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Ownership and Control in Corporate Organisations in Developing Countries: Evidence from a Transition Economy

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Abstract
This study examines how internal governance structures in corporate organisations function in ensuring good corporate governance. It contributes to the extant art of knowledge by shedding light on how ownership and board control structures in corporate organisations operate to achieving good corporate governance in developing countries. Using interviews, observations and archival records, catholic and significant data is collected from four large quoted corporate organisations on the Ghana Stock Exchange for the analysis of the study. By linking the data to the theoretical propositions, the study reveals that these four corporate organisations are characterised by the presence of large shareholders and as a result, they tend to wield extensive control over the activities of the companies through their involvement in the decision-making processes. This sort of involvement by large shareholders in the decision-making processes of the companies is as a result of the incessant flow of information from the companies' management to them. However, whilst the presence of large shareholders has the tendency to solving the principal-agent problem, it poses challenges in regards to minority shareholders' interests in these corporate organisations. Small equity holders of the companies only rely on the minimum statutory disclosures in the annual reports of the companies and are always relegated to the background in times of information sharing. The study also highlights that boards of directors tend to exercise control over corporate organisations when majority shareholders stop interfering in their dealings. This implies that when major shareholders fully partake in corporate decision-making processes of companies, boards of directors seem to be sheer advisory bodies to management.
Keywords: Ownership control, Board control, Board of directors, Ownership structure, Corporate Governance, Ghana.

1. Introduction

Corporate governance has recently become a well-deliberated and disputatious subject matter in press (Larcker & Tayan, 2011) and management sciences. Accounting manipulations, unwarranted compensation packages, insider trading and other identified corporate let-downs that are generally considered as consequences of managerial wrongdoings in corporate organisations are virtually reported every day by the media. These managerial wrongdoings have largely occurred in developed economies-such as the United Kingdom, the United States, Japan and other Continental European countries-and for that matter it is incumbent on developing and transition economies to strive to ensure good corporate governance practices in their countries to obviate falling perniciously into such managerial catastrophe. In so doing, studies in regards to corporate governance practices in these economies are considered necessary and highly desirable in the sense that they can contribute immensely to the socio-economic development of these countries (McGee, 2009).

Studies on corporate governance in developing and transition economies form a minute proportion of studies in the management sciences across the length and breadth of the globe. But it is worth considering that corporate governance in recent times is gaining grounds in developing and transition economies. Boards of directors, shareholders, managers of corporate organisations, governments and other stakeholders in these economies have begun realizing the germaneness of having effective corporate governance system (McGee, 2009). Recent studies that have concentrated on developing and transition economies include researches of Shukeri, Shin and Shaari (2012), Ghabayen (2012), Amaral-Baptista, Klotzle and Campelo de Melo (2011), and Babatunde and Olaniran (2009). However, these studies have largely concentrated on developing and transition economies in Southern America and Asia, with insignificant amount focusing on African economies. For instance, Shukeri et al. (2012) study was conducted on 300 publicly-traded corporate organisations in Malaysia. Ghabayen (2012) study also concentrated on 102 firms in corporate organisations in Saudi Arabia. Amaral-Baptista et al. (2011) work focused on 121 publicly-quoted firms on the Sao Paulo Stock Exchange (BOVESPA), Brazil. With this concentration of substantial amount of studies on corporate governance in these continents and how good corporate governance practices can help increase stock price and make it quite easier for corporate entities in Africa to secure low-cost capital, there is indisputable rationalisation for carrying out corporate governance works in an African context.

Possessing the characteristics of other developing and transition economies, studies on corporate governance practice in Ghana are scanty, and aspects pertaining to how internal governance mechanisms in corporate organisations work have not, to the best of our knowledge, been appropriately dealt with. It is against this backdrop that this paper aims at filling this research lacuna by examining how shareholder and board control systems within corporate organisations function to ensuring effective corporate governance. The paper's research questions are twofold: 1) how does shareholder control lead to effective corporate governance; and 2) how does board control system within a corporate organisation lead to effective corporate governance.

The remainder of the paper is structured as follows: Section 2 addresses the paper's literature review and propositions. The study's methodology is presented in section 3. Section 4 highlights the findings of the cases. Finally, section 5 concludes the study.

2. Literature review and propositions

2.1 Ownership structure and shareholder control

Bebchuk (1999) contends that corporate systems that are characterised or not characterised by a controlling shareholder are distinctively critical in some ways. In corporate entities where ownership is fragmented, shareholder control leads to a struggle for superiority or victory between rivals in that a rival can seek to usurp control forcefully from the incumbent contrary to its (incumbent) will. Contrariwise, in corporations where ownership is concentrated, control is not contestable but instead it is 'fixed' in the sense that it is confined and cannot be obtained contrary to the will of the incumbent but through only negotiation with the incumbent (Bebchuck, 1999). There are arguments that the presence of controlling shareholders will permit minority shareholders to play a lesser role on how the corporate organisation is governed (Okpara, 2010). For instance, if a person holds 10 percent of the total stocks of a corporate organisation and the remainders are highly dispersed, it is pretty probable that he/she could exercise a certain level of influence in the corporate organisation. However, if the remaining equity holders of the corporate organisation include two block holders of 40 per cent each, then with their collusion, the 10 percent he/she holds would not possibly give him/her the kind of influence he/she desires. It is also expected that small shareholders' interests will be violated because of their role in the company. Berglof and Claessens (2004) in their study on corporate governance in developing economies found that large equity holders, with their control rights, are inclined to abuse minority equity holders in that there is a presence of weak legal protection to safeguard the interests of minority equity holders. However, with the role of large shareholders in controlling corporate organisations, all shareholders irrespective of their holdings, benefit. This is because shareholder control over the corporation's management induces corporate managers to gear corporate decision-making processes towards shareholder wealth maximisation. Although the presence of large shareholders in corporate organisations exposes minority shareholders to some disadvantages as mentioned above, minority shareholders also reap some advantages when corporate decision-making processes are geared towards shareholder value maximisation. Carlsson (2003) argues that when large chunks of stocks fall in the hands of a single individual or a small group of equity holders, there is an incentive on the part of these equity holders to monitor and control management painstakingly and enhance corporate efficiency. If the ownership structure at the initial stages is widely fragmented, the rise of a large equity holder will perhaps overcome the free-rider problem in monitoring and controlling management, and the rights of the largest equity holder can minimise its urge for expropriation and maximise incentives to pay out corporate dividends (Jensen & Meckling, 1976). Okpara (2010) also posits that equity holders who hold large number of stocks thus limit agency problem by having a sufficient number of stake to take a more active and effective interest in the corporate body. The implication is that these large equity holders have sufficient influence and ownership in dealing with their monitoring and controlling activities in corporate organisations that will eventually serve shareholder interest. Therefore, we propose that:

Proposition 1: Shareholders with large shareholdings exert shareholder control in a corporate body.

2.2 Board of directors and board Control

Bebchuk (1999) suggest that it is time that academics and business practitioners breathe life into the notion of the equity holder-controlled public corporate entities. But in a sharp contrast, Stout (2007) argues that since board control has both costs and benefits, the astuteness of Bebchuk's proposal to make it easy for equity holders to oust board of directors must be evidence-based. The author continues that empirical evidence strongly supports the claim that equity holders themselves usually prefer corporate entities with a very pungent and robust board control. And if that is the case, why then do observers still believe that there should be shareholder control at the expense of board control?

Stout (2007) argues that the expressive appeal of equity holder control can be traced to three main sources: a common but deceptive metaphor that considers equity holders as the owners of corporate entities; the opportunistic calls of activist equity holders in quest of leverage over board of directors for selfish gains; and a strong but a slur sense that something ought to be done in the wake of current corporate scandals. There are a lot of reasons why equity holders in public firms do have little to control boards and for that matter, corporations.
Firstly, the activities of board of directors benefit equity holders by carrying out a significant economic function. Perhaps, the most palpable is the promotion of a more efficient and well-informed business decision making. The reason is that it is difficult and more cumbersome to bring together thousands of dispersed equity holders to put forth their views on how to run the corporate entity. Also, given the illogical apathy most equity holders bring to the forth, should we anticipate that equity holder control will probably produce first-class outcomes? Corollary to this, most experts agree that board control offers significant advantages with regards to efficient and well-informed decision making in a firm.

Furthermore, the power of boards without a doubt serves equity holder interests by safeguarding them (equity holders) from each other. Stout (2007) contends that the risk that equity holders with large stocks might attempt to manipulate corporate decisions in a selfish way that harms other equity holders is rampant in closely held corporate entities. Harris and Raviv (2007) in examining equity holder control found out that some equity holders have different agendas other than value maximisation. More often than not, it has been claimed that large equity holders sometimes want to use corporate resources to promote a social or political agenda at the expense of value maximisation.

Therefore, equity holders can be exploited not only by corporate managers and board of directors, but also their fellow equity holders. Stout (2007) argues that equity holders face the risk of being exploited because stock is, counter-intuitively, and illiquid venture. If shareholders control corporate entities, at a lesser extent, some may try to use their influence in an opportunistic manner at the expense of other stakeholders. This is as a result of the capabilities on the part of equity holders to threaten other stakeholders' interests of the company. For instance, equity holders can raise earnings by demanding that, long-term employees should allow their health benefits to be reduced or risk being fired, or by requiring customers to buy additional software to make sure that they get continued customer assistance.

The discussion so far has pointed to the assertion that shareholders should not be the controlling force in a corporate entity and that it is incumbent on the board to ensure that it (board) exercises the full control function as proposed by Stout (2007). But one should bear in mind that not all boards are capable of ensuring effective and efficient board control to the benefit of its shareholders and other stakeholders. Castellini and Agyemang (2012) suggest four major ideas that would assist boards to effectively and efficiently exercise their control function: instituting audit committee (with well-qualified independent Non-Executive Directors), the establishment of remuneration committee (with well-qualified independent Non-Executive Directors), the non-duality structure, and effective and efficient board meetings.

Recent corporate scandals and frauds have necessitated the establishment of board audit committees in corporate organisations to help boards in accomplishing their fiduciary duties. With audit committees, boards of corporate organisations would be able to appraise the satisfactoriness of the resources for both internal and external audit functions and insure that their work strategies offer a satisfactory exposure of possible risk areas (Arguden, 2009). The membership of the audit committee must consist of individuals who have both the alacrity and capability to savvy complex concepts in accounting and auditing. Apart from such characteristics, board audit committee member-composition has become important issue in corporate governance debate. There is an argument that the inclusion of insiders on board audit committees does help audit committees in regards to their functionality.

Conger (2009) argues that the inclusion of insiders on audit committees offer an in-depth perspective on the corporate organisation. He further argues that insiders also offer a better source of information about corporate organisations, their operations as well as the environments in which they operate. Contrary to this argument, in their work on shareholder and board control systems, Agyemang and Castellini (2013) argue that the involvement of insiders on the audit committee would swing the balance of power between the board and management in support of the latter, resulting in management control over the activities of the board audit committee and degrading the aptitude of the audit committee to effectively and efficiently perform its functions. This implies that the membership composition of audit committees must only be made up of Non-executive directors who are independent of management. It is therefore expected that, instituting board audit committee

with well qualified independent non-executive directors as its members would ensure board effectiveness and consequently result in board control. We therefore, propose that:
Proposition 2a. Instituting an audit committee with well-qualified independent Non-Executive Directors, leads to an extensive board control in a corporate entity

The board remuneration committee is argued to be one of the cornerstone committees of the board. This committee is required to examine the overall remuneration structure of the corporate organisation to establish suitable incentive packages for corporate managers and employees alike. Many codes and principles of corporate governance around the globe suggest that there should be board remuneration committees in corporate organisations to insure that independent CEO evaluation and remuneration take place (OECD, 1999; 2004; CACG, 1999; Securities and Exchange Commission of Ghana's guidelines, 2010). Nevertheless, like the audit committee, the membership composition of this committee has also received attention in the current corporate governance debate. In Ghana, the 2010 Securities and Exchange Commission (SEC) Guidelines of Corporate Governance suggests that the remuneration committee should entirely consist of independent non-executive directors. The rationale behind this recommendation is that if executive directors become members of the committee, they may be biased towards the CEO, resulting in incentive packages that would one-sidedly enrich management to the detriment of equity holders (Agyemang & Castellini, 2013). Therefore, it is expected that, establishing a board remuneration committee with well-informed independent non-executive directors as its members would insure board effectiveness, which will finally lead to board control. We thus propose that:
Proposition 2b. Establishing a remuneration committee with well-qualified independent Non-Executive Directors, leads to an Extensive board control in a company.

The idea of a dual leadership structure was among the initial applications of the principal-agent theory. The emergence of leadership structure on boards has influenced how well boards are able to demonstrate their monitoring, sleuthing and controlling functions over corporate managers and corporate organisations (Lorsch, 2009). There is an argument that the non-duality structure produces a new stratum of agency cost and raises information transfer cost from the CEO to the Chairperson (Brickley, Coles & Jarrell, 1994). As long as the CEO controls the quality, quantity and timing of available information to directors, it is quite difficult for directors to be sure of getting what they really need for true independent supervision. Baliga, Moyer and Rao (1996), and Daily and Dalton (1997) argue that there is no dissimilarities in the financial performance between corporations with and without combined positions, describing them as either 'fussing about' or 'much ado about nothing'. Dalton and Dalton (2009) contend that the separation of these two roles does not necessarily indicate independence of the leadership structure. Their argument stems from the assertion that in most cases the person who is the 'separate' board chairperson is the former CEO of the firm. In some cases too this separate board chairperson is either the founder of the firm or former CEO of acquired or merged companies. The authors further argue that a single voice directing the company at the board level is the most efficient and effective form of leadership. In this situation, "there will be no parties and constituencies-internal and external- who will question who is in charge and who is accountable" (p. 83). The fundamental idea is that any subordinate or minor must be supervised by a single and clear-cut authority. For instance Mathew 6:24 state "no one can be a subordinate to two masters….." (Good News Bible, 2007).

However, there are also arguments that the principal-agent problem is intensified when an individual performs these two roles-CEO and board chairperson roles. The 2010 SEC Guidelines of Corporate Governance of Ghana and other corporate governance observers (Jensen, 1993; Millstein & McAvoy, 2003; Pease & McMillan, 1993; Castellini & Agyemang, 2012; Agyemang & Castellini, 2013) have argued that the roles of the chief executive officer and board chairperson - the two most important roles in corporate organisations-should be performed by different persons. The chairperson of a corporate organisation cannot serve as the chief executive officer since the CEO is the leader of the company's management and the chairperson is the principal overseer of the board, which includes the chief executive officer. Iskander and Chamlou (2000) argue that the combination of the two roles will definitely lead to moral hazard. Also, if the chairperson is the chief executive officer, there can be the presence of real conflict "when the tie-breaking vote is cast" (Iskander & Chamlou, 2000, p.103). In Ghana, the 2010 SEC Guidelines of Corporate Governance considers the non-duality structure as a conduit of enhancing board effectiveness in regards to board control, which eventually leads to good corporate governance. It is expected that the non-duality structure leads to board effectiveness in Ghana. Therefore, we propose that:
Proposition *2c. The non-duality structure leads to board control in a company.*

Board meetings vary across corporate organisations. The number of board meetings in corporate organisations becomes higher in times of crises than in normal settings. Huse (2007) contends that the time-span of board

meetings is considered as one of the principal constraints of board effectiveness. He argues further that longer meetings may allow board of directors to deliberate and rummage strategic issues of corporate organisations. Also, frequent meetings will possibly aid board members to get abreast with emerging issues in corporate organisations. Nevertheless, these meetings have to be effective and efficient in a manner that will inform directors about the emerging issues of the corporate organisation and how they are to be addressed (Agyemang & Castellini, 2013). Meeting times have to be properly and efficiently utilised to offer the required and suitable information, to permit in-depth discussions. Agyemang and Castellini (2013) argue that for board members to effectively perform their fiduciary duties and responsibilities to the benefit of the corporate organisation, they should be fully informed about all the major developments in the organisation. The authors continue that when board members are furnished with the right information at the right time, they would be able to play their roles effectively, which will eventually result in board effectiveness. The principles of corporate governance of the OECD (1999; 2004) and the 2010 SEC Guidelines of Corporate Governance of Ghana stress on the significance of providing information to directors when the need arises. This implies that timeliness and adequacy of information to board of directors can help them to effectively and efficiently deliberate on strategic issues of the corporate organisation. It is therefore reasonable that effective and efficient board meetings would enhance board effectiveness and thus lead to board control. Thus we propose that:
Proposition 2d. Effective and efficient board meetings lead to an extensive board control in a firm.

3. Methodology

The study employed a qualitative case study research approach to gather data from the four corporate organisations and was steered by a case study protocol. Following Rowley (2002) the case study protocol encompassed the study's overview, clarification of the aim of the research and field procedures such as the application of diverse sources of data and how they were accessed. It also specified other data sources -such as the companies' yearly reports, observations at the annual general meetings of the companies- and procedures for ensuring research quality. The protocol assisted the researchers to spell out in detail how the study's questions were to be answered. In all, 42 individuals were interviewed to elicit catholic and substantial information on how internal governance structures function in the corporations. The study's respondents included chief executive officers, board chairpersons, non-executive directors, corporate secretaries, officials of Ghana Stock Exchange (GSE) and Securities and Exchange Commission of Ghana, institutional representatives, shareholders, and past executives and non-executives of the corporate organisations. The inclusion of past executives and non-executives in this research was to get hold of additional insight into how the internal governance structures in these companies worked in the past.

The various interviews were tape recorded and transcribed immediately after each session. Following Miles and Huberman (1994) as well as Ravasi and Zattoni (2006), transcriptions were supported by contact summary sheets and interview notes. Although interviews were substantially carried out in English language, some were also carried out in Akan language (one of the local languages in Ghana). However, during the writing stage, the quotations from the interviews in the Akan language were translated into English. In order to ensure uniformity in the data collection procedure across all levels, all interviews were conducted by the researchers. In addition, textual data in the form of prospectuses, extracts from internal files, annual reports and circular to shareholders aided the researchers in narrating historical backgrounds of the companies. Direct observation was employed to help the researchers to have direct experience with how the companies organized their annual meetings. It aided the researchers to ascertain how votes were conducted during annual meetings, how decisions were taken, how minority equity holders were permitted to ask questions, how directors were elected, how directors reacted to questions from minority equity holders vis-à-vis questions from majority equity holders and other gamut of actions. The multi-approach data collection was used to enhance data credibility, offer triangulation among the techniques and maximize the sequence of available information to the researchers (Yin, 2009).

Case study analysis, more often than not, entails in-depth case write-ups for each case (Eisenhardt, 1989). These detailed write-ups are normally pure descriptions but they are vital to the development of the capacity of individuals to establish the true nature of a situation (Gersick cited in Eisenhardt, 1989). McNulty, Zattoni and Douglas (2013, p. 188) suggest that "corporate governance is a complex multi-level phenomenon and research can be developed along different levels of analyzes". Accordingly, this study relied on the constructed theoretical propositions and the development of a case description for its analyses. With this strategy, there was a descriptive framework for organizing the case study while following the propositions. In order to ensure anonymity, the names of the corporate organisations used in this study were pseudonyms to enhance easy reading.

4. Results

Case A: Quality Commercial Bank (QCB)

The ownership structure of the company

QCB was established in 1953 and was first recognised as the Bank of the Gold Coast. After the country's independence in 1957, it was renamed, Quality Commercial Bank. The bank was solely owned by the state until 1996 when under the privatisation programme, the then government decided to divest some of the state's holdings. Currently, the holdings of the state stand at 21.36%, while individuals and institutional holdings add up to 78.6%. Social Security and Insurance Trust (SSNIT) holds 29.81% of the entire shares of the company. But it is interesting to note that although SSNIT's holdings are supposed to be independent of the state, the appointments of top management officials by the government have made the state to interfere and control the holdings of SSNIT. Therefore, with the combination of the state's holdings and that of SSNIT, the state becomes the majority shareholder with 51.17% of the total shares of the company. The listing of the company on the GSE has made it to issue 265,000,000 shares to 96,805 individual shareholders. Other current minority shareholders are: BBGN Northern Trust COAVFC 6314B (6.68%), Daniel Ofori (3.32%), SCBN/ PICTET Africa Non Tax 6275J (1.65%) and GCB Staff Provident Fund (1.13%). As at 2011, the bank's market capitalisation stood at GH₵ 72,000,000 (equivalent to 32,000,000 USD).

Shareholder control

Essentially, there are two noteworthy structures upon which shareholders of QCB exercise their controlling prowess over the firm. These are annual general meetings and the incessant influence over decision-making processes of the company by the state (ie. the majority shareholder). With the merger of the holdings of the Ministry of Finance and Economic Planning and that of SSNIT's, the state becomes majority stockholder of QCB. Consequently, the state has been wielding control over the firm through its appointment of key individuals of the company. The state also has direct contact with these important people (ie. the Managing director/Chief Executive Officer and the Board Chairman). Influence over decision-making processes or procedures including voting control, effortless access to information as well as direct involvement in the management of the company, are pertinent ways of control available to the state. The government does not wait for decisions to be taken at the annual general meetings of the company or the minimum disclosures obligated by law to exert its control or influence over the company. This is because; it can depend on the incessant delivery of information by the management of QCB to it (ie. the government). These provisions have created a platform that makes the government/state to have access to all relevant information and decisions that arise at QCB. The participation of the state in the operations combines QCB's governance system with its management duties. The minority shareholders, unlike the state, have access to defined information, which are available in the minimum statutory disclosures required by law.

Board of Directors

GCB has nine members on its board. Out of this, nine are non-executive directors. The company's directors consist of current and retired senior officers and academics. The board chairman is an academic with extensive experience in economic policy analysis and economic reform mechanisms. Other members include former Director and Head of Human Resource Department of the central bank of Ghana, a business executive, Deputy Minister of Finance and Economic Planning, Investment banker, a lawyer, the current Director for Regulatory Administration Division of the National Communication Authority (NCA), a chartered accountant by profession, the managing director of the company, the company's secretary and two deputy managing directors in charge of operations and finance. The positions of the board chairperson and the managing director of the company have been separated. In regards to appointment, directors are selected through a process that is politically motivated. This implies that the government, which functions as majority shareholder, virtually appoints its party apologists to the board. This leaves no room for minority shareholders to have a say in the appointment of directors to the company's board. This was manifested during the company's annual meeting in 2012, when minority shareholders raised an issue about the criterion upon which the Deputy Minister of Finance and Economic Planning was nominated for approval. This issue created tension in the sense that the board chairperson had to come in to convince these aggrieved minority shareholders, but in the end, he was not able to give proper explanation to them. However, at the end of the annual general meeting, the board was able to maneuver its way to get the Minister approved. The board is required by the governance regulations of the company to meet four times in a year, but can be increased when circumstances demand. For instance, in 2010, the board met 73 times. The board is appropriately furnished with all relatable information of the company before board discussions. With respect to board committees, the board of QCB has instituted two important board committees-the audit and remuneration board committees. These committees are chaired by non-executive directors as required by law. The committees are required to meet quarterly, but in peculiar situations, they can meet more than what is specified. For example, the audit committee met ten times in 2010.

Board Control

The board of QCB does not have the right to hire or dismiss the managing director without prior approval by the government. The company's board can only offer advice to the government if it holds the notion that the managing director is not up to task. Although the board remuneration committee of the company sets the remuneration package of the managing director, this package has to be approved by the government prior to its implementation. This implies that the government wields all the controlling activities of the board thus leaving the board to play an advisory role in the company. Even though the board has established some mechanisms to evaluate the performance of the managing director, such mechanism has been found as unnecessary in the sense that the government through its own evaluation mechanism conducts its own assessment on the basis of the unremitting information sent to it by the management of QCB. The only control activity that the board undertakes is by discussing and approving corporate strategies of the company. However, during the interview, it was revealed that even after the approval of these strategies, the board still has to seek the consent of the government before they are executed.

CASE B: QT BANK (QT)

The ownership structure of QT

QT bank was established as a financial organisation in 1997 under the name QT financial services. It was formerly called QT financial services limited. It was listed on the Ghana Stock Exchange in 2008. Currently, the company has issued 456,310,181 shares to 9,858 shareholders. QT holdings limited is the majority shareholder with 61.1% of the entire shares of the company. Other equity holders of the bank include JPMC Africa Capitalization Fund Ltd (10.14%), International Finance Corporation (10.14%), Investec Premier Funds Pcc Ltd. Africa Fund (3.73%), Investec Assets MGT PTY (2.11%), Duet Africa Opportunities Fund IC (1.47%), Kura Africa Fund (1.37%) and so on. As at 2011, the company's market capitalisation stood at GH₵85,275,000 (which is equivalent to 42,637,500 USD).

Ownership control

Unlike the previous case where the majority shareholder is able to absolutely wield control over the company, the rules and regulations governing the very existence of QT bank have set a limit to the extent to which a single equity holder can exercise control over the company through the board of directors. The company has ensured that every shareholder who holds at least 5% of the entire shares of the company is entitled to be a board member or select a representative to the board. However, the majority shareholder of the company has the propensity to exercise a certain degree of influence over the company's decision-making processes as compared to other shareholders who have representatives on the board. This became evident when the CEO of the company revealed such kind of influence the company's largest shareholder wields in the decision-making processes of the company during an interview session. Inasmuch as QT holdings limited (which is the majority shareholder) has a certain degree of influence over the decision-making processes of the bank, it normally gets access to vitally important information about the operations of the bank. This implies that QT holdings limited always gets hold of relevant information about the company before they are disseminated to other shareholders. With the exception of other shareholders who are represented on the board, the bank's minority shareholders, more often than not, rely on the company's annual general meetings to access information about the company since they cannot directly get them from the board of directors of the bank.

Board of directors

Currently, QT bank has six board directors of whom four (4) are non-executive directors. The executive directors include the company's chief executive officer and his deputy. The company's directors are made up of business professionals in fields such as insurance, accountancy, management, investment and so on. The company's founding fathers also sit on the board. These two individuals are on the board not because of the role they played in the company's establishment, but by virtue of their equity capital holdings in the company. The rules and regulations governing the company itemizes that any shareholder who holds at least 5% of the total equity capital of the company does qualify to be a board member or to appoint a representative on the board. The roles of the chief executive officer and the board chairperson of the company have been split. However, this schism of roles in this corporate entity is considered as power-sharing between the two founders of the company, as opposed to considering it as an attempt to initiate checks and balances. In regards to board meetings, the board of the bank meets four times in a year as required by the company's rules and regulations, but can be increased when there is a need. For instance, in 2011, the board met six times. Aside the various reports that management of the company makes available to board members, the agenda for board meetings are sent to members twenty-one days prior to board meetings. The amount of information that board members receive from the company's management provide a source for board members to wield control over the decision-making processes of the company. One of the non-executive directors in an interview had the following to say:

> The various reports I have been receiving from the company's management are more detailed and informative, a situation that is different when I was serving as a board member in a company, I reserve to mention. With these reports, I always get the opportunity to painstakingly scrutinise them, which then help me make sound and proactive suggestions during board meetings.

The board has established audit and remuneration committees. These committees are entirely made up of non-executive directors. Both committees are made up of three non-executive directors. They are supposed to meet quarterly as stipulated by the company's code of business ethics, but can be increased if situations call for it.

Board control

The board of directors of QT bank performs all activities that are related to the control functions of the board. It has the authority to replace or dismiss the CEO for non-performance. The board always determines the sort of information it needs from management to carry out its functions in an appropriate manner. Through the remuneration committee, the board decides and approves the remuneration packages of the CEO and other top management officials of the bank. In terms of the bank's corporate strategies, the board discusses and approves every strategy of the bank. Furthermore, the board's remuneration committee has established formal evaluation mechanisms to evaluate the activities of the CEO, individual board members and the board in general. The audit committee through its work helps the board to make sure that the company complies with the existing laws (for instance, the generally accepted accounting and auditing principles that are spelt out by the Institute of Chartered Accountants, Ghana) regarding the operations of the company.

CASE C: KINGS BREWERY LIMITED (KBL)

The ownership structure of KBL

Kings Brewery Limited (KBL) is the oldest brewing company in West Africa. It was formally called overseas breweries limited. In 1975, the state-controlled locally registered company called Kings Brewery limited acquired the assets of overseas brewery limited. Twenty-years later, the state decided to sell out its stocks in the company as a result of the privatisation programme the then government undertook. Consequently, SABMiller plc purchased the majority of the company's shares thus making SABMiller plc the majority shareholder with 69.20% of the entire stocks of the company. Other shareholders of the company are Social Security and National Insurance Trust (SSNIT) (11.13%), Ziga Investment Company (1.23%), StarLife Assurance Company Ltd. (0.77%), Accra Brewery Ltd. Employees Trust (0.76%), Epack Investment Fund (0.59%), Databank Brokerage Ltd. (0.56%), HOTZ (0.15%), Merban Stockbrokers Portfolio (0.12%), Kwaku Okyere and Company Ltd. (0.08%). Star Assurance Company Ltd. (0.07%), Unique Trust Financial Services (0.07%) and the general public (5.67%).

Shareholder control

Through the majority holdings of the entire shares of KBL, SABMiller plc exercises shareholder control over the operations of the company. SABMiller's easy access to vital information, its influence over decision-making processes and direct participation in the administration and operations of the company allow it to exercise extensive control over the company. SABMiller plc does not depend on the minimum disclosures required by law or the company's annual meetings to get access to important governance information in the company. It always relies on the available information the management of the company makes available to it upon request. The reports from company's management to SABMiller plc involve germane operational matters such as cash positions, product quality, and sale targets. These reports are provided to SABMiller on a daily, weekly, monthly and yearly basis. This implies that KBL annual general meetings are mere statutory requirement and perhaps, serve more as a platform for other shareholders to get hold of what actually is going on in their company. The participation of SABMiller plc in the operations of the company combines KBL governance system with its management duties. Other shareholders, unlike the SABMiller plc, have access to defined information, which are available in the minimum mandatory information required by law.

Board of directors

The board of directors of KBL is made up of four (4) directors. The composition of the board mirrors the ownership structure of the corporate entity. Three of the directors are non-executive directors with vast experience in the brewing industry as well as in their areas of specialty. In regards to director appointment, members of KBL's board are selected through a procedure designed by SABMiller plc. This implies that individuals who serve on KBL's board are appointed by SABMiller plc. The leadership structure of the board takes the form of the non-duality structure. This means that the position of the board chairperson has been separated from the position of the managing director of the company. Board meetings are required to be held four times per annum but it can be increased when circumstances demand. For instance meetings can be increased to deal with issues that are urgent without waiting for formal meetings. For formal meetings, members of the board are informed twenty-one days prior to their commencements. Board members are also served with information about the management and operations of the company at least a week before board meetings. In terms of committees, the board has only established an audit committee to appraise both the operational and financial activities of the corporate entity. The board's audit committee is made up of four members of whom three are non-executive directors. This committee is chaired by an executive of SABMiller plc. This implies that the activities of the committee are influenced by SABMiller through the chairperson of the committee.

Board control

The decision to hire or fire KBL's managing director cannot be carried out by the company's board. The only thing the board can do is to offer an advice to the management of SABMiller plc if it holds the notion that the managing director is not performing as expected of him. The remuneration packages of the managing director and other top management officials of the company are not determined by the board but SABMiller plc. More so, there are no explicit evaluation measures that have been instituted by the board to evaluate the performances of the managing director, individual directors and the board as a whole. However, such evaluations are also conducted by SABMiller plc on the basis of the regular reports that are provided by the management of the company to it. In conclusion, SABMiller plc performs all the control activities within the company thus leaving the board as an advisory body to the management of the company.

CASE D: CHARTERED INSURANCE COMPANY (CIC)

The ownership structure of CIC

Chartered Insurance Company (CIC) is among the non-life insurance corporate entities that are in operation in Ghana. It was established in 1955 and was first called Gold Coast Insurance Company. In 1957, its name was changed to Ghana Insurance Company. The company was incorporated by an Executive Instrument (E.I) No. 17 as Chartered Insurance Corporation in February, 1962. In 1995, under the government's privatisation programme, the company became a limited liability entity. Consequently, individuals and institutional capital providers acquired equity capital of the company. Currently, the government/state holds 40% of the entire shares of the company. Interestingly, SSNIT, which is a state-controlled institution, also holds 11.291% of the company's shares. The common deduction that can be drawn with regards to the holdings of SSNIT is that since it is a state-controlled institution, the government has control over its holdings in CIC. Therefore, the combination of the shares of SSNIT and that of the government makes the state/government, the majority shareholder with 51.291% of the entire equity capital of CIC. Other shareholders of CIC are STD Nom. TVL (Pty) Ltd. /Standard Bank Plc clients A/C (3.592%), Ghana Reinsurance Company Limited (3.408%), SIC Life Company Limited (1.704%), BBGN/BBH Cust DZ Bank Int. S.A. Lux-Silk FD-African Lion FD GH (1.647%), BBGN/Barclays Maur. Re. Deut Africa Opportunity Fund (1.621%), SIC- FSL/SIC Provident Fund (1.608%), BBGN/Barclays Maur. Re. Renaissance African Master Fund (1.442%), BBGN/JP Morgan Chase Onshore 6178C (1.124%), BBGN/PICTET Africa Non Tax 6257J (1.048%), Ghana Commercial Bank Limited (1.022%), Teachers' Fund (0.852%), Dr. Kofi Amoah (0.767%), STD Nom. TVL (Pty) Ltd./Standard Bank Plc clients A/C (0.559%), BBGN/Barclays Maur. Re. AIG Sub-Sah. Africa Master Fund (0.511%), BBGN/Barclays Maur. Re. Renaissance African Market Fund (0.434%), Ghana Cocoa Company Limited (0.421%), STD Nom. TVL (Pty) Ltd./Metlife Classic Fund (0.314%) and the general populace consisting of about 80,00 who owns small numbers of shares (26.14%). As at 2011, the market capitalization of CIC stood at GH₵2,500,000 (which is equivalent to 1,250,000 USD).

Shareholder control

The government exercises absolute control in the affairs of the company. Anytime the government requires any form of information about the company, the company's management does not hesitate to provide. Monthly, quarterly and yearly reports are made available to the government upon request. Usually, the management of CIC requires government's approval before major decisions can be made in the company. More so, the government always has access to key individuals-such as the board's chairperson and the managing director-of the company. The government has the discretionary power to summon the board chairperson and the managing director to ponder on matters in relation to the company's performance and the way forward. The government, through its council of state/advisory group selects these key people within the company. For example, in 2009, the present government, with its greater influence, reconstituted the board with its political apologists. The methods in which agendas are set and how annual meetings are held minimize the influence of minority shareholders over the company's affairs. The company's annual general meeting in 2011 raised some criticisms from the minority shareholders. One minority shareholder in an interview said that:

> The manner in which the agenda for the meeting has been prepared is such that a number of essential elements have been mislaid in order not to allow us [shareholders] to get hold of important issues within the company. This is to furnish management the necessary platform to cover up information.

This assertion implies that minority shareholders of the company can only be furnished with the required information they need if and only if the management of the company so wishes.

Board of directors

Presently, CIC has nine board members of whom eight are non-executive directors. The only executive member on the board is the managing director of the company. Members of the board are made up of business magnates, a chartered accountant, an actuary, an economist, a financial analyst, an engineer, a lawyer and a medical practitioner. The government through the council of state/advisory body selects the members who constitute the company's board. This implies that the company's board is largely, if not entirely, made up of the loyalists of the government. Even though the composition of the board is political, the government through the council of state appoints well-qualified and competent individuals to the company's board. This appointment procedure makes the board independent of the company's management. The positions of the board chairperson and that of the managing director of the company have been divided. More so, the board meets quarterly and this can be increased as and when the need arises. Members are always furnished with the necessary and sufficient information about the firm four weeks prior to board meetings by the company's management. This then gives members sufficient time to scrutinise and examine those reports before board meetings. With respect to committees, the board has only instituted an audit committee, which functions as a monitoring mechanism to financial and accounting issues in the company. It meets four times a year but it can be increased if circumstances require. The audit committee of CIC constitutes four (4) non-executive directors and it is required that at any given period, at least two (2) of these members must be financially inclined.

Board control

The power to hire or dismiss the company's managing director is vested in the government. The company's board can only advice the government to either fire or boot out the managing director when the board finds out that the managing director is not performing satisfactorily. A typical example occurred in 2012 where the managing director was asked by the government to step aside from an advice given to it (ie. the government) by the board. The reason behind this decision was no properly communicated to other shareholders of the company thus making them to get disappointed. The other shareholders exhibited their displeasure during the company's annual general meeting in 2012. They needed an explanation from the company's board as to why the company's managing director was relieved of his post. However, the board was reluctant to give the required explanation to them in regards to the action the government took. This unwillingness of the board to furnish the other shareholders the needed explanation, made some of them to walk out of the meeting. The simple explanation that was given to the researchers by one of those shareholders who walked out of the meeting was that:

> I walked out of the meeting with an idea that, the board would be compelled to give an explanation, but as you witnessed, the board was still hesitant. ……I do not consider our board as a credible or dependable board. A board, which does not want minority shareholders to know exactly what goes on in the company in which they have a stake in….Oh my God!! I have regretted investing in such a company. Today this, tomorrow that. What at all do they [board members] do? Perhaps it is not their fault since there is a big hand [the government] that instructs them to serve its interest. What I mean is, all of them [board members] are government appointees and they are being compelled to serve the government's interest. Everything is political….. There is something fishy somewhere and we [minority shareholders] need to know.

The above statement by the minority shareholder demonstrates that the board of CIC does not possess the power to dismiss or fire the company's managing director unless it is given the 'green light' by the government to do so. Although the board determines the remuneration package of the managing director, it has to be always assented by the government. The implication is that without the government's approval, there is no way the board can implement such plan. Moreover, the board through its audit committee has put in place some mechanisms to assess the performances of the managing director, board members and the board. However, such evaluation is not effective in the sense that the government implicitly evaluates the performances of the managing director, individual directors and the board through the frequent reports made available to it by the company's management.

4.1Recapitulation of the findings

This paper laid out how both the ownership and board control systems work in four publicly-quoted corporate organisations in Ghana. Table 1 below sets out a compendium of the observable facts that were highlighted in this paper.

Table 1: The governance practice and observable facts of the study

Governance practice	The observable facts
Ownership Structure	The government holds 51.17% and 51.291% of the shares of QCB and CIC respectively. These holdings by the government in these companies make it the majority shareholder. With respect to QT bank, QT holdings limited holds 61.1% of the company's total shares thus making it the majority shareholder. SABMiller plc holds 61.1% of the entire equity capital of KBL therefore, making it the majority equity holder.
Shareholder control	Large shareholders of these four companies wield extensive control over their management. In the case of QCB, KBL and CIC, their majority shareholders appoint key individuals such as the board chairperson and the chief executive officer. As a result of these appointments, majority shareholders have access to these key individuals in these companies. In regards to QT, even though the majority shareholder does not appoint such individuals, it still has access to these key personalities in the company. With the exception of QT where the majority shareholder cannot fire or replace the CEO, majority shareholders of the other three companies have the power to fire or replace their CEOs. In all four companies, majority shareholders always get hold of important information about their companies before they are provided to other shareholders. Other shareholders of these companies always have to rely on the annual general meetings of the companies and the minimum disclosures mandated by law to get access to information.
Board of directors	In all four companies, non-executive directors constitute the majority of their boards. Also, the positions of the chief executives and the board chairmen have been split. Board meetings are organized as recommended by law and the companies' rules and regulations. Members get hold of required information in time prior to board meetings. Furthermore, all the companies have audit committees. With the exception of KBL, all the members of the audit committees are non-executive directors. QCB and QT have established board remuneration committees with non-executive directors as their members. KBL and CIC have not established board remuneration committees.
Board control	With the exception of QT where its board performs all the controlling activities (ie. hiring and firing the CEO, and setting up the CEO's remuneration package), the boards of the other three organisations only function as advisory bodies to the company. The three boards function as agents of their controlling equity holders. Also, in these three organisations, the appointment and replacement of their chief executive officers are done by the controlling shareholders. The controlling shareholders in these three organisations play decisive role in setting up the remuneration packages of the CEOs.

5. Confirmation of propositions

The findings reveal that, all four organisations investigated have large controlling shareholders. These controlling shareholders are important mechanisms in driving good governance in these organisations. This means that Proposition 1, which states that: *Shareholders with larger shares exert shareholder control in a company* is verified in all four corporate organisations.

In terms of a formal audit committee, the findings indicate that all four organisations have established a board audit committees with non-executive directors as their members. However, the observable facts also reveal that, there is a relationship between a board audit committee and board control in only one organisation. This means that Proposition 2a, which states: *Instituting a board audit committee with independent directors, leads to board control in an organisatio*n is verified in one organisation and not verified in the other three.

The findings of a board remuneration committee show that two of the four organisations investigated have established a remuneration committee. In spite of this, a relationship between a board remuneration committee and board control does exist in only one of these two organisations. This implies that, Proposition 2b, which states: *Setting up a board remuneration committee with independent directors, leads to board control* is confirmed in one organisation and not confirmed in the other three.

With regards to the leadership structure, the observable facts depict that the positions of the Chief Executive Officer and that of the Chairperson have been separated in all four organisations. However, the relationship between this separation and board control was not realised. This means that, Proposition 2c, which states: *The non-duality structure with independent chairperson results in board control* is not confirmed in all four corporate organisations.

With respect to board meetings, the observable facts depict that, elements of effective and efficient board meetings are in existence in all four organisations. However, the connection between effective and efficient board meetings, and board control was only realised in one organisation. This implies that, Proposition 2d, which states: *An effective and efficient board meetings result in an extensive board control* is verified in one organisation and not verified in the other three.

6. Discussion

From the study's analyses, it can be deduced that there is a presence of ownership concentration in all four companies. Each company has a single equity holder that holds more than 50% of its total shares. This ownership concentration reflects the historical developments that keep shaping corporate governance practice in Ghana. The ownership structures of KBL, QCB and CIC reflect the country's privatisation policy in the 1990s. The QT bank was established after the reforms and its ownership structure reflects the sources of fund used for its establishment. Its establishment was funded by QT holdings, which is now the majority shareholder of the bank. This ownership characteristic is not limited to these four organisations, but to most companies that are listed on the Ghana Stock Exchange (Agyemang & Castellini, 2013). This is consistent with the findings of Berglof and Claessens (2004) that most companies in the developing and transition economies are characterized by ownership concentration.

As a result of the presence of ownership concentration in all four companies, large shareholders tend to wield control over the activities of the companies through their participation in the decision-making processes. This kind of participation is only made possible through the incessant flow of information from the management of the companies to them (ie. large shareholders). For instance, whilst small or minority shareholders always depend on the minimum statutory disclosure in the companies' audited annual reports and unaudited reports, large shareholders of these companies get access to information upon request. These large shareholders have access to key individuals (such as the CEOs and the board chairmen) in these companies. This level of accessibility makes these large shareholders to have influence on these key individuals and the companies in general. The influential role of the large shareholders in these organisations comes to light during the annual general meetings of the companies. For instance, when major decisions that need stockholders' approval are to be subject to voting, large shareholders usually determine the voting outcome.

The extensive control these large shareholders have on the activities of these organisations has been considered and positively regarded by the regulatory bodies of Ghana (ie. the SEC and GSE). This is as a result of the poor enforcement of rules and regulations in regards to corporate governance practice in Ghana thus allowing large shareholders to safeguard their investments. This implies that large shareholders serve as a substitute for legal protection by ensuring investor protection in Ghana. This finding is supported by the assertion of La Porta, Lopez-de-Silanes, Shleifer and Vishny (1997) that the presence of ownership concentration serves as a substitute for legal protection for economies that are characterized by weak investor-protection. In an interview with an official of the SEC, this was what he said:

> Since companies in developed countries are well-supervised, they have the tendency to perform well. This situation is different from developing contries' experience.

> This is because, our companies are poorly supervised. And for that matter, it is incumbent on these controlling shareholders to supervise their companies in order to put them on track so that they can perform well. Until we started enforcing our laws, we should not attempt to oppose this kind of occurrence.

This submission is in line with the assertion that in times of unpredictable or weak enforcement of legal and regulatory framework, shareholders do not anticipate that their interests will be safeguarded through lawful channels and hence they do take a more direct involvement in governance oversight, either via better rights offered through charters and bylaws, or via direct representation on companies' boards (Larcker & Tayan, 2011). The study's analyses also portray that in the case of QT bank, board members/directors carry out all activities in relation to the control function of the board: taking decisions in terms of hiring and disciplining the CEO; replacing the CEO in case of mismanagement; discussing and approving the company's strategies, determining the type of information they need from management; and setting up the CEOs compensation package. In the other three cases of QCB, CIC and KBL, board members have limited control over the activities of the organisations. The only control activity that members carry out is to discuss and approve corporate strategies in these three organisations. But these discussions of corporate strategies are not for the purpose of exerting board control over the activities of management. They rather provide board members the opportunity to offer advice to management on how the set goals can be realised. This result is consistent with the findings of Coles, Daniel and Naveen (2008), Adams and Ferreira (2007), Adam and Mehran (2003), and Agrawal and Knoeber (2001).

With respect to a formal assessment of the activities of the chief executive officer, the board and individual board members, it was observed that, directors of QCB, CIC and KBL perform an implicit assessment of their chief executive officers/ Managing directors. The levels of assessment of boards of directors of GCB, SIC and ABL differ from that of QT bank in that, directors of QCB, CIC and KBL do conduct such assessments only when they are discussing and approving corporate strategies of these organisations. In the case of QT bank, the board performs its controlling function without any interference from the controlling shareholders.

In QCB, CIC and KBL, the control function of directors has been replaced by the controlling prowess of their controlling shareholders. This is in line with the assertion of Roe (2003) that, when a controlling shareholder exerts an extensive control over the activities of management, it leaves little room for the board to exercise its control function. Although the controlling shareholders of QCB, CIC and KBL exercise control over the activities of the company, they (ie. the controlling shareholders) leave room for directors to exert a certain level of control as witnessed through their involvement in discussing and approving of corporate strategies.

7. Conclusion

The paper examined how shareholder and board control systems work within corporate organisations to ensuring effective corporate governance. A defensible qualitative case study approach was applied to gather the required information needed for the study's analyses. The use of interviews, observations and archival records to gather data from four corporate organisations listed on the Ghana Stock Exchange offered the study catholic and significant information for its analyses. The study reveals that shareholders with significant amounts of shares in companies wield panoptic control over the companies. This implies that shareholder control is vital determining factor to ensuring effective corporate governance in Ghana. Although the presence of these major shareholders has the tendency to solving the agency problems in these companies, it creates problem in relation to minority shareholders' interests. Also, the findings illuminate that boards of directors tend to wield control over corporate organisations when majority shareholders stop interfering in their dealings. This implies that when major shareholders fully partake in corporate decision-making processes of companies, boards of directors seem to be sheer advisory bodies to management.

On the basis of these findings, the study recommends the following: Firstly, minority shareholders have to be protected. And this essentially requires that the implementation of the existing rules and regulations regarding corporate governance in Ghana should be fully realised. It also requires a simultaneous execution of other strategies such as the gaining of greater access to corporate information by minority shareholders, constant revision of the extant regulatory framework of corporate governance and educating minority stockholders. The availability of important governance information to minority shareholders will enable them to challenge corporate managers and major shareholders which will eventually obviate a potential diversion of corporate assets. Secondly, since gender diversity has recently become an important issue in corporate governance discourse; corporate organisations should critically look at it. Although this study did not take into consideration the number of women who sit on boards of corporate organisations in Ghana, in the course of the study, it was evidenced that women were significantly under-represented on boards of all four cases investigated. It is argued that since managerial talent is consistently fragmented across men and women, limiting boards to predominantly include men-if not them only-gets rid of an equally qualified talented group in our societies (Larcker & Tayan, 2011). This means that the representation of women on corporate boards might positively influence board activities thus leading to board control. For instance, women representation on corporate boards can improve board independence by minimizing social differences that can compromise boards' independence. Also, women would probably demonstrate higher levels of credibility and teamwork than their counterparts, hence enhancing boardroom discussions. As a result of the benefits that corporations can possibly derive from women representation on their boards, future studies can focus on how women-participation on boards of corporate organisations can help improve board activities.

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