Corporate Governance Practices in Ghanaian Family Businesses: A Conceptual Framework

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1.0 Abstract

Family businesses are an often overlooked form of business ownership in today's world, yet they are all around us. This means that families owns a significant share of businesses and can influence important decisions in today's businesses, particularly the election of the chairman and chief executive officer.

Today family business has become an important component of every economy as an organizational form, and played a critical role to promote the growth of a country's economy. However, as they grow, these family businesses face the same challenges and pressures as any major corporation. To thrive, they must remain ahead of the competition through innovation, build strong relations with suppliers, develop a profound understanding of their customers, adopt good corporate governance practices and skilfully navigate through market changes. Corporate governance has dominated policy agenda in developed market economies for more than three decades, and it is gradually worming its way to the top of the policy agenda on the African continent and other developing economies.

Developing countries like Ghana are increasingly embracing the concept of good corporate governance however, the emphasis on corporate governance, however, has largely been on the bigger enterprises.

This paper examines the state of the Ghanaian corporate governance environment and the nature of the governance system employed by Ghanaian family businesses. The paper underlines why it is important to examine corporate governance and attempt to understand the point of view from the subjects' perspective, due to the complex social situations that exist in the family businesses. This approach may stands valid for countries having similar corporate environment.

Key words: Corporate governance, family governance, family business and culture.

Paper type – Conceptual paper

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1.0 Introduction

Family businesses are one of the foundations of the world's business community. Their creation, growth and longevity are critical to the success of the global economy. Although facing many of the same day-to-day management issues as publicly-owned companies, they must also manage many issues specific to their status on order to grow. They represent a prevalent and prominent form of enterprise in the economic and social landscape (Ward, J.L 1998). Some researchers estimate that, today, family-owned businesses comprise over 95% of all business establishments worldwide (Litz R.A. 1995). Studies in the United States, Canada, Europe, Australia, and Latin America suggest that family firms account for the majority of the businesses and have a major impact on the growth of the national economies (Poutziouris, P. et al.1997; Lank, A. R. et al. 1994).

As family businesses are among the most important contributors to wealth and employment creation in virtually every country of the world, their state of governance is a cause for concern. Until recently, the study of corporate governance in family business has been a largely neglected area of research (Neubauer & Lank, 1998). However, recently, investigations into the governance of family businesses have become more numerous (Fahed-Sreih, 2009). The notion of corporate governance defines a combination of relationships between stakeholders, mainly composed of a company's management, its board and its shareholders to improve organizational efficiency and market competitiveness (Gompers et al., 2003).

In order therefore for family businesses to offer greater transparency to the principal stakeholders, corporate governance should be achieved through main corporate governance elements such as board supervision, auditing process and financial disclosure as well as institutional and societal arrangements. In view of this, the question of governance of family businesses has therefore catapulted to prominence in recent years and in each context the growth of interest stems from the sense that there has been a governance crisis.

Approached to the issue of corporate governance are deeply influenced by the historical, political, industrial, social and cultural contexts of a country (Hua et al., 2006). These contextual elements are relevant for efficient economic governance as they help in reducing the uncertainties associated with economic transactions. Under these contextual elements, corporate governance therefore varies across countries (Lubatkin et al., 2005). Personalized and relational aspects govern corporate governance in the Asian business context, while arm's length rules are followed in the western corporate governance context (Carney and Gedajlovic, 2001).

The Corporate governance literature affirms that corporate governance is one of the important factors influencing performance (Morck et al., 1988, Emmons and Schmid, 1999, Gompers et al. 2001, Severin, 2001, Drobetz et al., 2004, Klapper and Love, 2004, Brown and Caylor, 2006, Bistrova and Lace, 2011, Walls et al., 2012). There are many different features describing corporate governance system, in each Country. Differences regard, mainly, stage of economic development, country's legal tradition (common or civil law), development of stock market, capital and ownership structure and business practices.

Milgrom and Roberts (1992) starts with recognition that organization matters and corporate governance matters, and asserts that survival and prosperity of any organization depends on how to tackle the critical matter of coordination and motivation inside organization. In recent years academics and professionals have shown increasing interest in the study of corporate

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governance which enhances our knowledge of how corporate governance influences firm's management, strategies and performance. Corporate governance can be defined as the system by which companies are directed and controlled (Cadbury, 1999). So, it centers on the configuration of control mechanisms that attempts to limit problems arising from potential conflict of interest between the different participants in the firm, managers, shareholders, employees, creditors, etc.

2.0 Background

Since independence in the 1960s, African leaders, with few exceptions, have attributed almost every malaise to external agents. They blame local systems of governance on excessive state intervention and corruption. In Ghana, when a Government or minister appoints someone to be chief executive officer, they continue to expect that chief executive officer to take management decisions upon their instructions or with their prior approval. Sometimes, even the board chairman alone, in some instances, can override the chief executive officer on operational matters. This is a deep and worrisome problem, and has been at the root of the failure of our state-owned enterprises since the 1960s. (H. Kwasi Prempeh, 2004). It is the opinion of the researcher that for the economy and private sectors to take root, there must be a sound underpinning of institutions, good laws and regulations, as well as policies and good governance.

The primary objective is to determine the nature of the governance system employed by Ghanaian family businesses in ensuring that all company assets, resources and actions are directed at, and controlled in the achievement of established company objectives and are accounted for to all legitimate stakeholders.

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Corporate governance allows firms to prepare for their pending initial public offering. For example, in Ghana early introduction of corporate governance would prepare a family business well enough - even before it gets listed under the provisional listing regime. The existence of a board will induce rapid growth strategies in the family business for rapid profits; this will at a point require the firm going public for larger finances. This will complement efforts by the Ghana Stock Exchange to encourage listing by family businesses on the market. Thus the transition from a small to medium and finally large company will be smoothly aided by an effective corporate control system.

Today, the scope of family businesses has expanded to include some of the world's largest companies and their economic weight remains massive. In all markets, family-owned businesses form the bulk of the economy and in terms of numbers of individual enterprises they account for a significant proportion of GDP in their markets. Small and Medium Scale Enterprises (SMEs) in Ghana, which are mostly family businesses, have been noted to provide about 85% of manufacturing employment of Ghana. They are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana. Agbor and Quarter (2010) describe them as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. Even in the developed industrial economies, it is the small family businesses rather than the multinationals that are the largest employer of workers (Mullineux, 1997).

3.0 What is Family Business?

The question whether a firm is a family business or not, has been a matter of concern from the very beginning of family business research (Peter 2005). Family firms have been defined on the basis of different family characteristics (Castro & Casasola, 2011), levels of family involvement (Astrachan and Shanker, 2003) and others family firms dimensions. Chua et al. (1999) defines a business to be a family business which pursues a certain business vision held by a dominant alliance controlled by family members or a small number of families in a manner that it is sustainable over a period through family generations.

However, it must be stated here that a review of the literature reveals a long list of elements used by numerous authors to define what a family business is (Lansberg, 1999; Habbershon and Williams, 1999; Litz, 1995; Donckels and Fröhlich, 1991; Barry, 1989; Handler, 1989; Lansberg *et al*., 1988). In line with these definitions, Donnelly, however, defines a family firm as a company that:

> *"has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family. Such a relationship is indicated when one or more of the following conditions exist:*
>
> - *family relationship is a factor, among others, in determining management succession;*
> - *wives or sons of present or former chief executives are on the board of directors;*
> - *the important institutional values of the firm are identified with a family, either in formal company publications or in the informal traditions of the organization;*
> - *the actions of a family member reflect on or are thought to reflect on the reputation of the enterprise, regardless of his formal connection to the management;*
> - *the relatives involved feel obligated to hold the company stock for more than purely financial reasons, especially when losses are involved;*
> - *the position of the family member in the firm influences his standing in the family;*
> - *a family member must come to terms with his relationship to the enterprise in determining his own career. (Donnelly, 1964, p. 94)"*

Donnelly's definition covers two interacting dimensions of the family business, i.e. the family and the firm. The understanding here is that to function properly, a business family may benefit from effective *family governance*, while the business may benefit from *corporate governance*. The primary focus will be on corporate governance, but without neglecting family governance.

It must be stated here that the literature continues to have difficulty constructing common shared criteria to distinguish family business from non-family business (Handler, 1989). Although family firms have been defined in several ways (Ward 1987; Ward and Aronoff, 1990; Kircho and Kircho, 1987), from Donnelley 91964) to today's family business definitions (e.g. Pearson *et al*., 2008), the term "family" remains in convergence from diverging definitions. The only differentiation people can make between a regular company and a family business is the term "family" (Krappe, Goutas and Schlippe, 2011).

In all family businesses, the potential for conflicts increases. For this reason, corporate governance in family firms should include processes, principles, structures and relationships

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that resolve (role) conflicts in order to help the family to realise their particular visions, goals and objectives (Melin and Nordqvist, 2000). The emphasis is on the family's actual exercise of their power and influence over the firm inherent from their status as controlling shareholders. Habbershon *et al.* (2001) make explicit the visions, goals and objectives in terms of *transgenerational wealth creation* and call those families *enterprising families*. The vision of the family directs the business so as to maximise the potential wealth of current and future generations of family members.

Since there is no consensus of opinion about the concept of what family business is, we can find certain common elements in the definitions within the literature to conclude on what they are. Behind many of those conceptualisations, there is, either implicitly or explicitly, the idea of family influence or control over a business, basically in two forms, ownership and management (Neubauer and Lank, 1998). Consequently, the key to understanding the behaviour of these organisations lies in the interaction of the two different sub-systems, family and business, and its effect on the actions of all those involved.

Therefore, the uniqueness of family businesses is rooted in the fact that the intra-organizational relationships are based on family ties and the intention is that those ties will last (Litz, 1995). So, what makes a family business unique is the influence of a family group on the ownership, governance, management and succession, as well as on objectives, strategies, firm structure and the way in which these are formulated, designed and implemented (Chua et al., 1999).

Family firms are the leading form of business enterprises in the world (Peng and Jiang, 2011) including the United States where eighty five percent of all businesses are family owned (Yu, 2001). Family firms have a prominent place in Asia. For instance, it is reported that family firms account 99.9 present of all firm in the private sector in India (Iyer, 1999). Similarly, family firms dominate the Ghanaian business environment and have been noted to provide about 85% of manufacturing employment of Ghana (Aryeetey, 2001; Steel and Webster, 1991) and they also account for about 92 per cent of businesses in Ghana. Family businesses in Ghana have an important role to play in spurring economic growth given that they represent a vast portion of the businesses in the economy. The issue of their governance is of critical significance given the important role they play in the Ghanaian economy. Family businesses or Small and Medium scale Enterprises have been noted to make major contributions to employment generation, GDP and reduction of poverty in Ghana (Steel and Webster, 1991, Kayanula and Quartey, 2000, Aryeetey, 2001). The lack of proper governance mechanisms have been attributed for the failure of state owned enterprises in Ghana. This phenomenon may well cripple the effective development and growth of family businesses as well in Ghana. It is important then for proper management of this sector to ensure enhanced performance. A study of corporate governance issues in the Ghanaian family business sector is therefore a relevant research area.

As family businesses expand from their entrepreneurial beginnings, they face unique performance and governance challenges. The generations that follow the founder, for example, may insist on running the company even though they are not suited for the job. And as the number of family shareholders increases exponentially generation by generation, with few actually working in the business, the commitment to carry on as owners can't be taken for granted. To be successful as both the company and the family, a family business must meet two intertwined challenges: achieving strong business performance and keeping the family committed to be capable of carrying on as the owner. Five dimensions of activity must therefore work well and in synchrony: harmonious relations within the family and an understanding of how it should be involved with the business, an ownership structure that

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provides sufficient capital for growth while allowing the family to control key parts of the business, strong governance of the company and a dynamic business portfolio, professional management of the family's wealth, and charitable foundations to promote family values across generations (Christian C. *et al* 2010)

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Family businesses represent over 90% of private business and contribute to more than 50% of employment and of GDP in most African countries (UNIDO, 1999). Small enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment of Ghana (Steel and Webster, 1991; Aryeetey, 2001). SMEs are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana.

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4.0 What is Corporate Governance?

Presently, academics and professionals have shown increasing interest in the study of corporate governance which enhances our knowledge of how corporate governance influences firm's management, strategies and performance. By definition corporate governance may be seen as the system by which companies are directed and controlled (Cadbury, 1999). It centres on the configuration of control mechanisms that attempts to limit problems arising from potential conflict of interest between the different participants in the firm, managers, shareholders, employees, creditors, etc.

According to the revised principles of corporate governance of OECD (2004), corporate governance is defined as a framework to coordinate the relationship between shareholders, board of directors, managers and other stakeholders. Specifically, corporate governance is divisible into: corporate governance structure and corporate governance process. Governance structures, which include ownership structure and board structure, are intended to discipline the behavior of corporate governance actors (owners, directors and executive management). Governance processes refer to the interaction of governance actors based on governance structures. Hence, governance structures influence the effectiveness of governance process and ultimately the firm performance. Evidence from the literature suggest that, good governance generates investor goodwill and confidence. For example, Gompers et al. (2003) stated that, where there is good corporate governance it increases the firm's valuations and boosts the bottom line. Claessens et al. (2002) also maintain that better corporate frameworks benefit firms through greater access to financing, lower cost of capital, better performance and more favourable treatment of all stakeholders.

Corporate governance has dominated policy agenda in developed market economies for more than two decades, and it is gradually worming its way to the top of the policy agenda on the African continent. The Asian crisis and the relative poor performance of the corporate sector in sub-Saharan Africa have made corporate governance a catchphrase in the development debate (Berglof and von Thadden, 1999).

Traditionally, corporate governance has been associated with larger companies and the existence of the agency problem. This agency problem arises as a result of the relationships between shareholders and managers. It comes about when members of an organisation have conflicts of interest within the firm. This is mainly due to the separation between ownership and control of the firm. It is therefore tempting to believe that corporate governance would not apply to SMEs or family businesses since the agency problems are less likely to exist. In many instances, SMEs are made up of only the owner who is the sole proprietor and manager (Hart, 1995). Basically, family businesses tend to have a less pronounced separation of ownership and management than larger firms.

It has been identified, by many writers that governance have a positive influence on a business's performance (Bebchuk and Cohen, 2004; Bebchuk, Cohen and Ferrell, 2004; Kyereboah-Coleman and Biepke, 2006a; Kyereboah-Coleman and Biekpe, 2006b; Kyereboah-Coleman and Biekpe 2006c) and that poorly governed firms are expected to be less profitable, have more bankruptcy risks, lower valuations and pay out less to their shareholders. Others argue that weak corporate governance does not only lead to poor firm performance and risky financing patterns, but are also conducive to macroeconomic crises.

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5.0 Why Corporate Governance is crucial for Family Firms

Increasing growth and globalisation has brought many challenges for family businesses and many of these challenges can be tackled by adopting sound corporate governance systems (Gulzar and Wang 2010). As the family firm expand, the relationship between the owners, managers and employees becomes more complex. To be able to handle such issues, a good corporate governance system put in place the right policies to manage such a complexity.

Corporate governance creates a solid organisational structure that clarifies roles, reporting lines and delegation of responsibility. It also draws the line between ownership and management and separate policy direction from the day-to-day running of the company.

Also successful family businesses are the result of years of hard work and dedication and there is the need to ensure that leadership transition does not disrupt the company's growth (Gatamah, 2008). To pass on this success to the next generation, corporate governance needs to be made part of the family firm's culture so that there would be clear policies for the selection of the right family member to take over. It would also provide clear guidelines for employing family or non-family members and an impartial performance-based promotion of employees which is essential to the sustainability of the business.

A solid governance systems helps to resolve conflicts within the family setting thereby allowing the family members to focus on other key issues of the business. This would invariably lead to an open decision making and procedures that ensures farness, an essential tool in avoiding tension and thereby raising the reputation of the company.

6.0 Governance Practices in Ghanaian family businesses

In looking at the definitions of what a family is, the concept implies certain links based on relationships of trust. This reduces the costs of running the enterprise because it lowers the costs of supervision while providing a safeguard against opportunist behaviour and may form the basis of moral integrity (Aronoff and Ward, 1995). Trust may provide a competitive advantage to organisations that base their governance mechanisms on it (Hosmer, 1995; Cabrera-Suarez et al., 2001; Steier, 2001). However, the evolution of family businesses and the accompanying changes in the relationships of those involved in the different sub-systems may damage that trust. Thus, succession in the form of a sibling partnership or a cousin consortium (Ward, 1987, 1991) will be linked to changes in the patterns of interrelationships in the families, which may weaken that trust and make it necessary to invest in governance mechanisms in the family area in order to strengthen it (Gersick et al., 1997; Steier, 2001).

In the light of the above, it is therefore necessary in family businesses to examine, apart from the elements of corporate governance, the role of the owner family in firm governance since it is precisely that family element that differentiates these organisations from any other business form. Family governance can be defined as the set of institutions and mechanisms whose aim is to order the relationships occurring within the family context and between the family and the business. These mechanisms may be both formal and informal and will vary over time in line with stage of ownership and the life cycle of the firm and the family (Gersick et al., 1997; Neubauer and Lank, 1998; Carlock and Ward, 2001). As the family passes through the evolutionary stages these family governance matures into a more formal system through the application of corporate governances principles.

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Corporate governance has widely been used in advanced countries with many developing countries grappling with the concept. It has been realized that good corporate governance is vital for enhanced firm performance and sustained productivity at the micro level. This will, thus, inevitably trickle up to the macro level through the multiplier effect.

Corporate governance is one of the most effective tools to reduce the incidence of corruption, especially in the corporate sector. Corporate governance is concerned with process, systems, practices and procedures that govern institutions, the manner in which these rules and regulations are applied and followed, the relationships that those rules and regulations determine or create, and the nature of these relationships.

Good governance is not a characteristic of the Ghanaian corporate sector and the economy as a whole. The emergence of globalization and its implications have compelled businesses in Ghana to apply scientific methods to be able to compete globally. The will of individuals to strive for excellence and to eschew mediocrity has promoted some level of competition in the corporate environment.

Ghana, like other developing countries, is progressively embracing the concept of good corporate governance because of the numerous benefits associated with it. A critical look through both the private and public sectors in Ghana reveals that corporate governance is not a new concept and has its origins in the ancient traditional set-ups where elders of households are entrusted with family and community resources as stewards to which they account when called upon to do so. However, it has rather assumed greater prominence in recent times because it is a vital element in improving economic efficiency, and it is considered a powerful micro-policy instrument for a change in transitional economies such as Ghana. Thus, both the public and private sectors are practising some aspects of it.

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Corporate Governance practices can safeguards against corruption and mismanagement while promoting fundamental values of a market economy in a democratic society. Some democratic values include accountability, transparency, and rule of law, responsibility and property rights. Some principles of Corporate Governance, that will help the firm to grow, include; the rights of shareholders and key ownership function, the equitable treatment of shareholders, and disclosure and transparency. Recent studies show that institutions such as the Institute of Directors (IoD), the Private Enterprise Foundation (PEF), State Enterprise Commission, and Securities Exchange Commission are all involved in promoting good corporate governance in Ghana.

Corporate Governance in the world has received both increased attention and scrutiny in the 21st century, after a series of financial reporting and corporate governance scandals such as Lehman Brothers, WorldCom and Tyco shook the US securities markets and more recently with the collapse of Bear Stearns that set off a serious global financial crisis. In Ghana, the cases of Pyram, Bank for Housing and Construction and the CAL Bank raised alarm on the regulatory frameworks practiced in Ghana.

7.0 The Regulatory framework of Corporate Governance in Ghana

Being a former British colony, Ghana inherited the English common law system from their colonial masters, Britain. Ghanaian corporate governance system follows the Anglo American model. The company law that regulates the activities of corporate bodies is based on this model of corporate governance. The Ghanaian regulatory framework with regard to corporate governance comprises the Ghana Companies Code 1963 (Act 179), the Securities Industry Law, 1993 (PNDCL 333) and the Securities Industry (Amendment) Act, 2000 (Act 590), and the Membership and Listing Regulations of the Ghana Stock Exchange (GSE, 1990). It is supported by the Ghana National Accounting Standards and the codes of professional conduct imposed by the Institute of Chartered Accountants (Ghana) on its members.

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The Companies Code, 1963 (Act 179) provides the framework to companies with regards to its membership, independence and expertise of directors. It also provides under section 180(1) of the code that every company must have at least two directors with the maximum to be fixed by the shareholders at an annual general meeting of the company under the provisions of section 181. Directors have fiduciary role and the code provides sanctions under section 185 in the event of breaches.

Similarly, the Securities Industry Law,1993 (PNDCL, 333) gives the Securities and Exchange Commission regulatory authority over institutions and persons operating in the industry such as stock exchanges, investment advisers and securities dealers. The primary goal of the Securities Exchange Commission, Ghana is to protect investors and maintain the integrity of the securities market. The Commission is an active regulator that has been unafraid to suspend market participants that disobey. Also, the Ghana Stock Exchange (GSE) regulates listed entities registered under the Ghana Stock Exchange (GSE) and conforming to the Listing Regulations (1990). Listed companies are required to comply with the corporate governance guideline for best practices by Securities and Exchange Commission, Ghana and the Listing Regulations.

Most of the firms listed on the GSE are predominantly foreign and multinationals and operate under mandatory regulations. In view of this, most companies tend to be compliant with the

requirements of the international corporate governance principles of best practices (ROSC, 2005). When it comes to the financial reporting by banks and non-bank financial services, they are regulated by the Bank of Ghana under the accounting and auditing requirements set by the Banking Act 2004, (Act 673) as amended by the Banking (Amendment) Act 2007, (Act 738). The Bank of Ghana being the central Bank of the republic of Ghana is charged with the responsibility of seeing to it that the universal banks conduct themselves within the framework of rules and regulations that govern their activities. It enforces relevant regulatory provisions which have extensive sanctions available to impose on banks such as fines, revocation of license (in extreme cases), variations in the terms and conditions of licensing, as well as civil and criminal penalties for non-compliance.

Banking supervision in Ghana entails an on-going monitoring of overall operations of banks and the enforcement of banking regulations and policies with the objective of promoting the safety, soundness and stability of banks and the banking system. Banking supervision in Ghana also ensures that monetary and banking guidelines are complied with to guarantee monetary stability in the economy. Furthermore, banking supervision seeks to promote efficiency and competition among banks in Ghana.

On the other hand, when it comes disclosure and transparency, the Companies Code requires that annual audited accounts are laid down before shareholders at an annual general meeting and specifies the minimum content of such accounts which includes financial statements comprising profit and loss, balance sheet and cash flow statements, and notes to the accounts). The GSE listing regulations provide the timeframe within which annual reports should be circulated and also require investors to be provided with information such as members of the board and key executives and their remuneration, material foreseeable risk factors, major share ownership and voting rights, and the financial and operating results of the company. The Company's Code requires the disclosure by directors of material interests in transactions or contracts affecting the company. In addition, the Code, supported by the GSE listing regulations, requires among others that listed companies establish and maintain audit committees, and provides for the appointment, retirement and removal of directors as well as their qualifications.

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Board appointment is central to good governance practice. It is required that board members must consist of individuals who have both generic attributes and specific skills to support the policy formulation, decision-making and oversight process in relation to the full scope of board responsibilities (Quigley and Scott, 2004). Because the corporation's need for particular backgrounds and experiences may change over time, the board should monitor the mix of the skills and experience of its directors in order to assess, at each stage in the life of the business, whether the board has the necessary tools to perform its oversight function effectively.

Furthermore, the Companies' Code and the Ghana stock exchange listing requirements do not stipulate the composition of the board membership. There are no requirements to distinguish between executive and non-executive directors. Large and durable family businesses tend to have strong governance. Members of these families avoid the principal–agent issue by participating actively in the work of company boards, where they monitor performance diligently and draw on deep industry knowledge gained through a long history. Procedures for all nominations to the board—insiders as well as outsiders—differ from company to company. Some boards select new members and then seek consent by an inner family committee and formal approval by a shareholder assembly. Formal mechanisms differ; what counts most is for the family to understand the importance of a strong board, which should be deeply involved in

top-executive matters and manage the business portfolio actively. Many have meetings that stretch over several days to discuss corporate strategy in detail.

Family businesses, like their nonfamily peers, face the challenge of attracting and retaining world-class talent to the board and to key executive positions. In this respect, they have a handicap because nonfamily executives might fear that family members make important decisions informally and that a glass ceiling limits the career opportunities of outsiders. Still, family businesses often emphasize caring and loyalty, which some talented people may see as values above and beyond what nonfamily corporations offer.

It has been argued that because family businesses have few employees - who are mostly relatives of the owner and thus have no separation of ownership and control there is no need for corporate governance in their operations. Also, the question of accountability by family businesses to the public is non-existent since they do not depend on public funds. Because there is no agency problem, profit maximisation, increasing net market value and minimising costs are the common aims of the members. Members also disregard outcomes of organisational activities that will cause disagreement. They are rewarded directly and as such need no incentives to motivate them. Thus disagreement does not exist, and hence there's no need for corporate governance to resolve them.

In spite of these arguments, there is a global concern for the application of corporate governance to family businesses. It is often argued that similar guidelines that apply to listed companies should also be applicable to family businesses. In Ghana, corporate governance can greatly assist the family businesses by infusing better management practices, stronger internal auditing and greater opportunities for growth. Corporate governance brings new strategic outlooks through external independent directors; it enhances firms' corporate entrepreneurship and competitiveness. It is not a threat to value creation in entrepreneurial firms if the guidelines on corporate governance are properly applied. Board members bring into the firm expertise and knowledge on financing options available and strategies to source such finances, thus dealing with the credit constraint problem of family businesses as well. It must also be noted that good governance does not guarantee business success. However, poor governance could be symptomatic of a business failure.

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Since corporate government brings growth in business, developing countries, of which Ghana is no exception, are now increasingly embracing the concept of good corporate governance, because of its ability to impact positively on sustainable growth. Large shareholders, like other emerging markets, characterise the Ghanaian corporate firms' ownership structure. Majority control gives the largest shareholder incentive and control over key decisions such as financing. The dominance of large shareholders may therefore affect the financing decisions of firms.

With the subject taking on international dimensions many multilateral agencies commenced encouraging governments, regulators and organisations assist and interact with, to begin examining the subject closely and to take proactive steps to introduce and implement proper corporate governance procedures. To facilitate this introduction and implementation many of these agencies either individually or collectively issued codes containing the general principles upon which acceptable corporate governance frame-works should be based. Notably amongst these are the codes and principles issued by organisations such as the Organisation for Economic Co-operation and Development and the Commonwealth Association for Corporate Governance.

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The principles advocated in these codes are essentially non-binding and embody the experience and views of member countries of these organisations on the subject. It is accepted that there is no single model of good corporate governance and that no one size fits all. This is due to corporate governance being comprised and influenced by not only of financial and economic considerations but by social and cultural aspects as well, some of which are indigenous to the country or even sphere of application. However some identifiable common elements that underlie good corporate governance have been discerned and the principles are built on these common elements that are intended to form the basis for further evolution and development.

The Securities Industry Law, 1993 (PNDCL 333) vests the Securities Regulatory Commission of Ghana with the function of creating an atmosphere for the orderly growth and development of the capital market and protecting the integrity of the market.

Considering the significant contribution that that good corporate governance can make to the achievement of the above objectives, the Commission has considered it appropriate to formulate and enunciate its position on the matter. The Commission has also considered it appropriate to issue guidance notes on the manner in which taking into consideration, the state of development of the market in Ghana, the regulatory framework and the domestic corporate culture and circumstance, the principles of corporate governance could be implemented in the Ghanaian context. However, these guidelines by the Commission covers only listed companies.

8.0 Conclusions

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The principles of Corporate Governance apply to both listed and non-listed Companies and institutions in the private and public sectors in Ghana, such as parastatals, NGOs, Charities, churches and government boards, trusts and agencies.

To avoid corruption or to minimize the incidence of corruption in Ghana, the government should legislate that all institutions should establish strict governance structures which take into consideration the various corporate governance models. This is because large family businesses in other countries that survive for many generations make sure to permeate their ethos of ownership with a strong sense of purpose. Over decades, they develop oral and written agreements that address issues such as the composition and election of the company's board, the key board decisions that require a consensus or a qualified majority, the appointment of the chief executive officer, the conditions in which family members can (and cannot) work in the business, and some of the boundaries for corporate and financial strategy. The continual development and interpretation of these agreements, and the governance decisions guided by them, may involve several kinds of family forums. A family council representing different branches and generations of the family, for instance, may be responsible to a larger family assembly used to build consensus on major issues.

The relevance of corporate governance cannot be over emphasized since it constitutes the organisational climate for the internal activities of a company. In Ghana corporate governance can greatly assist the family businesses by infusing better management practices, stronger internal auditing and greater opportunities for growth. Corporate governance brings new strategic outlook through external independent directors; it enhances a firms' corporate entrepreneurship and competitiveness. It is not a threat to value creation in entrepreneurial firms if the guidelines on corporate governance are properly applied. Hence it is important to have explicit obligations by firms on value creation. Good governance mechanisms among family businesses are likely to result in boards exerting much needed pressure for improved

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performance by ensuring that the interests of the firms are served. In the case of a family business, board members bring into the firm expertise and knowledge on financing options available and strategies to source such finances thus dealing with the credit constraint problem of family businesses as well. Often businesses seeking new funds find that they have much work to do before confidently going to the market. A consistent track record of good governance will greatly assist when that point comes. It must be noted that good governance does not guarantee business success. However, poor governance could be symptomatic of a business failure. More importantly, lifting the confidence of existing owners and potential new ones is a valuable goal.

Corporate governance paves the way for possible future growth or a sale and during this period corporate governance becomes crucial to the organisation. Where a firm consistently practices good governance it will greatly assist when that point comes. Corporate governance allows firms to prepare for their pending initial public offering. For example, in Ghana early introduction of corporate governance would prepare a family business well. The existence of a board will induce rapid growth strategies in the family business for rapid profits; this will at a point require the firm going public for larger finances. This will complement efforts by the Ghana Stock Exchange to encourage listing by family businesses on the market. Thus the transition from a small to medium and finally large company will be smoothly aided by an effective corporate control system.

Finally, applying good governance principles will reduce the problems associated with information asymmetry and makes the family less risky to invest in. However, attention should also be drawn to the disadvantages of corporate governance. The introduction of corporate governance will mean additional roles in audit, remuneration and nomination committees, new and more directors have to be hired. The non-executive directors will also have to be paid higher remuneration because of active roles they will be playing. Thus, introduction of corporate governance into activities of family businesses will increase operational costs. Nonetheless, the benefits of corporate governance in family businesses for an economy like Ghana cannot be overlooked.

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