Comparative analysis on the role of corporate boards: empirical evidence from sub-Saharan Africa

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Abstract: This paper examines the role and responsibilities of a firms' board of directors on corporate governance. Using survey questionnaire based on international corporate governance norms, data were collected from listed firms in Ghana, Nigeria and South Africa. The conclusions are as follows: 1) the results show that commitment of board of directors to disclosure and communication may provide effective corporate practices; 2) however, in Nigerian firms, we find that separation of role and responsibilities of chairman and CEO is likely to hinder corporate governance practices; 3) the attention to executive compensation by the board of directors has a negative influence on rule and laws of corporate governance of firms, this is probably arising from the absence of an executive compensation committee. We recommend that the regulatory bodies of corporate governance need to put emphasis on nonbinding advisory vote by shareholders on executive compensation. There may be separation of role and responsibilities between chairman and CEO in Nigerian firms, however there is need for more effective chairman and CEO.

Keywords: governance; directors; OLS.

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1 Background of study

The corporate governance scandals of firms in various part of world due to financial mismanagement that led to collapse of some firms has been traced to the key players in corporate terrain which are the board of directors. As a result their role and responsibility have been strengthened by corporate governance reform which resulted from the global corporate failures (Van den Berghe and Levrau, 2007). Consequently, in developed country such as the UK the Cadbury report published in 1992 explained the function and responsibility of board of directors. In developing country such as South Africa the King

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Reports II and III published in 1994 and 2002 respectively also addressed the issue of board of directors of firms in South Africa. In addition, the code of best practice of corporate governance issued in 2003 and 2011 by Securities and Exchange Commission (SEC), also code of corporate governance for banking industry issued by Central Bank of Nigeria (CBN) in 2006 all these code highlighted the role and responsibility of board of director for non-financial and financial firms in Nigeria. Nevertheless, the Ghana Securities Exchange Commission (SEC) issued corporate governance guideline on best practice in 2009 which focus on the importance of board of directors for listed firms in Ghana.

Moreover, from the heart of corporate governance debate, Denis and McConnell (2003) posited that boards of directors are internal governance mechanism they are specifically charged to represent the interest of shareholders, also they exist to hire, fire, and monitor and compensate management which makes the boards of directors an effective corporate governance mechanism. Cadbury (1999) argues that board of director serve as a bridge between shareholders who are supplier of capital and the management who are in charge of running the firms. In addition, Van den Berghe and Levrau (2007) revealed that board of directors are guardian of shareholders interest, thus board are still being opposed for failing to meet their role and responsibilities in firms. Also, OECD (1999, 2004) explained that board of directors is the main organ responsible for establishing and enforcing the corporate governance mechanism within the firms. Beside this, Weeisbach and Hermalin (2003) surveyed the studies of boards of directors in economic and research literature and the authors documented that boards of directors are seen as economic institution that look to the problem of agency theory which are within firms. The authors also revealed that boards of directors satisfy various regulatory requirements and their economic function is determined by the difficulties within their firms.

Consequently, the empirical study of role and responsibility of board of director of firm in sub-Saharan Africa Anglophone (SSAA) countries is necessary, because despite the issue of code of corporate governance practices by regulatory bodies of each country in the region there has been scandal among the board of directors such as Cadbury Plc in Nigeria. Also in the banking industry in Ghana and Nigeria, in recent times the CBN sacked some board of directors of banks as a result of gross insider abuse, mismanagement of fund and this has led to consolidation, merger and acquisition of these banks.

Furthermore, there are scanty empirical studies on issue of board of directors of firms in SSAA countries this is due to difficulties of gaining access to boardrooms and directors. There are few empirical studies on board of directors in SSAA countries but Mikalilu et al. (2005) revealed board characteristic and firm performance in Nigeria and Ogbeche and Koufopoulos (2007) examined the effectiveness of board in Nigerian banking industry. Thus, the purpose of this paper is to fill this gap as much as possible by indentifying the impact of role and responsibility of board of directors on corporate governance system of firms in SSAA countries such as Ghana, Nigeria and South Africa. In particular this paper addresses the research question which asks to what extent the role has and responsibilities of firm's boards directors in SSAA countries have affected on corporate governance system in the region. We empirically investigated this question through a survey questionnaire which is conducted on listed firms for the stakeholders of corporate governance in Ghana, Nigeria and South Africa. The stakeholders are legislator, regulator, academician, individual investor, and institutional investor,

accountant or auditor, executive director, non-executive director, company executive officer (CEO), company employee, judiciary or legal and others.

The next section of this paper is the literature review which describes the role and responsibilities of board of directors. Section 3 presents the methodology of the study; in addition, Section 4 illustrates the results of the analysis of the data. Finally, Sections 5 and 6 indicate conclusions and recommendation of the study.

2 Literature review

The composition of the board of directors is very important for the board to perform their functions without any control from anybody. The board should include individual with good personal character and ability to perform the board's duties, integrity, having sense of accountability, record of success, and leadership qualities. In addition, he or she must be expert in the field of finance with experience, and must always think strategically. The directors must show his committed to the organisation by prepared and present for meeting.

Weeisbach and Hermalin (2003) asked this question that why there are boards of directors. The authors answer by argues that boards of directors exist as a result of regulation between the country corporate law and Stock Exchange Commission (SEC) requirement. The authors further argue that boards of directors are market solution to firms' design problems and it is an endogenous determines institution that improves the agency problem that is affecting large firms. Moreover, OECD (2004) principle of corporate governance explained the responsibilities of the boards which include the following; reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plan. The responsibilities also include setting performance objectives, monitoring implementation, corporate performance; and overseeing major capital expenditure acquisition and divestiture. The organisation also stated that the function of board of director should include; selecting, compensating, monitoring, replacing key executives and overseeing succession planning. This function of the board is aligning key executive officer and board remuneration with the longer term of the company interest of the company and its shareholders. In addition, the board should ensure a formal and transparent board nomination and election process, overseeing the process of disclosure and communications. The board should ensure the integrity of the corporation's accounting and financial reporting standard which include the independent audit system and compliance with law, regulation, and standards. The board plays the role of monitoring the effectiveness of company's governance practices and they should able to commit themselves effectively to their responsibility.

The composition of the board of directors is very important for the board to perform their functions without any control from anybody. The board should include individual with good personal character and ability to perform the board's duties, integrity, having sense of accountability, record of success, and leadership qualities. In addition, he or she must be expert in the field of finance with experience, and must always think strategically. The directors must show his committed to the organisation by prepared and present for meeting.

Most of the empirical studies on effect of board composition on firm performance have produced different results. Heracleous (2001) argues that the accepted 'best practices' on corporate governance has generally failed to find convincing link between

these practices and organisation performance. Using empirical analysis, the result shows that the relationship between two best practices CEO/chair duality and insider and outsider composition and organisation performance to be insignificant. Raheja (2005) models the interaction of firm insiders and outsiders on a corporate board and discussed the question of board's ideal size and composition. In the model the results shows, that the board duties was for monitoring and making CEO succession decision. However, there is clear indication of negative relationship between board size and firm performance. Jensen (1993) argues that when boards are small in size this can help to improve performance and when board members are more than seven or eight people they are less to function effectively and are easier to control by CEO. This due to the coordination and process problem overwhelm the advantages gained from having more number of people on board.

In addition, board corporate strategy involve the level of participation of board members in commitment to decision making that can affect the long term performance firms, the strategic decision which is decision that base on long term trust and the direction of the firm (Ogbechie et al., 2009). The authors relate the board characteristics such as board size, outsider and inside board of director and CEO duality in relation to board involving in strategic decision making. As a result the authors found that boards have to be more effective in strategy process. OECD (2004) explained that board should involve in reviewing and guiding corporate strategy such as major plan of action, risk policy, setting performance objective, and annual budget with business plan. Others include monitoring implementation, corporate performance, overseeing major capital expenditure and acquisition and divestitures.

Moreover, in the heart of corporate governance debate the issue of executive compensation have attracted much attention worldwide (Okike, 2007). OECD (2004) explained that the board should have a sufficient numbers of non-executive directors capable of exercising independent judgement on key responsibility such as payment of executive compensation. Therefore, board members of firm have a responsibility for pay attention to issue of executive compensation. Consequently, Shah et al. (2009) revealed that the determinant of chief executive officer (CEO) compensation is mainly on economic factor globally, this may likely due to various market demand, work place diversity, heterogeneity in firms' level and the growth opportunities of the firms. Thus the authors found that the size of firms, firm performance, market risk, power, tenure, CEO ownership and firm growth have being used to determine the executive compensation.

In order to fill the gap in the literature, the pertinent research question that this study seeks to address is the effect of role and responsibilities of firm's directors on corporate governance system of firms in the SSAA countries. Against this background, we formulate the hypothesis that there is a relationship between role and responsibilities of firm's board of directors and corporate governance system.

3 Methodology of the study

This section describes the data instrument and source of the instrument, and explains the pilot study. Also focuses on the data collected by a survey questionnaire from the stakeholders of corporate governance of listed firms in Ghana, Nigeria and South Africa.

3.1 The source of data instrument

The instruments used to collect the data for this study was a survey questionnaire derived firstly, from Organisation for Economic Cooperation and Development (OECD) principles of corporate governance the 2004 OECD which been assessment instrument for Okpara (2010), also from Burton et al. (2009). Secondly, from various corporate governance literatures, and in order to make sure that the data instrument is not subjective. This study modified the data assessment instrument so that it is tailored toward codes of best practices of corporate governance in Nigeria and guidelines of corporate governance practice in Ghana. Also, the King I, II, III report of corporate governance in South Africa was considered in the data instrument. As a result, the institutional frameworks for corporate governance for Ghana, Nigeria and South Africa are all formulated from OECD principles of corporate governance. The above countries received their independence from Britain and the companies' laws are derived from British common law. Consequently, the rules, laws and legal systems for each of these countries are considered in the data assessment instrument.

The reason for using questionnaire is that there is lack of information on corporate governance variables in developing region such as Africa. The finding of this study could reveal the reality of the situation in those countries selected (Ghana, Nigeria and South Africa). The limitation of using questionnaire method is that the finding from the respondents is an opinion about what is happening on the issues of corporate governance of firms in SSAA countries. Also the respondents may not be questioned or probed. In addition, there is a level of researcher imposition, this implies that when developing the data instrument (survey questionnaire), we may be making our own assumption as to what is important and not important. Thus the researcher may be missing something that is of important.

These statements or items above (items) are based on a liker scale of five-point (1 = strongly disagree to 5 = strongly agreed). The reason for using this scale is to measure intensity of feeling about the area in question. The justification of choice five liker scales is based on Bryman (2007) who posited that five liker scales is important because it enables the respondents to express their level of agreement with the statement in the question effectively.

In addition, the five point liker scale format provides five response alternatives which give more flexibility and also provides a measure of intensity, extremity and direction. To allow all the items or variables to be in one direction the negatively worded item are re-worded such that if is equal = 1 it is now 5, 2 now 4, 3 is still 3, 4 now 2 and 5 is 1. The items or statements in these sections are not in the same direction because there is need for the respondents to think very well before they tick the option in the survey questionnaire and this will not allow them thick those questions in one way. This happened under regulatory framework in section C, shareholders rights in section F and section G which consist items for the role and responsibility of firm's boards of directors in the survey questionnaire.

3.2 Pilot study

Generally in a quantitative research study such as survey questionnaire, prior to the time of using this survey questionnaire to collect the data there is a need to conduct a pilot study. In addition, Saunders and Thornhill (2012) revealed that prior to using a

questionnaire to collect data, it should be piloted tested. Firstly, the purpose of the pilot test is to refine the questionnaire so that respondents will have no problem in answering the questions. Secondly, to ensure that there is no problems in recording the data and to obtain some assessment of the questions' validity and reliability of the data that will be collected so that the research question will be answered. Through pilot study validity and reliability can be measured in order to make sure that the survey questionnaire actually represents the reality what the study are to measure. In making sure the scale of the study is reliable we checked the reliability of the scale by checking the internal consistency through Cronbach's alpha coefficient and the result indicated 0.80 Cronbach's alpha coefficient. Ideally, Pallant (2010) explained that Cronbach's alpha coefficient of a scale should be above 0.7.

Thirdly, there is need for pilot study because it is a form of trial run for the survey questionnaire so that we can determine whether the questionnaire will be successful after collection from the respondents. Besides this, during the pilot study in order to identify the time of completion of the survey questionnaire; we include the clarity of the instructions for the survey questionnaire (if there are any questions that are unclear or ambiguous). In addition, to identify the question that are not easy to answer by respondents, the lay out and how attractive the questionnaire to the respondents.

At the end of the pilot study alteration were made to the question including adjustment to layout. The survey questionnaire works best with standardised questions that one can be confident with and interpret in the same way by all the respondents. As a result, the survey questionnaire tends to be used for descriptive or explanatory research such as opinion on issues in organisation and organisational practices.

Against this background, a pilot study was carried out for the stakeholders of corporate governance who are legislators, regulators, academician, individual investors, institutional investors, accountants/auditors, executive directors and non-executive.

3.3 Data sources

A survey questionnaire was administered through a stratified random sampling to respondents which comprise the following; legislators, regulators, academician, individual investors, institutional investors, accountants/auditors, executive directors, non-executive directors, company executives (CEO) company employees, judiciary/legal and other such as students.

In Ghana, out of 200 survey questionnaire administered to the respondents, 150 were received this indicates 75% response rate. In Ghana, there are 34 listed firms on the Ghana Stock Exchange (GSE). As a result, the respondents from this study are from more than 20 listed firms which include banking, mining, food and beverages, breweries, conglomerates, insurance, chemical and paints, textiles, agriculture, and petroleum (marketing). When I was in Ghana apart from visiting some listed firms, regulatory agencies offices one also visited secretariat of the Institute of Director (IoD) in Accra and they assisted me in filling the survey questionnaire.

In the case of Nigeria, 400 survey questionnaires was administered to the categories of respondents and 320 was received, representing 80% response rate. In Nigeria, there are 206 listed companies on Nigeria Stock Exchange (NSE). The respondents from this

study are up to 100 listed firms. I was able to attend 20 annual general meeting (AGM) of listed firms; including an AGM of shareholders in Lagos and Abuja. This gave me the opportunity to distribute the survey questionnaire.

Moreover, during 50 years anniversary of Nigerian Securities Exchange Commission (SEC Project 50), l was present throughout the event activities and this gave me an opportunity to meet some board of directors, senior managers and chief executives of some listed firms who also filled the questionnaire. When I was in Lagos for this research survey, apart from normal distribution of the questionnaire to the firms, I also visited the secretariat of the Society for Corporate Governance in Nigeria. This society comprises chairman, board of directors, academicians, professionals and government officials; also some members of this society are members of IoD in Nigeria. They all participated in filling of the survey questionnaire. Consequently, among the respondents are employees of the listed firms in Nigeria, with at least one respondent is from each of the sector such as banking, agriculture, airline, breweries, building material, chemical and paints conglomerate, construction, food and beverages, healthcare, hotels, industrial/domestic product, insurance, textiles, and petroleum (marketing). This also applied to each shareholder; some of them have shares in about ten or 15 different listed companies. Generally, in Ghana and Nigeria, in order to improve the response rate the survey questionnaire was delivered by hand to individuals in their offices and then received back at an appointed date.

In South Africa, 100 survey questionnaire were administered to the respondents and 71 was received back, this representing 71% response rate. The survey questionnaires were sent and received back by e-mail. But some was send and received back through postage. In addition, the South Africa embassy in Nigeria assisted in sending and receiving some of the survey questionnaires. The respondents for South Africa covered investors, academician, legal/judiciary, accountants/auditors, board of directors and company employees for some of the financial and non-financial listed firms; also some of the regulatory and supervisory agencies.

The data instrument for this study (survey questionnaire) was administered to firms in South Africa. The firms are in the banking industry, the mining industry such as diamond and platinum industry and other manufacturing companies. The researcher make sure that each one of the survey questionnaire reached the top mining industries and financial sectors because the South Africa economy is based on mining, finance house and financial sectors.

3.4 The sample of the study

The study uses a stratified random sampling method to collect the data from 12 categories of respondents who are stakeholders of corporate governance in the SSAA region. The instruments used are from modified version of the OECD (2004), Okpara (2010), Burton et al. (2009) and corporate governance literatures. The data consist of 541 returned out of 700 survey questionnaire administered to the respondents, this give a response rate of 77.29%. Out of the total of 541 respondents 150 respondents were from Ghana, 320 from Nigeria, and 71 respondents from South Africa.

This study extends its coverage to listed firms in Anglophone countries in sub-Saharan Africa such as Nigeria, Ghana, and South Africa. These countries are English speaking countries. Their selection is based on regional approach, this gives a wider scope. In addition, these countries have strong economy with large markets. For instance Ghana with the fastest growing economy in the sub-region after the discovery of crude oil, South Africa which is the strongest economy in the sub-region and Nigeria a having huge population and large markets, blessed with abundant natural resources such crude oil and land fertile for agriculture.

The regulation, control and governance of corporations of these countries are largely contained within provision of company legislations which have their root from British colonial laws. Based on this, Ghanaian, Nigerian and South African legal systems and corporate governance mirror the UK pattern (Okike, 2007). Therefore, it is necessary for this study to review the development of corporate governance structures of listed firms for each of these countries in order to highlight different reforms, issues and factors hindering corporate governance of firms in Ghana, Nigeria and South Africa. The corporate governance rules and laws have influence the companies' law of each country. Thus, the three countries derived their companies' laws from British companies' law and the code or guideline of corporate governance of each of the country is similar.

Moreover, another justification for the choice of Ghanaian, Nigerian and South African firms is that there are several reforms of corporate governance that occurred in these three countries. These include the King Reports I, II and III in South Africa published in 1994, 2002 and 2010 respectively. In addition, in Nigeria the code of best practice of corporate governance was issued in 2003 and 2011 by Securities and Exchange Commission (SEC) and also the code of corporate governance for banking industry was issued by CBN in 2006. Also the Ghana Securities Exchange Commission issued corporate governance guidelines on best practice in 2009. Despite the issuance of code of corporate governance practices by regulatory bodies in each of the three countries there have been corporate failure due to poor corporate governance. The corporate failure includes Cadbury Plc in Nigeria, majority of the banks in Ghana and Nigeria.

In addition, South Africa has undergone several corporate governance reforms (King Report I, II and III); despite this South Africa Corporate governance has not met the standard of developed countries such as the UK and the USA. Against this background, this study reveals the challenges facing corporate governance practices in Ghana, Nigeria and South Africa by identify the components that are essential for good corporate governance of firms and tries to prioritise the components.

3.5 The dependent variable

The corporate governance system (*Total_cs*) is the addition of statements under this section are proxies as independent variables are rules and legal systems (*Rules_cs*), agencies power (*Agecy_Pow*), legal system (*Leg_Syt*) and organised agencies (*Organise_cs*).

Therefore, the total corporate governance system proxy as dependence variables can be expressed as:

$$Total_Cs = Rules_Law + Agencie_Power + Legal_system + Agencies_Organise$$

Table 1 Definition of the variables for section B: corporate governance system

Variable	*Statements*
Rules and laws (*Rules_cs*)	There are adequate laws and rules that promote the practice of good corporate governance of firms in my country.
Agencies power (*Agencies_cs*)	The supervisory, regulatory and enforcement agencies have power, resources and authority to enforce compliance with laws and regulations and guideline on corporate governance.
Legal system) (*Legal_cs*)	A good legal system in my country of operation helps to improve the corporate governance of firm.
Agencies-organise (*Organise_Cs*)	A well organised legislature and sound regulatory and supervisory agencies in place promote good corporate governance.
Total corporate governance system (*Total_cs*)	This addition of all variables for corporate governance system of firms under section B of the survey questionnaire.

3.6 The independent variables

The independent variables comprise of eight statements under section H that measure the role and responsibility of board of directors such as the level of commitment to corporate strategy (*Corp_strgyQ*1), adequate attention to executive compensation (*Bod_Exec*Q2), and effective committed to their responsibility (*Bod_EffQ*3).

Table 2 Illustrates the, statements and variables on role and responsibilities of the board of directors in firms

Section		*Statements*	*Variables*
Role and responsibilities of the board of directors	Q1	Board members are not fully committed to reviewing and guiding corporate strategy	Corporate strategy
	Q2	Board members in your companies do not pay attention to executive compensation	Executive compensation
	Q3	Board members in your companies are not effectively committed to their responsibility	Board responsibility
	Q4	The board members often demonstrate lack of a lack of concern as to the integrity of companies financial reporting system	Financial reporting
	Q5	Board members show lack of concern in ensuring a formal and transparent board nomination and election process	Board transparency
	Q6	Board members do not show concern about proper monitoring and enforcement of laws, rules and regulation of corporate governance practices	Enforcement rules
	Q7	Board members do not adequately surprise the process of disclosure and communication	Board disclosure
	Q8	There are separation between the roles of the chairman and CEO	Board duality

In addition, independent variables also represented as level of ensuring of a formal and transparent board nomination and election process (*Bod_TrpyQ*4).

Others independent variables are level of concern about enforcement of corporate governance policies (*Bod_MerQ*5), supervision of process of disclosure and communication (*Bod_DiscQ*7) and separation of roles and responsibilities of Chairman and CEO (*Bod_dulityQ*8).

3.7 The model for the analysis of role and responsibility of firm's board of directors and corporate governance system

The equation below examines the contribution of role and responsibilities of the board of directors make to the corporate governance system.

Thus, for it respondent total corporate governance system of firm (*Total_cs*) can be determined as follows:

$$\begin{aligned} Total_cs = {} & \beta_0 + \beta_1(corp_strgy1) + \beta_2(Exec_comp2) + \beta_3(Bod_Eff3) \\ & + \beta_4(Bod_Frept4) + \beta_5(Bod_Trpy5) + \beta_6(Bod_enfm6) \\ & + \beta_7(Bod_Disc7) + \beta_8(Bod_Duality8) + \beta_9(G) + \beta_{10}(N) \\ & + \beta_{11}(GR) + \beta_{12}(NR) + \mu_i \end{aligned}$$

where the corporate governance system is the dependent variable and it is measured by the addition of items or statements under section B of the survey questionnaire.

Also are countries, regulatory agencies dummies indicating if the respondent is located in Ghana, Nigeria (the reference category being South Africa), in addition, if the respondent is regulator. Finally, μ_i is the random error term, which is independently and identically distributed.

3.8 The model for the analysis of role and responsibility of firm's board of directors and rules and laws of corporate governance

The equation below examines the contribution of role and responsibilities of the board of directors make to the rules and laws corporate governance practice.

Thus, for i^{th} respondent, rules and laws of corporate governance of firm (*Rules_cs*) can be determined as follows:

$$\begin{aligned} Rules_Law = {} & \beta_0 + \beta_1(corp_strgy1) + \beta_2(Exec_comp2) + \beta_3(Bod_Eff3) \\ & + \beta_4(Bod_Frept4) + \beta_5(Bod_Trpy5) + \beta_6(Bod_enfm6) \\ & + \beta_7(Bod_Disc7) + \beta_8(Bod_Duality8) + \beta_9(G) + \beta_{10}(N) \\ & + \beta_{11}(GR) + \beta_{12}(NR) + \mu_i \end{aligned}$$

where the rules and laws of corporate governance is the dependent variable and it is measured by the statements 8 under section B of the survey questionnaire.

Also are countries, regulatory agencies dummies indicating if the respondent is located in Ghana, Nigeria (the reference category being South Africa), in addition, if respondent is regulator. Finally, μ_i is the random error term, which is independently and identically distributed.

Table 3 The descriptive statistic on corporate governance system of firms in SSAA countries

Variables	*Countries*	*N*	*Mean*	*T-stat.*
Rules and laws	Ghana	150	2.17*	–9.16
	Nigeria	320	1.70*	–36.34
	South Africa	71	4.46*	21.21
	Sub-region (SSAA)	541	2.33*	–13.32
Agencies power	Ghana	150	2.14*	–9.66
	Nigeria	320	3.51*	8.52
	South Africa	71	4.46*	21.21
	Sub-region (SSAA)	541	3.26*	4.76
Legal system	Ghana	150	4.14*	20.53
	Nigeria	320	4.25*	27.61
	South Africa	71	4.62*	27.86
	Sub-region(SSAA)	541	4.27*	39.39
Agencies-org	Ghana	150	4.25*	19.63
	Nigeria	320	4.42*	36.81
	South Africa	71	4.66*	27.43
	Sub-region (SSAA)	541	4.41*	46.85

Notes: *T-test indicates that the response is significantly different from 3 (undecided) at 5% level of significance (1.96). Test value is equal to mean value minus 3 over standard deviation divide.

The findings from the table indicate that adequate and effective rules and laws that promote corporate governance of firms in Ghana are weak, as a result of low mean value of 1.70 and high T-test of –36.34. The respondents disagreed that there are adequate and effective rules and laws that promote corporate governance practice. This evidence may be due to out-dated Company law of 1963, Act 179 which many Ghanaian have found it out-dated and there is need of reform. Also, the power, resources and authority to enforce compliance with law and regulation and guideline of corporate governance by supervisory, regulatory and enforcement agencies have a mean value of 2.14 and the respondents disagreed with the statement. Although, presently there is no code of best practices of corporate governance in Ghana, there is a guideline for corporate governance practices but respondents believe that there is the need for a code of corporate governance practice.

The results indicate that adequate and effective law to promote corporate governance of firms in Nigeria has a mean 1.70. This suggests that for firms in Nigeria there is code of corporate governance practices and Companied Allied Matter Decree (CAMAD) 1990. However, there is a lack of proper implementation of CAMAD and Code of best corporate governance of firms. The respondents believe that rules and laws are not promoting sound corporate governance practice.

South African firms show the highest value of mean compared with Ghana and Nigeria. This result may be as a result of the past reforms carried out by South African government on corporate governance practices of firms such as the King Reports of corporate governance (1994, 2002). This Reports followed the international guidelines on corporate governance (norms) such as Cadbury report of UK and OECD guideline on corporate governance practices.

Table 4 Showing the descriptive statistic on role and responsibility of firm's boards of directors in SSAA countries

Variables	*Countries*	*N*	*Mean*	*T-stat.*
Corporate strategy (Q1)	Ghana	150	2.33*	–6.46
	Nigeria	320	4.13*	26.25
	South Africa	71	2.01*	–10.83
	Sub-region (SSAA)	541	3.04	0.69
Executive compensation (Q2)	Ghana	150	1.85*	–17.39
	Nigeria	320	1.82*	–31.51
	South Africa	71	1.72*	–13.48
	Sub-region (SSAA)	541	1.90*	–30.46
Board effectiveness (Q3)	Ghana	150	3.02	0.81
	Nigeria	320	3.45*	6.60
	South Africa	71	2.03*	11.68
	Sub-region (SSAA)	541	3.15*	2.68
	Ghana	150	3.34*	2.85
Financial reporting (Q4)	Nigeria	320	3.84*	13.79
	South Africa	71	2.17*	–9.20
	Sub-region (SSAA)	541	3.48*	8.59
Board transparency (Q5)	Ghana	150	3.70*	6.54
	Nigeria	320	3.92*	15.82
	South Africa	71	2.06*	11.48
	Sub-region (SSAA)	541	3.62*	11.63
Enforcement rules (Q6)	Ghana	150	2.84	–1.43
	Nigeria	320	3.64*	9.38
	South Africa	71	2.01*	–9.81
	Sub-region (SSAA)	541	3.21*	3.62
Board disclosure (Q7)	Ghana	150	3.97*	9.48
	Nigeria	320	4.08*	18.76
	South Africa	71	2.52*	–3.89
	Sub-region (SSAA)	541	3.84*	16.01
Board duality (Q8)	Ghana	150	4.49*	26.07
	Nigeria	320	4.48*	35.30
	South Africa	71	4.53*	19.83
	Sub-region (SSAA)	541	4.50*	48.86

Notes: *T-test indicates that the response is significantly different from 3 (undecided) at 5% level of significant (1.96). SD is shown as standard deviation for each of the statement in the survey questionnaire – T-test value is equal to mean value minus 3 over standard deviation divide by square root of the number ($\mu - 3/SD/\sqrt{n}$).

In Table 4, there is evidence that for Nigerian firms the corporate strategy variable has a higher T-test value and mean value. This indicates that the respondents believe that board members are not fully committed to reviewing and guiding corporate strategy. However,

in Ghanaian and South African firms the T-test and mean value are lower. This implies that the respondents indicate that there is more commitment for board members on corporate strategy in Ghanaian and South African firms.

In South African firms' issues of financial reporting (Q4), enforcement of rules (Q6), and board disclosure (Q7) has a lower mean value. This indicates that the respondents agree that the board members are committed to issues of financial reporting, enforcement of rules on corporate governance and disclosure in their firms.

3.9 Results of correlation analysis on the role and responsibility of firm's boards of directors

In this section, we provide the correlation analysis on role and responsibility of firm's board of directors and corporate governance system in term of rules and laws. The correlation analysis shows the strength and direction of the linear relationship between the variables. Thus, the tables illustrate the finding of the correlation analysis of the variables on role and responsibility of firm's directors' base on the SSAA region and for each country level.

At each country level, Table 6 column 1 indicates that in Ghanaian firms, executive compensation have negative significant correlations of –0.33 with corporate governance system in terms of rules and laws that promote corporate governance of firms in Ghana.

However, other variables for firm's role and responsibility of boards of directors such as board effectiveness, level of commitment of board to financially reporting system, board transparency and board enforcement of corporate governance have significant positive correlation with corporate governance system in terms of rules and laws that promote corporate governance of firms in Ghana. Also, board disclosure and board duality (separation between role and responsibility of Chairman and CEO) has significant positive correlation with corporate governance system in terms of rules and laws that promote corporate governance of firms in Ghana. This result suggests that the level of commitment of board members to executive compensation in Ghanaian firms does not have a direct relationship with rules and laws that promote corporate governance. This may likely be due to directors being only after the payment of their own compensation but issues of rules and laws of corporate governance are not of interest to them.

Table 7 column 1 illustrates that for firms in Nigeria the role and responsibility of board of directors such as level of commitment to boards disclosure and communication and board duality (separation between role and responsibility of chairman and CEO) have a negative significant correlation of –0.12 and –0.13 respectively with corporate governance system in terms of rules and laws that promote corporate governance of firm in Nigeria.

This result indicates that the level of supervision of board members to the process of disclosure and communication with firms in Nigeria is not having a direct effect on rules and laws that promote corporate governance practice. This may likely be due to the fact that the board members are less commitment to the supervision role and responsibility of disclosure and communication within their firms in Nigeria. Also, in Nigerian firms, although there may be separation between the role and responsibility of chairman and CEO (board duality) based on the finding in the above. However, the separation of power between roles of chairman and CEO (board duality) may not be well implemented in order in order to promote rules and laws of corporate governance practices.

Table 5 Correlation analysis on role and responsibility of firm's boards of directors in SSAA region

Variables	*Rules and laws (1)*	*Corpo. strategy (2)*	*Executive compen (3)*	*Board effective (4)*	*Board financial report (5)*	*Board trspy (6)*	*Enfment rules (7)*	*Board disc. (8)*	*Board dual (9)*
1 Rules and laws (Q8)	1								
2 Corporate strategy (Q1)	0.28**	1							
3 Executive compensation (Q2)	–0.59	0.13**	1						
4 Board effectiveness (Q3)	0.32**	0.53**	0.01	1					
5 Financial report (Q4)	0.36**	0.54**	0.03	0.56**	1				
6 Board transparency (Q5)	0.49**	0.45**	–0.06	0.54**	0.65**	1			
7 Enforcement rules (Q6)	0.33**	0.66**	0.23	0.66**	0.69**	0.53**	1		
8 Board disclosure (Q7)	0.45**	0.42**	–0.05	0.52**	0.65**	0.76**	0.56**	1	
9 Board duality (Q8)	–0.14	0.12**	–0.20**	0.21**	0.23**	0.27**	0.18**	0.30**	1

Notes: **Correlation is significant at the 0.01 level.
*Correlation is significant at the 0.05 level.

Table 6 Correlation analysis on role and responsibility of firm's boards of directors in Ghanaian firms

Variables	*Rules and laws (1)*	*Corpo. strategy (2)*	*Executive compen (3)*	*Board effective (4)*	*Board financial report (5)*	*Board trspy (6)*	*Enfment rules (7)*	*Board disc. (8)*	*Board dual (9)*
1 Rules and laws (Q8)	1								
2 Corporate strategy (Q1)	0.08	1							
3 Executive compensation (Q2)	–0.33**	0.22**	1						
4 Board effectiveness (Q3)	0.24**	0.30**	0.01	1					
5 Financial report (Q4)	0.31**	0.35**	0.03	0.39**	1				
6 Board transparency (Q5)	0.55**	0.14	–0.23**	0.44**	0.42**	1			
7 Enforcement rules (Q6)	0.20*	0.52**	–0.02	0.51**	0.67**	0.26**	1		
8 Board disclosure (Q7)	0.61**	0.11	–0.18*	0.42**	0.45**	0.73**	0.34**	1	
9 Board duality (Q8)	0.43**	0.29	–0.32**	0.24**	0.27**	0.39**	0.21*	0.35**	1

Notes: **Correlation is significant at the 0.01 level.
*Correlation is significant at the 0.05 level.

Table 7 Correlation analysis on role and responsibility of firm's boards of directors in Nigeria

Variables	*Rules and laws (1)*	*Corpo. strategy (2)*	*Executive compen (3)*	*Board effective (4)*	*Board financial report (5)*	*Board irspy (6)*	*Enfment rules (7)*	*Board disc. (8)*	*Board dual (9)*
1 Rules and laws (Q8)	1								
2 Corporate strategy (Q1)	0.02	1							
3 Executive compensation (Q2)	0.09	–0.08	1						
4 Board effectiveness (Q3)	0.09	0.17**	–0.55	1					
5 Financial report (Q4)	–0.02	0.11*	–0.20	0.53**	1				
6 Board transparency (Q5)	–0.07	0.13*	–0.10	0.48**	0.69**	1			
7 Enforcement rules (Q6)	0.02	0.20**	–0.07	0.67**	0.60**	0.54**	1		
8 Board disclosure (Q7)	–0.12*	0.09	–0.08	0.47**	0.68**	0.73**	0.61**	1	
9 Board duality (Q8)	–0.13*	0.10	–0.10	0.29**	0.34**	0.37**	0.29**	0.45**	1

Notes: **Correlation is significant at the 0.01 level.
*Correlation is significant at the 0.05 level.

Table 8 Correlation analysis on role and responsibility of firm's boards of directors in South Africa

Variables	*Rules and laws (1)*	*Corpo. strategy (2)*	*Executive compen (3)*	*Board effective (4)*	*Board financial report (5)*	*Board trspy (6)*	*Enfment rules (7)*	*Board disc. (8)*	*Board dual (9)*
1 Rules and laws (Q8)	1								
2 Corporate strategy (Q1)	0.11	1							
3 Executive compensation (Q2)	–0.13	0.59**	1						
4 Board effectiveness (Q3)	–0.11	0.48**	0.38**	1					
5 Financial report (Q4)	0.12	0.54**	0.34**	0.53**	1				
6 Board transparency (Q5)	0.17	0.40**	0.26*	0.38**	0.42**	1			
7 Enforcement rules (Q6)	0.30*	0.50**	0.17	0.43**	0.57**	0.55**	1		
8 Board disclosure (Q7)	0.15	0.44**	0.32**	0.32**	0.62**	0.33**	0.39**	1	
9 Board duality (Q8)	0.20	–0.30*	–0.39**	–0.29*	–0.30*	–0.23	–0.40**	–0.25*	1

Notes: **Correlation is significant at the 0.01 level
*Correlation is significant at the 0.05 level

Table 8 column 1 provides evidence that the level of monitoring and enforcement of corporate governance practices (board enforcement) has a significant positive correlation of 0.30 with rules and laws that promote corporate governance system of firms in South Africa.

This finding suggests that board members of firms in South Africa show more commitments on monitoring and enforcements of corporate governance practices and as a result, this have had a significant effect on promotion of laws and rules on corporate governance of firms in South Africa.

4 Analysis of data on role and responsibility of firm's boards of directors on governance system

This section provides empirical evidences on impact of the firm's board of director roles and responsibility on corporate governance system of firms. Table 9 reports the model estimate and results of the data analysis.

4.1 Results of the data analysis for effect of role and responsibility of firm's boards of directors on governance system

$$\begin{aligned} Total_cg = {} & \beta_0 + \beta_1(corp_strgy) + \beta_2(Exec_comp) + \beta_3(Bod_Eff) \\ & + \beta_4(Bod_Frept) + \beta_5(Bod_Trpy) + \beta_6(Bod_Enfm) \\ & + \beta_7(Bod_Disc) + \beta_8(Bod_Duality) + \beta_9(G) + \beta_{10}(N) \\ & + \beta_{11}(GR) + \beta_{12}(NR) + \mu_i \end{aligned}$$

The dependent variable is indicated as total effective corporate governance system which is represented by corporate governance system is the addition of all the items or variable under section B of the survey questionnaire. The independent variables are the role and responsibility of boards of directors which comprises level of commitment to corporate strategy (corporate strategy), adequate attention to executive compensation (executive compensation), effective committed to their responsibility (board effectiveness), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), level of concern to the integrity of companies financial reporting system (financial reporting system), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), supervision of process of disclosure and communication (board disclosure and communication) and separation between roles of chairman and CEO (board non-duality).

Table 9 OLS estimate on corporate governance system and role and responsibility of firm's boards of directors

Variables	*All observation for the countries (1)*	*All the countries with Ghana and Nigeria as dummy (2)*	*Ghana (3)*	*Nigeria (4)*	*South Africa (5)*
Intercept	12.63	17.01**	11.29**	13.30**	15.80**
	0.61	0.63	1.02	0.80	1.79
	(20.57)	(27.12)	(11.12)	(16.55)	(8.85)
Corporate strategy	–0.22**	–0.09	0.08	0.12	–0.46
	0.10	0.10	0.14	0.14	0.33
	(–2.18)	(–0.32)	(0.54)	(0.83)	(–1.40)
Executive compensation	0.18	0.06	–0.09	0.19	0.26
	0.12	0.10	0.20	0.16	0.29
	(1.41)	(0.63)	(–0.46)	(1.15)	(0.91)
Board effectiveness	0.20*	0.12	–0.02	0.31**	0.86**
	0.11	0.09	0.14	0.12	0.30
	(1.85)	(1.40)	(–0.11)	(2.58)	(2.82)
Financial reporting	–0.07	–0.13	0.01	–0.19	–0.45
	0.12	0.10	0.15	0.15	0.34
	(–0.56)	(–1.29)	(0.08)	(–1.25)	(–1.32)
Board transparency	0.57**	0.19*	0.09	0.09	0.02
	(0.13)	0.11	0.17	0.16	0.30
	(4.313)	(1.53)	(0.53)	(0.58)	(0.01)

Notes: The dependent variable is indicated as total effective corporate governance system which is represented by corporate governance system is the addition of all the items or variable under section B of the survey questionnaire. The independent variables are the role and responsibility of boards of directors which comprises level of commitment to corporate strategy (corporate strategy), adequate attention to executive compensation (executive compensation), effective committed to their responsibility (board effectiveness), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), level of concern to the integrity of companies financial reporting system (financial reporting system), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), supervision of process of disclosure and communication (board disclosure and communication) and separation between roles of chairman and chief executive officer (CEO) (board non-duality).

Countries dummies indicating if the sample is regulatory bodies and it is located in Ghana, Nigeria (reference category being South Africa there is a test for outliers in order to examine the robustness of the samples).

The numbers with significant level are coefficient value, while the middle numbers are the standard error and numbers in the parentheses refer to t-statistics.

F-statistic is significant at 1% and 5% critical value.

**Significant at 1% level.

*Significant at 5% level.

*Heteroskedasticity is corrected using White-adjusted standard errors.

Table 9 OLS estimate on corporate governance system and role and responsibility of firm's boards of directors (continued)

Variables	*All observation for the countries (1)*	*All the countries with Ghana and Nigeria as dummy (2)*	*Ghana (3)*	*Nigeria (4)*	*South Africa (5)*
Enforcement rules	0.03	0.08	–0.06	0.05	–0.36
	0.13	0.11	0.17	0.13	0.30
	(0.20)	(0.75)	(–0.36)	(0.36)	(–1.21)
Board disclosure	0.33**	0.09	0.60**	–0.36**	0.04
	0.14	0.11	0.17	0.17	0.21
	(2.44)	(0.83)	(3.47)	(–2.07)	(0.18)
Board duality	–0.64**	–0.23*	0.19	–0.27*	0.60**
	0.15	0.13	0.24	0.16	0.30
	(–4.26)	(–1.81)	(0.82)	(–1.72)	(1.99)
Regulator		0.60**			
		0.19			
		(3.07)			
Ghana		–5.04**			
		0.31			
		(–16.40)			
Nigeria		–3.59**			
		0.30			
		(–11.97)			
R-square	0.17	0.45	0.22	0.06	0.27
F-statistic	13.16	39.39	5.08	3.09	2.85
No. of observation	541	541	150	320	71

Notes: The dependent variable is indicated as total effective corporate governance system which is represented by corporate governance system is the addition of all the items or variable under section B of the survey questionnaire. The independent variables are the role and responsibility of boards of directors which comprises level of commitment to corporate strategy (corporate strategy), adequate attention to executive compensation (executive compensation), effective committed to their responsibility (board effectiveness), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), level of concern to the integrity of companies financial reporting system (financial reporting system), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), supervision of process of disclosure and communication (board disclosure and communication) and separation between roles of chairman and chief executive officer (CEO) (board non-duality).

Countries dummies indicating if the sample is regulatory bodies and it is located in Ghana, Nigeria (reference category being South Africa there is a test for outliers in order to examine the robustness of the samples).

The numbers with significant level are coefficient value, while the middle numbers are the standard error and numbers in the parentheses refer to t-statistics.

F-statistic is significant at 1% and 5% critical value.

**Significant at 1% level.

*Significant at 5% level.

*Heteroskedasticity is corrected using White-adjusted standard errors.

4.2 Summary of the finding on effect of role and responsibilities of the board of directors on corporate governance system

The key findings from Table 9 are based on the opinion of the respondents. This includes the following:

1 When there is transparent in board nomination and election process (Q5), this is likely to promote effective corporate governance practice in all the countries in the sub-region.

2 A possible interpretation is that although there is separation of role between chairman and CEO (Q8) this may hinder corporate governance practices. This may be due to incompetence and inefficiency of both chairman and CEO. This result is based on the perception of the respondents.

3 In Ghanaian firms board disclosure and communication (Q7) may enhance the promotion of effective corporate governance system within Ghanaian firms.

4 Board effectiveness (Q3) is likely to promote corporate governance system in Nigerian firms.

5 Board disclosure (Q7) and board duality (Q8) seem to hinder the promotion of effective corporate governance system in Nigerian firms.

6 Board effectiveness (Q3) and board duality (Q8) may improve corporate governance system in South Africa firms.

In conclusion from the above finding there is indication that the following matter as role and responsibilities of the board of directors;

1 Commitment of board members in ensuring a formal and transparency board nomination and election process (Q5) this is more likely to promote rules and laws for sound corporate governance practice.

2 Commitment of board members to disclosure and communication (Q7), and commitment to effective responsibility (Q3) these are likely to increase the quality of rules and laws that promote good corporate governance.

In Table 9 column 2, there is evidence that board transparency has a significant positive impact on corporate governance system with coefficient. However, board duality has a significant negative relationship with corporate governance system. This result is based on the perception of the respondents. In addition, the result of the estimate on regulators shows a positive significant relationship with corporate governance system.

The above results suggest that regulatory bodies for corporate governance of firms may likely promote good corporate governance system. Firms in Ghana and Nigeria have negatively significant with corporate governance system. This result implies that the role and responsibilities of the board of directors of firms in Ghana and Nigeria are less likely to promote corporate governance system in compared with the board of directors of South African firms.

Moreover, within the country, Table 9 column 3 illustrates that in Ghana firms' board supervision on disclosure and communication has a significant positive effect on corporate governance system. While in Nigerian firm as it show in column 4 board effectiveness has a positive significant with corporate governance system. Supervision on disclosure, communication and board effectiveness have a significant negative effect on corporate governance system. This finding suggests that the board of directors in Ghanaian firms is more concern on supervision process on disclosure and communication in their firms than that of Nigerian firms. Thus, board effectiveness to their responsibility is more pronounced within Nigerian firms. This may be due to various financial scandals that occurred recently in financial and non-financial firms in Nigeria.

There is a low value of R-square in the estimate for Nigeria. Other factors that can affect corporate governance system which are not discussed in this study could be responsible for the low value.

In the case of South African firms, board effectiveness and board duality have significant positive effect on corporate governance (see Table 9 column 5). This result implies that board members of firms in South Africa are more effective in carrying out their role and responsibility in order to promote good corporate governance practice. In addition, the separation between role and responsibility of the chairman and the CEO is likely to promote good corporate governance of firms in South Africa. This result is based on perception of the respondents.

4.3 Results of the effect of role and responsibility of firm's boards of directors on rules and laws of corporate governance

The corporate governance system in terms of rules and law operating in an environment through the regulatory bodies of corporate governance depend on the level of effectiveness of role and responsibility of firm's board of directors. This study use empirical analysis to shows role and responsibility of firm's board directors on corporate governance system; in term of rules and law. Below is the model estimate and Table 10 shows the results of the data analysis.

$$\begin{aligned} Rules_cg = {} & \beta_0 + \beta_1(corp_strgy) + \beta_2(Exec_comp) + \beta_3(Bod_Eff) \\ & + \beta_4(Bod_Frept) + \beta_5(Bod_Trpy) + \beta_6(Bod_Enfm) \\ & + \beta_7(Bod_Disc) + \beta_8(Bod_Duality) + \beta_9(G) + \beta_{10}(N) \\ & + \beta_{11}(GR) + \beta_{12}(NR) + \mu_i. \end{aligned}$$

Table 10 OLS estimate for rules and laws of corporate governance practice and role and responsibility of firm's boards of directors

Variables	*All observation for the countries (1)*	*All the countries with Ghana and Nigeria as dummy (2)*	*Ghana (3)*	*Nigeria (4)*	*South Africa (5)*
Intercept	1.72**	4.46**	1.70**	1.41**	3.52**
	0.27	0.26	0.48	0.27	0.69
	(6.47)	(16.92)	(3.55)	(5.32)	(5.10)
Corporate strategy	0.03	–0.01	0.07	0.01	–0.14
	0.44	0.04	0.07	0.05	0.13
	(0.76)	(–0.36)	(1.05)	(0.28)	(–1.13)
Executive compensation	–0.10*	–0.16**	–0.25**	0.08	0.23*
	0.05	0.04	0.10	0.05	0.11
	(–1.76)	(–3.71)	(–2.63)	(1.44)	(2.00)
Board effectiveness	0.03	0.01	–0.04	0.09**	0.25**
	0.05	0.04	0.06	0.04	0.12
	(0.60)	(0.32)	(–0.59)	(2.28)	(2.16)
Financial reporting	0.01	–0.03	0.03	0.03	0.00
	0.05	0.04	0.07	0.05	0.13
	(0.13)	(–0.59)	(0.45)	(0.64)	(0.01
Board transparency	0.31**	0.11**	0.11	–0.02	–0.08
	0.06	0.05	0.08	0.05	0.12
	(5.34)	(2.30)	(1.33)	(–0.27)	(–0.68)

Notes: The dependent variable is indicated as adequate and effective rule and laws that promote corporate governance items or variable under section B of the survey questionnaire. The independent variables are the role and responsibility of boards of directors which comprises level of commitment to corporate strategy (corporate strategy), adequate attention to executive compensation (executive compensation), effective committed to their responsibility (board effectiveness), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), level of concern to the integrity of companies financial reporting system (financial reporting system), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), supervision of process of disclosure and communication (board disclosure and communication) and separation between roles of chairman and chief executive officer (CEO) (board duality).

Countries dummies indicating if the sample is regulatory bodies and it is located in Ghana, Nigeria (reference category being South Africa there is a test for outliers in order to examine the robustness of the samples).

The numbers with significant level are coefficient value, while the middle numbers are the standard error and numbers in the parentheses refer to t-statistics.

F-Statistic is significant at 1% and 5% critical value.

**Significant at 1% level.

*Significant at 5% level.

*Heteroskedasticity is corrected using White-adjusted standard errors.

Table 10 OLS estimate for rules and laws of corporate governance practice and role and responsibility of firm's boards of directors (continued)

Variables	*All observation for the countries (1)*	*All the countries with Ghana and Nigeria as dummy (2)*	*Ghana (3)*	*Nigeria (4)*	*South Africa (5)*
Enforcement rules	0.03	0.03	–0.05	0.01	–0.15
	0.05	0.04	0.08	0.04	0.11
	(0.47)	(0.06)	(–0.61)	(0.32)	(–1.30)
Board disclosure	0.19**	0.12**	0.38**	–0.11*	–0.05
	0.06	0.05	0.08	0.06	0.08
	(3.25)	(2.48)	(4.62)	(–1.95)	(–0.59)
Board duality	–0.27**	–0.06	0.28**	–0.10*	0.20*
	0.07	0.05	0.11	0.05	0.12
	(–4.19)	(–1.07)	(2.50)	(–1.81)	(1.70)
Regulator		–0.00			
		0.08			
		(–0.05)			
Ghana		–1.96**			
		0.13			
		(15.04)			
Nigeria		–2.20**			
		0.13			
		(–17.32)			
R-square	0.28	0.55	0.47	0.06	0.23
F-statistic	26.13	63.73	15.41	2.54	2.36
No. of observation	541	541	150	320	71

Notes: The dependent variable is indicated as adequate and effective rule and laws that promote corporate governance items or variable under section B of the survey questionnaire. The independent variables are the role and responsibility of boards of directors which comprises level of commitment to corporate strategy (corporate strategy), adequate attention to executive compensation (executive compensation), effective committed to their responsibility (board effectiveness), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), level of concern to the integrity of companies financial reporting system (financial reporting system), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), supervision of process of disclosure and communication (board disclosure and communication) and separation between roles of chairman and chief executive officer (CEO) (board duality).

Countries dummies indicating if the sample is regulatory bodies and it is located in Ghana, Nigeria (reference category being South Africa there is a test for outliers in order to examine the robustness of the samples).

The numbers with significant level are coefficient value, while the middle numbers are the standard error and numbers in the parentheses refer to t-statistics.

F-Statistic is significant at 1% and 5% critical value.

**Significant at 1% level.

*Significant at 5% level.

*Heteroskedasticity is corrected using White-adjusted standard errors.

The dependent variable is indicated as adequate and effective rule and laws that promote corporate governance items or variable under section B of the survey questionnaire. The independent variables are the role and responsibility of boards of directors which comprises level of commitment to corporate strategy (corporate strategy), adequate attention to executive compensation (executive compensation), effective committed to their responsibility (board effectiveness), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), level of concern to the integrity of companies financial reporting system (financial reporting system), level of ensuring of a formal and transparent board nomination and election process (board transparency), level of concern about enforcement of corporate governance policy (enforcement of corporate governance policy), supervision of process of disclosure and communication (board disclosure and communication) and separation between roles of chairman and CEO (board duality).

4.4 Summary of rules and laws of corporate governance practice and role and responsibility of firm's boards of directors

The key findings from Table 10 are based on the opinion of the respondents. This includes the following:

1 In all the countries together, executive compensation (Q2) may deter rules and laws that promote effective corporate governance practices.

2 The board transparency (Q5) and board disclosure (Q7) are likely to enhance rules and laws that promote corporate governance practices.

3 Board disclosure (Q7) and board duality (Q8) have positive effect on rules and laws that promote sound corporate governance practices.

4 Board effectiveness (Q3) seems to increase the quality of rules and laws for effective corporate governance practices in Nigerian firms.

5 Board disclosure (Q7) and board duality (Q8) may inhibit the promotion of effective corporate governance system in Nigerian firms. This finding is based on the perception of the respondents.

6 In South African firms, there are evidence that executive compensation (Q2) is likely to enhance rules and laws that promote sound corporate governance practices.

In conclusion from the above finding there is indication that the following matter as role and responsibilities of the board of directors for sound corporate governance practice.

1 Commitment of board members in ensuring a formal and transparency board nomination and election process (Q5) can provide rules and laws that promote sound corporate governance.

2 Commitment of board members to disclosure and communication (Q7) may increase the quality of rules and laws that promote good corporate governance.

In Table 10 column 2, this study finds that executive compensation have negative effect on rules and law of corporate governance system. This result suggests that level of adequate attention of board members to executive compensation does not promote

effective corporate rules and laws on corporate governance. This seems to absence of executive compensation committee, this may give opportunity for the director to award themselves compensation and this is not good for interest of the shareholders.

In column 2 there is a positive relationship between board transparency, board disclosure and communication and rules and laws that promote corporate governance practices. The dummy variables which are proxies as Ghanaian and Nigerian firm have negative effects on rules and laws. This result implies that generally the role and responsibilities of firm's board of directors in Ghanaian and Nigerian firms do not provide effective rules and laws that promote corporate governance practice. This may be due to incompetency of the board of directors in both countries.

Moreover, Table 10 column 3 shows that in Ghanaian firms executive compensation is less likely to promote rules and laws, thus board disclosure, communication board and duality (separation between the roles and responsibility of chairman and CEO) are likely to promote rules and law of corporate governance. This result is based on opinion of the respondents.

In Nigerian firms, commitment of board to effective role and responsibility has influence on rules and law of corporate governance. However, board disclosure, communication board and duality (separation between the roles and responsibility of chairman and CEO) can deter rules and laws on corporate governance practice. This result is based on the perception of the respondents from the survey questionnaire used for this study.

In South African firms, executive compensation, effectiveness of board and duality may likely promote rules and law of corporate governance system.

5 Conclusions

This study examines the effect of role and responsibility of firms boards of directors in the corporate governance system. This study provides the empirical evidence in all the selected countries that the commitment of board to transparency in board nomination and election process improve corporate governance system. However, board duality (separation of role between the chairman and CEO) may hinder corporate governance practices. This finding may be due to incompetence and inefficiency of both the chairman and CEO. This evidence implies that there may be separation of roles and responsibilities between the chairman and CEO. However, this is less likely to promote good corporate governance practice. This result is based on the opinion of the respondents from the questionnaire.

The attention to executive compensation by board members has a negative influence on rules and laws of corporate governance of firms. This result seem to be regard as absence of an executive compensation committee and this may give opportunity for the directors to award themselves compensation which is not in the good interest of the shareholders.

In addition, there is evidence that commitment of board to transparency in board nomination and election process, board disclosure and communication increase the quality of rules and laws on corporate governance. These two variables have a positive significant effect on rules and laws of corporate governance, power and authority of the regulatory agencies of corporate governance. This result suggests that the formal and transparency board nomination election process, and board disclosure and

communication have more influence to promote sound corporate governance in term of rules and law and the power and authority of the regulatory agencies in the region.

Moreover, within each country we observe that for Ghanaian firms' commitment of the board members; to process of disclosure and communications have a positive effect on rules and laws of corporate governance practice. Also, we find that disclosure and communication has a significant positive relationship with power and authority of regulatory agencies. This result suggests that board of directors of firms in Ghana are more committed to the process of disclosure and communication and this may promote the power and authority of the regulatory agencies in Ghana. However, executive compensation is negatively associated with all the sub-variables of corporate governance system. This finding is consistent with the results when all the countries are taken into consideration.

Nevertheless, in South African firms' board effectiveness, executive compensation and board duality (separation between the role and responsibility of chairman) may strongly promote a sound corporate governance system. This finding may be due to introduction of King II and III Reports on code of corporate governance that lay more emphasis on issue of board of directors' effective role and responsibility, separation of role and responsibility between Chairman and CEO and executive compensation.

6 Recommendation

The recommendations stated below are reflection from the opinion or perception of the respondents from the survey questionnaire used for this study. We recommend that the role and responsibility of the boards of directors in the area of corporate strategy need to be improved by increasing the number and role of independent directors, which will see the development of corporate strategy as team work with themselves and management. They will all work together to make more valuable contributions toward better corporate strategy that will promote corporate governance system.

In addition, in Ghanaian and Nigerian firms the regulatory and supervisory bodies of corporate governance need to put emphasis on non-binding advisory vote by shareholders on executive compensation which is similar to UK firms. This can allow shareholders to express their opinion on executive compensation. Also, there is a need for more competent and efficient persons to act as either chairman/chairperson or CEOs of firms who are ready to make sure that their role and responsibilities will enhance good corporate governance practice. It is necessary to reform the Ghana Corporate Law of 1963 Act 179 which lay more emphasis on responsibilities of firm's boards of directors on financial reporting, disclosure and communication.

Furthermore, in all the selected countries together there is a need for more strengthening of the role and responsibility of firm's boards of directors and proper monitoring of the board members by regulatory and supervisory agencies. The shareholders need to have control over the boards of directors by using voting power and hold the board of directors for non-performance through shareholders activism. The shareholders can influence corporate behaviour through shareholders activism in order to exercise their rights as the owners of the firms. They should ensure that the board of directors are qualified for their positions, have a clear understanding of their role and are not subjected to undue influence.

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Appendix

Covering letter for survey questionnaire

Brunel University
London UK
School of Social Sciences
Department of Economics and Finance

A Covering Letter

Dear Respondent,

I am a PhD student at Brunel University London UK under the supervision of Professor Len Skerratt, a visiting Professor of Accounting and Finance Brunel University London UK.

This study will ask that you complete the survey questionnaire that is made up of section A to O (attached) which takes approximately 20–25 minutes to complete. Any information you provide will be kept strictly confidential and will not be attributed to you or organisation. The completed questionnaire response will be stored in a secure environment and the results will be used for only academic purposes.

If you have any question or concern about the study, please contact the researcher: Mr. Adeoye Afolabi, PhD student, Brunel University, School of Social Sciences, Department of Economic and Finance, London UB8 3PH, UK, Email: Adeoye.Afolabi@brunel.ac.uk, Adeoye.afolabi@yahoo.co.uk.

Your help would be greatly appreciated, thank you very much for your time and cooperation.

Consent

Would you like to have a copy of results of this study? Yes □ No □

If your answer is yes, please provide your e-mail address or postal address. Thank you for your participation

E-mail: Postal address:

Researcher Signature

Date

Cordially,

Adeoye Afolabi

Survey questionnaire

Section A:	Questions 1–7 are related to your background. Please mark (X) only one option.				
1	Gender:	Male □		Female □	
2	Occupation:	Legislator	□	Executive director	□
		Regulator	□	Non-executive director	□
		Academician	□	Company executive (CEO)	□
		Individual investor	□	Company employee	□
		Institutional investor	□	Judiciary or legal	□
		Accountant/auditor	□	Other (specify)	□
3	Years of experience in your occupation: ____ year				
4	Formal education:	Diploma/certificate	□	Bachelor degree	□
		Master degree	□	Doctoral degree	□
		Professional certificate/other	□		
5	Your location: ____				
6	How do you rate your knowledge on corporate governance of firms in your country				
		Low	□	Medium	□ High □
7	Type of firm:	Financial firm	□	Non-financial firm	□

Section B:	Statements 8–11 relate to your views on effectiveness of corporate governance practice. Please rate the extent to which you agree with each statement (X) according to the scale below. Please this applies to all sections.				
1 = strongly disagree	2 = disagree	3 = undecided	4 = agree	5 = strongly agree	
8	There are adequate and effective rules and laws that promote the practice of good corporate governance of firms in my country of operation.	1	2	3	4 5
9	The supervisory, regulatory and enforcement agencies have the power, resources and authority to enforce compliance with laws and regulations and guidelines on corporate governance in my country of operation.	1	2	3	4 5
10	A good legal system in my country of operation helps to improve the corporate governance of firms.	1	2	3	4 5
11	A well-organised legislature and sound regulatory and supervisory agencies in place promote good corporate governance.	1	2	3	4 5

Section C:	Statements 31–38 relate to your view regarding role and responsibility of board of directors.					
1	Board members are not fully committed to reviewing and guiding corporate strategy in your firm.	1	2	3	4	5
2	Board members of companies in your country do not pay adequate attention to executive compensation in your firm.	1	2	3	4	5
3	Board members of companies in your country are not effectively committed to their responsibility in your firm.	1	2	3	4	5
4	The board members often demonstrate a lack of concern as to the integrity of companies' financial reporting system of firm in your country.	1	2	3	4	5
5	Board members show lack of concern in ensuring a formal and transparent board nomination and election process in your firm.	1	2	3	4	5
6	In your firm of country operation, board members do not show concern about proper monitoring and enforcement of laws, rules and regulations of corporate governance practices.	1	2	3	4	5
7	Board members do not adequately supervise the process of disclosure and communication in your firm.	1	2	3	4	5
8	There is separation between the roles of the chairman and CEO of firms in your country.	1	2	3	4	5

Section D:	Statements 9 deal with any further comments.
9	Any further comments on issue of corporate governance of firms in your country