(ii) The Greenbury Committee report (1995), on Remuneration of Executive directors'

(iii) The Hampel Committee Report (1998) was established to review the extent to which the Cadbury and Greenbury Reports had been implemented and whether the objectives had been met.

This led to the publication of the first Combined Code on corporate governance in 1998 which covered areas relating to structure and operations of the board, directors' remuneration, accountability and audit, relations with institutional shareholders, and the responsibilities of institutional shareholders. The Combined Codes was applied to all listed companies and required companies to provide in their annual reports a narrative statement of how they have applied the Code principles and state that they have complied with the Code provisions or, if not, why not and for what period. There was the need for companies' guidance on how this should be approached which resulted in:

(iv) Turnbull Report (1999), on Internal Control: Guidance for directors to be responsible for the effective risk management of their organizations. The

Guidance is a Securities and Exchange Commission (SEC) approved framework for management to show that they have adequate internal control structures and financial reporting procedures in place in order to comply with section 404 of the Sarbanes-Oxley Act 2002.

The second stage of the Combined Codes resulted following the collapse of three US organizations (Enron, WorldCom and Arthur Andersen in 2001):

(v) The Higgs' Committee Report (2003), on the Role and Effectiveness of Non-Executive Directors**.** The Smith Committee Report (2003), on Audit Committees and Combined Code Guidance

The recommendations from Higgs and Smith reports which made changes to the first stage of the Combined Code of corporate governance concluded the second stage and applied to all companies listed on the stock market (Nwanji and Howell (2004). This had a significant influence on corporate governance debates internationally. However, the Sarbanes-Oxley Act was introduced in 2002 to increase the accountability of auditing firms to remain objective and independent of their clients (Jahmani and Dawling, 2008). Furthermore, the European Union through the European Commission's Corporate Governance and Company Law Action Plan has significant influence on corporate governance of all member states (Financial Services Authority, 2009**).** The Commission recommends a combination of legislative and regulatory measures for all member States; and this has implications for EU and International financial services regulation and UK corporate governance system. The following Reviews resulted in the publication of the recent UK Corporate Governance Code:

(vi) Turner Review (2009), on the causes of the global financial crisis which proposed the redesign of regulation and supervisory approach needed to

create a more robust banking system for the future in the financial markets, and support the broader economy that focuses on stabilizing the banking system to protect people's savings and the economy.

(vii) Walker Review (2009), on corporate governance in UK banks in the light of the experience of critical loss and failure throughout the banking system.

In 2010, the UK Financial Reporting Council published a new version of the UK Corporate Governance Code. The UK Corporate Governance Code is the Principal set of corporate governance principles applicable to listed companies in the UK. The Code is considered to be the "gold standard" for corporate governance principles and all UK-listed companies are encouraged to comply with it as far as possible.

2.4.2 Influence of Globalization and Europeanization on Corporate Governance

Globalization and Europeanization have been in the centre of the analysis of most theoretical approaches in the last two decades. Both globalization and Europeanization are multi-dimensional terms describing complex phenomena with vast literature discussing the subjects (Ladi, 2007: Howell, 2004; 2009, Habermas, 2005; Boerzel, 1999; 2002; Giulani, 2001; Radaelli, 2007). This study therefore investigates the mechanisms through which globalization, Europeanization, and other international financial institutions such as the World Bank, OECD and International Monetary Fund (IMF) policy initiatives impact on the corporate governance system in developing countries. Globalization is a broad and complex concept with no universally agreed definition. Stiglitz (2002, p.282), defines globalization as:

> *"the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and people across borders".*

Globalization designate the intensification of world-wide of social relations linking distant localities in such a way that "local happenings are shaped by events occurring many miles away and vice versa" previously existed in isolation (Giddens, 1990, p.61). The definition of globalization stresses the cultural and economic implications of the concept of globalization. Globalization may be business' response to universalism; trying to normalize activities in various industrial and service sectors could create a common base of norms and values simplifying ethical decision making as well as preventing ethical dilemmas. There has been a considerable conceptual contestation regarding the actual meaning of Europeanization (Howell, 2009; Vink, 2003; Gwiazda, 2002; Olsen, 2001). The bulk of the literature speaks of Europeanization as domestic change caused by the process of integrating the economies of Europe (Ladi, 2007; Howell, 2009; Vink, 2003, Vink and Graziano, 2006). This economic integration has produced a number of legislative initiatives that impinge upon national corporate governance regimes at the EU level and even beyond (Howell, 2004; Radaelli, 2000; Boerzel and Risse, 2000; Goetz and Hix 2000, Cowles, *et al*, 2001). The European Union (EU), which is perhaps the most, developed regional organisation with an influence that extends outside its geographical borders.

The EU facilitates globalisation because through its values it promotes Western liberal democracy (Ladi, 2007, p. 6-7). Europeanisation is seen to be mediating between the state and globalisation which allows for a selective reaction to the pressures of globalisation (Wallace, 2000; Ladi, 2007, p. 9; Howell, 2009). The World Bank and the

International Monetary Fund (IMF) are in fact, the most quoted international actors able to ensure the implementation of EU Policy Priorities (Deacon *et al*, 1997; Orenstein, 2005; Muller, 2004; Manning, 2004). The EU operates in a global context where it has to negotiate its choices with the US, non-state actors and private bodies such as the International Accounting Standards Board to set many corporate governance standards, and International Organisations like the OECD to disseminate norms for good corporate governance.

The OECD Principles

The Organisation for Economic Co-operation and Development (OECD) developed a set of principles for effective corporate governance practice in both developing and developed countries. These principles provide a broad framework for member countries to develop their own corporate governance guidelines of best practices (OECD, 1999; 2004; Monk and Minow, 2004, 2011; Melyoki, 2005). The principles for effective corporate governance issued by the OECD in 1999 and revised in 2004 lay out several general provisions for protecting stakeholder interests and shareholder rights. The principles are organised under six headings: the right of shareholders and key ownership functions, equitable treatment of all shareholders, the role of stakeholders in corporate governance, disclosure and transparency, ensuring the basis for effective corporate governance framework and responsibility of the board of directors. The OECD considers informed corporate governance standards as critical in restoring investor confidence and promoting sustainable economic growth (Reddy, 2001). However, there appears to be a fundamental problem. Solomon and Solomon (2004) pointed out “their impotence, as they have no legislative power” (p.154). The power of applicability of its

principles seems very little in terms of enforceability. This enforceability, or the lack of it, seems to trickle down to different countries based on their method of 'regulating' corporate governance and cultural differences. This brings us back to the research question, how effective is the corporate governance system within the public sector organisation in Ghana?

2.5 Corporate Governance in Developing Countries

The pressures of the increasing globalisation of the world economy, and the adoption of International Monetary Fund/World Bank led economic reforms, coupled with the recent financial scandals in several developing and developed countries have forced a number of developing countries to adopt the corporate governance ideals (Reed, 2002; Gugler *et al.,* 2003; Tsemanyi *et al.,* 2007). Reed (2002) contends that: the poor economic performance and high international debt levels in developing countries and emerging markets compelled the World Bank and International Monetary Fund to intervene in an effort to improve the corporate governance systems.

The creation of corporate governance has received considerable attention by both national governments and international organisations, notably: the Organisation for Economic Co-operation and Development (OECD), Commonwealth Association for Corporate Governance CACG) International Organisation for Securities Commission (IOSCO) and the World Bank to improve the effectiveness and standards of corporate governance practices (Reed, 2002; Gugler *et al.,* 2003; Tsemanyi *et al.,* 2007). With the support of donor and other multilateral organizations, developing countries embarked

on major corporate governance development such as: privatisation of the state owned enterprises; economic liberalisation; the establishment of legal, regulatory and institutional framework; and the development of codes of best practice in some countries (Adu-Amoah *et al.,* 2008; Tsemanyi *et al.,* 2007; Prempeh, 2002c). These reform initiatives have played a critical role in assisting developing countries to set up appropriate mechanisms to develop effective corporate governance systems.

In spite of these developments, corporate governance systems in developing countries are still plagued with several challenges: underdeveloped capital markets such that minority shareholders are unable to influence corporate governance, weak institutions, poor protection of investors, ineffective boards of directors, and the lack of well-developed financial information gathering agents such as financial analysts (Okeahalam and Akinboade, 2003; Mensah, 2002, 2003). Indeed, corporate governance practices used in developed countries are not directly applicable in developing economies due to differences in cultural, political, economic and technological systems. The issues of corporate governance in most developing countries are still evolving (Solomon and Solomon, 2004). Developing countries have adopted a mixture of governance structures found in the developed economies. Corporate governance systems are linked with the institutional framework and legal systems (Common law or Civil law) which reflect the legacy of the colonial past between the developing and the developed countries (La Porta *et al.,* 2000; Melyoski, 2005). The legal origin shapes the corporate law, in particular the extent to which it protects external investors. Against this background, corporate governance systems in developing countries reflect the institutional and legal framework of their linked colonial past.

However, critics argue that the theoretical propositions (such as strong legal system and capital market) of the Anglo – American model of corporate governance are in conflicts with the traditional cultural values, institutional and legal infrastructure of developing countries (Adu-Amoah *et al.,* 2008; Ogbechie *et al.,* 2009; Wanyama *et al*., 2009). These conflicts have necessitated problems of compliance and enforcement in developing countries corporate governance systems (Black *et al*., 2010; Ogbechie *et al.,* 2009). Giurca Vasilescu (2008) asserts that, some developing countries may have similar set of institutional and regulatory arrangements (laws, regulations, contracts and norms) as it pertains in the developed economies. Meanwhile, such institutional and regulatory frameworks are less effective in the developing countries (Giurca Vasilescu, 2008; Prempeh, 2002b).

2.7 Conclusion

The mainstream conceptualisation of corporate governance is based on the nature and purpose of corporations and governance approaches. The way corporations evolve shapes how they are viewed by society. A corporation is viewed as a solid and enduring entity or the aggregation of individual entities, with a clear division between inside and outside, the corporation and its environment, and with a fixable identity of shareholders and stakeholders (Letza *et al.,* 2004). In situations where the evolution of a corporation is characterised by individual contributions to the firm's capital for the pursuance of their economic interests, an instrumental view of the corporation tends to evolve. In this perspective, it becomes the right of those who contributed capital to own the corporation, and society protects this right by means of laws. In the context in which the

development of a corporation is characterised by contributions to its capital by a number of different constituencies (stakeholder groups), they acquire rights which society protects by means of laws. The outcome of the current analysis on corporate governance result in two main perspectives of corporate governance: shareholding and stakeholding.

The shareholder perspective regards the corporation as the extension of individual private property and a nexus of free exchange, corporate legal relationships which show that the corporation is actually an independent organisation with its own rights. Shareholders assume limited liability and risk of the corporation while the entire liability and risk of the corporation are transferred to the other stakeholder groups including bondholders, creditors, employees, suppliers, the government and the public at large. However, stakeholder perspective regards the corporation as a discrete social entity compatible with the "real personality" assertion. This implies that, as a real person, the corporation constitutes its members. Though, there are differences between shareholder and stakeholder perspectives, both regards the corporation as an entity being it individual or social. Corporate governance tends to be aligned with the view of the corporation and critical in the evolution of appropriate corporate governance.

The two perspectives attempt to generalise and simplify their theories to demonstrate understanding and justify their universality. For instance, the theories that explain shareholder perspective are: the separation of ownership and control, which form the basis of the Agency theory and the myopic market model. There is an inherent conflict of interest between managers and shareholders. If managers are to act in the best interest of owners, the managers must be monitored and rewarded with appropriate incentives. However, Letza *et al.* (2008) argued that it is very difficult to monitor what the agent is

doing and that the principal and the agent may share different actions because of the different attitudes to risk horizons. With respect to the Myopic model, corporate governance arrangement encourages managers to focus on short term performance by sacrificing long term value and corporate competitiveness of the corporation. On the other hand, the stakeholder perspective involves the Stakeholder model and the Abuse of Executive Power model. This perspective regards the corporation as a social entity with main aim of creating added value wealth for its stakeholders by converting their involvement into final goods and services. While the universal principal-agent relationship, self-interested human behaviour, the inherent individual property rights, and the uninterruptible self-regulation mechanism underpin the shareholder perspective, the trusteeship and other social principles and the single and simple identity of stakeholder groups underpin the stakeholder viewpoint.

With respect to the legal structures and financing arrangements of corporations, corporate governance system is divided into "outsider"- based system and insider based system. In the outsider- based system, managers direct corporations but the equity capital is owned largely outside the corporation by shareholders system (Solomon and Solomon, 2004; Clarke, 2004).The "insider" based system has strong legal protection of creditors, a highly concentrated ownership and control residing with a small number of shareholders, and other stakeholders and relatively illiquid capital markets. Additionally, corporate governance systems across different institutional environments are viewed from the Anglo-Saxon system and the Continental European and Asian (Germany and Japan) model of corporate governance (Fernando, 2009). The Anglo-American model places attention on the primacy of ownership and property rights while the Continental European and Asian model focuses on the need to satisfy societal

expectations. The “market-oriented” system prevails in the Anglo-American countries such as USA and UK and the “network-oriented” system in the Continental European and Asian countries. Finally, a discussion of the influences of globalisation and Europeanization on corporate governance systems and practices in developing countries and its implication for effective corporate governance practice explored. The next Chapter discusses the ethical theory literature and the theoretical framework underlying the study.

CHAPTER THREE

ETHICAL THEORY LITERATURE

3.0 Introduction

This Chapter presents a review of theoretical literature to develop the theoretical frameworks that inform the study. The review is organised into three main sections. The first section critically examines ethics and business in relation to ethical decision making as well as review major ethical theories. These major ethical theories form the basis of Western moral philosophy and have, in turn, shaped the development of ethical decision making. It further explores the ways in which business ethics can be conceptualised to provide meaningful support for understanding the ethical dimensions of the behaviour of corporate governance. Secondly, this section defines culture and discusses the different cultural frameworks. It examines national culture and organisational culture in relation to the Ghanaian culture. The section further explores cultural relativism and cultural universalism in relation to corporate governance practice. Thirdly the Chapter presents theoretical frameworks underpinning governance behaviour and practice. The two frameworks: ethical deontology and teleology and cultural relativism and universalism discussed are combined to serve as the theoretical framework for the empirical study.

3.1 Ethical Theory

3.1.1 Defining Ethics

The term "ethics" come from the Greek word *ethos* meaning "custom" or "sentiment" and "sentiment of community" (Toffler, 1986). It goes beyond just obedience to the rules, examining the reasoning behind those rules. Ethics connotes a set of customary principles or rules and practices of behaviour that seek to answer the normative moral questions regarding "what we ought to do"? (Murphy and Laczniak, 1981; Schlegelmilch, 1998).Ethics signifies obedience to the unenforceable. Being ethical would therefore mean carrying out that code (putting ethics into practice). De George (1990: 14) defines ethics as:

> *"a systematic attempt to make sense of our individual and social moral experience, in such a way as to determine the rules that ought to govern human conduct, the values worth pursuing, and the character traits deserving development in life".*

Ethics attempts to find answers to some key questions such as "What rules of conduct should govern the behaviour of human beings? Is morality same for all humans at all the times, in all situations, and in all places?" (Frankena and Granrose, 1974; Frankena, 1978). Also, the term refers to the systematic reflection on what is moral. Though, morality and ethics are difficult to separate, there seems to be a thin difference in meaning between 'ethical' and 'moral' and as such many studies have used them interchangeably (Stedham *et al.*, 2007; Trevino *et al.*, 2006; Shaw and Barry, 2001; Jones, 1991).While morality involves the principle or rules of moral conduct as defined by society, ethics reflect the nature and justification of right and wrong. That is, morality is

the whole of opinions, decisions and actions with which people express what they think is good or right (Oso and Semiu, 2012). Morality is characterised as:

> *"the basic guidelines about what is right and wrong by providing "the standards of behaviour through which individuals are judged, especially in their relationship with others" (*Stedham *et al.*,2007: 165).

However, moral principles differ from person to person and so is the notion of what is right or wrong, belief systems and motives. People continue to learn and develop their own moral beliefs and conducts. Consequently, individual differences in moral thought are based on the premise that systems of morality guide or influence decision making and behaviour of an ethical nature (Kohlberg, 1981, 1984; Forsyth, 1980). Societies recognise the need for establishing ethical rules and practices to guide human relationship and behaviour (Metcalfe, 2003:74; Yücel *et al.*, 2009). Systems of moral principles affect how people make decisions and lead their lives. Hence, the purpose of setting ethics in motion is to strengthen moral principles and obligations by stressing acceptable and responsible actions. In general, ethics and morality are two different concepts in the same area (Faure and Fang, 2008; Fischer, 2004).

As far as the law is concerned, it reflects a minimum standard of ethics. In general, ethics is broader and covers areas where the law cannot in every single issue in our daily life (Frederick, 1998). Legal rules are made to guide society and regulate human interactions that are enforceable to promote peaceful and productive interactions; an ethical problem cannot always be solved with a legal rule. For example, failing to fulfil a promise that is not legally binding; and exporting products banned in the United States to third world countries where they are not prohibited. The mere fact that these practices are legal does not prevent them from being challenged on moral grounds. Pojman

(1995) argued that sanctions of law are physical and financial, but those of ethics are only of conscience and reputation. To this end, Burke (1999) comment:

> *"In civilized life, law floats in a sea of ethics. Each is indispensable to civilization. Without law, we should be at the mercy of the least scrupulous: without ethics, law could not exist" (*p.538).

However, the issue of ethical problem is a dilemma, the presence of a difficult choice and the absence of a clear answer. Otherwise, no ethical problem would exist, but only a simple issue of decision making (Toffler, 1986). That is, an ethical dilemma arises when there is a conflict between two or more parties where one is benefiting at the expense of another (the end justify the means) or two moral rules when one is violated (the means justify the ends). It is a problematic area that will inevitably hurt someone or some group, where the decision-maker does not have the total control over the issue (Nash, 1990). To quote Fraedrich *et al.,* (1994):

> *"One difference between an ordinary decision and an ethical one lies in the point where the accepted rules no longer serve, and the decision maker is faced with the responsibility for weighting values and reaching a judgment in a situation which is not quite the same as any he or she has faced before".*(p.5)

Ethical concerns are an important area in business practices and research endeavours. Many writers (Rhodes, 1991; Reamer, 1990; Robinson and Reeser, 2000) have acknowledged the difficulty of making ethical decisions and of developing useful ethical systems. This situation "contribute to the sense that understanding ethical issues in some rational, systematic way is impossible" (Rhodes, 1991:2). In the words of Reamer (1990:4), "conflict frequently arises among reasonable individuals about what is right or moral". Even with guidance from Code of Ethics, ethical decision making is difficult (Robinson and Reeser, 2000). These ethically challenging decision making situations may lead to ethical dilemmas, and are grounded in the conditions and factors related to the decision-maker and cultural influences (Jones, 1991; Jones *et al*., 2007).

3.1.2 **Business Ethics?**

Research in the field of business ethics started in the early 1970s (De George, 2005). Since then, the issues of ethics have become increasingly important in business community and main conversation among today's ethical scholars (Collins, 2009; Mirwoba, 2009). Basically, ethics is closely linked to moral and social values. While "morals" are personal values or principles, "social values" are rules which act as a framework or guide our behaviour (Wood and Somerville, 2008, p.143). In every society, individuals accept that they should adhere to certain fundamental moral and social rules which help to structure social relations and many of the decisions that individuals and businesses make. Hosmer (2007) notes: *"*our society has become more crowded, our economy more competitive, and our technology more complex*"* (p. iii). Business is a human activity which should be evaluated from moral viewpoints. The term business ethics refers to the code of morals or body of principles which govern the conduct of the business in response to their relationship with government, the public, customers, and competitors (Hurst, 2004*;* De-George, 2005). Nash (1990) defines business ethics as:

> *"The study of how personal moral norms apply to the activities and goals of commercial enterprise. It is not a separate moral standard, but the study of how the business context poses its own unique problems for the moral person who acts as an agent of this system"(*p. 5)

Business ethics depends on "existing values, norms, and beliefs in the marketplace in particular, and/or in society in general otherwise, an unethical situation might occur" *(*Svenson and Wood, 2003, p. 4). It involves the study of the standards businesses are expected to observe in their dealings over and above the compliance with the letter of

law. In general, the concept focuses on how moral standards apply particularly to business policies, institutions and behaviour. Besides, the issue of ethics and business has always been two contradictory terms (Nash, 1990). Other arguments discount the relevance of ethics in business; "business and ethics do not mix" (Solomon, 1997, 2005). However, business ethics literature can be divided into three related approaches, namely: normative ethics, descriptive ethics and meta-ethics (Miner and Petocz, 2003; Watley and May, 2004).Other philosophical ethicists also categorise business ethics research into two distinct models: normative (prescriptive) and descriptive (empirical) (O'Fallon and Butterfield, 2005; Abrams, 1954). Normative ethics involves creating or evaluating moral standards in terms of what people should do or whether their current moral behaviour is reasonable. On the other hand, descriptive ethics refers to how people behave and what sorts of moral standards they claim to follow. Meta ethics is concerned with the nature of morality in general. These dimensions of business ethics are discussed below.

3.1.2.1 Normative Ethics

Normative or prescriptive ethics is an enquiry of how people ought to act (Jones, 1991; Rest, 1986; Trevino and Weaver, 1994) and focuses on the realm of moral philosophy and theology (Lantos, 2001). The prescriptive tones are clearly reflected in the popularity of organizational codes of conduct and moral guidelines (Weaver, 2001). In normative ethics, a conclusion is drawn from the observation that some action is wrong in one society but it is right in another. This model serves as a guide for individuals regarding how they should behave (O'Fallon and Butterfield, 2005; Smith and Johnson, 1996). From this perspective, the most moral decisions are those which tend to enhance

our well-being, or at the very least limit our pain and suffering. This represents an attempt to create moral standards. The underlying assumption of this approach is that individuals are rational purposive actors, who act in accordance with their intentions and understand the implications of their actions.

Consequently, most business scandals arise out of the actions and the responsibility of few "bad apples" (De Cremer, 2009).Normative approach maintains that people interpret moral dilemmas in a conscious manner and that cognitive guidelines can be used to avoid ethical lapses. The normative ethics is related to the Kantian ethics and utilitarian theories to business ethics. Normative ethics are usually divided into three main ethical theories: Teleology (Consequentialism), Deontology and Virtue-based ethics. Teleological approach places emphasis on the act (what people do) which cannot be fully assessed ethically until after it has been committed and the consequences known. Deontology focuses on the person before the act is committed by telling me what I should do. Virtue-based ethics focuses on the character of the person and can be developed through formation, leadership and mentoring (Armstrong, 2006; Gardiner, 2003). This study examines these major normative ethical approaches in detail in the following sections.

3.1.2.1.1 Teleological Theory

The word teleological comes from the Greek word *telos*, meaning, "goal directed". Teleological theories are based on the assumptions that the moral rightness of an action is determined solely by its outcome (Shaw and Barry, 1995; Arslan, 2001). Within teleological or consequential ethics actions are judged right or wrong according to their

consequences (Bowles *et al.,* 2006; Mackie, 1990), rather than to any intrinsic characteristics, like honesty. The fundamental differences between the many branches of consequentialism are that, each must address three very important questions: "what is a good consequence, for who should the consequence be most beneficial, and who can judge a consequence". The answer to these questions establishes the split between the consequentialist ethical theories. If the consequences are good, then the action is right and this is done by weighing the ratio of good to bad that an action is likely to produce (Frankena, 1973). Therefore, an act is moral if it is judged to produce a greater degree of good over evil than any other alternative. Basically, utilitarianism sits within this broader category of consequentialism.

Utilitarian viewpoint championed by Jeremy Bentham and refined by John Stuart Mill has come to be one of the major schools of ethical thought among academic philosophers. This approach maintains that acts do not have intrinsic value but should be judged on the basis of the consequences they produce and on how they affect others. Within utilitarian ethical theory the evaluation of an action is based on the idea that ethical behaviours are those that result in the greatest amount of benefit for the largest number of people (Mill, 1863; Hosmer, 2003; Cavanagh *et al.,* 1981; Bentham, 1789). The fundamental imperative of utilitarianism is to always act in the way that will produce the greatest overall amount of good in the world (Bentham, 1789; Mill, 1863; Velasquez, 1998; Schumann, 2001). In terms of organisational policies, utilitarianism holds that rules are ethical if they promote behaviours that maximize the benefit for all stakeholders, and are unethical if they do not (Tsalikis and Fritzsche, 1989).

Schofield (2006) argues that utilitarianism represents the dominant and most influential normative teleological or consequential ethical philosophy. The fundamental assumption in this teleological ethical theory is that, it is essential to give the greatest happiness to the greatest number of people (Airaksinen, 1987; Lyons, 1994). The focus of this version of ethical theory is on the ends and not the means to achieving those ends. To Schumann (2001), utilitarianism considers all present and future benefits and harms that accrue or might accrue to anyone who is affected by the action. Under utilitarianism, the consequences of actions are measured against values such as: happiness, welfare, high productivity, expansion etc. which may be difficult to evaluate accurately. In relation to utilitarian moral principle, an act is morally acceptable if it produces the greatest net benefit to society expressed as the difference between social benefits and social costs (Bentham, 1996; Mill, 1863, Rachels, 1999). Other writers argue that, utilitarian ethics endorses unequal treatment that maximizes the societal welfare (Airaksinen, 1987; Lyons, 1994). There are two major utilitarian theories: act utilitarianism and rule utilitarianism. Act utilitarianism includes maximizing benefits relative to costs for a specific decision at hand while rule utilitarianism follow rules designed to achieve the greatest net positive consequences over time (Fritzsche and Becker, 1984; Premeaux, 2004).

Under act utilitarianism, each individual's situation is assessed on its own merits with the aim of promoting the greatest happiness for those involved (Bentham, 1996). Individuals act to produce the best consequences based on pleasure (Beauchamp, 1991; Hugman, 2005; Beckett and Maynard, 2005). It maintains that the right act is the one that produces the greatest ratio of good to evil for all concerned (Barry, 1979). Generally, one ought always to do that act which compared to available alternatives,

maximizes utility. The fundamental question is “what effects will my performing this act in this situation have on the general balance of good over evil” (Frankena, 1973, p.84). In applying act utilitarianism, one must include among the effects of an action, any influence it may have by way of setting an example or otherwise, on the actions or practices of others.

On the other hand, rule utilitarianism argues that people should follow and be guided by moral rules which in the past have shown to promote the greatest happiness (Mill, 1974; Barry, 1979). It identifies the rule under which the action falls and not the consequences of a particular action and appeals to the greatest good for the greatest number but on the basis of rules (Fritzsche and Becker, 1984; Premeaux, 2004). This version of utilitarianism seeks to determine the specific circumstances under which a rule can be broken. If keeping the rule produces more total good than breaking it, then that should be maintained. Rule utilitarianism considers the consequences of having every one follow a particular rule and calculates the overall utility of accepting or rejecting the rule (Premeaux, 2004; Hugman, 2005; Beckett and Maynard, 2005). This approach allows for actions in accordance with rules or principles that ought to produce the best consequences or maximise utility for the society.

Meanwhile, utilitarian philosophers prefer rule utilitarianism to act utilitarianism due to a number of reasons. Firstly, rule utilitarianism has the benefit of receiving guidance from past rules which have shown to produce the greatest happiness for the greatest number (De George, 2010). Secondly, rule utilitarian ethics is perfect rationality as against bound rationality from act utilitarianism which takes into account professional or contractual obligations (Frankena *et al.,* 1974). Society functions by people

recognising their obligations since they have signed a contract. In general, the major drawback of utilitarian viewpoint is that, decision-makers are required to estimate the effect of each alternative on all parties concerned which is impractical as some consequences from the past would dominate the outcome (Mill, 1974; Velasquez, 1998). Also, to select the one alternative that optimizes the satisfaction of the greatest number of people or greatest amount of good can create a society of happy minority as against unhappy majority (Cavanagh *et al.,* 1981; Velasquez, 1998). However, others are of the view that to address the problem of formulating the greatest happiness for the greater number, one should not be tied down to the rules, because morality is made for man, not man for morality.

Ethical egoism and altruism is another approach to teleological ethical theory which focuses on the maximisation of an individual's or organisation's own self-interest (Fritzsche, 1997, Pojman, 1995). In addition to the basic tenets of teleological ethics or consequentialism, either ethical egoism or altruism attempt to provide an answer to the fundamental question: "for whom should the consequence be most beneficial". The fundamental argument in this version of consequentialism is that everyone ought to act according to his/her own self-interest. In his work on the essay: "The Unselfishness Trap," Harry Browne describes a world of all unselfish people and argues that:

> *"... this world would be unhappy, because the unselfish people living in it would be constantly acting to satisfy others in fear of being thought of as selfish. ...He asks the question: "How would it be a better world if everyone acted that way?" (2004, p. 474).*

Browne suggests that the only alternative is to please only yourself, since people can never know exactly what other people want, we should not try to please others but focus on pleasing ourselves. In agreement to this assertion, Rand (1964) argues that:

> *"… the most sacrificing people are not selfish,… since man must support his life by his own effort, the doctrine that calls the selfish man evil, is evil itself'.* (p. 494)

Rand (1964) defines selfishness as "concern with one's own interests" (p. 493). This viewpoint seems to suggest that only the most sacrificing people are not selfish and that it is acceptable to be selfish. Decisions based on egoism are made to provide the most satisfactory consequences to the agent (individual or organisation) making the decision or taking an action, regardless of the consequences to others. People who use an egoistic criterion to make ethical decisions are exclusively concerned with self-interest. Thus, ethical egoism maintains that one has a moral obligation only to serve and promote one's own interest. Opposed to this idea is ethical altruism which demonstrates concern for others which may result in loss to oneself. Rachels (1995) seems to believe

> *"it is technically impossible for a person to be true ethical egoist since a true ethical Egoist would encourage others to act benevolently instead of selfishly, for his/her sake" (p. 487).*

To add to that, Rachels (2003) argues about miscommunication regarding the use of the concepts selfish and self-interest. For example, the use of selfishness concerned with one's own interest and self, while self-interest could be more than just positive to necessary instead of being negative. The two concepts can be different. On his part, Pojman (1995) criticizes Ayn Rand's view on ethical Egoism as assuming a false dilemma. He claims:

> *"… just because it does not seem right to be altruistic, does not mean that the only option is to be completely selfish and that there are plenty of options between these two positions. He brings up the Bible's idea of loving your neighbour as yourself. He also says that self-love is good, but not always at the expense of others" (p. 498)*

Kanunngo and Mendonca (1996) argue that vindictive egoism causes harm to others and self. The authors state that egoistic theories are not considered a desirable basis for motivation as values inherent in the choice of others before oneself deprive owners of

rightful profits. However, under utilitarian viewpoints to ethical theories, the 'rightness' or 'wrongness' of an action depends entirely on the consequences it is likely to produce for a whole group, even though those consequences may be unknown at the time of the action (Bowles *et al.,* 2006). While ethical egoism focuses on the consequences for the person carrying out the action, ethical altruism focuses on the consequences for everyone except the person carrying out the action.

3.1.2.1.2 Deontological Theory

Deontological ethical approach derived from the Greek word *'deon'*, meaning duty, is predicated on the notion of pre-existing duties and obligations. This viewpoint is usually contrasted with consequentialism, arguing that what is right does not depend on producing the greatest level of good as opposed to evil, but by the characteristics of the behaviour itself (Frankena, 1963). Deontological ethical approach refers to a general category of ethical or moral theories that focus on the act rather than the actor, but the ethical choice can be made before the act is committed. It holds that the morality of behaviour is assessed by the application of a rule or principle that requires or prohibits certain behaviours (Hunt and Vitell, 1986; Tanner *et al.,* 2007) regardless of their consequences (Barnet *et al.,* 2005). In other words, it is based on the idea that "there are certain things that we should or should not do, irrespective of the consequences" (Beckett and Maynard, 2005, p. 33). Doing one's duty is a matter of satisfying the legitimate claims or needs of others as determined by applicable moral principles. The rightness of an act which may end up being pleasant or unpleasant for the agent, may meet with approval or condemnation from others. In deontological theories, the goal of

moral behaviour is to perform the required right action. Hence, moral worth of an action is determined by human will.

To Clark (2000), one of the most influential forms of deontological viewpoint is the moral theory. Moral theory is based on the idea that individuals have the unique capacity for rationality and that inclination, emotions and consequences should play no role in moral action. In other words, individuals should "act in such a way that their actions could become a rule for everyone without creating a contradiction" (Beckett and Maynard, 2005, p. 57). There exists punishment and obedience and the individual obeys the rules not because he or she believes the rightness of the rules but in order not to be punished. Kant categorical imperative consists of two parts using the following formula: "Act only according to the maxim whereby you can at the same time will that it should become a universal law*"*. He believed that by using 'reason' one could determine whether a maxim was categorical or not and because all human beings are rational then the same categorical imperatives will apply for everyone. The categorical imperative is sometimes referred to as the universal law, can only guide our conduct in so far as advising us against morally wrong acts. To Kant, every action has a maxim and that moral law consists of a set of moral maxims which are categorical in nature (Kant, 1956). It is the intention behind an action rather than its consequences that make the action good.

The second is the formula of humanity which states: "Act in such a way that you treat humanity, whether in your own person or in the person of another, always at the same time as an end and never simply as a means". Kant distinguishes two kinds of imperatives, hypothetical and categorical imperatives. Hypothetical imperatives are

conditional. For example, *if you want to achieve X, you should do Y.* Kant's second formulation dictates that human beings should be treated not simply as a means to one's own ends but also as ends in themselves (Bowie, 1999; Sullivan, 1989). This implies that people in business relationships should not be used, coerced, or deceived, and that business organizations and practices should be arranged so as to contribute to human rational and moral capacity (Bowie, 2002). In Kantian ethics, if an action passes the test of categorical imperative, the action is ethical. Kant's ethical theory includes duty for the sake of duty without regard to human happiness. He mentions only two kinds of action, having acted according to duty and from duty. To Kant (1956):

> *The former, "legality is possible even if inclinations alone are the determining grounds of the will, but the latter, morality or moral worth, can be conceded only where the action occurs from duty, i.e., merely for the sake of the law" (p. 84).*

The principle of deontological ethics can be summed up by the phrase, "treat others as you would prefer to be treated" and that what is rational and moral is the same for all people (Kant, 1956, p.84). White and Taft, (2004) discussed that:

> *"the deontological approach or non-consequential approach is often attributed to Immanuel Kant, and claims that certain actions in themselves are intrinsically good or bad or right or wrong, and are not to be judged by their results. A moral person makes an ethical decision based on what is right, using moral principles or rules, regardless of circumstances or consequences. A moral person acts according to a perceived duty, asking; what is my duty or obligation in this situation? (p. 464).*

The difficulty with deontological theory for corporate decision-makers has been to determine the "best" set of rules to live by, since there are often competing duties and obligations (Yücel *et al.*, 2009). This approach to ethics is based on the idea that, universally applicable standards are possible in business ethics. Advocates of this model maintain that it is possible to objectively judge the behaviour of others in the light of their conformity to, or deviance from, these standards. It is argued that our decisions and judgments are not always coloured by conscious reasoning processes (De Cremer,

2009; Tenbrunsel and Messick, 2004). That is individuals make both intentional and unintentional ethical and unethical choices. This is also evident by the fact that good people sometimes do bad things (Bersoff, 1999; Kaptein, 2008) and may not even realise that they are doing so. It is therefore clear that we are not always rational in our actions and judgments. As far as Oso and Semiu (2012) is concerned, the theories give guidance for prioritising between conflicting responsibilities of the Principal and agents and suggest that:

> *"…agents should make all efforts to ensure that principals have satisfactory values with regards to their investment,… the actions of the agents will be adjudged morally right in the process of running the corporations on behalf of the owners if the latter's interest is well represented whereas it will be adjudged wrong if their actions inflict pain on the interest of the principals".* (p.2)

It is important that utility of the shareholders and other stakeholders should be paramount in the minds of the corporate board of directors and senior managers. Though, corporate decision-makers are often viewed as rational actors motivated by servicing the interests of owners, Schofield (2006) argues that ethical theory sometimes focuses not on actions but majorly on consequences. How do corporate decision-makers balance shareholder and other competing rights in an organisation? The answer to this is based on the research question: to what extent is governance action ethical? This thesis applies the two major ethical theories: teleological and deontological in relation to the practices and behaviour of board of directors and senior managers in Ghanaian organisations.

3.1.2.1.3 Virtue-Based Ethics

Virtue-based approach focuses on the character of the person doing the action. Virtue-based ethics emphasizes certain qualities that define appropriate behaviour and the right

action to take practice include prudence, discretion, perseverance, genuineness, courage, integrity, humility, hope, public spiritedness, and benevolence (Jordan and Meara, 1990). Virtue ethicists suggest that practitioners who possess these virtues may be able to identify their biases more easily, guard more carefully against imposing their values on clients, and be more vigilant in separating personal and cultural preferences from psychological and therapeutic phenomena (Jordan and Meara, 1990; Beauchamp and Childress, 1994). The goal of virtue ethics is for the decision-maker to do the right thing at the right place at the right time in the right way.

However, this approach is criticised for a number of reasons. To others, virtues represent professional ideals that extend beyond the boundaries of rules or principles, and that their pursuit is not ethically optional, rather they are intrinsic to what it means to be a professional (Jordan and Meara, 1990). Frankena (1973:405) maintains that

> *"we must have personal traits if our principles are to be potent, and that we must have principles if our traits are to be anything but blind. That means, to every virtue, there must be an action to which it corresponds and from which it derives its virtuous character".*

Ethics of Care is another version of virtue-based ethics and was developed by feminist writers. Proponent of ethics of care calls for a change in how we view morality and the virtues, shifting towards the more marginalized virtues exemplified by women, such as taking care of others, patience, the ability to nurture, self-sacrifice, and so forth. Ethics of care objected to the impersonal, male-dominated view of ethics that ignores the importance of the special relationship between individuals (Gilligan, 1982; Dillon, 1992a, 2009). It is important to note that the emphasis on virtues are relevant only to personal relations, such as compassion, sympathy, empathy, and loyalty (Budd, 2004). According to Gilligan (1982):

> *"the moral problem arises from conflicting responsibilities rather than from competing rights and requires for its resolution a mode of thinking that is contextual and narrative rather than formal and abstract. This conception of morality as concerned with the activity of care centers moral development around the understanding of responsibility and relationships, just as the conception of morality as fairness [the ethic of justice] ties moral development to the understanding of rights and rules* (p. 19).

There is the need for care ethicists to stress the social importance that lies in thick networks of close relationships and in building up bonds with others (Schumann, 2001; Gilligan, 1982; Noddings, 2002, 2003). The focus of ethics of care are the basic principles of being responsible toward others, maintaining a relationship with others, minimising harm to others, and considering both one's own and the others' feelings and emotions. Jones *et al* (2007) maintain that the solution to an ethical problem does not rely on one universally ethically correct solution, but one that should emerge from relationships of mutual care and from the context in which the problems are embedded. Despite the increasing interest in ethics of care in business due to the relational aspect of life, there seems to be limited literature on the subject in normative business ethics literature (see: Schumann, 2001; Jones *et al.*, 2007). Ethics of care provides a type of morality that offers a much closer fit to life as experienced by most people on an everyday basis (Smart and Neale, 1999; Smart *et al.*, 2001). The figure below provides a summary of the normative ethical theories.

3.1.2.2 Descriptive Ethics

Descriptive ethics describes individual's attitude and beliefs towards morality and suggests that moral judgments and interpretations are the consequence of automatic and intuitive affective reactions (Bersoff, 1999; Kaptein, 2008a). It is a value-free approach to ethics which examines ethics from the perspective of observations of actual

choices made by moral agents in practice. In other words, it is the study of people's beliefs about morality, and implies the existence of, rather than explicitly prescribing, theories of value or of conduct. Thus, the aim of descriptive ethics is to characterize existing moral schemes; this has been an important feature of, for instance, cultural anthropology, which in so doing has raised the problem of relativism (Benedict 1934b; Geertz, 1989). Although, information that comes from descriptive ethics is used in philosophical arguments, this viewpoint is not designed to provide guidance to people in making moral decisions, nor is it designed to evaluate the reasonableness of moral norms. This viewpoint has its application in the fields of evolutionary biology, psychology, sociology, history or anthropology.

3.1.2.3 Meta-Ethics

The third approach to business ethics is Meta-Ethics which examines the origin, nature, and meaning of ethical theories (Schroeder, 2010) and the objectivity and source of objectivity, or lack thereof, of moral claims. It is concerned primarily with the meaning of ethical judgments, and seeks to understand the nature of ethical properties, statements, attitudes, and judgments and how they may be supported or defended. This approach provides the answer to the fundamental question on what morality itself is (McPherson, 2008; Miller, 2002). Basically, meta-ethics concerns itself with second order questions, specifically the semantics, epistemology and ontology of ethics. The meta-ethical viewpoint can be divided into two basic categories: moral realism and moral relativism which represent two opposing perspectives on a continuum between objective reality on one end and multiple realities on the other.

In moral realism (moral objectivism), moral knowledge is possible (Dancy, 1986; Railton, 1986) and some moral beliefs are justified by external methods (Boydd, 1982; Finlay, 2007). That is, there is a single objective truth about whether a particular action is morally bad, so if two individuals hold opposite opinions, one of them must be mistaken (Shafer-Landau, 2003; Smith, 1994). This perspective includes absolutists and objectivists. While absolutists suggest that there exist moral principles that can never be overridden under any circumstances, objectivists assume the existence of universally valid or true moral principles (prima facie duties) which can override one another as the circumstances warrant (actual duties) (Railton, 1986; Boydd, 1982; Liu, 2007). The primary viewpoint of moral universalism is that there is the existence of universal ethic which applies to all people, regardless of culture, race, sex, religion, nationality, sexuality or other distinguishing feature, and all the time. Pogge, (2002) argues that morality is created through individual choice and for individuals to be moral; their choices must have universal application.

Moral relativism is that field of moral philosophy in which the questions of whether what is good or right varies from person to person, from society to society, or from culture to culture is considered. Moral relativism became a 20th century creation through the works of cultural anthropologists such as: Ruth Benedict (1934a, 1934b), Franz Boas (1940) and Melville Herskovits (1948) who questioned the plausibility of a single, universal morality. Though, moral relativism belongs to the area of business ethics, it has found its application in the areas of cross-cultural business studies (Bowie,1993; Donaldson and Dunfee,1999; Hofstede, 2001; Donaldson and Werhane, 2008); corporate social reporting (Lewis and Unerman,1999); corporate governance literature (Licht, 2001; Licht *et al.*, 2005). Moral relativism asserts that independent moral

knowledge is not possible, the truth-value of moral claims is dependent on people's beliefs, and they are internally justified (Pogman, 1998; Lukes, 2002; Ladd, 1973).

This research takes the perspective that most board of directors and senior managers of corporations are aware of appropriate ethical decision, rules and moral behaviours and how they might be promoted (e.g., the rules in a company's code of conduct or a profession's ethical guidelines). Despite this awareness, unresponsive and unethical behaviours and decisions still emerge (Arjoon, 2005; De Cremer, 2009). Some contexts may be sufficiently compelling for almost anyone to engage in unethical behaviour. Arriving at a more complete understanding of these circumstances would enable board of directors to create more ethical organizations. The aim of this study is to investigate the ethical dimension of corporate governance practices in Ghanaian context based on the behaviour and actions of board of directors. Reflecting this aim, the normative ethics is applied to gain an understanding of how board of directors and senior managers ought to act.

3.2 Developing Understanding of Culture

3.2.1 Culture Defined

There are many definitions of the term "culture"; and it affects everything people do in their society because of their ideas, values, attitudes, and normative or expected patterns of behaviour. It is not genetically inherited, and cannot exist on its own, but is always shared by members of a society (Hall, 1976). Taylor (1871) provides one of the earliest

definitions of culture: "the complex whole which includes: knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society" (p. 1). Kotler (1991) argues that:

> *"…the society that people grow up in shapes their basic beliefs, values, and norms. People absorb, almost unconsciously, a world view that defines their relationship to themselves, to others, to nature, and to the universe".*

Kroeber and Kluckhohn (1952: 181) summarises all of the above by describing culture as:

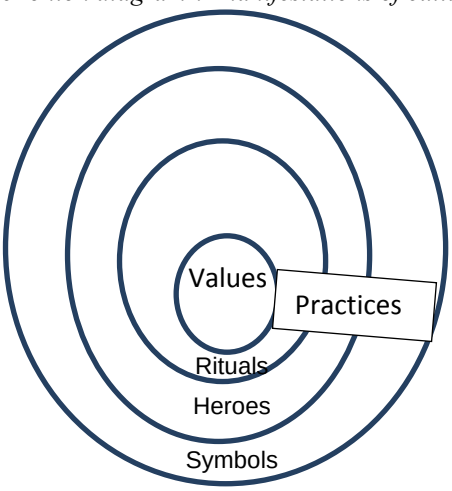
> *"patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artefacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements of future action"*

It can be observed that most of the traditional definitions of culture revolve around values, rituals, symbols, beliefs and expectations which are developed over time and passed down or forward through the generations of managers (De Wit and Meyer, 1998; Hofstede, 1980, 2001). Additionally, Rogers (2004) observe that culture signifies the total way of life of a people, composed of their learned and shared behaviour patterns, values, norms, and material objects. The term describes the institutional process through which behaviour is transformed and refined over time (Schein, 1997). In other words, culture is intrinsic for an institution because it defines or influences norms and behaviour. In the words of Hofstede (1980, p. 21) culture is: "the collective programming of the mind which distinguishes the members of one group from another", which is passed from generation to generation, it is changing all the time because each generation adds something of its own before passing it on. It is usual that one's culture is taken for granted and assumed to be correct because it is the only one, or at least the first, to be learned. Drawing from the definitions, there are two main components of

culture: tangible (comprising physical elements such as clothing, tools, paintings, buildings, etc.), and intangible (mental) apparatus.

Culture encompasses: values and symbols, heroes and rituals (Hofstede, 2001). The symbols, heroes and rituals are called practices. The relationships between these components of culture are illustrated in figure 3.1.

Figure 3.2: The 'onion diagram': manifestations of culture at different levels of depth



Source: Hofstede, 2001, p.11

Values shape the core of culture and refer to the beliefs and principles used by individuals to guide their actions, behaviours, and judgments of what is right or wrong, and the selection of the social goals or ends that are desirable (Yücel *et al.*, 2009; Mead, 1994). Thus, beliefs are basic assumptions about the world and how they work and guide our behaviour in terms of underlying principles. Values are one of the fundamental lessons individuals learn implicitly and unconsciously at the early stages of life and tend to remain unconscious to individuals who hold them (Muenjohn and Armstrong, 2008). It is argued that values have a substantial influence on the

behavioural responses of individuals and as “conceptions of the desirable”, they represent the core of any culture (Rokeach, 1973; Kroeber, 1952; Locke, 1976). The basis of all human artifacts, behaviours, and beliefs is the group’s specific value system (Sarros *et al.,* 1996; Srnka, 2004) which comprises psychological, spiritual, and moral phenomena (Trompenaars, 1994:3; Kroeber and Kluckhohn, 1967).

However, practices encompass symbols, heroes and rituals. Symbols refer to words, gestures and pictures or objects that hold a particular meaning only recognizable by those who share the culture (Hofstede, 2001). For example, words in a language or jargon, as well as dress codes, hairstyles, flags. New symbols can be developed and old ones disappear (Muenjohn and Armstrong, 2008). In addition, heroes are persons, alive or dead, real or imaginary possessing characteristics highly prized in a certain culture, and who serve as models for behaviour while rituals are collective activities, technically unessential in reaching desired ends, but socially essential in a culture. Also, rituals include ways of greeting and paying respect to others, including social and religious ceremonies (Hofstede, 2001; Muenjohn and Armstrong, 2008).

Another aspect of culture is attitude. Bittner (1985) defines attitude as “a state of mind or accumulation of opinions about a subject” (p. 32). It can be described as a “support mechanism” for our values because they often reflect those values. For example, freedom is a dominant value in the United States, while in other countries it is a value among others. Thus, the meaning of a value differs across cultures (Rogers and Steinfatt, 1999). Attitudes are emotional responses to objects, ideas, and people and not directly visible by other people. Attitudes, therefore, are “learned tendencies to act or respond in a specific way to events, objects, people or orientations” (Samovar, *et al.,*

2009: 13). A number of empirical studies (Carroll, 1975; Prosner and Schmidt, 1984) have depicted that the attitudes and behaviour are influential factors effecting ethical decision-making.

People express their opinions, speak, and engaging in other behaviours on the basis of their attitudes and beliefs. Though, attitudes and beliefs are internal and cannot be directly observed, it is possible to induce them by observing what people say and do. While beliefs and values are imparted through one's culture, they exert a strong influence on his or her attitude. Consequently, individuals tend to embrace what is liked and what is disliked. Also, *norms* are "the established behaviour patterns for members of a social system" (Rogers and Steinfatt, 1999:85). Individual's view of the outside world is shaped by their beliefs, attitudes, and values. An individual is socially punished if a norm is violated because the expectations of the system were not fulfil. To Rogers and Steinfatt,

> *"beliefs serve as the storage system for the content of our past experiences, including thoughts, memories and interpretations of events. Beliefs are shaped by the individual's culture."* (1999:81)

Each individual has a unique mental program that is only partly shared with people who live or lived within the same social environment. As a result, culture derives from own social environment, not from one's genes and becomes learned, not inherited (Hofstede, 1980:23). Individuals in common social environment tend to share similar belief systems which represent the individual perception of the outside world and are shaped by the individual's culture (Rogers and Steinfatt, 1999). Culture is changing all the time because each generation adds something of its own before passing it on from generation to generation.

However, many Scholars have developed several frameworks to provide theoretical understanding of the complex nature of culture. Schein (1985) identifies five (5) basic assumptions around which cultural paradigms form, namely: relationship to nature/environment, nature of truth and reality, human nature, human activity; and human relationships. Schein believes that an examination of the basic assumptions might reveal a coherent paradigm that guides a strong and united culture or the cultural assumptions might be fragmented and contradictory and point to problems of adopting to external and internal organisational problems. Another approach to culture is Hampden-Turner and Trompenaars (1993) have developed another framework for the understanding of culture. Their work was based on 50,000 cases of managers from multinational and international corporations representing more than 100 countries. The study also identified seven cultural dimensions, including: universalism vs. particularism, analysing vs. integrating, individualism vs. collectivism, inner directedness vs. outer- directedness, time sequential vs. time synchronising, achieved status vs. subscribed status; and equality vs. hierarchy. Under this approach, cultures differ in the specific solutions they choose for problems. It is worth noting that Hampden-Turner and Trompenaars (1993) cultural dimensions combine many aspects of Hofstede's (1980) dimensions. However, the correspondence between the two is not always perfect (Peck and Crawford, 2002).

House *et al*. (2004) designed GLOBE (Global Leadership and Organizational Behaviour Effectiveness), a research project to examine the interrelationships between societal culture, organisational culture and leadership styles. The meta-goal of GLOBE was to develop an empirically-based theory to describe, understand and predict the impact of cultural variables on leadership styles and organisational process and the effectiveness

of these processes. Under this project, nine (9) cultural dimensions were identified, including:

i. uncertainty avoidance;
ii. power distance;
iii. collectivism I: societal collectivism;
iv. collectivism II: in-group collectivism;
v. gender egalitarianism;
vi. assertiveness;
vii. future orientation;
viii. performance orientation; and
ix. human orientation.

It is important to identify which dimensions of culture are relevant and explore the implications of theorising. Though, many other scholars have proposed alternative frameworks, the work of Hofstede was found to be most comprehensive and most suitable to serve as a basis for this study. The reason for this is that Hofstede's (1980) framework is the most referred to and well validated. It is worth noting that Hofstede's work focused on national level culture. Thus, Hofstede's cultural dimension could claim the influence of national level culture on the behaviour and practices of board of directors in corporate governance.

3.2.2 Hofstede's Cultural Dimensions

Hofstede (1991:21) defined national culture as "the collective programming of the mind which distinguishes the members in one human group from another". It is regarded "as

encompassing all that which influences the behaviour and mental life of a particular group of people" (Christie *et al.*, 2003, p.1). Based on his claim to have successfully "uncovered the secrets of entire national cultures", Hofstede (1980b:40, 1980a, 1984, 1991) identified the four (later five) 'main dimensions' of national culture along which countries can be hierarchically ordered. The dimensions are: Power Distance, Uncertainty Avoidance, Individualism versus Collectivism, Masculinity versus Feminity and Long and short term orientation.

Hofstede refers to Power Distance as 'the extent to which the less powerful members of organizations and institutions (like the family) expect and accept that power is distributed unequally' (Hofstede, 1991: 28; Hofstede and Peterson, 2000: 401). The relationship between bosses and subordinates in a low power distance society is one of interdependence in contrast to dependence in a high distance culture. On the contrary, Hofstede (1991) argues that in lower power distance countries 'there is a preference for consultation' and 'subordinates will quite readily approach and contradict their bosses'. As observed by Samovar *et.al.* (1998) people in high distance countries:

> *"...believe that power and authority are facts of life. Both consciously and unconsciously, these cultures teach their members that people are not equal in this world and that everybody has a rightful place, which is clearly marked by countless vertical arrangements. Social hierarchy is prevalent and institutionalises inequality"*(p. 71).

Uncertainty avoidance describes 'intolerance for uncertainty and ambiguity' (Hofstede, 1991: 113; Hofstede and Peterson, 2000: 401). That is, the degree of ambiguity and uncertainty that can be tolerated. Under high uncertainty avoidance, people prefer to "take risks and individual initiative, and enjoy conflict" (Freeman and Browne 2004:175). Individuals in these high uncertainty avoidance cultures tend to be rigid and dogmatic. In order to lessen the threat posed by the unknown situations and risks,

cultures depend on clearly defined rules, customs, laws, consensus, and harmony and religion to pursue security (Baker and Carsen, 2011). On the other hand, Freeman and Browne (2004:175) assert that in low uncertainty avoidance, individuals 'do not like conflict and pursue group harmony'.

Individualism versus Collectivism signifies 'the extent to which individuals are integrated into groups' (Hofstede, 1991: 51; Hofstede and Peterson, 2000: 401). In individualistic societies, people are expected to take care of themselves and their immediate families (Irwin 1996). Individuals are encouraged to be assertive and an "I" consciousness prevails" (Samovar *et al.,* 1998, p. 68). In other words, personal goals are more important than group goals. Individualistic societies tend to observe more universalistic exchanges. However, in collectivist cultures group consensus and harmony are paramount with individuals placing the interests of the group over their own interests. Social relations with unequal power are more common in collectivist cultures and the most important relationships are vertical (e.g., parent-child). In a collectivistic society (China, Pakistan, West Africa) ties between individuals are tight, and everyone needs to care for his extended family or group (Park and Lemaire, 2011).

Masculinity versus Femininity denotes 'assertiveness and competitiveness versus modesty and caring' (Hofstede, 1991: 82, 1998b; Hofstede and Peterson, 2000: 401). This dimension of culture describes cultural differences based on gender (Cheng, 1999). Masculinity is characterised by traits such as "independence, confidence and assertiveness" (Leaper, 1995:1). These traits relate directly to aspects of dominance, authority, power and success. The traits of masculinity and can be linked to "a culturally idealised form of masculine character" (Cheng, 1999:298). On the other hand,

femininity emphasises many stereotypically feminine characteristics, including "understanding, compassion and affection. It is the complete opposite of hegemonic masculinity (Leaper, 1995). To Hofstede (1991:85):

> *Masculinity pertains to societies in which social gender roles are clearly distinct …; femininity pertains to societies in which social gender roles overlap'*.

Finally, the Long versus Short term orientations ("Confucian dynamics") describes the "time orientation": the former "more oriented towards the future (more dynamic) while the later oriented towards the past and present (more static)" (Hofstede, 1991:161; Hofstede and Bond, 1988:16). The index of Confucian dynamism is applied to explain the economic growth of nations. In Long Term Orientation, a positive dynamic, and future oriented culture linked with four 'positive' Confucian values. These values are: 'persistence (perseverance)'; 'ordering relationships by status and observing this order'; 'thrift'; and 'having a sense of shame' (Hofstede, 1991, 2001; Fang, 2003). Thus, societies, personal and business relationships are maintained and reinforced through continuous, long-term associations (Yeung and Tung, 1996). These societies tend to foster virtues oriented towards future rewards. Short-term orientation, however, represents a negative, static and traditional and past-oriented culture associated with four 'negative' Confucian values: 'personal steadiness and stability'; 'protecting your face'; 'respect for tradition'; and 'reciprocation of greetings, favours and gifts'.

A number of research in culture literature adopted Hofstede's dimensions, including: Power Distance (Terzi, 2011); Individualism and Collectivism (Triandis and Gelfand 1998); Masculinity and Feminity (Van den Bos *et al.,* 2009) and long term orientation (Ralston *et al.,* 1992, 1994). Hofstede's cultural dimensions of value have been criticized (McSweeney, 2002a, b; Tayeb, 2000, 2001) for its: limited ability to extend

the dominant values present within a multinational to represent cultural values of a country (Hunt, 1983; Triandis, 1982; Schooler, 1983). Regardless, it is acknowledged as "one of the most extensive cross-cultural surveys conducted" (Radebaugh and Gray, 1993:67) that led to "a true paradigm shift of our understanding of culture" (Hofstede, 1998a:480; Sondergaard, 1994:453). Studies have recognised the influence of national culture on board of directors' ethical attitude and behaviour (Jackson, 2001; Christie *et al*, 2003; Singhapakdi *et al*, 2008).

Hofstede (1980a) assumes that national culture is a 'common component' (p. 38) of a wider culture which contains both global and sub-national constituents. However, individuals share no common 'subcultures' but are said to share a common national culture. National culture possesses the common "characteristics", which Hofstede refers to as the *common traits* (1991:19) of the inhabitants of a particular nation (1980a: 375, 1991: 3). Hofstede characterises the shared-ness of national culture as a "national norm" (1980b:45) which is based on individuals' views. Consequently, nations possess a unique national character which distinguishes the members of one from the other. It is important to indicate that different cultures accept different rules, behaviour and norms and are resistant to change. A group is said to have a culture when it has "enough shared history to have formed a set of basic assumptions which serve as a psychological defence mechanism that keep the group functioning" (Schein, 2004, p.20).National level culture is regarded as one of the most influential contingent (situational) factors, which determine organizational phenomena. The influence of national culture on organizational practices and processes has attracted immense attention in the field of management and organization over the last decades (Boddewyn, 1965; Adler, 1983).

3.3 Traditional Culture of West Africa

There are several cultural values and patterns unique to the African, particularly the sub-Saharan African commonly referred to as “black” Africa. Although, Sub-Saharan Africa is culturally complex, they share many cultural backgrounds that have been carried for centuries. Africa Scholars outside the social sciences have consistently claimed that there have been, are and will continue to be widespread cultural themes and core values (Nyasani, 1997; Makgoba, 1997: Lassiter, 2000; Malunga, 2006). Most of the writers effectively argue that there are common beliefs and core cultural values within African societies and transcend national boundaries, languages, and ethnicities and form a fundamental cultural unit (Matondo, 2012; Malunga, 2006). People of West African are linked by shared values that are fundamental features of Sub-Saharan African identity and personality. The three major social and cultural values common in traditional West African societies include: (i) Sense of community life and good human relations; (ii) Sense of the sacredness of religion and respect for authority; (iii) Sense of language and proverbs (Makgoba, 1997: Nyasani, 1997; Lassiter, 2000; Muekalia, 2004). These features underpin the variations of African culture and identity everywhere.

i. Sense of Community and good human relations

In West African society, the community is viewed as the custodian of the individual and as such, authentic African is known and identified in, by and through his community. Most indigenous African societies believed in taking collective responsibility (Gyekye, 1988; Mbiti, 1992). This refers to the sharing and collective ownership of opportunities, responsibilities and challenges. For instance, when visitors came to the community they

were visitors for the whole community and not only the household (Malunga, 2006:4). The members of the community collectively take responsibility for the visitor. When a member of the community got sick or bereaved, it became the responsibility of the community. Whatever happens to the individual happens to the whole group, and whatever happens to the whole group happens to the individual. The community provide members with both physical and ideological identity (psychological and ultimate security). That is, “your friend’s child is your own child”. Thus, Africans emphasize community life and communalism as a living principle of which the basic ideology is community-identity.

Within the traditional West African society, the individual, although originating from and inextricably bound to his family and community, nevertheless possesses a clear concept of himself as a distinct person of volition (Gyekye, 1988; Lassiter, 2000). It is based on this combined sense of personhood and communal membership that the family and community expect individuals to take personally enhancing and socially responsible decisions and actions. However, Mbiti (1992) maintains that, the individual has little latitude for self-determination outside the context of the traditional African family and community. Good human relationships were given very high priority in indigenous African communities. The importance of people and relationships over things is based on the concept of “kinship” which is like a bone, and does not decay” (Malunga, 2006:3). The kinship principle was fundamental to social organization throughout sub-Sahara Africa. Davidson (1969) views the "balance of kingship relations as essential to the ideal balance with nature that was itself the material guarantee of survival, called for specific patterns of conduct. He pointed out that individuals might have rights, but they had them only by virtue of the obligations they fulfilled to the community. The “Clan”

system form the basis of the Inter-community relationship realised in the interaction between individuals of different communities. This is different from the intra-community relationship based on interpersonal relationship realised in a definite community, among its members, to express the practical traditional African concept of humane living. Additionally, the sense of "living together" and the sense of "community of brothers and sisters" are the rationale behind expression of the extended family system in Africa. Nyasani (1997) identifies the traditional West African family as a setting wherein the vertical power structure of the society is introduced and sustained as predominant over the freedom of individuals.

The closeness of family relationships or clan were informed by shared responsibilities, such that when a parent died, children would be automatically adopted by the family members and treated as one's own children (Malunga, 2006; Muekalia, 2004; Lassiter, 2000). Relationship between individuals recognises their worth as human beings and not only what they possess or what can they do for each other. However, these can come as secondary considerations, in terms of reciprocity and in terms of inter-personal relationship. People help one another without demanding immediate or an exact equivalent remuneration. Everyone is mindful that each person has something to contribute to his welfare, some time and some-how. Thus, business relationships are usually established based on friendships than business competitiveness.

ii. Sense of the sacredness of religion and respect for authority

Most traditional West Africa societies still held firmly to old loyalties associated with religion and lineage. The African has a unique world view focused on *being* and *life*

forces (Muekalia, 2004). The author argues that “the African conceives the world, beyond the diversity of its forms, as a fundamentally mobile yet unique reality that seeks synthesis… Thus, the whole universe appears as an infinitely small and at the same time infinitely large, network of life forces…" (1966:4). This life forces are the source of traditional African cultural world view. Additionally, Shutte (1993) believes that human beings continuously influence each other, either directly or indirectly by way of sub-human forces or through the ancestors" (p.54).

Generally, religion touched every phase of human experience in sub-Sahara Africa. Specific beliefs varied from tribe to tribe, but some general tenets were common. Most traditional West African societies believed that the dead continued to influence the lives of their survivors; indeed, the ancestors were considered to remain in spirit, eliciting respect and concern from the living, who might welcome ancestors at meals or appease them when they were angry. It is important to note that most of these societies believed in a supreme being as the highest power, the source of all excellence and virtue but are removed from human understanding. According to Lassiter (2000), the traditional West Africa culture has been affected largely by colonial and religious influences. Colonialism and missionaries was the bastion of Western civilisation and culture in West Africa and Africa as a whole. These practices led to the imposition of foreign rules over indigenous traditional political and religious settings and subsequent foreign dominance of Sub-Saharan African in all spheres of their social, political, cultural, economic and religious civilisations. Western civilisation and culture has precariously contaminated the traditional culture values of Africa (Lassiter, 2000).

However, the value of respect for tradition was so typical of most societies in Africa. Africans generally have a deep and ingrained respect for old age and authority and even when they can find nothing to admire in an old man, they will not easily forget that his grey hair have earned him right to courtesy and politeness (Muekalia, 2004; Matondo, 2012). In traditional West African culture, elders are believed to be an embodiment of "all knowledge" and truth and should be accorded the dignity and respect. The young are expected to heed to words and instructions from elders for the promotion of good behaviour. Thus, traditional West African leadership appears automatic and autocratic, and although some were born in the royal lineage, the approval of the people was critical for the legitimacy of a newly elected leader (Malunga, 2006). Traditional authorities were the most visible leaders and the indigenous custodian of power. Auxiliary authorities, often people of highly respected religious or elder status continually play significant role in society. Indigenous leaders appeared very powerful from outside and command much social influence on their communities.

iii. Sense of communication and language

The people of traditional West Africa societies speak hundreds of different languages. Language still represents a sensitive asset and it is often incrusted with proverbs, idioms, and riddles that can even make the communication more difficult to understand. Matondo (2012) pointed out that the relation between the interactional language and cultural values represent an important factor in business. As far as Samovar et al. (1981) is concerned, language represents the symbol of communication and helps to determine how people encode messages, meanings, conditions and directives under which various messages may or may not be noticed or interpreted. Communication substantially has

consequences on cross-cultural management. As a result, successful cross-cultural business environment requires basic knowledge of the cultural background of the Sub-Saharan Africa country in which foreign companies are stepping for business. In addition, language and in turn communication plays a significant role in individual decision making.

Within the Sub-Saharan African societies, these cultural values play a critical role in individual's ethical decision making and judgement. Lassiter (2000) asserts that interconnectedness and communal relationships, dignity, and mutual respect are very highly valued in Africa. Though, the traditional West African culture is criticised for discouraging competition, it encourages conformity, collaboration, and cooperation in business and promotes internal, communal, and family harmony (Booysen, 1999; Shonhiwa, 2008). These practices explain the traditions and ideals underlying why many African organisations are often structured like family owned businesses. Matondo (2012) states that organizational leaders and managers tend to behave with paternal responsibility toward their staff members. Also, they should exercise strong listening and problem-solving skills, and should also respect and encourage groups' loyalties; an older person automatically holds a certain level of superiority, regardless of rank, title, or education and individuals have an acute sense of solidarity and communal life. It is obvious that these values inform business practices, behaviour patterns, and communication structures in Sub – Saharan African.

3.4 Ghanaian Culture Perspective

In spite of its rich and unique cultural heritage, and strategic geographical importance (gateway to West Africa), limited research has been conducted in relation to culture and corporate governance. Ghanaian culture, like that of many developing countries, can be characterised as high power distance, collectivist, inclined towards moderate masculinity and high uncertainty avoidance. These characteristics mean that, within such a culture, there is a general unquestioning respect for authority (people accept hierarchy order), and people integrate in the form of cohesive groups (the family system) (Hofstede, 1980, 1991). Other cultural traits include: respect for tradition and gift exchange. Ghana has been found to score about halfway along the masculinity and uncertainty avoidance index which suggests that people exhibit the tougher qualities usually associated with men (being aggressive, ambitious and competitive) and feminine qualities (modesty and caring for others). Also, it further suggests inclination towards rigid codes of belief and behaviour and is intolerant of unorthodox behaviour and ideas (even if the rules never seem to work). Brief overviews of the cultural traits, namely: the family, respect for authority, gift exchanges (NCC, 2004), which contribute to the creation of the Ghanaian national culture is discussed below.

3.4.1 The Family

The family systems in Ghana and most developing countries in general provide a set of social arrangements and interrelationships that allow people to live cooperatively and in harmony, and to pursue orderly social life (Klomegah, 1997:76). A family refers to a group of people bound together by blood ties or through adoption in which the older

people take care of the younger ones (Ardayfio-Schandorf, 1994:5). The most common system of family practiced in Ghana is the extended system, though there are still some nuclear systems being practiced. As a fundamental unit of societies, the family is responsible for the care and up-bringing of all children. To this end, Hendricks (2000:5) stated:

> *"The family is an intimate room where the core values, culture as well as ethical climate of the family as well as of the broader environment is shaped, and where the first social relationships are formed, which differ from relationships with people outside the family circle."*

The family forms the basic structure on which society's norms, expectations and obligations are based. Kimani (2010) argues that the family defines social and moral norms and safeguards material and spiritual customs and traditions. In Ghana, the family is a strong bond and the primary source of identity, loyalty and responsibility. Individuals achieve recognition and social standing through their extended family. Hendricks (2000) suggests that the family influence (through the family core values) on the culture of a family business system determines the ethical behaviour of a family enterprise (Klein *et al.*, 2005). In this respect, the family system forms fundamental principles, core values, which can be seen as the guidelines in setting the vision, mission and goals of a family enterprise. There are numerous definitions of family business. While some regard family business in terms of family's involvement in the business: ownership, management, or business succession (Chrisman *et al*., 2003a; Westhead *and* Cowling, 1998), others view it as one hundred percent ownership over the majority of shares until the majority of control (Chua et al., 1999; Astrachan *et al.*, 2002). Family business can be described as a business which is controlled by one or more members of one or more families.

Research reveals that family businesses vary regarding the degree of family involvement in ownership and management (Westhead and Cowling., 1998; Sharma, 2004; Astrachan*et al.*, 2002). Ownership structure of a family business is considered as an internal control mechanism. The assumption is that, ownership concentration can help to monitor the behaviour of managers and, likewise, to avoid the inefficient use of resources (Stiglitz, 1985). Consequently, ownership concentration may result in a reduction in problems arising from the Principal – Agent problem (Shleifer and Vishny, 1986; Stulz, 1988; Morck, *et al*., 1988, 2000). In other words, the principal-agent approach which is predominant in corporate governance has only a limited explanatory power concerning family businesses. In addition, family ownership can lead to competitive advantages, as the shareholder concentration generates significant economic incentives to reduce agency conflicts and maximize the value of the firm. This is due to the fact that family wealth is directly related to that of the company. Hence, families have strong incentives to monitor managers and to minimize the inherent problem of free-ride shareholder dispersion. According to Anderson *et al* (2003), strong control mechanisms can motivate family members to communicate more effectively with other shareholders and creditors, using higher quality financial reporting and, consequently, reducing the cost of debt. It is important to note that the family and the business are so entangled that emotions are unavoidable in a family business. As a result, family firms are often advised to appoint outside board members for large businesses and family councils (Lansberg, 1988; Ward, 1997) or advisory councils for non-large family businesses. Other researchers propose that the type of board formed (outside, inside, or token) depends on the age, size, type, and complexity of the business; the nature of ownership; and the personality and experience of board of directors (Harris, 1989; Ward and Handy, 1988).

In Ghana, it is estimated that the informal sector comprises about 70% of the labour force and a large part of GDP (Ofori, 2009; Baah, 2007). The informal sector in Ghana is largely dominated by family businesses. Thus, family businesses tend to play a critically important role in the Ghanaian economy. However, corporate governance practice in Ghana tends to focus largely on public companies and large companies to the detriment of family businesses. Additionally, Ghanaian family businesses operate in unique business environments where legal and regulatory institutions are either weak or non-functional, and informal institutions dictate governance mechanisms (Trienekens, 2011; Kyereboah-Coleman and Biekpe, 2006b). This, coupled with the relationship based culture, permits the influence of national cultural values on governance practice (Hua *et al.*, 2006; Tam, 2002). As observed by Hua *et al* (2006), corporate governance practice in developing countries is deeply influenced by the historical, social and cultural context of the given country. Consequently, the sustainability of family businesses is as important as the public company. There is the need to adopt sound corporate governance system and even more with Ghana becoming an oil economy. Furthermore, personal relationship toward the family agents may compromise the principal‘s ability to realistically assess and monitor their performance. Even in cases of detected inappropriate behaviour, it is likely that the principals will avoid disciplinary actions, fearing the social repercussions that such actions might have on their family relations (Klein, 2000; Schulze *et al*. 2003b). This lack of monitoring and control can, in turn, encourage family agents to engage in hazardous activities such as shirking and free-riding (Chua *et al.*, 2009). This thesis examines the influences of national level culture on corporate governance practicein Ghana.

3.4.2 Respect for Authority (Hierarchy)

Respect for authority includes hierarchy and respect for traditions. Most societies in Africa are said to be hierarchical (Human Rights Watch, 2001; Tamari, 1991). The Ghanaian society is hierarchical with unequal relationships between people; a view contrary to those associated with western cultures (Sidanius, 2011). In Ghana, people are respected because of their age, experience, wealth and/or position. For example, the older person is regarded as being wise and granted respect which sometimes leads to preferential treatment. People sometimes respect personal influences more than the rule and law, which to some extent, results in the dependence of social order on "rule of man". Thus, makes board of directors and senior managers of organisations too powerful to be questioned. Thus, shareholders are not culturally empowered to serve as a check on board of directors (Bruner, 2011; Laeven and Levine, 2009). This cultural trait challenges the Anglo-American system of corporate governance which rejects hierarchy and centralised authority (Breuer and Saizmann, 2009:1). It is evident that these cultural practices have implications for good corporate governance practice.

In addition, the Ghanaian society has a number of traditions and rich culture. Tradition includes a number of interrelated ideas such as: beliefs, objects or customs performed or believed in the past, originating in it, transmitted through time by being taught by one generation to the next, and are performed or believed in the present (Green, 1997; Shills,1971). The Ghanaian people cherish their traditions and grant respect to the custodian of the traditions. Though, modernisation and globalisation have brought about a slight change (Huang et al., 2012; Gupta, 2003), the culture still maintains high level of tradition. These traditions are observed, learnt and transmitted through the family

system from one generation to another. The chieftaincy institution (system of ruling in the traditional Ghanaian society) is one of Ghana and Africa's enduring cultural heritage and institution, which is deeply rooted in the ethnic consciousness of communities, providing the scope for leadership and exercise of authority (Nutakor, 2013; Odotei Foundation, 2012). As true custodians of traditions, chiefs symbolise socio-political and sacred power in many parts of Ghana. Consequently, chiefs are granted the respect and recognition in their communities by the people and businesses alike. In Ghana as well as other West African countries, traditions are cherished and respected by the people and are celebrated in different ways.

3.4.3 Gift Exchanges

The third cultural trait in Ghana is gift giving and gift receiving. Ghana, like most other developing countries, is a gift giving society. In Ghana, the act of giving gifts assists in establishing or enhancing relationships and recognising talents and achievements (NCC, 2004). This cultural practice of gift exchange could have influence on the behaviour of board of directors and senior management of corporations and government agencies on stakeholders. However, limited literature in relation to gift exchange and corporate governance practice is available. This section of the Chapter offers insights into gift and commodity exchanges. It further conceptualises gift in relation to societal and business practices.

The concept of exchange is one of the most central issues in social anthropology. The idea of exchange could be traced to the seminal work of Marcel Mauss (1925) on “The Gift”. It is argued that exchange takes place between two groups and not individuals and

includes: goods and wealth; real and personal property and other things of economic value (Mauss, 1954, 2002). This viewpoint questioned the assumptions underlying the 'free market' economics that human beings are basically driven by an aspiration to maximize profit in the form of material possessions, pleasure, and comfort (i.e. utility), and that the motives of all human interactions can be analysed in economic terms (Rus, 2008:1).

Mauss clearly distinguished between two types of exchange relation in human societies based on the degree of sociability involved in the exchange (Kaplan, 1997; Mauss, 1954). These are commodity exchange (commodity relation) and gift-exchange (gift relation). In an attempt to clarify the distinction between gifts and commodities, Christopher Gregory combines theoretical work of Karl Marx theories of commodity exchange, and Marcel Mauss influential study of gift. Gregory (1982:8) contends that:

> *"the exchange of gifts creates "personal relations between people," while commodity exchange creates "objective relations between things". In gift exchange, transactors are in a state of "reciprocal dependence". On the other hand, commodity exchange is in a state of "reciprocal independence".*

That is, commodities are alienable, impersonal and anonymous items, devoid of moral and social considerations or obligations; and therefore sharply distinguished from the person who owns them and hence can transfer to others. This suggests that gift exchanges keep the exchange partners indebted after the transactions have been completed. In the words of Rus (2008:82):

> *"Gift-exchange creates qualitative relationships between givers and receivers that make them reciprocally dependent while commodity-exchange creates quantitative relationships that enable the exchange parties to remain independent after the transaction is over."*

Based on this conceptualisation, commodities exchange refers to any exchange where various commodities are traded with impersonal relationships. In other words,

commodities exchanges are transactions with low degree of sociability and high degree of impersonality among exchange participants (Gregory, 1982). Thus, the focus of exchange is the economic value of items transacted, while social relations are subordinated (Kaplan, 1997; Rus, 2008). The assumption is that, transaction takes place among “strangers” where the exchange transaction enforces no lasting social obligation or personal relationship. Gift exchange involve is characteristic of most exchanges that take place between corporate groups (i.e., tribes, families) and are of ceremonial nature (Bell, 1991; Mauss, 2002). In such societies, exchange of gift was at the basis of their entire economic system.

To Gregory (1997), gifts belong to the sphere of the household and personal relationships, while commodities belong to the sphere of trade and impersonal relationships. In addition, once the transaction is completed in a commodity exchange, transactors are free to trade or use the commodity traded. In the case of gift exchange, transactors usually continue the network of giving, receiving and requiting gift. The exchange arising from commodities is "price-forming process" whiles that of the gift is personal or social bonds formation. Gregory (1982:19) claims "What a gift transactor desires is the personal relationships that the exchange of gifts creates and not the things themselves". Gift giving creates asymmetry in a relationship, and indebts the receiver, who is obliged to make a counter-gift sometimes in the future (Mauss 1954; Berking, 1999: 8). This network of exchange creates a relationship, as well as social and moral ties between both parties involved in reciprocity.

However, Mauss (2002) is of the view that reciprocity does not inevitably mean full reciprocity between two individuals. It engages the social obligation to give, accept, and

reciprocate within the social networks (Gouldner 1960; Levy 1959). To Rus (2008), relationships always imply some moral and social obligations. In effect, when two parties establish a relationship, it takes the mutual effort of the two to make the relationship grow and they cannot just walk away and forget about the whole thing, unless they have no intention of continuing the relationship. It is expected that they constantly re-affirm their relationship, cultivate it and grow it to create a web of interactions and obligations that sustain and promote the relation that has been established (Rus, 2008: 96). In summarizing Mauss pioneering works on the subject, Robin (2011:42) maintains that:

> *"the significance of gift giving is that it expresses, affirms, or creates a social link between the partners of an exchange. Gift giving confers upon its participants a special relationship of trust, solidarity, and mutual aid"*

From this viewpoint, gift exchange creates social relations as well as personal relationships. This is because the "relationship established is not one of reciprocity, but one of kinship" (Robin, 2011:42). In presenting the purpose of gift exchange, Mauss (1954) notes:

> "*The exchange of presents did not serve the same purpose as trade or barter in more developed communities. The purpose that it did serve was a moral one. The object of the exchange was to produce a friendly feeling between the two persons concerned, and unless it did this, it failed of its purpose"* (p. 18).

Furthermore, it is argued that the giver not only gives a gift, but also a part of him (Mauss, 2002). The author maintains that the gift is permanently tied to the giver: "The objects are never completely separated from the men who exchange them" (1954: 31). Likewise the commodity, possesses a quality of the giver (producer or seller), embodied in for instance the trade-mark or brand name (Rus, 2008). Besides, many commodities manifest a form of inalienability from the giver (producer or seller) which is indicative of a gift. Above all, commodities not only continue to embody the identity of the giver

but also impose this identity upon the receiver (a buyer) and vice versa (Rus, 2008). These two forms of exchange do not only take shape differently in different historical and cultural contexts, they are also made meaningful, deployed, and culturally related to one another.

It is a common practice in Ghana and other African countries that businesses including multinationals, give and receive gifts to and from their stakeholders (Knierzinger, 2011; Osusu, 2010). While companies and their policies of doling out financial benefits or allowances to traditional leaders maintain cordial relationship with host communities, it may have implications for good corporate governance practice (Osusu, 2010). This thesis examines the influence of culture on corporate governance practice in Ghana.

3.5 Organisational Culture Values

Organisations can be viewed as smaller societies with a distinctive social structure. Culture is a shared set of meanings and standards by which the members of a society regulate their lives. National level culture is regarded as one of the most influential contingent (situational) factors, which determine organizational phenomena (Ardichvili and Kuchinke, 2002; Pearce, 1991). Hofstede (1980, 2001) established the relationship between organizational behaviour and culture. However, national culture plays a significant role in the success of businesses (Christie *et al.,* 2003). Long Term Orientation and Short Term Orientation, and Power Distance are a crucial dimension of national culture that influences leadership and subcultures in organizations.

Organisational ethical values are referred to as "a composite of the individual ethical values of managers and both the formal and informal policies on the ethics of the organisation" (Hunt *et al.,* 1989, p. 79). Douglas *et al* (2001), identifies organisational ethical values as 'the most important deterrent to unethical behaviour' (p. 105), and play a leading role in corporate governance (Schwartz *et al.,* 2005). Research indicates that by establishing organisational ethical culture, top management are able to influence employees' ethical ideologies and ethical decision making (Chonko and Hunt, 1985; Singhapakdi *et al.,* 2008). For instances, Singhapakdi *et al* (2008) and Vitell and Hidalgo (2006) identified a positive relationship between corporate ethical values and individuals' attitudes towards the role of ethics and social responsibility in achieving organisational effectiveness. Schwartz (2001) suggests that the relationship between an individual's personal values and a Corporate Code of Ethics is similar to the relationship between an individual's personal values and his/her perceptions of ethical problems and social responsibilities. Thus, a person with a lower level of perceived corporate ethical values is more likely to take a high relativist position (Douglas *et al.,* 2001; Vitell and Hidalgo, 2006)

3.5.1 Codes of Ethics

A code of ethics may be considered as the manifestation of a company's ethical measures, or at least of a company's intentions or commitment to act ethically. Even though codes of ethics are nowadays widely used and discussed, there is not an existing commonly agreed definition of what precisely constitutes a code of ethics; in fact, there seem to be two main types of conceptions of codes of ethics. Firstly, a code of ethics is understood strictly as a list of rules or recommendations. Secondly, a code of ethics

refers not only to simple lists of rules but to nearly any company statement concerning issues of ethical behaviour, environmental responsibility or social responsibility. A Code of ethics is characterized as:

> *"a statement setting down corporate principles, ethics, rules of conduct, codes of practice or company philosophy concerning responsibility to employees, shareholders, consumers, the environment or any other aspects of society external to the company" (Langlois and Schlegelmilch 1990, p. 522).*

In addition, Johnson *et al* (1996:164), indicate that the role of a code is often assumed to take: "a corporate code which provides a visible and public statement of ostensible organizational values, duties and obligations". As such they can both play a role in controlling members' behaviour and present a particular public image of the organization to stakeholders. Hence, codes are used to establish a baseline for action within the corporation. According to Mathews (1990), corporations and their executives use written codes of ethics to demonstrate 1) social responsibility, 2) a corporate culture that promotes anti-criminal behaviour patterns, and 3) the possibility of self-regulation.

However, even if codes do provide a potential form of self-regulation, most research has shown that the relationship between codes of ethics and behaviour is minimal (e.g. Mathews, 1990; Donaldson, 1992; Carasco and Singh, 2003). This has naturally stirred up much discussion about whether codes of ethics are merely window-dressing and a public relations activity rather than an indication of real intentions to put the made commitments into practice. Related to the growing ethical consciousness, codes of ethics are seen in two very different ways: either as principles that companies truly seek to follow (mainstream business ethics literature), or as a way to enhance corporate reputation and brand image among ethically aware consumers (business ethics critics).

One could assume that the ethical content of a code (if one actually exists) still results from the growing importance of ethical considerations in general.

Gilman (2005) argues that codes of ethics are written to guide ethical behaviour and focus on boards' actions that result in doing the right things for the right reasons. As a result, codes tend to differ from organisation to organisation and from country to country due to differences in corporate cultural values. Boards contend whether codes of ethics are necessary at all because good people should know how to act ethically without any guidance. Gilman (2005) argues that no matter how codes of ethics are enforced, it does not make truly bad people good. This explains the ethical relativism ideology and consequently supports the teleological ethical theory. The corporate governance code of ethics requires that boards provide the direction of the organisation in terms of strategic planning; performance appraisal; compensation of senior executives; communication with shareholders; ensuring that the integrity of financial controls and ethical standards are maintained and complied. This expectation is consistent with the principle of idealism and favours the deontological ethical theory. Finn *et al.* (1988) suggests that the general overarching purpose of a Code of Conduct is to guide and establish high standards and to encourage higher ethical standards in business.

3.6 Cultural Relativism and Cultural Universalism

The two opposing positions with regard to the debate on culture are cultural relativism and cultural universalism. Cultural relativism suggests that good and bad are relative to

culture. Under culture relativism, "good" is what the society defines or approves. Culture defines the moral principles and values which inform our ethical judgement and decision making. Cultural universalism on the other hand assumes the existence of the fundamental moral principles that are correct and suitable for all cultures in similar situations.

Cultural relativism came into prominence in the second part of the twentieth century as a means to counter-colonialism (Roth, 2004; Bidney, 1968). The idea that one culture was superior to others was questioned in 1900s by anthropologists who emphasized that, each culture has value in itself (Reichert, 2006). Culture relativism asserts that each culture is to be observed, measured, and analysed from a privileged reference frame. Thus, it maintains that the analysis of social behaviour should be undertaken with standards provided by the cultural values of the group under investigation. That is, all viewpoints are equally valid and any truth (ethical, religious, and political beliefs) is relative.

Cultural relativism range from descriptive relativism (or weak relativism; amounting to a commonsense observation that cultures vary), through normative relativism (or strong relativism; positing that since all standards are culture-bound, there can be no transcultural moral or ethical standards), up to the most extreme form of relativism (or extreme relativism; claiming that humans are shaped exclusively by their culture and therefore there exist no unifying cross-cultural human characteristics) (Jarvie, 1983; Zechenter, 1997). To this end, Gellner (1985) argues that there is no absolute truth, be it ethical, moral, or cultural, and that there is no meaningful way to judge different cultures because all judgments are ethnocentric.

According to Zechenter (1997), cultural relativism emerged as a reaction to the ethnocentric assumptions of nineteenth-century science which glorified Western societies and diminished the achievements of non-Western cultures. However, descriptive relativism challenged the broad generalizations about human beings and the notion of natural superiority of Western civilization (Benedict, 1934; Mead, 1963). The focus of this form of cultural relativism is to demonstrate the wide cultural differences. To add to that, the normative relativists emphasised the fact that cultures inculcated their members with moral and ethical rules through involuntary socialization and enculturation (Herskovits, 1958, 1973; Fernandez, 1990). Normative relativism maintains that there could be no extracultural standards by which other cultures can be judged, thus forcing relativists to accept and tolerate allpractices engaged by others (Zenchenter, 1997). This viewpoint regards all cultures as "equally valid patterns of life" (Benedict, 1934:278), what Rosaldo (1984:188) calls "my own group aside, everything human is alien to me". In relation to the normative relativism, extreme relativism posits that not only do there exists no extracultural standards against which cultural practices may be judged as acceptable or unacceptable, but there is no such thing as objective reality, truth, or reason (Geertz, 1973, 1984; Marcus and Fisher, 1986).

Jarvie (1983) identified two main components of cultural relativism. These are factual and philosophical. The former deals with judgements about the world and judgements of value vary widely from culture to culture. That is, all cultures are equally valued. On the other hand, the latter maintains that assessment of claims about the world and about morality is also culture-dependent. Cultures have their own unique set of rules and

acceptable behaviours with no universal procedure to suggest that one way may be better than another. Judgements are based on experience, and experience is interpreted by each individual in terms of his own enculturation (Herskovits, 1973). However, individuals who argue for the existence of fixed values will find materials in other societies to necessitate re-investigation of their assumptions. The question is whether there are or can be moral standards by which to judge the local moral standards of cultures. As far as Herskovits (1973) is concerned, judgements are based on experience and experience is enculturated and that there can be no transcultural moral assessment of diverse moral claims.

This approach to culture puts value judgements and even reality itself into question; making a profound contribution to the analysis of man's place in the world in relation to moral relativism (Jarvie, 1975). As observed by Jarvie (1975), the effectiveness of moral judgements is a factual matter and that cultures endorse certain moral standards which vary from place to place and over time. Cultural relativism must be understood as taking a position on the validity of these standards, which, in sum, is the position that a particular moral codes may be true, but only locally so. What is ethically right or wrong depends on what the culture assesses is right or wrong and vary from culture to culture (Rachels, 1999; Pedigo and Marshall, 2004; Bowie, 1999).

However, cultural relativism can be criticized for not allowing: scientific generalizations, for the condemnation of immoral practices, and being logically consistent. Since cultural relativism utilizes the subject’s cultural frame of reference and restricts analysis to the subject’s community, it does obstruct the establishment of scientific generalizations (Namazie, 1998). It has also been criticized for failing to

respond adequately to serious ethical issues; legitimises and promotes unethical practices. “What if people practice slavery, torture, or genocide?” (Namazie, 1998; Ember and Ember, 2002). Must the anthropologist simply accept these practices and not judge them as vile or try to eliminate them? Despite the criticism, relativists argue that any attempt to make cross-cultural judgments or to create universal standards renders relativism ineffective or trivial (Hatch, 1973, 1983).

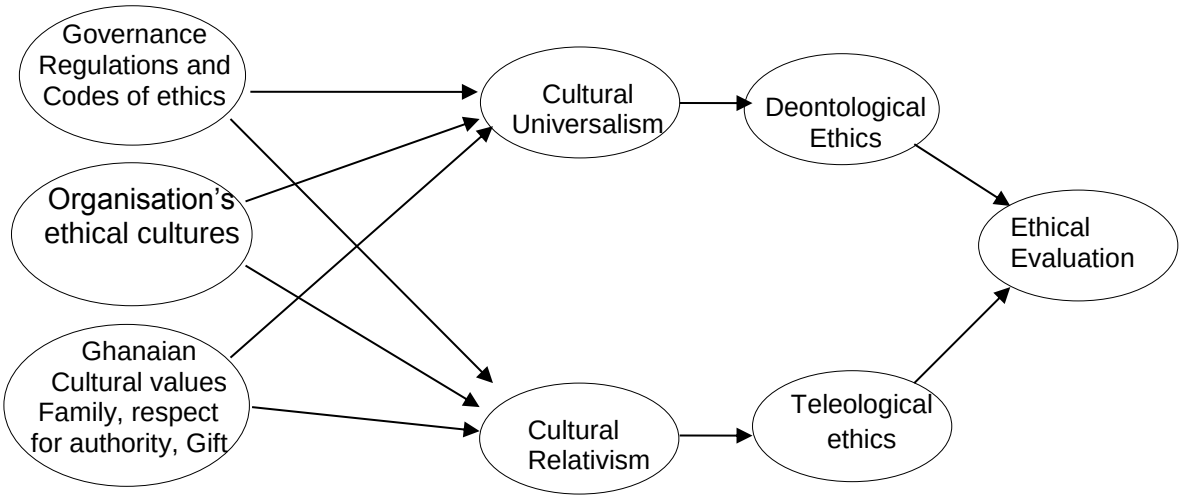
On the other hand, Culture “universalism” received its greatest recognition after the World War II (Ife, 2001; Reichert, 2003a) in relation to the adoption of the Universal Declaration of Human Rights. In this declaration all over the world discussed and negotiated values that would become the basis for human rights due to the consequences of World War II (Reichert, 2006). Cultural universalism maintains normative ethical standards or universal guidelines that transcend national boundaries and cultural differences. A global set of agreed standards would appear to be the solution to whose ethics one should use in international trade (Pedigo and Marshall, 2004, p.186). Many global institutions such as Transparency International, the United Nations and OECD (Eigen-Zucchi, 2001) have proposed various broad-based global codes of conduct. The extent to which these codes are effectively enforced varies from country to country due to the differences in the culture. However, universalism is not without criticism. It has been criticised for perpetuating colonialist practices, complaining that one group assumes superiority over the other and bases values, ethics, power on that assumption(Ife, 2001; Harris-Short, 2003; Reichert, 2006). The approach is also criticised for its emphasis on the ‘‘imperialistic’’ nature of human rights and universal codes and standards and challenges have raised important questions about whether

universal codes and standards deserve the authority they have acquired (Harris-Short, 2003; Reichert, 2006).

3.7 Theoretical Framework

This section presents the theoretical framework that is used to guide data collection, analysis, and interpretation of this study. According to Kilbourn (2006), the theoretical perspective in a research study reflects the researcher's theoretical orientation, which is crucial to interpreting the data in a qualitative study, irrespective of whether it is explicitly or implicitly stated. In other words, theoretical perspectives play a role as the filter for limiting, choosing, collating, and interpreting the data for this study. A theoretical framework has been developed representing the Ghanaian boards' ethical decision making model shown in Figure 3.1.

Figure 3.1: Ghanaian Boards' Ethical Decision Making Model



Individual values play a central role in ethical decision making (Yates and Lee, 1996; Hunt and Vitell, 1986). Thus, an individual's value system is regarded as the foundation for judgments (Douglas and Schwartz, 1999). However, no one is born with values. Cultural values are built and developed as one grows and progresses (Smith, 1977). The author asserts that the

> *"process of acquiring values begins at birth and that 'individuals are born into cultures and societies which promote, teach, and impart their values to them" (p. 3).*

Thus, culture is the dominant factor in establishing an individual's personality and in influencing his or her ethical decision making (McCrae *et al,* 1996). Hunt and Vitell (1986) also proposed that an individual's ethical judgments are a function of his or her deontological and teleological judgments, and external factors such as national cultures and professional environments that influence the individual's moral philosophy and his or her decision making. Deontological and teleological judgments are the core of Hunt and Vitell's general theory of ethics. Teleological theory distinguishes right from wrong, or good from bad based on the results or the consequences of decisions or actions. Deontological theory on the other hand, is based on moral imperatives about what is right and wrong.

Forsyth (1980, 1992) argues that the concepts explaining moral philosophies are relativism and idealism. It is argued that deontology is generally an idealistic philosophy and that teleology is a relativistic one (Vitell *et al.,* 1993). Forsyth (1980) considered that ethical ideology was based on deontological and teleological theories. An individual judgment varies according to individual moral beliefs and attitudes based on universal rules or some relativistic position. Thus, an individual's ethical ideologies are classified along two dimensions: either idealism which is concerned with securing

the welfare of others and avoiding negative consequences which may harm others or relativism which says that moral actions depend upon a given situations (Forsyth, 1992; Ferrell and Gresham, 1985).

Interest in business ethics literature on differences in ethical ideology across countries and cultures, and its subsequent application to ethical decisions has increased in recent years (Jackson *et al*, 2000). The individual's ethical judgment and decision making is influenced by their ethical belief or ethical ideology (Forsyth, 1980; 1982; Davis, *et al*, 2001; Jackson *et al*, 2000). Some aspect of individual ethical ideology differs from country to country and culture to culture (Jackson *et al*, 2000). The ethical consequences of business decisions have been influenced by many organisations' ethical cultural factors including the conditions in the external environment, competitive market characteristics, and individual leader attributes (Tsakilis and Fritzsche, 1989; Trevino and Weaner, 1994).

The aim of this study is to examine whether governing boards of Ghanaian public sector organisations are ethical in relation to corporate governance practice. The ethical action or behaviour of board of directors is examined in the context of: (1) national cultural values, (2) boards' ethical values, and (3) Personal values. National cultural values are Ghanaian board of directors' beliefs about Ghanaian traditional cultural beliefs. Governing boards' values include board's beliefs about the Code of ethics and best practices and their organisation's ethical cultures. Personal values include governing board's beliefs about Ghanaian public norms. Ghanaian board of directors' ethical ideologies (idealism and relativism) and theoretical processes (deontology and teleology) are considered to be the factors which influence their ethical evaluations.

Ethical decision making is defined as "a thought process that leads to one of several possible options" and is influenced by many factors including personal values and external influences (Baron, 1993: 35). Individual moral philosophy is identified to be one of the fundamental factors influencing ethical decision making in business ethics (Hunt and Vitell, 1986; Trevino, 1986; Ferrell and Gresham, 1985). There is much empirical evidence on the notion that individual's ethical beliefs or ethical ideology influence their approach to ethical judgements and decision making (Davis *et al.,* 1998; Barnett *et al.,* 1999; Forsyth, 1980, 1981; Glover *et al.,* 1997; Jones *et al.,* 2007). Thus, managers apply ethical guidelines based on their personal moral philosophies when confronted with ethical issues (Singhapakdi *et al.*, 1999; Ferrell and Gresham, 1985; Hunt and Vitell, 1986). Other writers have also proposed theories on individual differences in ethical ideologies (e.g. Kohlberg, 1968, 1983; Rest *et al.,* 1974) or personal ethical ideologies (Henle *et al.,* 2005) on decision making. These theories are explained in terms of the "two general dimensions: idealism and relativism" (Schlenker and Forsyth, 1977; Forsyth, 1980: p. 175). In addition, ethical decisions within the context of business are among the most complicated and challenging issues that confront businesses today due to the significant implications they have for business as well as society (Crane and Matten, 2007; Abdullah and Valentine, 2009). Board of directors and senior managers are confronted with the problems of establishing what constitutes an ethical issue in different cultures. This is because an ethical dilemma in one culture differs in another. Different cultures have different rules of conduct since there are differences in the systems of laws across nations. The issue of culture is discussed in detail in section 3.3.

An idealist person makes an ethical judgment based on universal rules and the principle of no harm to others, whereas a relativist person makes an ethical judgment based on personal feelings and situations (Forsyth, 1980). The concepts of idealism and relativism are not opposites but in a continuum (Shaub *et al*, 1993). Individuals with a high idealist moral philosophy may also identify with a high or low relativist moral philosophy. Thus, there is a mix of four possible ethical orientations in Forsyth's (1980), two-dimensional model depending on whether an individual rejects universal moral rules in favour of relativism, and the degree to which that individual avoids harm to others. For these reasons, ethical ideologies: idealism and relativism along with Hunt and Vitell's deontological and teleological judgments are appropriate for this study. Consequently, the theoretical framework underpinning this study is based on Forsyth's (1980), idealism and relativism and Hunt and Vitell's (1986) deontological and teleological ethical ideologies theory.

Empirical research in ethical decision making has primarily focused on testing constructs that might explain outcomes of ethical awareness, ethical judgment, ethical intent or ethical behaviour (McDevitt *et al*, 2007; O'Fallon and Butterfield, 2005). This thesis examines ethical theories in terms of idealism and relativism arguments. Forsyth (1980), defines idealism as the degree to which individuals ''assume that desirable consequences can, with the 'right' action, always be obtained'' (p. 176). Idealistic individuals adhere to moral absolutes when making ethical judgments. He explained that highly idealistic individuals feel that harming others is always avoidable while the less idealistic individuals assume that harm will sometimes be necessary to produce good. On the other hand, Forsyth (1980, p. 175) defines relativism as ''the extent to which an individual rejects universal moral rules'' when making ethical judgments.

Relativists generally feel that moral actions depend upon the "nature of the situation and when judging situations they weigh the circumstances more than ethical principles" (Forsyth, 1992, p. 462).

3.8 Conclusion

This chapter has discussed the ethical context in which business is practiced. Ethics play a central role in business and society. The issue of ethics, morality and law was explored within the framework of business ethics in relation to ethical dilemma. Corporate leaders have greater responsibility to produce goods and provide services to meet the needs of society within challenging stakeholder expectations. Business ethics research is categorised into three dimensions, namely: normative ethics, descriptive ethics and meta-ethics. Normative ethics clearly describes the distinction between the two major ethical theories; teleological (comprising consequentialism and prescriptive ethics) and deontological (Kantian ethics and virtue-based ethics). These ethical theories were examined in relation to the practice and behaviour of corporate board of directors.

Both utilitarianism and Kantian ethics have important implications in the business world. Although, both of them can be applied in business ethics, they have been criticized at different levels. Act utilitarianism is concerned with long term benefit to harm ratios and also provides the cost-benefit analysis. The cost-benefit analysis is important in business. Hence, it can be said that utilitarian cost-benefit analysis is the best way to evaluate the morality of a business decision. Kant's categorical imperative rules out certain practices such as theft, fraud, coercion and so on in business life. In

addition, the formulation of Kant's categorical imperative constitutes the basic element of business ethics. However, Kantian business ethics is not simply a matter of following the demands of the categorical imperative.

Individual's ethical judgment and decision making is influenced by their ethical belief which varies from country to country and culture to culture. Individuals acquire personal values over time as they interact with their environment and societies in which they live. Cultural values are built and developed as one grows and progresses. Thus, culture is the dominant factor in establishing an individual's personality and in influencing his or her ethical decision-making. However, Individual judgment varies according to his/her moral beliefs and ethical values based on universal moral rules or rejects universal moral principles in favour of some relativistic position. Thus, an individual's ethical ideologies are classified along two dimensions: either ethical idealism or relativism. This is underpinned by culture universalism and relativism.

The issue of culture and national culture value from Hofstede's (1980, 1991, 2001) dimensions in relation to the Ghanaian culture. The culture system in a country influences the organisational culture of that country and individual behaviour in relation to corporate action or decision. There are three main cultural values in Ghana, including: the family system, respect for authority, and exchange of gifts. The family forms the basic structure on which society's norms, expectations and obligations are based. Kimani (2010) argues that the family defines social and moral norms and safeguards material and spiritual customs and traditions. Hendricks (2000) suggests that the family influence (through the family core values) on the culture of a family business system determines the ethical behaviour of a family enterprise (Klein *et al.*, 2005). In

this respect, the family system forms fundamental principles, core values, which can be seen as the guidelines in setting the vision, mission and goals of a family enterprise.

Another cultural trait is respect for authority. In this regard, people are respected because of their age, experience, wealth and/or position. This makes board of directors and senior managers of organisations more powerful. Thus, shareholders are not culturally empowered to serve as a check on board of directors. Finally, gift giving and gift receiving is the third cultural trait. Ghana, like most other developing countries, is a gift giving society. In Ghana, gift giving can be used to establish or enhance relationships and recognising talents and achievements (NCC, 2004). This cultural practice of gift exchange could have influence on the behaviour of board of directors and senior management of corporations and government agencies on stakeholders. The next chapter discussed the methodology and the methods used to conduct the research. The next section considers the methodology for the study, including the research philosophy, research approaches and research methodology.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.0 Introduction

Research methodology is one of the most important chapters of any given piece of research. It serves to explain the explicit and implicit assumptions adopted by the researcher during the entire research process. The methodology serves as the foundation upon which the entire research is built. The stronger the methodology, the more probable the research could contribute to the advancement of existing knowledge. In order to choose the appropriate methodology and methods for conducting research, the research needs to be positioned within an appropriate research paradigm and a methodology that is compatible with the research paradigm selected (Creswell, 2003). The chosen research methodology then identifies, to a large extent, the research methods for data collection and data analysis (Creswell, 2003; Denzin and Lincoln, 2000). As observed by Howell (2013),

> *"methodology impact on methods and have considerable influence on what knowledge is considered to be and the consequent outcomes of the investigation"(p.1)*

This chapter discusses the theoretical underpinnings of the research paradigm and methodology chosen for addressing the research problem. It is organised into two sections. Section one presents the paradigms of enquiry and describes the philosophical assumptions of the study. It explains the relationship between the philosophical

assumptions and paradigm of enquiry. Section two examines the methodological underpinnings and the rationale for using grounded theory methodology. It further explores the relationship between the methodological approaches and the role of the researcher. The section outlines the criteria for grounded theory research and the paradigm of enquiry adopted for this study.

4.1 Research Paradigm

The term paradigm is characterised in the classical thesis of Kuhn (1979) as the basic beliefs about what constitutes *reality*, counts as *knowledge and* guides action in inquiry or research (Guba and Lincoln, 1994; 2005; Denzin and Lincoln, 2003; Patton, 1990; Crotty, 1998; Lincoln and Guba, 2000; Bettis and Gregson, 2001). To clarify the distinction between reality and knowledge, Howell (2013:2) has the following to say:

> *"reality is related to knowledge and can be totally separate from or a construction of the mind…knowledge incorporate our stock of explanations and understanding of why reality and the truth and the theories that reflects this are as they are; knowledge involves interpretations of facts derived from data as well as abstract comprehensions of phenomenon"*

A paradigm provides the philosophical, theoretical and methodological platform in conducting research and interpreting the world. A paradigm can be conceptualised as a *hypothesis* or *theoretical structure* or a *framework of thought* that acts as a *template* or example to follow in terms of how we see the world. It also determines our perspective, and shapes our understanding of how things are connected (Henning *et al.*, 2004; Nwanji and Howell, 2004). A paradigm describes the worldview of the researcher, defines the way research is conducted and the techniques for conducting the research (Burrell and Morgan, 1979; Fossey *et al.*, 2002). Though, the philosophical

backgrounds usually remain implicit in most research, Bishop *et al.,* (2002) argue that "understanding our worldviews is imperative" (p. 611) as they affect the practice of research (Wahyuni, 2012).Additionally, many researchers (e.g. Bishop *et al.,* 2002; Creswell, 2009; Saunders *et al.,* 2009; Neuman, 1997) contend that, it is important to initially question the research paradigm to be adopted for research. The views of researchers should be clearly stated in their research regarding the nature of reality, the grounds of knowledge and the interaction between humans and their environment. Research paradigm is categorised into four philosophical assumptions, including: ontological; epistemological; methodological and axiological assumptions about human nature (Burell and Morgan, 1979). To other researchers (Kalof *et al.,* 2008; Saunders *et al.,* 2009), there are two main philosophical dimensions to distinguish existing research paradigms: ontology and epistemology. Burrell and Morgan (1979) suggest that each paradigm contains assumptions that can be represented as objectivist and subjectivist. Consequently, different research paradigms are discussed to enable a justification of the theoretical assumptions used for the study.

Ontology is concerned with the nature of social reality. It is defined as:

> *"the science or study of being' and develops this description for the social sciences to encompass claims about what exists, what it looks like, what units make it up and how these units interact with each other"* (Blaikie, 1993:6).

This implies that ontology describes the kind of things that exist, the conditions of their existence and the relationships between these things (Blaikie, 2000, 2007).The terms "objectivity" and "subjectivity," generally relate to a perceiving subject (normally a person) and a perceived or unperceived object. As such, object is something that presumably exists independent of the subject's perception of it. The objectivist approach to research originates from the natural sciences and assumes that the social

world has existence independently of people and their actions and activities. According to Howell (2013:3):

> *"we know the world through the projection of pre-existing categories apparent within the mind and are not able to access things in themselves. That is we can only have interpretation of entities or objects as they appear to us once they have been categorised by the means at our disposal for understanding the given phenomenon"*

The author further suggests that elements of occurrences and events are initially "phenomenon of the brain" (Kant, 1992) and made up of "subjective conditions" (Schopenhauer, 1969). In other words, we cannot claim to know a thing as an independently existing material object and that things are only the ideas we have of them. Schopenhauer (1969:5) argues that human knowledge is limited by our specific and narrowly-circumscribed capacities and that philosophy is essentially idealistic. The impression that whatever is relevant to our experience must be capable of being known by us and that what we have no importance for cannot be real, opposes our common sense view. This is because the way in which physical objects exist differs radically from our notion of sense-data; although, they do share a correspondence.

However, ontological realism combines claim of existence with a claim of mind-independent reality. Phillips (1987, p. 205) defines realism as "the view that entities exist independently of being perceived or independently of our theories about them". Schwandt (1994) adds that scientific realism is the view that theories refer to real features of the world. From this viewpoint, "reality" refers to whatever it is in the universe that causes the phenomena we perceive with our senses. The fundamental feature of all of these forms of realism is the rejection of the existence of "certain knowledge of the world", and acceptance of the fact that all theories about the world are seen as grounded in a particular perspective and worldview, and all knowledge is

partial, incomplete, and fallible. This suggests that there is no possibility of attaining a single "correct" understanding of the world.

Epistemology is concerned with the theory (nature) of knowledge and asks the questions, 'what is knowledge and what are the sources of knowledge' (Eriksson and Kovalainen, 2008). In other words, epistemology describes how and what it is possible to know and the need to reflect on methods and standards through which reliable and verifiable knowledge is produced. To Blaikie (2000:8) epistemology refers to "the possible ways of gaining knowledge of social reality, whatever it is understood to be. In short, claims about how what is assumed to exist can be known". As far as Hatch and Cunliffe (2006) are concerned, epistemology refers to: "knowing how you can know" and expand this by asking how knowledge is generated, what criteria discriminate good knowledge from bad knowledge, and how reality should be represented or described.

From the above viewpoints, there are several different epistemological commitments and directions based on the way through which knowledge claims are made (Eriksson and Kovalainen, 2008).Thus, there are several different ways of knowing which is a function of the researcher and varies over time. Also, ontological and epistemological assumptions inter-depend on each other since any theory of knowledge asserts a symbolic truth and undertakes a struggle for legitimacy. As such, a researcher's ontological positions or assumptions may influence the epistemological choices or conclusions drawn. The relationship between the researcher (knower) and reality (what can be known) (Guba and Lincoln, 2005; Schwandt, 2000; Carson *et al.*, 2001) indicates the objectivity or subjectivity of the knowing process. As noted by Eriksson and Kovalainen (2008), objective epistemology presume that a world exists that is external

and theory neutral. Consequently, data collected from objects that exist separate to the researcher (an external reality) are said to be less open to bias and therefore more objective.

Conversely, subjective epistemology assumes no access to the external world beyond our own observations and interpretations is possible (Eriksson and Kovalainen, 2008). A subjectivist approach has its foundation in relativism and therefore sees a crucial role for the individual, concluding that knowledge cannot exist without individuals to construct it. Individuals construct their world in a unique way, depending on their background, the social forces acting on them, and so on (Schommer, 1990). Knowledge is subjective created by the individual in light of such background and social forces. Accordingly, there are multiple interpretations of any given situation: there is no single ultimate truth. A subjective 'truth' is only true under certain conditions, at certain times, or for certain people. The objectivist approach, on the other hand, is based on realism, and sees knowledge as existing separately to individual people; that it is 'mind independent'. It is important to note that both ontology and epistemology are closely related.

Axiology refers to the assumptions about the role of values and ethics in the research process (Putman, 1983c). Though, traditional scientific approach seeks research that is value free and unbiased, research is value laden and biased. There seems to be a close relationship between axiological assumptions and the epistemological assumptions which prompts the question: how are values suspended in order to understand, or do values mediate and shape what we understand? The beliefs and values are made explicit by the researcher based on personal "disciplinary-related methodologies and allegiances

(Lincoln and Guba, 2000:164) including personal history and experiences. In qualitative research, the researcher's values influence the outcome of the research due to the proximity between the researcher and the researched. Through reflexivity the researcher's values and biases are reported as well as value nature of data collected (Creswell, 1994). On the other hand, the qualitative researcher maintains a clear separation without being emotionally involved with what is being researched. According to Denzin and Lincoln (2005) values are undergirded and affect the entire research process, including: choice of problems, guiding paradigm, rhetorical framework, data-gathering method, analysis format, and even the presentation format of the findings. Hence, values play a significant role in the study of corporate governance.

Finally, methodology communicates the overall approach in conducting the research which depends on the ontological and epistemological assumptions discussed above. Methodological questions deal with "how should the enquirer go about finding out the knowledge" (Guba and Lincoln, 1994, p. 108). This refers to a model for undertaking a research process in the context of particular paradigms. The worldview of the researcher defines the way research is conducted and the techniques for conducting the research. It addresses issues of types of sampling, design, and analysis and consequences that result from the methodological choices. Methodology aims at uncovering and justifying "research assumptions as far and as practicably as possible, and in doing so to locate the claims which the research makes within the traditions of enquiry which use it" (Clough and Nutbrown, 2002, p.31). In addition, it reflects the beliefs about the knowledge, and values inherent in the paradigm within which the study is conducted.

Though, methodology and methods are often used interchangeably or used to mean same, the two terms are different. In an attempt to distinguish between the two, methodology is conceptualized as: "…principles, theories and values that underpin a particular approach to research (Somekh and Lewin, 2005:346); overall approach to research linked to the paradigm (Mackenzie and Knipe, 2006); "a paradigm in which our theoretical perspective is placed or developed" (Walter, 2006:35). On the other hand, methods refer to the systematic modes, techniques, procedures or tools for gathering and analyzing data (Mackenzie and Knipe, 2006; Corbin and Strauss, 2008:1). That is, methods are the "techniques or processes we use to conduct our research. Thus, methodology is "a way of thinking about and studying social phenomena" (Corbin and Strauss, 2008:1) utilizes these methods.

4.1.1 Major Forms of Research Paradigms

Research paradigms have been broadly divided into several different forms depending on the researcher's philosophical thinking (Saunders *et al*., 2007). According to Patton (1990, p.37), there are two basic paradigms in conducting research: the logical-positivist and phenomenology. While logical-positivist paradigm uses quantitative and experimental methods to test hypothetical-deductive generalisations, phenomenological inquiry, also called an interpretive or constructive paradigms (Hassard, 1993; Cresswell, 2007; Johnson and Onwuegbuzie, 2004; Easterby-Smith *et al.*, 2008) uses qualitative approaches to understand human experience in context-specific settings inductively and holistically. These research paradigms are discussed in the following sections.

4.1.1.1 Positivism

Positivism is associated with natural science; is "based on the rationalistic, empiricist philosophy that originated with Aristotle, Bacon, Locke, Comte and Kant" (Mertens, 2005:8) and "reflects a deterministic philosophy in which causes probably determine effects or outcomes" (Creswell, 2003:7). The application of this research paradigm to the social world is based on the assumption that "the social world can be studied in the same way as the natural world, that there is a method of studying the social world that is value free, and that explanation of a causal nature can be provided" (Mertens, 2005:8). Positivists seek one objective "truth" with verifiable patterns that can be predicted with certainty (Kim, 2003, Guba and Linclon, 1998). Thus, *a* priori truth is assumed discoverable through rigorous, careful observation and testable and repeatable methodologies. Positivism presumes a single objective reality that is orderly, predictable, and deducible which utilises quantitative methods to test hypothetical-deductive generalisations (Dainty, 2007). Easterby-Smith *et al.,* (2008) posited that, the

> *"...key idea of positivism is that the social world exists externally, and its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition" (p. 57).*

Positivist researchers seek to obtain generalisations through causal explanations and fundamental laws (Easterby-Smith, 1991; Kim, 2003). The basic belief of positivists is the existence of a universal generalisation that can be applied across contexts, which is now called naïve realism. This paradigm is based upon values of reason, truth and validity; and focuses purely on facts, gathered through direct observation and experience; and measured empirically using quantitative methods: surveys and experiments, and statistical analysis (Blaikie, 1993; Saunders *et al.,* 2007; Eriksson and Kovalainen, 2008; Easterby-Smith *et al.,* 2008; Hatch and Cunliffe, 2006). Thus, the

paradigm employs a deductive approach to the research process and "holds that meaningful reality exists.

Researches using the quantitative approach believe that all true knowledge is scientific and credible and data is based only on observable phenomena (Saunders *et al.,* 2007). That is, quantitative research involves precise measurement and seeks to generalise from results. The potential strengths of the quantitative approach lie in its precision and control, and experimentation which emphasises measurement and analysis of casual relationship between variables, not processes (Denzin and Lincoln, 1994; Blanche and Durrheim, 1999). However, quantitative research has been criticised for failing to recognise the individual's experiences and interpretive ability to construct their own meanings and actions (Massey, 2003). This means that the outcome of quantitative research may lack insight regarding understanding of what is. Nevertheless, the suitability and relevance of positivism for all research purposes is questioned for a number of reasons. Notably amongst these limitations are: dogmatic adherence to positivism can jeopardise the soundness of research in the social science through ignoring certain influential contextual factors in organisations (Kim, 2003); the rigid nature of positivism renders it ineffective in understanding actions, and does not serve useful purpose in generating theories (Easterby-Smith *et al.,* 2008); positivism may provide an aspiration and bear little resemblance to actual practice in real social settings (Denscombe, 2002) and for reducing people to numbers and its concern with abstract laws is not relevant to the actual lives of real people (Neuman, 1997, p.63). Regardless, positivism still remains the most widely used paradigm for research in sciences (Bettis and Gregson, 2001) due to its economical, time saving approach to research (Easterby-Smith *et al.,* 2008).

Post Positivism

According to Mertens (2005) positivism was replaced after the World War II by post positivism. Post-positivism is an attempt to respond to some of the criticisms of positivism through modified experimental and manipulative methodologies that may include both qualitative and quantitative practices (Denzin and Lincoln, 2000). For example, theory verification substituted for theory "falsification" (Guba and Lincoln, 1994, p.109; Popper, 1934). Popper's introduction of "falsification" served as an important demarcation between positivism and post-positivism and rejected the practices of verification. Through falsification "we can get rid of a badly theory" (Popper, 1934:4) before it overrides investigation and undermines objectivity. In addition, post-positivist approaches assume critical-realist ontology and an empiricist epistemology (Denzin and Lincoln 2000). Thus, reality is assumed to exist *out there* to be discovered but not completely perfect and within probability.

In relation to ontological position, positivism and post-positivism share a common view that social reality is external and objective. However, whiles reality can be totally understood in positivism, it may only be understood imperfectly and probabilistically in post-positivism (Heron and Reason; 1997; Howell, 2013). This implies that axiologically they maintain the separation of the researcher from the researched by taking the stance of the etic approach or the outsider perspective. In terms of epistemological viewpoint, the two paradigms support the application of scientific approach and statistical measures to generate acceptable knowledge. Under this paradigm, knowledge is value-free and emphasise prediction and control, internal and

external validity and objectivism. Methodologically, scientific experiments are based on hypothesis testing which is usually quantitative for positivism whiles multiple modified scientific experiment pursue falsification of hypothesis and may include qualitative methods in the case of post-positivism (Lincoln and Guba, 2000; Heron and Reason; 1997; Howell, 2013).

4.1.1.2 Phenomenology

Cresswell (2007) describes phenomenology as: "the meaning for several individuals of their lived experiences of a concept or a phenomenon" (p. 57). It is not only a description, but, it is also seen as an interpretive process in which the researcher makes an interpretation of the meaning of the lived experiences. Thus, phenomenology is:

> *"both the description of the lived-through quality of lived experience and the description of meaning of the expressions of lived experience. The description of meaning is a mediated expression and is more interpretive (van Manen, 1990:25).*

It is through the use of some type of text or symbolic expression that interpretations are made of life experience. Though, Patton (2002) argues that phenomenology's meaning has become somewhat confused and diluted in view of its wide usage, he concluded that all the definitions share one common focus, that is, the exploration of how human beings make sense of their lived experiences both individually and collectively. This paradigm is seen as subjective and prefers language and description (Burrell and Morgan, 1979; Dainty, 2007). It employs "qualitative approaches to inductively and holistically understand human experience in context-specific settings" (Patton 1990:37).The emphasis on natural settings can add value to research by explaining

human interactions, meanings, and processes that constitute real life organizational settings.

One main limitation of qualitative research is the "considerable amount of time required for data collection, analysis and interpretation in order to examine, holistically and aggregately, the interactions, reactions and activities" (Richmander, 2004, p. 104). It has also been criticized for its inability to provide any statistical significance to research. Nonetheless, one of its major strengths is to allow for "greater depth with careful attention to detail and context*"* (Patton, 2002, p.227). This provides the opportunity for interpretation of reality directly through interviews and observation. Qualitative research has the ability to tolerate ambiguity, contradictions, crossovers, and the multiple variables of people's experience and behavior. In this research approach, the researcher is interested in process and meaning through a description of peoples' experiences, behaviours and social contexts without using statistical procedures (Strauss and Corbin, 1990; Saunders *et al.*, 2007; Denzin and Lincoln, 1994). Qualitative research is based on the philosophical assumption that "reality is holistic, multidimensional, and ever changing; it is not single, fixed, and objective phenomenon waiting to be discovered, observed and measured as in quantitative research" (Merriam, 1988, p. 202). It is rather an inductive process which develops abstractions, concepts, hypotheses, and theories from details (Merriam, 1988).

However, studies show that there have been extensions and additions to these two 'basic' paradigms: positivism and phenomenology, for social science research (Howell, 2013). Some researchers have classified research paradigms into three forms: positivist, interpretive, and critical theory (Carr and Kemmis, 1986, Saunders *et al.*, 2007); and

others into five which includes: positivism, post-positivism, critical theory, constructivism and participatory action research (Lincoln and Guba, 2000; Heron and Reason; 1997; Lincoln and Guba, 2005; Schwandt, 1994; Howell, 2013). These philosophies are based on basic ontological and (the related) epistemological positions, and use different methodologies; though there are many similarities that underlie some of them, particularly constructivism and interpretivism. In spite of the variety of approaches found in different qualitative paradigms, what unites them is their phenomenological base which maintains that social actors, including researchers, their informants, and their worlds, are inextricably coupled through their lived experiences. The next section discusses the two major paradigms informing qualitative research: critical theory and interpretivism/constructivism in social science research (Fossey *et al.*, 2002; Schwandt, 1994; Howell, 2013).

Critical Theory

Critical theory is neo-Marxist tradition stemming from Frankfurt Institute for Social Research (Wallace and Wolf, 1999; Howell, 2013), established in Germany in 1923. Critical theory was developed during a period of extraordinarily complex intellectual activity that seeks to "challenge the prevailing orthodoxy of economic rationalism by indicating its harmful effects on individual and societal well-being (James, 2008:645). Some of the most influential first generation of *Critical Theorists* is Theodor Adorno (1903–1969), Max Horkheimer (1895–1973), Herbert Marcuse (1898–1979), and Erich Fromm (1900–1980) (Kincheloe and Tobin, 2009; Howell, 2013; James, 2008; Wallace and Wolf, 1999). Marxism is a type of critical theory and critiques capitalism as leading to alienation (Kincheloe and Tobin, 2009). Nielson (1992:265) argues that:

> *"critical theory "aims to give us knowledge of society: its structure and its dynamics and its life-world . . . [thus] enabling us to determine what our true interests are".*

This paradigm encourages and facilitates social action for the purpose of precipitating social change. It is an account of the social forces of domination that takes its theoretical activity to be practically connected to the object of its study (Marcuse, 2004; Kellner, 1989). Kincheloe and Tobin (2009) maintain that critical theory is not merely normative but aims to actively pursue social justice, and facilitate social change by providing knowledge of the forces of social inequality that can, in turn, inform political action aimed at emancipation (or at least at diminishing domination and inequality). That is, humans can change reality and that the necessary conditions for such change already exist (Horkheimer, 1972). This assertion is highlighted by Welton (1995) as:

> *"critical theory is a theory of history and society driven by a passionate commitment to understand how ideological systems and societal structures hinder and impede the fullest development of humankind's collective potential to be self-reflective and self-determining historical actors" (p. 14)*

Howell (2013) points out that the main idea for critical theory was the formulation of social theory based on philosophical positions and empirical positions. Accordingly, the future of humanity depended on the existence of the consciously critical attitude, which he conceived as "part of the development of society" (Horkheimer, 1972:229). This research paradigm frames our worldview which involves the cultivation of a critical attitude on all levels. Consequently, knowledge is considered to consist of series of structural, social, historical origins and contexts of meaning that will be transformed as time passes (Linclon and Guba, 2000; Fossey *et al.*, 2002). Critical theory is based on the firm belief that:

> *"societal conditions are historically created and heavily influenced by the asymmetries of power and special interests, and they can be made the subject of radical change"* (Alvesson and Skodberg, 2009, p.110*).*

From the above discussion, it can be said that the way the world is should guide the way knowledge of it is studied, thus prioritising ontology over epistemology. Critical theory differs from positivism and post-positivism on ontological and epistemological positions. The assumption underlying this approach is that reality is shaped by history and formed by values that are crystallised over time; and research outcome is generally subjective (Howell, 2013; Heron and Reason, 1997). As a result, critical theory research aims to increase our awareness of the political nature of social phenomena and to develop the ability of researchers to reflect critically upon those taken-for-granted realities which they are examining and of which they are also - as members of society (Alvesson and Skodberg, 2009). On methodological stance, critical theory adopts an overtly critical approach to the entire research process which proceeds with an attitude of suspicion, calling into question not only the data itself, but also the researcher, the research design, and the interpretation of findings.

Interpretivism/Constructivist

The interpretive/interpretivist research paradigm grew out of the philosophy of Edmund Husserl's phenomenology, and Wilhelm Dilthey's and other German philosophers' study of interpretive understanding called hermeneutics and the critiques of positivism in the social sciences (Mertens, 2005; Schwandt, 1994). Interpretivist is described as anti-positivist at the far extreme of post-positivist (Hatch and Cunliffe, 2006; Blaikie, 2000, 2007). It is characterised as constructivism (Johnson and Onwuegbuzie, 2004; Easterby-Smith *et al.,* 2008) and attempts to understand and explain human and social reality as a competing paradigm to positivism. Easterby-Smith *et al.* (2008) identifies interpretivism as:

> *"culturally derived and historically situates interpretations of the social life, suggesting that human action arises from the sense that people make of different situations, rather than as a direct response to external stimuli" (p. 59).*

Although, interptretivism and constructivism are often used interchangeably and same in meaning, Schwandt (2000) proposes that they differ in their epistemological assumptions. Constructivist intention of understanding the world of human experience suggests that "reality is socially constructed" (Mertens, 2005:5). Thus, all knowledge, and for that matter, meaningful reality is contingent upon human practices, and can be elicited and refined only through interaction between and among the investigator and participants.

However, social constructivism maintains that reality does not exist *out there* but is constructed by humans in relation to each other (Crotty, 1998; Lincoln and Guba, 2005; Schwandt, 1998) and that these constructions should be the forces driving investigation. Hence, social reality is subjective and may change over time (Guba and Lincoln, 1998; 2005; Glasersfeld, 1995) and possess multiple interpretations in which people act. It is important to discover and understand these multiple perspectives together with the contextual factors that influence, determine and affect the interpretations reached by different individuals. Consequently, constructivism rejects objectivism and a single truth as proposed in positivism and post-positivism. Bettis and Gregson, (2001) maintain that researchers and those researched, or the phenomena studied, engage in dynamic interaction that creates the meaning of findings. This makes the investigator and the object of investigation interactively linked, creating the findings as the research proceeds, which alter the traditional distinctions between ontology and epistemology.

4.1.2 Paradigm of Inquiry for this Research

As stated by Collis and Hussey (2003), our personal research paradigm help us to determine which methodology to adopt and in turn, determine the methods of collecting data. Any paradigm or combination of paradigms adopted for this study has implications for the methodology chosen (Cresswell, 2003; Lincoln and Guba, 2000) and the outcome of the overall result of the research. Considering the research paradigms discussed, there are different paradigms that can be used in the study of corporate governance practices. Most research conducted in corporate governance seems to employ a "positivistic paradigm where reality is external to humanity and that the researcher and the researched pursue distance and ensure objectivity (Nwanji and Howell, 2004, p. 10). However, this study adopted a combination of phenomenology and constructivism paradigms of enquiry together with grounded theory methodology due to its suitability to the study's objectives as outlined in section 4 of chapter 1. One of the fundamental objectives is to evaluate the extent to which national culture values influence corporate governance practice. These paradigms were adopted for this research, particularly because they allow for investigation of contemporary phenomena of corporate governance practices, based on the behaviour and practices of corporate board of directors. The basic assumption underlying this study is that people are collectively involved in interpreting their constantly changing world and socially constructing realities together. The constructivist view is that people construct knowledge by inventing concepts, models and schemes of the world. Hence, the study adopted a combination of phenomenology and constructivism to identify behaviour, beliefs, attitudes or knowledge of board of directors in Ghanaian public and private sector organisations settings in relation to corporate governance practice.

4.1.3 Research Approaches

It is essential to follow the research paradigm with an appropriate research approach. Understanding these approaches supports the choice of appropriate research methodology. Research approaches can be divided into deductive and inductive (Veal, 2005; Saunders *et al.*, 2007, p.117). Though, both approaches involve interplay of logic and observation, they are different in some context. Howell (2013:43) recognises:

> *"the difficulty in giving precise definitions of induction and deduction and the point where the former begins and the latter ends (and vice versa) and acknowledges the grey area between the two".*

The main point of difference between these two approaches is the relation of hypotheses to the study. In the deductive (testing a theory) approach, the researcher develops a theory or hypotheses and designs a research strategy to test the formulated theory. Popper (2002) argues that, if you insist on strict proof (or strict disproof) in the empirical sciences, you will never benefit from experience, and never learn from it how wrong you are. For the inductive approach, known as building a theory, the researcher starts with collecting data in an attempt to develop a theory (Saunders *et al.*, 2007). Singh and Bajpai (2008) note that:

> *"two important functions that hypotheses serve in scientific inquiry are the development of theory and the statement of parts of an existing theory in testable form" (p.11).*

Deductive research approach has its application mostly in the natural sciences and positivism paradigm where research is carried out to explain causal relationships. The deductive approach begins with theories or hypotheses that deal with a particular phenomenon under study, gathers data from the real-world setting and then analyses the

data statistically to support or reject the hypotheses (Veal, 1997; 2005; Blanche and Durrheim, 1999). In other words, deductive approach is concerned with deducting conclusions from premises or propositions. Deductive research approach starts with a known theory and leads to a new hypothesis, which is to be confirmed or rejected as a result of the research (Popper, 2002). Researchers who adopt deductive approach to research use theory to guide the design of the study and the interpretation of the results. This process utilizes a highly structured methodology' and collects data that 'can be measured quantitatively.

Inductive approach is in direct contrast to the logico-deductive method that focuses on confirming or refining priori theories. The inductive approach emerged as a result of the rigid methodological procedures of deductive approach (Siladi, 2006; Saunders *et al.*, 2003). Mertens (2005) contends that inductive research is flexible because there is no requirement of pre-determined theory to determine data and information. Social constructivism employs mainly an inductive reasoning approach. In inductive research, the researcher begins with specific observations, attempts to make sense of the situation, and then continues toward general patterns. This process requires understanding the multiple relationships among dimensions that emerge from the data. The researcher utilises observed data and facts to reach tentative hypothesis and define the theory as per the research problem. To this end, inductive research interrogates data to discover meaning. This approach favours the qualitative approach where a theory is developed or inferred from the analysis of the data collected. Saunders *et al.* (2003) noted that the inductive approach gives the chance to have more explanation of what is going on. In inductive research, the theory should be allowed to emerge from the data without imposing pre-existing theories or expectations on the data.

It is important that a researcher explains clearly which approach is being followed in his or her research. The current study is shaped with using both inductive and deductive research designs. Deductive approach involves formulation of hypotheses and testing during the research process, while inductive studies do not deal with hypotheses in any ways. Each research approach involves the other and recognizes the difference and necessary interdependency of induction and deduction. This assertion challenges the question: can pure deduction or induction exist? In responding to the question, Howell (2013) argues:

> *"the reality is that no one is able to enter the field with no pre-conception or hypotheses are generated through some understanding of the subject consequently a continuum exists with variable levels of synthesis between deductive and inductive approaches used in research projects" (p. 43)*

4.1.3 Research Strategies

The chosen methodology is informed by a clear understanding of the research paradigm adopted for the study (Cresswell, 2003; Lincoln and Guba, 2000). There are several research methodologies which are products of different intellectual traditions in research. Saunders *et al.*, (2007), outlines different choices of strategies for conducting research; experiment, survey, case-study, ethnography, and grounded theory. Though, these research strategies differ in their methodological frameworks, they seem to have similar methodological approaches to data collection.

Experiments

Experiments are commonly used in natural sciences and psychology, and are characterized by, for example, the introduction of planned changes on the variables in the experiment, and control of the other variables (Saunders *et al*, 2000). Thus, this research strategy was considered less applicable to this study as the researcher did not have control over the phenomenon being studied. This was because the experimental studies attempt to manipulate independent variables to observe behaviour of the dependent variables (Collis and Hussey, 2009), which was not possible to be achieved in this research

Survey

Surveys allow for the gathering of large quantities of data from a population in an economically efficient way (Saunders *et al*, 2003). They further argue that this method has the advantage of allowing the analysis of data for easy comparison between the respondents. This approach is usually associated with the deductive approach (Saunders *et al*., 2009), and positivist philosophical positioning (Collis and Hussey, 2003). As noted by Bryman and Bell (2003), survey research constitutes a cross-sectional design in relation to which data are collected. In this strategy, data collection is predominantly by questionnaire or by structured interview on more than one case and at a single point in time. This allows the researcher to collect a body of quantitative data in connection with two or more variables and analyse quantitatively using descriptive and inferential statistics (Saunders *et al.*, 2007) to produces models of the relationships.

Case Study

A case study is defined as an "empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2003b: 13). In other words, the phenomenon and context of research are not always clearly distinguishable in real-life contexts. Thus, Yin (2003a) identified case study as the preferred research strategy when the phenomenon and the context are not readily distinguishable. Case-studies are particularly good to use when asking how, what and why questions (ibid). This methodology relies on multiple sources of evidence, and benefits from prior development of theoretical prepositions to guide data collection and analysis. One of the advantages of using case study is the close collaboration between the researcher and the participant, while enabling participants to tell their stories. Through these stories the participants are able to describe their views of reality and this enables the researcher to better understand the participants' actions (Lather, 1992; Robottom and Hart, 1993). However, this approach has often been viewed as a useful tool for the preliminary, exploratory stage of a research project, as a basis for the development of the 'more structured' tools that are necessary in surveys and experiments. As observed by Eisenhardt (1989), case studies are:

> *"Particularly well suited to new research areas or research areas for which existing theory seems inadequate. This type of work is highly complementary to incremental theory building from normal science research. The former is useful in early stages of research on a topic or when a fresh perspective is needed, whilst the latter is useful in later stages of knowledge"(p. 548).*

Ethnography

The ethnographic approach to research attempts to understand culture by learning from structures, rituals and symbols, and the researcher becomes immersed in the cultural scene (Stern, 1994; Streubert and Carpenter, 1999; Howell, 2013). There are two main perspectives to ethnographic research, including: positivist and phenomenological. Positivist ethnography "emerged through predominant social structure and gave rise to imperialist and colonial understandings of the other which usually illustrated a superior cultural attitude and perspective" (Howell, 2013:122). This version of ethnography adheres to empiricist notion of knowledge generalisation. On the other hand, Howell argued that, phenomenological perspective to ethnography; the critical theory and postmodern constructivist ethnographic approaches regard human understanding to be subjective and relative. In relation to ethnographic research, Saunders *et al.* (2007) maintain that, "the purpose is to interpret the social world the research subjects inhabit in the same way in which they interpret it" (p.95).

Most ethnographers believe their main contribution is the development of "descriptive theory" reflecting cultural knowledge, behaviours or meanings" (Omery, 1988, p.29). In an effort to explain further, Hammersley and Atkinson (2007) argue that ethnography does not have sufficient capability to theory development. Ethnography requires the researcher to be immersed in a setting, and become part of the group under study in order to understand the phenomenon being studied. This methodology is useful when social conditions, attitudes, roles and interpersonal relationships are explored in conjunction with fundamental cultural prescriptions. However, the researcher was

outside to the context in this research, corporate governance practice, thus, ethnography did not seem to be an appropriate strategy for this research.

Grounded Theory

Grounded theory is a qualitative methodology that derives theory through the experiences and perceptions of human subjects. Grounded theory is a well-established, credible, rigorous and systematic methodology for inductively developing a theory, which helps understand complex social processes (Glaser and Strauss, 1967). Under this research strategy, theory is derived from data, systematically gathered and analysed through the research process in an iterative process (Bryman, 2008). It facilitates the move from a description of what is happening to an understanding of the process by which it is happening (Corbin and Strauss, 2008; Strauss and Corbin, 1998a). The goal of grounded theory is:

> "*to explain how social circumstances could account for the interactions, behaviours and experiences of the people being studied"* (Benoliel, 1996; p.413).

Grounded theory is recommended when investigating social problems or situations to which people must adapt (Corbin and Strauss, 2008; Schreiber, 2001). This research methodology is compatible with the constructivism paradigm and fits the objectives of this research. That is, to investigate the influence of national culture on corporate governance practice in Ghanaian corporate governance system. Grounded theory perhaps can be identified as the best alternative for this research, based on the nature of research questions. Grounded theory entails the discovery of theory through systematic collection, analysis and comparison of data. There is general agreement that the "right" researchers may consider the methodology that answers the stated research questions

(Holloway and Todres, 2003; McPherson and Leydon, 2002). Considering the major methodologies outlined above, grounded theory (Strauss and Corbin, 1998a) appears to be the most suitable methodology for this study to understand the underlying factors of the ethical dimensions of governance practice in Ghanaian public and private sector organisations.

4.2 Grounded Theory Methodology

Grounded theory methodology was developed by Glaser and Strauss (1967) during their study on *Awareness of dying* and *Time for dying.* It is a qualitative research method for the study of complex social behaviour from a sociological point of view. The philosophical underpinning of grounded theory is traced to the works of "symbolic interactionism", a social theory based on the work of George Herbert Mead (1863-1931) and his student Herbert Blumer (1900 – 1987). Symbolic interactionism holds that human behaviour is understood as social behaviour made up of 'social acts'. Advocates of social interactionism believe that meaning is socially constructed, negotiated and changes over time through the reflexive interaction of individuals" (Graham and Thomas, 2008, p.116). This implies that reality is experienced individually, and meaning results from interaction with the objects of that experience. Grounded theory focuses on behavioural patterns that shape social processes as people interact together in groups. The aim of grounded theory is to develop substantive theory which emerges from data through set of highly developed procedures (Glaser, 1998).

Two main approaches have emerged since the original grounded theory approach (Hunter *et al.*, 2005; Graham and Thomas, 2008). They are the Glaserian and Straussian grounded theory approaches. The former is the extension of the original grounded theory description approach by Glaser (1992) and the latter, "full conceptual description" approach advanced by Strauss and Corbin (Hunter *et al*., 2005:58). Glaser is viewed as remaining more faithful to the original version of grounded theory in his approach to data analysis, while Strauss (with Corbin) is considered to have reformulated the original version (Heath and Crowley, 2004; Glaser, 1992). In the original book, data analysis is said to be described loosely and this prompted Strauss (with Corbin) to publish two books in an attempt to make clear the data analysis process (Strauss and Corbin, 1998a; 1990) which focused on a "systematic coding techniques incorporating analytical techniques" (Goulding, 1999, p. 7). Meanwhile, Glaser (1978) emphasized the "interpretive nature of theory development", primarily using constant comparison method. Thus, the differences between the two approaches has focused on methodological procedures for coding data and developing categories, emergence, researcher distance and theory development (Heath and Cowley, 2004; Graham and Thomas, 2008). This explication of the data analysis process was criticised for being "programmatic and over formulaic" (Melia, 1996, p.370). Glaser (1992) believed that this promotes a new method, which he termed "forced, conceptual description" (Glaser, 1992, p.5). Though, Strauss and Corbin's version of grounded theory has been criticised as being too rigid, the critics admits that the suggested *guidelines and procedures allow much latitude* for ingenuity and are an aid to creativity (Strauss and Corbin, 1994; Corbin and Strauss, 2008).

From the original work, Glaser and Strauss (1967) indicated "generation of theory through comparative analysis which both subsumes and assumes verification and accurate description, but only to the extent that the latter are in the services of generation*"* (p.28). Strauss (1987) argued that induction, deduction and verification are "absolutely essential" in grounded theory data analysis process (p.12) whereas, Glaser (1992), maintains that grounded theory is inductive only. Heath and Cowley (2004) contend that Glaser remained committed to the emphasis on induction and theory emergence. In an attempt to introduce clarity into the debated grounded theory process of data analysis, Strauss refined his version of grounded theory to include: deduction followed by validation but not verification. Validation is defined as "a process of comparing concepts and their relationships against data during the research act to determine how well they stand up to such scrutiny" (Strauss and Corbin, 1998a, p.24). Researcher's interpretations are checked out with participants and against the data as the study progresses (Corbin and Strauss, 2008). In order to restore integrity to grounded theory methodology, there is the need for the researcher to clearly state the version of grounded theory they intend to use and later adhere to its procedures *(*Graham and Thomas, 2008). This study adopts the Straussian version of grounded theory methodology. Corbin and Strauss (2008) admitted that their version of grounded theory has evolved and been shaped by current methodological debates like the constructivist thinking. This shift in thinking applied a type of reasoning that begins by:

> *"examining data and after scrutiny of these data, entertains all possible explanation for the observed data, and then forms a hypothesis to confirm or disconfirm until the researcher arrives at the most plausible interpretation of the observed data* known as *abductive reasoning" (Bryant and Charmaz, 2007:603)*

It is useful at this stage to clarify the understanding of the term "theory". The development of a theory involves the interactions between historical environments, institutions and individuals. Theory development

> *"entails not only conceiving or intuiting ideas (concepts) but also formulating them into a logical, systematic and explanatory scheme (and) necessitates that an idea be explored fully and considered from many different angles or perspectives" (Strauss and Corbin 1998:21).*

In the the words of Howell (2013:2):

> *"theory provides ways of explaining or giving meaning to understandings extrapolated from data…and can be expressed through immutable laws at one extreme and social or constructions at the other. Theory is a means of reflecting reality, truth or knowledge".*

To add to that, Strauss and Corbin (1994, p. 274) refers to theory in relation to *theory development* and understanding:

> *"… plausible relationships proposed among concepts and sets of concepts…Researchers are interested in patterns of action and interaction between and among various types of social units (i.e. actors)…They are also much concerned with discovering process – not necessarily in the sense of stages or phases, but in reciprocal changes in patterns of action / interaction and in relationship with changes of conditions either internal or external to the process itself".*

Meanwhile, Howell (2004) categorises theory into normative, meso, substantive and formal". Meso theories are mid-range theories, providing useful linking with practice. Substantive theories focus on specific social process to develop a narrower empirical area of study relevant to the people concerned and changed over time while a formal theory as more general theory deal with a conceptual area of inquiry, which may be linked to a range of substantive areas. However, grounded theory methodology is criticised for the following reasons: extensive focus on middle-range theories and not really producing theories which are more general (Bryman, 2001); the context and narrative flow loss due to the coding process (Coffey and Atkinson, 1996); over

emphasis on analysis at the expense of the respondents' description of their experience which constraints clarity of understanding (Riessman, 1990). Regardless, grounded theory is heralded as the most influential methodology for phenomenological research and for making qualitative social science research method systematic and scientific (Denzin and Lincoln, 2005). This is because of its iterative and analytical process of data analysis and the subsequent development of a new theory grounded in data (Charmaz, 2006; Bryman, 2001) which cannot be divorced from the process by which it is developed". Grounded theory uses mainly inductive logic; however, Strauss and Corbin (1998) argue that since it uses conceptualisation or interpretation, it is also deductive. In grounded theory, the researcher is encouraged to develop some level of abstraction, objectivity and sensitive to words and statements throughout the research process (Patton, 1990). It is therefore worth considering grounded theory methodology for examining managerial phenomena, what Locke (2001, p.95) labels as "linking well with practice". The choice of grounded theory as a methodology for this research is appropriate, relevant and suitable to develop a substantive theory corporate governance practice in Ghanaian corporate governance system

4.2.1 Constructivist Grounded Theory

The systematic, flexible and emergent nature of grounded theory fit with a number of paradigms of enquiry and "takes a middle ground between postmodernism and positivism (Mills *et al.*, 2006; Charmaz, 2003, p. 250). Constructivism approach to grounded theory was proffered by Charmaz (2003, 2006) as an alternative to classic (Glaser 1978, 1992, 2003, 2005) and Straussian grounded theory (Strauss and Corbin 1990, 1994, 1998; Corbin and Strauss, 2008). Charmaz (2006) appeared to value the

inductive creativity of the classic methodology, and also resonated with the current popularity of constructivism within social research. Viewing from epistemological position, constructivism asserts that reality is constructed by individuals in a form of multiple, intangible mental constructions as they assign meaning to the world around them (Guba and Lincoln, 2005). These constructions are socially and experientially based in nature. Thus, meaning does not lie dormant within objects waiting to be discovered, but is rather created as individuals interact with and interpret these objects (Howell, 2013; Crotty, 1998).

Constructivist grounded theory facilitates the continuous interplay between the researcher and the participant, and the incorporation of multiple perspectives in writing the emerging theory (Graham and Thomas, 2008; Strauss and Corbin, 1994). The researcher and researched interact "so that the 'findings' are literally created as the investigation proceeds" (Graham and Thomas, 2008:111). That is, to observe and understand behaviour from the participant's point of view, learning about participants' worlds, learning about their interpretation of self in the context of given interactions, and learning about the dynamic properties of interaction. Consequently, constructivist questions the belief that there is an objective truth that can be measured or captured through research enquiry (Crotty, 1998). This version of constructivism of grounded theory: "assumes the relativism of multiple social realities, recognises the mutual creation of knowledge by the viewer and viewed, and aims toward an interpretive understanding of subjects' meanings" (Charmaz, 2003: 250; 2006).

From this viewpoint, whereas classic grounded theory seeks to identify and conceptualise one main concern and its continual resolution, constructivist grounded

theory seeks to construct a "picture that draws from, reassembles and renders subjects' lives" (Charmaz, 2003, p. 270). The author further proposed that data and analysis are created through an interactive process whereby the researcher and participant construct a shared reality. However, constructivist grounded theory is criticised for contradicting the openness of the original methodology by predetermining one particular lens through which to analyse data (Glaser, 2002). Rather, grounded theory is presented as a general method, which can use any type of data and is not attached to any one theoretical perspective; it is ontologically (what we believe about the world) and epistemologically (how we can come to know what we know) neutral. In response to the criticism, Bryant (2009, para.13) argued that this assertion is non-committal and naïve.

4.3 Method of Data Collection

A research method consists of a set of specific procedures, tools and techniques to gather and analyse data. A method is a practical application of doing research. This section presents an overview of the actual data collection techniques employed that fit the qualitative grounded theory methodology adopted for this study. It examines the strengths and weaknesses, and implications of using any of the data collection methods. Regardless of the philosophical stance or paradigm of enquiry adopted in a research project, it is possible to use a combination of research methods when collecting data (Howell, 2013). The methods of data collection vary along a continuum: quantitative methods at one end and qualitative methods for data collection at the other end. Saunders *et al.,* (2007) identify two main types of data that emerge in a research project. They are primary data collected for the specific purpose of the project and secondary

data, which are collected for the research project from other sources. Primary data is gathered and assembled specifically for the research project at hand, (Zikmund, 2003). However, the most common sources of data collection in qualitative research are interviews, observations, and review of documents (Creswell, 2009b; Locke *et al.*, 2010). To Creswell (2003), data-collecting procedures can be categorised into four, namely: observations, interviews, documents, and audio visual materials. As far as Howell (2013) is concerned data can be collected through a number of different methods, including: survey or questionnaire, interviews, observations and focus group. The researcher's choice of data collection methods is influenced by the nature of the research questions and objectives (Robson, 2002) and the methodological strategy.

The researcher used both primary and secondary data collection methods in this research to build a substantive theory of corporate governance practice in Ghanaian corporate governance system. The interview technique and the focus group discussion were the main data collection methods used for this study. These data collection methods are suitable for the qualitative grounded theory method of data collection which relied on understanding processes, behaviours, and conditions to provide the necessary insights into the effective corporate governance practice in Ghana. The survey questionnaire was used to facilitate access to potential participants and inform the formulation of the interviews. The following sections discuss the data collection techniques used in this study. Yeung (1995) argues that triangulation can improve the validity and reliability of data collected through, for example, using different methods (e.g. interviews, focus group and survey questionnaires) or through posing verification questions within a single method such as an interview.

4.3.1 Survey Questionnaire

A survey is a systematic method for gathering information which involves asking a large group of respondents' questions about a particular issue with the purposes of describing the attributes of the larger population of which the individuals are members. This "provides a quantitative or numeric description of trends, attitudes or opinions of a population" (Creswell, 2003, p. 153). Howell (2000, 2013) asserts that, "survey technique is not purely, a grounded theory method of data collection" (p. 40). However, the author admits that it can be used in certain ways in grounded theory to further theory generation. As observed by Jill and Roger (2003), questionnaire is a list of carefully structured questions, chosen after considerable testing, with a view to eliciting reliable responses from a chosen sample. According to Saunders *et al.* (2003), questionnaire is a general term to include all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order. There are two types of questionnaires; self-administered questionnaires which are administered electronically through the internet or intranet, posted to respondents or delivered by hands to each respondent and collected later; and interviewer administered recorded on the basis of each respondent's answer (Saunders *et al.*, 2007). However, surveys can either be closed-ended and/or open-ended questions. Open-ended responses provide a direct view into a respondent's own thinking at the time of the interview. While closed ended questions can be coded quite easily, the open ended questions require human coding. According to Howell (2013:195):

> *"Surveys can be used for positivism, postpositivism and phenomenological studies; however, questions usually remain open for phenomenology and closed for the two forms of positivism"*

In this study, the researcher used survey questionnaires as a supplementary tool of data collection. This is because it was used by the researcher to gain access to the interview participants and also informs the interviews through the formulation of the interview questions. It served as a pre-cursive introduction to the interview. The survey questionnaire was the first data collection tool used for the study prior to the conduct of the semi-structured interviews. However, some questionnaire items were developed from existing studies (Claessens *et al.*, 2004*;* Kwek *et al*., 2004) on corporate governance practices, business ethics and national level culture as they have been shown to be reliable. Nevertheless, additional questions were developed to be suitable to the context of the study. All questions were shown in closed form because closed questions provide guidance that may encourage the respondents to have more interest in answering the questionnaire.

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The survey questionnaire contained ten (10) closed ended statements and contained a statement that specifies whether participants' agree to take part in the interview (Appendix A). The statements used a five points Likert Scale ranging from 1 to 5 representing strongly disagree, disagree, no opinion, agree and strongly agree to indicate the opinion of respondents regarding the subject matter. In order to enable the researcher understand the practical difficulties in the prepared questionnaire, Walliman (2005) suggest a trial test of questionnaire called pilot study. The survey questionnaire was reviewed by three academics who are experts in the area of corporate governance and two corporate governance practitioners in Ghana. As a result, some minor modifications to satisfy the expert academics' and practitioners' comments were made before the questionnaire was sent to the participants. This procedure confirmed that the estimate of the time required to complete the questionnaire was reasonable and that the

questions were suitable for the intended audience. This was done to confirm the clarity and validity of the questionnaire.

The survey contained a cover letter that briefly explained the purpose of the study, statement assuring confidentiality of respondents (Appendix D). Some participants showed their willingness to partake in the interviews and indicated their names and contact details. They were immediately contacted and interview appointments booked. The survey also afforded the participants the opportunity to have a fair idea about the areas of interest for the interview. The analysis of the responses to the survey enabled the researcher to ask the right questions to further aid the emergence of categories. This was distributed to public sector organisations (public institutions, state-owned enterprises, and public companies) in Ghana. At the end of the survey process, 32 respondents agreed to participate in the semi-structured interviews.

4.3.2 Interviewing Technique

Interviews are undoubtedly the most common source of data in qualitative research (Kumar, 2005). Interview is defined as a primary data collection technique for gathering data in qualitative methodologies (Cooper and Schindler, 2006). From Baker and Foy (2008), an interview involves a personal exchange of information between an interviewer and one or more interviewees in which the interviewer seeks to obtain specific information on a topic with the co-operation of the interviewee(s). That is, an interview refers to any person-to-person interaction between two or more individuals with a specific purpose in mind. Interviews vary considerably in their structure from highly formal (structured) in which the interviewer follows exactly a designed and

worded questionnaire to highly informal (unstructured), in which the interviewer introduces the topic of interest and lets the discussion develop naturally by asking the respondent to expand or clarify points made (Baker and Foy, 2008). Unstructured interviews are informal interviews that enable the researcher to explore an issue with more insight. This implies that interviewees are allowed to speak by using open questions and encouraging further clarity of interviewee statements. The third type, semi-structured interview is a combination of both closed and open ended questions and falls between the two (Saunders *et al.*, 2007; Baker and Foy, 2008). In semi-structured interview, the researcher is allowed to vary the order and number of questions according "to the flow of conversation and the specific organizational context encountered in relation to the research topic" (Saunders *et al.*, 2003, p.246).

The semi-structured interview was chosen for this study because this method allows the participants to elaborate the discussion where ever necessary, and to reflect on what they recognised as key matters. In addition, the use of semi-structured interviews facilitate the development of personal narrative (Tootell *et al*, 2009) and enable the researcher to gain insight into corporate governance practice in Ghana from the board of directors' personal perspectives. This format facilitated the collection of variety of views from board of directors and senior management of public sector organisations in ensuring effective corporate governance practice in Ghana. Semi-structured interviews encouraged participants to freely bring up issues that they felt were relevant to the topic under discussion. The in-depth semi-structured interviews are used 'not only to reveal and understand the "what" and the "how" but also to place more emphasis on exploring the "why" (Saunders *et al*. 2003, p.248). This means that, there is an opportunity to probe and understand the meaning, attitudes, opinions and personal experiences. To

Kvale (1996), the main task in interviewing is to understand the meaning of what the interviewees say. This means that interviews are particularly useful for getting the story behind a participant's experiences. Thus, the interviewer can pursue in-depth information around the topic. Interviews can also be used to follow-up to certain participant's responses to questionnaires for further investigation (Saunders *et al.*, 2003).

Piloting research is strongly encouraged within the social science literature (Yin, 1989). The interview guide reflected the survey questionnaires and was pre-tested to enable the researcher refine the questions and practice his interview techniques (Filatotchev *et al*, 2007). This process is also part of the research validity and reliability functions, since it ensures that the research instruments are actually collecting the data desired rather than data that might be entirely irrelevant to the analysis and conclusions within the study. Peabody *et al*. (1990) suggest that researchers should ask their questions to colleagues and friends which can help to clarify and refine questions before posing them to elite groups. The prepared interview guide (Appendix B) was used to ensure that interview discussions remain relevant and all areas of interest were covered. Personal interviews were conducted in which a descriptive questioning method was used to induce the interviewees to give as much information as possible about details on the view of the ethical dimensions of corporate governance practice in Ghanaian corporate governance system. These details included the influence of national cultural values, governance practices, ethical values, , governance regulations, board accountability and social responsibility. The participants of the interview comprised; Directors, Chief Executive Officers (CEO) and Senior Managers of both public and private sector organisations.

These participants held powerful positions in society, whom for research purposes were labelled elite respondents.

According to Richards (1996:199), “an elite, implies a group of individuals, who hold, or have held, a privileged position in society”. Meanwhile, elites are frequently perceived as highly demanding conversation partners who *prefer to articulate their views* without *being put in the straitjacket of close-ended questions* (Aberbach and Rockman, 2002: 674). Thus, the researcher was not only well-prepared, well informed and socially skilled, but also able to offer interesting and open-ended interview questions to fill the interviewees’ requirements for a credible conversation partner (Hertz and Imber, 1995). In addition, Savage and Williams (2008) argue that social science research have skewed strongly towards quantitative research, thus overlooking the experiences of elites who were not large enough in size to be included in sample surveys. However, there has been a growing recognition of the importance of both quantitative and qualitative research in recent years (Creswell, 2003; Bryman, 2008) and consequently, the role of elites. Although, Dexter (1970, 2006) argued that interviewing this group was an important research tool within the social sciences, the ambiguities surrounding the definition (Woods, 2007; Smith, 2006) have led to some methodological challenges and implications of researching this group. As such, interviewing “elites” is often portrayed as a particularly demanding task due to difficulties of access, the researchers’ lack of control over the agenda and the informants’ tight schedules. Also, it is argued that social dynamics and power-relations between interviewer and interviewee have implications for interview process (Smith, 2006; Puwar, 1997). Additionally, other researchers have provided advice on: how to go about in order to get interview appointments, how to best plan and conduct the

interviews, how to practically ensure validity and reliability in the interviewing and coding processes (Beamer, 2002; Berry, 2002).

4.4 Conclusion

This chapter provided a review of research philosophy as an important aspect of the research process. Paradigm of enquiry opens researchers' minds to other possibilities which enrich and enhance their research skills and confidence in using the appropriate methodology. The chapter discussed the major research paradigms underlying social science research, including; positivism and post-positivism, critical theory and interpretism or constructivism. Whereas the first two paradigms are regarded as logical positivist, the other three paradigms are considered phenomenological. Based on the researcher's ontological, epistemological and human nature assumptions, this research adopted the subjectivist approach of phenomenological inquiry within a constructivism paradigm. These paradigms utilise qualitative and natural approaches to understanding human experiences inductively and holistically (Hassard 1993). This helps to establish close relationships between the researcher and the participants in order to obtain precise information.

The chapter established that a researcher's worldview may have a major impact on methodological choice. This is because certain philosophical stance might preclude researchers from investigating a particular research problem as the relevant methodology may be inappropriate to the problem at hand. The grounded theory methodology was found to be appropriate and relevant in carrying out an empirical

investigation of ethical dimensions of corporate governance practice in Ghana. Grounded theory is a qualitative methodology that derives theory through the experiences and perceptions of human subjects. Qualitative research seizes the opportunity to understand the experiences of people and the meaning they make of that experience (Glaser and Strauss, 1967; Merriam, 2001; Seidman, 1998). The grounded theory was chosen for this study because it is a well-established, credible, rigorous and systematic methodology for inductively developing a theory, which helps understand complex social processes (Glaser and Strauss, 1967). There are different versions of grounded theory, namely: the Glaserian (Glaser, 1992), Straussian (Strauss and Corbin, 1998) and the constructivist (Charmaz, 2003) versions of grounded theory.

The Straussian version of the grounded theory methodology was adopted for this study. Grounded theory uses mainly inductive logic; however, Strauss and Corbin (1998) argue that since it uses conceptualisation or interpretation, it is also deductive. It entails the systematic collection, analysis and comparison of data to build a substantive theory. The grounded theory is however criticised on the basis of its extensive focus on middle-range theories and not really producing theories which are more general (Bryman 2001); the context and narrative flow loss due to the coding process (Coffey and Atkinson, 1996); over emphasis on analysis at the expense of the respondents' description of their experience which constraints clarity of understanding (Conrad 1990; Riessman 1990). But these criticisms notwithstanding, grounded theory is recommended when investigating social problems or situations to which people must adapt (Corbin and Strauss, 2008; Schreiber, 2001) because of its reputation of making qualitative social science research method systematic and scientific.

In addition, details of the data collection method employed for this study discussed. Grounded theory entails the discovery of theory through systematic collection and comparison of data. The survey and interview techniques of data collection were examined as well as their application to the research. The study adopted semi-structured interview as the main data collection tool supplemented by the interview technique. The survey technique was employed to inform the interview process through the formulation of questions and gaining access to respondents. Data were drawn from public and private sector organisations through semi-structured in-depth interviews with corporate elites. A total of 28 participants including board of directors, executive directors and senior management from public institutions, state owned enterprises, public companies and family businesses were interviewed. All interviews were conducted in person. This research methodology is compatible with the phenomenology and constructivism paradigms and fits the objectives of this research. The next Chapter presents the data collection and coding procedures.

CHAPTER FIVE:

DATA COLLECTION AND CODING PROCEEDURES

5.0 Introduction

The purpose of this Chapter is to provide an overview of the methods of data collection and coding procedures that fit the qualitative grounded theory methodology adopted for this study. This study aims to investigate the ethical dimensions of corporate governance practice in Ghanaian corporate governance system from the perspectives of board of directors and senior managers. As indicated earlier in Chapter 4, the interview and focus group discussion were the two main tools used for the data collection. The survey technique was used to inform the interview process. It examines the grounded theory coding procedures employed by the researcher including justification for the approach and methods. Inherent in the grounded theory method is theoretical sampling or "data gathering driven by concepts derived from the evolving theory" from constant comparisons to pinpoint places, people, information or events that will help discover concept variations and density of categories (Strauss and Corbin 1998, p.201). Following this concept, the need for additional data during and after the interviews and from other sources was dictated by this method until categories were saturated. The open coding of the semi-structured interview data is presented in the next chapter.

5.1 Data Collection Process

The researcher initially contacted potential participant who indicated their willingness to participate in the interview process from the questionnaires collected. This was done through phone calls and emails. This was followed by a request for 45- minute interview appointment. The locations of the interviews were mostly at the director's place of work. The date of the appointments varied significantly from the date of the initial contact. In some cases the appointments were confirmed in a matter of days, and in other cases, several weeks after the initial contact. Prior to conducting the interview, detailed information were sent to potential respondents which contained issues primary to the study, including: statements assuring confidentiality, indicating the purpose of the study, the context in which it was to be conducted and the participants' prerogative to withdraw from the research at any time. A copy of the questions and a statement introducing the researcher as a student of Plymouth University (Appendix C) was also added. Lynn *et al* (1998) noted that this is a good practice when conducting interviews, as it helps to reduce the amount of efforts required contacting sample members and gaining cooperation. In order to encourage participants to open up and describe their true feelings, thoughts, and intentions, the researcher established rapport with the respondents.

The researcher commenced with the semi-structured interviews as interview appointments are being confirmed. In all, twenty eight (28) interviews were conducted, including; twelve (12) participants from public sector organisations (wholly and partly owned government business enterprises) and sixteen (16) from private sector

organisations in Ghana until the data became saturated. This comprises 5 and 7 participants from state owned enterprises and public institutions respectively. The participants included: Director General, Directors, Board of Directors and Senior Managers. Also, the private sector comprises 10 participants from private companies and 6 from family businesses. The participants included: Chief Executive Officer, Directors, Board of Directors and Senior Managers. The tables below provide a summary of the positions of participants for the semi-structured interviews conducted from both public sector organisations and private sector.

Table 5.1: Summary of position of Participants' from Public Sector Organisations

No.	Position	State Owned Enterprises	State Owned Enterprises (%)	State Institutions	State Institutions (%)	Total	Total (%)
1	Director General	0	0.0	1	8.3	1	8.3
2	CEO	0	0.0	0	0.0	0	0.0
3	Director	2	16.7	2	16.7	4	33.3
4	Board Member	1	8.3	3	25.0	4	33.3
5	Senior Manager	2	16.7	1	8.3	3	25.0
	Total	5	41.7	7	58.3	12	100.0

Table 5.1: Summary of Participants' position and category of Private Sector

No.	Position	Private Companies	Private Companies (%)	Family Business	Family Business (%)	Total	Total (%)
1	CEO	2	12.5	2	12.5	4	25.0
2	Directors	2	12.5	2	12.5	4	25.0
3	Board Members	1	6.3	0	0.0	1	6.3
4	Senior Managers	5	31.3	2	12.5	7	43.8
	Total	10	62.5	6	37.5	16	100.0

Based on the profile of respondents, this research benefited from their insider views of the state of corporate governance (Hendry *et al.*, 2006; 2007; Filatotchev *et al.*, 2007; Aguilera *et al.*, 2008). These participants have worked in different professional spheres

in governance roles or had a history as a governance professional such as serving on Boards and can be described as corporate governance professionals. The selection of their suitability was based on their willingness to participate in the interview process. The researcher used his own professional and personal networks and the recommendations from colleagues to contact a mix of potential participants. The in-depth semi-structured interviews were conducted over a period of ten weeks and each interview lasted averagely 30 minutes. The interview schedule developed over the course of the research. Though, the researcher used interview guide, the sequence of the questioning depended on the responses given. There were instances that questions were also included to further probe answers and explanations given by the subjects. Probing was also used by the researcher to obtain a fuller response. During the interview process, the researcher aimed for an open approach to the questions to see if these professionals unveiled an issue that had not yet been discussed in the literature evident in the other data.

The number of interviews was not known in advance. Data collection was allowed to continue until the data became saturated. A total of 28 in-depth semi-structured interviews were conducted, all face-to-face. Interviews were predominantly audio–taped, accompanied by hand written notations. Two participants objected being audio-taped but allowed the researcher to take notes during the interview. Each interview was coded along with written notes before proceeding to the next. Interviewees were also given the opportunity to include views on topics in which they had a particular interest, which the interviewer had not addressed. The audio-tape recordings were further transcribed to ensure accuracy and verifiability. Using data reduction techniques of

summarising and categorising, the interview transcripts were analysed to establish themes and meaning.

5.1.1 Focus Group

Focus group also called “focused interviews” or "group depth interviews” (Marczak and Sewell, 2005) has been heavily employed in social science research as a method of gathering qualitative data for decades (Madriz, 2000; Morgan, 1998; Byers and Wilcox, 1991). At the simplest level, focus group refers to an informal discussion among a group of selected individuals about a particular topic or topics (Wilkinson 2004) that is facilitated by a trained moderator and typically consists of eight (8) to twelve (12) participants (Merton *et al.,* 1956; Howell, 2013, Johnson and Christensen, 2004; Krueger, 2000; Onwuegbuzie *et al.,* 2004). The rationale for this range of focus group size stems from the goal that focus groups should include enough participants to yield diversity in information provided, yet they should not include too many participants because large groups can create an environment where participants do not feel comfortable sharing their thoughts, opinions, beliefs, and experiences. In a broader sense, focus groups are “collective conversations”, which can be small or large (Kamberelis and Dimitriadis, 2008: 375), arranged to examine a specific set of topics (Kitzinger, 2005). The group is said to be focused because “it involves some kind of collective activity” (Kitzinger 2005: 56); debating a specific set of social or health issues, reflecting on common perspectives or experiences that “create data from multiple voices” (Madriz 2003). To Berg (2001:115):

> *“In focus groups the goal is to let people spark off one another, suggesting dimensions and nuances of the original problem that any one individual might not have thought of. Sometimes a totally different understanding of a problem emerges from the group discussion”.*

Thus, this method of data collection can facilitate “collective brainstorming” and a “synergistic group effect” which generates data from within a group, rather than an individual, context (Davies, 2007). That is, while one-to-one interviews and surveys can follow a very structured question and answer pattern, focus groups allow for much greater serendipity due to the group context. This makes focus groups a potentially very useful method for qualitative researchers interested in understanding the way social knowledge and meaning is produced (Davies, 2007; Howell, 2013). The primary aim of a focus group is to describe and understand meanings and interpretations of a select group of people to gain an understanding of a specific issue from the perspective of the participants of the group (Liamputtong, 2009). Focus groups facilitate an interactive discussion between individuals who have some kind of experience of the phenomena being investigated and do not aim to reach consensus on the discussed issues. They ‘encourage a range of responses which provide a greater understanding of the attitudes, behaviour, opinions or perceptions of participants on the research issues’ (Hennink 2007: 6)

Furthermore, focus group is a qualitative research instrument that exhibits the necessary bias for scientific rigor to provide more solid grounded theory. It has the potential of being an excellent source of qualitative data and gives researchers the opportunity to see process in action (Goldman, 1962). It offers researchers the opportunity to observe transactions between and among participants, how they respond and react to each other. This method of data collection can be used alone or it can be part of an on-going, multi-method study such as being used in conjunction with individual interviews, surveys, or participant observations (Morgan, 1988; Morgan and Spanish, 1984). This study uses

focus group discussion in combination with interview and survey. The application of focus groups is most useful in areas where little is known since it provides the participants the chance to express their concerns within a context that is useful to the topic under consideration (Byers and Wilcox, 1991). However, there are five basic assumptions underlying focus group discussion. They are:

(1) people are a valuable source of information;

(2) people can report on and about themselves, and that they are articulate enough to verbalize their thoughts, feelings, and behaviours;

(3) the facilitator is able to help people retrieve forgotten information;

(4) the dynamics in the group can be used to generate genuine information, rather than the "group think" phenomenon; and

(5) interviewing a group is better than interviewing an individual (Lederman, 1989).

Crowne and Marlow (1964) identified two main disadvantages when using focus groups as compared to survey. These include: cost of conducting focus groups; moderator fee, facility rental, recording and transcribing, data analysis and interpretation, and participant incentives and social desirability (Crowne and Marlow, 1964; Krueger and Casey, 2000); the possibility of participants' motivation to provide socially acceptable responses to conform to group norms (Crowne and Marlow, 1964; Krueger, 2000). However, there are a number of advantages for using group discussion, including:

1) a well moderated group encourages full and open expression of perceptions, experiences, attitudes, etc. (Byers and Wilcox, 1991; Vaughn *et al.*,1996);

2) a focus group is typically more flexible than an individual interview as the moderator "works from a list of topics such as listening, thinking, probing,

exploring, framing hunches and ideas" (Wells, 1975; Duggleby, 2005; Byers and Wilcox, 1991, p. 66);

3) a focus group is amenable to exploring linkages which go untouched in a statistical survey and the possibility to explore avenues of importance which may arise other than those listed on a questionnaire (Wells, 1975, p. 134);
4) eliciting responses from eight to twelve participants in a focus group lasting one to two hours is more "time effective" than interviewing the same number individually (Byers and Wilcox, 1991, p. 67);

In spite of the wide range of responses that focus group data contains, identifying issues and the reasons participants hold positions on those is usually clear upon careful analysis. The group discussion was carried out after the in-depth semi-structured interviews with the aim of validating categories that emerged through the analysis of the interview data. This facilitated the identification of the core category during the selective coding stage. The focus group enabled further discussions on the ethical dimensions of corporate governance practice in Ghanaian public sector organisations which gave additional insights into the overall picture (Filatotchev *et al*., 2007; Aguilera *et al.,* 2008). In order to enhance the effectiveness of the focus groups and to allow participants to freely express and discuss the topics of interest without actual or perceived intimidation, the researcher maintained a small size of 9 for the group (Ewings *et al.,* 2008). Focus group participants were drawn from different sectors, responsibilities and functions relating to the practice of corporate governance to harness a mix of different perspectives. The group discussion took an average time of 90 minutes and was audio tape recorded and transcribed.

Survey *– A survey of effective corporate governance practice of Ghanaian public sector organisations. The analysis of the survey informed the in-depth semi-structured interviews and focus group discussion in terms of the question formulation to ask the right questions.*

Semi-structured interview *– In all, 28 semi-structured interviews were conducted with Executives, Board of directors, and senior management of public sector organisations in Ghana, providing insights into the ethical dimensions of effective corporate governance practice of governing action or behaviour.*

Focus group discussion *– The focus group was carried out after the interviews with participants who are expert practitioners of corporate governance in both public and private sector organisations. Participants expressed their views on the ethical dimensions of governing action in relation to corporate governance practice.*

Figure 5.1: Summary of Data collection

5.2 Secondary Sources

Bryman and Bell (2007) define secondary analysis as, the analysis of data by researchers who will probably not have been involved in the collection of those data, for the purposes that in all likelihood were not envisaged by those responsible for the data collection. Secondary data means the data regarding a particular issue which is already developed by other authors, and exists for availability in the form of books, journals or articles, documents such as annual reports and accounts of the organisations, personnel records, and of course the images or videos (Collis and Hussey, 2003). In other words, secondary data include both quantitative and qualitative data, and they are used principally in both descriptive and explanatory research. Secondary data offers the researcher a number of advantages. If the required data already exists, then the researcher need not waste his/her time carrying out the study which is a clear indication that gathering data from secondary sources is significantly quicker than designing and conducting a new investigation

Information from secondary sources for the research study was primarily obtained from journal articles available mainly from the electronic databases such as www.emeraldinsight.com and www.search.ebscohost.com and the University electronic library. Besides these journal articles, books, magazines and newspaper articles were also used. Journal article and books were the main source of information to this research and corporate official documents such as: Securities and Exchanges Commission guidelines on corporate governance, Companies Code, listing requirements and World Bank reports provided revised information related to the area of study. By studying and reviewing the secondary literature, the researcher could be ensured an overall understanding about the research area and the research problem as well.

5.3 Theoretical Sampling and Data Collection Methods

Glaser and Strauss (1967) contended that theoretical sampling is the process of data collection for generating theory whereby the analyst jointly collects, codes, and analyses his data, and decides what data to collect next and where to find them, in order to develop theory as it emerges. Theoretical sampling is inherent in the grounded theory method of "data gathering driven by concepts derived from the evolving theory' from constant comparisons to pinpoint places, people, information or events that will help discover concept variations and density of categories" (Strauss and Corbin 1998, p.201). This is followed by the need for additional data during and after the interviews and from other sources was dictated by this method until categories were saturated. After saturation of categories was achieved leading to the emergence of a near core category,

a process was coded. Grounded theory method provided the development of a relevant model to represent the theory that emerged. The research adopted a combination of data collection methods to generate further data to confirm and refute original categories, offer detailed understanding of the categories in terms of their properties and dimensions and establish the relationships between categories. In other words, theoretical sampling works by systematically "selecting subsequent participants or data based on the information which emerges from the data already coded" (Sarantakos, 2005, p. 66) as the theory emerges and the investigation focuses. The new data guides the researcher to select data samples which are most salient for the research being undertaken.

The methods of data collection used in this study are: survey questionnaire, in-depth semi-structured interviews and focus group discussions. Each of these methods is associated with a type of theoretical sampling. The survey questionnaire was used as a pre-cursive introduction to the interviews and informed subsequent interviews. The analysis of the survey questionnaire identified categories related to the phenomenon under investigation which is coded and compared with the categories that emerged from the semi-structured interview and focus group discussion. The semi-structured interviews and the focus group discussion were the primary data collection method used during the open and axial coding stages of the grounded theory process to develop and determine relationship between categories. Through the application of the semi-structured interviews and focus group discussion, the axial coding discover the main categories and establishes the relationship between these categories, whiles selective coding involves the process of selecting and identifying the core category and systematically relating it to other categories (Strauss and Corbin, 1990). Boardroom

observations were also intended to be used, the researcher was unsuccessful in gaining access due to confidentiality concerns.

5.3.1 Access to Data

The success of gaining access to elite subjects depends a great deal on serendipity, personal networks as well as the particular circumstances at the time (Anderson, 2004; McDowell, 1998, p. 2135). Researchers should attempt to pursue as many different avenues as possible in a polite, yet persistent and opportunistic manner (Yeung, 1995). The researcher followed this approach to access the relevant people in the organization to enable the primary data and made arrangements for distribution of questionnaires and interviewing, according to the time available. Indeed, my membership of old students associations enabled me to gain access to some of the elites who in turn introduced me to other elites. This was particularly helpful at this stage of the data collection process to identify potential interviewees. As far as the researcher is concerned, gaining access to elite subjects was considered an achievement in itself, but conducting the interview was even more important. This made it possible for the researcher to gain insight into the phenomenon of corporate governance practice in Ghanaian public and private sector organisations through the use of 'theoretical sampling' (Strauss and Corbin, 1998).

To add to that, researcher received a complete written consent form from respondents before they participated in the research. Also, if respondents recommended other people, the researcher contacted them and received permission from them first before providing their names and contact information.

Participants selected for the study were those considered to have access to the information required, were willing to reflect on the phenomena of interest, had the time, and were willing to participate in the research (Morse and Richards, 2002). In order to stimulate greater responses from the interviewee, the interviewer adopted strategies including using encouraging phrases such as 'Really?' or 'Interesting!' (Marshall, 1984) and notes writing with occasional glances at the interviewee (Dexter, 2006). At the end of an interview the researcher asked if interviewees had any comments, observations or criticisms regarding the research. This is important for gauging how the interview went as well as for determining whether there were certain questions or areas of research that had been overlooked. For this study, board of directors, executive directors and senior managements were selected for their experiences related to the practice of effective corporate governance and willingness to participate in the study. Theoretical sampling involved relying heavily on the interviews of participants as a way to best capture the participants own words. In theoretical sampling, the researcher also chooses forms of data collection that will yield text and images useful in generating a theory (Creswell, 2005).

5.4 Grounded Theory Process

The aim of grounded theory is to generate new substantive theory grounded in data where little is already known or to provide fresh slant on existing knowledge about a particular social phenomenon (Strauss and Corbin, 1990; Goulding, 1999; Dick, 2002). The theory to emerge reveals contextual explanation of a *phenomenon* rather than descriptions of complex social processes (Strauss and Corbin, 1990; Glaser, 2001).

Martin and Turner, (1986) advocate that grounded theory is proficient to examine complexities due to its ability to generate a comprehensive account of organizational action in context. In a similar vein, Locke (2001, p.95) argues that grounded theory is "particularly appropriate to researching managerial behaviour" as it captures the complexity of the managerial process. The interviews were evaluated for content analysis using the three phase grounded theory method of open coding, axial coding and selective coding. This research aims to develop a substantive theory which explains the ethical dimensions of corporate governance practice in Ghanaian public sector organisations from the perspectives of board of directors and senior management of organisations.

To achieve credibility and rigour of the research findings and emergent theory, Strauss and Corbin (1998) suggest the criteria of 'fit, understanding, generality and control' as benchmarks. Fit refers to the theory being "faithful to the everyday reality of the substantive area and carefully induced from diverse data" (Strauss and Corbin, 1998, p. 23). This implies that, the theory should be composed of elements that correspond to the daily reality of the special area researched and that the naming of the category or its property fits the data, making the theory fully comprehensible. Understanding denotes the theory being comprehensive or making sense to the participants in the study and professionals working in the field of corporate governance. In other to achieve the required level of credibility, the researcher clearly presents the inductively derived theory to facilitate better understanding. Generality is when the theory is "abstract enough and include sufficient variation to make it applicable to a variety of contexts related to the phenomenon" (Strauss and Corbin, 1998, p. 23). This is said to occur, when the data upon which the theory is based are comprehensive and the interpretations

conceptual and broad. In addition, the substantive grounded theory developed leaves the issue of generalisability to be confirmed by other researchers as is the case with most grounded theory studies (Corbin and Strauss, 2008; Strauss and Corbin, 1990; Aldhmour and Shannak, 2009). Control means the theory should "state the conditions under which the theory applies and describe reasonable basis for action" (Howell, 2013). This implies that the theory should provide control with regard to action toward the phenomenon" because the data are "systematically derived from actual data related to that (and only that) phenomenon" (Strauss and Corbin, 1998, p. 23).

5.4.1 Theoretical Sensitivity

Theoretical sensitivity is one of the numerous fundamental practices of grounded theory process which Glaser and Strauss, (1967) described as "the conceptual ability of the researcher to have theoretical insight into his area of research and make something of his insights" (p. 46). It is a process where a researcher becomes aware of the subtleties of the data in order to understand and give meaning to the data (Strauss and Corbin, 1998). This conceptual awareness of the researcher is increased by a number of sources including disciplinary training and associated general ideas from outside of the researchers disciplinary domain (own experience) and being steeped in the literature (Weed, 2009; Schreiber, 2001; Nwanji, 2006). Indeed, it is necessary to "challenge our assumptions, delve beneath our experience, and look beyond the literature if we are to uncover phenomena and arrive at new theoretical formulations" (Strauss and Corbin, 1990, p. 76). It is expected that researchers approach the research situation with some background knowledge of the phenomena under investigation. This must be *bracketed* or set aside during the research process (Nwanji, 2006; Goulding 2002; Ng and Haze,

2008, Weed, 2009). In order to conceptualise and formulate a theory, grounded theory requires that the researcher avoid preconceptions and be open minded as this enable the researcher to be "theoretically sensitive" (Glaser and Strauss 1967, p. 46). Thus Strauss, (1987) argued that pre-conceptions are inevitable, otherwise how could a researcher decide what particular fields were of interest to him or her?

One of the motivations for this research is based on the researcher's professional experience as an Assistant Lecturer in the University lecturing Corporate Governance and Social Responsibility to undergraduate students. As part of the course requirements, the students undergo industrial visits to organisations both public and private for practical industrial experience. During these visits, presentations were organised to explain issues regarding governance practices and behaviour to the students and the team of lecturers. It was during one of such visits to the Securities and Exchanges Commission, Ghana that provided the researcher the insights into corporate governance issues concerning compliance and effectiveness of the governance regulations. Again, the researcher had the opportunity to read a lot of literature over the years highlighting issues regarding corporate governance, the Combined Codes and ethical theories. Applying such practical and theoretical experience to theory and academic research was one of the main reasons for undertaking the research and writing this thesis.

However, Glaser and Strauss (1967), point to the researcher's own subjective experience as a dimension of credibility achieving a sense of conviction about theorising. They argued that the result of this conviction is not only the researcher's presence in the setting and "systematic collection and analysis of the data, but also because the analysis has been emergent. Glaser and Strauss stress that "initial decisions

are based on a preconceived theoretical framework‟ (Glaser and Strauss, 1967: p. 45). The researcher approached the problem situation with an open mindedness and allowed the evidence accumulate to dictate the emerging theoretical agenda. This provided the necessary "theoretical sensitivity to conceptualise, formulate and discover substantive grounded core categories (Ng. and Haze, 2008; Glaser and Strauss, 1967). This serves as the basic requirement to undergo transition from description to higher levels of abstraction in the substantive theory building process.

5.5 The Coding Process

Coding is the "process by which data are broken down, conceptualised, and put back together in new ways" (Strauss and Corbin, 1990, p. 57) to form theory by raising critical questions and giving provisional answers about categories and their relations. The researcher identifies as many tentative categories and their properties as possible using the three phase coding process, namely; open, axial and selective coding. This coding process is capable of systematically re-evaluating the distinct units for their inter-relationships, enabling the researcher to move the data to a higher level of abstraction (Descombe, 1998; Goulding, 2002; Martin and Turner, 1986; McCallin, 1999; Parry, 1997). Strauss and Corbin (1998:165) describe a process as "a series of evolving sequences of action/interaction that occur over time and space, changing or sometimes remaining the same in response to the situation or context". Thus, process is essential in generating a substantive theory because it acts as the organising thread or central category.

Coding in qualitative research is one way of exploring bits of information in the data, and looking for similarities and differences within these bits to categorize and label the data (Padgett, 1998; Patton, 2002). In coding, data are broken down, compared, and then placed in a category. Similar data are placed in similar categories, and different data creates new categories. Coding is iterative and interactive, inductive, yet reductive process that organizes data. Line by line coding can ensure that the researcher's beliefs are not imposed on the data and interpretations (Howell, 2013:138). Through continues comparative method, which is, constantly comparing data from the same individual at different points in time, incident with incident and categories with categories (Charmaz, 2003; Glaser, 1992) the core variable accounting for greater variation in behaviour is discovered. This research intends to build a substantive theory of corporate governance practice; however, the influence of national level culture discussed in chapter three (3) was discovered during concepts and process coding. Coding for process starts as coding for concepts begins until the core category is built. It is therefore a part of the entire theory generation process from beginning to end. The difference between coding for process and coding of concepts and categories is actions/interactions, noting movement, sequence and change examined, rather than properties and dimensions. According to Strauss and Corbin (1998:168), process coding helps in integrating and discovering variation. Additionally, scrutinising data for process forces the researcher to look for patterns and by relating process to structure, categories are connected. In grounded theory research, data collection and data analysis occur concurrently. Qualitative interview data was systematically collected and analysed in an attempt to understand both the *structure* (why) and *process* (how) inherent with the ethical dimensions of corporate governance practice in Ghanaian public sector organisations. The interview transcripts generated along with the written notes and the official documents retrieved

during the in-depth semi-structured interviews were analysed using open coding, axial coding and selective coding.

5.5.1 Open Coding

Open coding is “the first step of a theoretical analysis through which categories and their properties are discovered” (Strauss and Corbin, 1998, p. 101). This is what Glaser (1978) termed as "running the data open" (p. 56). During open coding, "data are broken down into discrete parts, closely examined, and compared for similarities and differences" *(*Strauss and Corbin, 1998*, p.102).* This process exposes data and uncovers the thoughts, ideas and meanings attached to yield concepts. Data analysis began with a microscopic (sentence-by-sentence) examination of each interview transcript (Strauss and Corbin, 1990). The open coding process is used to create initial codes for comparisons. The open coding process identifies salient incidents and concepts, and explores any emergent attributes of the ethical implications of corporate governing regulations. Incidents were compared by asking key questions of the data: “What is this data a study of? What category or property does the incident indicate?

At this stage of the investigation, the researcher remained open in terms of the structure and direction of the interviews to allow concepts to emerge naturally without “forcing” them into predefined categorises (Glaser,1992, p.51). Concepts that accurately capture thoughts and meanings of participants were developed. Open coding serves as the first step of a theoretical analysis towards the discovery of categories and their properties (Glaser, 1978, 1992; Strauss and Corbin, 1990). In open coding, variables involved in the phenomenon are identified, labelled, categorized and related together in an outline

form. Incoming data was constantly compared (Strauss and Corbin, 1998); words, phrases, sentences and paragraphs of field notes with other indicators in the data; incidents with incidents and concepts with concepts to identify similarities and differences (Glaser and Strauss, 1967; Strauss and Corbin, 1990). A number of concepts emerged as the interview process progressed.

A concept is defined as an "abstract representation of an event, object, or action or interaction that a researcher identifies as being significant in the data" (Strauss and Corbin 1998, p.103). The list of emerging open concepts were constantly compared and grouped under common characteristics called open categories. They define a category as concepts that stand for a phenomenon and drive conceptualisation to a higher level of abstraction (ibid). Through the process of constantly questioning, the identification of categories occurs during open coding and the process of moving beyond description to conceptualization begins. In other words, using the constant comparison method of comparing code-to-code, incident-to-incident looking for similarities and differences, emerging categories were identified (Creswell, 1998, p. 240).

5.5.2 Axial Coding

Axial coding is the second stage of the application of grounded theory to the development of a substantive theory for corporate governance system. Axial coding is the process of reassembling data broken down through open coding and relating categories to subcategories. The prime purpose of axial coding is to establish relationships between categories, properties and dimensions that emerged from the open coding stage. The axial coding is concerned with re-examination of the categories

identified in open coding to determine the linkages between them (Strauss and Corbin, 1990). In axial coding, data are put together by utilizing a system of coding that seeks to identify causal relationships between categories. The aim of axial coding process is to make explicit connections between categories and sub-categories (Pandit, 1996). Here, the researcher develops a conceptual model that explains the relationships between categories in order to understand the phenomenon to which they relate.

5.5.3 Selective Coding

Selective coding is the final coding phase of the grounded theory process. The fundamental objective of selective coding is to explain the story line (Strauss and Corbin, 1998) and advanced through the work of establishing categorical relationships. This involves the process of systematically relating the categories to other categories and validating those relationships. There is a considerable overlap between the analysis of axial coding and the interpretation of selective coding analysis (Strauss and Corbin, 1998). Through the axial and selective coding process, the researcher has asked and answered, what is the central phenomenon? The answer to the question helped describe the central phenomenon. The analysis shifted to the identification of the relationship of this category to all other categories. Once the core category was discovered, participants asked specific questions to further “saturate” the category. All categories were integrated together and a theory grounded in data emerges.

5.6 Conclusion

This Chapter provided an overview of the data collection and coding procedures for this study. Grounded theory entails the discovery of theory through systematic collection, analysis and comparison of data. The interview, focus group and survey technique of data collection were examined, as well as their application to the research. The study adopted semi-structured interview and focus group discussion as the main data collection tools. The survey technique was employed to inform the interview process and the focus group discussion through the formulation of questions and gaining access to respondents. For this study, ethical dimensions of corporate governance practice in Ghanaian corporate governance system, data were drawn from public and private sector organisations through semi-structured in-depth interviews and focus group discussion with corporate elites. In addition, data were also drawn from the review and analysis of journal articles, books and corporate policies and procedures available in hard copies and corporate websites. A total of 28 participants including board of directors, executive directors and senior management from public institutions, state owned enterprises and public companies were interviewed. All interviews and focus group were conducted in person, as they served as primary data source of the grounded theory research. The survey questionnaire was used to inform the interviews. Using the three coding methods of open, axial and selective coding of grounded theory method, data collection and analysis occurred concurrently.

Inherent in the grounded method is theoretical sampling or "data gathering driven by concepts derived from the evolving theory" from constant comparisons to pinpoint places, people, information or events that will help discover concept variations and

density of categories (Strauss and Corbin 1998, p.201) Following this concept, the need for additional data during and after the interviews and from other sources was dictated by this method until categories were saturated. Upon saturation of categories leading to the emergence of a near core category, a process was coded. Grounded theory method provided the development of a relevant model to represent the theory that emerged.

To achieve credibility and rigour of the research findings and emergent theory, Strauss and Corbin (1998) suggest using the criteria of 'fit, understanding, generality and control' as benchmarks. Fit refers to the theory being "faithful to the everyday reality of the substantive area and carefully induced from diverse data" (Strauss and Corbin, 1998, p. 23). Understanding denotes the theory being comprehensive or making sense to the participants in the study and professionals working in the field of corporate governance. Generality is when the theory is "abstract enough and include sufficient variation to make it applicable to a variety of contexts related to the phenomenon" (Strauss and Corbin, 1998, p. 23). Control means the theory should "state the conditions under which the theory applies and describe reasonable basis for action" (Howell, 2013). The next Chapter presents the open coding analysis of the interview and focus group data.

CHAPTER SIX

DATA PRESENTATION AND ANALYSIS: OPEN CODING

6.0 Introduction

The main aim of this chapter is to introduce open coding analysis based on in-depth semi-structured interviews. Twenty eight (28) interviews were undertaken until the data became saturated. This included: board of directors, directors, and senior managers of both public and private sector organisations. The chapter outlines how the analysis of the process of how open coding analysis was applied to the in-depth semi structured interviews. The analysis of the open coding yielded eight (8) open categories. The objective of open coding is to break data into concepts by using theoretical coding procedures and constant comparison method. Codes that emerged were tested for theoretical relevance and only concepts that showed persistent occurrence in data collected formed open categories. Conceptually, similar data that were deemed important to the participants were collected together to form these open categories (Strauss and Corbin, 1990). Based on simultaneous data collection and analysis, open coding resulted in eight (8) open categories and identified their properties and dimensions.

6.1 Semi – Structured Interview Questions

The semi – structured interview questions were designed to examine the governance practice of Ghanaian corporate governance system. The semi structured interview questions were based on the governance practice from the perspective of directors and senior managers in Ghanaian public sector organisations. The following are the interview questions used:

Question 1: How does your organisation's governance practice help your board to fulfil its governance functions?

Question 2: How does your organisation's governance regulation reflect Ghanaian cultural perspective?

Question 3: To what extent is your organisation's governing action ethical to its stakeholders?

Question 4: Does your organisation have governance regulations that hold directors accountable to stakeholders?

Question 5: To what extent is your organisation's governance action/behaviour interfered by government?

Question 6: Are your organization's governance regulation backed by the state laws/legal rules?

6.2 Open Coding of Semi – Structured Interview Data

This section presents the analysis of the process of how open coding analysis was applied to the in-depth semi structured interviews. In grounded theory research, data collection and data analysis occur concurrently. Qualitative interview data was systematically collected and analysed in an attempt to understand both the *structure* (why) and *process* (how) inherent in the ethical dimensions of corporate governance practice in Ghanaian organisations. The interview transcripts generated from the audio-tape recordings along with the written notes and the official documents retrieved during the semi-structured interviews were analysed using open coding. During open coding, "data are broken down into discrete parts, closely examined, and compared for similarities and differences" (Strauss and Corbin, 1998, p.102). This process exposes data and uncovers the thoughts, ideas and meanings as expressed by participants.

At this stage of the investigation, the researcher remained open in terms of the structure and direction of the interviews to allow concepts to emerge naturally without *'forcing'* them into predefined categorises (Glaser, 1992, p.51). Concepts that accurately capture thoughts and meanings of participants in relation to the phenomenon were developed. A concept is described as an "abstract representation of an event, object, or action or interaction that a researcher identifies as being significant in the data" (Strauss and Corbin 1998, p.103). A number of concepts emerged as the interview process progressed alongside writing theoretical memos, the ideas at hand and the relationships between the codes (Razavi and Iversion, 2006). To Glaser (1998:117) "memos are the theorizing write-up of ideas about substantive codes and their theoretically coded relationships as they emerge during coding, collecting and analysing data". Incoming

data was constantly compared, concept with concept to identify similarities and differences (Strauss and Corbin, 1998). Emerging codes are tested for theoretical relevance and only concepts that show persistent occurrence in data collected, form open categories. Conceptually similar data that are deemed important to the participants are collected together to form these open categories (Strauss and Corbin, 1990a). Strauss and Corbin (1998, p.103) define a category as concepts that stand for a phenomenon and drive conceptualisation to a higher level of abstraction. As part of the open coding process, categories are further specified in terms of their properties and dimensions of the properties. Properties are attributes or characteristics pertaining to a category whereas dimensions are location of properties along a continuum (Corbin and Strauss, 2008).

The semi-structured interview transcripts were thoroughly read using a microscopic (sentence-by-sentence) examination of transcripts (Strauss and Corbin, 1990) as the interviews proceed. The open codes emerged from the responses to the interview questions which overlap as the interview progresses. The researcher identified the substantive codes in the manuscripts using participants own words as much as possible. Subsequently, a list of codes are compiled and compared against the original transcripts to make sure that the code use constantly throughout all the transcripts. The quotes and the figure 6.1 illustrate how the emergent concepts and the categories based on the interview questions were presented. For example, in response to interview question 1, the following are sample of views expressed by participants.

> *"...going through board minutes, board meetings focus on* ***clerical issues*** *instead of* ***strategic issues****,* ***clerical issues*** *(Laugh), again, because there is* ***no performance monitoring,*** *these issues are not discussed, and so the question is: are* ***board members*** *aware of* ***their roles and functions****? (Executive Director, State Institution)*

*"…state enterprises as one of the trophies that must be **shared** to **political persons**, **level of professionalism** does not always become important in the **appointment of members** of various boards because of the **political things** that it has sometimes, can we be **effective**?" (Board member, State Institution)*

*"let me confess **membership of board** has become a **political issue** rather than one totally based on **merit** some people think is a **reward*** for **political membership**, *is a **professional thing** that is why some boards, particularly, public sector boards are **less effective**" (Board member, State Owned Enterprise)*

*"there are **relationship issues** in the chairman and the chief executive, the chairman, the board, the company... and **their relationship** (Sigh), this issue came up during the last **annual performance evaluation"** (Director, public company)*

The incidents identified here are: **board membership, level of professionalism, performance monitoring, performance evaluation, roles and functions, strategic issues, clerical issues, relationships issues, political membership and political persons and board effectiveness,** These were further compared with other interviews in relation to question 1 and those identified to relate to a common theme to be grouped together to form a higher commonality called a concept. The concepts discovered were grouped into a category through the process of open coding. This is illustrated in figure 6.1

Category	**Board Ineffectiveness**	
	Concepts Contained in the Category	
Board Evaluation Level of Professionalism Politicisation of Boards Relationship Issues		Performance Monitoring Board Effectiveness Duties and Roles of Board
Properties	**Dimensions**	
Board evaluation	*Absent*	*Present*
Board Issues	*Negative*	*Positive*

Figure 6.1: Example of concepts and category that emerged through the analysis of coding responses to interview question1

In relation to the interview question 2, the following quotes are sample of views expressed by participants to illustrate how the concepts and categories emerged through the process of coding.

> ***"culture*** *of* ***respect for elderly people*** *and you could realize that it* ***influences*** *a lot of things in that you can't just go to the board demanding* ***answers to questions****, this* ***respect for elderly people,*** *thing is really an issue but that is* ***our culture"*** *(Senior Manager, Family Business)*
>
> *"many people will like to have their* ***family members and friends****, …, their* ***own children*** *and* ***relatives working*** *in the company. So you will see this significant amount of* ***paternalistic sort*** *of* ***character*** *within the company" (Senior Manager, Private Company)*
>
> *"we all* ***give and accept gifts*** *but if somebody bring you* ***a gift****, at what* ***time*** *is the person bringing you that* ***gift,*** *and what is the* ***value of the gift*** *and under what* ***circumstances do you bring a gift****?" (Board member, State Owned Enterprise)*
>
> *"as a* ***family business****, there is a strong* ***network of interpersonal connections,*** *this is based on* ***family ties and relations****. You know, the other thing is the* ***family*** **values**, our **practices are influenced** by these values" *(CEO, family business)*
>
> **"**I know some organizations which actually **give gifts out** and [pause]i… we don't encourage **giving gifts** to other people, organization itself **gives the board gift** fine but I **don't know** of any **gift they send outside"** *(Board member, State Owned Enterprise)*

The incidents identified here are: **culture influence, respect for elderly, respect for authority, family members and friends, paternalistic character, authority not unquestioned, give gift, receive gift, network relationships, interpersonal connections, practices influenced, value of gift, circumstances, family ties and relations, family values, family business.** These were further compared with other interviews in relation to interview question 2 and those identified to relate to a common theme to be grouped together to form concepts and subsequently the category.

Category	**Culture Influence**	
	Concepts Contained in the Category	
Culture Influence Respect For Directors Culture of Gift Giving Accept Gift Interpersonal Connections Business Practices	Board Practices Authority Not Questioned Family Ties and Relations Authority Respected Family Values Influence Give Gifts	
Properties	**Dimensions**	
Gift	*Positive*	*Negative*
Respect for Authority	*Low*	*High*
Family Influence	*Positive*	*Negative*

Figure 6.2: Example of concepts and category that emerged through analysis of coding responses to interview question2

The coding process is followed for all interview questions to identify the emergent concepts and categories based on the responses from the interview questions which sometimes overlap. The following quotes and the associated figures were used to illustrate how the process of coding progressed throughout the interviews until no new concepts were identified.

In relation to interview question 3, the following quotes represents sample of the views expressed by participants.

> *"most of the **SOEs** are **not responsive to stakeholder needs**, they just **don't care** when **consumers** are **complaining**, well, **boards of directors** basically **do nothing about it**" (Director, State Institution)*
>
> *"I think we have **code of ethics** but **[pause] haven't bothered to look at** the **code,** I respect myself, I have **not sighted any such document,** we have* **corporate ethical obligation**, and try to be **more ethical to our stakeholders"** *(Senior manager, Public Company**)***
>
> *"...since there is **no national policy guideline** on what **companies can do** and what they **should do**, companies **do their best** to be **responsible to society,** well, the public companies **do better** than **we do** since **ours is factored** into the **overall government project**" (Board member, State Institution)*

Category	**Ethical Concerns**	
	Concepts Contained in the Category	
Corporate ethical obligation Responsiveness Structured policy on CSR Code of ethics CSR tied to strategic objective	No national policy on CSR Grand rules Budgetary policy on CSR Stakeholder needs Ethical to stakeholders	
Properties	**Dimensions**	
Responsiveness	*Less*	*medium*
Code of ethics	*Absent*	*Present*
Corporate social responsibility	*Absent*	*Present*

Figure 6.3: Example of concepts and category that emerged through analysis of coding responses to interview question3

Below are quotes which represents sample of the views expressed by participants in relation to interview question 4.

> *"…unfortunately,* ***most*** *of the* ***shareholders*** *in Ghana, don't really* ***understand the concept of shares*** *and public companies,… some* ***buy shares*** *not because they* ***understand what they are doing****, you see* ***shareholders*** *that is* ***minority shareholders*** *lack* ***financial literacy, minority shareholders financial literacy*** *is* ***low*** *in Ghana and this* ***business of shares*** *and I mean recently I had to go on a radio program and they said it was in Akan (local dialect) and so I had to* ***turn it down,*** *how do I say all these* ***financial issues*** *in Akan"* (Dep. Director, Public Institution).

> *"…Hmm! there are instances where* ***special treatment*** *is often* ***accorded to large shareholders*** *and* ***shareholders who wish to speak*** *at company general meetings are only* ***allowed to speak*** *if they are known to* ***side*** *with the* ***board of directors****…"* (Board member, State-Owned Enterprise)

> ***"…shareholders*** *rather think the* ***directors are their bosses****. So instead of the* ***directors being accountable*** *to* ***shareholders****, you find out that they* ***do things the other way round****, so, it is just* ***few of them i****n there who kind of* ***understand what is going*** *on, let* ***shareholders hold their directors more accountable"*** (Director, Public Company)

Category	**Board Accountability**	
	Concepts Contained in the Category	
Hold Directors Accountable Corporate Accountability Minority Shareholders Understanding Awareness of Minority Shareholders Financial Language Challenges	Minority Shareholder Education Strong Minority Shareholders Base Enforce Minority Shareholders Rights Shareholder Financial Literacy	
Property	**Dimensions**	
Minority shareholder Education	*Low*	*High*

Figure 6.4: Example of concepts and category that emerged through analysis of coding responses to interview question4

In relation to interview question 5, the following quotes were used to represent the responses to the interviews conducted.

> *"...there is a **huge interference** whether you like it or not,... once we go to the **government** for **financial support** we should be ready for some of the **interferences** especially regarding **board decision** that might have **political implications**, sometimes it is for **political expediency** and not necessary **good for business**"* (Board member, State-Owned Enterprise).

> *"government wants to be on the **side of the public** so it turns to **interfere** in the **pricing of our products** even though we have the **regulator** who **sets the prices,** ...this is always making us **less competitive** and the **government continues** to provide the **financial intervention**..., even if it does not **interfere directly**, maybe that even makes it worse, sometimes, **government** is trying to **let you know** that you **can't do anything without me**, that sort of thing"* (Dep. Director, State-Owned Enterprise)

> *"well, if state-owned enterprises will not be **efficient and competitive** and continues to receive **financial support** from **government** such as; **budget support, and government guaranteed loans and bailouts**. These **government interventions** are what sustain many **uncompetitive and badly managed state-owned enterprises**, you know" (Board Member, Public Company)*

> *"Sometimes **politicians wants** to even **manage the office** for you, they sometimes use **pressure groups** such as **political foot soldiers** and when it come to the **bidding of contracts**. So I can say there is **political influence in award of contract**" (Deputy Director, State Institution)*

Category	**Government Interference**	
	Concepts Contained in the Category	
Huge Government Interference	High level governmental influence	
Government Financial support	Politicians manage office	
Absolute government interference	Budget support	
Financial independence	Financial Interventions	
Political Implications	Political Expediency	
Side with public	Can't do anything without government	
Political Influence	Political Pressure Groups	
Government guaranteed loans and bailouts	uncompetitive and badly managed SOE's	
Properties	**Dimensions**	
Government Interventions	*Low*	*High*
Government Interference	*Low*	*High*

Figure 6.5: Example of concepts and category that emerged through analysis of coding responses to interview question5

For interview question 6, the following quotes are used to represent responses to the interview questions.

> *"...it is about the **enforcement**, so if you ask me whether the **regulations are strong**, my answer would be yes they are but the point is, are we **enforcing it** the way we should? the answer is a **Big No** [sigh], meanwhile our **governance regulations** meets all **international standards"** (Director, Public Institution)*

> *"the C**ode** spells out **exactly what should be done,** but is it **being enforced**, **implemented?** That is where the **problem is,** he **contents** of our **regulations** are **adequate** and the **intent is clear**, the **problem** is not the **regulations** but the **enforcement"*** (Director, Public Institution)

> *"...only 35 **companies** are **listed** on the **exchange** dominated by **foreign and multinational companies**, they are **required to comply**, they do so because they can **stay listed** and don't get to **pay penalty"*** (Director, Public Company)

> *"...The **nature of our regulations** could also be a **factor** for the **non compliance, governance guidelines** on **best practices** are not **mandatory corporate governance codes** apart from what we have in the **company's code** so it does not **motivate companies to comply"*** (Director, Public Institution)

Category	**Regulations**	
	Concepts Contained in the Category	
State laws support regulations Enforcement challenges Non Compliance Mandatory codes Regulations are strong International Standards Listed Companies Motivate Companies to Comply	Independence of the regulators Comply with listing requirements Non mandatory codes Enforcement is the Problem Being enforced or Implemented Foreign and multinational companies Nature of regulations	
Properties	**Dimensions**	
Nature	*Adequate*	*Compliant*
Enforcement	*Low*	*medium*
Compliance	*Low*	*High*

Figure 6.6: Example of concepts and category that emerged through analysis of coding responses to interview question6

In addition, the following sample quotes are based on the overlap of interview questions to identify emergent concepts and category through the analysis of coding.

> *"...I instructed that everybody who is **appointed to the board** should partake in a **training program** to be run by the State Enterprises Commission and Institute of Directors. Whoever you appoint, we will try and **equip them** but **training entails so much"** (Director, Public Institution)*

> *"As part of our **training programmes**, we ask that when they are reporting they should report about **board evaluation** and all other **corporate governance practice** and also have a mandate to give us approve boardroom minutes...so that also gives us a clear idea of what is happening in the boardrooms (Director, Public Institution)*

> *"... we organise **training and education programmes** to **shareholders,** particularly **minority shareholders** and the **general public on financial literacy** to be able to hold directors accountable. The programmes **create awareness** and **educate the public**. This has **improved minority shareholder confidence** on **financial literacy** to be able to question directors' actions, you know, these people know (Deputy Director, Public Institution)*

Category	**Board Training and Minority Shareholder Awareness**
Concepts Contained in the Category	
Education and training to shareholders	Governance practices
Train board appointees	Improvement
Appoint the wrong person	Training Programmes
Great feedback on review	Directors accountability
Training focus on governance practices	Report on Evaluation
minority shareholders	Public on Financial Literacy
Empower shareholders	Content of Training Programmes
Minority shareholder rights awareness	Public education plan
Board appointees	Training Programmes
Improved Minority Shareholder Confidence	Equip Board Appointees

Properties	**Dimensions**	
Board Training	*Absent*	*Present*
Minority Shareholder Education and awareness	*Low*	*High*

Figure 6.7: Example of concepts and category that emerged through analysis of coding responses from combination of interview question

Finally, the following sample quotes are based on the overlap of interview questions to identify emergent concepts and category through the analysis of coding.

> *"Well, some of the **regulators lack** the **enforcement powers** and are basically **not enforcing the regulations,** the **lack of enforcement powers** also makes it **difficult for regulators** to **effectively enforce** the **regulations,** the **regulators cannot bite.** The **fundamental problem is that the regulatory agencies are mostly weak, too weak to** stand up to government and government enterprises, you know, you can't bite the arm that feeds you **"** (Board Member, State-Owned Enterprise)*

> *"...all the regulators are just **not working**, except the Bank of Ghana and the Ghana Stock Exchange, they are just **ineffective**, well, most of these **institutions** are **weak** and still depend on **government** for its **budgetary support"** (Senior Manager, Public Company)*

> *"You see these **institutions** responsible for **enforcing the regulations** are **weak,** government needs to encourage these **institutions to grow** and become **productive and responsible**. The question is, can government grant them **adequate enforcement powers** and **minimise the politics**? (Director, Public Company)*

Category	**Weak Institutions**	
	Concepts Contained in the Category	
Regulators Lack Enforcement Powers Difficult for Regulators Effectively Enforce the Regulations Government for its Budgetary Support Regulatory Agencies are Mostly Weak Budgetary support		Not Enforcing Regulations Institutions Are Weak Regulators Cannot Bite Fundamental Problem Regulators not working Responsible and productive
Properties	**Dimensions**	
Weak Institutions	*negative*	
Poor Leadership and management	*negative*	

Figure 6.8: Example of concepts and category that emerged through analysis of coding responses from combination of interview questions

6.3 Analysis of Focus Group Discussions

A focus group discussion was organised after the in-depth semi-structured interview. It was attended by 9 participants from public and private sector organisations responsible for corporate governance system in Ghana. The analysis of the data collected from the group discussion further validated the open categories that emerged through the open coding analysis of interview data. The group discussion which centred on four main questions began with a question on the role of regulatory agencies in ensuring good corporate governance practice and compliance with regulations, particularly, public sector organisations. This was followed by 'ethical issues on corporate governance practice. The next question was whether there is government interference on public sector organisations' governance action. The discussion concluded with a question on cultural influences on Ghanaian corporate governance system.

After the initial discussion of corporate governance, participants were asked if regulatory agencies are ensuring good corporate governance practice and compliance with regulations. Majority of participants argued that compliance with governance regulations are at best non-existent. Though, participants admitted that the contents of the regulations are adequate and clear, regulators are just not enforcing them. This *weak enforcement* environment was blamed on *lack of strong corporate culture*, *non-mandatory nature* of the *corporate governance guidelines* for public sector organisations and the informal sector. It was argued that the nature of the governance regulations, being non-mandatory tends to encourage *non-compliance*. Thus, public sector board of directors tend to bear no responsibility for non-performance. It was observed that concepts emerged in the group discussion were similar to the emergent concepts in the semi-structured interviews.

In response to the question of whether organisations are ethical in their dealings with stakeholders, participants admitted that ethical concerns is one of the key pillars of good corporate governance practice. It is of interest to note that participants were fascinated about this question and discussed it to greater detail. This is because the discussion produced an interesting debate of what constitute an ethical or unethical governance action or practice. Participants agreed that boards that are ethical give a reflection of *good leadership* and create good *corporate culture* to motivate management and other workers to meet the needs of all stakeholders. On the other hand, *unethical boards* promote *unethical practices and actions* which give a *negative public image* to the organisation if not a complete collapse. They deemed most public sector organisation's board of directors to be unethical but the extent was not established. A sample quote

from the focus group discussion illustrates how the analysis of the focus group discussion went:

> *"…it is important to establish* ***great corporate culture*** *and the* ***culture*** *need* ***not*** *necessarily* ***be documented*** *but once we* ***live in that culture*** *and we understand this is* ***what we need to do****, we will* ***comply,*** *it is all about* ***attitude*** *and we need an* ***orientation*** *on that, And I believe the whole* ***definition of ethics*** *can just be explained the way in one word and that is* ***moral commitment****. Are you doing* ***what is right*** *to achieve the* ***results*** *and of course are you* ***adding value*** *to the organization"* (Director, Public Institution).

Participants contended that the *lack of regard for code of ethics* for the boards makes it difficult to address issues of business ethics. Though, majority of the participants argued that having code of ethics is just a means to the end but not the end itself, they admitted the relevance of organisations having code of ethics and complying with the code. It was observed that a strong *corporate culture* promotes the provision of code of ethics and its subsequent compliance. Participants claimed that some organisations, particularly the publicly traded companies have code that defines their ethical business practice which they are strongly compliant. Additionally, participants were of the view that the private sector has performed considerably well in relation to the *provision of corporate social responsibility* given the *lack of national policy guideline* on *corporate social responsibility*. However, it was perceived that the provision of *corporate social responsibility* could be linked to the Ghanaian culture of gift giving, regardless of the lack of national policy guidelines. It is worthy of note that this study facilitated the awareness for a national policy guideline on corporate social responsibility. The researcher was informed that a national policy guideline Bill is under consideration at the Parliament.

In relation to whether there is government interference on public sector organisations' governance action, focus group participants adduced that there is high degree of

government interference on governing action and behaviour in state owned enterprises. They maintained that this practice by government makes state-owned enterprises **vulnerable, uncompetitive**, **less effective** and **accountable** but the extent was not known. Below is a sample quote of one of the participants during the focus group discussion:

> *"..If government wants state- owned enterprises to be **effective and accountable,** then it should consider reviewing the **appointment process** unto **boards**, perhaps an **independent committee**, encourage organisations to be **competitive** by defining and **enforcing sanctions** for **non-performance of boards" (Director, Private Company).***

In addition, it was argued that **weak institutions** and **lack of moral commitment** to be **responsive to stakeholder** as contributing factors to **poor corporate compliance** with governance regulations. Participants argued that, the main problem in public sector corporate governance practice is **poor leadership and management of public sector organisations** coupled **with weak institutions.**

Finally, the focus group discussed the *influence of culture* on Ghanaian corporate governance practice. Participants admitted that, though the *regulations* do not fully *reflect the Ghanaian culture*, the *cultural values influences* governance practice. For example, they argued that Ghana is a *gift giving society* and so *giving and receiving of gift* is *culturally accepted*. This has implications for effective corporate governance practice. Even though participants argued that *gift giving* demonstrates *gratitude and reward* for good work done which *leadership* is all about, they agreed that the practice can lead to *"politicking*" and consequently *unethical* practice in the corporate world. As argued by a participant during the focus group discussion is that:

> *"...will it also be fair to say that **gift giving** is **wrong** because if you say that then you are using the **Western culture** more or less to **judge the Ghanaian way** of seeing **gift.** This is **our culture** and this is what we do. It is normal. It is like he said, it **opens the way**. It is **networking** so there isn't anything **evil per say** about it*

but again the ***intent and the timing and the motive*** *like we have said that could* lead to **conflict of interest**,.." ***(Executive Director, Public Institution).***

It was strongly argued that gift giving as a practice in the corporate world is not unethical practice in itself but needs to be managed to minimise the abuse of it. They identified *ethical leadership* as a means of managing gift giving and receiving. There was a consensus that national level cultural values and norms significantly influence corporate governance practice. National level culture determines board behaviour and action in relation to effective corporate governance practice in Ghana. This is in agreement with existing literature (Light, 2005; Hau et al., 2009; Sorour, 2011). In concluding the data collection and analysis of the semi-structured interviews and the focus group discussion, a constant comparison of meanings and interpretations was conducted until the final abstraction was reached resulting in eight (8) open categories. In open coding, the researcher is concerned with generating open categories and their properties which sought to determine how the categories vary dimensionally. The open coding process yielded properties and dimensions of open categories, each built around the Ghanaian corporate governance system.

6.4 Discussion of Open Categories

The following sections provide a detailed description of each open category based on participant's thoughts and views as it relates to the ethical dimensions of corporate governance practice in Ghanaian public sector organisations. The eight open categories include:

(1) **Board Ineffectiveness,**

(2) **Cultural Influence,**

(3) **Ethical Concerns,**

(4) **Government Interference,**

(5) **Board Accountability,**

(6) **Regulations,**

(7) **Board Training and Minority Shareholder Awareness,**

(8) **Weak Institutions.**

6.4.1 Board Ineffectiveness

Ghana's corporate governance guidelines on best practices states that board of directors are charged with the responsibility of ensuring effective corporate governance practice. Effective board "develops and promotes its collective vision of the company's purpose, its culture, its values and the behaviours it wishes to promote in conducting its business" (FRC, 2011: 2). In order to improve the overall effectiveness of the board, its committees and individual members, companies' board of directors are required to undertake board training and voluntary self-evaluation and other strategic roles (SECG, 2009). The Ghana institute of directors' states that organisations should consider periodic and rigorous board evaluation process as best practice (IoD, 2010).

This is achieved by using the dynamics of board behaviour regarding strategic decision making which comprises the oversight of strategy formulation and execution; the teamwork of board members and their interaction with management (Huse, 2005). **Board effectiveness** emerged as an open category and explained in terms of its emerged

properties and dimensions: **Board evaluation** and **Board Issues**. A discussion of these two properties is presented in the following sections

I. Board Evaluation

Evaluation is defined as assessing the strengths and weaknesses of programmes, policies, personnel, products, and organisations to improve their effectiveness (AEA, 2004). This refers to the systematic collection and analysis of data needed to make decisions. The purpose of board evaluation is to penetrate the inner workings of the boardroom in order to assess the extent to which the board is capable of delivering good governance in appropriate direction to the enterprise, both in the short and long-term.

Majority of the directors interviewed from private and public sector organisations identified the following: roles and responsibilities, structures and procedures, strategy setting, risk management and appropriate board behaviours, as the areas for board evaluation. In order to appraise these processes, the board and its committees analyse the extent to which they are successful in fulfilling their key roles and responsibilities together with the individual director's contribution to the achievement of the organisation's objectives. They also intimated that the board and its committees consider the extent to which they adhere to best practice in their structure and procedures, culture and behaviour patterns supportive of the effective functioning of the board. It was revealed that evaluation of boards is mostly conducted in-house and at three levels, namely: board level, board committee level and individual level in most private sector organisations. In most of the private companies where self-assessments are institutionalised, board members meet usually on an annual basis to question their

own performance and to identify improvement potential regarding issues such as quality of discussions at board meetings, support provided to the executive management, effective financial reporting, interaction within the board and with the management, appropriate board behaviours; reviewing the company's short-term and long-term goals, maximising return to shareholders investments and increasing shareholders wealth.

However, the situation is different in public sector organisations where board evaluation is rarely conducted in state-owned enterprises, though the boards are aware of the importance of board evaluation in ensuring board effectiveness. The non-mandatory nature of governance guidelines and the governing board's lack of moral will power to carry out board evaluation were identified as the reasons for such behaviour. This was confirmed by the Executive Director of State Enterprises Commission when he said that;

> *"...we have been encouraging the boards of State- Owned Enterprise to perform* ***board evaluation*** *during our governance training programmes, but most of them have not started, we are still encouraging and they have indicated doing it next year but you know, though they are aware of the benefit, it is not mandatory"* **(Executive Director, Public Institution).**

Some of the participants from state owned enterprises indicated that they are planning to have board evaluations. The few state-owned enterprises that conducted board evaluation focuses on committee reports to the board upon committee meetings. The open coding analysis produced management of risk, internal control mechanisms and the effective interaction between board committee members and other corporate directors and lack of moral commitment. Shareholders expect that boards of directors scrutinise their own performance in carrying out their corporate governance responsibilities on a regular basis. This enables the board to effectively monitor management's operations ensuring accountability to shareholders and "interactions with

institutional investors, financial markets, governments departments, trade unions, and other stakeholders, and reporting on corporate social responsibility to its stakeholders groups" (Nwanji, 2006, p.267). In general, boards of state-owned enterprises barely perform self-evaluations to identify potential weaknesses and provide appropriate measures to improve the effectiveness of the board. However, it was revealed that some public companies perform board evaluation \t least at the board level.

It is recommended that effective board evaluation should be both internally and externally facilitated (Schmidt and Brauer, 2006); since over reliance on internal assessment alone might lead to deterioration rather than an improvement of board effectiveness. Boards of directors tend to be "more lenient, less variable, more biased, and show less agreement with the judgement of others" (Carcio, 2004, p. 100) during internal assessment. It can be argued that the evaluation runs the danger of being politically shaped based on board members' hesitation to challenge each other's performance and under performance in peer evaluations (Schmidt and Brauer, 2006). In addition, the involvement of external consultants to facilitate the self-assessment might ensure some professionalism in the evaluation process.

II. Board Issues

Board issues involve: *politicisation of appointments unto boards, the level of professionalism, roles and duties of boards and board and management relationship*. P*oliticisation* means '*to render political in tone, interest, or awareness*. Politicisation of board refers manipulation of board's work for political ends. "The key to good governance of any modern corporation is an informed and well-functioning board of

directors.*"* (Prempeh, 2002a:5). In assessing the eligibility for membership of boards, Prempeh recommended that; "appointing authorities should regard a prospective nominee's political credentials as a "plus factor" at best, not as an outcome-determinative qualification". In order for boards to effectively fulfil their responsibilities, they must have some degree of independence from shareholders (SEC, 2010, p.7). Ensuring board independence empowers board members to contribute significantly to the decision-making processes. Whiles rules on appointment and termination of board members are not strictly related to board member's independence, they are a quintessential aspect of their true independence of judgement (Prempeh, 2002b). If independent board members can be appointed directly by those from which they are supposed to be independent, the due process to ensure independence is severely put at risk.

Majority of the directors interviewed pointed out that selection and appointments unto public sector organisation's boards are extensively based on opportunities to allocate patronage to party loyalists and political cronies and not on merit. Such situations may undermine the independence of the board. Board members ability to challenge or question the authority of the CEO or the managing director is endangered if they need another term of office. It is believed that appointments unto boards are politicised in both private and public institutions, but the situation is pronounced in the latter. A participant has this comment to say:

> *"we know that there is political patronage but like i told you, every party now has a cadre of very proficient persons therefore we proposed that on a seven member board for example, make sure that at least four have all the expertise and then you can use the remaining three as job for the boys so at each point in time you are sure that at least four …" (Executive Director, State Enterprises Commission).*

This was summarised by another participant when he commented:

> *"…in some Public institutions, the CEO or managing director who is expected to report to the board officially derives his or her appointment directly from the same authority that appoints and constitutes the board" these commissioners or directors because you don't want to step on any toes, you want to make sure you keep your position in the coming year irrespective of the government in place, (Board member, Public Institution).*

Indeed, these two quotes confirm that fact that the independence of board members is questioned when board members cannot openly challenge questionable actions of CEO or other members without fear or favour. Some participants raised concerns about members of parliament or ministers of state appointed to boards of state-owned enterprises. This practice obviously complicates board accountability and appropriate chain of command. These high rank politicians on boards with a CEO appointee make it difficult to isolate or apportion responsibility when there is a problem. Since the CEO has his 'hands tight' and other individual board members might feel intimidated. This practice impinges on the competence, professionalism and quality of contributions by members. In addition, parliamentarians' oversight responsibilities extend to public institutions and state-owned enterprises. This may create serious conflict of interest and does not promote good corporate governance practice. In some cases, participants believe individual board member's ability to challenge and question issues during board meetings are greatly impaired. This undermines the primary role of boards providing direction; establish the framework of aspirations, goals, values and policies for management to operate. This makes it difficult for board members to give management the needed professional expertise and leadership. As commented by these two participants:

> *"…contributions have not been really professional sometimes, you know when you have clear thing and you have to defend it people are unable to because they probably don't have the know-how or the attitude to be able to understand and challenge some of these decisions, sometimes management is wrong, but where the board member himself has no eyes to see, then it is very difficult. So to strengthen*

> *board membership is important that appropriate professionals of people with the necessary know-how and expertise in particular fields are put in there to assist the boards..."* (Director, Public Institution).

And:

> *"...we know that there is political patronage, so the level of professionalism does not always become important in the appointment of members of various boards because of the political things, governance on boards is a professional thing in all aspects: you have to have the know-how, you have to have the skills and not just sit there as part of the furniture in the board meeting. Some people are there 'yes sir', 'yes sir', 'yes sir' and they even misuse some of the time.."* (Board Member, State-Owned Enterprise).

Some of the participants maintained that appointments of board of directors into public sector organisations boards is not to say that competence, professionalism, expertise and integrity must be treated as secondary. It was observed that the *politicisation of appointments unto boards, the level of professionalism, roles and duties of boards and board and management relationship* are board issues which has both positive and negative effect on the board effectiveness.

6.4.2 Cultural Influence

Culture describes the total way of life of a people, composed of their learned and shared behaviour patterns, values, norms, and material objects. Takatera and Yamamoto (1987) have defined culture as an expression of norms, values and customs which reflect typical behavioural characteristics. Indeed, most of the traditional definitions of culture revolve around values, rituals, symbols, beliefs and expectations which are developed over time and passed down or forward through the generations of managers (De Wit and Meyer, 1998; Hofstede, 2001). Culture is a dynamic phenomenon that surrounds us at all times, being constantly enacted and created by our interactions with others and shaped by leadership behaviour, and a set of structures, routines, rules, and norms that guide and constrain behaviour. That is, a group is said to have a culture when it has

enough shared history to have formed a set of basic assumptions which serve as a psychological defence mechanism that keep the group functioning. Thus, "…the society that people grow up and shapes their basic beliefs, values, and norms" (Kotler, 1991). Cultural values shape individual's action, behaviour, and judgments of what is right or wrong, and the selection of the social goals or ends that are desirable (Yücel *et al.*, 2009; Muenjohn and Armstrong, 2008).

A society's shared learned behaviour is transmitted over time from one group or generation to another through social interaction and can be interpreted as a set of standards for behaviour considered authoritative within a society. From this perspective, national level cultural values are said to have a substantial influence on the behavioural responses of individuals. This may influence a wide range of behaviours and actions of individuals within a given cultural environment. Thus, differences in corporate governance practice can be explained by differences between national cultures (Li and Harrison, 2008; Oghojafor, *et al*., 2012; Licht *et al.*, 2005).

National culture influence emerged as an open category expressed through its properties: **gift, respect for authority, and family influence**. These properties and their dimensions will be discussed further below. The category emerged based on the analysis of experiences and opinions of all participants in relation to interview question 2 and the focus group discussion. Their views referenced the reflection of Ghanaian culture values on corporate governance practice. Majority of the participants believed that there is a dominant influence of *Ghanaian cultural* values on corporate governance practice.

I. Gift

Gift giving is viewed as a central part of human behaviour and culture (Mysterud *et al.*, 2006) and continues to play an important role in today's society. According to Mauss (1954) exchange takes place between two groups and not individuals and includes: goods and wealth; real and personal property and other things of economic value. In an attempt to distinguish between the two types of exchange relation, Gregory (1982) maintains that exchange of gifts creates *personal relations between people, while commodity exchange creates objective relations between things (p.* 8). According to Mauss (2002) gift giving generates an obligation to reciprocate called the "norm of reciprocity". During the process of gift giving, individuals contribute to the general welfare of recipients. The assumption is that the receiver or the giver hopes to repay something based on past generosity or expect to reap future generosity. Basu (2001) argues that this social norm may produce gift anxiety which needs to be followed, and if violated, it may result in individuals being directly punished by others and made to feel guilt, shame, embarrassment, anxiety, or some other negative feelings.

Gift was identified as a property of the category, cultural influence on governance behaviour and practice. As observed during the interviews, majority of the participants admitted that, the act of gift giving and gift receiving is a common practice in the sector's in which they operate. Participants argued that gift giving and receiving assists in establishing or enhancing all types of relationships. These include: demonstrating gratitude towards stakeholders for good work done; recognising talents and achievements, and establishing stronger ties with stakeholders. Indeed, gift giving has a great impact in maintaining social ties and serves as means of symbolic communication

in social relationships (Ruth *et al.*, 1999). This social act is perceived to have a dominant influence on business practices. For example, during festive occasions (Christmas, Easter and other corporate celebrations) most organisations offer gifts to stakeholders to demonstrate appreciation of their contribution to the growth and development of the organisation. Interestingly, the researcher conducted the interview during the Christmas period and had the opportunity to witness the receipts of all sizes of gifts (Hampers) at corporate premises and even during interview sections. The act of gift giving has unofficially become part of business practices and influence governance practice in Ghana.

Most of the directors interviewed argued that the act of gift giving does not necessarily create compulsion to either return or violate another person's right to refuse to reciprocate. It is believed that the existence of reciprocal feelings of moral obligation contributes to maintaining a stable societal system by creating interdependency and strong relationships. This was summarised by the views of two participants when they commented:

> *"...we give gifts to our stakeholders, particularly customers and suppliers, they also send us gift and we accept them and this creates a good relationship for business. Gift giving in itself is not bad. It is a societal norm and we need to always appreciate the contributions our stakeholder?"* (**Director, State Institution).**

And

> *"...we generally as Ghanaians have a way of saying thank you. and during festivals, Ghanaians will say thank you in one way or the other, you know some of them, people have ways of... so the issue of giving hampers has always been something [Smile]"* (**Manager, State Institution)**

Although, some participants admitted that gift giving in itself is not a bad cultural practice, they confessed that it has the potential to encourage corruption and bribery if appropriate checks and balances are not put in place. The act of gift giving has the potential to create unethical practice. Meanwhile, some participants pointed out that an

attempt to *'demonise'* gift giving will make it rather more costly. This is because people will still offer and receive the gift anyway but "under the table" making it more costly. As a participant noted:

> *"...well, hampers are given, when I came on Friday, there was a hamper here in my office. I think that if we should force the issue of hampers out, it will still come, we will probable force it underground whereby it will still be done but nobody sees it and that even becomes more serious because... I believe that if somebody is doing hampers and is prepared to bring it to me in the office, it means that, look I am open"* (**Senior Manager, Public Companies)**

However, participants identified four factors that they consider when giving or receiving a gift. These are: the intent behind the act, amount involved, the context, and the timing of the gift. These factors determine the extent to which the act could be ethical or unethical; that is, if the intent of the act is to influence decision (reciprocal) or the amount involved in the act is above a defined minimum. Also, if the act occurs just before or after a contract, then the act can be said to be unethical. Thus, the act of gift giving and gift receiving is not unethical governance practice in itself, but when influenced negatively by those factors then the act is unethical.

In Ghana, rejecting a gift is considered as an insult or a rejection of the giver of the gift. This act has implications for establishing relationship and social acceptance. It is worth noting that some leaders in government and the corporate world have made several attempts to curtail the act of gift giving but to no avail. As indicated in section 2 of Chapter 3 that culture is difficult to change (Gibson and Barsade, 2003). For instance, a director interviewed cited the attempt by the Ex-President of the Republic of Ghana, John Evans Atta Mills in 2010, when he made;

> *"...a personal declaration of 'zero tolerance of gift acceptance to the seat of government, not to accept any presents (gift) during the Christmas season and that the gift shall be returned when offered, nonetheless, the office was besieged with gifts and could not have enough political will to reject but received and later re-*

gifted to the orphanage,.. that political declaration ceased to be operational ever since" (**Executive Director, State Institution).**

Though, the Ghana Internal Revenue Service Act, 2006 (Act 592), defines the maximum value of gift (less than or equal to GH¢50.00) for acceptance beyond which the recipient pays tax of 10% when declared, participants indicated that this regulation is rarely enforced. For instance, a participant admitted receiving gifts worth over GH¢50.00 but never declared it due to fear of reprisal. This means that, organisations with corporate gift register to capture all gifts 'rarely' captures any. All gifts received were not disclosed in a gift register and no approval for such gifts has been obtained. From the above discussions, it is observed that the act of gift giving and gift receiving could have both positive and negative influence on corporate governance practice. In relation to the positive effect, organisations give and receive gift due to the great impact it has in maintaining social ties and serving as means of symbolic communication in social relationships. On the other hand, there may also be a negative effect in relation to the tendency to promote unethical business practice such as bribery and corruption and the issue of "gift anxiety" (*norm of reciprocity*).

Moreover, it is observed that the act of gift giving and gift receiving as a social norm does influence governance practice in terms of the actions and behaviours of board of directors. This influence of gift giving and receiving on governance practice could be positive (ethical) and negative (unethical). Thus the property gift giving and receiving of cultural influence could be dimensionalised along positive and negative effect. In general, the consensus was that, the Ghanaian culture of gift giving influence governance practice but the extent could not be determined. This is in agreement with existing literature which identify national level cultural norms and values of gift giving

as a factor that strongly influences corporate governance practice (Dyck and Zingales, 2004; Djankov *et al*., 2008).

II. Family Systems

A family refers to a group of people bound together by blood ties or through adoption in which the older people take care of the younger ones (Ardayfio-Schandorf, 1994:5). Hendricks (2000:5) refers to a family as *"an intimate room where the core values, culture as well as ethical climate of the family as well as of the broader environment is shaped, and where the first social relationships are formed, which differ from relationships with people outside the family circle."* Thus, family systems provide a set of social arrangements and interrelationships that allow people to live cooperatively and in harmony, and to pursue orderly social life (Klomegah, 1997:76). Family system establishes a strong bond and the primary source of identity, loyalty and responsibility. Individuals achieve recognition and social standing through their extended family. Consequently, the family system forms fundamental principles, core values, which can be seen as the guidelines in setting the vision, mission and goals of a family enterprise.

Majority of the directors and senior managers of state-owned enterprises and family businesses interviewed indicated that the extended family system tend to place much responsibility and pressure on governing boards in terms of social demands and supports. Family ties, relationships and cronies influence governing action or behaviour to some extent, in terms of employment. These pressures act as a negative influence on family systems. This practice is perceived to be prevalent in most state-owned

enterprises and private sector organisations. This strong cohesion of family systems was also identified as being the motivation (financial and emotional) for the success of family businesses. Family business can be described as a business which is controlled by one or more members of one or more families. One participant acknowledged that the extended family system has been a strong motivation for his family business. He said;

> *"...I think the Ghanaian extended family system has been a strong motivation for businesses as family members are always there to assist me to move on to the next level, Well, not without some interference though. It has always been good as long as we trust each other. We try to see what works. So what I mean is as likening it to the nuclear family, you can decide they are the only people that should be dependent on you but you see that the Ghanaian extends to the extended family in the some way" (**CEO, Family Business).***

The family (through the family core values) influences business system and tends to determine the ethical behaviour of a family enterprise (Klein *et al.,* 2005; Hendricks, 2000). Participants believed that family businesses tend to be one area where large number of firms operate but not adequately regulated. Most family businesses do not operate under the Ghanaian corporate governance regulations. As indicated by one participant, considering the number of family businesses operating in Ghana, it is important to have them properly regulated. This influence tends to be a positive influence of family system. The existing Companies' Code 1963, Act (179) does not fully address their peculiar governance situation. However, it is argued that ownership structure of a family business is considered as an internal control mechanism that can help to monitor the behaviour of managers and, likewise, to avoid the inefficient use of resources (Stiglitz, 1985). The property of close family system is expressed in terms of its dimensions as positive and negative influence on positive and negative influence explained above.

III. Respect for Authority

The Ghanaian society is hierarchical with unequal relationships between people. People are granted respect because of their age, experience, wealth and/or position. *Respect for authority* emerged as one of the properties of cultural influence and expressed in terms of its dimensions. This property reflects the views of directors and senior managers in relation to respect for traditions and respect for the older person. Tradition can be conceptualised as a number of interrelated ideas such as: beliefs, objects or customs performed or believed in the past, originating in it, transmitted through time by being taught by one generation to the next, and are performed or believed in the present (Green, 1997; Shills,1971). Chiefs by the nature of their position, power and influence in society are granted respect and recognition in their communities. Most participants indicated that organisations honour the custodians of the traditions through contributions (monetary and non-monetary). This is done during ceremonies and other festive occasions. As noted by a participant:

> *"...we always show our respect to the chiefs and elders, we give the chief something, and also give the other smaller chiefs as well, we have to go and greet the chiefs during festive occasions and we you know you can't go to the chief empty handed, it does not show respect and 'nananom' will not be happy" (Board member, State-Owned Enterprises)*

Majority of the participants interviewed from state institutions pointed out that most shareholders are not culturally encouraged to question the decisions of board of directors. Shareholders regard their board of directors as bosses and granted unquestionable respect. A participant commented as:

> *"... we are operating in an international environment and there are those on the right that will think what those on the left are doing, is wrong and those on the left that will think what those on the right are doing is wrong. If we want to continue being in the international sphere and get the international rights then we have to lift our game up to meet the rights, when we are doing the laws, we can't keep encouraging the culture of respect for authority in the boardroom, for example of*

yes sir, yes sir, that the director is the boss otherwise there will be a breakdown"
(Director, Public Company)

However, this practice does not promote board accountability and tends to make directors more powerful. This has implications for board accountability and good corporate governance practice. The situation tends to be more pronounced in most private sector organisations where shareholders find it culturally challenging to question the decisions of the Chief Executive Officer. This is in agreement with existing literature that shareholders are not culturally empowered to serve as a check on board of directors (Bruner, 2011; Amao and Amaeshi, 2007). The dimension of this property could not be low or high in relation to public sector organisation and public companies respectively.

6.4.3 Ethical Concerns

Ethics defines the rules and practices underpinning responsible conduct between individuals and groups by making systematic sense of individual and social moral experience (De George, 2000). Ethical values such as: trust, honesty, truthfulness, fairness and/or kindness are usually used in making ethical judgments of rightness and wrongness in human behaviour which underlies business ethics. Unethical behaviour involves the opposites: 'distrust'; 'deception'; 'dishonesty'; 'lying'; 'greed'; and so on. Knowledge of individual values provides "general expectation of their behaviour" (Jackson and Thomas, 2005, p. 3). Schein, (2004) argues that our values influence what we will determine as ethical. Behaving ethically depends on the ability to recognise that ethical issues exist. ***Ethical concerns*** emerged as an open category through its

properties: ***Board Responsiveness*** to stakeholders, ***Code of Ethics*** and ***Corporate Social Responsibility*** from the analysis of responses based on the interview questions:

I. Board Responsiveness to stakeholders

Responsiveness occurs when institutions and processes try to serve all stakeholders using a proactive manner regarding complaints and public criticism (Graham *et al*, 2003). This is done through the level of perceived responsiveness of companies to stakeholder complaints. A stakeholder refers to "any identifiable group or individual who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives" (De Wit and Meyer, 2004, p. 832). **Board responsiveness** was identified as a property of the open category **Ethical Concerns** based on the analysis of the in-depth semi structured interviews.

Directors and senior managers interviewed from private sector organisations and state institutions maintained that boards of directors of state-owned enterprises and some state institutions are less responsive to stakeholder complaints. Goods and services are either provided late or not provided at all. One of the directors of state institutions commented:

> *"..industries collapsing because of power interruptions and cruel power quality. [Serious] the petroleum sector as at now I'm sure we have run out of liquefied petroleum gas again, the tap flows as and when the water company can and the telephone still continues to be "out of coverage area, we are about to producing oil for reaching what forever, the point is that this is product you are suppose to buy and there is a market for it; why do you wait until we run out of it, somebody has been given a responsibility to do A, B, C, D. which he is not, because they don't care…"* (Director, State Institution)

Majority of the participants interviewed agreed that board of directors in state-owned enterprises are less responsive to stakeholder needs. They believe boards of directors are

just less concerned or do nothing at all to make the system work. Participants believe the *"free rider"* role of board of directors in organisations, particularly state-owned enterprises will continue until somebody is held accountable for work not done. Board of directors have demonstrated less commitment and responsive to ensuring efficient service delivery. As commented by a participant:

> *"…directors on the boards of State Owned Enterprises in Ghana have generally borne no real liability or responsibility for even the most egregious cases of mismanagement that have occurred on their watch"* (Director, State Institution).

In response to why directors are less responsive to stakeholder needs, some of the participants interviewed identified weak regulatory and enforcement agencies, low remuneration and inadequate financial resources, lack of qualified personnel and low customer awareness as contributing to low level of responsiveness to stakeholder complaints. As pointed out by a participant:

> *"..let's be careful, the person to implement has to be catered for, is he being adequately rewarded in terms of remuneration?, are the regulatory institutions working as they should? So what happens is that if the person is not been adequately rewarded in terms of numeration, and the regulatory agencies are also weak and cannot bite, the resources you provided for implementation or enforcement would be deviated to cater for himself for his numeration that is what happens in Ghana, that is serious but then why should it be so]. Government should pay people well. And as probably we will go by what the former president said government pretends to pay and the workers present to work, that's the issues…"* (Senior Manager, State –Owned Enterprises).

As businesses are to maximise the value of the shareholders and the needs of stakeholders as the organisational objectives, public sector organisations, particularly state-owned enterprises need to address stakeholders' concerns more satisfactorily. Participants pointed out that public sector board of directors or senior management are less responsive to stakeholder concerns making it less ethical to stakeholder concerns.

II. Code of Ethics

Code of ethics is defined as "a written set of guidelines issued by an organisation to its workers and management to help them conduct their actions in accordance with its primary values and ethical standards" (Business Dictionary, 2011). This suggests that code of ethics is considered as the manifestation of a company's ethical measures, or at minimum a company's intentions or commitment to act ethically. Codes of ethics are used to establish a baseline for action within the corporation. This provides a platform to demonstrate: social responsibility; a corporate culture that promotes anti-criminal behaviour patterns, and the possibility of self-regulation which establishes a relationship with behaviour (Carasco and Singh, 2003). ROSC (2005) maintains that business practices in Ghana still fall short of promoting ethical, responsible and transparent corporate governance practice. **Codes of ethics** emerged as a property of the open category, **Ethical Concerns**.

From the analysis of the interviews, it was revealed that most of the state-owned enterprises either had no written code of ethics for the board or the board were unaware of such official document. They indicated using grand rules to guide behaviour. Though, some of the directors interviewed acknowledged the significance of code of ethics in ensuring ethical governance practice, they showed less commitment to establishing one. In situations where codes existed, board of directors showed no commitment to knowing or its compliance thereof. This is what a board of director said:

> *"…I haven't bothered to look at the rules and regulations and the ethics of the... I respect myself, I don't see anybody running short of this quality and we all have grand rules which we respect, we do acknowledge the importance of codes but we can have it and still not enforce it, it is about our individual integrity that counts"* **(Board member, State Institution).**

Majority of board of directors interviewed indicated that though code of ethics defines the acceptable ethical standards, little importance is attached to its existence and applicability by board of directors. They believe that having the code of ethics is one thing and using it is also another. However, they pointed out that the board is guided by unwritten grand rules, particularly in state-owned enterprises and private sector organisations. These grand rules largely depend on the integrity of board members. Though, there were no codes of ethics, directors believed they used the grand rules to avoid conflict of interest. A participant had this to say:

> *"...we have our own code of ethics, although it is not written but then in our positions we need to know we have been put there for a specific purpose. So where you are involved in a project either ordering of fuel products or movements, if you have a specific interest, it is important for you to disclose it so that there is no conflict of interest, so, at the end of the day, your own self discipline and professional career, so we are all decent group of people, we try to live above these temptations"* (**Board member, State Institution)**.

Meanwhile, some participants interviewed from public companies attested to the fact that, their organisations have written code of ethics for both management and board of directors. Corporate board of directors are encouraged to comply with the code at all times. The level of commitment to the code in terms of its establishment and compliance is better developed in public companies than it is in public sector organisations.

III. Corporate Social Responsibility

Corporate social responsibility refers to "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources" (Kotler and Lee, 2005, p. 3). Indeed, corporate social responsibility is characterised as:

> *"the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of the workforce and their families as well as of the local community and society at large" (Holme and Watt, 2000:3).*

Based on the in-depth semi-structured interviews, it was observed that most public institutions, particularly state-owned enterprises provide less corporate social responsibility. Directors and senior managers interviewed from these institutions argued that it is factored into government overall policy on corporate social responsibility which is provided by government. However, public companies provide corporate social responsibility despite the lack of national policy guideline. Organisations' commitment to corporate social responsibility is motivated by the benefit from tax exemption and the societal recognition. A director at the Securities and Exchanges Commission intimated that:

> *"...all that guides most of organisations is there is a government policy on tax rebates and social responsibility, so what they do is they decide on what they go into and where they can get that kind of tax exemption and at the same time market themselves, so MTN would want to go into football, you know, or these other social this thing because that is where they would be seen and that is where they will get the... but like you said, I for one I have advocated that we should have a more structured, we should stop them from doing just doing anything that they want*" **(Director, State Institution)**

However, it was revealed that some public companies either have a policy on social responsibility or a budget set aside for social responsibility. Despite the lack of national policy guideline, organisations have adopted different models to ensure effective provision of social responsibility to their stakeholders. However, directors and managers interviewed identified *lack of coordination, monitoring and supervision, inadequate community or stakeholder involvement* as the challenges encountered.

Participants recognised that even though there is no national policy guideline on corporate social responsibility to motivate and instil corporate awareness on their ethical

responsibility to society, governing boards, particularly in private sector organisations tend to be more socially responsible. This has resulted in organisations doing what they consider social responsibility and relevant to the community. However, it is important to note that this research prompted the awareness of policy makers on the lack of national policy guidelines on corporate social responsibility. This awareness has stimulated the discussion on the need for national policy guidelines on corporate social responsibility. Currently, a draft bill by the Commission for Mines and energy is under consideration to be submitted to parliament for approval. Some of the participants argued that; there are high levels of tokenism in the provision of social responsibility as organisations provide social responsibility for their self-interest. Organisations use the provision of corporate social responsibility for profit maximisation and tax exemptions. Participants believed that; the absence of national policy guideline on corporate social responsibility is a critical factor to meaningful corporate social responsibility in Ghana and an ethical business practice. The provision of corporate social responsibility is perceived to be high in private sector organisations and low in public sector organisations.

6.4.4 Board Accountability

Accountability is generally defined as an:

> *"obligation of an individual, firm, or institution to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner, including the responsibility for money or other entrusted property*" (Business Dictionary, 2011).

The governance principle of a*ccountability* refers to:

> *"the means through which individuals and organisations are held externally to account for their actions and as the means by which they take internal*

responsibility for continuously shaping and scrutinising organisational mission, goals, and performance" (Ebrahim, 2003, p. 819).

Accountability requires that officials answer to stakeholders on the disposal of their powers and duties and accept responsibility for failure, incompetence or deceit Transparency is the sharing of information and acting in an open manner (Graham *et al*, 2003). The two concepts of accountability and transparency to all stakeholders are two sides of the coin. The public sector is generally characterised by low levels of transparency and poor levels of accountability (Bovens, 2007). The principles of fairness, transparency and accountability, and responsibility have been recognised in all corporate governance principles as tenets of good corporate governance system. The OECD (2004) principles of corporate governance strongly maintain that member countries adhere to these key principles in their corporate governance regulations to ensure good corporate governance practice. Good corporate governance rule and practice govern the relationship between the managers and shareholders of corporations on one hand, and the larger stakeholders groups on the other in contributing to economic growth, market confidence, financial and market integrity. Board accountability emerged as an open category through its property: Minority **Shareholder Education**. This property is discussed as follows:

Minority Shareholder Education

Board of directors interviewed indicated that, the companies' code and stock market rules clearly specifies the protection of the rights of minority shareholders, its awareness and enforcement has not received much attention. Minority shareholders rights are crucial for the protection of investors against poor management practices. They argued

that these laws are either not strictly enforced or often disregarded because shareholders are generally unaware of their rights. A director at the Securities and Exchanges Commission pointed out that:

> *"…unfortunately, most of the shareholders in Ghana, don't really understand the concept of shares and public companies,… some buy shares not because they understand what they are doing, they have money or there is some money and somebody says this company or let's buy into this company, as to the company is good or it's bad they don't really know. and that if you are shareholder you own part of the company and that you can hold the director to book, they rather think the directors are their bosses. So instead of the directors being accountable to shareholders, you find out that they do things the other way round, so, it is just few of them in there who kind of understand what is going on, let shareholders hold their directors more accountable"* **(Dep. Director, Public Institution).**

Participants believed that minority shareholders play a lesser role on how the firm is governed. In responding to some of the treatment that minority shareholders experience at Annual General Meetings, this is what a participant said:

> *"…Hmm! there are instances where special treatment is often accorded to large shareholders and shareholders who wish to speak at company general meetings are only allowed to speak if they are known to side with the board of directors…"***(Board member, Public Company).**

Indeed, the concern was that; the lack of awareness and low level of financial literacy make minority shareholders unable to effectively hold directors accountable. This introduces the issue of minority shareholder education and awareness. This awareness of minority shareholder rights and responsibilities and the subsequent enforcement of these rights are measures to equip minority shareholders hold directors accountable.

6.4.5 Government Interference

Government signifies the formal institutions of the state and their monopoly of the legitimate coercive power. That is, the concept is understood to mean the formal and institutional processes which operate at the level of the nation or state to maintain public

order and facilitate collective action, while governance is concerned with creating the conditions for ordered rule and collective action (Stoker, 1998:19). Government can be described as the act or process of governing. Government interference refers to an act or instance whereby government hinders, obstructs, or impedes organization's governance action or behaviour (Business dictionary, 2011). Government interference emerged as an open category through its properties: **government interventions and government interference.** The properties and dimensions are discussed in the following paragraphs.

I. Government Interventions

Government intervention is a regulatory action taken by a government in order to affect or interfere with decisions made by individuals, groups or organisations regarding social and economic matters. *G*overnment intervention is viewed, within the context of a free market economy, as the deliberate action taken by the government to influence the economy by means of "legislation, fiscal and monetary policy as well as direct government participation" in the productive sectors of the economy (Prempeh, 2002, p. 8). Majority of the directors and senior managers interviewed identified statutory monopoly, budget support, and government guaranteed loans and bailouts as government interventions that have kept alive many uncompetitive and badly managed state-owned enterprises in Ghana. They argued that these continuous interventions by government weaken the Institutional capacity to be competitive and thus fall prey to government interference. This was summarised by a participant when he commented that:

> *"...let me tell you one thing when we built the thermal plant, we needed crude oil and when the cost of crude oil is calculated we couldn't finance it, the government had to finance part of the crude oil, they won't give you the crude oil for you to sit there and say you will do anything yourself.." once we go to the government for*

> *support we should be ready for some of the interferences especially regarding board decision that might have political implications, sometimes it is for political expediency and not necessary good for business"***(Board member, State Institution).**

The participants interviewed from private sector and the some state-owned institutions agreed that, exposing public institutions to the discipline of the market stimulate good corporate governance in the public sector. They argued that, though the interventions may not directly lead to interference; it has the potential to promote government interference. As institutions go to government for financial support, governing boards become vulnerable to government interferences, with regards to governance decisions. As a participant said:

> *"…I don't know whether to call it interference but government wants to be on the side of the public so it turns to interfere in the pricing of our products even though we have the regulator who sets the prices, I think that there have been two occasions, in 2007 a price was set and the government came in to say, it is too high, oh you have to cushion the poor which includes the workers, this is always making us less competitive and the government continues to provide the financial intervention…, even if it does not interfere directly, maybe that even makes it worse, sometimes, government is trying to let you know that you can't do anything without me, that sort of thing"* (**Dep. Director, State Owned Enterprise).**

Although, participants admitted that, there has been an improvement in permitting private competition in a market previously protected for state-owned enterprises by government, they confessed that not much is achieved in the area of making organisations self-supporting. They argued that these state-owned enterprises charge commercial rates for their services, despite government's interference in its pricing. So, there is no rational justification for government to continue to provide those financial supports. Organisations, particularly the State-owned enterprises should be encouraged to be self-supporting, productive and responsible.

II. Government Interference

Majority of the participants interviewed argued that there is a high degree of government interference on governing action or behaviour. They speculated that selection and appointments unto public institutions boards are extensively based on opportunities to allocate patronage to party loyalists and political cronies and not on merit. Participants believe that appointments unto boards are politicised in both private and public institutions, but the situation is pronounced in the latter. Below are comment passed by two of the participants:

> *".....unfortunately let me confess membership of board has become a political issue rather than one totally based on merit some people think is a reward because of course they receive some of the sitting allowances and a few other benefit so people look at this things and sometimes fight for because it's probably a reward for membership of the party and you know somebody you have assisted you know who is now in power and is time for him to reward you"* **(Director, State Institution).**

It was argued that the independence of the board is undermined due to politicisation of boards. Board members' ability to challenge or criticise the authority of the CEO or the managing director is endangered if individual board members need to protect their position.

6.4.6 Regulations

In order to ensure good corporate governance practice, it is significantly fundamental that an appropriate and efficient legal, regulatory, and institutional framework be established upon which all market participants can rely and establish their contractual relations (OECD, 2004). The OECD principles of corporate governance clearly specify legislation, regulation, voluntary commitments, and business practices that underlie a

country's specific circumstances such as history and tradition.Regulations emerged as an open category including its properties: **content, enforcement** and **compliance.**

I. Content

Board of directors interviewed from both public and private companies indicated that, the intent of the code is clear enough and the content is adequate to facilitate a good governance framework. Compliance to the code is mandatory for all public companies and some state-owned enterprises that have become limited companies. The intent of the code is clear enough to meet current challenges. They believe that the legal and regulatory framework of corporate governance is compliant with international regulations. Two directors commented that:

> *"...on the whole, I believe our laws are fairly in consonance with the best practices in the world to the extent that we are now a signatory B to the IOSCO MOU, actually after we were formally set up, within six months we were admitted and basically, they look at all these things, currently we are even amending all the securities law. As we speak now there is a draft bill that is going to go for consultation, hopefully, before the end of the year we will be able to attain the signatory 'A' status of the MOU which will mean that our laws are fully now compliant with that of the international. ...."* **(Director, State Institution).**

And:

> "…have to do extensive consultations with what is pertaining elsewhere and what will be applicable within our system so we are suing best practices. We are doing it in such a way that it will meet international standards." **(Dep. Director, Public Institution)**

Participants pointed out that, if the legal and regulatory framework seems ineffective, it is due to weak monitoring and enforcement mechanisms and poor compliance to the code.

II. Compliance and Enforcement

According to the World Bank's (2004) report on corporate governance, most developing and transition economies have failed to enforce laws, rules, and regulations regarding corporate governance consistently and evenly. Compliance and enforcement emerged as a property of the open category, Regulations. This property expressed the views and experiences of executive directors, board of directors and senior managers that were considered to be factors closely related to effective corporate governance practice. Directors and senior managers of public sector organisations interviewed indicated that poor compliance attitude and weak enforcement environment have characterised the Ghanaian corporate governance practice. The Companies Code provides the basic requirements regarding preparation and publication of financial statements, disclosures, and auditing, among other provisions for good corporate governance practice to public companies in Ghana. Participants argued that even though, the Registrar-General is responsible for the enforcement of the Companies Code, and can impose penalties on defaulting persons, it hardly meets these enforcement requirements.

Enforcement of governance regulations by board of directors tend to be effective in industries or sectors that are highly regulated. For instance, Bank of Ghana and Ghana Stock Exchange were mentioned as being able to effectively enforce its regulations due to the fact that these regulatory institutions are independent and tend to have the necessary enforcement powers. They believe these institutions have the needed resources to enforce the regulations and appropriate penalties given. Some directors from public institutions and state-owned enterprises indicated that in an attempt to

ensure that regulatory agencies are more efficient, government employs a legislative overhaul or decree to establish new regulatory agencies. However, they argue that, it takes more than legislative overhaul or decrees to make regulatory agencies more efficient. There is the need to empower institutions and indicate its functions to include its enforcement powers. They suggested that there is the need to strengthen institutions and make them more effective in satisfying its stakeholders. Financial independence, minimising governmental interference, strong organisational culture and ethical leadership were identified as factors that make institutions stronger.

Participants revealed that after the Parliament Public Account Committee hearing on the Auditor-General's report, prosecution recommended against offenders are never followed or enforced through to the end. Some Auditors have been given unqualified opinions, certifying that the accounts audited provide a true and fair picture despite the many defects noted, yet penalties for such behaviour are minor and enforcement is generally lax. This was summarised by the Auditor – General when he commented out of frustration at the 2010 public account committee hearing of his report:

> *"..The irregularities have been recurring and they run through my report annually, a situation which I continue to find very disturbing. Finding lasting solutions to the problems can save the nation millions of cedis improve service delivery to taxpayers and strengthen public confidence and trust in the accountability process within the public sector"* ***(Ghana News Agency, 2011)***

According to the report, irregularities arising out of a breakdown of internal controls such as: cash management, non-collection of debts, procurement irregularities, unsupported payments and store irregularities, misappropriation of cash and payment of un-earned salaries were identified. Meanwhile, all these occurred right at the doorsteps of the internal auditors. Board of directors believe that, this lack of enforcement or no action taken on non-compliance with statutory requirements, auditors' failure to report

improper accounting and financial records, no action on Auditor General's reports, and untimely submission of audited financial reports, encourage offenders to be more non-compliant. In addition, the poor compliance and weak enforcement of corporate governance regulations and guidelines match with literature. The World Bank corporate governance country assessment of Ghana states that; "awareness of corporate governance is in incipient stages and compliance with corporate governance practice are slightly low with little enforcement" (ROSC 2005: 3). World Bank Report (2005) pointed out that developing and transition economies have failed to enforce laws, rules, and regulations regarding corporate governance consistently and evenly.

Board of directors can only be encouraged to be compliant with the guidelines and training programmes organised for them to educate and create ethical and legal awareness on governance practice.

> *"... governance guidelines on best practices are not mandatory corporate governance codes apart from what we have in the company's code. We don't have a code on corporate governance as a mandatory thing, so it does not motivate companies to comply"* **(Director, State Institution).**

Ghana has a common law legal system and the Companies code 1963 is based on UK legislation. The Securities Industry Law 1993 created the Securities and Exchange Commission, Ghana. The two laws, as well as the GSE rules are mandatory governance regulations whiles the corporate governance guidelines on best practices is voluntary. Corporate governance regulations in Ghana are both mandatory and voluntary. Indeed, the legal and regulatory framework of corporate governance is adequate and far from reform (ROSC, 2005).

6.5.7 Board Training and Minority Shareholder Awareness

The corporate governance guideline on best practices recommends director training for all organisations (SECG, 2010). The Ghana Institute of Directors (IoD) has published a code of ethics for all directors, and provides certified training programmes, but there is no formal recognition by the Securities and Exchanges Commission, Ghana Guidelines of such certificates. The OECD (2004) principles recommend that in order to improve board practices and the performance of its members, member countries are now increasingly encouraging companies to engage in board training and voluntary self-evaluation that meets the needs of the individual company. Indeed, board training plays a critical role in ensuring effective corporate governance practice.

Training and awareness emerged as an open category with its properties: **board training** and **minority shareholder awareness**. The properties and dimensions of these categories are discussed below.

I. Board Training

Directors and senior managers interviewed identified the measures and strategies undertaken to ensure effective corporate governance practice. It was revealed that training and orientation programmes are organised for board of directors before they take office. Participants agreed that adequate knowledge of board appointees, CEOs and managing directors prior to their assumption of office, on such critical corporate governance matters as the role of the board vis-à-vis the managing directors; the fiduciary duties of directors; the legal liability associated with a breach of such duties;

and the financial audit and reporting obligations of boards is critical for good public sector governance practice.

The State Enterprises Commission and the Institute of Directors have been organising series of training programmes to equip board of directors before they take office or even whiles in office. Attendance was also confirmed to be on the increase. It was established that these series of training programmes for boards of directors is increasingly receiving recognition by board of directors, particularly in the public institutions and state-owned enterprises. In order to make the programmes effective, organisers conduct follow-up programmes based on the feedback received and monitor the progress of the programme. As one one of the directors interviewed indicated:

> *"...if you* ***appoint the wrong person*** *in a job,* ***there is no known management system that can save the job.*** *As they say in my language,* ***"a blunt human being is not like a blunt cutlass that you put on a wet stone and you grind it and you say oh now my cutlass is sharp"*** *(Director, State Institution)*

It is important that the right calibre of members with the requisite experience and exposure should be appointment unto boards. Organisers of the programme admitted receiving support from government. Most of the directors interviewed, including those from public companies admitted that the training programmes is effective and supportive of their work, particularly, when they assume office. They indicated ethical awareness and the need for compliance with the corporate governance guidelines on best practices as fundamental part of the training programmes.

II. Minority Shareholder Awareness

Board of directors interviewed from public institutions perceived most of the minority shareholders lack the necessary financial literacy to hold directors accountable. The regulatory institutions have identified financial literacy education for minority shareholders and increasing awareness of their rights and responsibilities. They believe that the rights and responsibilities of the minority shareholders are codified in the Companies Code and the corporate governance guidelines of best practices and other regulations. This notwithstanding, most of the minority shareholders are not adequately aware of these rights and responsibilities. This does not empower minority shareholders to challenge questionable decisions or actions of board of directors are better informed. Thus, a well–informed minority shareholder will be able to hold directors accountable. They indicated that creating the necessary awareness and providing financial literacy programmes for minority shareholders will adequately empower them to ensure effective corporate governance.

6.4.8 Weak Institutions

An institution refers to "a system of rules, beliefs, norms, and organisations that together generate a regularity of (social) behaviour" (Greif, 2006:30). This means that institutions are pervasive and affect any behaviour that manifests any semblance of regularity, including ethical and political behaviour among governing boards, political leaders, bureaucrats, and the citizenry itself. This is directly related to the systems of rules, beliefs, norms, and organisations that govern behaviour and must be understood as the outcome of institutions. In Ghana, there are entities, institutions and statutory

bodies established under a legislative instrument or registered under the code with an appropriate legal and regulatory provision to determine and promote the effective corporate governance practice in terms of formulation and enforcement. **Weak institutions** emerged as an open category along with its properties and dimension based on a combination of interview questions and focus group discussion. The properties and dimensions are discussed below.

Participants pointed out that most of the institutions responsible for effective corporate governance regulations are weak to ensure appropriate enforcement environment. They identified lack of financial independence and lack of appropriate enforcement powers as factors contributing to weak institutions. The board of directors interviewed indicated that most of the regulators are weak and incapable of promoting effective corporate governance practices. All registered companies operate under the Companies Code which is mandatory. Participants interviewed from public companies contended that the Registrar General is responsible for the enforcement of the Companies Code 1963 (Act 179), and can impose penalties on defaulting persons. This responsibility is hardly monitored and enforced. Participants attributed this to resource and training constraints. Participants admitted that there has been an improvement over the years, particularly due to the recent computerization which offer effective public access to company filings. The department does not provide effective company oversight. A director from the Securities and Exchanges Commission said that;

> *"…the Registrar General's Department is responsible for monitoring and effectively enforcing the Companies Code, we all know with the increasing number of public companies, there is the need to strengthen some of these institutions to adequately ensure effective monitoring and enforcement of the Code, the situation is not even different with the state enterprises commission which is a supervising institution for the state owned enterprises and the public institutions, we all know they are not adequately equip to perform that function.."* ***(Deputy Director, State Institution).***

In Ghana, state-owned enterprises and the public institutions are governed by the corporate governance guidelines on best practices which is voluntary and under the state enterprises commission. The general consensus was that, governance institutions are weak and unable to provide the appropriate monitoring and enforcement environment for effective governance practice. In order to ensure effective corporate governance practice, it is important that institutions are encouraged to develop and grow to be stronger. The effectiveness of any corporate governance practice is dependent on strong and effective governance institution. This is in agreement with literature that mechanisms of accountability in public sector institutions are not effective in ensuring accountability in developing countries because institutions are weak (Prempeh, 2002b).

6.5 Summary of Properties and Dimensions of Open Categories

Table 6.1: shows the identified categories, dimensions and properties as they related to the ethical dimensions of corporate governance practice in Ghana

No.	**Open Categories**	**Properties**	**Dimensions**
1	**Board Practices**	*Board Evaluation* *Board Issues*	Absent - Present Positive - Negative
2	**Cultural Influence**	*Gift* *Respect for authority* *Family system*	Positive - Negative Low - High Positive to negative
3	**Ethical Concerns**	*Responsiveness to stakeholders* *No code of conduct* *Corporate Social Responsibility*	Low - High Absent - Present Absent - Present

4	**Board Accountability**	*Minority Shareholder Education*	Low - high
5	**Government Interferences**	*Government interventions* *Political interference*	Low - High Low - High
6	**Regulations**	*Content* *Enforcement* *Compliance*	Adequate Low - Medium Low - High
7	**Board Training and Minority Shareholder Awareness**	*Board Training* *Minority Shareholder Awareness*	Absent - Present Low - High
8	**Weak Institutions**	*Weak Institutions* *Poor Leadership and management*	Negative influence Negative influence

6.6 Conclusion

This chapter presented detailed analysis of in-depth semi-structured interviews and focus group discussion data. Both the interviews and the group discussion questions were based on the survey statements. Through the application of the grounded theory procedures of data collection and data analysis, concepts were discovered question-by-question before proceeding to the next interview for an objective comparative method and focus on theoretical concepts. The process of how the open coding analysis on both the semi-structured interviews and the group discussion was conducted is illustrated based. This resulted in a number of incidents which were grouped and constantly compared for similarities and differences to produce concepts. These concepts were

identified based on the analysis of data from interview questions and the group discussion.

Concepts that emerged from both the interview and the focus group discussion were simultaneously compared to until no new concepts were identified. The analysis resulted in the emergence of 8 open categories expressed in terms of their properties and dimensions. They include: Board Ineffectiveness, Cultural Influence, ethical concerns, Board Accountability, Government Interference, Training and awareness, Regulations and Weak Institution. Each of the open categories was discussed in terms of its properties and dimensions as it relates the data on the ethical dimensions of corporate governance practice in Ghana. The open categories which express the ethical dimensions of corporate governance system were rearranged in a different way with the purpose of discovering how they can be related axially. Axial coding procedurally follows after the open coding process has been completed. Axial coding in the Grounded Theory methodology enables identified categories to be linked at the level of properties and dimensions. The next sub-section explains how inter-relationships between the nine identified categories were established through the implementation of the paradigm model of grounded theory.

CHAPTER SEVEN

ANALYSIS OF DATA: AXIAL AND SELECTIVE CODING

7.0 Introduction

This chapter presents axial and selective coding process towards the development of the substantive theory of corporate governance system. Axial coding procedurally is the next step after the open coding process has been completed. Axial coding in the grounded theory methodology is used to order and arrange categories in terms of their relationship with each other. Through the application of the paradigm model to the categories that emerged during the open coding (from previous chapter), five main categories were identified. Each main category subsumes a combination of open categories. Axial coding was followed by selective coding which integrated, interpreted, and refined the major categories and their sub categories to form a story line that described what happened in the phenomenon. Using axial coding recommended by Strauss and Corbin (1998), four primary task were completed: (a) laying out the categories in terms of their properties and dimensions (b) identifying the conditions, actions and interactions, and consequences associated with the phenomenon (c) relating categories to their sub-categories by analysing statements of relationship, (d) identifying how the major categories relate to each other.

7.1 Axial Coding

The primary purpose of axial coding "is to begin the process of reassembling data that were fractured during the open coding" (Strauss and Corbin, 1998, p. 124). Axial coding can be described as a set of procedures that allows data to be put back in new ways after the process of open coding. This is accomplished by making connections between categories along the lines of their properties and dimensions identified at the open coding stage. The underlying assumption of the grounded theory methodology is that each category has links with other open categories. By *looking for cues in the data that denote how major categories might relate to each other*" (Strauss and Corbin, 1998, p. 126), axial coding identifies and establishes relationships between the categories to "form more precise and complete explanation about the phenomenon" (Strauss and Corbin, 1998:124). The next section establishes the relationships between the categories that emerged during open coding. The links that were identified from the analysis of the interviews and focus group are indicated in Table 7.1. This establishes the relationships between the open categories during the axial coding process.

Table 7.1: Inter-relationship between categories

To: From:	Board Ineffec-tiveness	National Cultural influence	Ethical concerns	Board accounta-bility	Regula-tions	Govern-ment interfe-rence	Training and Aware-ness	Weak Institu-tions
Board Ineffective-ness				lessen and discourage				
National Cultural influence			Enables and supports	Discourage and weaken				
Ethical Concerns				Support and improves				
Board accountabili			Promotes and					

ty			support					
Regulat-ions				ensures and improves				
Govern-ment interference	Promo-tes	Encoura-ges	Discoura-ges	Discourages and undermines	Frustra-tes			result in and supports
Training and Aware-ness	Discour age and decrease			improves		Impro-ves		Streng-thens
Weak Institutions	Encoura ge and Promo-tes	permits		Undermine	Frustra-tes	permits		

The next step in the process of axial coding is identifying the conditions, actions and interactions, and consequences associated with the phenomenon through the application of the paradigm model recommended by Strauss and Corbin (1990). It provides a coherent explanation of what is going on. The process further examines the relationship among the data and explores the conditions (contextual, causal, and intervening), actions / interactions, and consequences. In axial coding the phenomenon represents the category whiles the other components of the paradigm model become sub-categories. The sub-categories address the where, how, why and with what consequences the phenomenon occurs to further conceptualize the phenomenon. Axial coding further examines the details of the data, de-contextualizing them from the specific interviews and focus group and considering them as part of a body of evidence. At the final phase of the axial coding, data is re-contextualized in new ways guided by the analytic processes of constant comparison, categorisation and synthesis. This is followed by a presentation of the analytic flow that ties the components of the paradigm model to the main categories and their subsequent relationship with the phenomenon. The paradigm model addresses two critical components of the theory: the ‘structure’ and the ‘process’. Strauss and Corbin regard a process “as a series of evolving sequences of

action/interaction that occur over time and space, changing or sometimes remaining the same in response to the situation or context" (1998, p.165).

The Phenomenon

Strauss and Corbin, (1998) characterised a phenomenon as "repeated pattern of actions/interactions, events, or happenings that represent individual and group responses to problems and situations in which they find themselves" (p. 130). Patterns in experience, response, and action / interaction are labelled as phenomena and examined for relationships. The phenomenon answers the question "what is going on here" (Strauss and Corbin, 1998, p.130).

In responding to the question, 'how does your organisation's governance regulation reflect Ghanaian cultural perspective?', *cultural influence* on corporate governance practice *was* identified as the phenomenon from the interviews and focus group discussion. Through the application of the paradigm model, causal condition led to the phenomenon that represented the culture influence on governance practice, which was the basis of the emerging theory. Indeed, the phenomenon of culture influence included the properties of gift, family system and respect for authority. The properties of culture influence reflected the views of Ghanaian public sector organisations' executive directors, board of directors and senior managers.

Participants interviewed identified respect for authority, honouring traditional leaders, influence from family systems, and gift giving and receiving as cultural influence on corporate governance practice in Ghana. Board of director's actions and behaviour in

relation to corporate governance practice is influenced by the national level culture. These cultural influences occur in most public sector organisations and private firms, including foreign companies. However, the influence seems to be minimal in highly regulated sectors. The extent of the influence of culture on governance practice is dictated by the nature of sector regulations. Organisations from less regulated sectors tend to have their governance practices influenced by the national level cultural norms and values. The majority of the participants interviewed argued that these influences could be positive as well as negative to effective governance practice.

Respect for authority is a public norm which connotes submitting to authority (leadership and elders). This involves obeying organisational board of directors without challenging their authority; since those in authority are considered to be epitome of knowledge and should not be questioned or challenged. The assumption is that leaders are individuals of integrity, morality and virtue and therefore, should be trusted for they will do what is right. The question is what if they are wrong? Executive directors, board of directors and senior management interviewed believe that most shareholders, particularly minority shareholders consider board of directors as bosses in organisations. An individual is perceived as being disrespectful to leadership when he/she openly questions the actions of board of directors. At annual general meetings minority shareholders are not encouraged to question certain governance practices they consider questionable without being labelled as opposing authority. These cultural values do not encourage minority shareholders to hold directors accountable to stakeholders.

Honouring traditional leaders refers to paying homage to traditional leaders during traditional festive seasons and national occasions. This is done through gift giving and

provision of social responsibility in cash or kind. As custodians of culture and tradition, traditional leaders play significant role in influencing members of society. Honouring traditional leaders as a cultural practice creates positive social relationships between organisations and their larger stakeholders. Members of the board of directors interviewed indicated that these practices are more pronounced in industries that are less regulated, such as mining and construction companies. The need for social contract is relevant for the peaceful operation of business. Consequently, corporate governance practice is greatly influenced by cultural values and norms. Board of directors pay homage to traditional leaders to ensure that stable and trusted relationship exist between the community and the organisation. Corporate governance practice is largely influenced by the norm of the Ghanaian society.

Majority of the participants interviewed admitted that family businesses tend to receive much support and influences from extended family system. Corporate governance practice in most family businesses and private companies is influenced by cultural values and norms. This influence could be positive in terms of providing financial, moral and professional support and encouragement to board of directors. This has served as motivation for the boards of most private and family businesses to succeed. A participant interviewed agreed that sometimes there are interferences on governing action or decision which has the potential to be unethical.

The act of gift giving and gift receiving is a cultural norm that has become part of business and governance practice. Majority of the board of directors interviewed agreed to giving gift to stakeholders and receiving gift as well. Few of the participants interviewed claimed that their organisations do not support gift receiving but do give

gift to stakeholders during festive occasions. They believe that receiving gift has the potential to influence decisions which could be unethical. Governing boards support gift giving because it is used to demonstrate gratitude and motivation to stakeholders and also establish interpersonal relationship. Indeed, giving and receiving of gift, particularly, during festive occasions has become part of the business practices in Ghana.

Some of the board of directors interviewed believe that the act of gift giving and receiving is cultural and should not be equated to bribery. Many of the participants argued that the act of gift giving has the potential of becoming a dangerous practice if encouraged. However, the Internal Revenue Service, Act 592 (143) defines the accepted limit for gift in public sector organisations, and any gift valued above that amount is subject to Tax. Unfortunately, this Act is barely enforced and subsequently complied by companies. In an attempt to manage the practice of gift giving, the highly regulated companies (e.g. Banks and non bank financial institutions, Pharmaceuticals, Manufacturing) introduced the gift register. Participants indicated that this register hardly registers any gift. The level of regulation affects the extent of influence of cultural norms and values on corporate governance practice. The highly regulated companies tend to minimise the influence of culture on its governance practice. The governance practices of less regulated companies are greatly influenced by culture. Participants concluded that corporate governance practice in Ghana is greatly influenced by cultural norms.

Causal Conditions

Causal conditions are events and occurrences that influence the development of the phenomena, such as being at a certain kind of place or experiencing a particular type of influence (Strauss and Corbin, 1998). They can be thought of as the background necessary, but not sufficient for, the development of the phenomena (Woods, 2007, p. 111). This may "explain why and how persons or groups respond in certain ways" (Strauss and Corbin, 1998, p .130). In an attempt to identify the causal condition, the researcher focused on the phenomenon whiles systematically going back to the data for the set of events, happenings or incidents that led to the occurrence of the phenomenon (Strauss and Corbin, 1990).

The causal condition was weak institutions, poor leadership and government interference. Weak institutions include: lack of financial independence and lack of enforcement powers, and that of government interference include: government interventions and political interference. Weak institutions and government interference cause the phenomenon of cultural influence through lack of financial independence, lack of enforcement powers, poor leadership and management of public sector organisations, government interventions and political interference. Board of directors interviewed pointed out that, most regulatory institutions in Ghana responsible for enforcing corporate governance regulations and ensuring effective governance practice are too weak to *bite*. These institutions lack the necessary human, material and financial resources to overcome the enormous challenge of monitoring and enforcing regulations. The institutions are still dependent on government budget for their financial support. Consequently, these constraints coupled with poor leadership of public sector

organisations render the institutions weak. Participants believe that institutions should be encouraged to be responsible, accountable and self-dependent.

The regulatory institutions lack the necessary enforcement powers to punish offenders directly. The interview analysis revealed that the regulatory institutions that are perceived to be effective tend to have absolute enforcement powers. Some participants interviewed argued that regulatory institutions' lack of enforcement powers discourage effective enforcement of the regulations. Regulatory institutions are crucial to ensuring effective corporate governance practice. Effective corporate governance system goes beyond regulations and laws to include institutions which are responsible for ensuring enforcement. In order to ensure that regulatory institutions are strong enough to enforce regulations, participants indicated that institutions should be given the necessary enforcement powers and financial independence. Most regulatory institutions in Ghana are too weak to ensure effective corporate governance practice.

Government interventions connote the annual government budget support, government debt write-offs, and government guaranteed loans and bailouts. Participants affirmed that most state-owned enterprises and public institutions are less productive, competitive and responsible. Since governing board of state-owned enterprises are not responsible, state-owned enterprises become less competitive and productive. These annual government interventions make the state-owned enterprises and some public companies which were original state-owned enterprise vulnerable to government interferences.

Political interference describes the situation in which the appointment of executives of public institutions and state-owned enterprises are caused to become political in character. It further refers to the interference by loyalists of the political party in government. In here, the executive includes the CEO or the chairman of the board, and the board members of state-owned enterprises. It was revealed from the interview that appointment unto boards is politicised. The politicisation of boards occurs in both public and private firms. Individuals are appointed unto boards because of their *patronage to party loyalists and political cronies* and not on merit. Again, loyalists of political party in government directly interfere with governing actions and decisions. The group exert pressure on government through the various local governments and regional ministers concerned to interfere with governance action. These practices affect the independence of board of directors, particularly in state-owned enterprises and public institutions. Participants believe that through the politicisation of boards, government interferes with governing action. This implies a low level of monitoring activities which may increase agency problems.

Context

Context denotes "the specific set of conditions (patterns of conditions) at a particular time and place that interact dimensionally in order to create the particular circumstances or problems by which individuals respond through blend of action/interaction" (Strauss and Corbin, 1998, p.132). The contextual conditions further answer the "why" of the phenomenon. In order to provide the contextual framework for the *actions and interactions, a question was asked: what are the set of conditions that affect the strategies and responses to the phenomenon?*

The contextual conditions are *board accountability*, *board ineffectiveness* and *regulations*. These contextual conditions affect the developed strategies through the properties of the open categories: *board accountability*; minority shareholder awareness, *board ineffectiveness*; board issues and board evaluation, and *regulations*; nature of regulations, weak enforcement and compliance. Indeed, participants interviewed agreed that the companies' code 1963 (Act 179) and Ghana stock market rules clearly specify the protection of the rights of minority shareholders, though its awareness and enforcement has not received much attention. Minority shareholders rights are crucial for the protection of investors against poor management practices. It was revealed that most of the minority shareholders in Ghana lack the basic financial literacy. How could minority shareholders be able to hold directors accountable if they cannot understand and challenge the financial reports made available to them.

In addition, minority shareholders' awareness regarding the rights and responsibilities is minimal. Until minority shareholders become aware of these rights and the responsibilities of these rights, the enforcement of the rights of minority shareholders and its ability to hold directors accountable are brought to question. The role of minority shareholders in ensuring board accountability is undermined. The lack of minority shareholder education and awareness does not provide adequate checks and balances to hold the directors accountable. The issue is that the board of directors are aware of this lack of awareness and financial literacy education and could take advantage of the situation. Also, board of directors interviewed admitted that boards of directors, particularly in the state-owned enterprises still fail to report and produce timely audited financial statements. There are low levels of access to information, particularly in state-

owned enterprises. Access to important corporate official documents such as code of ethics and corporate social responsibility policy are still difficult. This is due to the lack of capability to collect, collate and provide information and access to basic information regarding budget, code of ethics and other official documents. These two practices do not promote board accountability.

With regards to board issues, most of the participants interviewed admitted that there is high level of politicisation of appointments unto boards of public sector organisations and governance practices. Appointments unto boards are not mostly based on merit. These practices affect the independence and quality of governance practices. This seems to explain why some boards of state-owned enterprises tend to focus more on clericial issues instaead of being strategic. Consequently, the effectiveness of boards in most public sector organisations is undermined. Additionally, corporate governance guidelines on best practices encourage board of directors to perform self–assessment. This gives board of directors the opportunity to assess their strengths and weaknesses in order to improve their effectiveness. It was revealed that most board of directors hardly perform this evaluation, particularly the state-owned enterprises and public institutions. How does the board determine whether it is effective in meeting stakeholder needs if it does not perform self-assessment? Board of directors from public sector institutions are ineffective in meeting the needs of stakeholders.

With regards to laws and regulations, the content and intent are adequate and clear to ensure effective corporate governance. It was revealed that the legal and regulatory framework meets international standards and does not reflect the Ghanaian cultural perspectives. Participants believe that the corporate governance laws and regulations are

foreign and favour meeting international standards; and do not address the influences of Ghanaian cultural values and norms. Participants interviewed believe that corporate governance regulations need to focus on meeting international corporate governance best practices which conflicts with some of the cultural norms and values. Compliance with OECD principles and other international corporate governance principles and guidelines seems to be the focus of corporate governance laws, regulations and guidelines. In considering the nature of the laws and regulations, it was realised that whilst public companies operate under the Companies' Code 1963 which is more structured and mandatory; the state-owned enterprises and public institutions are governed by the corporate governance guidelines on best practices which is voluntary in nature. Board of directors interviewed from the state-owned enterprises argued that the voluntary nature of the regulations is a determinant of the poor compliance environment in the state-owned enterprises and public institutions. These properties determine the extent to which the categories mitigate or alter the impact of training and awareness on the influences of cultural values and norms.

Corporate governance goes beyond the laws and regulations to enforcement and subsequently, compliance. The weak enforcement and poor compliance environment in Ghanaian public sector organisations has been blamed on several factors, notable amongst them are: nature of the regulations, lack of enforcement powers and board of directors' moral commitment to regulations. Participants argued that the corporate governance guideline on best practices is voluntary in nature whiles the Companies Code and other governance regulations are mandatory.

The state-owned enterprises operate under the voluntary regulation which is less structured whiles the public companies operate under the Companies code and the other regulations. It is perceived that the voluntary nature of the regulations might contribute to the poor compliance and weak enforcement. However, the situation is much better in public companies which operate under mandatory regulations. Majority of the participants interviewed believe that lack of enforcement powers coupled with moral commitment on the part of board of directors is a contributing factor to the weak enforcement and the poor compliance attitude to corporate governance practice. The attitude of Board of directors towards compliance and enforcement of regulations is influenced by the nature of governance regulations. Lack of moral commitment to establish and enforce organisational culture by board of directors has implications for ensuring ethical and effective corporate governance practice. Board accountability, board ineffectiveness and poor compliance and weak enforcement are influenced by national cultural norms and values.

Intervening Condition

These are conditions that "mitigate or otherwise alter the impact of causal conditions on the phenomena" (Strauss and Corbin, 1998, p. 131). These general contextual conditions influence strategies. In this study, the intervening conditions were present and manifested in different situations for the phenomenon. Some of the intervening conditions occurred because of unexpected event, which caused the individual to respond in a new way to the situation through a form of actions and/or interaction. The identification of the intervening conditions led to posing the question: What are the

conditions that mitigate or alter the impact of causal conditions on the cultural influence on corporate governance practice?

Ethical concerns were considered to be the intervening conditions, including it properties: board unresponsiveness, code of ethics and corporate social responsibility facilitate or constrain the strategies. Responsiveness to stakeholder concerns is fundamental to effective service delivery. Unfortunately, majority of the state-owned enterprises are less responsive to customer needs. Board of directors bear no responsibility for ineffective service delivery to stakeholders. This unresponsiveness of governing boards to stakeholder concerns does not make state-owned enterprises competitive, responsible and effective. The interviews conducted with the directors of public sector organisations revealed that, most boards of public sector organisations have no code of ethics but rather use grand rules which is dependent on individual's integrity, respect and trust. Board of directors interviewed attributed this practice to lack of clear organisational culture and moral commitment. Accepted ethical standards and principles governing the behaviour and actions of governing boards are left to the discretion of the values of individual board members. Participants interviewed believe that having the codes is one *thing* and enforcing its compliance is another. Organisations with strong organisational culture have code of ethics and enforce the compliance of the codes. This explained why organisations with code of ethics tended to have policy guideline on corporate social responsibility and be responsive to stakeholder needs. However, most of the governing boards, particularly; the state-owned enterprises have no clear policy guideline on corporate social responsibility. It was revealed at the analysis of the interviews that most of the state-owned enterprises

show less commitment to develop code of ethics. Indeed, board of directors understand the benefits of having code of ethics but lack the moral commitment to have one.

Although, there is lack of national policy guideline on corporate social responsibility, the study increased the awareness and debate on the need for national policy guideline on corporate social responsibility among policy makers. The discussions prompted the Commission for mines and energy to hasten the preparation of a bill on corporate social responsibility for consideration by the Parliament of the Republic of Ghana. A national policy guideline on corporate social responsibility aims to coordinate and structure the provision of corporate governance responsibility in Ghana. This will facilitate the impact of the strategies on cultural influences on ensuring effective corporate governance practice. Board of directors interviewed, particularly public companies had positive attitude to corporate social responsibility. There seemed to be increased awareness on corporate social responsibility. This awareness positively alters the impact of the strategies on the influences of cultural values and norms. However, some participants believe companies provide corporate social responsibility for their self-interest and to gain societal acceptance and recognition. Governing boards from public institutions argued that they provide no corporate social responsibility because it is factored into the overall corporate social responsibility of Government.

Action / Interaction

An action connotes the stream of actual causal interventions that people use to resolve situations or issues which they encounter. Interactions are mutual and reciprocal action or influence. Strauss and Corbin (1998) characterise actions and interactions as strategic

or routine. Strategic actions / interactions are purposeful and are intended to resolve a problem or to respond to the unexpected. Routines are the actions / interactions taken in response to everyday life which includes rules, protocols, and ways of acting that maintain the social order. Indeed, actions, which occur in response to changes in the context, may be "strategic" when they are "taken in response to problematic situations", or "routine" when they are "carried out without much thought" (Strauss *and Corbin*, 1998, p.165). Actions / interactions play a significant role in establishing the dynamics between individuals, groups and organisations.

Whether a study focuses on individuals or groups, "there is action / interaction directed at managing, handling, carrying out, responding to a phenomenon as it exists in context or under a specific set of perceived conditions" (Strauss and Corbin 1990, p. 104).The study discusses strategic behaviours and directors responses to contexts affecting the strategic actions and interactions. These comprise self-reflective practices and behaviour of governing boards in ensuring effective corporate governance practice.

Training is considered as action / interaction strategy, including its properties: board training and minority shareholder education and awareness. Board training as an action / interaction strategy in response to the phenomenon of cultural influence on governing behaviour provides the necessary awareness of governance practice. Board training and orientation empowers board of directors to be ethical, accountable and responsible.

The Institute of Directors (IoD) and the state enterprises commission organise series of training programmes for board of directors in Ghanaian public sector organisations. Training programmes include: role of the director and board of directors, planning,

implementing and priority setting; individualised skill building and training; board management relationship; organisational assessment; developing board performance among others. These training programmes provide the knowledge and awareness necessary to function effectively as board of directors. Members of board of directors interviewed admitted the significance of the training programmes to their professional development. In addition, minority shareholder education and awareness is expressed in terms of providing financial literacy programmes and education to improve the literacy level and awareness of minority shareholder rights and responsibilities. One of the board members interviwed pointed out that there is the need for financial literacy education and awareness for minority shareholders in order to hold directors accountable for their actions and behaviour.

These action / interaction strategies are designed as interplay between causal conditions (weak institutions and government interference), the intervening conditions (code of ethics and corporate social responsibility, and unresponsiveness) and the contextual conditions (Board accountability, Board ineffectiveness and Regulations). Most directors interviewed indicated that these action / interaction strategies (Board training and minority shareholder awareness) are to modify the impact of the influence of cultural norms and values.

Consequences

Consequences refer to the outcome or results of actions / interactions (Strauss and Corbin, 1998). This may be intended or unintended, and primary or secondary. An unintended consequence arises when an action that is performed with the intention of

producing one consequence produces a different one, which can be conflicting, negative or positive. A primary consequence is the immediate intended result of an action. A secondary consequence is the result of a primary consequence, and can be either intended or unintended. Indeed, consequences are the larger outcomes associated with the phenomena, rather than specific outcomes for every action / interaction explored as far as the study is concerned. This is identified through the question: What are the consequences of the strategies adopted by various actors in the public sector organisations and in response to the phenomenon of the influence of cultural values and norms?

Improved board practices were identified as the consequences that occurred as a result of the strategies and outline the effect of improved board effectiveness, improved board accountability and improved compliance and enforcement. *Improved board practices* describe the results from the implementation of strategies related to the cultural influences on corporate governance practice.

Effect of improved board effectiveness reflects the views and opinions of directors and senior management from the interviews of public sector organisations. The series of training programmes organised by State Enterprises Commission, Institute of Directors and Securities and Exchanges Commission, Ghana for board of directors improved the competence of board members and the quality of contributions. Board of directors interviewed admitted that the effectiveness of board of directors in the implementation of corporate governance practice has improved over the years. Board of directors have received some level of training and education in terms of board evaluation and directors are encouraged to act accordingly. As part of the training programmes, members of

boards were educated on their ethical awareness towards their stakeholders and encouraged to be responsible and accountable to ensure improved ethical governing action.

The effect of board accountability is reflected through the minority shareholder education and awareness. Participants interviewed believe that the mechanisms available for effective board accountability are barely enforced and complied with. The provision of financial literacy education and minority shareholder awareness equip minority shareholder to hold directors accountable. An informed minority shareholder is capable of serving as a check on board of directors in relationship to ensuring effective corporate governance practice. There is a positive relationship between minority shareholders and improved effective board accountability. The role of minority shareholders is critical in effective corporate governance practice.

The improved attitude of directors towards compliance and enforcement of regulations particularly, in state-owned enterprises has been attributed to the training programmes. The training programme has awakened the directors' moral commitment to compliance as corporate governance regulations are voluntary in nature. Indeed, the consequence of adopting these strategies is aimed at improving board practices in relation to effective corporate governance practice. To summarize, all participants believed that improved board practices was the result of improved board effectiveness, board accountability and improved compliance and enforcement. Improved board effectiveness and compliance and enforcement resulted from board training. Board accountability resulted in minority shareholder awareness and education

The axial coding process examined the data in detail, looking for relationships to provide a better understanding of the properties and their dimensions. It further re-explored the relationship of each phenomenon to the data, exploring the contexts, intervening conditions, actions and interactions, and consequences. Through this re-contextualization process, relationships among the phenomena have emerged. Axial coding related the phenomena to contexts and actions, and allowed a conceptual understanding of the consequences. By analysing, comparing, categorizing, and synthesizing the data, conceptual relationships have emerged. The interactions between these categories are presented in a coding diagram illustrated in figure 7.1:

The Paradigm Model of Corporate Governance Practice

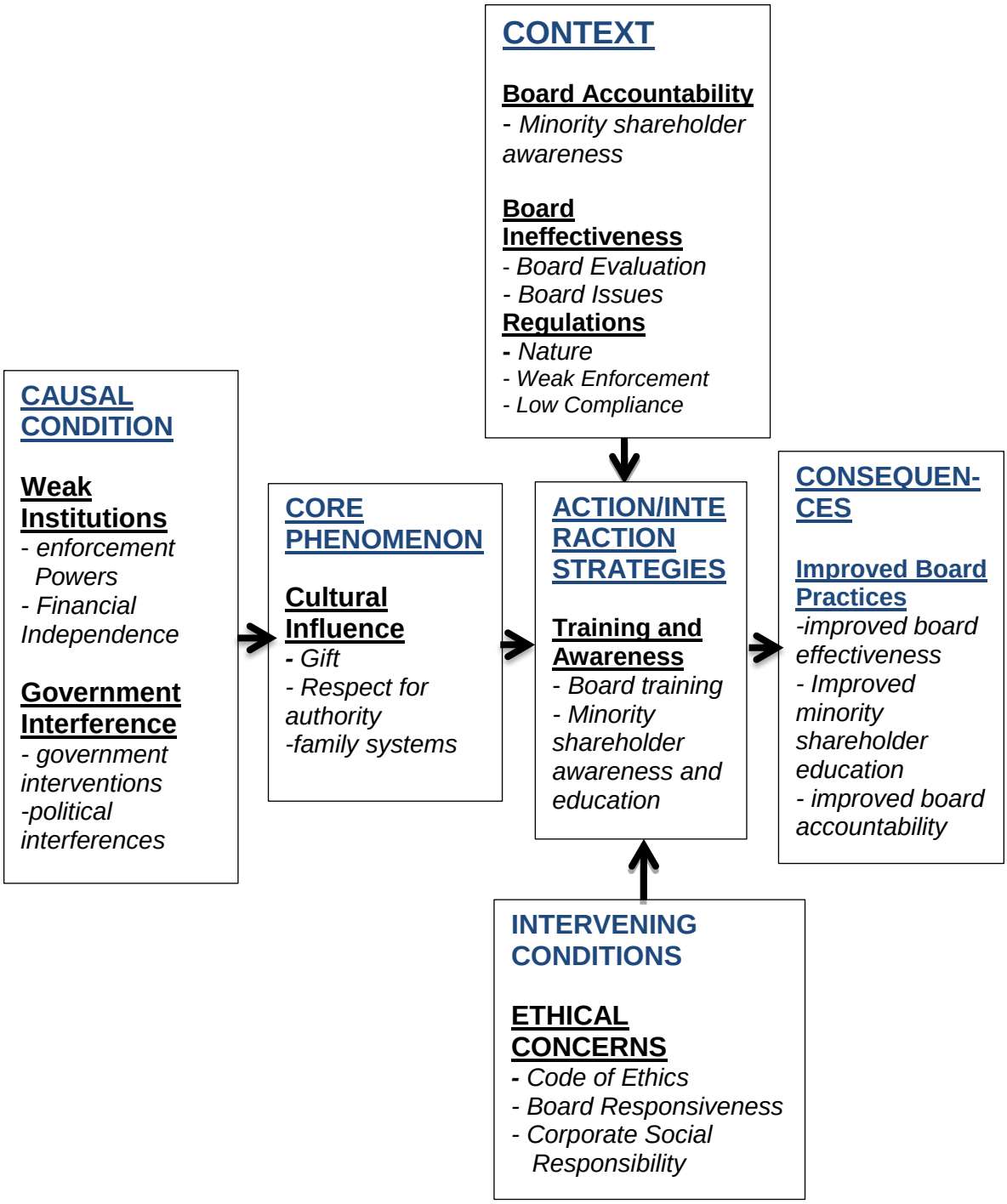

Fig. 7.1: Axial Coding paradigm model

7.2 Selective Coding

In selective coding, categories generated during open coding and axial coding were integrated and refined with the goal of developing a phenomenon that gives explanatory power to the relationships among the categories. Although, axial coding involves *integration and refining of categories* (Strauss and Corbin, 1998:43), the process is same but at a higher level of abstraction in selective coding. In essence, axial coding establishes the basis for selective coding (Strauss and Corbin, 1990b). The process of selective coding includes: identify core category, further integration of category and refine theoretical schema. Integrating the eight categories is made possible with the paradigm model that functions as a process model linking the action/interactional sequences. The axial coding model illustrated the relationships that existed among all categories. The process produced five major categories: Cultural Influences (Gift, Respect for authority, Family system); Board practices (Board ineffectiveness, Board accountability, Regulations); Stakeholder ethical concerns (Code of ethics, Corporate social responsibility and Board unresponsiveness); Institutional factors (Weak institutions and Government interference); strategies (Board training, minority shareholder awareness and education).After the relationships between open categories were established during the axial coding process, selective coding was considered.

7.2.1 Relationship of the core category to the axial categories

Central to the paradigm model is the core category which needs to be explained in relation to causal conditions, context, intervening conditions, action/interaction strategies and consequences. A core category was identified as the central category used

to connect all other sub-categories (Howell, 2000: 184). Selective coding describes the interrelationships among the categories and explores the complexities of the relationships among the concepts that emerged to ensure consistency with the data (Creswell, 2005). During the process of identification and verification of relations between the emerging categories of open coding, *"Culture influence"* was identified as the core category of the paradigm model. *"Culture influence"* was found to be the category which best enables and facilitates the creation of orderly systematic relationships (Strauss and Corbin, 1990, p. 124) to be established according to the paradigm model. Thus, this process consisted of the reconstruction of the data into a potential substantive Theory (Strauss and Corbin, 1998). Table 7.2 display the relationship between the open categories and the main categories based on the paradigm model.

Table 7.2 Sub categories and their paradigm component.

	Sub Category	Paradigm Component
1	Cultural influence	Phenomenon
2	Institutional factors	Causal Conditions
3	Governance Practices	Context
4	Stakeholder Ethical Values	Intervening conditions
5	Strategies	Action/Interaction Strategies
6	Improved governance practices	Consequences

The next step in the process of selective coding allowed for the other categories to be related to the core category. The process demands that each category be evaluated individually in relation to the core category, namely, *"Culture influence"*. To illustrate the process, questions were used to determine where each category fits in the paradigm model. A category can be linked to any of the components of the paradigm model. However, this was facilitated by asking critical question to ascertain where the specific category fits best in the paradigm model. For example: "Is it an intervening or a causal

condition? Is the category action oriented or does it apply to the context? Asking additional questions were helpful to establish these relationships. The core category was selected and systematically related to the main categories which stand for sub categories. The relationship between the core category and the sub categories: *governance practices; Stakeholder ethical values; Institutional factors; and strategies* were verified using the views and opinions of participants from the focus group discussion. Through the application of the paradigm model, the core category is linked with the other sub-categories.

Causal Condition

The institutional factors comprise government interference and weak regulatory institutions. There is government interference on governing action / decision in public institutions and state-owned enterprises in relation to corporate governance practice. This condition is caused by the politicisation of boards and the annual government intervention. The interferences further weaken the already weak regulatory institutions, making it difficult to ensure effective corporate governance practice. Participants from the focus group discussion agreed that, there is high level of influence of cultural values Most public companies admitted having less or no government interference and operate under strong regulatory institutions seem to minimise the tendency to encourage the influence of Ghanaian cultural values. The influence of cultural values (i.e. gift giving/receiving, respect for authority and family influence) are dominant in public sector organisations.

Contextual Conditions

The influence of cultural values on corporate governance practice occurs within the context of board practices including: board ineffectiveness, board accountability and poor compliance and weak enforcement environment. Board practices of board of directors in Ghanaian public sector organisations are said to be ineffective, less accountable, and poor in its compliance and enforcement. The absence of board evaluation in public sector organisations meant boards of directors barely assess their performance to identify and improve upon their weaknesses. This coupled with the politicisation of boards of directors undermine the independenc, competence and effectiveness of board's. In addition, minority shareholders lack of financial literacy and awareness of their responsibilities to hold directors accountable. Thus, minority shareholders lack the confidence and awareness to hold directors accountable. Again, the cultural value of respect for authority does not culturally empower minority shareholders to serve as a check on board of directors. The issue of poor compliance and weak enforcement of governance regulations enalbles and promotes the dominant influence of national level culture on corporate governance practices. These conditions vary across public institutions and state-owned enterprises on one hand and private firms on the other.

Intervening Conditions

Stakeholder ethical values including: code of ethics,corporate social responsibility facilitate, alter or mitigate the impact of causal conditions on the phenomenon of the influence of cultural values on corporate governance practice in Ghanaian public sector organisations. The lack of code of ethics for board of directors in public institutions and state-owned enterprises discourages and weakens moral commitment and corporate culture to mitigate the influence of the causal conditions on the influence of culture. This easily allows the influence of gift giving and receiving on governance practices and undermines good corporate culture. Also, the lack of national policy guideline on corporate social responsibility demotivates the ethical consciousness and awareness of corporate leaders. However, there seems to a relationship between corporate social responsibility and gift giving/receiving. The provision of corporate social responsibility can therefore be viewed mostly from the philanthropic and economic approaches. Again, the cultural values of respect for authority less culturally empower stakeholders to demand ethical responsiveness to stakeholders instead of the "free rider" role by board of directors. Thus, stakeholder ethical values mitigate the impact of the causal condition on the phenomenon of cultural influence on the practice of corporate governance. In general, participants at the focus group discussion indicated that, board of directors are not ethical to stakeholder.

Action / Interaction Strategies

The action / interaction strategies included board training and minority shareholder awareness. Participants at the group discussion pointed out that, there is positive

feedback from these strategies with the aim of improving board practices. These strategies are used to create ethical awareness and to minimise the negative impact of the dominant cultural influence on corporate governance.

Consequences

Improved board practices are the results of the action / interaction strategies. Implementing the action / interaction strategies result in improved board practices including: improved board effectiveness, improved board accountability, and improved compliance and enforcement. Improving board practices further minimises the influence of cultural values and norms on effective corporate governance practice. Participants at the focus group believe that improved board practices enable board of directors to satisfy the need of stakeholders in society.

The development of the paradigm model was an iterative process where the relationship of each category and its fit in the paradigm model were verified through recurring systematic analysis. Construct validity as well as relationships validity of the paradigm model was established in the process of generating and testing propositions. To Howell (2013), propositions indicate generalised relationships between a category and its concepts and between discrete categories. Howell (2000) differentiates between propositions that involve conceptual relationships and hypotheses that *require measured relationships*. Strauss and Corbin (1998, p.135) describe "hypotheses" as "*hunches about how concepts relate*". Hypotheses about related concepts, i.e., about concepts that are linked, explain the what, why, where and how of a particular phenomenon (Strauss and Corbin, 1998, p. 135). The development of propositions is an iterative process

aimed at validating relationships among categories that were integrated in the paradigm model. Substantive grounded theory was developed during the selective coding process. Through constant comparison of the interview and focus group data, theoretical propositions were generated, refined and validated to describe the interrelationship among categories (Strauss and Corbin, 1998). These propositions may also be referred to as the *"...generalized relationships"* of the paradigm model in the development of the preliminary framework with storyline. The following are the propositions:

1. The impact of the dominant cultural influence on corporate governance practice in Ghanaian public sector organisations depends on the context of board practices. The board practices include the board ineffectiveness, board accountability and compliance and enforcement environment.

2. Stakeholder ethical values facilitate and mitigate the impact of cultural influences on the practice of corporate governance. This occurs through code of ethics and corporate social responsibility

3. Strategies address board practices in response to the influence of Ghanaian culture on corporate governance practice. This is done through Training and awareness. The strategies aim to enhance board effectiveness, board accountability and compliance and enforcement.

4. The consequence of the strategies leads to improved board practices such as improved board effectiveness, improved board accountability and enhanced

compliance and enforcement environment. This further minimises the impact of the influence of the Ghanaian cultural on corporate governance practice.

These propositions were generated using the interview and focus group data and link concepts and categories including the core category of the paradigm model. They indicate how the categories developed in open coding are related to the key phenomenon "influence of *National Level Culture* ". One of the propositions developed from the interview and focus group data indicates that the impact of the dominant cultural influence on governance practice in Ghanaian public sector organisations depends on the context of board practices. This shows that influence of national level culture can have both positive and negative impact on governance practices depending on board ineffectiveness, board accountability and compliance and enforcement environment. A visual model of the relationship among core category and the sub-categories are shown in figure 7.2.

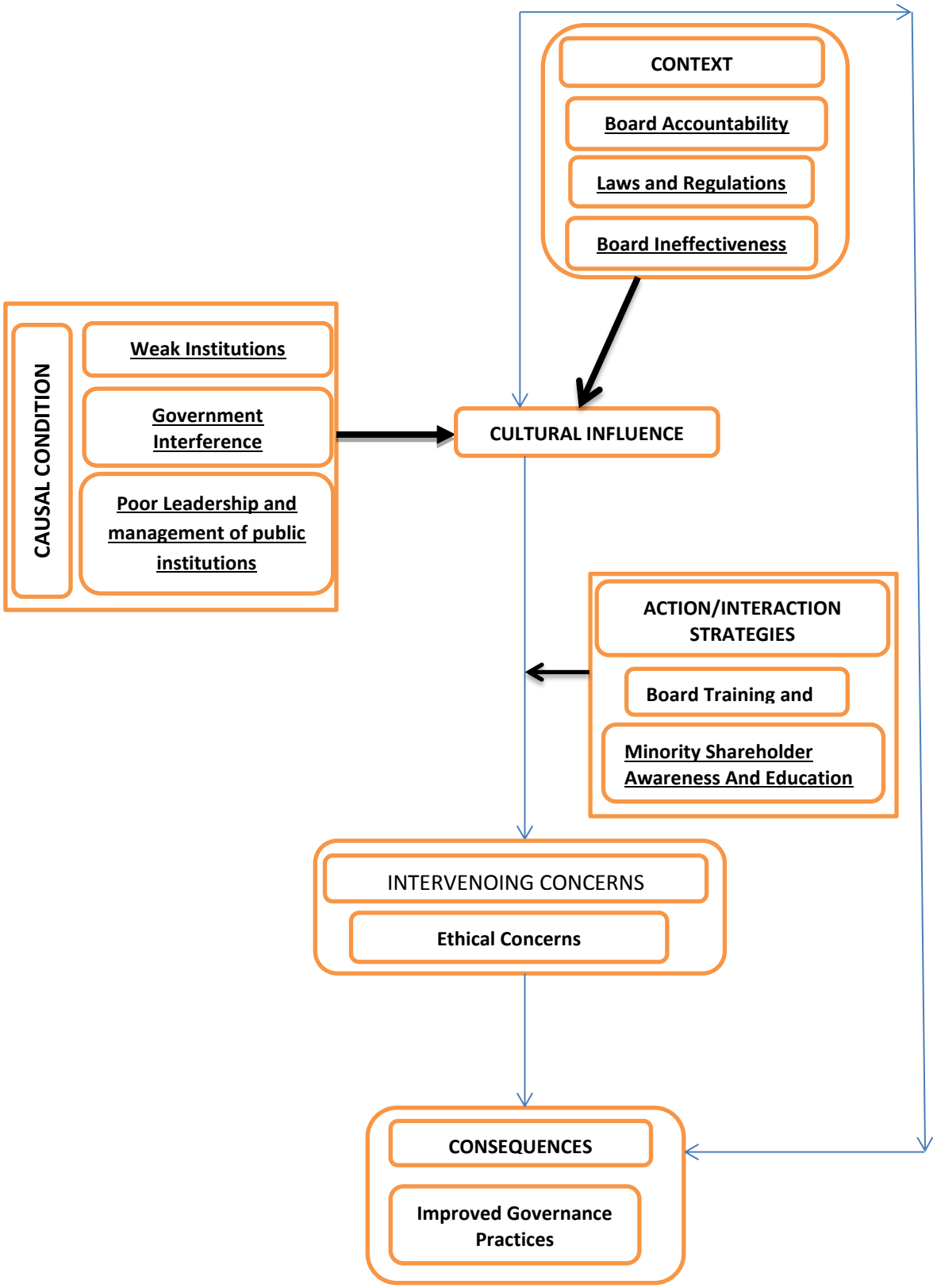

Fig. 7.2: A visual model of the relationship among core category and the subcategories

The set of propositions that describes relationships between categories guides how categories relate to components of the paradigm model. This needs to be interpreted in terms of the set of propositions of the paradigm model in the research study. Thus, these relationships impact on the interpretation of relationships between categories guided by and inductively derived from the propositions of the paradigm model. The paradigm model and set of propositions developed enable the core category, *"Influence of Cultural Values"* to be interpreted as follows:

There is a dominant influence of national level cultural on corporate governance practice. The conditions of 'Weak Institutions, Poor Leadership and Management of public sector institutions and Government Interference encourage the dominant "influence of national level culture". The activities that will improve "corporate governance practice" are influenced and conditioned by factors such as:

- *'code of ethics'*
- *'Corporate Social Responsibility'*
- *Board Responsiveness*

Due to the above intervening conditions and strategies, separately or together, activities introduced to improve corporate governance practice will only be successful where the 'influence of national level culture' is positive. As a consequence, 'improved corporate governance practice' may not be achieved satisfactorily.

The storyline of the study formulates and describes the link between the categories and the central category as follows:

The ethical dimensions of corporate governance practice in Ghana highlights the dominant 'influence of national level culture' (include gift giving and gift receiving, respect for authorit/elderly and close family system). Factors that encourage the

dominant 'influence of national level culture' include other governance practices such as: weak institutions, poor leadership and management of public institutions and government interference (including political interference and government intervention). These factors serve as conditions that encourage and enable the negative 'influence of national level culture'on governance practice. The governance practice of 'board training, minority shareholder awareness and education' improve and better the negative 'influence of national level culture' to achieve 'improved governance practice'. The intervening conditions of the phenomenon consist of the 'code of ethics, board responsiveness and corporate social responsibility' that mitigate and support the governance practice of 'board training, minority shareholder awareness and education' to be effective and efficient. Consequently, the outcome of effective and efficient governance practice of 'board training, minority shareholder awareness and education' should enable and enhance corporate governance practice of 'improved corporate governance practice' to be achieved.

The central explanatory concept of the research defined as "Influence of National level Culture" enabled the categories to be organized around the central phenomenon in the preliminary framework. The narrative explanation of the paradigm model, consisting of eight categories, formed the basis for developing the preliminary framework around the phenomenon of corporate governance practice in Ghanaian public sector organisations.

7.3 Conclusion

This chapter presented the axial and selective coding process with the aim of developing a substantive theory of corporate governance system. The detailed body of data generated a number of concepts, which were grouped into categories. The data from the interviews were de-contextualized and analyzed in relation to the phenomena that had emerged. The interrelationships between the open categories were established. The axial coding process established the interrelationships among the phenomena and illustrated the characteristics of each phenomenon using the paradigm model. The axial coding process identified five main categories, namely: Cultural Influences institutional factors, board practices, stakeholder ethical ethical concerns and strategies. The application of the paradigm model discussed the open categories and their properties under the phenomenon, causal conditions, action and interaction strategies and the consequences.

Subsequent to axial coding, the selective coding process presented the synthesis of the insights gained during the analytic processes of open and axial coding. Selective coding is the "process of selecting the core category and systematically relating it to the other categories" (Strauss and Corbin, 1990b). Cultural influence was identified as the core category. The final step in the selective coding process was creation of a narrative, titled "cultural influence on governance practice" that articulated the grounded theory. The next chapter presents the synthesis that brought meaning to the results through development of substantive grounded theory, related the ideas evident in the phenomena around a core category that brought power to the explanation.

CHAPTER EIGHT

CONCLUSION: BUILDING A SUBSTANTIVE THEORY

8.0 Introduction

This thesis has investigated the ethical dimensions of corporate governance practice in Ghanaian organisations from the perspective of board of directors and senior management. It identified the nature of the factors that influence corporate governance practice in Ghana. This Chapter brings the study to a close by considering the conclusion, summarising the substantive theory and the implications the research has for further research. This study employed a combination of social constructivism and phenomenology paradigm of enquiry using grounded theory methodology. The study applied grounded theory method of open, axial and selective coding in the development of the substantive theory to enhance understanding of corporate governance system. The formulation of the substantive theory is related to the formal theories of business ethics and corporate governance. Business ethics can be related to the deontological and teleological ethical formal theories and corporate governance which questions and adds to shareholder and stakeholder meso theories.

8.1 Building a Substantive Grounded Theory

The study has achieved its objective of building a substantive theory of corporate governance practice within the Ghanaian corporate governance system. It identified the nature of the factors and how they interact to influence corporate governance practice in Ghana and its implication for effective corporate governance system. The study employed grounded theory techniques of simultaneous data collection and analysis to develop a substantive theory of corporate governance. Data on the ethical dimensions of corporate governance is analysed using the coding process of open, axial and selective coding. Open coding included data collection and analysis about effective corporate governance practice in Ghanaian public sector organisations from the perspective of board of directors. Eight (8) open categories emerged through the open coding of 28 in-depth semi–structured interviews, including: *Board Ineffectiveness, Cultural Influence, Ethical Concerns, Board Accountability, Government Interference, Regulations, Training and Education, and Weak Institutions.* The open coding develops categories in terms of their properties and dimensions. This is immediately followed by the axial coding process. In axial coding stage, the open categories along with their properties and dimensions are related to form a coherent overall system (Howell, 2000). Through the application of the paradigm model, the eight open categories were subsumed into five main categories, including: *Institutional factors Cultural influence, board practices, stakeholder ethical values and strategies, and the improved board practices* which represented the causal condition, phenomenon, context, intervening conditions, action/interaction strategies and the consequence. The output of the axial coding formed the basis of the selective coding.

Selective coding is “the process of selecting the central or core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development”(Strauss and Corbin, 1990, p. 116). At this stage of selective coding, sampling has become discriminate after the initial relational and variational sampling. This process selected what data to collect next and where to find them and identified the need for focus group discussion with participants from organisations responsible for corporate governance system in Ghana. The output of the group discussion allowed for data saturation and an in-depth understanding of the phenomenon which has the analytic power to “pull the other main categories together to form an explanatory whole” and “should be able to account for considerable variation with other categories” (Strauss and Corbin, 1998, p.146). During the analysis, induction and deduction go hand-in-hand. Throughout the processes of theory building, data collection and analysis is used to continually question the theory using data collection and analysis. The verification of relationships between the cultural influence and the other subcategories form the basis of the substantive theory development. Substantive grounded theory was built through coding categorisation and the use of the coding model. The basis of the substantive theory related to the identification of what Ghanaian corporate governance practice was, and what phenomena were present, how they were related, and what effect they had on corporate governance practice. Consequently, influence of cultural values on corporate governance practice represents the core category, with institutional factors as the causal conditions, board practices as the context, stakeholder ethical values as intervening conditions, strategies as action/international strategies and improved board practices as the consequence.

The substantive grounded theory can be summarised as follows:

a. There is a dominant national culture influence on corporate governance practice in Ghana. Certain cultural values influence the behaviour and actions of board of directors in Ghanaian corporate governance system, particularly the informal sector. The context of board practices determines the impact of the national culture influence on corporate governance practice.

b. Institutional factors affect the level of national culture influence on corporate governance practice. Continuous government interventions and politicisation of boards weaken the institutional capacity to be competitive and thus, fall prey to government interference. Weak institutions encourage the influence of national cultural values on corporate governance practice.

c. National cultural practices influence the institutional environment, which in turn has an influence on corporate governance practice. Both culture and institutions are linked to corporate governance practice, efforts to change corporate governance practice is therefore, best informed by an appreciation of cultural as well as institutional factors.

d. In general, there is weak compliance to the corporate codes and regulations, particularly the informal sector and public sector institutions. This is because institutions are weak and are either not adequately resourced or encouraged to enforce the corporate governance codes and guidelines. As a result, corporate governance practice in public sector institutions is unable to promote board effectiveness.

e. There is lack of shareholders awareness. It was observed that most shareholders are unaware of their duties and responsibilities and the role they can play to ensure board of directors are held accountable. Again, some shareholders in public companies lack the necessary financial literacy and education to question decisions of their board of directors. This assertion, coupled with the Ghanaian cultural value of respect for authority, does not encourage shareholders to serve as a check on governance practice.

f. There seems to be a relationship between national level cultural influence and the provision of corporate social responsibility. The cultural value of gift giving and receiving tends to influence the provision of corporate social responsibility. Despite the lack of national policy guideline on corporate social responsibility, board of directors demonstrated awareness of corporate social responsibility. There seems to be a relationship between gift giving and receiving and social responsibility. This may raise concerns of ethical behaviour and social responsibility.

g. The national cultural value of gift giving and receiving tends to have ethical implications for corporate governance. It was observed that gift giving and receiving is not in itself unethical cultural value in Ghana, it can have unethical implications for effective corporate governance practice if not properly managed.

h. The Ghanaian family system (inter-family cooperation and collective loyalty) promote the culture of family businesses. However, these family businesses contribute a greater proportion of the labour force and the Gross Domestic Product (GDP) of Ghana, yet they are not governed by the Ghanaian corporate governance regulations.

i. The periodic board training and education programmes have improved the effectiveness and personal competencies of board of directors

8.2 Relationship between Formal Theories and Substantive Theories

A theory is an interrelated set of concepts and propositions, organized into a deductive system to explain relationships about certain aspects of the world. This refers to a "set of well-developed concepts related through statements of relationship, which together constitute an integrated framework that can be used to explain or predict phenomena" (Corbin and Strauss, 1990, p. 15). A theory may be viewed as a system of constructs and variables in which the constructs are related to each other by propositions and the variables are related to each other by hypotheses (Bacharach, 1989). Indeed, a theory connotes a statement of relationships between units observed or approximated in the empirical world. These statements indicate the importance of relationship-building in explaining how and why specific phenomena will occur. To this end, the explanatory power of a theory can be categorised into four levels of abstraction, namely: formal theory, grand theory, meso theory and substantive theory (Howell, 2004:374).

Strauss and Corbin (1990) describe a formal theory as more general and deal with a conceptual area of inquiry, which may be linked, to a *range of* substantive areas. A formal theory has explanatory power across a range of situations. In this research both the deontological and teleological ethical theories are considered as formal theories in the process of moral and ethical values, while the shareholder theory and the stakeholder theory could be called meso or middle range theory that helps to explain the ethical perspective on corporate governance. Deontological or duty-based ethical theory and teleological or utilitarian ethics are general ethical theories which can be identified with business ethics that help to explain moral and ethical behaviours of those responsible for managing the affairs of an organisation. Deontology and teleology can be applied across all areas of business organisations.

For this reason, formal theory is usually regarded as the end product of longitudinal research where data are collected from a range of situations and locations. The analysis of deontological and teleological ethical theories in relations to business ethics provided the background for applying grounded theory to data collected for this thesis. Through the application of the theoretical coding processes, substantive theory for corporate governance was developed. As discussed in section 2 of Chapter Three (3), deontological ethical theory believes that an action is good or bad, right or wrong by something within the action itself. In relating deontological theory to the corporate governance models of shareholder and stakeholder theories, directors are being held accountable for their actions in managing the affairs of the company for the long-term benefits of the firm and its shareholders. Applying Kant's *categorical imperative* to the stakeholder theory, stakeholders are regarded as having a basic right from the

companies whose decisions affects the interests of its stakeholders' groups. Again, as noted in section 3 of Chapter Three (3), the theoretical framework demonstrated the relationship between ethical decision making and cultural perspectives. While cultural relativism relates the teleological ethical theory as a culture-based consequentialist behavioural viewpoint, the culture universalism relates the deontological ethical theory as a culture – based deontologists behavioural perspective (Robertson and Fadil, 1999).

The research can apply teleological ethical theory to the issue of shareholders and stakeholders of a company. As a formal theory, teleological theory believes that actions are to be judged good or bad by reference to the end to which they aimed. In this case, it is the outcomes of the business decisions taken by the directors and the effects of such decisions on the long-term interests of the company's shareholders that matters. Teleological ethical theory can also be applied to the stakeholders. Stakeholders of mortgage companies like Countrywide and Washington Mutual, along with other investment and commercial banks suffered severe losses due to unethical actions of directors which triggered the 2008 global financial crisis. The analysis of the relationship between these formal ethical theories and corporate governance enhance understanding of the ethical behaviours of directors in managing their companies' affairs to meet the corporate objectives and shareholders' interests while taking the needs of the stakeholders into consideration.

8.3 Contributions of the Thesis

This study has made a number of contributions which lies within its empirical and practical context and is summarised as follows:

As indicated in section 2 of Chapter One (1), a gap in the body knowledge regarding limited research on the ethical dimensions of corporate governance practice in the context of Ghanaian corporate governance system was established. Additionally, the empirical literature revealed that issues of corporate governance have largely focussed on the minority shareholders and institutional shareholders of large corporations and listed companies with limited research on public sector organisations and private companies. However, the business practices in Ghana still fall short of promoting an ethical, responsible and transparent corporate governance environment (ROSC, 2005). Consequently, a research of this nature is critically important to bridge the gap in literature. To provide understanding of the nature and interaction of factors influencing corporate governance practice in Ghana, and interpreting based on a more suitable framework, the thesis adopted the grounded theory method to build a substantive theory of corporate governance practice in Ghanaian corporate governance system.This study is the first attempt to combine corporate governance, ethical theory and grounded theory to study corporate governance system.

From a practical perspective:

- The substantive theory identified national level culture as having a dominant influence on corporate governance practice. This can be useful for policy-makers and other statutory bodies such as the Securities and Exchanges

Commission, the State Enterprises Commission and Institute of Directors to develop and provide ethical training programmes for board of directors.

- Similarly, the substantive theory identified institutional factors (weak institutions and government interferences) as the causal conditions encouraging weak compliance and poor enforcement environment, ineffectiveness of board of directors and cultural influence which are fundamental for good corporate governance
- The substantive theory demonstrated that corporate governance systems are socially constructed and as such understanding the behaviour of board of directors is vital for understanding how governance systems are designed and operated. The study contributes to better understanding of governance practice in the public sector and business enterprise.
- Furthermore, it is expected that a better understanding of both the influence of national level culture on corporate governance practice and the ethical dimensions of governance behaviour will provide guidelines to assist Ghanaian organisations to successfully promote and encourage ethical behaviour by their board of directors. This study benefits organizations in terms of developing better ethical programme policies and creating the necessary ethical awareness.

8.4 Areas for Further Research

The findings from this research, as a key phenomenon were that national culture had dominant influence on the corporate governance practice with associated causal conditions. The level of the influence of national culture depends on whether the public

sector organisations are highly regulated or less regulated. This influence has the potential to affect the ethical dimensions of the behaviour and actions of board of directors. This study provides a framework for future research in the areas of national level culture and corporate governance practice. Expanding research in this field to include a more diverse population would broaden understanding of the phenomenon. Although, the substantive theory was successful in explaining the influence of national culture on corporate governance practice from the perspective of board of directors, it is expected that this could be improved by including cross national culture using other developing countries and indicating the extent of the influence.

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APPENDICES

Appendix A

Cover Letter and Survey Questionnaire

PhD IN CORPORATE GOVERNANCE

Ethical Dimension of Corporate Governance Practice in Ghana

School of Management.
Plymouth Business School
University of Plymouth, UK

Dear Respondent,

The researcher is a PhD candidate at Plymouth Business School, University of Plymouth, UK, undertaking a research project on the topic: "Ethical Dimensions of Corporate Governance Practice in Ghana: Building a Theoretical Perspective". The research project requires collection of data on the ethical dimension of corporate governance practice from the perspective of board directors in Ghana.

I wish to seek your participation in the project by completing the survey questionnaire. The 10-item questionnaire should take approximately 10-15 minutes to respond by circling the appropriate scale. I would be grateful if you could indicate your consent for a follow up interview by leaving your contact details. You will be contacted for an appointment to conduct a personal interview, which is expected to last for 30-40 minutes.

Your participation is very important to the success of the research. All the information gleaned from the survey data and interview will be kept confidential and not be used for any other purpose outside of the thesis report. The research design does not involve identifying either specific individual or specific organisation. All data will be assigned alphanumeric identities which will be known only to the researcher. All retained notes and material will only identify you in coded form.

On completion of the project, I will provide participating companies with a report of the major research findings. You will be able to compare your own perspectives and opinions with the aggregated and anonymous data of the others in this study.

Your co-operation and participation in this important survey is appreciated. Thank you once again for taking the time to assist with this research.

Yours sincerely,

Mark Boadu
(PhD Candidate)

A SURVEY OF BOARD OF DIRECTORS REGARDING THE CORPORATE GOVERNANCE PRACTICE OF THEIR ORGANISATIONS

Name of Organisation:.....

Line of business: Banking & Financial Services ( ) Mining ( ) Energy ( ), Health ( ) Engineering ( ) Construction ( ),Other ( )

Please circle one answer below:	**Strongly Disagree**	**Disagree**	**No-Opinion**	**Agree**	**Strongly-Agree**
	1	*2*	*3*	*4*	*5*
1. Your Board/Separate Committee is responsible for governance practices.					
Ans.	*1*	*2*	*3*	*4*	*5*
2. Your organisation's governance practices compare strongly with the Organisation for Economic Cooperation and Development (OECD) principles of corporate governance					
Ans.	*1*	*2*	*3*	*4*	*5*
3. Your organisation's governance regulations reflect Ghanaian cultural perspective					
Ans.	*1*	*2*	*3*	*4*	*5*
4. I consider my organisation to have ethical values in relation to its stakeholders.					
Ans.	*1*	*2*	*3*	*4*	*5*
5. A board committee exists for the function of corporate social responsibility					
Ans.	*1*	*2*	*3*	*4*	*5*
6. Your organisation has governance regulations that hold directors accountable to stakeholders					
Ans.	*1*	*2*	*3*	*4*	*5*
7. Your organisation's governance action/behaviour is interfered by government.					
Ans.	*1*	*2*	*3*	*4*	*5*
8. Your organisation's governance regulations are backed by the state laws/legal rules					
Ans.	*1*	*2*	*3*	*4*	*5*
9. Giving/receiving gifts/special favours are common in the industry in which you operate					
Ans.	*1*	*2*	*3*	*4*	*5*
10. It is sometimes accepted to act unethically for the good of the company					
Ans.	*1*	*2*	*3*	*4*	*5*

I sincerely appreciate your time and co-operation in completing this questionnaire. Confidentiality is assured. Personal details will not be included in any part of the research or made public.

Please if you would like to take part in an interview leave your contact below:

*Name:*_____

*Tel:*_____ *email:*_____

Thank you!

Appendix B

Semi-Structured Interview Guide

PhD IN CORPORATE GOVERNANCE *Ethical Dimension of Corporate Governance Practice in Ghana*	School of Management. Plymouth Business School University of Plymouth, UK

AN INTERVIEW OF CORPORATE GOVERNING BODY REGARDING THE CORPORATE GOVERNANCE PRACTICE OF THEIR ORGANISATIONS

INTERVIEW QUESTIONS

Semi – Structured Interview Questions

The semi – structured interview questions were designed to examine the ethical implications of governing action in Ghanaian organisations. The questions were based on the ethical issues confronting boards of directors, and senior management in the Ghanaian corporate governance system. The following are the interview questions:

Question 1: What corporate governance practices have your organisation adopted?

Question 2: How does your organisation's governance regulation reflect Ghanaian cultural perspective?

Question 3: To what extent is your organisation's governing action ethical to its stakeholders?

Question 4: Does your organisation have governance regulations that hold directors accountable to stakeholders?

Question 5: To what extent is your organisation's governance action/behaviour interfered by government?

Question 6: Are your organization's governance regulations backed by the state laws/legal rules?

Appendix C

Research Introduction Letter

s

Plymouth Business School
University of Plymouth
Drake Circus
Plymouth
Devon PL4 8AA
United Kingdom

tel +44 (0) 1752 585 540

To Whom It May Concern

Ref: PBS/FRA/10168290/clc
Date: 31 August 2010

Dear Sir/Madam

Re: Mark Boadu
Research Project: The Effect of Corporate Governance Regulations in Public Sector Organisations in Ghana.
Supervisory Team: Prof Kerry E Howell(Director of Studies)
Dr Hilary Duckett (Second Supervisor)

The above named person is currently a full-time research degree student at the University of Plymouth, studying for a PhD in Business with Management.

Mark will be in Ghana between September and December 2010 for research purposes ie data collection. Upon successful completion of his data collection, Mark will return to the UK to continue working on his PhD thesis.

If you require any further information regarding this student, please do not hesitate to contact me.

Yours faithfully

Cher Cressey
Faculty Research Administrator
(cher.cressey@plymouth.ac.uk; +44 1752 585540)

Appendix D

Consent to Participants in Research

PhD IN CORPORATE GOVERNANCE *Ethical Dimension of Corporate Governance Practice in Ghana*	School of Management. Plymouth Business School University of Plymouth, UK

Consent Form for Participants

I have read the Information Sheet from Participants for this study and have had the details of the study explained to me. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I also understand that I am free to withdraw from the study at anytime, or to decline to answer any particular question in the study. I agree to provide information to the researchers under the conditions of confidentiality set out on the Information Sheet for Participants.

If you are willing to participate in this study, I would appreciate you sign this consent and return it to me before the interview.

Name:……..

Signed:……..

Date:……

For further information, contact:

Researcher name and contact information:
Mark Boadu,
(PhD Candidate)
School of Management,
Plymouth Business School,
Plymouth University
PL4 8AA
mark.boadu@plymouth.ac.uk
+447732005575

Supervisor's name and contact information:
Professor Kerry E. Howell
School of Management,
Plymouth Business School,
Plymouth University
PL4 8AA
kerry.howell@plymouth.ac.uk
+ 44 1752585704

Appendix E

Group Discussion Guide

PhD IN CORPORATE GOVERNANCE *Ethical Dimension of Corporate Governance Practice in Ghana*	School of Management. Plymouth Business School University of Plymouth, UK

Instrument Title: Group Discussion Guide

Total focus group time: 1 hour: 15minutes

Before the group discussion began, participants were taken through the confidentiality agreement and the informed consent process, including compensation issues.

I. Introduction (10 minutes)

- I Introduced myself and welcome participants
- Participants introduced themselves
- Explain the general purpose of the discussion and why the participants are chosen.
- Discuss the purpose and process of focus groups
- Explain the presence and purpose of recording equipment
- Outline general grand rules and discussion guidelines

Issues for Focus Group exploration:

1. *What is your understanding of corporate governance?* *(10mins)*
   - *What are the corporate governance practices in Ghana*

2. How are the regulatory agencies ensuring good corporate governance practices and compliance with regulations? *(10mins)*

3. To what extent are corporate governance practices 'ethical in Ghana? *(10mins)*

4. To what degree is governance action interfered by government in public sector organisations? *(10mins)*

5. Does the Ghanaian culture influences corporate governance practices? *(10mins)*

6. **Closing** *(10mins)*
   - Closing remarks
   - Thank the participants