THE STANDARDIZATION OF CORPORATE GOVERNANCE POLICIES ACROSS STATE-OWNED ENTERPRISES IN LIBERIA, WEST AFRICA

by

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Dedication

I wish to dedicate this dissertation to my wife Mrs Eva Wright Gblee and my daughter Ms. Malachi Janet Gblee. My wife and daughter have stood by me and given me courage during the preparation of this dissertation.

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The preparation of this dissertation has been a three-year effort. The resulting outcome and all the recommendations that accompany it represent a combination of my long experiences, greatly influenced, and improved by the meaningful inputs of more level-headed individuals than it is possible to list.

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Mrs Eva Wright Gblee

Ms. Malachi Janet Gblee

ABSTRACT

THE STANDARDIZATION OF CORPORATE GOVERNANCE

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IN LIBERIA, WEST AFRICA

Isaac Toneah Gblee
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This research has focused on how the use of standardized corporate governance policies across state-owned enterprises in Liberia, West Africa leads to better performance and increased revenue generation capacity and creates more financially stable and sustainable enterprises.

Across these state-owned enterprises, the research has sought to identify the existence of core corporate governance components, such as appropriate Board composition and mix of skills, Board procedures, directors' remunerations in line with best practice, code of business ethics, internal control procedures, risk management framework, disaster recovery system, business continuity procedures, appointment of an internal auditor and independent external auditors, an independent audit committee, management information systems, compliance framework, Board corporate governance committee and improvement plan, formalized corporate governance policies and procedures and code, Board accountability to shareholders and management accountability to the Board, timely accurate disclosure of all material matters, financial statements prepared in

accordance with international IPSAS, high-quality and transparent financial annual reports, independent non-executive Board members and advisers, conduct of shareholder meetings, policies on related party transactions and extraordinary transactions, clearly defined and explicit dividend policies, and clear definition of roles and authorities of stakeholders.

The study demonstrates the importance of good corporate governance policies across state-owned enterprises in Liberia and describes existing processes of corporate governance policies in Liberia state-owned enterprises.

It has analyzed the reasons for the collapse of some state-owned enterprises in Liberia, mainly due to inadequate or insufficient compliance with good corporate governance standards. Additionally, this research has investigated how the collapse of these Liberia state-owned enterprises could have been averted by ensuring good corporate governance practices.

The research investigated these problems and sought to point out the many challenges as well as benefits of standardizing corporate governance policies across state-owned enterprises in Liberia.

These challenges and others have been treated in this research and appropriate recommendations made for the consideration of relevant Liberian policymakers.

TABLE OF CONTENTS

LIST OF FIGURES

CHAPTER I: INTRODUCTION

1.1 Introduction

In this section, we define the scope of research and what is considered to be good, transparent, and efficient corporate governance as a world standard. This is a prerequisite condition before we analyze state-owned enterprises (SOEs) in Liberia to be able to conclude up to which level enterprises in Liberia comply with recommended corporate governance standards.

Corporate governance is essential for the survival of any organization. When corporate governance policies, processes, and procedures are rigorously implemented, it ensures that organizations are properly managed, thereby maintaining accountability and transparency, which leads to investor confidence.

Corporate governance is now a crucial component of every organization's success and longevity. It is the system used to lead and manage businesses or organizations (Shah, 2014).

An environment of market confidence and company integrity that promotes the growth of the capital market and corporate access to equity capital for long-term profitable investments can be created through good corporate governance (Kanda, 2019). Kanda goes on to say that a nation's corporate governance system must be of the highest calibre to support the growth and competitiveness of its business sector.

The quality of governance is of critical importance to shareholders, as it provides them with a level of assurance that the business of the company is being conducted in a manner that will add shareholder value and safeguard its assets (Okeahalam & Akinboade, 2003).

State-owned enterprises account for twenty percent of investment, five (5) per cent of employment, and up to forty percent of the domestic output in countries around the world (IFC, 2018). The International Finance Corporation also highlighted that these SOE deliver critical services in key economic sectors.

It also shows that a team of corporate governance experts led by the World Bank have created frameworks in order to improve state oversight of state-owned enterprise governance and performance and train their boards of directors, so as to develop Board practices that are compliant with international standards (IFC, 2018).

Corporate governance is now a crucial component of every organization's success and longevity. The system of direction and control for businesses and organizations is known as corporate governance (Cadbury, 1992). Processes, methods, policies, and procedures that regulate institutions are the focus of corporate governance (Ruperelia & Njuguna, 2016).

Corporate governance issues arise in an organization where two conditions are present. First, an agency problem, or conflict of interest, involving members of the organization, who might be owners, managers, workers, or consumers. Second, the transaction costs are such that this agency problem cannot be dealt with through a contract (Hart, 1995).

According to Hart, in the absence of agency problems, all individuals associated with an organization can be instructed to maximize profit or net market value or to minimize costs. Individuals are prepared to carry out their instructions as they are not held accountable for outcomes of the organization’s activities. Skills, expertise, time and other types of costs can be reimbursed directly, so incentives are not required to motivate people. Also, no governance structure is required to resolve disagreements since there are none.

The above describes a situation assumed to exist in the standard neoclassical theory of the firm (Hart, 1995). It is no surprise, then, that this theory is frequently described as a ‘black box’, in that it predicts how the firm's production plan varies with input and output prices but says nothing about how this production plan is generated (Hart, 1995).

Recent financial scandals associated with accounting and other frauds allegedly blamed on top company managers (e.g., Enron, WorldCom, Adelphia) have brought into the public eye the recurring question of whether companies are managed in the best interests of shareholders and other company stakeholders such as workers, creditors, and the general community (Farinha, 2003).

Jorge Farinha (2003) stated that a point that is frequently made is that top managers may possess too much power inside their companies and that a general lack of accountability and control over their activities is prevalent in companies with wide ownership diffusion. He also stressed that, although this kind of scandal is certainly not new, there has been a renewed interest in the mechanisms that can effectively curtail managerial discretion over sensitive company issues that could have an impact on the welfare of the remaining stakeholders.

Compliance with and application in the practice of good corporate governance standards is a prerequisite to having a solid basis for company financial stability and a promising financial perspective.

Although many countries have made significant efforts to professionalize governments' approach to owning and managing SOEs by instituting major reforms, Africa is predominantly viewed as a high-risk continent for investors due to its macroeconomic instability, weak institutional environment, and countries that fail acceptable standards of transparency and governance. As such, the need for a vibrant regulatory framework for various aspects of corporate governance in Africa cannot be overemphasized.

At present, Liberia's SOEs are only governed by their enabling legislation and a Board to provide corporate oversight. The government of Liberia, in its Pro-Poor Agenda for Prosperity and Development (PAPD), has committed to putting in place a policy and regulatory framework that will reduce dependence, increase operational efficiency, and promote sustainability.

The PAPD stipulates that there is no policy on Liberia's SOEs, and therefore, they operate with an unclear mandate and no medium- to long-term strategy.

In its development agenda (PAPD), the current Liberian government has also indicated the prioritization of reform of Liberia's SOEs for financial stability and sustainability in order to attract private investment.

The Liberian government has indicated that it will develop a state-owned enterprises Act and policy that will include important targets on efficiency, fiscal management, a standardized percentage of Liberia state-owned enterprises' contribution to government, and sustainability.

There is currently no major literature that holistically discuss the standardization of corporate governance policies across SOEs in Liberia and how good corporate governance can impact their performance. Put in other words, poor corporate governance lies at the heart of the poor performance of state-owned enterprises.

The significance of the topic ‘Standardization of corporate governance policies across state-owned enterprises in Liberia’ cannot be overemphasized, simply because currently, no standardized corporate governance policy exists in Liberia.

We have illustrated that poor corporate governance can destroy a state-owned enterprise's ability to sustain itself, thereby leading to financial difficulties and damaging the state-owned enterprise’s reputation.

1.2 Research Problem

In this chapter, we have outlined the major problems associated with corporate governance as well as the major problems associated with corporate governance in Africa and specifically, Liberia. We shall further demonstrate the challenges faced by SOEs in Liberia in implementing corporate governance. The purpose of the thesis will be summarized, and the limitations and delimitations of the research demonstrated.

Although many countries have made significant efforts to professionalize government's approach to owning and managing SOEs by instituting major reforms, Africa is predominantly viewed as a high-risk continent for investors due to its macroeconomic and political instability, weak institutional environment, and countries that do not have acceptable standards of transparency and governance. As such, the need for a vibrant regulatory framework for various aspects of corporate governance in Africa appears to be crucial to ensure economic stability, sustainable development, and prosperity, and for that reason cannot be overemphasized.

Liberia’s history of economic mismanagement and corruption has been particularly evident with respect to state-owned enterprises. Inefficient and corrupt practices have restricted the production of goods and services, burdened the public treasury, and hindered economic growth (International Monetary Fund, 2008).

The PAPD clearly stipulates that there is no corporate governance policy for Liberia's SOEs, and they therefore operate with an unclear mandate and no medium- to long-term strategy. In fact, currently, Liberia's SOEs are only governed by their enabling legislation and a Board to provide corporate oversight. There are neither standardized corporate governance policies nor existing corporate governance codes or codes of business ethics across SOEs in Liberia. Board level committees such as audit and risk management committees, etc. are almost non-existent. Compliance and an internal control framework, if in place, is usually overridden or compromised.

While a small number of SOEs may attempt to ensure that the fundamental principles of corporate governance are included into the framework of their policies, the vast majority face difficulties in this regard. As a result, corporate governance practices must be standardized throughout all Liberian state-owned enterprises.

There is currently little literature that holistically addresses the standardization of corporate governance policies across Liberian SOEs and how good corporate governance could impact their performance and make them more sustainable.

These challenges and others have been treated in this thesis and appropriate recommendations have been made for the consideration of relevant Liberian policymakers.

1.3 Purpose of Research

This thesis investigates how the standardization of corporate governance policies across SOEs in Liberia, West Africa, can improve their economic performance and make them financially more stable and sustainable on a long-term basis.

We analyzed the existing corporate governance policies that govern each state-owned enterprise in Liberia. This enabled us to understand up to what level they comply with existing national legislation or standards from a corporate governance perspective. The thesis also demonstrates whether parts of the regulations or standards in Liberia should be modified and improved to enable an efficient, transparent, and productive corporate governance framework for enterprises in Liberia, whether public or private. The thesis has highlighted the importance of adequate rules and standards in corporate governance that can ensure long-term sustainable development in the national economy and economic prosperity.

1.4 Significance of the Study

For SOEs within Liberia, corporate governance guidelines have not been standardized. The laws passed to allow for the creation of each enterprise are what govern it. As required by law, the president of the Republic of Liberia appoints members of the board of directors that govern these businesses. This may indicate that the required competencies and the appropriate combination of skills are not always readily available.

The majority of these enterprises lack formally established corporate governance policies, procedures, and enhancement plans. The development plans for Liberia have explicitly stated that there is no policy on Liberia's SOEs, and that they function without a clear mission or a medium- to long-term plan.

Thus, this research will be of interest to state-owned businesses in Liberia and national regulators as it addresses how corporate governance practices can be standardized among them and shows how good corporate governance can improve these business's performance, making them more stable and enduring.

1.5 Research Purpose and Questions

The main research questions that have been answered given the purpose of the research are:

At which level do state-owned enterprises in Liberia comply with national regulation and standards from the perspective of corporate governance?

What are the recommendations for national regulation and standards with respect to corporate governance in Liberia based on the obtained research analysis?

The specific questions that the research has endeavoured to answer are:

- Have corporate governance policies and procedures been formalized and properly communicated to relevant stakeholders in your company?
- Is there a corporate governance plan in your entity?
- Is there a business code of ethics in your company?
- Is the Board independent?
- Is the Board well structured?
- Does the Board have an appropriate composition and mix of skills?
- Are annual reports of your company published in public?
- Is there an internal control framework in place in your company?
- Is there a risk management framework in your company?
- Is an independent audit committee established in your company?
- Is an internal auditor appointed in your company?
- Is an external auditor appointed by your company?
- Is there a business continuity plan in your company?

From Chapter I, we can see that corporate governance is key to the sustainability of any organization. As such, when corporate governance policies and procedures are thoroughly applied by institutions or companies, accountability and transparency are maintained.

Now, we shall demonstrate the importance of corporate governance and highlight its evolution, core concepts, approaches, and framework.

CHAPTER II: REVIEW OF LITERATURE

In this chapter, we discuss the theoretical framework of corporate governance, focusing on its evolution, importance, and core concepts. We further examine the approaches to corporate governance, its framework, and the associated Organization for Economic Cooperation and Development's (OECD) Principles of Corporate Governance. We analyze the practices of corporate governance globally, in the European Union, Asia, South America, North America, and Africa. We also analyze the way corporate governance is practised in SOEs around the world and, more specifically, in Liberia state-owned enterprises.

2.1 Theoretical Framework

The discussion of the theoretical framework will focus on the role of corporate governance in improving performance of SOEs and making them more sustainable. It will further discuss the standardization of corporate governance policies across SOEs in Liberia, West Africa.

To be concrete and demonstrate our ideas we shall focus on Liberia SOEs such as the Liberia social security and welfare corporation, Liberia Telecommunications Corporation, Liberia Petroleum Refining Company, Liberia Water and Sewer Corporation, Liberia electricity corporation, Forestry Development Authority, National Port Authority, Liberia Airport Authority/ Roberts International Airport, Liberia Civil Aviation Authority, Liberia Maritime Authority, National Oil Company of Liberia, and the Liberia Telecommunications Authority.

2.1.1 Corporate governance framework

A corporate governance framework is critical for boards to better understand their supervisory responsibilities (Shah et al., 2017). The framework ought to include elements that support efficient governance as well as instruments for managing its risk.

A comparative analysis of various corporate governance regimes revealed that these frameworks often develop in the context of each jurisdiction's legal, political, and institutional infrastructure (Shah et al., 2017).

Different corporate governance approaches are applied across the world. Countries with civil laws, such as France, Germany, Italy, and the Netherlands, have developed frameworks that are stakeholder focused (Ruperelia & Njuguma, 2016). Frameworks with a focus on shareholder returns and interests have been developed in common law countries similar to the United States and the United Kingdom, such as Canada, Australia, and New Zealand, (Ruperelia & Njuguma, 2016).

There are essentially two different forms of corporate governance systems, according to Shal et al. (2017). First, more developed markets like the United States and the United Kingdom are distinguished by their market-based systems, also referred to as strong equity-outsider systems. According to comparative capitalism study, both nations have established liberal market economies (Shah et al., 2017).

The importance of shareholder value and steadfast protection of shareholder rights in both economies is a crucial component of corporate governance, notwithstanding the substantial differences between corporate governance in the US and the UK (Shah et al., 2017).

The authors also draw attention to the fact that corporate governance in these two countries is predominantly based on agency theory, as opposed to coordinated market economies like Germany, where it is based on a wider stakeholder perspective (Shah et al., 2017).

The second characteristic of corporate governance systems is the weak equity-outsider system, also known as a bank-based system or an insider system, and found in countries in East Asia, France, Germany, and Italy (Shah et al., 2017). The two sets of countries' corporate policies are most prominently focused on ownership and control.

According to Musa et al. (2015), socially responsible business has grown to become the most significant force affecting national and international corporate and governmental policy.

Providing high-quality goods and services, protecting employees' rights, treating all stakeholders fairly, using ethical management techniques within the organization, abiding by the rules of corporate governance, being environmentally responsible, collaborating with local communities, etc. are all examples of socially responsible business practices in which businesses should engage if they want to succeed (Musa et al., 2015).

Concerning the 2008 economic crisis, the European Commission and the OECD have consistently said that the main cause was the failure of business management to apply corporate governance rules (Musa et al., 2015). Good corporate governance principles are one method used for lowering damaging short-term and excessive danger (Musa et al., 2015).

International institution representatives are looking for a global solution that might aid in developing efficient and long-lasting management systems (Musa et al., 2015). Today, one of the most crucial elements of establishing public trust is corporate governance.

According to Musa et al. (2015), good corporate governance presupposes that shareholders are able to watch and evaluate their company assets by correlating market-related statistics with specifics regarding their potential and results. This is essential for the effective operation of the legal and regulatory framework controlling corporate governance and is therefore one of the main issues to which business managers, accountants and auditors, investment managers, and government officials worldwide have been paying attention (Crowther & Aras, 2008).

Businesses typically seek to expand globally while retaining sustainability in order to obtain a competitive edge, but the most important question is how they will do so and what is needed to do so (Crowther & Aras, 2008).

While other developed and emerging market nations adopted modified versions of these codes for their own businesses, institutional investors initially campaigned for Anglo-American standards of good corporate governance (Crowther & Aras, 2008).

Companies must examine and improve their approach and plan for implementing governance principles. As corporate governance can significantly affect a company's performance, businesses need to grasp its principles and how applying them might enhance strategy (Crowther & Aras, 2008).

Four guiding principles—transparency, accountability, responsibility, and fairness—form the basis of sound corporate governance. A company's corporate social responsibility (CSR) initiatives are connected to these ideals, hence corporate governance regulations are essential for a corporation. What corporate governance actually implies, however, is the real concern (Crowther & Aras, 2008).

2.1.2 Importance of corporate governance

Corporate governance is crucial for businesses to survive. Implementing corporate governance rules, processes, and procedures thoroughly and meticulously guarantees that firms are appropriately governed, preserving accounting and transparency, and ensuring that investors are confident in their investment (Okeahalam & Akinboade, 2003).

Effective governance is crucial because it gives investors' confidence that the company's operations are being conducted in such a way that will increase shareholder value and protect its assets (Okeahalam & Akinboade, 2003).

Governments continue to own and run businesses in crucial industries like finance, infrastructure, manufacturing, energy, and natural resources, despite increasing privatization over the years (World Bank Group, 2014). Evidence suggests that state-owned industries are still present and even growing in many low- and middle-income countries, major emerging market economies, and high-income countries (World Bank Group, 2014).

State-owned enterprises now rank among the world's largest companies, largest investors, and largest capital market players (World Bank Group, 2014). According to the World Bank Group, in many countries, SOEs in strategic industries are increasingly viewed as tools for accelerated development and global expansion. The performance of state-owned enterprises has improved in many cases, due to greater competition, exposure to capital market discipline, and better governance practices (World Bank Group, 2014).

However, overall, state-owned businesses continue to operate poorly, creating significant opportunity costs for the whole economy (World Bank Group, 2014). According to data from the World Bank, ineffective delivery of essential inputs and services can drive up costs for local firms and redirect limited public resources and tax dollars away from social sectors that directly assist the disadvantaged (World Bank Group, 2014).

Additionally, underperforming state-owned enterprises are unable to access capital market financing, which is essential for the development of the banking and infrastructure sectors (World Bank Group, 2014).

Reform initiatives have demonstrated that when bad state-owned enterprise performance does occur, it is more often due to basic issues with their governance, or the underlying laws, procedures, and institutions that control the interaction between state-owned enterprise managers and their government owners (World Bank Group, 2014).

Complex and occasionally incongruous mandates that are motivated by divergent political objectives between owners and the directors and management who run the company are just a few examples of these governance issues (World Bank Group, 2014).

A lack of clearly identifiable owners, political boards, and managements; a lack of independence in day-to-day operational decision-making, poor financial reporting, and disclosure standards; and inadequate performance monitoring and accountability are some of the causes (World Bank Group, 2014).

In areas where these flaws are more prevalent, state-owned businesses could likewise be a source of corruption. Many nations have made major and concrete efforts to solve these issues, enhance their operations, and reap the rewards of strong corporate governance (World Bank Group, 2014). Evidence suggests that a nation's system of effective corporate governance has a number of advantages for all businesses, whether they are state owned or private (World Bank Group, 2014).

Every board of directors should operate within a framework of corporate governance that ensures the organization operates in the best interests of all stakeholders and that the ‘top at the top’ adopts the proper tone (Albrecht, 2016).

A good corporate governance system aims to uphold honesty and integrity in the workplace, treat all shareholders fairly, and ensure the Board has the knowledge and skills necessary to review and question management's performance and choices as well as to provide guidance and oversight to management (Albrecht, 2016).

Albrecht highlights the value of sound company governance. Strong corporate governance necessitates not only full disclosure and transparency to all firm stakeholders but also in the company’s reporting procedures (Albrecht, 2016).

Furthermore, effective corporate governance should mandate complete openness and transparency for all parties involved in the business, including the reporting of financial data (Albrecht, 2016).

Keeble (2021) notes that the values of responsibility, accountability, justice, and transparency are best exemplified by corporate governance while, according to Mulyadi (2012), corporate governance is typically linked to business in the private sector. The collapse and scandals of numerous large corporations led to the passage of the Sarbanes–Oxley Act (2002), which demonstrated the need to advance corporate governance standards (Mulyadi, 2012). While private sector corporate governance is a frequent topic for debate and study, public sector corporate governance equally needs our attention (Mulyadi, 2012).

The key to better corporate governance practice is the efficient integration of the key components of corporate governance into a holistic framework, which requires efficient communication across the board and is supported by an organizational culture that values responsibility, openness, commitment, and integrity (Mulyadi, 2012).

The adoption of corporate governance in a business provides structure, clarifies the processes for making decisions, and identifies those who are accountable, however, corporate governance is difficult to achieve in the short term (Sharma et al., 2020).

Corporate governance creates a new open community within the company and can increase the effectiveness of the organization's participatory processes (Sharma et al., 2020).

Worldwide, corporate governance techniques and procedures vary, but the fundamental ideas are the same. Businesses should have voluntary codes that adhere to their vision and objectives in addition to written rules and codes on proper management (Sharma et al., 2020).

Corporate governance is a discipline that has grown rapidly in the past year. Its significance has been emphasized all over the world, and although not yet mandated, some nations have seen more enterprises adopting it (Castrillon, 2021).

Many studies have demonstrated the connection between corporate governance and company performance, but the findings are conflicting; some indicate favourable results, while others report results that are both bad and favourable in terms of company performance (Castrillon, 2021).

Corporate governance is a term that frequently describes a set of policies that influence the managerial decision-making process when ownership and control are separated (Larcker et al., 2005).

Some examples of these monitoring techniques include the board of directors, institutional shareholders, and the operation of the market for corporate control. The importance of this subject can be seen by an analysis of the significant growth in the empirical literature on corporate governance spanning accounting, economics, finance, management, and corporate strategy literature (Larcker et al., 2005).

Globalization and the increasing complexity of business have led to a greater reliance on the private sector as the primary driver of growth in both developed and developing nations (Mohamad, 2004). Corporations are legitimate businesses established by societies because they are a useful type of organization and benefit society (Mohamad, 2004).

As a result, the firms' contribution to economic development and expansion leads to an increase in living standards and a decrease in poverty (Mohamad, 2004). The end consequence of all this activity includes the efficiency with which a business uses its resources and its ability to meet social standards and attract low-cost capital (Mohamad 2004).

Whether strong corporate governance ensures the best possible intra- and inter-firm utilization of resources is a factor in how well a corporation uses its resources (Mohamad, 2004). When corporate governance practices are in place, the company can use debt and equity capital in the most efficient manner to generate both necessary goods and services and distribute them to those who will provide the highest returns (Mohamad, 2004). In this way, scarce resources are protected and nurtured, ensuring that social needs are met (Mohamad, 2004).

Regardless, of whether a company is a state-owned enterprise, a privately held business run by a family, or a publicly traded corporation on the stock exchange, this efficiency impact ought to stay true. Thus, state-owned enterprises ought to consider scarce resources and manager quality (Mohamad, 2004).

By boosting investor confidence that their assets will be used for agreed-upon purposes both domestically and globally, effective corporate governance decreases the cost of capital (Mohamad, 2004).

An institutional investor's willingness to pay would increase by an average of more than ten percentage points for a company that was ‘well governed’. To meet the changing circumstances in competitive marketplaces, managers must continually design new strategies, and need to have the power to make decisions in order to do so (Mohamad, 2004).

However, as noted by the well-known economist from the 18th century, Adam Smith, under such conditions, managers may have incentives to behave in their own self-interest (Mohamad, 2004). When ownership and control of the company are divided, the manager's self-interest may cause the misappropriation of corporate resources, such as the pursuit of reckless or excessively risky ventures (Mohamad, 2004).

To protect the interests of capital providers, laws and regulations need to be in place, for example, participation in important decisions, independent management scrutiny, openness about the corporation's performance, ownership, and governance (Mohamad, 2004).

For long-term success, businesses must abide by the laws and social norms of the communities in which they operate (Mohamad, 2004). It is beneficial to civil society that many firms take their responsibility as good corporate citizens seriously. Unfortunately, some businesses, however, are opportunistic and do not practise good governance, for example, profit from child labour, or careless behaviour towards the environment (Mohammed, 2004).

The above examples, rather than just being failings in corporate governance, are indicative of broader government failures to provide the required framework to hold firms accountable for issues that are crucial to society as a whole (Mohamad, 2004).

Successful corporate governance provides managers with oversight and holds boards of directors and managers responsible for how they manage a corporation's assets (Mohamad, 2004).

Hence, monitoring and accountability, effective resource management, more access to lower-cost capital, and increased responsiveness to public expectations and demands should all lead to improved corporate performance. The prospect that managers must concentrate on enhancing the performance of the company and are fired if they do not should increase effective corporate governance (Mohamad, 2004).

In the United States, data from 1991 to 1995 were analyzed by Millstein and MacAvoy, who found that businesses with active and independent boards of directors outperformed those without (Mohamad, 2004).

The recognition that efforts to advance sustainable development should now start with good corporate governance, evidenced by transparency, accountability, and the just and impartial treatment of shareholders, is growing (Mohamad, 2004).

To do this, cooperation between the public (represented by governments) and private sectors is necessary to raise awareness of the significance of corporate governance reform and to aid in its implementation (Mohamad, 2004).

However, these initiatives must consider not just varied economic and social factors but also the unique culture of individual nations. Each company has its own corporate culture and set of goals, and all of these distinctions will affect the debate over the best corporate governance frameworks (Mohammed,2004).

Therefore, reaching agreement on a single corporate governance model or a single set of specific governance principles at this time is doubtful and unnecessary. The demands of the capital market are anticipated to cause a larger convergence of national practices over time (Mohammed, 2004).

Due to these factors, as well as globalization and the resulting decline in regulatory barriers between nations, capital investment will flow to business owners who have implemented effective corporate governance standards, such as generally accepted accounting and auditing standards, adequate investor protection mechanisms, and Board practices designed to provide independent and accountable oversight of managers (Mohammed, 2004).

2.1.3 The core concepts of corporate governance

Good corporate governance is a crucial component supporting a company's integrity and effectiveness (Pearse Trust, 2014). Poor corporate governance may limit a company's potential, which may then lead to long-term financial problems and, in some cases, reputational damage. According to the author, a business that adheres to the excellent corporate governance principles of justice, responsibility, accountability, and transparency will typically outperform its rivals and be able to attract investors who can assist finance possible expansion.

The fundamental principles of corporate governance centre on the composition and skill mix of the Board, its procedures, and directors' compensation in line with best practices. It clearly outlines the following:

1) Roles and responsibilities of each director
2) Business ethics, internal control mechanisms
3) Risk management framework
4) Disaster recovery system
5) Media relations tactics

6) Business continuity plans
7) Building management information systems
8) Creating an independent audit committee
9) Hiring an internal auditor
10) Hiring independent external auditors to review the entity's financial records and regulatory framework.

The fundamental idea of corporate governance also emphasizes formally stated corporate governance concepts: an entity-specific plan to strengthen corporate governance, a Board corporate governance committee, a corporate governance champion, and institutionalized corporate governance principles. It emphasizes the significance of formally established corporate governance policies, their communication to pertinent personnel, a corporate governance code, management's accountability to the Board, and the prompt and correct disclosure of all material facts. This may encompass ownership, performance, and corporate governance as well as the financial state of affairs.

In essence, corporate governance mandates that businesses create and distribute yearly reports, in addition to which it calls for independent non-executive Board members and advisers, as well as web-based disclosure. The way shareholder meetings are run is also crucial. Corporate governance also requires that it is important to have well-defined policies on related party transactions, and dividends are declared and paid.

The concept of corporate governance has become more recognized with the introduction of corporate governance regulations on a global scale (Apinega, 2019). The Cadbury Report in the UK is credited with introducing corporate governance as a revolutionary idea around 1992 in order to instil proper management of corporate operations and reduce business bankruptcies (Apinega, 2019).

In the past, company statutes dictated how businesses were managed and operated. Corporate governance seeks to ensure efficient management of businesses. The question of whether the notion precedes the codes arises because it is usually believed that corporate governance is a new concept with the advent of its codes (Apinega, 2019).

It has been observed that the Cadbury Report focused more on management aspects—oversight, accounting for, and application of sound Board policy—rather than the formulation of policy and the development of strategy which are the cornerstones of effective corporate governance (Apinega, 2019).

This definition is relatively constrained because it emphasizes a company's management, which is primarily under the authority and direction of the Board. (Apinega, 2019). Nonetheless, it is crucial to keep in mind that corporate governance was a problem even before the corporation was managed (Apinega, 2019).

Business governance groups serve two crucial and ultimately related aims in any country: enhancing performance and guaranteeing corporate compliance (Oman, 2001).

They facilitate and stimulate the performance of corporations, which are the main sources of economic wealth and growth in society, by creating and maintaining a business environment that motivates managers and entrepreneurs to maximize firms' operational efficiency, returns on investment, and long-term productivity growth (Oman, 2001).

Much of the corporate governance literature is focused on the 'principal–agent' relationship that arises from the division of ownership and management in 'publicly' owned corporations, the kind that predominates in the United States and the United Kingdom and in which no single shareholder owns more than a small portion of a corporation's stock.

Shareholders are the 'residual' claimants whose interests can only be adequately safeguarded through the institution of corporate governance, as the interests of other investors can be adequately secured through contractual ties with the corporation (Oman, 2001).

According to Oman (2001), many authors contend or presuppose that the goal of corporate governance in any nation is to safeguard shareholders' interests.

Different countries and industries have various corporate governance models that reflect diverse cultural standards as well as dissimilar ownership arrangements, commercial contexts, and competitive settings (Mohamad, 2004). Variations in the strength and enforceability of contracts, shareholder and debt holder political attitudes, and the development and enforceability of the legal system may also play a part (Mohamad, 2004).

A skilled accounting and finance team, well-positioned and regulated securities markets, enforcement mechanisms to protect shareholders' rights, laws to prevent investor fraud, courts and regulators with advanced technology, and laws that recognize shareholders as a corporation's legitimate owners are all components of effective corporate governance in developed countries (Mohamad, 2004).

Developed countries also have a strong private sector, which includes organizations such as rating agencies, securities analysts, and an advanced financial press (Mohamad,2004).

However, for effective corporate governance, many developing countries still need to fully construct their legal and regulatory frameworks, enforcement capacities, and private sector organizations (Mohamad, 2004).

There is a need for the stock exchange to be improved in many of these countries, share ownership registration systems established, minority shareholder interests legally protected, a watchful financial press strengthened, audit and accounting standards improved, and a paradigm shift away from the widespread acceptance of bribery and corruption as an unavoidable cost of doing business (Mohamad, 2004).

There are differences in each country's financial infrastructure and corporate governance model, in addition to differences in levels of development of the legal and regulatory environment.. Ultimately, corporate governance and the framework that underpins it must be pertinent to each nation's unique legal system and cultural values (Mohamad, 2004).

Since corporate governance occurs within a firm, its successful implementation is significantly dependent on shareholders, boards, and management (Mohamad, 2004).

To be effective in attracting investors, corporate governance must focus on key areas that defend shareholder rights, particularly those of minority and international shareholders, where fairness should be attained (Mohamad, 2004).

In this regard, the OECD established a task force to operationalize recommendations to advance and define the four fundamental criteria of corporate governance (Millstein Report, 1998, as cited in Mohamad, 2004). In April 1999, the task force published a set of corporate governance principles based on these recommendations (Mohamad, 2004).

The guiding principles expand upon the essential concepts presented in the Millstein Report and provide valuable, doable advice for countries seeking to strengthen the fundamentals of their corporate governance practices (Mohamad, 2004).

Regarding this core concept, two separate guiding notions were developed. The first premise states that ‘the corporate governance system should protect the rights of shareholders’ (Mohamad, 2004). This includes both their proprietary and participatory rights. Rules, regulations, and procedures that protect shareholders' property rights, provide ownership security, and allow for the unrestricted transfer of shares are essential components of effective corporate governance (Mohamad, 2004).

This idea also acknowledges their right to participate in important company decisions, such as choice of directors and the endorsement of significant mergers or acquisitions (Mohamad, 2004).

The corporate governance concept of accountability states that the corporate governance system should guarantee the strategic direction of the company, effective Board oversight of management, and Board accountability to the company and shareholders (Mohamad, 2004).

2.1.4 OECD Principles of Corporate Governance

An international effort to promote greater integrity, honesty, and the rule of law is based on the OECD Principles of Corporate Governance.

The guidelines were created to aid decision-makers in evaluating and improving the institutional, legal, and regulatory framework for corporate governance in order to advance financial stability, sustainable growth, and economic efficiency (OECD, 2015).

Fundamentally, this is achieved by providing shareholders, executives, Board members, and financial intermediaries with the necessary incentives to do their tasks within a system of checks and balances (OECD, 2015).

The principles should be simple to learn, understand, and practise by global society (OECD Publishing, 2015). Initiatives from the public, semi-public, or private sectors should assess the efficiency of the corporate governance framework in light of the guiding principles and develop more specific statutory or voluntary provisions that can consider country-specific economic, legal, and cultural factors (OECD Publishing, 2015).

The concepts place the most emphasis on publicly traded companies, both financial and non-financial. If deemed acceptable, they could also be a useful tool to improve corporate governance in companies whose shares are not traded publicly (OECD, 2015).

Even if some of the concepts are more suitable for larger organizations, policymakers may seek to support effective corporate governance for all companies, including smaller and unlisted enterprises (OECD, 2015).

How well companies adhere to the core principles of good corporate governance has a significant impact on investment decisions (OEDC, 1999). It is extremely important to consider the relationship between corporate governance practices and the increasingly global nature of investing. Following great corporate governance standards will enable organizations, even if they do not primarily rely on foreign capital, to increase investor trust domestically, possibly reduce capital costs, and ultimately attract more reliable sources of funding (OEDC, 1999).

The principles that control corporate governance for large organizations contend that an effective Board sets and supports a company's mission and ensures that the company's values, strategy, and culture are consistent with that mission (Waters, 2018).

Effective Board composition requires a strong chair, a balance of skills, experience, and knowledge, as well as individual directors with the potential to make a substantial contribution (Waters, 2018).

Board size should be determined by the scope and complexity of the company, and both the Board and individual directors should be aware of their separate roles, according to Waters' conclusion (Waters, 2018).

The OECD Principles of Corporate Governance were formally released in 2004 to act as the ‘international standard’ to be used as a reference by decision-makers, corporations, investors, and other pertinent parties (Wahed, 2017). The principles provided non-binding norms and good practices for corporate governance that could be customized to various countries and regions individual circumstances. Due to this,, they were more commonly accepted in both OECD and non-OECD countries (Wahed, 2017).

The OECD has suggested six key guiding principles for corporate governance as follows:

1) Principle No. 1 demands that the basis for a successful corporate governance system must be created by ensuring market efficiency and openness, upholding the rule of law, and clarifying the responsibilities of various government institutions.

The remaining guidelines are focused on the five fundamental concerns of corporate governance (Wahed, 2017).

2) Principle No. 2 states that a corporate governance system should safeguard shareholders' rights and make it easier for them to exercise these rights.
3) The third principle supports treating all shareholders fairly, particularly minority and foreign stockholders (Wahed, 2017).
4) The fourth principle relies on developing ‘active interaction between corporations and stakeholders’ while considering the interests of other stakeholders.
5) Principle No. 5 addresses the concepts of disclosure and transparency (Wahed, 2017).
6) Last but not least, Principle No. 6 emphasizes the Board's duties to properly oversee management's performance while also offering strategic direction to management (Wahed, 2017).

These principles are designed to offer direction and suggestions to stock exchanges, investors, businesses, and other parties involved in creating excellent corporate governance (OECD, 2004). Additionally, they are designed to support governments from the OECD and non-OECD in their attempts to assess and enhance the legal, institutional, and regulatory framework for corporate governance in their nations. (OECD, 2004).

The main focus of the concepts is on publicly listed firms, both financial and non-financial. However, to the degree that they are regarded pertinent, they may also be an effective tool for improving corporate governance in non-traded firms such as privately owned and state-owned enterprises (OECD, 2004).

All OECD members concur that the guiding principles serve as a fundamental framework necessary for the establishment of good governance practices. They should be comprehensible, accessible to everyone, and clear (OECD, 2004). They are not intended to replace efforts to develop more specialized ‘best practices’ in corporate governance made by the public, semi-public, or private sectors.

The OECD and its member states are becoming more conscious of how structural and macroeconomic policies interact to achieve significant policy goals (OECD, 2004).

Corporate governance is a crucial factor in boosting investor confidence, economic efficiency, and growth (OECD, 2004). Corporate governance refers to a group of interactions involving a company's management, Board, shareholders, and other stakeholders.

Additionally, corporate governance provides a framework for setting organizational goals, choosing how to accomplish them, and evaluating performance (OECD, 2004). Effective monitoring should be made simpler by excellent corporate governance, and the board of directors and management should have the correct incentives to achieve objectives that are in the best interests of the company and its shareholders (OECD, 2004).

The presence of a capable corporate governance system, both within each company and across the economy as a whole, is necessary for an economy to operate efficiently (OECD, 2004). As a result, companies are motivated to make better use of their resources, cutting their cost of capital and fostering growth. (OECD, 2004).

Corporate governance is only a minor part of the larger economic environment in which firms function, which also consists of elements like macroeconomic policies and the degree of competition in the market for products and services (OECD, 2004). Company governance is influenced by institutional, judicial, and legal contexts (OECD, 2004).

Governments and market parties must decide how to implement these guidelines when creating their own corporate governance frameworks, taking the costs and benefits of regulation into consideration (OECD, 2004). The principles should be reassessed in light of significant changes in circumstances because they are evolutionary in character (OECD, 2004).

2.1.5 Approaches to corporate governance

Corporate governance is commonly divided between rule-based and principle-based approaches to regulation across many institutional situations. The varied institutional arrangements, their benefits, and internal complementarities frequently have an impact on this division (Nakpodia et al., 2016).

Different corporate governance strategies have arisen around the world. In general, they all follow the same guidelines (Corporate Governance Approaches, 2022). A rules-based approach is used to enact the code into legislation with the appropriate penalties for non-compliance. With a principles-based approach, a company must adhere to the spirit rather than the letter of the law. The company is required to follow the code or explain why it has not in reports to the relevant authorities and its shareholders (Corporate Governance Approaches, 2022).

The premise of a rules-based approach to corporate governance is that firms should be required by law (or another sort of mandated regulation) to abide by recognized principles of efficient corporate governance. There may be exceptions to the requirements for some business sectors, such as those having a substantial stock market presence. Businesses subject to the rules are required to abide by them, and few (if any) exceptions are allowed. Companies cannot decide under any conditions or circumstances to ignore the rules.

All organizations must adhere to the same baseline standards for corporate governance. Investor confidence in the market may rise if generally acknowledged corporate governance rules are applied to all stock market companies.

The same concepts might not apply to all organizations as each has different circumstances. A corporate governance structure is termed rigid if the same rules are applied to all companies. Choosing the optimum combination of skills and experience for the board of directors, negotiating directors' salaries, and assessing the efficacy of the Board and its members are some aspects of corporate governance that are challenging to control.

Corporate governance rules should exist in any country with a stock market. For instance, the UK, which is renowned for its principles-based approach to corporate governance, has a number of legislative requirements (along with Nigeria). Below are some examples of statutory laws from Nigeria and the UK.

1) With few exceptions, particularly for small and medium-sized organizations, companies must furnish a directors' report and financial records to the shareholders annually. The directors' accountability to the company's shareholders depends on this.
2) The financial accounts need to be audited.
3) Annual directors' remuneration reports must be created and distributed to shareholders for publicly traded corporations with stock that is traded on the stock market.
4) The duties that directors have to their firms are outlined in both the UK's Companies Act 2006 and Nigeria's Companies and Allied Matters Act 2004.

One key point of emphasis separates countries that pursue corporate governance in accordance with rules from those that do so in accordance with principles. Some countries rely more on their enforcement to uphold the required degree of governance since they have more regulations than others. The country most strongly associated with a rules-based approach is the USA. The Sarbanes–Oxley Act of 2002, the law covering the rules-based method of corporate governance, was not regarded as important in the US until a number of big businesses failed in 2001 and 2002, along with steep declines in the share prices of all companies on the stock market.

Principles-based corporate governance is an alternative to a rules-based system. It is based on the notion that every organization need to have a distinct set of rules. Businesses face a wide range of situations and conditions. The circumstances of a firm could alter throughout time. This suggests that: a. the ideal corporate governance practices for a corporation may alter over time as its circumstances change; and (b) the optimal corporate governance processes may differ between organizations. Therefore, although it is recommended that all large firms adopt a corporate governance code, this code should consist of principles rather than specific guidelines.

Although the United Kingdom model is based on principles, large firms are unable to voluntarily adopt it because compliance is required for stock exchange listing. The US model was made official by the Sarbanes–Oxley Act, which means that it is a strategy based on rules (Corporate Governance Approaches, 2022).

Which approach to use will depend on a variety of factors, including the predominant ownership structure (bank, family, or numerous shareholders), the strength or weaknesses of the legal system, makeup and policies of the government, status of the economy, culture and history of the nation, volume of capital inflows or outflows, and the global economic and political climate (Corporate Governance Approaches, 2022).

To understand how the current legal framework for corporate governance came into being, a variety of theories can be employed as a valuable analytical tool. These theories range from conventional economic approaches to legislation to new institutionalism, behavioural science-based theories, and transplant literature, but they do not all fully cohere in terms of corporate governance (Cankar et al., 2010).

Some aspects of these techniques can be difficult to reconcile because of the divergent underlying assumptions of the theories. Each new strain, which can generally be considered as complementary to the others, was developed as a result of the limitations of an earlier approach and its inability to effectively explain the legal and economic developments taking place (Cankar et al., 2010).

The topic of corporate governance has been a response to corporate organization failures and scandals since 1494, when the administrators of the Medici Bank engaged in excessive spending and the bank became insolvent as a result of a lack of control systems (Salami et al., 2014).

To enhance effective corporate governance procedures, businesses and governments have developed and put into effect laws and codes of best practices. Regulators generally fall into three categories when implementing these laws and practices: hybrid, mandatory, and voluntary (Ngozi et al., 2022).

Corporate governance regulators employ a range of strategies or methodologies, such as the hybrid approach, the principle-based approach, the voluntary approach, and the self-regulation approach, to achieve the aforementioned (Ngozi et al., 2022). Together, these many tactics should ensure that excellent corporate governance is established, which will promote openness, accountability, responsibility, and ethical behaviour in the workplace (Ngozi et al., 2022).

The purpose of corporate governance regulation, therefore, is to align business activities with respectable international norms (Ngozi et al., 2022). Corporate governance is concerned with the procedures, rules, and guidelines that enable organizations to be managed and guided towards accomplishing their objectives (Ngozi et al., 2022).

2.2 Corporate Governance in a Global Context

The East India Company, Hudson's Bay Company, Levant Company, among other businesses that were also significant professional bodies throughout the sixteenth and seventeenth centuries, are all examples of corporations that first integrated corporate governance (Price, 2018).

While corporate governance as a concept has been around for millennia (Price, 2018), the term did not become well known or prominent until the 1970s when matters started to become complicated, compelling the Securities and Exchange Commission to push corporate governance to the fore and advocate for formal reforms (Price, 2018).

One of the first and most well-known committees created to debate best practices for implementing corporate governance was the Cadbury Committee set up in 1991 (Gladins, 2021). In addition, on the world stage, the OECD developed the first internationally accepted corporate governance standards in 1999 (Gladins, 2021).

The organization has 29 member countries, and its headquarters are in Paris (Gladins, 2021). Its code values emphasize equal treatment for shareholders, duties of the board of directors, transparency and disclosure in financial reports, the importance of auditing those who are not executive directors, and the CSR of the companies involved. These principles are reflected in the Cadbury Committee Code (Gladins, 2021).

The founding of the registered company under the Joint Stock Companies Act of 1884 in the United Kingdom is also where the roots of corporate governance can be found (Ruperelia & Njuguma, 2016). This paved the way for the modern company, which distinguishes between ownership and control (Ruperelia & Njuguma, 2016).

With the passage of the Limited Liability Act in the UK in 1855, the corporate governance framework was intended to protect companies from the actions of professional managers (Ruperelia & Njuguma, 2016).

There is no complete history of corporate governance, and there may never be one because the topic is so vast. However, corporate governance has been around since the beginning of the corporation, leading to potential conflict between investors and managers (Cheffins, 2013).

Corporate governance has a long history, dating back to the formation of the East India Company, the Hudson's Bay Company, the Levant Company, and other major chartered players and companies in the sixteenth and seventeenth centuries (Cheffins, 2013). Cheffins argued that it would be difficult to include all the important parts of this history systematically.

Sateesh Kumar (2016) shows that the need for governance was felt because managers in the 1990s and early 2000s abused their power and authority and acted unethically, which brought negative attention to corporations.

Kumar goes on to state that the level of progress over time has led to a high level of acceptance of corporate governance as a more exact requirement, as well as regulators who have been used over time to make even stricter rules. It is generally agreed that corporate governance is important, and some researchers (Kumar, 2016) have spent much time and energy trying to establish whether good corporate governance can improve stock prices.

Although the separation of power and control in businesses was already being discussed early in the 20th century, qualified analysis of internal systems of corporate governance were not deemed important until the 1970s and 1980s (da Silva Lopes, 2004).

Even though these studies on internal or public systems of corporate governance are important for determining how the economies of industrialized countries have grown, they alone cannot explain the evolution of the world's industries which, despite the fact that there are so many international activities, still do not have a strong effect on the economies of individual countries (da Silva Lopes, 2004).

The continued failures of companies show that this is becoming more common in corporations around the world, causing professionals, academics, regulatory bodies, and business people to pay more attention to corporate governance (Salami et al., 2014).

The authors also point out that the question of why corporate organizations fail even when corporate governance is in place has become an extremely alarming situation in the business world because of the global trend of corporate failure.

Despite the fact that the Anglo-American system is thought to be the most prevalent globally, there are many different types of corporate governance systems in use today.

Solomon (2014) stated that different types of corporate governance are based on different ownership structures which depend on a wide range of social, political, and cultural factors.

Over the past few decades, various ideas, rules, and codes have been created around the world (Ruperelia & Njuguma, 2016). The Western world has had a major impact on how corporate governance theory and practice have grown.

The United Kingdom has made significant contributions to corporate governance studies, when important committees released reports such as the Cadbury Report (1992), the Greenburg Report (1995), the Hempel Report (1998), and the Higgs Report (2003) that addressed corporate governance challenges (Ruperelia & Njuguma, 2016).

In order to give companies, investors, and stock exchanges in nations a framework they could use to enhance the legal, institutional, and regulatory environment for corporate governance, the OECD released its principles in 1999 (Ruprelia & Njuguma, 2016). Representatives from 30 nations have been instrumental in assessing the principles frequently over the past ten years to make sure they are in line with shifting governmental and corporate expectations.

According to Ruperelia and Njuguma (2016), the OECD's 1999 principles have gained widespread acceptance as a standard for good corporate governance on a global scale, with governments, regulatory bodies, businesses, shareholders, and investors in both OECD and non-OECD nations accepting them.

There are two different types of corporate governance in countries that are connected to the European Union. The Anglo-Saxon model is used by companies in the United Kingdom, the United States, Hong Kong, and Australia. The German model is used by companies in Germany, continental Europe, and Japan.

A system based on external influence imposed by active capital markets through the acquisitions and mergers of listed firms is the basis of the Anglo-Saxon corporate governance model (similar to the US). As a result, active trading and capital markets have enabled firms to gain control over securities with dispersed ownership. In general, all Anglo-Saxon countries have well-developed capital markets, and protecting investors is a constant concern of the market's regulatory institutions through corporate governance practices and laws (Croitoru, 2011).

The corporate governance models used by Anglo-Saxon companies are typically similar, with a single independent board of directors overseeing and controlling management to improve its performance (Croitoru, 2011). However, hostile acquisitions on the capital markets of developed countries are also used to improve a company's performance (Croitoru, 2011).

German corporate governance is built on internal control and is comparable to Japanese corporate governance in that it is heavily influenced by active capital markets while also having powerful owners such as banks (Croitoru, 2011). As in Japan, shareholders who own majority shares in a company usually take an active role in running it. They have a responsibility to punish inefficient management, promote economic efficiency, and work with social partners to make sure that the interests of the company and its employees are aligned (Croitoru, 2011).

In contrast to the Anglo-Saxon model, which focuses mostly on the capital market, the German model focuses on the banking system because human capital is seen as paramount (Croitoru, 2011).

Despite having sizeable shareholdings in the businesses they finance, banks from Germany and Japan nonetheless have a significant impact on and control over those countries' political systems. This strategy's main benefits are good communication between banks and businesses, monitoring, and flexible financing options (Croitoru, 2011).

There are different models for the way corporate governance systems are put together, and these systems are a result of both the institutional environment and the organization’s culture (Cheung & Chan, 2004).

Cheung and Chan (2004) give two examples of this type: the Anglo-Saxon model, which applies to the United Kingdom and the United States, and the Rhineland model, which applies to Germany and several other countries in continental Europe.

Anglo-Saxon governance is defined by widespread equity ownership and a focus on financial goals. The concept is frequently referred to as the ‘outsider model’ because a typical firm is one that is represented by a sizeable number of shareholders acting independently of one another. The governance system's goal is to establish regulations and standards that will ensure Board members and executives are working to maximize shareholder wealth. Shareholders are thought of as the business's ‘risk-takers’ (Cheung & Chan, 2004).

The Rhineland model is based on what Cheung and Chan (2004) refer to as a ‘socially right’ market economy. It differs from other models because the parent business owns most of the stock with outside shareholders owning a smaller amount.

In terms of financial resources, as well as other resources such as labour and intellectual property, individual companies inside a specific company group can be seen as having an ‘internal market’, thus cooperation is emphasized. Compared to the Anglo-Saxon model, shareholders in this system tend to be reliable partners and more long-term investors. The corporation views its shareholders as ‘partners’ (Cheung & Chan, 2004).

The board of directors' organizational structure differs under the Rhineland model. German businesses, for instance, have a dual Board structure with a supervisory Board in charge of making strategic decisions and a managerial Board in charge of carrying out day-to-day plans (Cheung & Chan, 2004).

The OECD guidelines cover five parts of governance: 1) shareholder rights; 2) treating shareholders fairly; 3) the role of stakeholders in corporate governance; 4) disclosure and transparency; and 5) Board responsibilities.

2.2.1 Corporate governance in the European Union

All listed firms are required by European Commission Directive 2006/46/EC to provide a corporate governance statement in their annual report to shareholders (ECODA, 2022).

The European Commission has developed long-term plans for fostering good corporate governance, raising competitiveness, and promoting sustainability among European businesses. Examples include Europe 2020 and the EU Action Plan 2012 (ECODA, 2022).

With the help of these and other EU corporate governance reforms, member states' corporate governance frameworks have significantly converged. However, the EU still has much work to do to ensure that corporate governance programmes like gender diversity and ‘say on pay’ are broadly received (ECODA, 2022).

Since 2000, the trends have mostly been concentrated on developing a system in which efficient and responsible businesses report to accountable shareholders (Dallas and Pitt-Watson, 2016), thus the tendency to support shareholder rights and obligations. Instead of establishing a common code or set of norms for corporate governance, the European Union has established a principles-based comply-or-explain framework for member states’ corporate governance codes (Dallas and Pitt-Watson, 2016).

According to Dallas and Pitt-Watson (2016), the European Union's corporate governance policy has purposefully avoided creating a unified EU-wide corporate governance code.

Each nation in the European Union has adopted at least one of the 35 corporate governance codes. The majority of these (25) codes were developed after 1997 in response to bankruptcies and financial scandals involving companies listed on the UK stock exchange (Croitoru, 2011).

Since the Asian economic crisis dominated the years 1997–1988, more has been done to create corporate governance guidelines. The business community began focusing on investor confidence and corporate governance concepts of transparency, accountability, and fair treatment of shareholders as a result of investors withholding funds from Asia, Russia, and some South American countries (Croitoru, 2011).

In the EU, groups or organizations of investors have generated about a third of all applicable codes. Different issuers' defaults result in varying formal statuses for these corporate governance codes in the nations producing them, and the codes' authors expressed their opinions on what constitutes excellent corporate governance (Croitoru, 2011).

All of these codes which are in force in European Union countries address four fundamental issues, though they differ in how they develop their purposes and level of specificity: fair treatment of all shareholders (whose interests should be a priority); clear responsibility of the council administration and management; timely transparency and accuracy of company financial and non-financial reporting; responsibility for the interests of minority shareholders and other social partners; and respect for the law (Croitoru, 2011).

Application of the ‘comply or explain’ approach puts pressure on businesses to adhere to the principles in order to avoid failure. Therefore, despite the fact that following such regulations is not required, it exerts enormous pressure on how businesses in the EU conduct their corporate governance (Croitoru, 2011). Nevertheless, the EU’s approach to these rules enables flexibility and, as they are not legally binding, businesses are free to disregard their recommendations as long as they acknowledge their failures and provide an explanation (Croitoru, 2011). Furthermore, the adaptability of corporate governance standards is a significant benefit since it gives businesses the freedom to make decisions and take actions that will help them reach their strategic goals (Croitoru, 2011).

The primary areas of convergence and divergence between these codes relate to various facets of corporate governance, including employee representation, employee labour rights, shareholder rights, and mechanisms for participation in general shareholder meetings, Board structure and responsibilities, and financial and non-financial reporting (Croitoru, 2011).

The most significant variations in governance procedures used in EU nations fall within the legal and capital market rules, as well as highly comparable codes of corporate governance advice. However, these disparities do not create insurmountable obstacles to the functioning of the common EU capital market, which would necessitate the creation of a special corporate governance system that is applicable to all EU member states (Croitoru, 2011).

That said, there are distinctions between these codes that call for particular steps to be taken to remove legislative obstacles to controlling capital markets (information), allowing for an accurate and simple evaluation of the corporate governance of businesses (Croitoru, 2011).

Corporate governance is a set of practices which are used to foster trust between parties who enter into private contractual agreements in a variety of marketplaces, including the stock market and the job market, as well as when interacting with suppliers, clients, and other stakeholders. Not only from a local but also an international viewpoint, it is crucial to understand how organizations respond to the requirement of a good legal, regulatory, and institutional framework (Iustina & Maruszewska, 2021).

Although the term ‘corporate governance’ appears to be the most frequently used and there is a sizeable body of literature on the subject, no solutions have yet been developed. Researchers from different parts of the world explore different country-level factors in order to make a full list of factors that affect corporate governance practices (Iustina & Maruszewska, 2021). Hence, it is becoming increasingly important, especially from a global perspective (Iustina & Maruszewska, 2021) to know how far shareholders' rights go, how they are protected from managers stealing corporate assets, and how well auditing and accounting standards report how much information is missing.

The above characteristics of corporate governance divide power between the stakeholders (shareholders) and the managers of businesses that operate in certain countries. This might cause potential investors to find out how their rights are protected, while regulators may want to know how OECD corporate governance principles are used in a local setting with different institutional, legal, and regulatory elements (Iustina & Maruszewska, 2021).

Since the recent financial crisis in 2008, the importance of corporate governance for the long-term health of the economy has been brought to light. This is because corporate governance helps create an environment of trust, openness, and accountability (Iustina & Maruszewska, 2021).

Shareholders (primarily capital contributors) demanding claims over the value creation of the business and managers, who are key players in the value creation of the entity, are institutional actors that ensure corporate governance accomplishes its functions (Iustina & Maruszewska, 2021).

From this point of view, corporate governance is related to the fact that ownership and management are kept separate, which is a key part of modern organizations (Iustina & Maruszewska, 2021).

Different aspects of corporate governance also point to the two levels proposed: internal and external sets of corporate governance processes that serve to both create and distribute value to the entity's stakeholders (Iustina & Maruszewska, 2021).

Management, which acts as an agent for the shareholders, and the board of directors, which oversees the management, make up the internal control system (Iustina & Maruszewska, 2021).

The capital structure, bylaws and chartered provisions, and the internal control systems are important elements of internal governance, in addition to the management and the board of directors. Shareholders (capital providers) as well as other stakeholders, such as the law, the community, or the market in which the business operates, are some of the externally imposed control mechanisms (Iustina & Maruszewska, 2021).

Consequently, the following are the essential elements of external governance: 1) law and regulation; 2) Market 1 (capital market, market for corporate control, labour market, product market); 3) Market 2 (providers of information required by capital Market 1 such as market analysts, credit analysts); 4) Market 3 (accounting, financial, and legal services from outside parties external to the entity); and 5) private sources of external oversight (media and external lawsuits). On the one hand, including management in corporate governance highlights the human factor that may have an impact on how regulations are actually implemented (Iustina & Maruszewska, 2021). On the other hand, the fact that the corporate governance mechanism takes into account the community in which the corporation operates (through laws, market dynamics, etc.) shows that it has a broad view (Iustina & Maruszewska, 2021).

It should also be noted that even though some of the above factors do not have a direct effect on corporate governance structures, they may still have an indirect effect on how corporate governance principles are used or force managers to consider the needs of different stakeholders (Iustina & Maruszewska, 2021).

Corporate social responsibility, which represents broader social expectations for modern firms, means that both the shareholder and stakeholder models can be evaluated in the literature on corporate governance, with the stakeholder model being given more weight (Iustina & Maruszewska, 2021).

This demonstrates that corporate theft and the improper use of management power should be viewed in a wider context than just from the perspective of shareholders and the wealth maximizing of their allocated economic resources. Iustina & Maruszewska (2021) maintain that the results of business operations are based on the core functions of corporate entities and the strength of the ties that hold those interests together.

The newest EU guidelines encourage large corporations and SOEs to declare their environmental, social, and governance (ESG) performance (Camilleri, 2018). The EU's 2014/95/EU directive on non-financial reporting has been implemented in a large number of European member states. The ‘comply-or-explain’ approach of this regulation has encouraged firms to disclose a true and fair assessment of their organizations' financial and ESG capitals, which has represented a significant step forward for them (Camilleri, 2018).

Corporate scandals and carelessness over the past few decades have led to a rebirth of corporate governance (Camilleri, 2018). Corporate scandals have greatly benefited corporate citizenship and social responsibility (Camilleri, 2018). While maximizing profits for their main legitimate interest groups, notably shareholders, companies concentrate their efforts on their basic economic tasks of creating products and services (Camilleri, 2018). However, these large corporations also have a moral obligation to protect the interests of their stakeholders because their CSR activities have an impact on millions or even billions of people worldwide, whether through the goods they produce, the people they hire, the communities in which they are located, or the natural environments they affect (Camilleri, 2018).

These large organizations have been regularly reminded throughout the past few decades of their responsibilities to their stakeholders, including their owners, employees, investors, creditors, suppliers, local communities, customers, and policymakers (Camilleri, 2018).

Furthermore, in order to uphold their shareholders' rights, senior managers and executives have received training on their fiduciary obligations and responsibilities with regard to the makeup of the board of directors (Camilleri, 2018).

To help large organizations (those with more than 500 people) balance the rights and obligations of all stakeholders, corporate governance concepts and standards have been developed (Camilleri, 2018). In this regard, the structures, values, and procedures used to govern major corporations or state-owned institutions are determined by corporate governance. However, in order to practice responsible corporate governance, corporate executives and Board members must bring an organization's guiding principles to life, foster an environment that encourages morally upright conduct, and foster a feeling of shared accountability among employees (Camilleri, 2018).

Therefore, integrity, honesty, and organizational ethics should be the driving forces behind corporate governance. The search for possibilities, the design of organizational processes, and the decision-making process are all influenced by ethical ideals (Camilleri, 2018). These ethical standards aid in defining a company's identity and core values. They act as a uniting influence for various functions, lines of business, and staff groupings by offering a shared frame of reference (Camilleri, 2018). Stakeholders look to large organizations for accountability and openness, thus organizations are expected to make clear and widely known the functions and responsibilities of their corporate boards, as well as the responsibilities of their management appointments.

Corporate entities are encouraged to have policies in place to independently check and protect the accuracy of their financial reporting. To ensure that all investors have access to clear and truthful information, such disclosures of important matters pertaining to the organization should be made on time and in a balanced manner (Camilleri, 2018).

The Cadbury Report outlined corporate governance principles, and the OECD formalized these in its Principles of Corporate Governance. Both studies offer broad guidelines to assist major organizations in making corporate governance decisions (Camilleri, 2018).

The majority of these principles were later published in the Sarbanes–Oxley Act, which was passed by the federal government in the United States in 2002 (Camilleri, 2018). As a response, several governments and jurisdictions have, sometimes with the assistance of intergovernmental organizations, proposed their very own governance suggestions for stock exchanges, firms, institutional investors, or associations (institutions) of directors and managers. Some large organizations apply the International Labour Organization (ILO) conventions that support fair working conditions for employees in relation to social and employee-related issues.

Additionally, the European Union (EU, 2014) presented its rule on non-financial disclosures, which included a number of areas such as gender equality on corporate boards, information and consultation rights, trade union rights, health and safety, and social interaction with stakeholders. There was no legal requirement that these governance principles be followed (Camilleri, 2018).

On 29 September 2014, the European Council amended its 2013/34/EU Accounting Directive. The European Parliament gave the EU Commission the task of creating non-binding recommendations on the specifics of what non-financial information large ‘public interest entities’ operating in EU nations should disclose (Camilleri, 2018).

As it included some elements from the OECD's Guidelines for Multinational Enterprises, this directive covered social and environmental issues, including human rights, anti-corruption, and bribery issues as stated in the UN Guiding Principles on Business and Human Rights (the

‘Ruggie Principles’) (Camilleri, 2018). This latest regulation represents a development in the obligation of large organizations to uphold human (and labour) rights (Camilleri, 2018).

There are currently 6,000 significant ‘undertakings’ and organizations operating throughout Europe. All listed companies that are registered on the EU stock market are considered public interest firms, as are some financial institutions, insurance companies, and other organizations that the EU member states have recognized.

Their disclosures must contain a succinct explanation of the business models of the entities, as well as their procedures for conducting impact assessments of their operations (Camilleri, 2018). Companies and state-owned organizations should make it clear if they are preventing violations of human rights or fighting bribery and corruption (Camilleri, 2018). This EU requirement has highlighted the materiality and transparency of ESG problems in non-financial reporting (Camilleri, 2018).

Additionally, it has raised the issue of diversity on corporate boards. In order to promote greater diversity in the makeup of boards (e.g. by age, gender, educational background, and professional experience), it has set specified reference requirements (Camilleri, 2018).

The EU Commission even argued that this demand for transparency might enhance its proposed legislation regarding the representation of women on boards. Indeed, the 2014 EU directive allowed for some flexibility in disclosure requirements (Camilleri,2018). In actuality, the non-financial disclosure rule does not yet require European companies to address all facets of ESG performance. Businesses must, however, give a concise and convincing justification for their failure to adhere to the EU's 2014 directive (Camilleri, 2018).

As a result, although non-financial disclosures may not always call for thorough reporting on non-financial issues, they do urge the disclosure of information on policies, outcomes, and risks (Camilleri, 2018).

In addition, this regulation gives businesses the choice, depending on their characteristics and operating environment, to rely on regional, national, or worldwide frameworks (such as the

UN Global Compact or ISO 26000). As a result, many multinational banks and European firms already adhere to the EU's (2014) voluntary corporate governance rules (Camilleri, 2018).

In established market economies, corporate governance laws and regulations are crucial elements of the business environment (Croitoru, 2011). Although there are various ways to interpret the term ‘corporate governance’, it generally refers to the system used to manage and control a business. A corporate governance code is a collection of best practices, standards, and guiding principles for governance provided by a specific institution (Croitoru, 2011).

The corporate governance code establishes a set of rules and requirements affecting the management of a company in terms of strategic planning and decisions to maximize the interests of shareholders, creditors, customers, employers, and employees, starting from the principle of respecting and strengthening private property rights (Croitoru, 2011).

There are 35 corporate governance codes in the EU, with at least one in each member nation (Croitoru, 2011). The majority of these 25 codes were released after 1997, following financial scandals and business bankruptcies listed on the UK stock exchange. Following the Asian economic crisis that dominated the years 1997–1988, more work has been done to create corporate governance guidelines (Croitoru, 2011).

As a result of capital flight from Asia, Russia, and some South American countries, the business community began focusing on investor confidence and corporate governance principles of transparency, accountability, and fair treatment of shareholders, which led to the global development of the OECD Principles of Corporate Governance (Croitoru, 2011).

Different organizations, including committees or commissions set up by national governments or stock exchanges, business associations, academic and industrial associations of directors, investor groups, etc. have established corporate governance standards (Croitoru, 2011).

The majority, roughly a third of all applicable codes in EU nations, were created by organizations or organizations of investors. Different issuers' defaults provide various official statuses for these corporate governance codes in the nations producing them, and the codes offered their viewpoints on what constitutes excellent corporate governance (Croitoru, 2011).

All of these codes, which are in force in the countries of the EU, address four fundamental issues, though they differ in how they develop their purposes and level of specificity: fair treatment of all shareholders, whose interests should be a priority; clear responsibility of the Council administration and management; timely transparency and accuracy of company financial and non-financial reporting; responsibility for the interests of minority shareholders and other social partners; and respect for the law (Croitoru, 2011).

Applying the ‘comply or explain’ philosophy, which puts pressure on businesses to follow the rules, helps them avoid these codes and failure reports (Croitoru, 2011). Therefore, despite the fact that following such regulations is optional, they exert enormous pressure on the corporate governance practices of businesses operating in the European Union.

Additionally, the adaptability of corporate governance standards is a significant benefit since it gives businesses the freedom to make decisions and take actions that will help them reach their strategic goals (Croitoru, 2011). The primary areas of convergence and divergence between these codes relate to various facets of corporate governance, employee representation, corporate labour rights, shareholder rights, and mechanisms for participation at general shareholder meetings, Board structure and responsibilities, and financial and non-financial reporting (Croitoru, 2011).

Corporate governance regulations allow for flexibility and are not legally required, thus corporations are free to ignore the guidelines as long as they admit to any mistakes and provide an explanation (Croitoru, 2011).

Ideas and concepts run the real risk of not being used when they are not necessary, which casts doubt on their practical usefulness. The following are the main advantages of corporate governance codes: they promote discussion of corporate governance issues; they promote the adoption of recognized standards of governance by businesses; they outline the expectations of investors and the government with regard to corporate governance practices; they have a theoretical basis and can offer details that will help to improve capital market regulation and company law (Croitoru, 2011).

The most significant variations in corporate governance techniques used in EU nations fall within the legislative requirements, capital market requirements, and codes of corporate governance recommendations that are quite comparable (Croitoru, 2011).

These disparities do not create insurmountable obstacles to the functioning of the common EU capital market, which would necessitate the creation of a special corporate governance system that is applicable to all EU member states. Although there are variances between these codes, specific steps must be taken to remove legislative obstacles and regulate capital markets (information) so that investors can analyze the corporate governance of companies with accuracy and ease. Some common characteristics that characterize good corporate governance have been determined, starting with the many codes and practical forms of governance.

The OECD Principles of Corporate Governance were thus introduced (Croitoru, 2011). The EU's member states have two unique corporate governance models: the Anglo-Saxon model (specific companies in the UK as well as the United States, Hong Kong, and Australia) and the German model (specific companies in Germany, continental Europe, as well as those from Japan) (Croitoru, 2011). The Anglo-Saxon corporate governance model system is based on the external influence imposed by active capital markets through the acquisitions and mergers of listed firms (Croitoru, 2011). As a result, active trading and capital markets enable firms to gain control over securities with dispersed ownership. The capital markets of all Anglo-Saxon nations are generally well developed, and the regulatory bodies of the market are always concerned with protecting investors in the absence of significant shareholders through corporate governance practices (Croitoru, 2011).

Companies in the Anglo-Saxon nations (the UK, US, Australia, and Canada) typically follow similar corporate governance models, with a single independent board of directors monitoring and controlling management to improve activity. However, the latter control method, performance improvement, and turnaround companies are accomplished through hostile acquisitions made in developed countries' capital markets (Croitoru, 2011).

German corporate governance is based on internal control, similar to Japanese corporate governance, but with a focus on the powerful effect of active capital markets and the presence of large shareholders like banks (Croitoru, 2011).

Consequently, shareholders who hold significant blocks of shares are typically actively involved in managing their respective companies in both Germany and Japan (Croitoru, 2011).

Their responsibility is to hold bad managers accountable, promote economic efficiency, and work with social partners to align the company's interests, including those of its employees. The German model places the highest value on human resources, compared to the Anglo-Saxon approach, which is centred primarily on the capital market. The banking system is the focal point of the German model. Despite having sizeable shareholdings in the businesses they fund, Germany and Japan's banks nonetheless retain significant influence over and control over both countries' political systems (Croitoru, 2011).

This model's key benefits include monitoring, flexible banks and financing corporations, and efficient communication between them. Strong bank engagement in the system's top businesses provides enormous stability and a top priority path for economic growth (Croitoru, 2011).

However, Croitoru highlights that there are drawbacks to this corporate governance, approach such as small investors having no interest in any capital market (Croitoru, 2011). According to Croitoru, Franks and Mayer (2001) thoroughly examined the ownership and management of German firms. Eight-five per cent of the largest publicly traded companies in Germany have concentrated ownership, with one shareholder controlling more than 25% of voting power. Property is frequently owned in the shape of an intercorporate pyramid. Croitoru also indicates that, in the US or UK, Frank Mayer and his team determined that there was almost no market for corporate control in Germany (Croitoru, 2011). They saw a thriving market for shares with important characteristics: big blocks of vendors' shares were included in all benefits, while minority owners received no advantage (Croitoru, 2011).

A comparative analysis of the advantages and drawbacks of two models of corporate governance in developed nations, the Anglo-American and the German-Japanese models, suggest that a company's governance system could be improved as a result of action on the following factors: acquisitions of companies in developed nations like the UK, USA, France, Germany, and Japan where there is a regulated market for purchases; competitiveness of products and services, which also influence the corporate governance of the company (although this factor is slow to act on); share price increases; and the implementation of new regulations (Croitoru, 2011).

Creditors who have agreements with the company to protect their rights and against infringements may initiate insolvency proceedings in order to recover their losses; institutional investors represent a potential force to influence corporate governance, particularly in the UK and the US (Croitoru, 2011). They also pose a threat to the amount of control you can exert over businesses with a high percentage of capital holdings (Croitoru, 2011).

Therefore, institutional investors in the United States are subject to restrictions on their ability to exercise control over public companies, as well as restrictions on the concentration of shareholdings in their hands. In contrast, institutional investors in Japan and Germany play a significant role in the rights of shareholders (Croitoru, 2011).

The procedures used to direct and oversee a business firm as well as hold corporate management responsible for their actions and results are referred to as corporate governance (De Beaufort, 2005). However, the idea also applies to ‘frameworks that govern interactions between managers, owners, and stakeholders, including employees, creditors, suppliers, customers, and the local community’ (De Beaufort, 2005).

The way we define a firm and its goals has a direct impact on the management structure and how it formulates plans to achieve those goals. This discussion is now taking place in the EU, especially since European Economic Community(EEC) initiatives are following a liberal course and are linked with the creation of an integrated financial market rather than a social mission (De Beaufort, 2005).

Even though moving closer, there are still differences between the Anglo-Saxon approach and the Rhineland model when it comes to the duties of management, shareholders, and other interested parties (De Beaufort, 2005).

In a dual system where representatives of employees and other corporate bodies are represented, the power of managers and their obligations differ to those in the Board system, where shareholders play a direct role (De Beaufort, 2005).

It is not the same concept of corporate governance as in a firm where managers are supposed to create value for shareholders when they are forced to behave in the best interests of the company, taking into consideration the interests of shareholders, employees, and the general public. The range of management techniques in use indicates how challenging it is to determine what is in the best interests of the organization or even who should have the authority to do so (De Beaufort, 2005).

All parties agree that more transparency and better protection for minority shareholders are important goals, but this is not enough to deal with these two important issues (De Beaufort, 2005).

The previous debate over the Takeover Bids Directive, which was adopted in 2003 after more than ten years of compromises, is a good example of this phenomenon. Should everyone accept the dogma of the positive effects of hostile bids and, consequently, accept the idea of neutralizing anti-takeover defences? What is the target company's management's mission? These issues dominated discussions between the European Commission and the European Parliament (De Beaufort, 2005). Finally, a poor compromise was reached under the guise of the subsidiarity principle: to let member states decide whether or not to apply the rule of the neutralization of management found in Article 9 of the directive. This article forbids the target company's Board from taking any defensive measures during the period of accepting the bid once it has received formal notice of the bid, unless it has approval from a general meeting of shareholders.

Therefore, the management Board is not permitted to take any actions that are not in line with business as usual (De Beaufort, 2005).

According to the same interpretation, Article 11 mandates that limits on title transfers, whether in Articles of Association or in agreements, as well as restrictions on voting rights and particular rights to propose or revoke directors, will not be enforceable against the offeror (De Beaufort, 2005).

The European Parliament inserts Article 12 that enables member states to authorize businesses not to apply Articles 11 and 9 if they so wish and to avoid doing so if the offeror is a business that is well protected by national or sectoral laws or its bylaws (principle of reciprocity). By all available evidence, this discussion is not over, and it would be incorrect to assume that member states will implement national legislation based on their prior practices.

In France, there is no harmonization on the topic of corporate governance. The project from October 2005 follows the European directive word for word, with the rule of neutralization an exception (De Beaufort, 2005).

Article 44(2) of the Treaty establishing the European Community, which requires achieving freedom of establishment by coordinating the safeguards that, for the protection of the interests of members and others, are required by member states of companies or firms, has served as the foundation for the majority of EU-level initiatives in the area of company law (De Beaufort, 2005).

Additionally, the integration of capital markets has made it possible for investors and issuers to participate in activities in other EU capital markets, which has increased the requirement for investors to be confident that the businesses with whom they engage have comparable corporate governance frameworks. Several accepted European documents (De Beaufort, 2005) provide ideas for the search for openness and protection of shareholders, as well as other ideas about corporate governance.

2.2.2 Corporate governance in North America

All three of North America's corporate governance frameworks were going through major changes (Ryan, 2005).

The majority of Mexico's corporations are governed by a tiny number of controlling stockholders and function in a corrupt economic system. Their interest in enhancing corporate governance structures has grown as a result of recent political reforms and a desire to access international equity markets (Ryan, 2005).

American companies are prone to crises such as Enron because their owners are widespread and tend to be careless (Ryan, 2005). These crises have shaken the international investing community The restrictive Sarbanes–Oxley legislation that followed the Enron scandal is currently facing opposition (Ryan, 2005).

Canada's major firms, like those in Mexico, are run by a small number of controlling stockholders, albeit with little corruption. The Ontario Securities Commission took control away from the Toronto Stock Exchange while new corporate governance standards were being debated (Ryan, 2005).

These three corporate governance models have different ownership distributions, levels of corruption, and levels of governmental involvement, but they all currently place a similar emphasis on fundamental change.

Without a doubt, Canadian and worldwide organizations can attribute their achievements to their efficient governance procedures (Gouiaa, 2019). While the author also points out that Canadian corporate law is based on developed common law principles, lawyers know that securities commissions play a big role in setting standards for Canadian corporate governance (Gouiaa, 2019). Legislators usually refrain from modifying company legislation because they lack relevant corporate experience. Canada's corporate law is divided into different jurisdictions (Gouiaa, 2019).

Canada's corporate governance framework was inspired by the British common law paradigm and heavily affected by American developments (MacDougall & Yalden, 2013). According to the authors, while corporate governance practices in the UK and the US are comparable in many ways, Canadian practice typically falls somewhere in the middle when there are differences (MacDougall & Yalden, 2013).

Legal guidelines and best practices pushed by institutional shareholder organizations, the media, and professional director bodies such as the Institute of Corporate Directors influence corporate governance practices in Canada (MacDougall & Yalden, 2013).

In conclusion, the corporate governance framework in Canada is founded on principles, with the exception of the audit committee's requirements. In the United States, running a business is governed by rules that must be followed to the letter. All three systems of corporate governance in North America were undergoing big changes (Ryan, 2005).

Mexico corporations' interest in enhancing corporate governance frameworks has grown as a result of recent political developments and a desire to access international equity markets. American companies with many owners tend to be careless, which has led to scandals like Enron that have shocked investors around the world (Ryan, 2005).

The draconian Sarbanes–Oxley law that followed is currently facing opposition. Canada's major firms, like those in Mexico, are run by a small number of controlling stockholders, albeit with less corruption. (Ryan, 2005). Although these three corporate governance systems differ in terms of ownership dispersion, level of corruption, and legislative intervention, they currently share a common focus on fundamental reform. New corporate governance guidelines are being debated, and the Ontario Securities Commission is seizing control from the Toronto Stock Exchange. (Ryan, 2005).

In the decades after World War II, the United States had a long economic boom, and its top companies grew quickly (Cheffins, 2011). Even though the economy was doing well, there were problems with how companies were run on the inside, and the term 'corporate governance' was not often used (Cheffins, 2011).

Managers led, and directors and stockholders followed, in the 'managed corporations' that represented the economic forerunner in the United States during this time. Since senior executives had the most say in who became a director, boards were expected to work with management and back them up when there was no clear company crisis (Cheffins, 2011).

In the 1990s, the American system of corporate finance and governance came under fire because many thought it favoured short-term financial outcomes because shareholders wanted quick profits (Aldrighi, 2003).

The American model was compared by detractors to those that were popular in Japan and Germany, where a consensus-building strategy was claimed to successfully balance the interests of various stakeholder groups in the organization. Cooperative relationships between a company's managers, creditors, employees, suppliers, and clients were seen as developing in these nations as an effective way to address some significant market failures.

Aldrighi (2003) noted that these relationships made it possible for transaction costs to be lowered by reducing informational imbalances and encouraging relationship-specific investments, especially in human capital. There is a common belief that investor legal protection makes it possible for businesses, especially young, high-growth ones, to access a plentiful supply of cash at a low cost. However, over the last ten years, a series of connected occurrences have tipped the scales in favour of the American system of corporate governance. On the one hand, Aldrighi (2003) argues that the strength of its financial markets is the main reason why the American economy has kept growing since 1992 and why it is clearly the leader in technology in important areas. On the other hand, Germany and Japan's slow economic growth and unusually high unemployment rate have made them appear to be unconcerned about their shareholders and they do not have enough venture capital (Aldrighi, 2003).

Deregulation and advancements in information technology have led to a deeper global integration of the financial markets, which in turn has helped keep investors informed of and sensitive to firms' returns. Moreover, in recent years, a number of analysts have pointed out the negative aspects of concentrated ownership, especially the likelihood that dominant shareholders will steal from minority shareholders (Aldrighi, 2003).

All of these incentives have encouraged an increasing number of publicly traded corporations in other nations to follow the now widely praised, market-friendly method of corporate governance that is purportedly used in the US (Aldrighi, 2003). Much has been said about how the American style of corporate governance is more effective and that other countries should copy it, however, no one has yet undertaken a thorough analysis of how it actually works.

The agency issue between shareholders and management is the main issue that American corporate governance measures are designed to address (Aldrighi, 2003). As they are not fully contracted, managers have many residual control rights they can utilize to their advantage while putting shareholders' interests at risk. Some of the most important agency costs are not showing up for work, receiving excessive fees, spending money on ‘agency goods’ (like perquisites), and empire building (Aldrighi, 2003).

Empire building is the pursuit of a route of expansion and diversification without concern for profitability. Additionally, management may make choices that will strengthen their position inside the company, making it more expensive to fire them (Aldrighi, 2003). For instance, they might choose investment projects that make them vital or insert takeover deterrence (such as golden parachutes and poison pills) in the firm's statute. The ‘business judgement rule’, which prevents courts from judging directors and managers' business judgements when taking shareholder lawsuits into account, also makes discretion easier (Aldrighi, 2003).

The following are allegedly the most crucial safeguards against this type of managerial laziness and opportunism: 1) oversight from significant shareholders or creditors; 2) the legal and regulatory framework; 3) the board of directors; 4) market-based instruments, including competitive markets for goods, capital, and corporate control; 5) compensation agreements with strong incentives; and 6) debt commitments. Aldrighi (2003) pointed out much disagreement about which practices in American corporate governance are the best.

Even though Canada's corporation law is based on common law, practitioners know that securities commissions play a big role in setting the standards for Canadian corporate governance (Gouiaa, 2019).

Legislators usually refrain from modifying company legislation because they lack relevant corporate experience. The country's ten provinces and three territories are in charge of its securities laws and policies. The Canadian Securities Administrators is an organization made up of regulators from around the world (Gouiaa, 2019). This group aims to create a uniform approach to securities regulation throughout the nation. It has promoted fair, efficient, and vibrant capital markets and its objective is to safeguard investors from unfair, inappropriate, or fraudulent actions. (Gouiaa, 2019). As the commissions have much power over the country's governance standards (Gouiaa, 2019), it would appear that Canada is being pushed toward a more shareholder-centred model of governance.

2.2.3 Corporate governance in Asia

Poor corporate governance is frequently cited as one of the fundamental issues that triggered the 1997 Asian crisis (Nam & Nam, 2014). In family-owned enterprises, proprietors frequently had free rein to act in their own interests, often at the expense of minority shareholders and business success.

The establishment of reliable regulatory frameworks has been a primary objective for post-crisis policy packages, but some detractors contend that these reforms, which are mostly based on the Anglo-American model, are more likely to be cosmetic because of local economies' established and sociocultural norms and concentrated ownership structure (Nam & Nam, 2014).

The authors continue by claiming that there is not much evidence that shows how effective corporate governance raises firm values and performance in these economies. Many critics assert that stakeholders other than shareholders, particularly employees and creditor banks, can be beneficial to corporate governance in Asian societies.

Asian countries, especially those with rapidly industrializing economies, need to pay more attention to the corporate governance challenge caused by the separation of control from ownership. The biggest agency problem, however, is not between management and owners in general, but rather between management (the controlling family) and minority shareholders because the majority of large firms are owned and managed by families, with family members holding significant managerial positions (Nam & Nam, 2014).

Asia is a very diverse region with respect to institutional setups and economic levels of development. The income per capita varies greatly, ranging from about USD1,000 in India and Indonesia to more than USD30,000 in Hong Kong and Singapore. Even though the economies are comparable, family ownership and relationship-based transactions are more prevalent, which is particularly noteworthy (Nam & Nam, 2014).

The study of corporate governance in Asia demonstrates that the incentives, policies, and output of managers and their organizations are profoundly determined by the interaction between the ownership structure and the property rights framework (law and enforcement) (Nam & Nam, 2014).

While certain corporate governance issues are exclusive to Asia, others are global in nature. The relevance of family ownership concentration and the degree of minority rights protection are two such issues (Claessens & Fan, 2002).

Investors foresee and account for agency problems brought on by particular ownership arrangements, especially where there are wide discrepancies between control and cash flow rights. Takeovers and boards of directors are examples of traditional corporate governance procedures that are insufficient to address the agency concerns in Asia (Claessens & Fan, 2002).

Businesses also employ other methods (such as hiring reputable auditors) to decrease agency difficulties, but even these are only partially effective. Owners and investors want to safeguard rents as connection-based transactions become more widespread. Government initiatives, such as the huge safety net provided to the banking sector, frequently result in rents, and as a result, are typically protected (Claessens & Fan, 2002).

Despite the fact that research in Asia has helped to clarify several corporate governance difficulties, many important problems still need to be managed, for example: 1) The reasons behind specific ownership structures, their connections to institutional environments across countries, and vice versa; 2) the ways in which ownership structures affect firm performance and valuation as well as other corporate policies like investment patterns and financing structures; 3) alternative governance mechanisms for enhancing governance, including concerns with the internal governance of family businesses (Claessens & Fan, 2002).

Data accessibility issues create most of these issues' challenges. To solve data issues, academics and corporate governance research organizations must collect data systematically. 2002 (Claessens & Fan).

Since the 1997–1998 financial crisis, Asian nations have shown more interest in corporate governance (Cheung & Chan, 2004). Good corporate governance develops local and regional capital markets in two ways. After the 1997 Asian currency crisis, international investor money rapidly dried up, generating serious liquidity challenges in local capital markets and a considerable impact on the economy due to insufficient capital and investor apprehension (Cheung & Chan, 2004). Thus, good governance has a positive impact on the Asian corporate climate.

Especially for international institutional investors, investor confidence must be restored (Cheung & Chan, 2004). Strong governance leads to long-term stable growth in local capital markets as foreign capital becomes more ‘patient’.

Studies have identified many factors that contribute to effective governance: 1) a competent, moral, and politically unaffiliated judiciary; 2) laws that specify and safeguard private property rights; 3) laws that safeguard and uphold contractual rights, such as agreements between lenders and borrowers; 4) laws that guard against fraud and unfair and deceptive trade practices; 5) centralized banking laws; 6) bankruptcy laws; and (7) laws that protect against fraud. Good corporate governance boosts reliable and inexpensive capital formation, according to previous studies (Cheung & Chan, 2004).

To protect this benefit, corporate management should stop waste, fraud, and inefficient use of corporate assets, and relevant information should be disclosed using uniform and comparable accounting and auditing standards (Cheung & Chan, 2004).

Following decades of research, notably after the 1997 financial crisis, Asian corporate governance research projects' findings are still equivocal. This field has found a variety of conclusions on how corporate governance factors affect business performance (Niki & Johan, 2018).

Concentrated ownership provides controlling owners too much power to use firm assets against the interests of other stakeholders. Conversely, concentrated ownership may provide shareholders more power to control management and curb behaviour which may contradict the corporation's owners. Corporate ownership structure and firm performance have been studied extensively (Niki & Johan, 2018).

Institutional ownership has been shown to improve company performance. Significant institutions in the ownership hierarchy should increase supervision, especially if they are reputable and large. Institutional ownership has many benefits, according to numerous studies (Niki & Johan, 2018).

Several studies have also found that institutional ownership hurts corporate performance. Ownership by a CEO, director, or manager also had varied effects. The board of directors is the top of the internal control system as part of the governance structure (Niki & Johan, 2018) and their active oversight and advice is crucial to the corporation's management. The board of directors' impact on corporate performance has received mixed views in previous studies (Niki & Johan, 2018).

Performance was inconsistently linked to an outside director. Other characteristics like women on the Board, its independence, and CEO duality all have inconsistent effects on organization performance (Niki & Johan, 2018),

Corporate governance helps a company survive and compete in a fast-paced market. Such practices may improve a company's internal operations and win the trust of stakeholders including creditors, investors, and the public (Niki & Johan, 2018).

Thus, corporate governance norms may be a company's strategic advantage for survival in its environment. Corporate governance is so important that relevant bodies like the OECD continue to evaluate it (Niki & Johan, 2018).

Most Asian nations also have a local, independent group that evaluates corporate governance practices of local enterprises (Niki & Johan, 2018). Most Asian companies have corporate governance difficulties. Separating ownership from control is crucial in Asian enterprises, which are often family owned and run by relatives.

2.2.4 Corporate governance in South America

State-owned firms have particular corporate governance challenges (Ethical Boardroom, 2014). This industry is concerned about corporate governance because most South American enterprises are government owned (Ethical Boardroom, 2014).

The OECD-Latin American Network on Corporate Governance of State-Owned Enterprises is active and was set up to improve South American SOE management (Ethical Boardroom, 2014). The organization explores SOEs governance policies, practices, and changes using the OECD Guidelines on Corporate Governance of State-Owned Enterprises as a framework (Ethical Boardroom, 2014).

This and other initiatives have created a platform for governments and other relevant organizations to exchange and learn about institutional and policy frameworks (Ethical Boardroom, 2014).

To improve corporate governance in South American corporations, regulatory agencies are being given more ability to formulate and enforce regulations while management in several major organizations is receiving more corporate governance training (Ethical Boardroom, 2014).

However, South America's high state-owned company share hinders good corporate governance (Ethical Boardroom, 2014).

Corporate governance regulations create several political and power issues for both corporations and society. Corruption and political conflicts of interest are common throughout South America (Ethical Boardroom, 2014). Laws and regulations must be strengthened to better monitor how businesses deal with powerful politicians in these regions, where multinational corporations are eager to start new commercial operations (Ethical Boardroom, 2014).

Latin American enterprises struggle to raise funds in a competitive global market due to a lack in the development of institutional financial market tools (Chong & López-de-Silanes, 2007).

As ownership and control are closely linked, Latin American companies must diverge from market-based corporate governance rules (Reyes, 2007). Systemic inequities have made it difficult to adopt US norms throughout the region.

In this region, corporate governance standards that address directors and officials' opportunistic behaviour toward shareholders may be less important than those that address expropriation or some other type of oppression of minority shareholders and block holders' private gains (Reyes, 2007).

Block holding structures benefit minority stockholders from management oversight by controlling owners. Latin American corporate governance standards should focus on directors' duties and protecting minority shareholders and other stakeholders from block holders' illegal use of business assets (Reyes, 2007).

This region's poor corporate governance is mostly due to the legal system's inadequacies and lack of enforceability. A complete legal inventory of minority shareholders' rights is futile without effective procedures and remedies (Reyes, 2007).

Redistribution of judicial or quasi-judicial powers to specialized administrative institutions may help. Legal reform is limited by local culture, politics, equity ownership, and the rule of law (Reyes, 2007). Rapid technical progress, economic globalization, ownership concentration, clear control, and capital demand are the main factors influencing corporate governance in Latin American economies (Bedicks & Arruda, 2006).

Powerful factions run most businesses (often families that fulfil the roles of owners as well as managers). Controlling stockholders have 60–70% voting power. Family control dominates the region's unlisted small- and medium-sized companies (Bedicks & Arruda, 2006).

Twenty-five per cent of public companies have shareholder agreements. A majority of clearly recognized and active shareholders can provide active managerial oversight and a convenient source of money when needed, which would be of benefit to a firm (Bedicks & Arruda, 2006).

National corporate governance systems vary. Dispersed ownership, small investor engagement, and market mechanisms (takeovers) to regulate ineffective management characterize the US. Strong management and weak owners describe this arrangement (Lefort & Walker, 2000). Germany has centralized ownership, high bank involvement in business management, and minimal minority shareholder involvement. Strong creditors and weak minority stockholders describe this arrangement. Japan is usually between these extremes (Lefort & Walker, 2000).

In most countries outside the US and UK, especially Latin America, ownership and control are concentrated.

Finance and governance systems often improve economic performance, even if their benefits are not always obvious and there is evidence that corporate governance frameworks affect firm growth differently. In countries with strong disclosure standards and substantial ownership concentration, equity-dependent, skill-intensive sectors grow faster. This argues that systems should compete rather than standardize and that there is no ‘one size fits all’ corporate governance structure for all nations (Lefort & Walker, 2000).

Since most Latin American nations have enacted pension reforms along Chilean lines and institutional investors, particularly ADR holders, are projected to grow in importance, this research could help to predict the future impact of these big investors. Finally, Lefort and Walker examine Chile's corporate governance systems' historical changes. Many of the phenomena considered have occurred in other countries, therefore the results may not be limited to Chile (Lefort & Walker, 2000).

Ownership concentration and dread have persisted despite group mobility. This research highlights Latin America's corporate governance issues. First, legislation is the only way to protect investors, which is essential for capital market expansion. Thus, legislative changes may be needed (Lefort & Walker, 2000).

Second, no government is best for all nations. Identifying the rules, regulations, and laws that best reflect a nation's current and projected comparative advantages is difficult (Lefort & Walker, 2000).

Each nation's evolution and history must be considered. Finally, institutional investors, especially ADR holders and pension funds in pension-reformed nations, may influence company governance and these non-controlling investors may require significant legislation reform (Lefort & Walker, 2000).

At the Santiago conference, business, government, and academic leaders discussed Chile's law reforms in roundtable discussions (Lefort & Walker, 2000). These reforms were driven by the wave of takeovers, mergers, and acquisitions. In 1999, the Chilean Corporation Law's minority shareholder protections were recommended for modification (Lefort & Walker, 2000).

First, three-member Board supervisory committees with at least two independent major owners were created. Companies with a market value over USD45 million in the US, less than 75% share ownership, or at least one institutional investor must have this committee (Lefort & Walker, 2000).

This reform adds a minority-run supra-Board to safeguard minority shareholders, but its jurisdiction is limited. Most of these topics were still being discussed. Second, the proposed legislation demands earlier acquisition plan disclosure. Takeover attempts must be informed five days before a transaction (Lefort & Walker, 2000).

Any shareholder holding more than 15% of a company's stock who wants to buy 3% more must supply the same information (Lefort & Walker, 2000). Board members must now report on their discussions with the bidder and how the takeover may affect shareholder wealth in both cases (Lefort & Walker, 2000).

Third, tender offer requirements apply to transactions that may affect control. A tender offer for a specific fraction of the shares is needed when a bidder is likely to obtain a portion of the shares needed to control the company (Lefort & Walker, 2000).

After reaching 66%, a stakeholder must tender the remaining 33%. However, only third parties can use these bidding rules. If the controlling shareholder sold her shares, there would be no bidding procedure, denying the controller the ability to unilaterally dispose of her assets is illegal (Lefort & Walker, 2000).

Fourth, the new law gives depository receipt holders voting and informational rights equal to local shareholders. Finally, shareholder meetings might authorize share repurchases. Repurchases are limited and taxed as dividends (Lefort & Walker, 2000).

These changes strive for partial convergence with global norms, taking into consideration cultural variations and economic progress (Lefort & Walker, 2000).

Credibility and trust, key assets for a nation, will determine whether these changes succeed. Given the concentration of power and property rights in Latin America, restricting the tender offer rules to only cases in which outsiders desire to take control of a corporation is tantamount to making them only applicable in hostile takeovers, which are rare there. It is easy to turn an outsider's offer into one from a dominant shareholder (Lefort & Walker, 2000).

The constitutional factor ultimately prevailed; therefore, this disparity remains in the proposed changes (Lefort & Walker, 2000).

However, the amended version would require corporations to explicitly state that they will participate in an obligatory bidding procedure if control changes (Lefort & Walker, 2000). The constitutional defence of the compulsory bidding process has been supplemented by two others.

Another criticism is that the mandatory bidding mechanism will hinder corporations from trading their equities on exchanges to outsiders. For the first argument, it is crucial to understand what produces a premium and how different distribution techniques affect it (Lefort & Walker, 2000).

Profitability growth under the new controlling shareholders and personal rewards from control are two main sources. The latter usually involves seizing assets from other shareholders (Lefort & Walker, 2000). The premium ex ante's origin is unknown. If all shareholders share the control premium and its source is higher future profitability, all shareholders will benefit from value increase without intervention (Lefort & Walker, 2000).

As the potential new controlling shareholder's negotiation power is reduced, the premium may need to be divided and more of the additional value allocated to the current owners. This situation may not have value-adding transactions (Lefort & Walker, 2000).

The distribution is fair when all investors split the premium since shareholders only receive their anticipated future losses if the premium reflects the present value of future expropriation prospects (Lefort & Walker, 2000). It protects small shareholders, especially if some transactions do not meet this condition. If only the old dominating shareholders receive the control premium, minority shareholders may be tempted to steal their riches. This idea has been proposed by experts like Andrei Shleifer and Colin Mayer (as cited in Lefort & Walker, 2000).

The second assertion that the required bidding method will prohibit enterprises from entering the stock market is likely true (Lefort & Walker, 2000). The argument is that current controlling shareholders' ability to offer a controlling package at a premium would be eliminated. Whether such an impact is socially undesirable remains to be seen (Lefort & Walker, 2000).

Trade-off components are listed above. Limiting the control premium to current controlling shareholders is the same as creating a new class of shares (Lefort & Walker, 2000).

A legal counterbalance is needed to protect minor participants because existing factual data and Latin America's corporate history imply that significant concentrations of property and control will endure (Lefort & Walker, 2000).

These legal precautions should not hinder capital market expansion by making it excessively expensive for controlling shareholders to allow small investors to invest in their companies or by blocking value-adding transactions (Lefort & Walker, 2000). Pension funds may be important in this process, as they have substantial local minority shareholders with similar incentives (Lefort & Walker, 2000).

Second, if the legislation allowed it, their technical monitoring capacity may help minority shareholder interests. After Starks, the ADR holder may perform similarly. Venture capital-type funds, such as FIDE in Chile, could help small enterprises (Lefort & Walker, 2000).

In conclusion, most state-owned businesses in South America are influenced by politics, making corporate governance laws difficult to enforce.

2.2.5 Corporate governance from an African perspective

Investors consider Africa risky. Many African economies are characterized by macroeconomic instability, inadequate institutional frameworks, and a lack of openness and good governance (Okeahalam & Akinboade, 2003).

Africa requires a robust regulatory mechanism for corporate governance issues. A regulatory agency needs legislation to establish, define, and enforce the law (Okeahalam & Akinboade, 2003).

Although corporate governance in Africa makes sense, it faces major obstacles. Africa's size and variety are crucial (Valls, 2013). Valls contends that many potential investors are not aware that there is no broad corporate governance standard and that political buy-in differs across the continent.

Valls (2013) notes that governance maturity varies, making it difficult to reproduce current corporate governance systems, especially without legislative constraints. Thus, corporate governance must be tailored to each region.

Another obstacle to corporate governance is the lack of qualified directors (Valls, 2013). The African Corporate Governance Network must persuade policymakers and educate the public and business sectors on corporate governance's benefits.

Industrialized nations have more corporate governance, dating back centuries, than emerging nations (Ayandele & Emmanuel, 2013). By the 1980s, African economies had begun to prioritize effective governance. Good governance was originally mentioned in a 1989 World

Bank report on sub-Saharan Africa, but donor institutions campaigned for its improvement in the 1990s (Ayandele & Emmanuel, 2013).

Corporate governance in Africa is plagued by corruption and a lack of institutional capacity to enforce corporate governance standards of conduct (Ayandele & Emmanuel, 2013). Most executives commit severe crimes because investors are not part of the governing system. Internal controls are ignored without penalty, and Board members and the CEO are not fully informed (Ayandele & Emmanuel, 2013). Thus, Africa's corporate governance struggles. Businesses and organizations across Africa struggle to adopt good corporate governance standards due to rampant corruption and lawlessness.

Sub-Saharan African (SSA) nations are updating corporate governance legislation to boost their financial markets. Effective regulatory systems are needed to improve corporate performance and attract investment on the continent (Ntongho, 2009).

Self-regulation of corporate governance has increased since 1994, when South Africa led with the King Report (2016). Since then, most sub-Saharan nations have adopted self-regulatory corporate governance rules to improve corporate governance (Ntongho, 2009).

At least ten of the 48 English-speaking SSA nations have corporate governance codes (Ghana, Kenya, Malawi, Mauritius, Nigeria, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe). Botswana and Sierra Leone are creating corporate governance codes (Ntongho, 2009). Rwanda's Private Sector Federation (PSF) announced a corporate governance code in March 2009. Nonetheless, corporate governance self-regulation and regulatory reforms are new in SSA.

While following international trends, sub-Saharan Africa needs to evaluate the realities of their regulatory structure and question whether voluntary self-regulation (where a body or organization sets ‘comply or explain’ self-regulatory codes) is the best way to achieve outstanding corporate governance in sub-Saharan Africa (Ntongho, 2009).

Self-regulatory rules are created by the regulated. Capitalist nations allow autonomous agencies to draft corporation codes of conduct to encourage self-regulation (Ntongho, 2009). The code is voluntary and based on consensus between corporations and the regulating body, thus non-compliance cannot be punished, although in other countries, such as the UK and the US, firms are legally required to abide by the code as part of stock exchange rules. Corporate governance rules normally have two basic origins, while corporations must comply with multiple self-regulatory codes from different groups (Ntongho, 2009).

Sub-Saharan African corporate governance codes are ‘compliance or explanation’ similar to others. In Ghana, South Africa, Uganda, Zambia, and Zimbabwe, they are derived from the Institute of Directors; in Malawi, Mauritius, Nigeria, and Tanzania, from the stock exchange; and in Kenya, from the private sector under stock exchange supervision (Ntongho, 2009).

Directors are accountable to shareholders and stakeholders in all codes except Nigeria. Africans view enterprises as tools for national welfare and profit. This technique also reduces the agency issue between stakeholders and directors, which sometimes causes miscommunication and conflict between businesses in Africa and the local populace (Ntongho, 2009).

A more complete stakeholder approach upholds the ‘Ubuntu’ African philosophy of cohabitation, compromise, and collaboration. In some countries, like Ghana and Kenya, yearly reports must include a declaration on code compliance from financial regulators such as the Securities and Exchange Commission (Ntongho, 2009).

Self-regulation benefits sub-Saharan Africa. First, a code prevents lawsuits. Companies cannot be sued for violating codes because they are not legally binding (Ntongho, 2009). Second, sanctions, such as delisting companies from the stock market, are often better enforced by regulatory bodies than by statute (Ntongho, 2009).

Sub-Saharan Africa's diversified population and youthful financial industry make self-regulation easy to adapt to government reforms. Self-regulation is cheaper and easier to integrate into a company's operations. This will lower compliance and procedural costs, two significant African challenges (Ntongho, 2009).

Many African SOEs, notably infrastructure state-owned enterprises, have historically underperformed (Nellis,2005). State-owned enterprises initially underperformed their financiers and creators. The late 1970s and early 1980s were troubling and critical. Since SOEs poor financial performance strained government finances, international financial institutions (IFIs) became interested (Nellis, 2005).

In the 1980s, the World Bank commercialized SOEs. By the middle of the 1990s, the IFIs had abandoned the idea of government-run SOEs and instead favoured privatization and private engagement in infrastructure (Nellis, 2005). The results were again unsatisfactory. Private participation in infrastructure (PPI) has not been widely embraced, has not provided the large resources and benefits expected, and has not been universally approved by the African people (Nellis, 2005).

Recent African research suggests that PPI should not be abandoned and that a better approach would be to recognize its flaws and work harder to make it work (Nellis, 2005). As many have noted, this requires a transition from either-or to one that recognizes the interdependence of public and private infrastructure provision (Nellis, 2005).

Most African nations' new governments pressured them to reduce inequality, poverty, and enhance their people's lives while growing their economy after independence in 1980. Most governments retained ownership of critical industries like energy, rail, media, and telecommunications during privatization. Some businesses were kept as SOEs as an economic strategy to help those in poverty (Nellis, 2005).

Compared to private enterprises, most SOEs have failed to fulfil their economic roles. Africa's SOEs are also criticized for monopolizing industries, blocking structural reform, inefficient operations, bad corporate governance, political games, and corruption (Nellis, 2005).

State-owned enterprises (government-owned independent public businesses), perform specialized economic functions and comply with specified legislative Acts. In line with global trends, African states commercialize some state assets in key areas into independent enterprises to improve service delivery (Nellis, 2005). This makes the government and SOEs employers, and as unions and politicians oppose layoffs, ‘reforms and restructuring’ never happen. Political goals often trump commercial performance and economic efficiency when reorganizing (Nellis, 2005).

Corporate governance issues in Africa are typically linked to corruption, which has hampered social, economic, and political progress (Adegbite, 2012). Thus, African corporate and capital markets regulators are increasingly viewing excellent corporate governance and accountability as one of the best ways to reduce corporate corruption (Adegbite, 2012).

The Report on the Observance of Standards and Codes (2004) for Nigeria noted different financial reporting requirements for large and small businesses; institutional weaknesses in regulation, compliance, and enforcement; a lack of compliance with international accounting standards (IAS) and international standards on auditing (ISA); and a lack of strong local standards (Adegbite, 2012). The article proposed several policies, and stressed the need for an impartial institution (such as the UK Financial Reporting Council) to regulate, monitor, and enforce worldwide standards like the IAS and ISA.

Nigeria's specific regulatory concerns may not be addressed by corporate governance laws taken from other states or imposed by the World Bank and IMF (Adegbite, 2012). Effective regulatory measures to promote excellent corporate governance in Nigeria are needed to promote market economy values including transparency, rule of law, justice, responsibility, and property rights (Adegbite, 2012).

Nigerian company law covers commercial organization control, governance, and regulation. Colonial Nigeria established this legal structure (Okike, 2019). Like most of the UK's former colonies, Nigeria 'inherited' its legal and business systems. However, European businessmen, mostly Portuguese, traded with locals on West African beaches before the British Government was established in Lagos in 1861 and in all of Nigeria in 1914, and these traders kept records for both themselves and the Africans. The parties were now accountable to one another based on these records.(Okike, 2019).

During colonial times, Nigeria adopted British accounting and law. The Companies Act of 1968 replaced Nigeria's company law (the Companies Ordinance of 1922) at independence, which was based on the UK Act of 1900. The Act required directors to keep accounts and urged them to actively participate in the company's business (Okike, 2019).

Despite Nigeria's political and economic independence, the 1968 Act resembled the 1948 UK Companies Act (Okike, 2007). Foreigners, mostly British, ran businesses and brought their corporate laws and economic interests with them (Okike, 2019). However, replicating British business legislation ignored Nigeria's sociocultural and political challenges. It also ignored the nation's rapid economic and commercial growth (Okike, 2007).

The Companies Act of 1968 also failed to communicate with Nigerians (Okike, 2019). The Nigerian Enterprises Promotion Act of 1989, which supported indigenization, made legislative change even more necessary. These Acts revealed the Companies Act’s flaws, and it was clear that Art. 359(2) needed better guidelines (Okike, 2019).

The decree did not clarify whose legal adviser should countersign the auditors' report—the client company's or the auditors'—or what role the adviser should play in the company's book and record examination (Okike, 2019). Thus, Sec. 368(2) absolves the attorney of carelessness in publishing the auditor's report.

2.3 Corporate Governance in SOEs throughout the World

State-owned enterprises' (SOEs) excellent governance ensures open domestic and overseas markets. Public utilities are often supplied by state-owned companies (OCED, 2015).

Wong shows that state-owned firms worldwide underperform due to poor corporate governance (Wong, 2006). Many state-owned enterprise reform efforts have failed to address basic public enterprise governance concerns such as diversity and competing goals, excessive political intervention, and opacity, which has prevented sustained performance improvement (Wong, 2006).

Since the 1970s, many theoretical and empirical studies have examined state-owned enterprise inefficiencies (Bouattou, 2020). In the late 1980s, corporate governance-based studies on public firm effectiveness began.

State-owned enterprises (SOEs) affect inhabitants' lifestyles and the economy's competitiveness (OECD, 2015). Globally, SOEs are on the increase and they must be healthy, competitive, and regulated to maintain free trade and investment, which boosts economic growth (OECD, 2015).

The worst-performing public sector enterprises have received less governance attention (Wong, 2006). State-owned enterprises (SOEs) have governance difficulties that make transformation harder than for the private sector (Wong, 2006). Thus, if the government wishes to improve public sector corporations, it must solve SOE governance difficulties (Wong, 2006). No government has fully resolved these concerns, but several have made significant progress.

According to the World Bank Group (2014), SOEs remain important, accounting for 20% of global investment, 5% of employment, and 40% of output in some nations (World Bank Group, 2014). They provide vital services to utilities, finance, and natural resources. Many countries still own significant manufacturing and service companies in competitive industries (World Bank Group, 2014).

State-owned companies are under pressure to perform better (World Bank Group, 2014). These pressures derive from a variety of factors, including the need to maintain their and the economy's competitiveness, particularly in nations where SOEs play a significant role; to deliver necessary infrastructure, financial, and other services to businesses and consumers more effectively and at an affordable price; to lower their fiscal burden and risk; and to improve transparency and accountability of limited public resources (World Bank Group, 2014). Globalization, market deregulation, and fiscal constraints also drive performance improvement attempts (World Bank Group, 2014).

Reforms show that state-owned companies need better governance as shown by decades of reforms. Good governance has spurred research and analysis (World Bank Group, 2014).

The World Bank Group has assessed corporate governance and fiscal and financial management in SOE sectors in many countries, provided policy recommendations and action plans, and supported reform implementation through its consulting and lending activities (World Bank Group, 2014).

From a theoretical perspective and analysis of corporate governance worldwide, we may infer that excellent corporate governance is vital for firm survival. The corporate governance structure in the location where an organization, corporation, or enterprise works determines whether it follows rules or principles. Corruption and the inability to separate ownership and control lead to poor corporate governance in various countries and areas (Tijow & Hayat, 2021).

Organizations must phase in good corporate governance based on their position, condition, and readiness to ensure smooth implementation and support from all stakeholders (Tijow & Hayat, 2021). Good corporate governance improves performance, efficiency, and professionalism benefitting all stakeholders (Tijow & Hayat, 2021).The government, poor human resources, and a toxic corporate culture often prevent SOEs from making money. Stopping losses requires SOE management changes. A new law for SOEs focuses on good corporate governance by addressing legal content, structure, and cultural challenges (Tijow & Hayat, 2021).

State-owned enterprises (SOEs) have long been criticized for their vital service burden and risk to public budgets. They are essential for providing public goods and services to the public, especially in circumstances when a private operator would supply such services (such as natural monopolies) at an unpalatable price (Wezel & Carvalho, 2022).

Subpar governance, inadequate control systems, and operational inefficiencies can result in substantial expenses for the sovereign owner in the form of subsidies, liquidity, support payments, and recapitalizations to offset operating losses (Wezel & Carvalho, 2022).

State-owned corporations still affect the global economy. They remain important in many nations' economies despite privatization systems. Over the past 20 years, state-owned firms have doubled to 20% of the 2,000 largest corporations (Wezel & Carvalho, 2022).

State-owned firms hold half the world's GDP in assets, estimated at US$45 trillion. China has the most state-owned firms, with over 51,000, according to OECD data. After China, the most state-owned companies are Hungary (370), India (270), Brazil (134), the Czech Republic (133), Lithuania (128), Poland (126), and Slovakia (113) (OECD, 2017).

Good corporate governance ensures that SOEs boost economic competitiveness and efficiency. State-owned companies often provide crucial government services like essential public services (Miazek, 2021).

After this theoretical analysis, we will demonstrate its implementation in Liberia utilizing state-owned firms.

2.4 Analysis of Liberia State-owned Enterprises

Liberian state-owned firms provide port services, airport and civil aviation, electricity supply, oil and gas, water, and sewage, agriculture and forestry, maritime, petroleum importation and storage, and information and communication services. They serve multiple industries.

Liberia state-owned enterprise boards are administered by government ministries and appointed by the president, making them less powerful. Liberia's economic growth plan relies on the 2009 Public Financial Management (PFM) Law, which regulates and guides state-owned enterprises.

State-owned businesses, regulatory agencies, and parastatal enterprises have been particularly affected by economic mismanagement and corruption, according to the 2005 Poverty Reduction Strategy (International Monetary Fund, 2008). Inefficient and dishonest business practices diminished output, public treasuries, and economic growth. Thus, the strategy recommended rationalizing and reforming Liberia's 15 state-owned corporations, parastatals, and regulatory organizations (International Monetary Fund, 2008).

The PAPD of the Liberian government prioritizes modernizing state-owned firms for financial stability and sustainability or to attract private investment (Liberia, 2018). Liberia lacks a corporate governance code for state-owned and private firms.

Soft laws, like corporate governance guidelines, are voluntary best practices (Duh, 2017). According to the author (Duh, 2017), these codes were created to address weaknesses in Board composition, shareholder relations, auditing, information disclosure, and director and top manager selection, payment, and termination. The corporate governance code promotes transparency, thus accessing it is crucial (Duh, 2017).

Thirty-six SOEs were legally created, although the Ministry of Finance and development Planning (MFDP) unit tracks only 16 of them. The Liberian government and people possess all SOE shares. The Public Financial Management Act of 2009 mandates periodic financial statements from SOEs (State-Owned Enterprises FY, 2018–2019).

State-owned enterprises affect the nation's and its residents' economic development even though most do not compete. The state-owned enterprise unit's top priority is strengthening the enterprise to generate and preserve long-term value for national growth.

2.4.1 National Port Authority

The National Port Authority manages Liberia's seaports. A distinguished board of directors oversees the National Port Authority's corporate governance framework to promote responsibility, fairness, and openness. The Board enforces the highest moral, legal, and professional standards in its activities.

The Board represents the government and corporations. Sixteen (16) Liberian ministers, civil society members, and entrepreneurs comprise the board of directors. Executive management reports to the Board on daily activities. The board of directors is appointed by the president of Liberia (npa.gov.lr, n.d.).

2.4.2 Forestry Development Authority

Liberia's Forestry Development Authority is government owned and manages forests for the public. It protects Liberia's forests and natural resources for future generations.

The Forestry Development Authority's seven-member Board oversees corporate governance. The president appoints the board of directors, and the senior management group runs daily operations.

The national legislature created the Forestry Development Authority in 1976. The 1979 National Resource Law expanded its authority. Liberia's 2006 National Forest Reform Law governs forest management (FDA.gov, n.d.).

2.4.3 National Transit Authority (NTA)

Established in 2008, the National Transit Authority (NTA) specializes in offering people of major cities and other areas of Liberia access to inexpensive, practical, dependable, and sustainable mass transit services. In an effort to provide an effective and efficient transport system across the nation, the NTA has expanded its transport service to eight additional counties. The NTA's business is governed by a five-member Board, appointed by the president of Liberia.

2.4.4 Liberia Telecommunication Corporation

The Liberia Telecommunications Corporation is the country's national telecommunications company. As a socially responsible entity, Liberia Telecommunications Corporation is dedicated to sound corporate governance standards. The board of directors, appointed by the president of Liberia, is composed of four people. A senior management group led by the managing director spearheads the company's daily operations.

It was founded in 1973 as the Liberia Telecommunication Corporation (LIBTELCO). The Telecommunications Act of 1973 was later revised in 2007, naming the corporation as the country's primary telecom provider. The corporation is redefining its expansion ambitions under the new acronym, LIBTELCO, in the face of fierce competition from private suppliers in the industry. Coverage in the counties of Margibi, Grand Bassa, and Nimba is part of its current expansion plan. Diversifying the company's portfolio will improve revenue generation and boost the customer base.

2.4.5 Liberian Petroleum Refining Company (LPRC)

The Liberia Petroleum Refining Company (LPRC) is an organization that specializes in locating and supplying high-quality petroleum and petroleum-related products to the Liberian market. The corporate governance section is overseen by the Board of the corporation. A senior management group is led by the managing director, who are responsible for managing the company's daily operations.

The government of Liberia founded LPRC through Articles of Incorporation in 1978 with the statutory and exclusive mission of refining, storing, distributing, and providing petroleum products to the Liberian market to support the nation's industrialization and socio-economic development. The Board of Directors Act grants the corporation corporate powers, and it is under full ownership of the Liberian government.

2.4.6 Liberian Water and Sewer Corporation (LWSC)

Legislation brought about in 1973 established the Liberian Water and Sewer Corporation (LWSC) to manage Liberia's public water and sewerage systems. The Liberia Water and Sewer Corporation also provides clean, safe, and affordable drinking water to its citizens. The president of Liberia appoints the board of directors and senior management of the corporation. The Board governs whilst senior management runs the day-to-day operations. The senior management consists of a managing director who is assisted by three deputies.

The White Plains Treatment Plant outside Monrovia is receiving financing and upgrades. This work rehabilitates piping systems and works with developing partners to expand the pipe-borne water and sewer service nationwide.

2.4.7 Liberia Electricity Corporation

The Liberia Energy Corporation provides Liberian consumers with dependable, cheap, and secure access to electricity. Its operations are carried out by a global engineering consultancy firm, ESB International under a management service contract (MSC), which has a three-year initial term and may, upon evaluation, be extended for an additional two-year period.

2.4.8 Liberia Airport Authority (LAA)

The national legislature established the Liberia Airport authority (LAA)—Roberts International Airport (RIA) and James Springs Field (JSPA)—in 2009, giving the organization the authority to operate all domestic and international airports while combining the financial operations of RIA and JSPA. This enabled management to develop a unified plan for the efficient operation and expansion of the airports with the goal of restoring them to pre-war condition. To achieve this goal and improve service delivery, the RIA and JSPA must be rebuilt to a high standard.

2.4.9 Liberia Maritime Authority

The Liberia Maritime Authority (previously the bureau of Maritime Affairs) was established 6 September 2010, by an Act of the national legislature, with the mandate to, among other things, regulate, control, and administer all matters pertaining to merchant shipping, as well as domestic and international waterborne commercial and non-commercial activities. The authority is also tasked with organizing and supporting the expansion of the maritime industry and other maritime-related business in Liberia by establishing strategic alliances. The executive management team comprises a commissioner and four deputy commissioners. The board of directors receives reports from the senior management group.

2.4.10 National Oil Company of Liberia (NOCAL)

In April 2000, the national legislature created the National Oil Company of Liberia (NOCAL) to hold the government's rights, titles, and interests in liquid and gaseous hydrocarbon resources and reserves. In October 2016, the Act was revised to make it a commercial institution and remove its regulatory duties.

A seven-member board of directors are responsible for corporate governance in the company. A president, vice president for finance, and general counsel run the day-to-day affairs of the organization. The board of directors oversee the management team.

2.4.11 Liberia Telecommunication Authority (LTA)

The Liberia Telecommunication Authority (LTA), established by the Telecom Act of 2007, is the designated public body in charge of regulating the telecom industry through effective spectrum management and oversight. The government of Liberia owns 100% of the company, which is overseen by a board of commissioners.

2.4.12 National Fisheries and Aquaculture Authority (NaFAA)

In 2017, a national legislature Act created the National Fisheries and Aquaculture Authority, which manages the Republic of Liberia's natural habitat as well as its natural resources, cultural legacy, and sovereign rights of the Liberian people. For the benefit of the current generation and those to come, the authority has legal custody of these resources.

The director general, supported by two deputy director generals and a comptroller, serves as the head of the organization's senior management group.

2.4.13 National Housing Authority (NHA)

The National Housing Authority (NHA) was created to plan, launch, and execute low-income housing construction initiatives nationwide. The company builds affordable homes and buys land for new communities with more affordable homes to provide low-income residents with housing.

The organization seeks national homeownership decentralization. The board of directors manages corporate governance, and the organization's management is overseen by the managing director. The management of the National Housing Authority reports to the board of directors.

2.4.14 National Lottery Authority (NLA)

The National Lottery Authority (NLA) was founded in 2015 with the purpose of regulating all games of chance (betting). The corporation has a board of directors which is responsible for overseeing corporate governance.

2.4.15 Broadcasting System of Liberia (LBS)

The Liberia Broadcasting System (LBS) was founded on 10 October 1980 as the nation's main facility for programming television networks, AM radio stations, and FM stereo services. A board of directors of the corporation is responsible for overseeing corporate governance.

2.5 Summary

We have discussed the evolution, approaches, principles, and framework of corporate governance in detail in this section. The different corporate governance practices in North

America, Asia, Europe, and Africa have also been deliberated on and similarities and differences in these regions have been outlined. The challenges and gaps in corporate governance practices in SOEs in Liberia have been also discussed in totality. The chapter has attempted to discuss contemporary corporate governance issues throughout the world today and major developments leading to worldwide improvement in corporate governance.

Corporate governance is viewed from two distinct approaches, namely, rule-based and principle-based approaches to regulation. This distinction is often informed by the types of institutional configurations and their strengths.

We have highlighted that due to nations' failure to develop acceptable standards of transparency and governance within the confines of reasonable laws and an effective criminal justice system, corporate governance in Africa has been profoundly harmed.

Corporate governance changes in the EU have led to significant convergence in corporate governance systems, although there are still substantial obstacles. Most European countries use principles-based corporate governance. In the United States, corporate governance follows a rules-based approach guided by the Sarbanes–Oxley Act which is very strict.

Both the United States and EU corporate governance methods have pros and cons. The US rules-based approach ensures that all corporations follow the same corporate governance requirements and cannot opt out. However, the rule-based approach may not work for many companies due to diverse circumstances.

Meanwhile, the principles-based approach has the benefit of a company's best corporate governance policies which can be adapted as circumstances change.

Finally, Liberia has no corporate governance code. State-owned company boards lack autonomy. The Board is less accountable than the political leaders who appoint SOEs' top management teams.

The next chapter (Chapter III) will discuss the research methodology. It will specify the chronological order of the research design and the data collection procedures. It will also highlight the instruments to be used as well as the data analysis procedures.

CHAPTER III: METHODOLOGY

In this chapter, we shall demonstrate the research problem and provide a clear purpose for undertaking the thesis. We shall also highlight the main and specific research questions that have to be asked during the research. This part of the thesis will describe the population and sample size and will demonstrate how the participants in the thesis were selected. It will also show the instruments used to collect data as well as the data collection procedures. Finally, we shall demonstrate how the data collected will be analyzed as well as the limitations of the research design.

3.1 Overview of Research Problem

In this section, we shall outline the major problems associated with corporate governance in Africa and in Liberia specifically. We shall further demonstrate the challenges faced by SOEs in Liberia in implementing corporate governance. We shall also highlight the purpose of the thesis and demonstrate the limitations and delimitations of the research.

Although many countries have made significant efforts to professionalize their government's approach to owning and managing SOEs by instituting major reforms, Africa is predominantly viewed as a high-risk continent for investors due to its macroeconomic and political instability, weak institutional environment, and countries that fail to have acceptable standards of transparency and governance. As such the need for a robust regulatory framework for various aspects of corporate governance in Africa appears to be crucial to ensure economic stability, sustainable development, and prosperity, and certainly cannot be overemphasized.

Liberia's history of economic mismanagement and corruption is particularly evident with respect to state-owned enterprises. The inefficient and corrupt practices restricted the production of goods and services, burdened the public treasury, and hindered economic growth (International Monetary Fund, 2008).

The Liberian PAPD clearly stipulates that there is no corporate governance policy on Liberian SOEs and they therefore operate with an unclear mandate and no medium- to long-term strategy.

Currently, Liberian SOEs are only governed by their enabling legislations and a Board to provide corporate oversight. There are no standardized corporate governance policies across SOEs. Neither does a corporate governance code or code of business ethics exist in Liberian SOEs. Board level committees such as the audit committee, the risk management committee, etc. are almost non-existent. Any compliance and internal control frameworks, if in place at all, are usually overridden or compromised.

Whilst few SOEs may strive to ensure that fundamental core concepts of corporate governance exist within the frame of their policies, this is a challenge for most state-owned enterprises. From this perspective, there is a need to standardize corporate governance policies across the SOEs in Liberia.

There is currently little extant literature that holistically discusses the standardization of corporate governance policies across state-owned enterprises in Liberia and how good corporate governance could impact the performance of these SOEs and make them more sustainable.

These challenges and others will be treated in this thesis and appropriate recommendations will be made for the consideration of relevant Liberian policymakers.

3.2 Operationalization of Theoretical Constructs

The data obtained were measured based on ‘yes’ or ‘no’ answers, with ‘yes’ indicating existence and ‘no’ indicating non-existence. The close-ended questionnaires consisted of ten questions from the specific research questions. These questions are specific to corporate governance in SOEs in Liberia. The raw data was then downloaded in Microsoft Excel for cleaning and analysis.

3.3 Research Purpose and Questions

In this thesis, we study how the standardization of corporate governance policies across SOEs in Liberia, West Africa could improve the economic performance of these enterprises to make them financially more stable and sustainable on a long-term basis.

We analyze the existing corporate governance policies that govern each of the SOEs in Liberia. This enables us to understand up to which level the SOEs comply with existing national legislation or standards from a corporate governance perspective. The thesis will also demonstrate if part of the regulations or standards in Liberia should be modified and improved to enable an efficient, transparent, and productive corporate governance framework for enterprises in Liberia, whether public or private. The thesis has highlighted the importance of adequate rules and standards in corporate governance that would ensure long-term sustainable development in national economy and economic prosperity.

We shall demonstrate the importance of having good corporate governance policies across Liberian SOEs.

The main research questions that have been answered for the purpose of the research are:

1) At what level do state-owned enterprises in Liberia comply with national regulation and standards from the perspective of corporate governance?
2) What are the recommendations for national regulation and standards with respect to corporate governance in Liberia based on the obtained research analysis?

The specific questions the research has endeavoured to answer are:

1) Have corporate governance policies and procedures been formalized and distributed to relevant stakeholders?
2) Does the entity have a business code of ethics?
3) Is the Board independent?
4) Is the Board well structured?
5) Is the Board composition and mix of skills appropriate?
6) Are annual reports published in public?

7) Is there an internal control framework in place?

8) Is there a risk management framework?

9) Is an independent audit committee established?

10) Is an internal auditor appointed?

11) Is an external auditor appointed?

12) Is there a business continuity plan?

3.4 Research Design

The processes for gathering, evaluating, interpreting, and reporting data in research projects are known as the study design. It is a strategy for linking conceptual research issues with relevant and doable empirical research. The study design establishes the process for gathering the necessary data, the techniques to be used to do so, and how all of this will be used to address the research question (Boru, 2018).

This research has collected data using close-ended questionnaires and interview guides that have been used by key informants. It has also collected information through the review of secondary sources that are both published and unpublished.

3.5 Population and Sample

The population for this dissertation is staff members from ten selected Liberian SOEs, namely, Social Security and Welfare Corporation, Liberia Petroleum Refining Company, Liberia Water and Sewer Corporation, Liberia Electricity Corporation, Forestry Development Authority, National Port Authority, Liberia Maritime Authority, National Transit Authority, National Fisheries & Aquaculture Authority, and National Housing Authority.

A stratified sampling method was used to sample a total of 70 respondents drawn across the ten SOEs, that is, seven from each. The targeted respondents were selected based on the scope of the research. The research targeted senior staff, department leads, mid and entry level staff/employees between 18 years to 50 years and above, qualified to a minimum of certificate/diploma to master's and above. The simple random sampling method was used by the enumerators to select the respondents based on age category and qualification. Thereby, each member of staff/employee had an equal chance of being selected and interviewed.

3.6 Participant Selection

It was impossible to include all the staff members of the selected ten Liberia SOEs although this would be required to obtain a reasonable outcome of the research that could be generalized to the population. For this reason, a sampling of the staff members of ten selected Liberian SOEs was performed. For reliability and generalization purposes, seven staff members were selected from each of the entities, giving a final total of 70 participants.

The participants were asked to complete the questionnaires and were interviewed. As these are human beings a number of ethical concerns pertaining to values such as dignity, integrity, autonomy, and privacy are involved. All ethical issues were considered to protect the privacy and integrity of these employees. The questionnaires respect the confidentiality of respondents, objectivity, non-discrimination, and clear and simple approach with questions.All the participants were given and signed consent forms.

3.7 Instrumentation

The primary instruments used in this research are questionnaires and interviews guide. The questionnaires were developed based on the relevant literature and the advice of my mentor.

The questions were close-ended and administered to each staff member by a key informant. The interview guide will provide clear directions.

3.8 Data Collection Procedures

Two enumerators were proficient enough to administer an in-person interview using a structured questionnaire which was developed on Google Form. The data collection was conducted by means of physical interviews using iPads and smart phones as internet hotspot by two skilled enumerators.

In order to answer specific research questions, test hypotheses, and assess results, data collection is the act of gathering and measuring information on relevant variables in an organized, systematic manner (Kabir, 2016). All academic disciplines, including the humanities, social sciences, business, and natural and applied sciences, share data collection as a component of research. Although techniques differ depending on the profession, the importance of ensuring that the data is accurate and truthful is constant (Kabir, 2016).

The aim of any data collection is to gather high-quality evidence which can then be used to conduct extensive data analysis to create a solid case for answering a given question. Accurate data collecting is crucial to preserving the integrity of research, regardless of the subject of study or preferred method for defining data (qualitative, quantitative). Errors are less likely to occur when the proper data gathering tools are chosen – whether they are already in existence, have been changed, or are newly invented (Kabir, 2016).

Questionnaires were used to collect information from the selected 70 staff members of the SOEs. These questionnaires are primarily focused on the following areas:

- Formalized corporate governance policies and procedures
- Entity's business code of ethics
- Board independence
- Board structure
- Appropriate Board composition and mix of skills
- Published annual reports
- Internal control framework
- Risk management framework
- Independent audit committee
- Appointment of an internal auditor
- Appointment of an external auditor
- Business continuity plans

3.9 Data Analysis

The data entry was performed using Google Form. The raw data was then downloaded in Microsoft Excel for cleaning and analysis. Using pivot tables and charts, an analysis was carried out to reflect the general condition of all SOEs in Liberia.

3.10 Research Design Limitations

This study examined whether the current corporate governance structure of Liberian SOEs provides for accountability, the required competences and experience of the board of directors of Liberia SOEs, the role of the audit committee, the risk management framework, and the corporate governance improvement plan.

It was initially planned that this study would cover all SOEs in Liberia, but this was not possible due to lack of availability of adequate information relative to these state-owned enterprises. Consequently, some representative enterprises in Liberia were used to demonstrate our ideas and possible solutions. The study only focused on SOEs essentially because private companies in Liberia such as banks are rigorously guided by regulations of the Central Bank of Liberia and corporate governance codes for banks which is not the case for state-owned enterprises.

The conclusion lays the foundation upon which a generalization can be based.

3.11 Conclusion

We have explained in detail the research methodology that was used for this thesis. We have also outlined an overview of the research problem, operationalization of theoretical constructs, research purpose and questions, research design, population and sample, participants, selection, instrumentation, data collection procedures, data analysis, and the research design limitations.

In conclusion, the close-ended questionnaire was used to obtain the data. The answers on these questionnaires were entered using Google Forms and the raw data downloaded into MS Excel for cleaning and processing.

CHAPTER IV: RESULTS

This chapter discusses the results of the research based on the data collected and analyzed given the main research questions and the specific questions.

These results show a general picture of the extent to which SOEs in Liberia comply with national regulations and standards, with respect to corporate governance in Liberia. The results also show whether boards of directors are independent, well structured, and have the appropriate composition and mix of skills. The results indicate whether internal control and risk management frameworks are in place, among others. Other indicators include the publishing of annual reports, audits practices, business code of ethics, and a business continuity plan. All findings in this research were gathered by voluntary responses from stakeholders whose role directly relates to public management in Liberia. All responses are anonymous to ensure strictest confidentiality.

Overall, 70 respondents (45 male, 25 female) participated in the research across all ten state-owned enterprises. The respondents approved age brackets were 20–30 years (29%), 31–40 (14%), 41–50 (36%) and above 50 (21%). Further demographic characteristics of respondents by educational level reveal that 43% of the respondents had obtained only an undergraduate degree as their highest level of qualification, while 34% had acquired masters and above, and the remaining 23% only had a certificate/diploma to their credit.

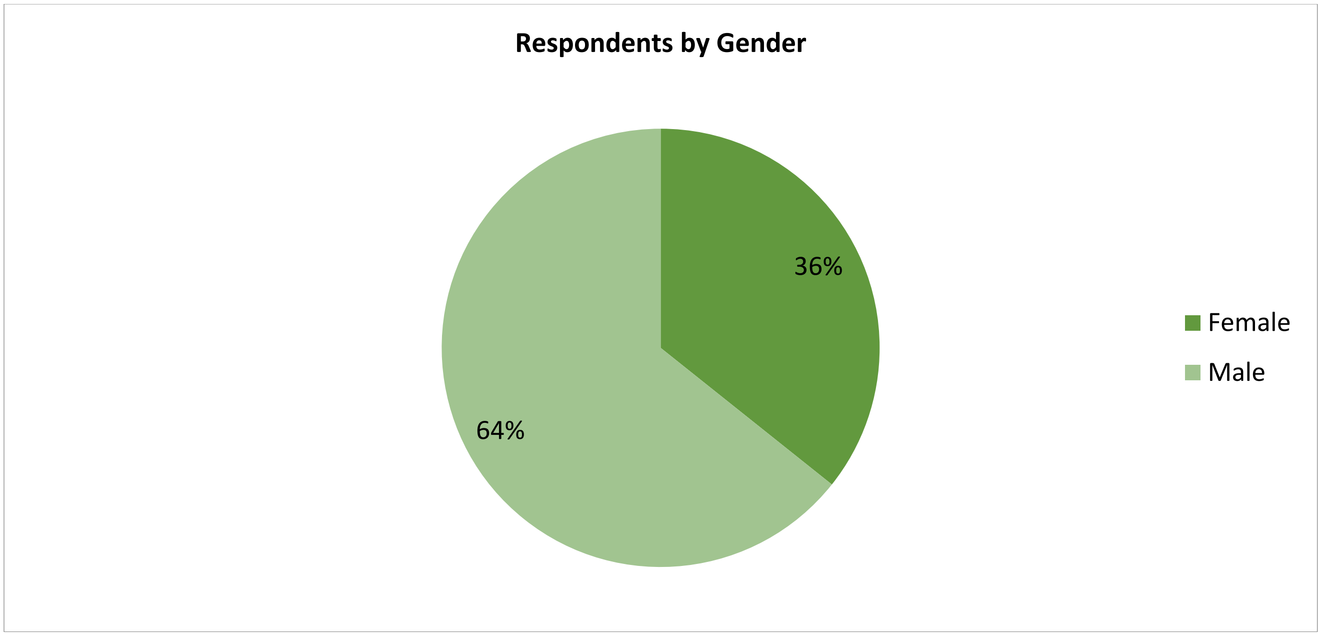

Figure 4. 22
Respondents by gender

Source: Author's analysis

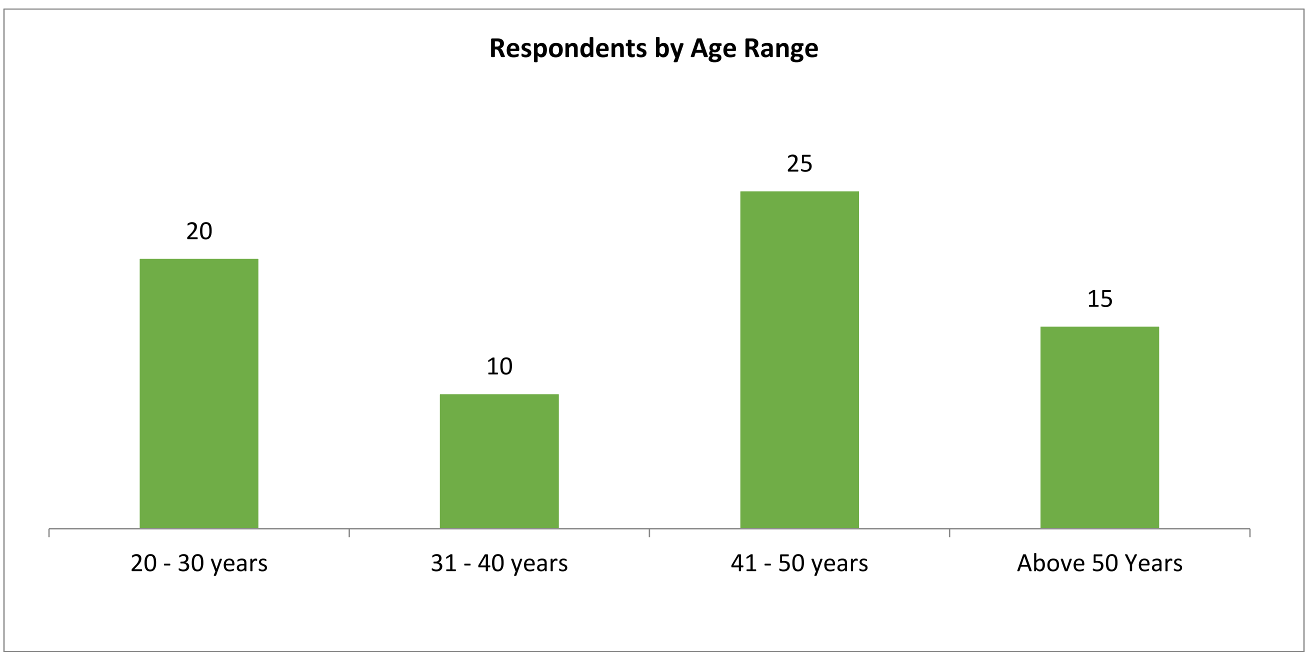

Figure 4. 23
Respondents by age range

Source: Author's analysis

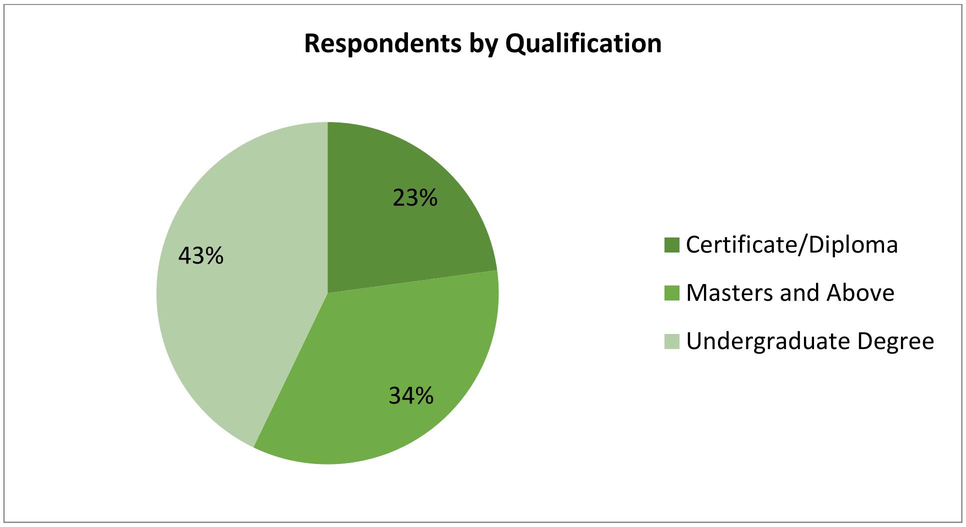

Figure 4. 24
Respondents by qualification

Source: Author's analysis

4.1 Research Question One: At what level do SOEs in Liberia comply with national regulations and standards from a corporate governance perspective?

The overall results indicate that 23% of the 70 staff/employees across the ten state-owned enterprises that were interviewed in Liberia confirmed that SOEs are not following national regulations and standards from a corporate governance perspective. However, a review of existing national regulations showed that there is neither a standardized corporate governance code nor national regulations that govern all SOEs in Liberia from the perspective of corporate governance. The Corporate Governance Regulation for Financial Institutions prepared by the Central Bank of Liberia remains the only corporate governance regulation for a particular sector in Liberia.

Figure 4. 25
SOE Compliance with National Regulations and Standards with regard to corporate governance

Source: Author’s analysis

4.1.1 Specific research questions

The results also showed the following in relation to the specific questions under main questions: The Board’s level of independence; whether the SOE is well structured, has an appropriate composition and mix of skills, and internal control and risk management frameworks in place; whether the SOE’s annual reports are published to the public; whether it has an independent audit committee and has appointed internal and external auditors; and whether it has a business code of ethics, business continuity plan, corporate governance policies and procedures formalized and properly communicated to relevant stakeholders in the enterprise.

4.1.1.1 Is the Board independent?

The board of directors must set and approve corporate values for itself, management, and other employees, emphasizing timely and frank discussion of problem areas covering corruption, conflicts of interest, self-dealing, prohibition of unduly favourable treatment of related parties, and always acting in the best interest of the enterprise or organization. The Board must openly promote corporate governance. It must establish and implement a code of professional and ethical conduct that forbids corruption or conflicts of interest by the Board, its management, and employees.

Twenty-three per cent (23%) of the respondents interviewed indicated that the board of directors of their respective SOEs was not independent. However, in four of the SOEs, namely, National Transit Authority, National Housing Authority, Liberia Electricity Corporation, and the National Social Security and Welfare Corporation, the respondents indicated that the board of directors was not independent.

The board of directors of SOEs are by appointment of the president of the Republic of Liberia and can be removed at his will and pleasure. Currently, there is no existing corporate governance regulations which spells out the requirements for Board members or director of SOEs in Liberia.

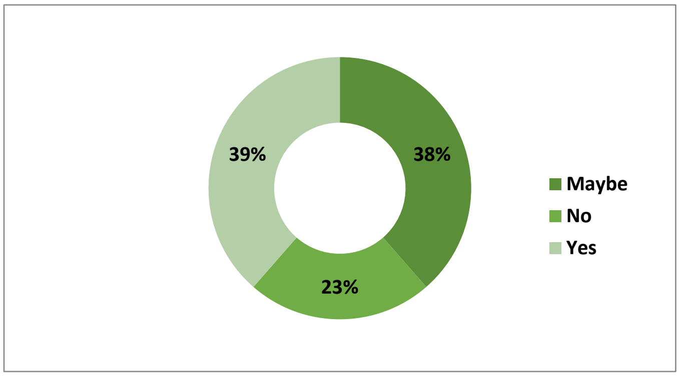

Figure 4. 26
Board independence

Source: Author's analysis

4.1.1.2 Is the Board well structured?

The Board must assess how its size affects its efficacy and monitoring duties. It should take state-owned firms' activities into account and help make decisions. A Board should have at least seven members and no more than 15 and should always include an odd number of members to break ties and make good decisions.

Twenty-one (21)% of the total respondents indicated that the board of directors at their respective enterprises was not well structured.

However, respondents interviewed at the National Transit Authority, National Housing Authority, National Port Authority, and the Liberia Maritime Authority indicated that the respective boards are not well structured.

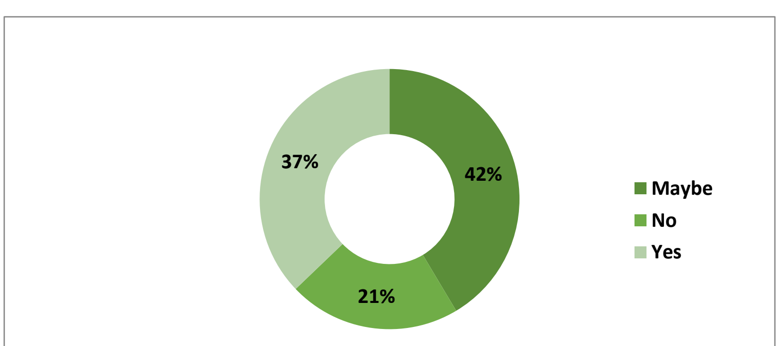

Figure 4. 27
Board structure

Source: Author’s analysis

4.1.1.3 Does the Board have the appropriate composition and mix of skills?

State-owned firms need a diverse board of directors with the skills and experience to oversee them. The board of directors should have the skills and competence to improve the state-owned enterprise's business procedures and activities.

Regarding the question on the appropriate composition and mix of skills, 40% said perhaps the Board has the appropriate composition and mix of skills and 39% said ‘yes’, while 21% said ‘no’.

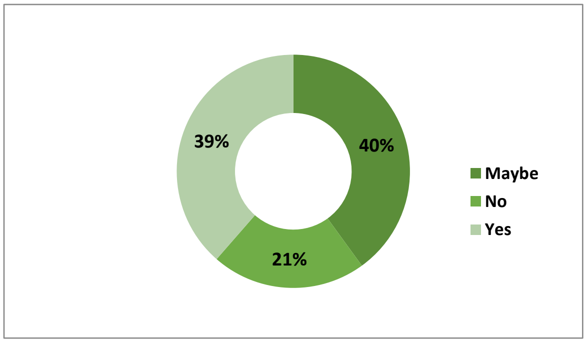

Figure 4. 28
Board composition and mix of skills

Source: Author's analysis

4.1.1.4 Is there an internal control framework in place?

Internal control frameworks organize and categorize expected controls. State-owned firms need internal controls for good corporate governance as they help to achieve company goals by providing accurate financial reporting for management and followings laws and regulations to avoid scandals which affect their reputation.

A good internal control system ensures effective business operations, asset protection, detection and prevention of fraud and other criminal actions, comprehensive and accurate financial records, and timely financial statement creation.

The question as to whether or not SOEs in Liberia have an internal control framework in place was asked and 57% of the respondents said yes, while 43% said they could not confirm this.

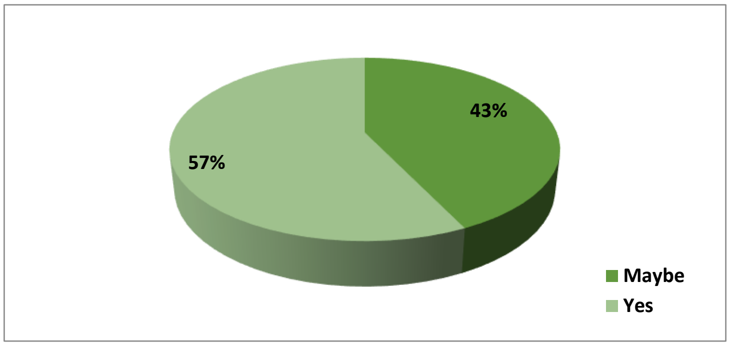

Figure 4. 29
Internal control framework

Source: Author's analysis

4.1.1.5 Is there a risk management framework in place?

A risk management framework ensures that management has identified and implemented procedures to enable, measure, and adequately manage an SOE's main risks. The framework should be overseen by a Board level risk management committee to verify that integrated risk management actions are independent, visible, and periodically reviewed.

In this respect, 59% said there is a risk management framework in place at their respective SOEs.

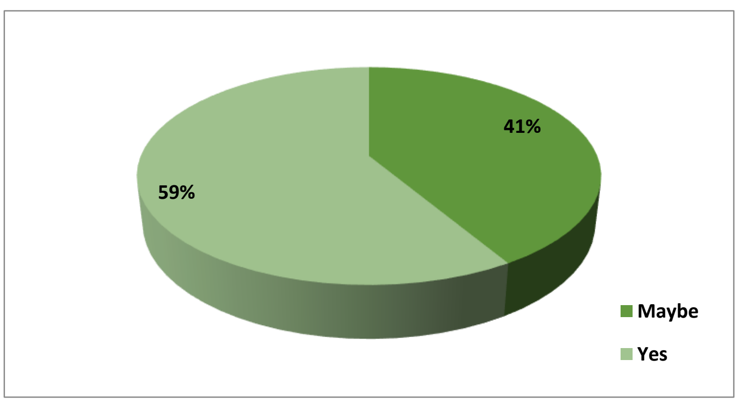

Figure 4. 30
Risk management framework

Source: Author's analysis

4.1.1.6 Are annual reports of SOEs published in public?

State-owned enterprises must produce annual reports as required by the Public Financial Management Act of Liberia. This is also in keeping with good corporate governance practice. An annual report summarizes recent financial performance and ensures regulatory compliance. Financial analysts and investors use annual reports to assess a company's stock price.

Out of 70 respondents who were interviewed about the publication of annual SOEs reports, 36% said that state-owned enterprises in Liberia did not publish their annual reports in public while 24% said they could confirm that state-owned enterprises do.

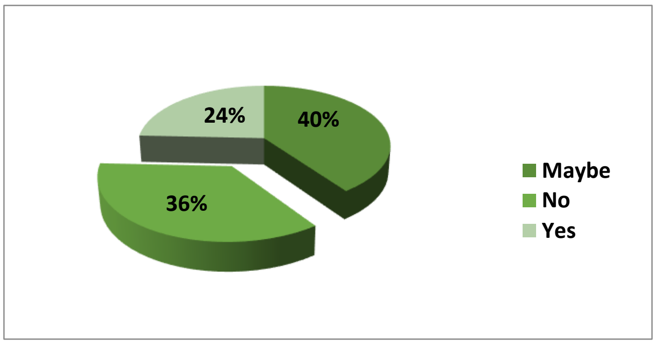

Figure 4. 31
Published annual reports

Source: Author's analysis

4.1.1.7 Is there an independent audit committee established?

The audit committee is a very important oversight body in the corporate governance structure. It is a Board level committee that analyzes state-owned enterprise reporting and the external auditor's independence and objectivity. This committee has the authority to request an external audit on the state-owned enterprise without management being aware. It reviews and approves the yearly audit plan and makes appropriate revisions which must be approved by the full Board, taking into account the committee's suggestion.

The audit committee assesses the internal audit function quarterly. This committee recommends external auditor appointments and re-appointments, and approves their compensation and terms of engagement. Finally, it carefully evaluates the auditor's findings, brings major issues to the full Board's attention, and requires management to report frequently on progress in addressing audit issues so the Board can ensure timely corrective steps in the event of problems coming to light.

Respondents were asked about SOE’s audit practices in Liberia. Following the first question about the establishment of an independent audit committee in SOEs, 31 of the respondents said that there was an independent audit committee established in their company, 26 were uncertain, while 13 said there was none.

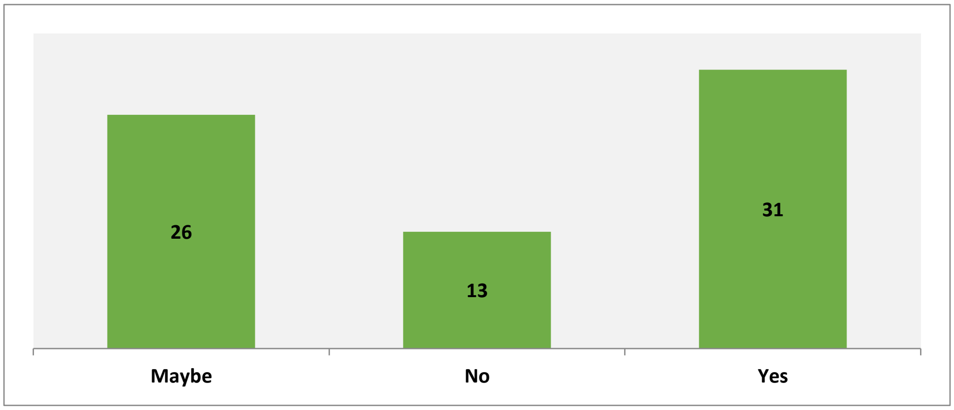

Figure 4. 32
Independent audit committee

Source: Author’s analysis

4.1.1.8 Has an internal auditor been appointed?

An internal audit helps the Board fulfil its governance duties. An internal audit must objectively assess the SOE’s risk, internal controls, and compliance environment; review operational and financial performance; implement ad hoc reviews of areas of concern; and provide feedback on adherence to the enterprise's values and code of conduct or ethics.

To the second question of internal auditor appointment, 74% of the respondents said there was an internal auditor appointed at their respective enterprises.

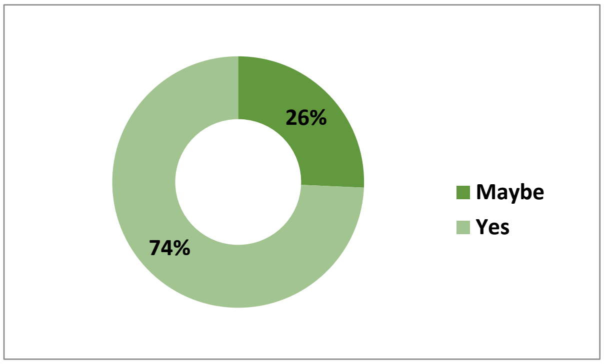

Figure 4. 33
Internal audit

Source: Author's analysis

4.1.1.9 Has an external been auditor appointed?

To assure the Board and shareholders that the financial statements accurately reflect the financial situation and performance of the company, good corporate governance requires an external auditor to be appointed. The external auditor must attend both the shareholders meeting and Board meeting to discuss the audit results and the report's preparation, content, and main shortcomings.

With regard to external auditors, 49% said an external auditor had been appointed by their company, while 17% said 'no'.

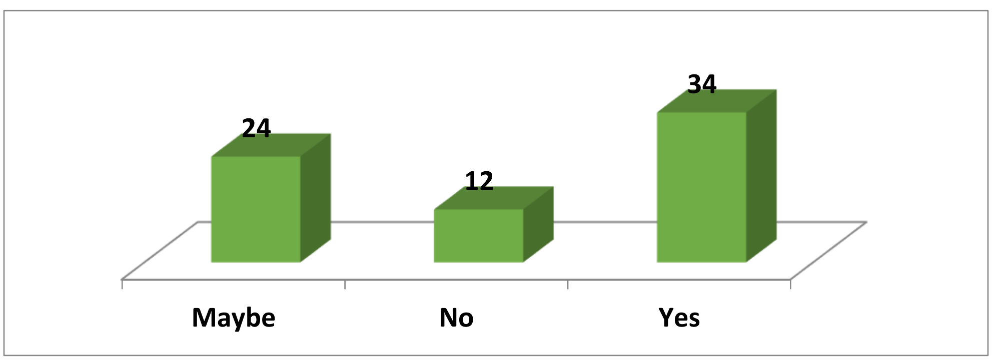

Figure 4. 34
External auditor

Source: Author's analysis

4.1.1.10 Is there a business code of ethics?

Business ethics augment the law by defining permissible behaviour outside government authority. Business ethics encourage employee integrity and builds confidence with investors and consumers. Quality varies in corporate ethics programmes, but good corporate governance requires that all state-owned enterprise should have a code of ethics.

In this regard, 50% of respondents said that a business code of ethics existed at their company while 13% said none exist.

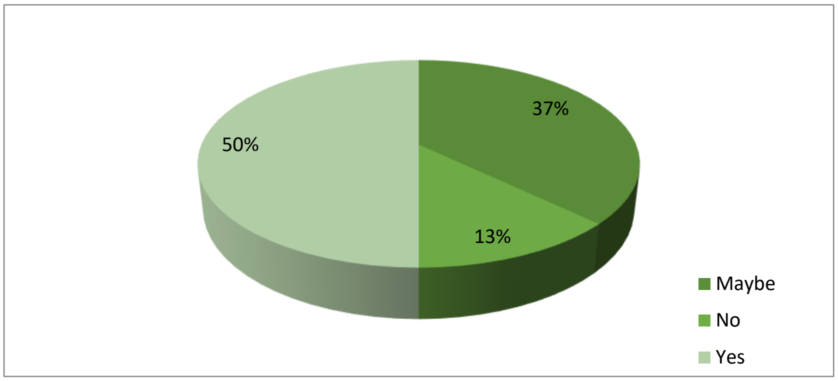

Figure 4. 35
Business code of ethics

Source: Author's analysis

4.1.1.11 Is there a business continuity plan?

State-owned firms must plan for business continuity. The business continuity plan helps the company recover from business disruption, property damage, financial loss, and death caused by natural disasters or man-made events. Business continuity plans must take into consideration all the various lines of business and processes.

Sixty-four (64)% of the respondents said that there are business continuity plans in their respective SOEs.

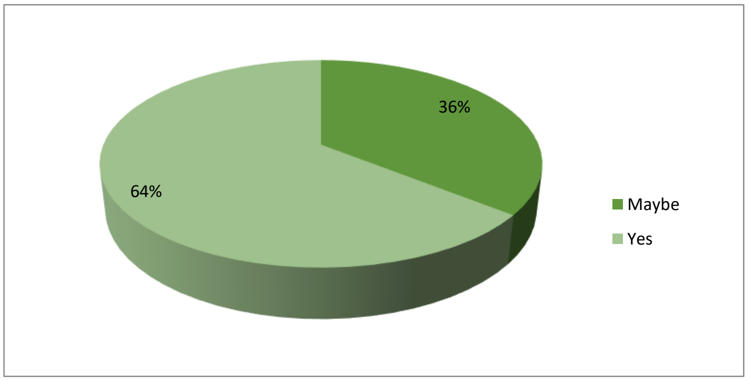

Figure 4. 36
Business continuity plan

Source: Author’s analysis

4.1.1.12 Are Corporate governance policies and procedures formalized and properly communicated to relevant stakeholders in the enterprise?

The Board's corporate governance committee leads the company's corporate governance, builds an engaged and diverse Board that fits the company's goals and objectives, and plans Board succession. The committee should formalize and convey corporate governance policies to state-owned enterprise stakeholders.

Respondents in the ten (10) SOEs provided clear responses when it came to the question of whether corporate governance policies and procedures have been formalized and properly communicated to all the relevant stakeholders in their respective SOEs.

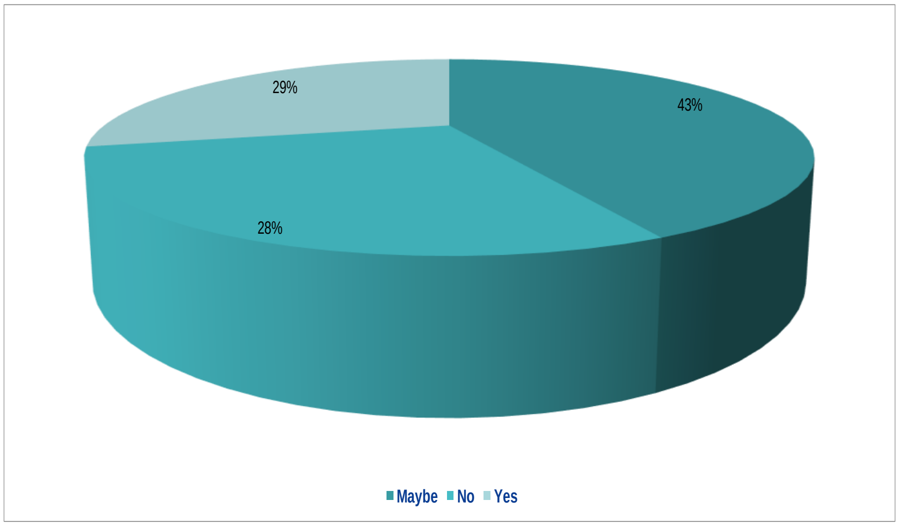

Figure 4. 37
National Transit Authority

Source: Author’s analysis

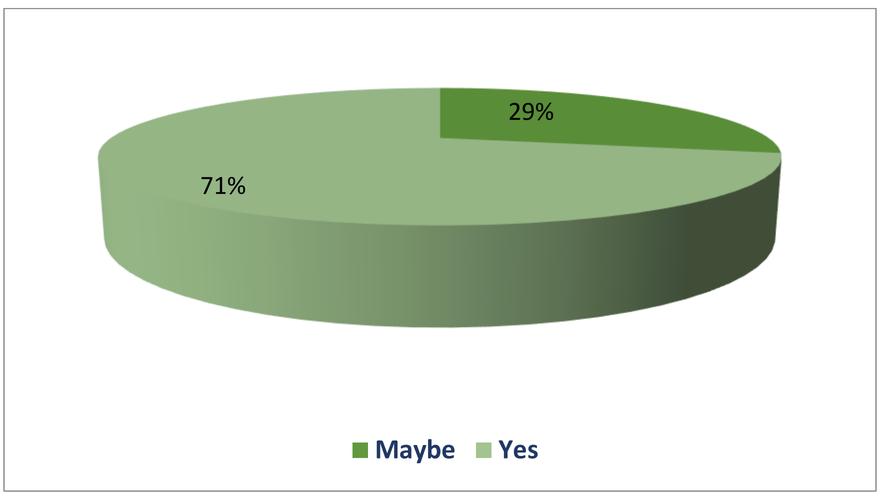

Figure 4. 38
National Port Authority

Source: Author’s analysis

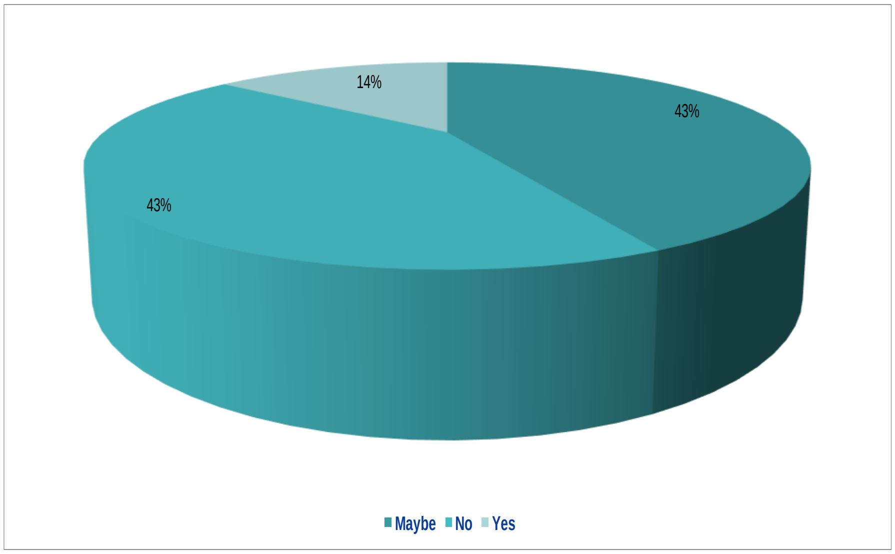

Figure 4. 39
National Housing Authority

Source: Author’s analysis

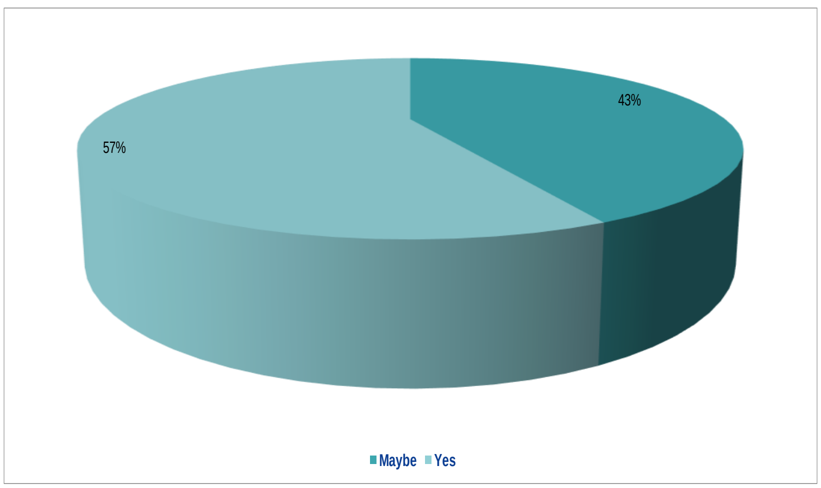

Figure 4. 40
National Social Security and Welfare Corporation

Source: Author’s analysis

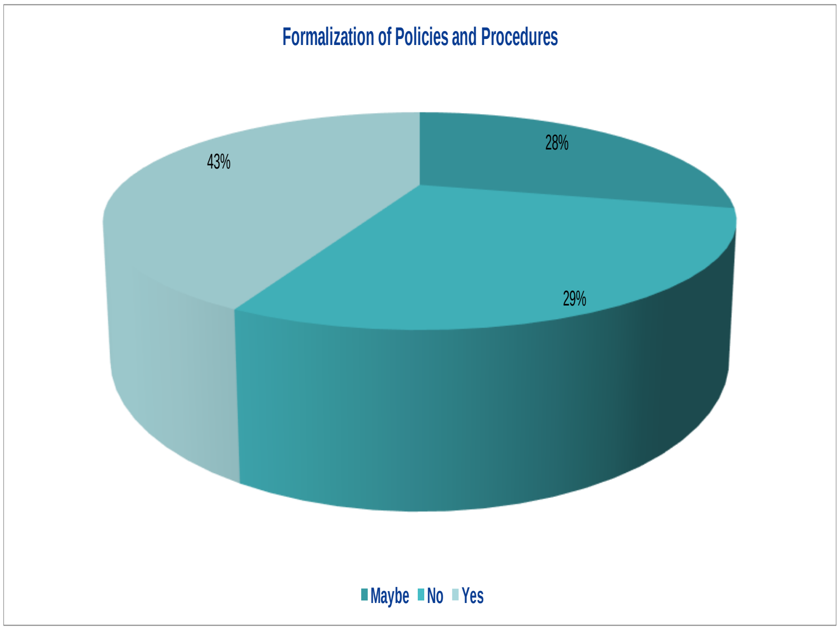

Figure 4. 41
National Fisheries and Aquaculture Authority

Source: Author's analysis

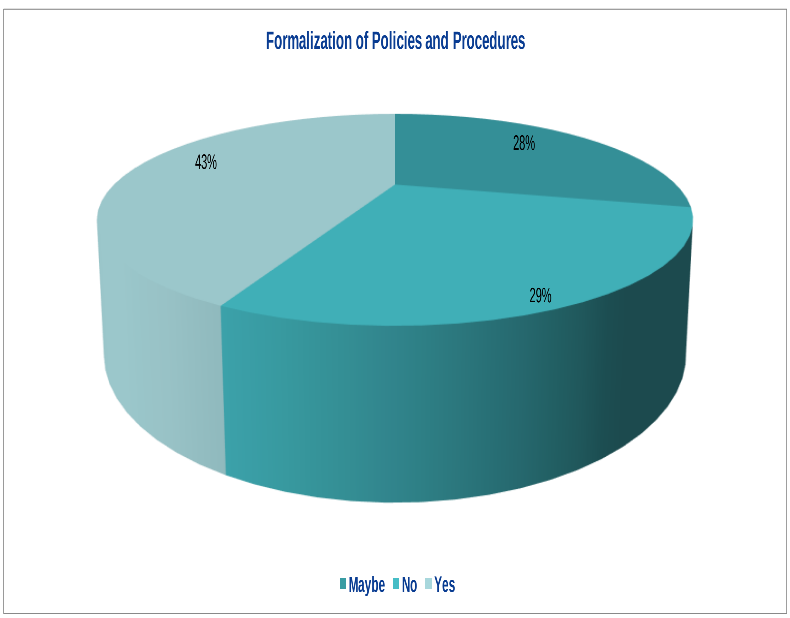

Figure 4. 42
Liberia Water and Sewer Corporation

Source: Author's analysis

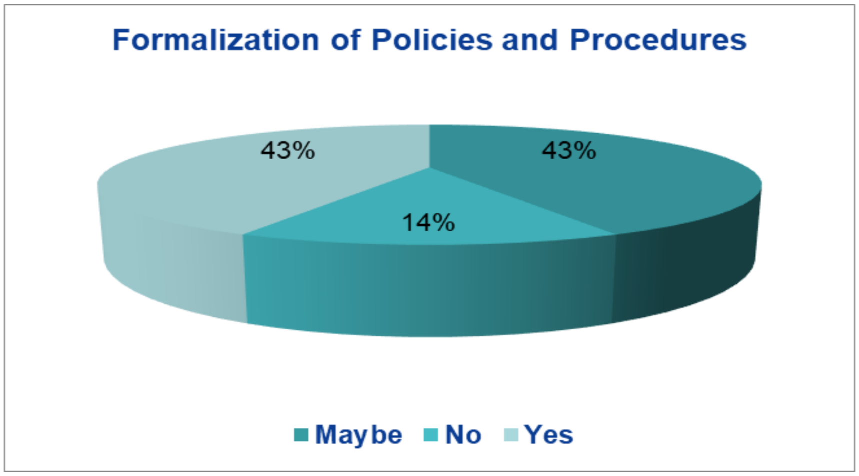

Figure 4. 43
Liberia Petroleum Refining Corporation

Source: Author’s analysis

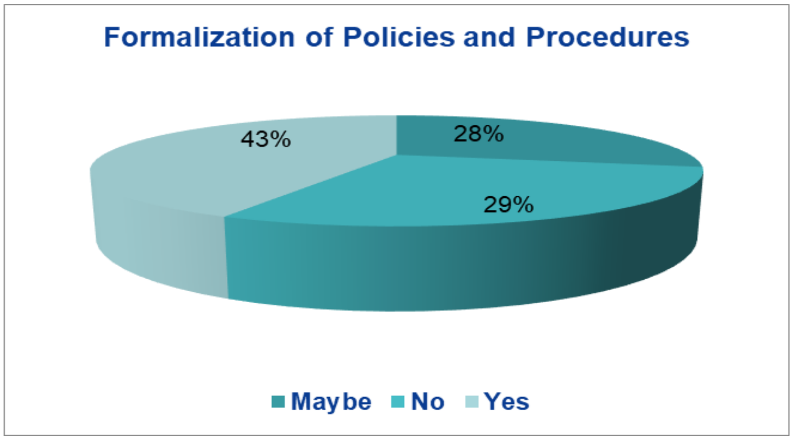

Figure 4. 44
Liberia Maritime Authority

Source: Author’s analysis

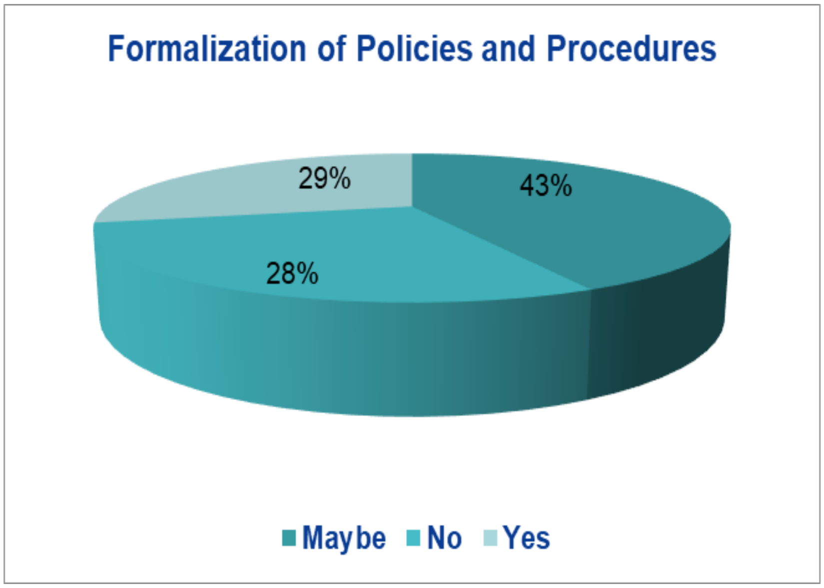

Figure 4. 45
Liberia Electricity Corporation

Source: Author's analysis

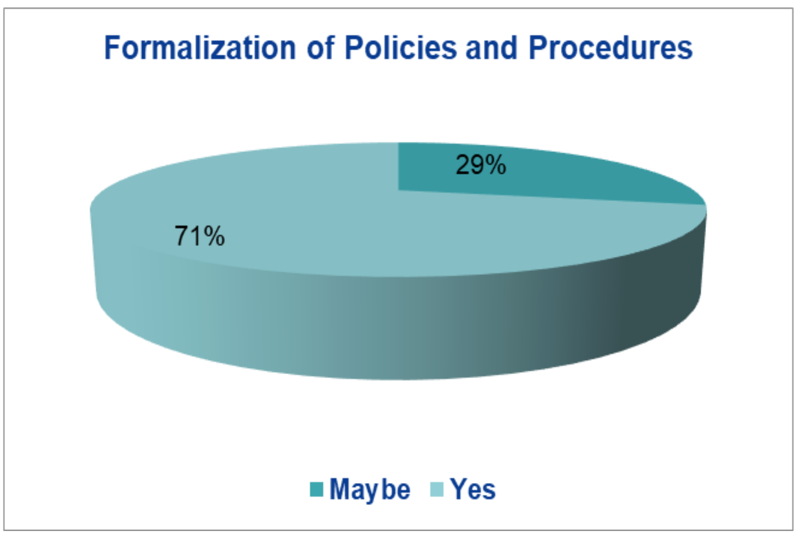

Figure 4. 46
Forestry Development Authority

Source: Author's analysis

4.2 Research Question Two: Satisfaction with the recommendations from national regulations and standards

A total of 63% of the 70 employees interviewed said they were satisfied with recommendations from national regulation and standards, while 28% indicated they were not satisfied, 6% said not very satisfied, and the remaining 3% mentioned being very satisfied as shown in Figure 4.26 below.

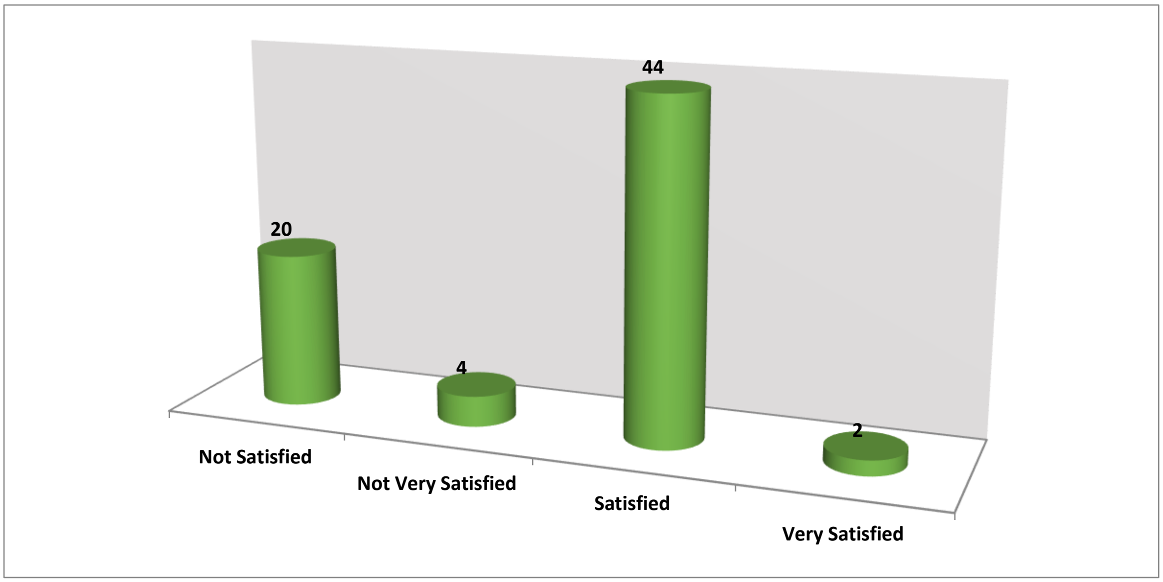

Figure 4. 47
Recommendations from national regulation and standards

Source: Author's analysis

4.3 Summary of Findings

The research showed that there is neither a standardized corporate governance code nor national regulations that govern all SOEs in Liberia from a corporate governance perspective. Each SOE is governed by the Act of legislation that created it. The SOEs in Liberia are less independent as their boards are governed by government ministries with Board members appointed by the president. The SOEs are guided by the Public Financial Management Law (2009) which sets out rules governing state-owned enterprise management and operations. However, this law only ensures that SOEs are financially healthy and does not dictate key corporate governance components such as Board composition, board of directors' independence, existence of internal audit, risk management frameworks, business continuity plans, ethics, etc.

4.4 Conclusion

The research was conducted using a qualitative approach. The outcome from the questionnaires administered and responses of respondents interviewed from the selected ten (10) SOEs has enabled us to obtain some very valuable information in terms of findings. The findings outlined in this chapter are based on research question one which sought to determine at which level SOEs in Liberia comply with national regulations and standards from a corporate governance perspective. Within the framework of this question, 12 specific questions were administered which sought to determine whether:

1) corporate governance policies and procedures had been formalized and distributed to relevant staff within the enterprise;
2) the entity had a business code of ethics and a business continuity plan;
3) the Board was structured with an appropriate composition and mix of skills;
4) the company published annual reports;
5) it had internal control and risk management frameworks, an independent audit committee; and
6) internal and external auditors were appointed.

The findings were further expanded based on research question two which sought to determine the level of satisfaction with the recommendations from national regulations and standards with respect to corporate governance in Liberia.

The findings clearly indicate that SOEs in Liberia do not comply with national regulations and policies from the perspective of corporate governance. Each state-owned enterprise is currently governed by the Act of legislation that established it, so there is no compelling reason to follow a definitive set of corporate governance regulations. It may decide to apply certain corporate governance rules as and when deemed necessary. As these enterprises are fully owned by the national government, the board of directors is solely appointed by the president of Liberia at his whim without any prescribed corporate governance regulatory requirements. Senior management is also appointed by the president without any regulatory requirement prescribed.

The high level of political influence on the board of directors and management is one of the cardinal reasons why corporate governance policies are not followed in state-owned enterprises.

The research also shows that financial institutions in Liberia are strongly governed by the Central Bank of Liberia Corporate Governance Regulations. They are compelled to fully comply with this regulation which clearly defines key corporate governance requirements for the appointment and dismissal of Board members, its composition and required skills and competencies, internal and external audit functions, risk management, and Board level committees such as audit committees, etc.

Unlike financial institutions, SOEs in Liberia are free to operate without any corporate governance regulations. This sets the tone for these enterprises to do so without regard to good corporate governance practices.

The results from the research have been clearly articulated and also presented in graphical forms to provide a clear understanding of the findings. These findings and their corresponding recommendations will assist policymakers to generate clear policies and /or regulations that could address the corporate governance issues in SOEs in Liberia.

CHAPTER V: DISCUSSION

In this chapter, we shall discuss the results of the research taking into consideration the research questions. We shall demonstrate how the findings from the research based on the responses obtained from the respondents are critical to the improvement of corporate governance in SOEs in Liberia. We shall highlight how the results contribute a wealth of knowledge and how they could be applied to improve business practices especially in SOEs in Liberia.

5.1 Preliminary Discussion

The results of the research are centred around two main research questions and 12 specific questions, contributing substantially to the knowledge pool and could be applied to improve business practices in SOEs in Liberia. The discussion in this section will continue to demonstrate how the results obtained contributes to the body of knowledge. The discussion is logically based on the obtained results from each finding of the responses to the research questions from the perspective of corporate governance, and at what level state-owned firms in Liberia adhere to national rules and regulations. Have corporate governance policies and procedures been formalized and distributed to relevant staff; is the entity's business code of ethics in place, is the Board well structured with the right mix of skills; are published annual reports available; is there a business continuity plan; are there internal control and risk management frameworks; is an internal audit function in place and an external auditor hired; and does a framework for internal controls exist.

Sections 5.2 and 5.3 present more detail about how the research contributes substantially to the knowledge pool and could be applied to improve business practices in Liberian state-owned enterprises.

5.2 Discussion of Research Question One

At what level do state-owned enterprises in Liberia comply with national regulation and standards from the perspective of corporate governance?

In Liberia, SOEs play an important role by providing critical services to the public and much-needed revenue for government, as well as contributing to economic growth. These enterprises provide basic amenities such as water, electricity, gas, telecommunications, etc. to the population and thus the importance of their role in the country cannot be overemphasized. The enterprises also serve as a vehicle for the provision of employment for the population.

As such, acceptable corporate governance practices are necessary to ensure the sustainability of SOEs in Liberia. It is paramount that these SOEs comply with strong corporate governance practices and standards because of their vital contribution to the growth and development of Liberia's economy.

The increased importance of the services that these SOEs provide, and the need to keep them sustainable have led to a greater demand for transparency and disclosure in their activities.

In Liberia, development agendas such as the poverty reduction strategy and the current pro-poor agenda for development have all identified weak corporate governance as one of the key factors responsible for the poor performance of SOEs in Liberia.

The lack of corporate governance regulations for SOEs, which would hold them accountable to comply with national regulations and standards with respect to corporate governance has also exacerbated the problem. These SOEs do not comply with any existing regulations or standards as they relate to corporate governance simply because the formation of key corporate governance structures within these enterprises is left in the hands of the political authorities to decide.

The appointment and removal of the board of directors, and the appointment of senior management are all left at the discretion of the president of the Republic of Liberia. Currently, there is no standardized corporate governance regulation across all SOEs in Liberia. Neither do standard requirements for the appointment and removal of directors or senior management exist. Key corporate governance components such as internal and external audit functions, independent audit committees, reporting requirements, compliance functions, the constitution of Board level committees, data integrity and disclosure, etc., are not well defined in these state-owned enterprises.

The research sought to determine at what level SOEs in Liberia comply with national regulations and standards from the perspective of corporate governance. When the question was put to 70 participants from ten SOEs, 23% indicated that these SOEs do not comply with national regulations and standards from a corporate governance perspective.

Currently in Liberia, the only corporate governance regulations are that of the Central Bank of Liberia Corporate Governance Regulations for Financial Institutions. Unfortunately, to date no national corporate governance regulations exist for SOEs in Liberia.

Some researchers have conducted studies on Liberian SOEs and their corporate governance practices. However, no other research has been conducted to determine the standardization of corporate governance policies across SOEs in Liberia and how this could make them sustainable.

The gap that the findings of this research fills highlights the lapses in the level at which SOEs comply with Liberian national regulations and standards as it relates to corporate governance.

5.3 Discussion of Research Question Two

What is the level of your satisfaction with the recommendations from national regulation and standards with respect to corporate governance in Liberia?

Sixty-three per cent of the 70 respondents interviewed from the ten selected SOEs indicated that they are satisfied with recommendations from national regulations.

Such recommendations are derived from the government of Liberia’s development agenda, the PAPD, namely, that Liberia’s state-owned enterprises Act/policy should be developed with important targets for efficiencies, fiscal management, a standardized percentage of contribution to government, and sustainability, among others.

The respondents believed that if such recommendations were to be implemented, corporate governance practices in these enterprises would improve and may lead to a more sustainable organization.

In the next chapter we propose some general rules, principles and standards of corporate governance that could be implemented by SOEs in Liberia. We also offer some useful recommendations.

CHAPTER VI:

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

This chapter provides a summary of the research, its implications, and recommendations for future research. We shall explain how the research contributes to the body of knowledge and business practice. We shall also propose principles and standards of corporate governance that could be used by SOEs in Liberia. We shall put forward the limitations of the research and reasons for further research on this topic.

6.1 Summary

This part of the research will summarize the research by noting the significance of the findings in relation to the study's research topics. It also highlights how the research's findings added to, differed from, or helped practitioners and other conclusions that arose.

We will also demonstrate the importance of having good corporate governance policies across Liberia SOEs and propose some rules, principles, and standards of corporate governance that could be implemented in these SOEs in Liberia.

With regard to corporate governance, SOEs in Liberia do not comply with national standards and regulations. The fundamental reasons for this are that these enterprises are fully owned by the national government and the way the enterprises are managed, directed, and controlled is to a great extent subject to political influence.

We propose that the government of Liberia adopts a rules-based approach to corporate governance. A national corporate governance regulation for state-owned enterprise should be developed and enacted into legislation with appropriate penalties for non-compliance. Corporate governance policies should be standardized across all SOEs in Liberia.

6.2 Implications

The consequence of SOEs in Liberia not complying with national regulations with regard to corporate governance is that boards of directors are appointed and removed without respect or regard to any binding corporate governance regulations, in other words, members of the Board are not appointed based on requisite skills or competency requirements. Senior management are also appointed without any competency requirement spelt out in any corporate governance regulations. All of this has led to gross disregard for key guiding principles for effective Board oversight putting SOEs at risk and making them unsustainable in the long term. These SOEs continue to operate without a clear mandate or medium- to long-term strategy, important targets on efficiencies, fiscal management etc.

6.3 Recommendations for Future Research

The importance of the research cannot be overemphasized. The experience, competence, and high level of understanding of the subject matter by the team (Isaac T. Gblee and the Consortium Of Research And Meal Professionals) involved in the data collection and the ability to properly analyze the data, was leveraged for the study to demonstrate how the standardization of corporate governance policies across SOEs in Liberia could make them more sustainable. However, there are limitations to the study.

The limitations of the study are that it was impossible to interview respondents from all 16 functioning SOEs in Liberia, and we therefore selected ten. It was also not possible to interview all the staff of each of the selected SOEs, therefore, seven participants were selected from each. Only a limited number of respondents from the SOEs were willing to provide answers to the questions. Due to the political situation in the country, many are afraid to criticize government institutions. This means there may be a lack of objectivity in the answers provided by the respondents as they might fear reprisals from senior management if they gave the true situation. Additionally, the economic situation in Liberia is not conducive to staff stating the reality in these enterprises as they could risk losing their jobs. The high level of corruption and conflict of interest in these SOEs was another major limitation.

It was also not possible to obtain several secondary documents as few studies on corporate governance in SOEs in Liberia have been conducted.

However, these findings and limitations of the research present an opportunity to make recommendations for areas of further research. Given the results of the research, we would like to propose four main recommendations for future research.

1) The rules-based approach to corporate governance should be adopted by the government of Liberia. The government should develop a corporate governance regulation for SOEs, and such regulation should be enacted into legislation as has been the case for financial institutions in Liberia. This regulation should come with associated sanctions for non-compliance.

2) The enacted corporate governance regulations should contain the following regulatory requirements:

    a) Appointment and approval of directors
    b) General criteria for appointment and/or approval of directors
    c) Approval process
    d) Grounds for rejection of a proposed director
    e) Removal of Board members or change of board of directors
    f) Prohibition of multiple directorships
    g) Composition of the Board
    h) Appointment of the chairman of the Board
    i) Responsibilities and duties of the chairperson
    j) Key guiding principles for effective Board oversight
    k) Board meetings and attendance
    l) Duties and responsibilities of directors
    m) Board level committees such as audit committee, risk management committee, etc.
    n) Corporate secretary
    o) Compliance function
    p) Evaluation of board of directors
    q) Reporting of resignation/removal of directors
    r) Appointment of senior management

s) Responsibilities of the management
t) Other general responsibilities and/or competencies required of the management
u) Data integrity and disclosure
v) Tenure of senior management and Board members
w) Appointment and responsibilities of external auditors
x) Responsibilities of internal auditor

3) Corporate governance policies should be standardized across all SOEs in Liberia.

We also propose that the following standards to govern SOEs are enshrined in law. These standards are based on good corporate practice in Europe:

State-owned enterprises serve the public. Laws governing them should thoroughly analyze and reveal the state ownership objectives and periodically revisit them.

The legislation should include the following:

- State ownership of businesses should maximize value for society by efficiently allocating resources.
- Government ownership policy is required and this policy should provide justification for state ownership, the state's role in SOE governance, how the state will implement its ownership policy, and the government offices participating in its execution.
- Political responsibility and public disclosure should govern ownership policy.
- Government ownership policy should be reviewed often.
- The state should regularly examine its state-owned enterprise ownership rationale.
- Authorities should clearly mandate and publish public policy objectives for state-owned enterprise or groups of SOEs.

The state should ensure that state-owned firms are governed transparently, professionally, and effectively.

The legislation should include the following:

- State-owned firms should have operational liberty to fulfil their goals without government interference.
- The government should not have the power to change state-owned firms' goals secretly.
- State-owned enterprise boards should be allowed to function independently.
- The ownership entity should have clear relationships with public bodies like state audit institutions.
- Based on each business's legal structure, the state should function as a well-informed and involved owner.

The state's function as owner should be distinct from other duties that may affect state-owned firms, especially market regulation.

The following should be included in the law:

- In the event of a breach of rights, stakeholders, creditors, and rivals should be able to recover these through fair legal or arbitration proceedings.
- State-owned firms must disclose their cost and income structures.
- The state should cover and disclose public policy costs.

State-owned firms should report on their stakeholder relationships under the state ownership policy. It should clarify state expectations for responsible corporate activity by state-owned firms.

The legislation should include:

- State-owned firms should respect stakeholders' legal or contractual rights.
- State-owned firms should neither fund politics nor make political contributions.
- State-owned firms should operate ethically.
- State-owned enterprise boards should establish, implement, monitor, and communicate internal controls, ethics, and compliance systems, including those that

prevent fraud and corruption, and the state-owned firms and their subsidiaries should follow them.

Further research should be done to investigate whether the standardization of corporate governance policies across SOEs in Liberia could make the enterprises financially stable and sustainable.

6.4 Conclusion

This research makes a substantial contribution to the knowledge base as well as business practices in Liberia's SOEs.

One of the research's notable additions to the literature is that it offers a thorough grasp of corporate governance in Liberia's state-owned businesses. It fills a gap in the literature by offering fresh insight and new knowledge about corporate governance in Liberian state-owned businesses.

The research also makes a substantial contribution to business practices in a number of ways as the conclusions show a clear link between the body of knowledge and methods that senior management in SOEs in Liberia can apply.

With regard to the first research question—At what level do state-owned enterprises in Liberia comply with national regulation and standards from the perspective of corporate governance?—23 of the 70 respondents were very clear that SOEs in Liberia do not comply with national regulations and standards from a corporate governance perspective.

State-owned enterprises in Liberia do not feel the need to abide by national corporate governance laws because there are none. Contrary to SOEs, financial institutions are subject to a corporate governance rule that outlines the standards for corporate governance for each financial institution in detail. In Liberia, SOEs do not all adhere to the same corporate governance policies but instead, the requirements of the Act that created them. Hence, SOEs do not comply with corporate governance regulations solely because the way they are directed and controlled is subject to immense political interference. The president appoints and removes Board members at his discretion, as does senior management. Until Liberia has a rules-based approach to corporate governance regulations for SOEs enacted into legislation with provisions for sanctions due to non-compliance, these enterprises will not comply.

Regarding study question two: Satisfaction with the recommendations for national regulation and standards with respect to corporate governance in Liberia. Sixty-three per cent of the respondents from the ten selected state-owned businesses that were surveyed agreed with the suggestions provided by the laws already in place. According to the recommendations from the government of Liberia's PAPD, the development of an Act/policy for Liberian SOEs should include important targets for efficiency, fiscal management, and a standardized percentage of SOE contribution to government, among others.

The research has clearly demonstrated the lack of standardized corporate governance policies across SOEs in Liberia. It has further showed that due to this lack of standardization, many SOEs do not comply with the national standards and regulations relative to corporate governance.

It is important to note that developing one state-owned enterprise Act or policy will harmonize corporate governance practices across all SOEs. This would ensure that all enterprises could be held accountable for all aspects of good corporate governance.

The research has provided a great deal of insight and knowledge on corporate governance in SOEs in Liberia. These insights could be applied by the management of Liberian SOEs to improve corporate governance practices.

However, there is still a need for further research in the area of corporate governance in SOEs in Liberia as few studies have been conducted to date. This is evidenced by the limited availability of secondary sources of corporate governance in SOEs in Liberia.

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APPENDIX I

PARTICIPANT INFORMATION SHEET

Participant Information Sheet/Consent Form

Social Science Research – *Adult providing own consent.*

Title	Standardization of corporate governance policies
Short Title	across state-owned enterprises in Liberia
Project Sponsor	N/A
Coordinating Principal Investigator/ Principal Investigator	Isaac Toneah Gblee
Associate Investigator(s) *(if required by institution)*	N/A
Location	Monrovia, Liberia

Part 1 What does my participation involve?

This study seeks to assess effective Standardization of Corporate Governance Policies Across State Owned Enterprises in Liberia, West Africa

The exercise is purely meant for academic purposes. You have been selected as one of the stakeholders whose role directly relate to public management in Liberia to volunteer information to the issues to your best of ability. You are however assured that information provided to complete this study will be treated with the strictest confidentiality.

1 Introduction

The purpose of this section is to state the reason the participant is being invited to take part in the research project and to explain the purpose of the form and the nature of informed consent.

You are invited to take part in this research project, which is Standardization of Corporate Governance Policies Across State Owned Enterprises in Liberia, West Africa. You have been invited because you are one of the stakeholders whose role directly relate to public management in Liberia, and we would like you to volunteer information to the issues to your best of ability. Your contact details were obtained the Consortium Of Research And Meal Professionals (Coremp).

This Participant Information Sheet/Consent Form tells you about the research project. It explains the processes involved with taking part. Knowing what is involved will help you decide if you want to take part in the research.

Please read this information carefully. Ask questions about anything that you don't understand or want to know more about. Before deciding whether or not to take part, you might want to talk about it with a relative, friend or local health worker.

Participation in this research is voluntary. If you don't wish to take part, you don't have to.

If you decide you want to take part in the research project, you will be asked to sign the consent section. By signing it you are telling us that you:

- Understand what you have read
- Consent to take part in the research project
- Consent to be involved in the research described
- Consent to the use of your personal and health information as described.

You will be given a copy of this Participant Information and Consent Form to keep.

2 What is the purpose of this research?

In this thesis, we will study how the standardization of corporate governance policies across state owned enterprises in Liberia, West Africa, can improve the economic performance of the enterprises and make them financially more stable and sustainable on a long-term basis.

We will analyze the existing corporate governance policies that govern each state-owned enterprise in Liberia. It will enable us to understand up to what level the state-owned enterprises comply with existing national legislation or standards from the perspective of corporate governance.

We will demonstrate the importance of having good corporate governance policies across Liberia's state-owned enterprises.

The results of this research will be used by the researcher Isaac Toneah Gblee to obtain a Doctor of Business Administration degree.

This research has been initiated by the researcher, Isaac Toneah Gblee.

This research has been funded by (N/A)

This research is being conducted by Consortium Of Research And Meal Professionals (Coremp).

This research is being conducted by (N/A)
This research is sponsored by (N/A)

3 What does participation in this research involve?

You involvement in this research will be limited only to voluntary providing written answers to questions contained in the questionnaires and also providing verbal responses to interview questions.
The follow steps/ procedures will be followed:

➤Consent form will be signed prior to any study assessments being performed.

➤ Initial steps:
- Screening for eligibility
- Randomisation and/or the use of a control group

➤ Procedures:
- All procedures
- The field staff collecting the data will visit you at your office from 10:00 AM to 11:00 AM two days during the week to administer the questionnaires and also conduct the interview.
- Your involvement in the research will take at least one week.
- The data collection process for the research will last for thirty (30) days.

➤ The data collection process of the research will be monitored by the head of the Consortium Of Research And Meal Professionals (Coremp)

➤ You will be required to commit yourself during the period of the data collection of the research.

➤ The interview will be recorded (audio)

➤ The interview will be conducted at your office premises. The questionnaires will also be administered at your office.

If you decide to take part in the research project, you will first be given a questionnaire asking about your name, position title in the state-owned enterprise, your age, and academic qualification; this will determine if you are eligible to take part. Completing the questionnaire will take approximately ten (10) minutes.
If the screening questionnaire shows that you meet the requirements, then you will be able to start the research project. If the screening questionnaire shows that you cannot be in the research project, the research coordinator will discuss other options with you.

This research project has been designed to make sure the researchers interpret the results in a fair and appropriate way and avoids study doctors or participants jumping to conclusions.

There are no costs associated with participating in this research project, nor will you be paid.
However, you may be reimbursed for any reasonable travel, parking, meals and other expenses associated with the research project visit.

4 Other relevant information about the research project

The research will involve seventy (70) staff members from ten (10) state-owned enterprises in Liberia.
There will be twelve enumerators collecting the data.

5 Do I have to take part in this research project?

Participation in any research project is voluntary. If you do not wish to take part, you do not have to. If you decide to take part and later change your mind, you are free to withdraw from the project at any stage.

If you do decide to take part, you will be given this Participant Information and Consent Form to sign and you will be given a copy to keep.

Your decision whether to take part or not to take part, or to take part and then withdraw, will not affect your routine care, your relationship with professional staff or your relationship with COREMP.

6 What are the possible benefits of taking part?

We cannot guarantee or promise that you will receive any benefits from this research; however, possible benefits may include contributing to findings that might lead to possible recommendations to improve corporate governance in state-owned enterprises in Liberia.

There will be no clear benefit to you from your participation in this research.

7 What are the possible risks and disadvantages of taking part?

There will be no possible risks and disadvantages to you for taking part in this research.

You may feel that some of the questions we ask are stressful or upsetting. If you do not wish to answer a question, you may skip it and go to the next question, or you may stop immediately. If you become upset or distressed as a result of your participation in the research project, the research team will be able to arrange for counselling or other appropriate support. Any counselling or support will be provided by qualified staff who are not members of the research team. This counselling will be provided free of charge.

Whilst all care will be taken to maintain privacy and confidentiality, you may experience embarrassment if one of the group members were to repeat things said in a confidential group meeting.

8 What if I withdraw from this research project?

If you do consent to participate, you may withdraw at any time. If you decide to withdraw from the project, please notify a member of the research team before you withdraw. A member of the research team will inform you if there are any special requirements linked to withdrawing. If you do withdraw, you will be asked to complete and sign a 'Withdrawal of Consent' form; this will be provided to you by the research team.

If you decide to leave the research project, the researchers will not collect additional personal information from you, although personal information already collected will be retained to ensure that the results of the research project can be measured properly and to comply with law. You should be aware that data collected up to the time you withdraw will form part of the research project results. If you do not want your data to be included, you must tell the researchers when you withdraw from the research project.

9 Could this research project be stopped unexpectedly?

This research project may be stopped unexpectedly for a variety of reasons. These may include reasons such as political interference.

10 What happens when the research project ends?

When the research is completed, you will be provided with summary of the results by email.

Part 2 How is the research project being conducted?

11 What will happen to information about me?

The data collected will not be individually identifiable, instead all the data will be non-identifiable. The data will be kept and only Isaac Toneah Gblee will have access to it. You will be asked to provide your consent for use of your data for this research only.

By signing the consent form you consent to the research team collecting and using personal information about you for the research project. Any information obtained in connection with this research project that can identify you will remain confidential. The data will only carry your initial and not full name and will be kept by Isaac Toneah Gblee only. Your information will only be used for the purpose of this research project, and it will only be disclosed with your permission, except as required by law.
The personal information that the research team collect, and use is information from the questionnaires.

It is anticipated that the results of this research project will be published and/or presented in a variety of forums. In any publication and/or presentation, information will be provided in such a way that you cannot be identified, except with your express permission. Your identity will not be disclosed in any form.

In accordance with relevant Liberia privacy and other relevant laws, you have the right to request access to the information about you that is collected and stored by the research team. You also have the right to request that any information with which you disagree be corrected. Please inform the research team member named at the end of this document if you would like to access your information.

Any information obtained for the purpose of this research project and for the future research described that can identify you will be treated as confidential and securely stored. It will be disclosed only with your permission, or as required by law.

12 Complaints and compensation

Should you have any complaints during the research, contact Isaac Toneah Gblee directly.

If you suffer any distress or psychological injury as a result of this research project, you should contact the research team as soon as possible. You will be assisted with arranging appropriate treatment and support.

13 Who is organising and funding the research?

This research project is being conducted by Isaac Toneah Gblee.

14 Who has reviewed the research project?

The ethical aspects of this research project have been approved by the Supervisor/Mentor of *SSBM Geneva*. This statement has been developed to protect the interests of people who agree to participate in human research studies.

15 Further information and who to contact.

The person you may need to contact will depend on the nature of your query. If you want any further information concerning this project or if you have any problems which may be related to your involvement in the project, you can contact the researcher (Isaac Toneah Gblee) on +2348139364070.

Research contact person

Name	*Theophilus Harris*
Position	*Head, COREMP*
Telephone	*+231 775872631*
Email	*tharris.demac@gmail.com*

For matters relating to research at the site at which you are participating, the details of the local site complaints person are:

Complaints contact person.

Name	Isaac T. Gblee
Position	Researcher
Telephone	+2348139364070
Email	Isaac.gblee@yahoo.com

If you have any complaints about any aspect of the project, the way it is being conducted or any questions about being a research participant in general, then you may contact Prof. Dario Silic

Reviewing HREC approving this research and HREC Executive Officer details

Reviewing Supervisor/Mentor name	Prof. Dario Silic
HREC Executive Officer	N/A
Email	dario@ssbm.ch

APPENDIX II

PARTICIPANT CONSENT FORM

Consent Form - *Adult providing own consent*

Title	Standardization of corporate governance policies
Short Title	Across state-owned enterprises in Liberia
Protocol Number	N/A
Project Sponsor	N/A
Coordinating Principal Investigator/ Principal Investigator	Isaac Toneah Gblee
Associate Investigator(s) (if required by institution)	COREMP
Location (where CPI/PI will recruit)	Monrovia, Liberia

Declaration by Participant

I have read the Participant Information Sheet or someone has read it to me in a language that I understand.

I understand the purposes, procedures and risks of the research described in the project.

I have had an opportunity to ask questions and I am satisfied with the answers I have received.

I freely agree to participate in this research project as described and understand that I am free to withdraw at any time during the project without affecting my future care.

I understand that I will be given a signed copy of this document to keep.

Name of Participant (please print) HD

Signature ______ Date August 15,2022

Declaration by Researcher†

I have given a verbal explanation of the research project, its procedures and risks and I believe that the participant has understood that explanation.

Name of Researcher† (please print) Isaac Toneah Gblee

Signature ______ Date August 15,2022

† An appropriately qualified member of the research team must provide the explanation of, and information concerning, the research project.

Note: All parties signing the consent section must date their own signature.

Participant Information Sheet/Consent Form August 15,2022 Page1 of 1

[Note: Site specific footers may be required per instructions on page ii]

APPENDIX III

INTERVIEW QUESTIONS FOR TEAM LEADERS AND TEAM MEMBERS

The Standardization of Corporate Governance Policies Across State Owned Enterprises in Liberia, West Africa

Doctor Of Business Administration
Swiss School of Business and Management Geneva

Introduction

This study seeks to assess effective Standardization of Corporate Governance Policies Across State Owned Enterprises in Liberia, West Africa

The exercise is purely meant for academic purposes. You have been selected as one of the stakeholders whose role directly relate to public management in Liberia to volunteer information to the issues to your best of ability. You are however assured that information provided to complete this study will be treated with the strictest confidentiality.

Thank you in advance for participating.

INSTRUCTION: **Please supply answers and tick where appropriate**

SECTION A: SOCIO-ECONOMIC BACKGROUND

1. Gender: a. Male ( ) b. Female ( )
2. Age: Below 20 years ( ) 20 – 30 years ( ) 30 – 40 years ( ) 40 – 50 years ( ) Above 50 years ( )
3. Level of Education 1. Secondary ( ) 2. Certificate ( ) 3. Diploma ( ) 4. Degree ( ) 5. Masters and above ( )

SECTION B: Corporate Governance Policies Across State Owned Enterprises in Liberia
Please indicate the extent of your agreement with the listed statements about Corporate

Governance Policies Across State Owned Enterprises in Liberia. Kindly tick appropriately where;

SD=Strongly Disagree, D=Disagree, N=neither Disagree nor Agree, A=Agree, SA=Strongly Agree

Yes, No

Main Research Questions

State owned enterprises in Liberia comply with national regulation and standards from the perspective of corporate governance.

1. SD=Strongly Disagree 2. D=Disagree, 3. N=neither Disagree nor Agree, 4. A=Agree 5. SA=Strongly Agree

You are satisfied with the recommendations from national regulation and standards with respect to corporate governance in Liberia.

1. SD=Strongly Disagree 2. D=Disagree, 3. N=neither Disagree nor Agree, 4. A=Agree 5. SA=Strongly Agree

Specific Questions

Have corporate governance policies and procedures been formalized and properly communicated to relevant stakeholders in your company?

YES
NO
If not, can you explain why………………………………………………………………...

Is there a corporate governance plan in your entity?

YES
NO
If not, can you explain why………………………………………………………………...

Is there a business code of ethics in your company?

YES

NO

If not, can you explain why…………………………………………………………………...

Is the Board independent?

YES

NO

If not, can you explain why…………………………………………………………………...

Is the Board well-structured?

YES

NO

If not, can you explain why…………………………………………………………………...

Does the Board have appropriate composition and mix of skills?

YES

NO

If not, can you explain why………………………………………………………………

Are annual reports of your company published in public?

YES

NO

If not, can you explain why…………………………………………………………………...

Is there an internal control framework in place in your company?

YES

NO

If not, can you explain why…………………………………………………………………...

Is there a risk management framework in your company?

YES

NO

IF not, can you explain why…………………………………………………………………...

Is an independent audit committee established in your company?

YES

NO

IF not, can you explain why…………………………………………………………………..

Is an internal auditor appointed in your company?

YES

NO

IF not, can you explain why …………………………………………………………………...

Is an external auditor appointed by your company?

YES

NO

IF not, can you explain why ……………………………………………………………...

Is there a business continuity plan in your company?

YES

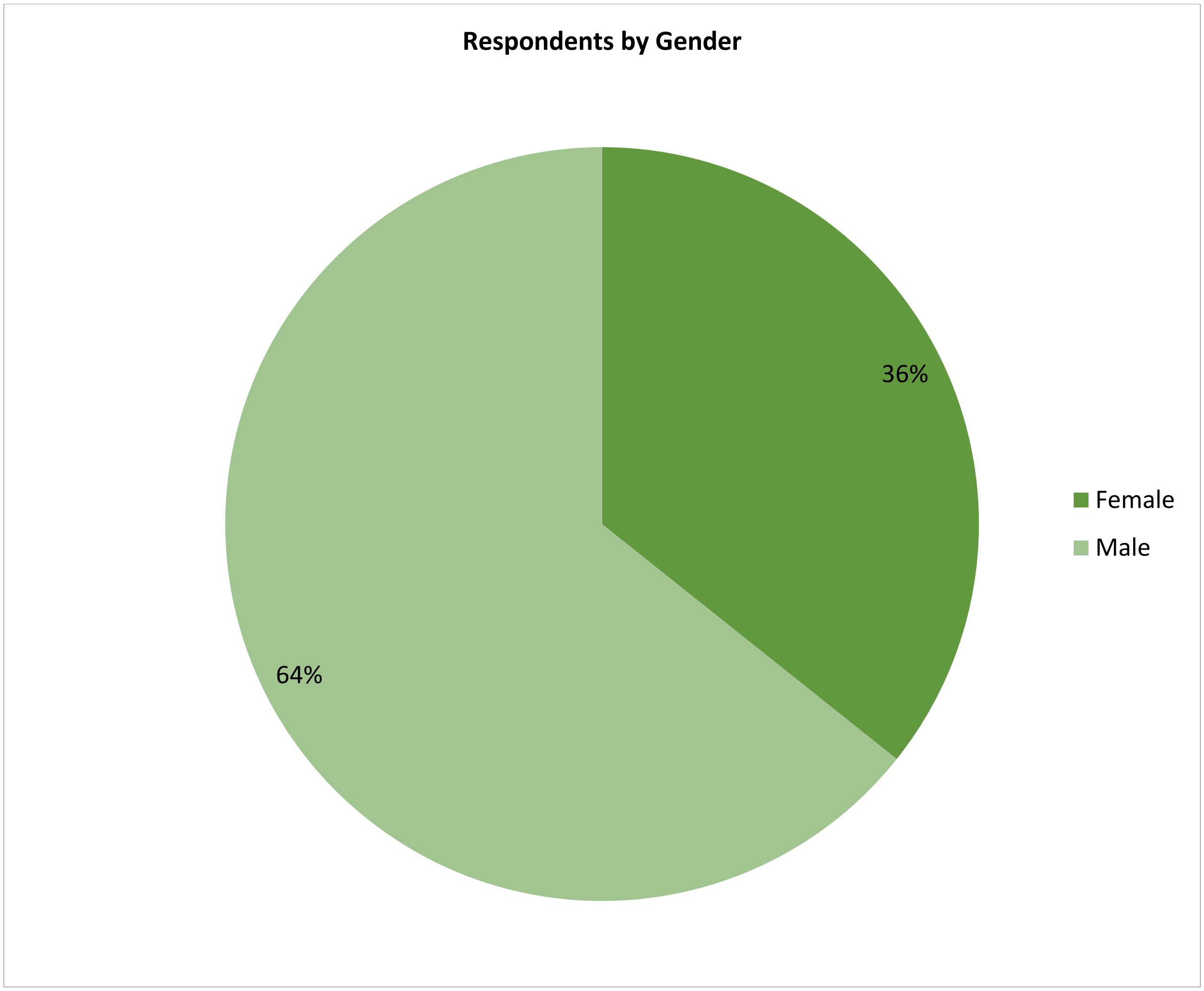
NO

IF not, can you explain why ……………………………………………………………..

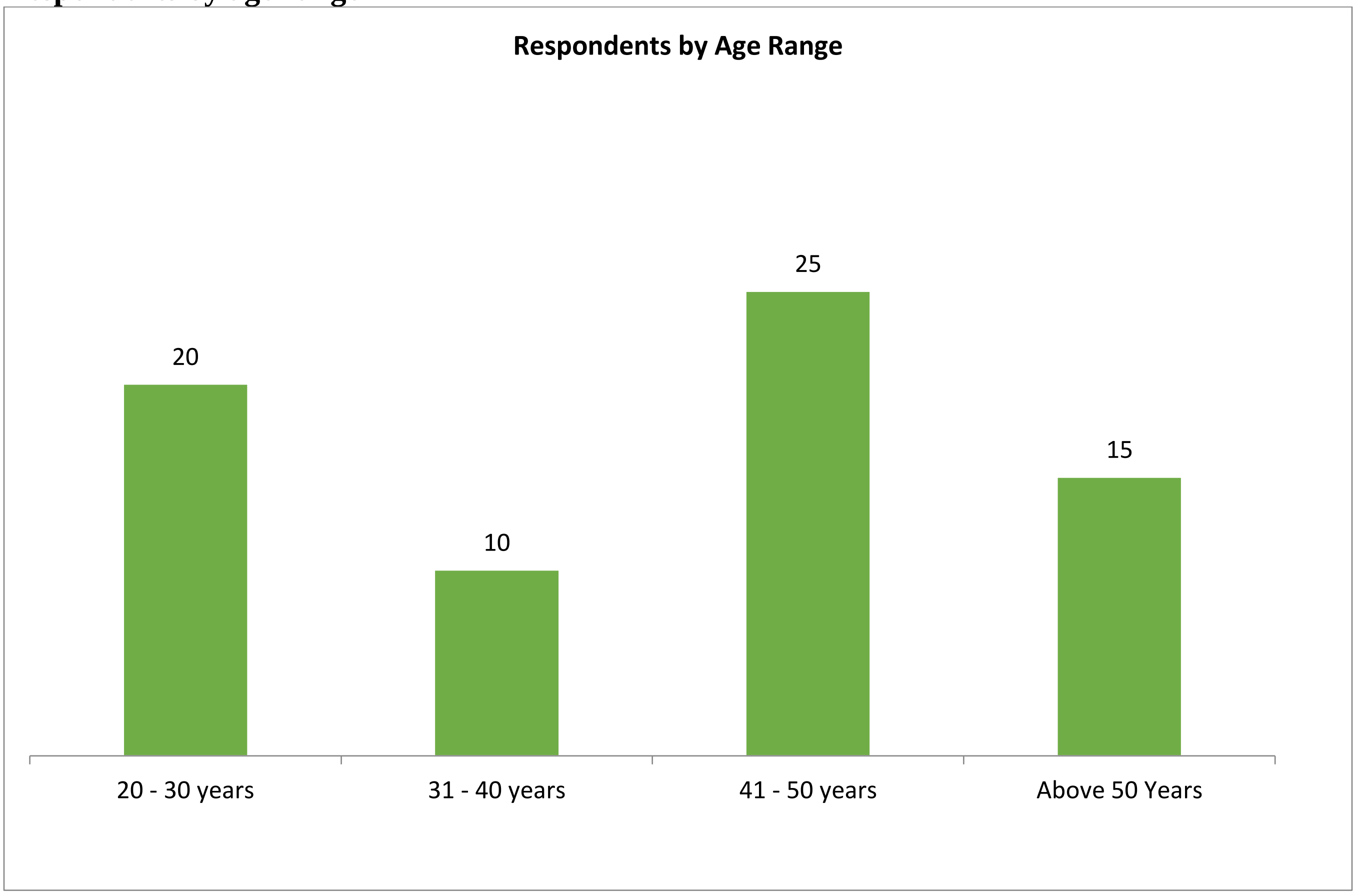
Any comments or remark to some of the questions above

FIGURES

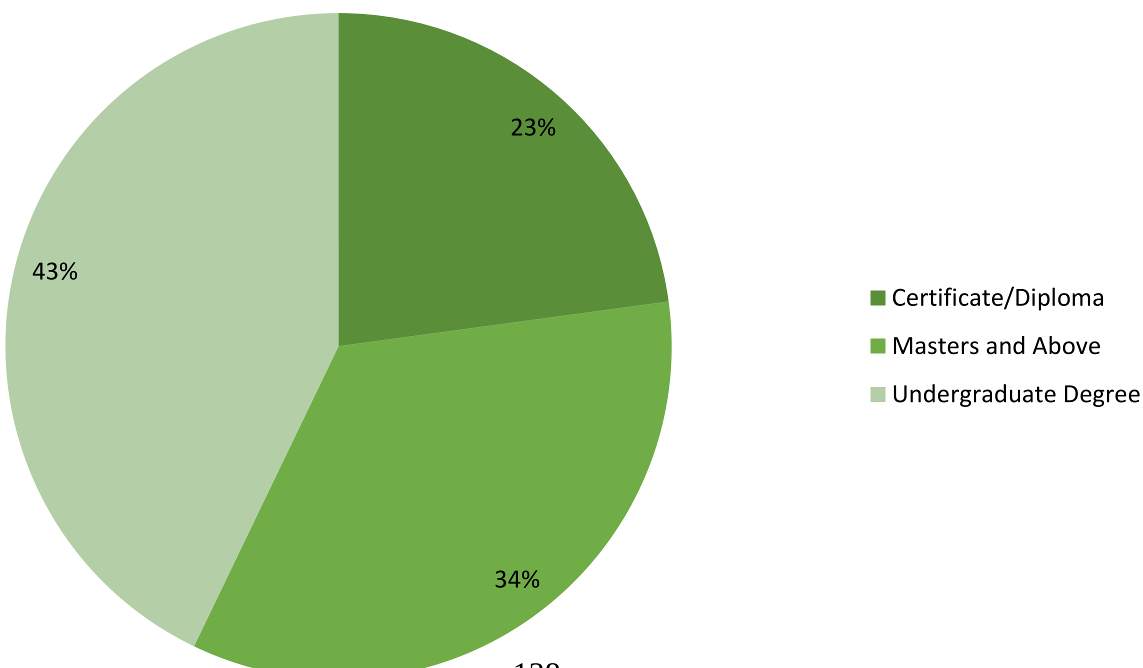
Respondents by gender



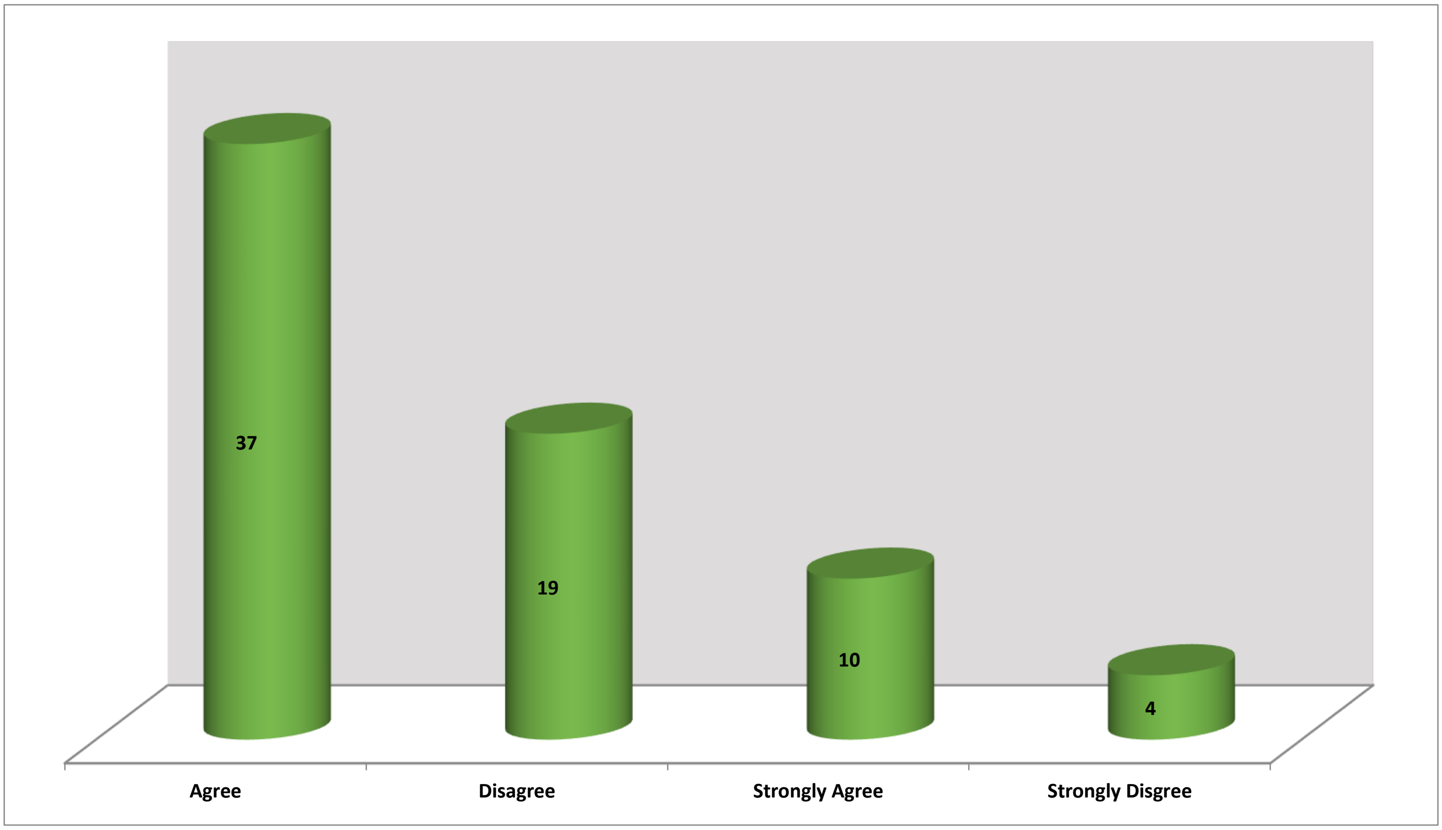
Respondents by age range



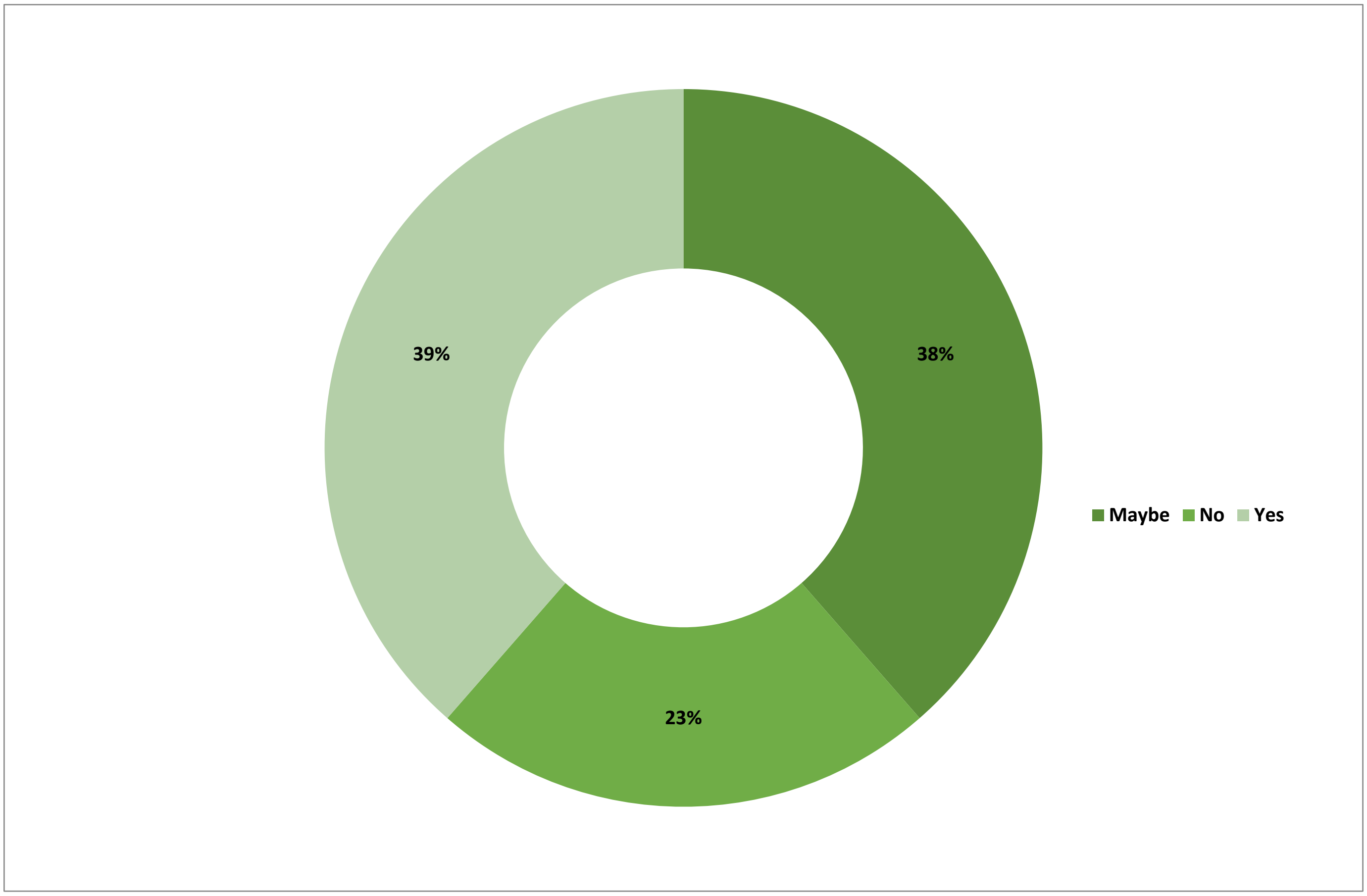
Respondents by qualification



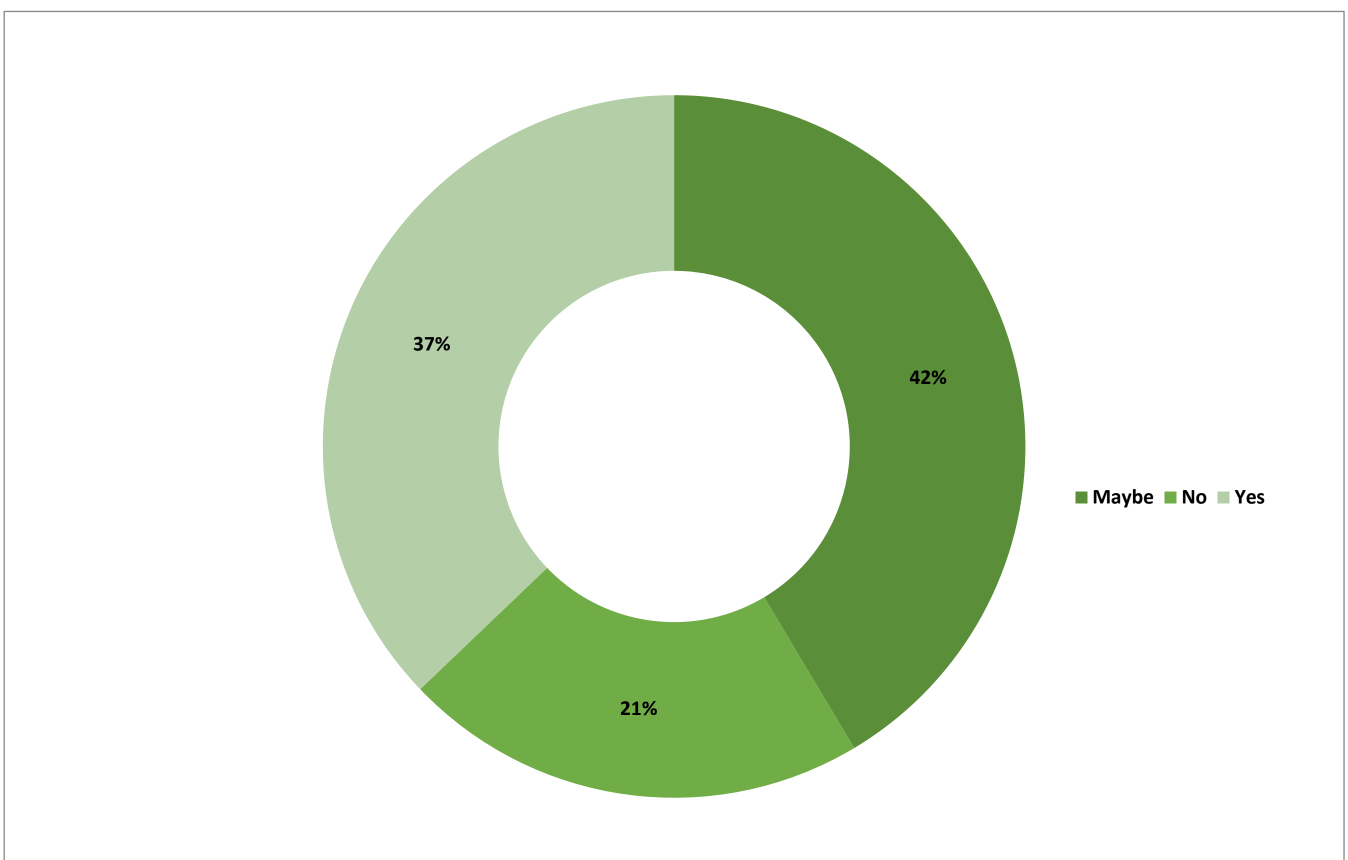
State-owned enterprise compliance with national regulations



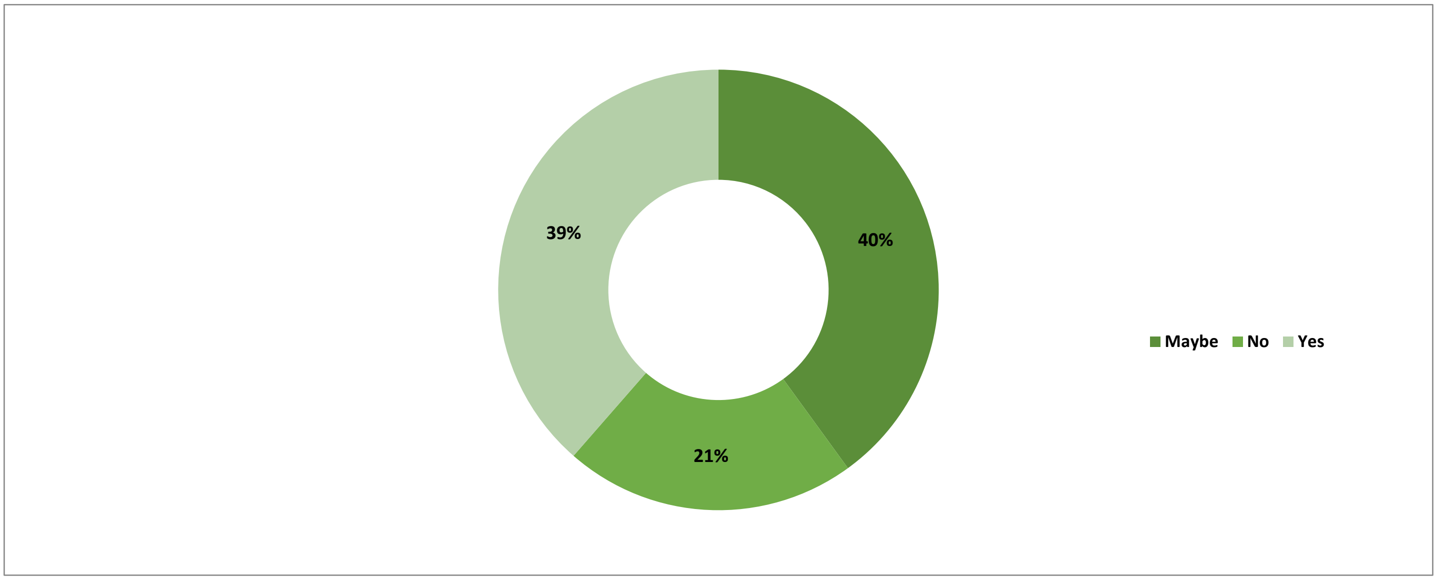
Board Independence



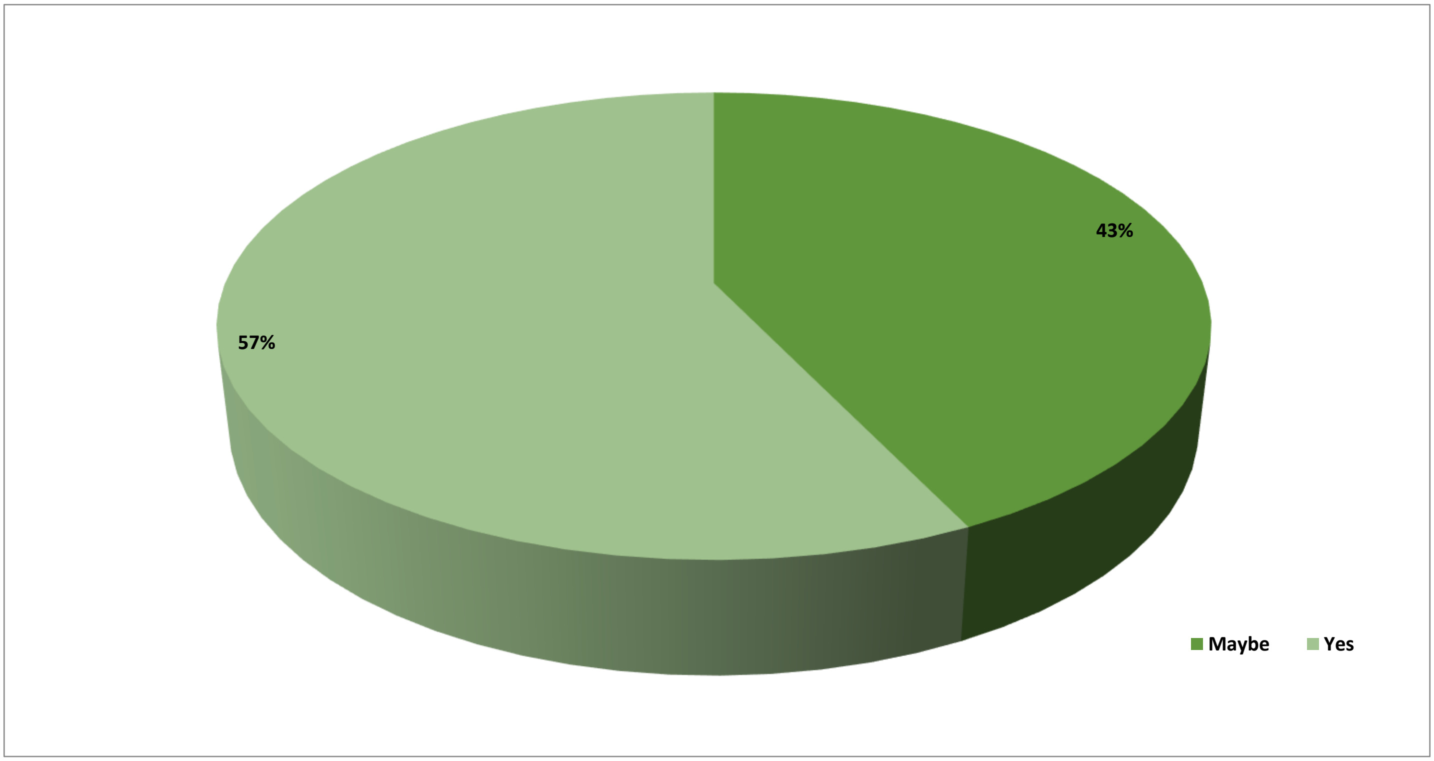
Board structure



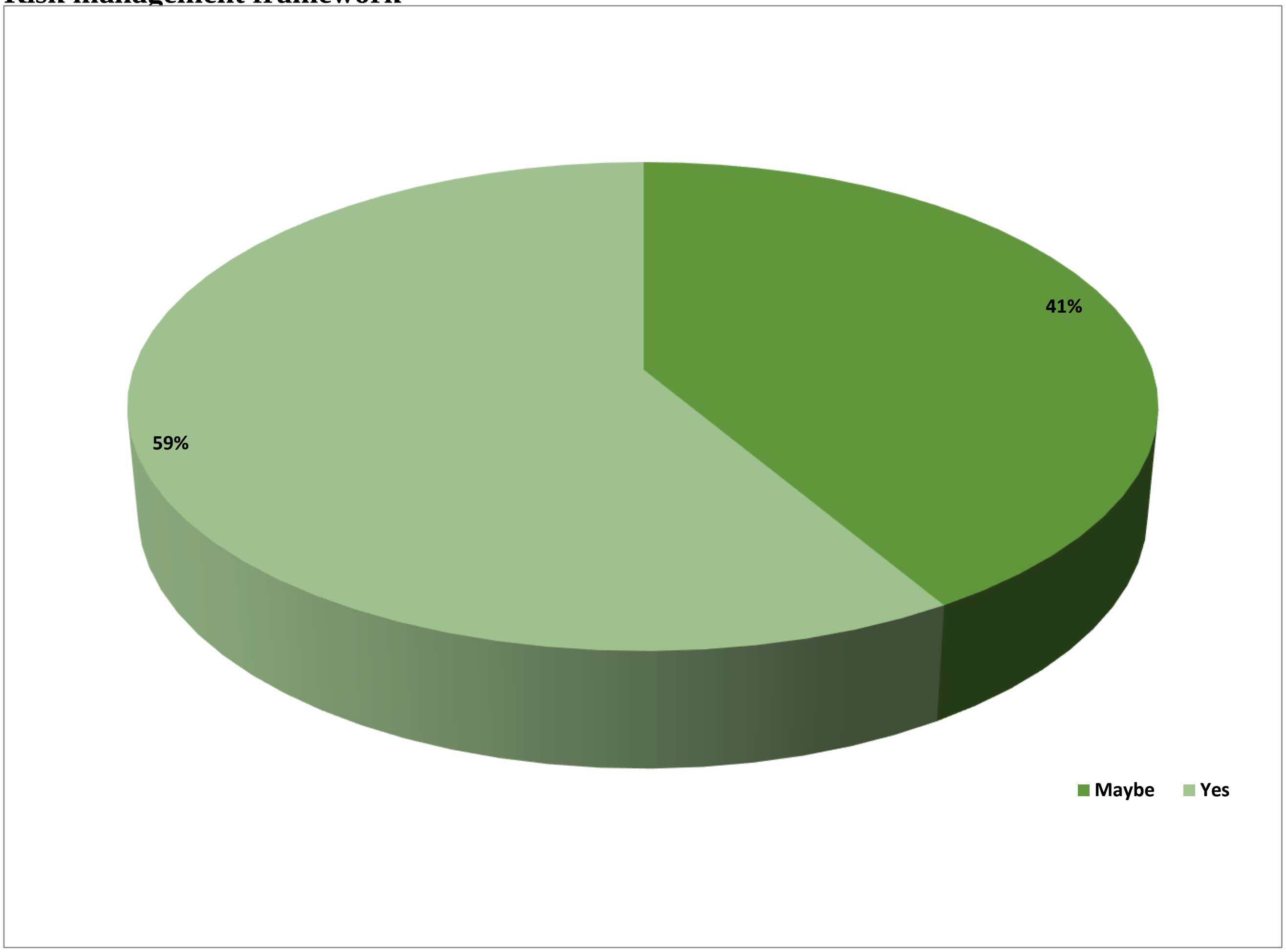
Board composition and mix of skills.



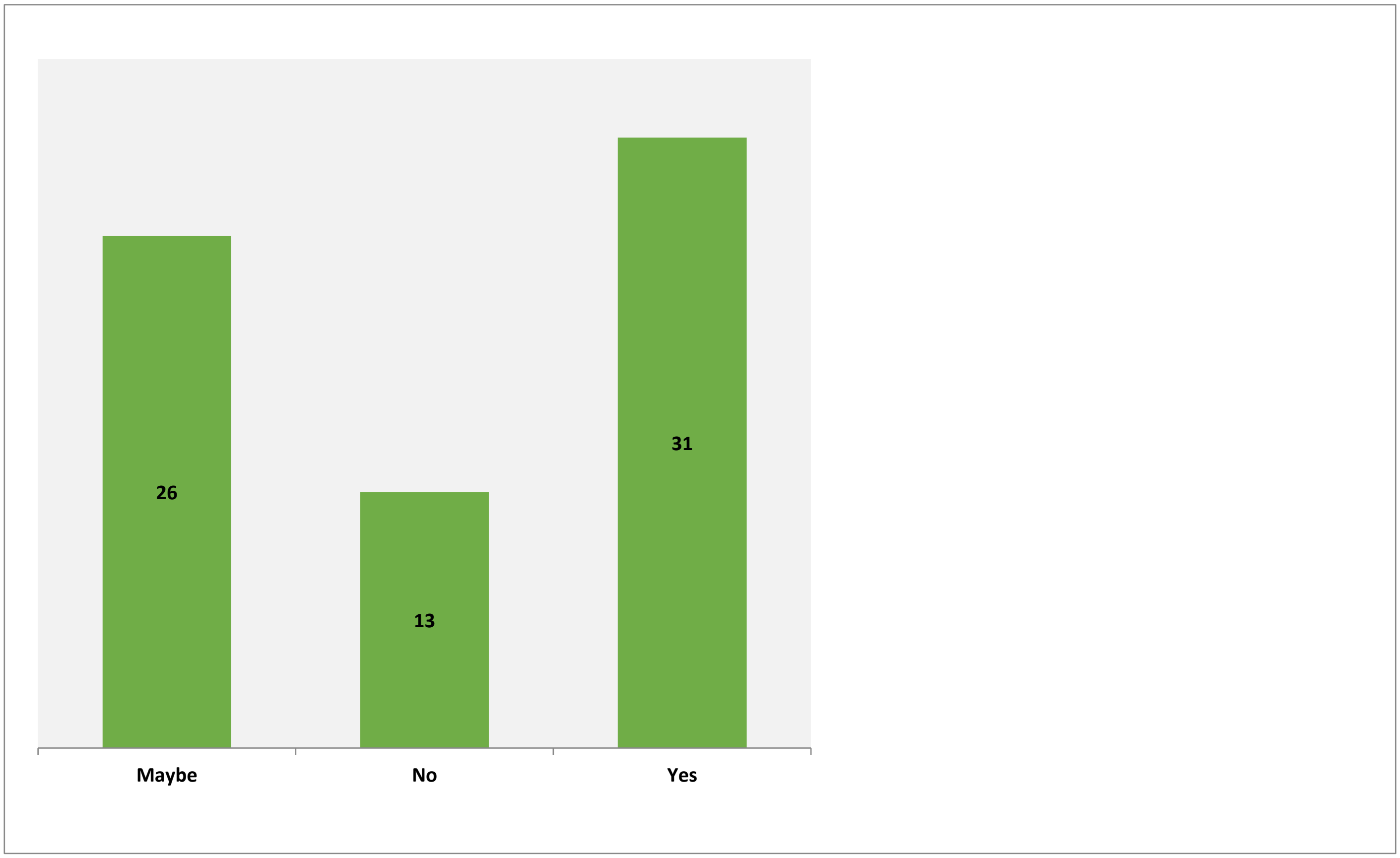
Internal control framework



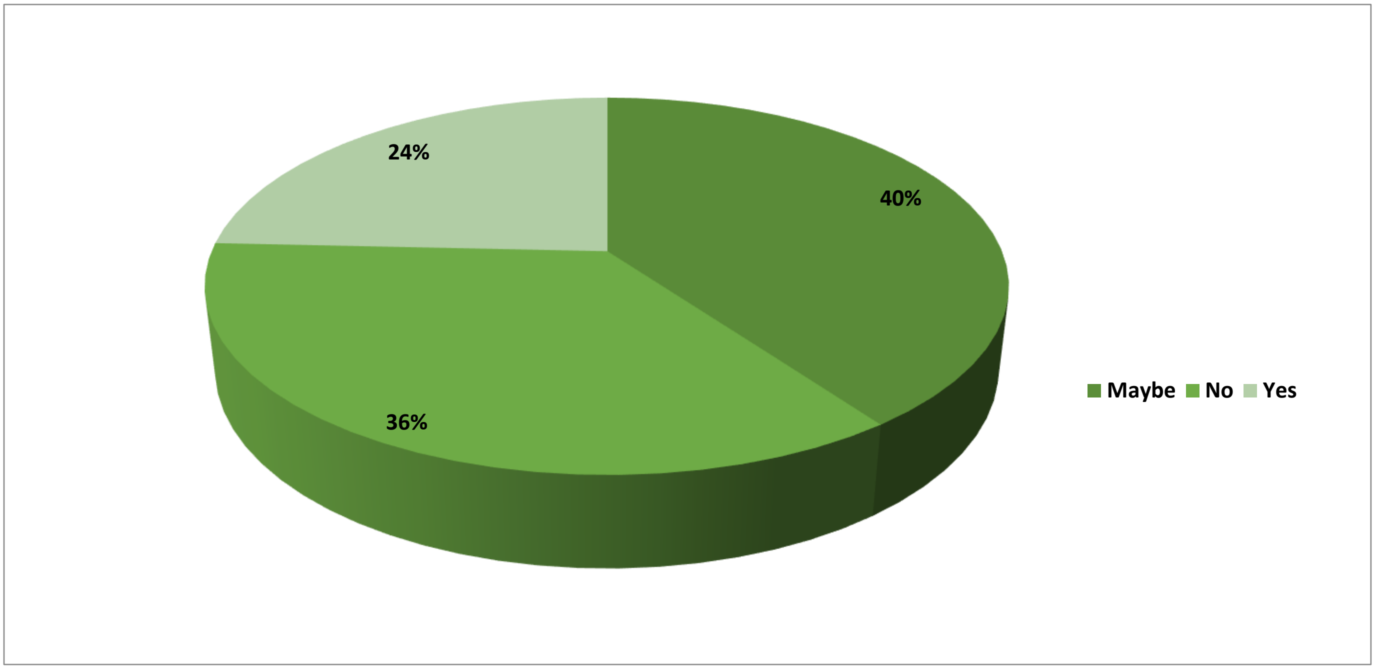
Risk management framework



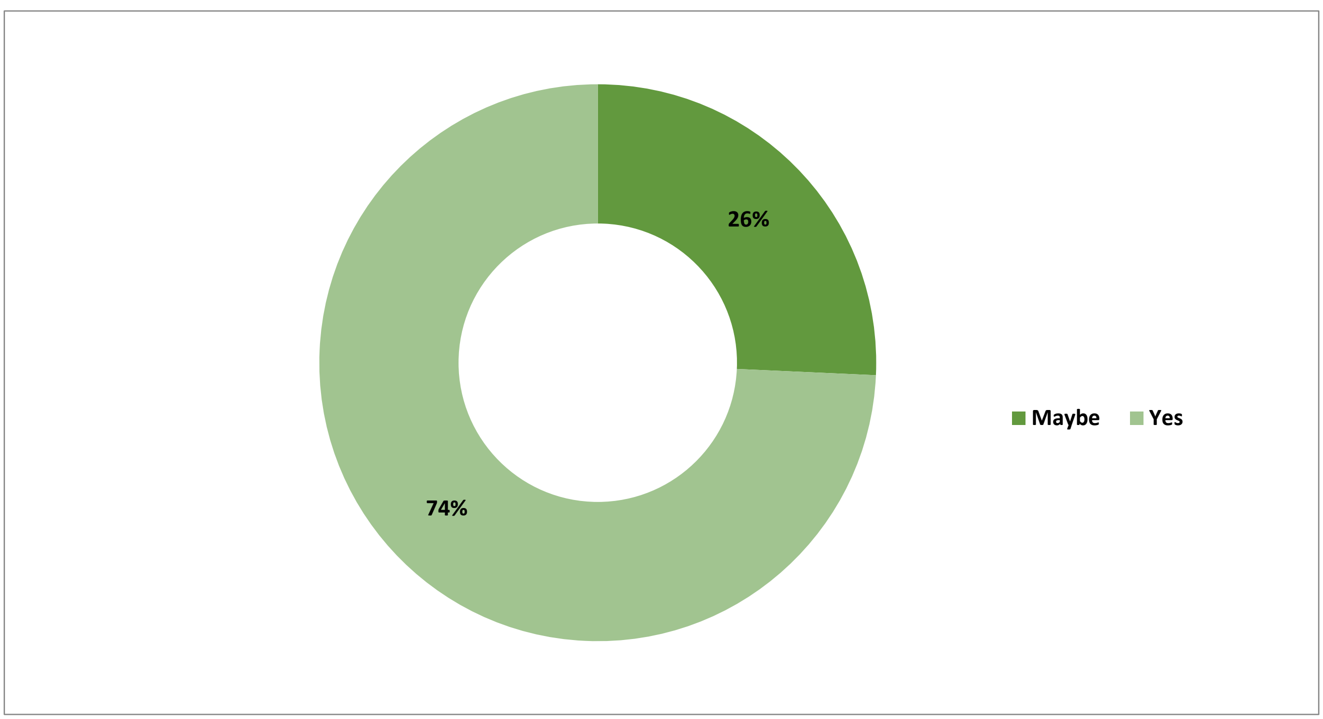
Published annual reports.



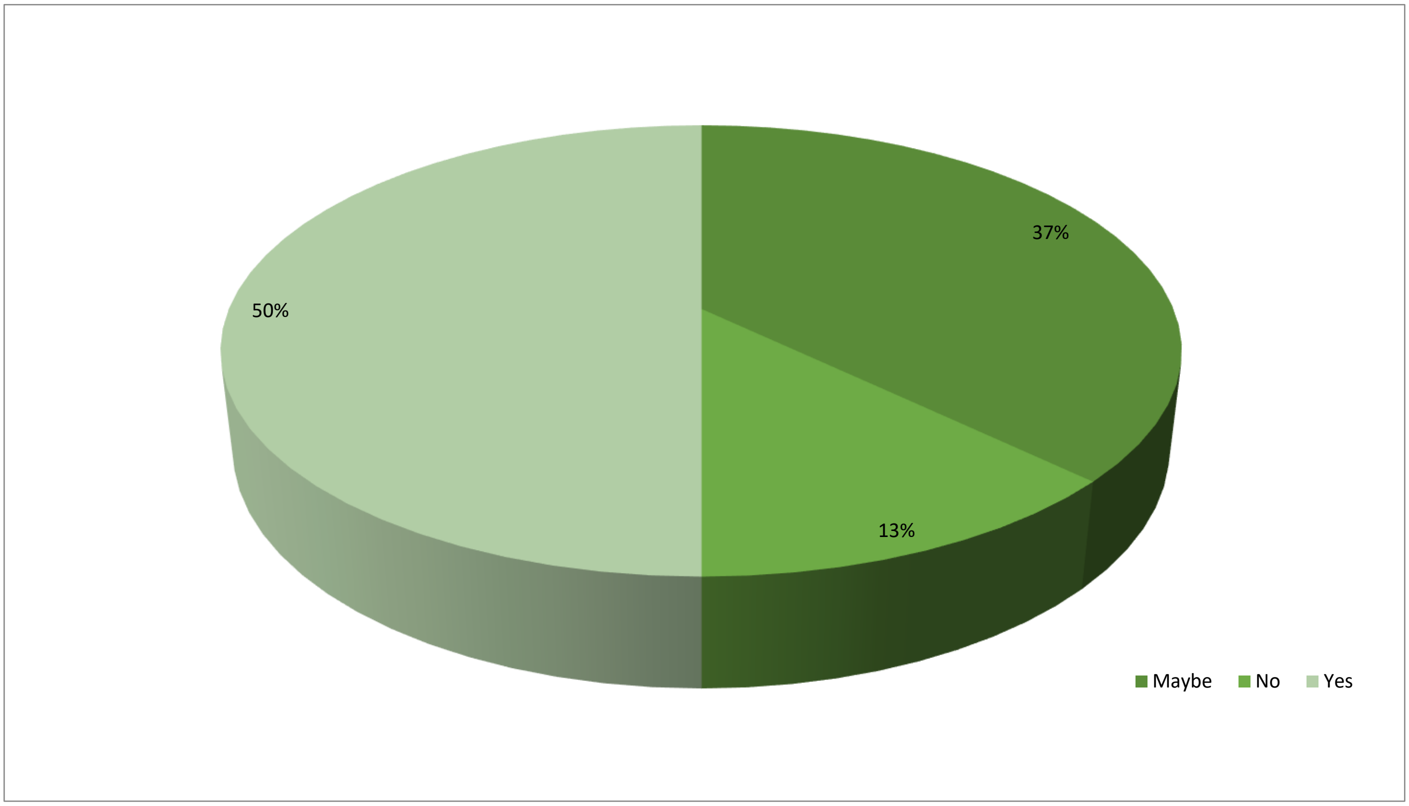
Independent audit committee



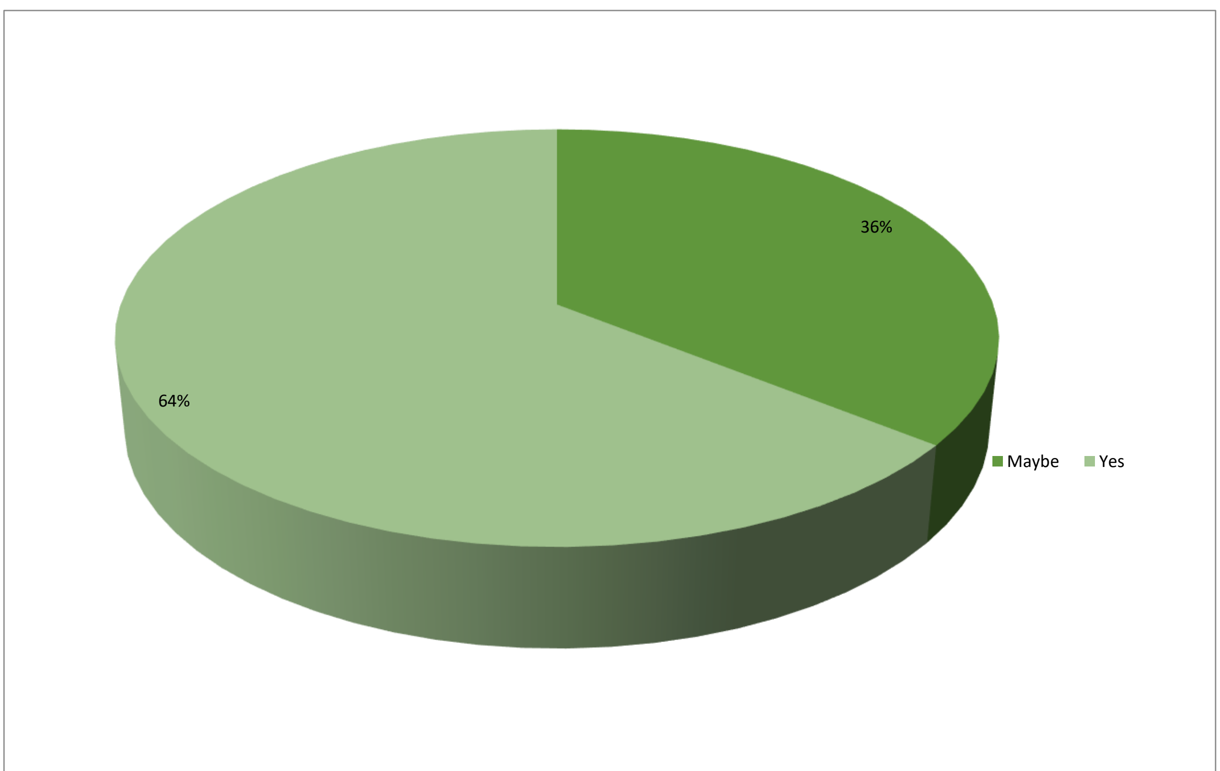
Interna audit



Eternal audit

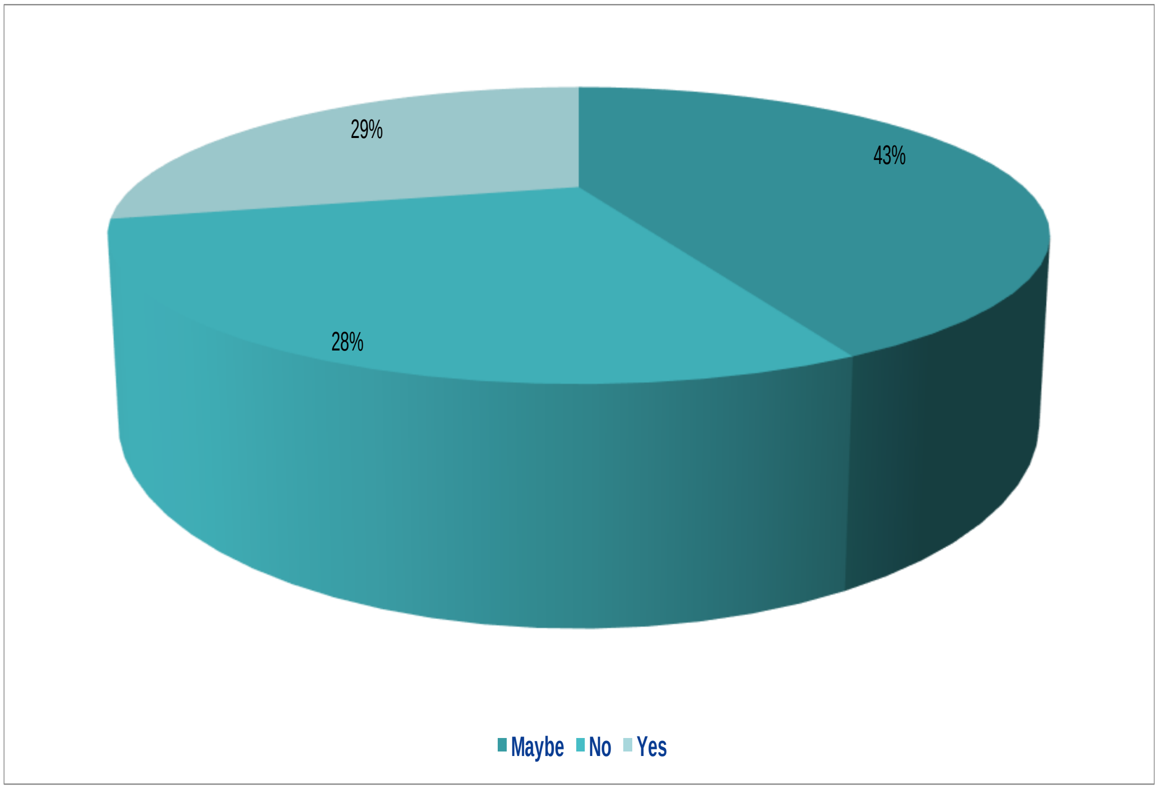


Business continuity plan

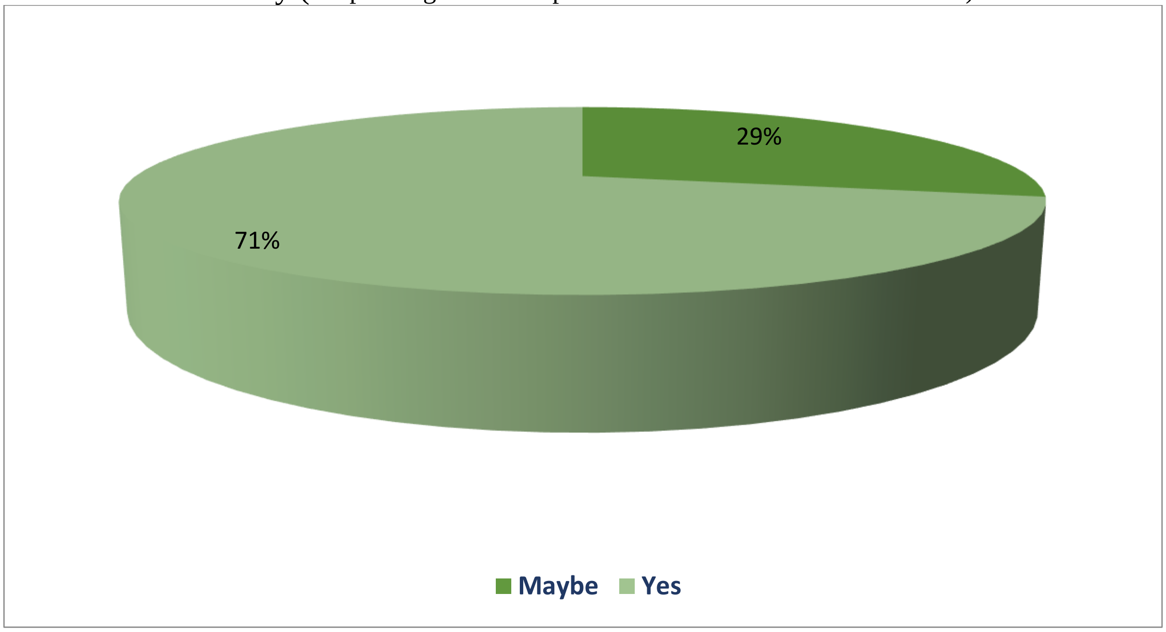


Corporate governance policies formalized and communicated.

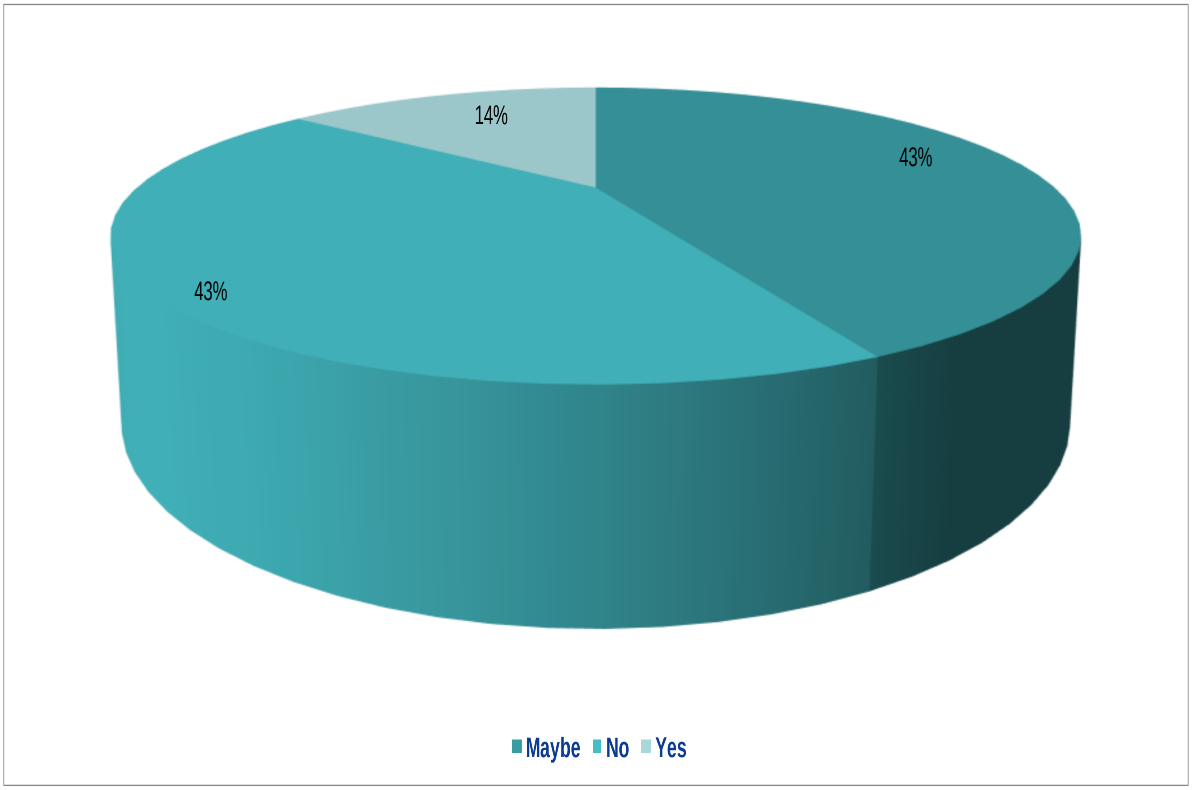
National Transit authority (Corporate governance policies formalized and communicated)



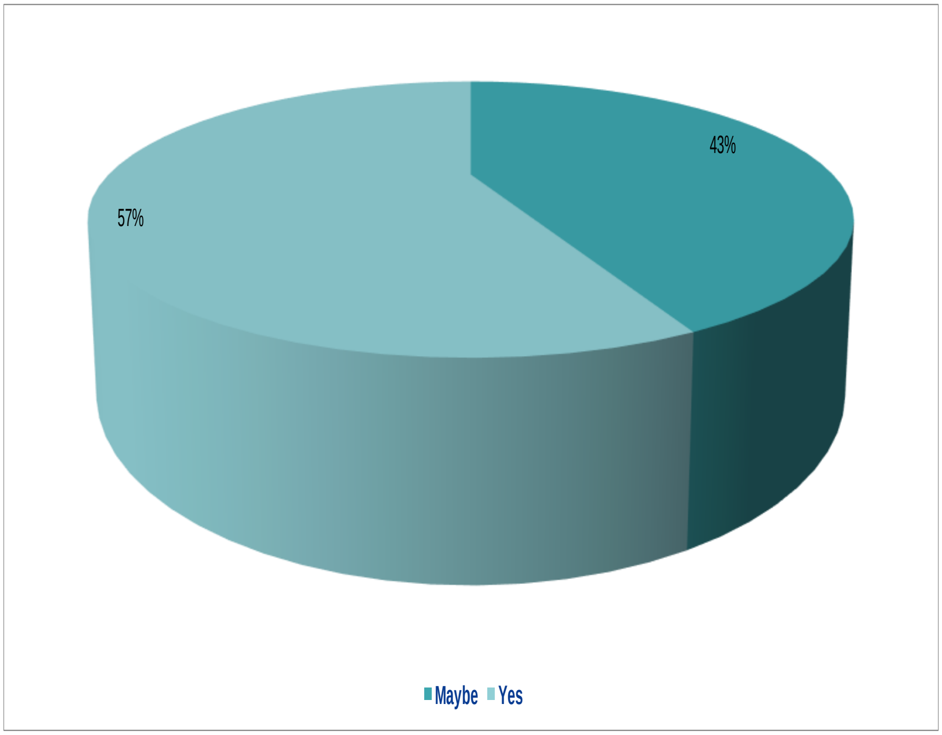
National Port authority (Corporate governance policies formalized and communicated)



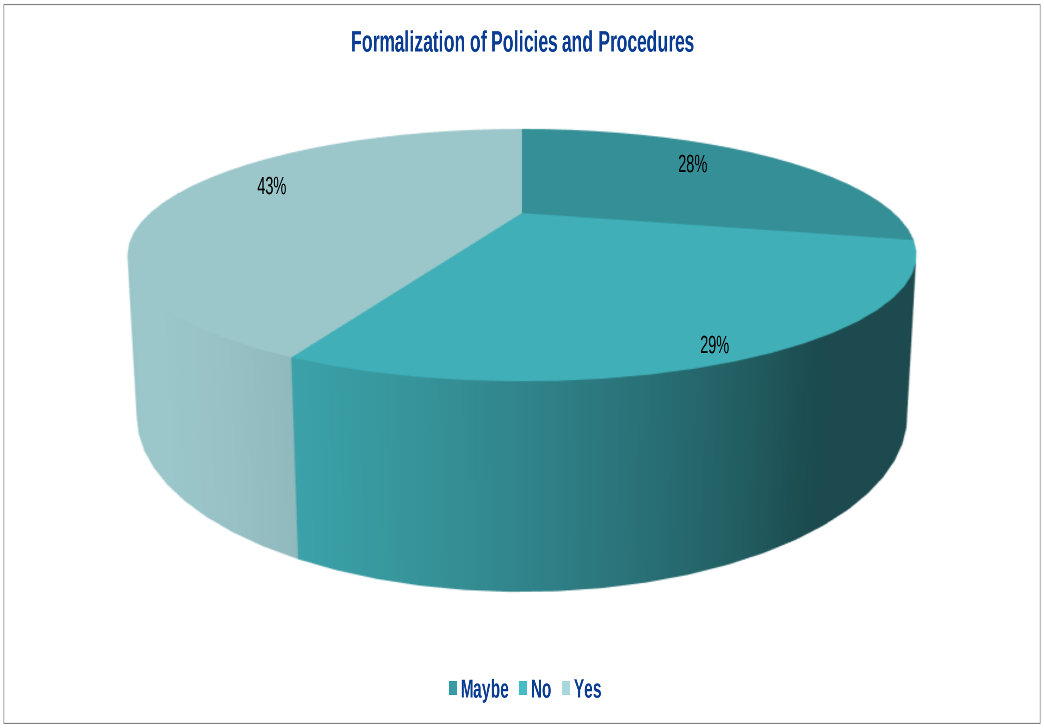
National Housing Authority (Corporate governance policies formalized and communicated)



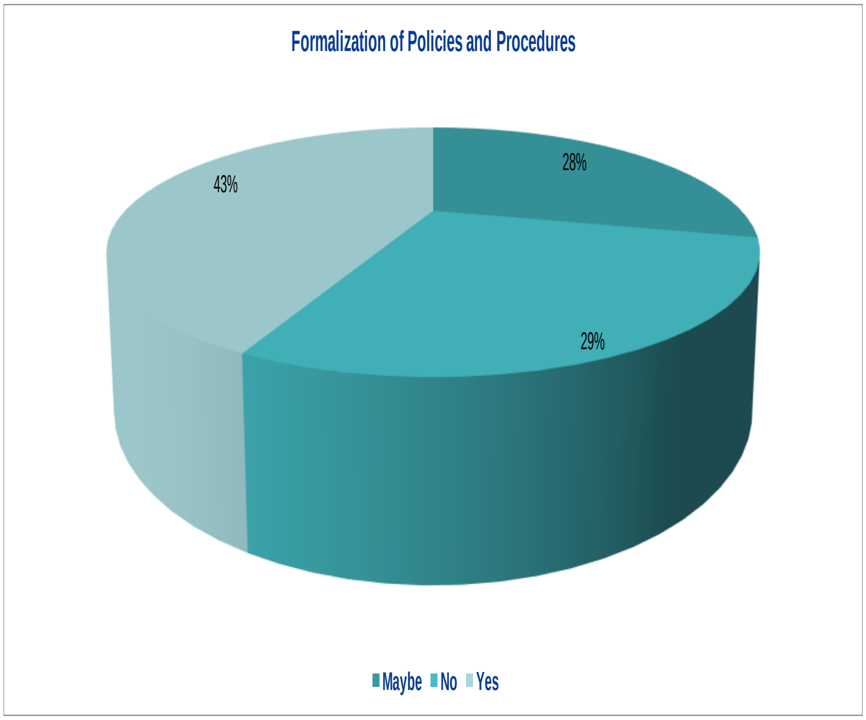
National Social security and welfare Corporation (Corporate governance policies formalized and communicated)



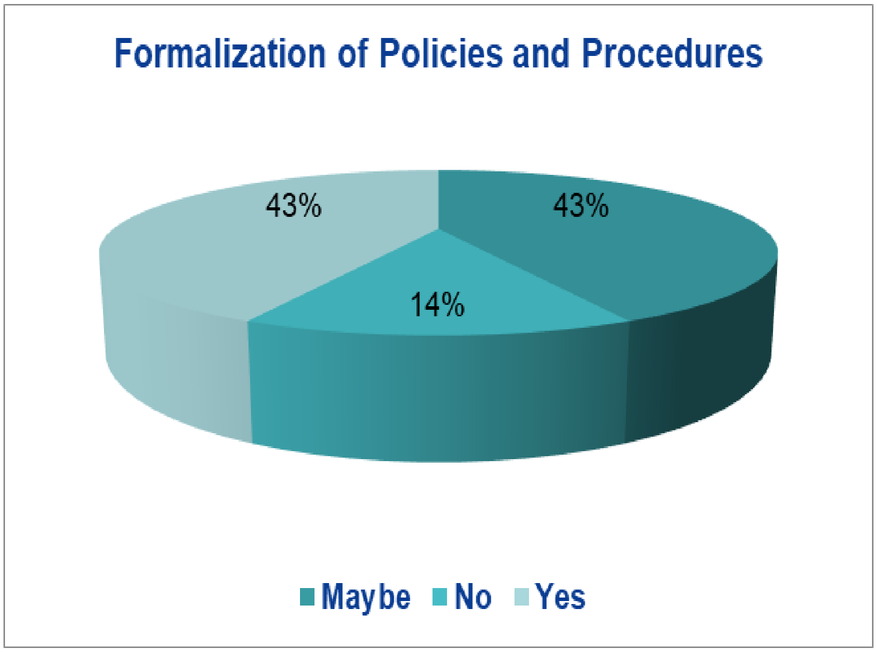
National Fisheries & Aquaculture Authority (Corporate governance policies formalized and communicated)



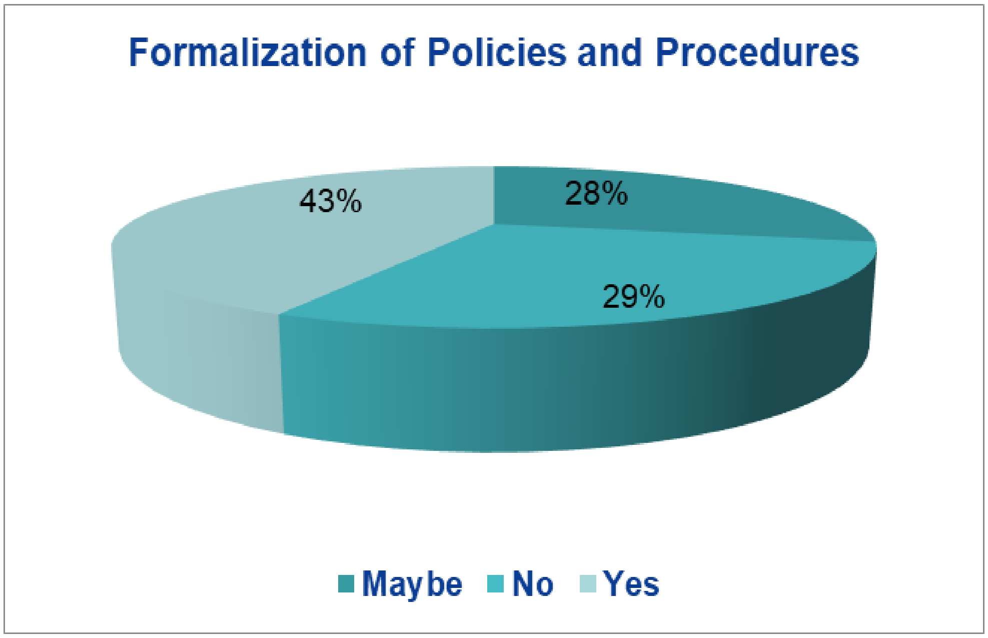
Liberia Water and Sewer Corporation (Corporate governance policies formalized and communicated)



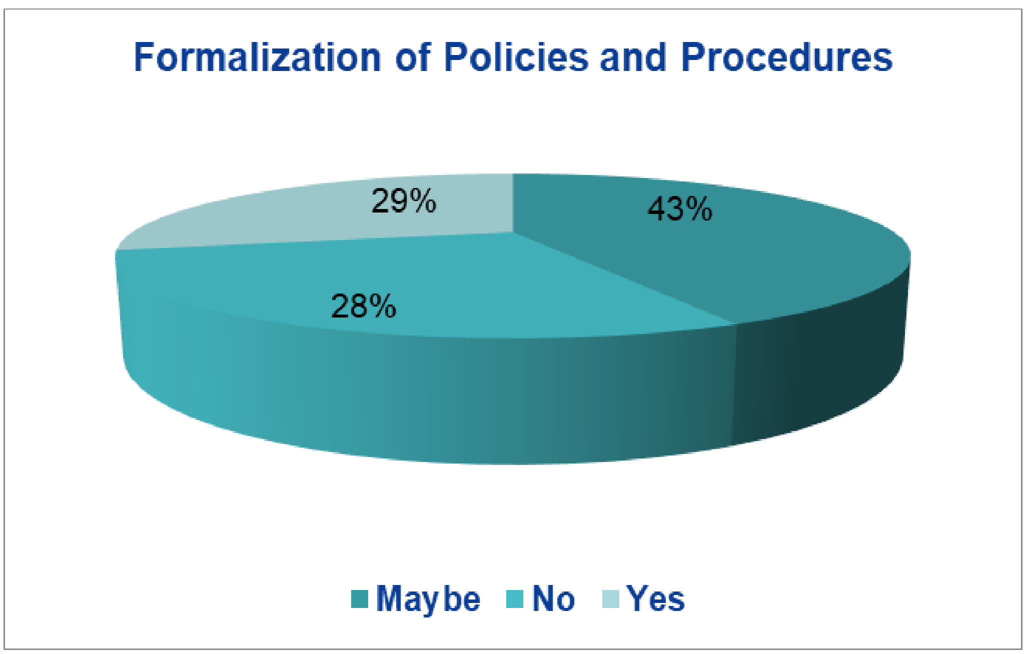
Liberia Petroleum Refining Corporation (Corporate governance policies formalized and communicated)



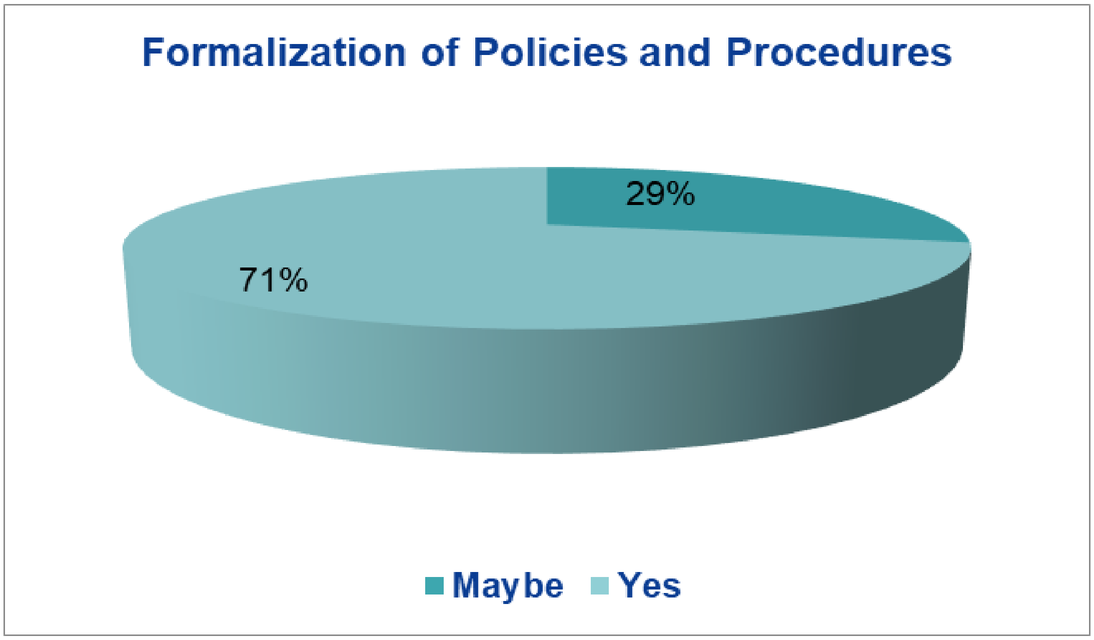
Liberia Maritime Authority (Corporate governance policies formalized and communicated)



Liberia Electricity Corporation (Corporate governance policies formalized and communicated)



Forestry Development Authority (Corporate governance policies formalized and communicated)


Formalization of Policies and Procedures
29%
71%
Maybe
Yes