



Economic Development, Technological Change, and Growth

Board Efficiency, Professional Management, Ethics, and Financial Performance of Firms in Sub-Sahara Africa: Does Size Matter?

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Abstract: The study examines the impact of board efficiency, professional management, and ethics on the financial performance of firms in SSA after considering the sizes of these firms. Firm and country-level data for non-finance firms in SSA are obtained from the Bloomberg Terminal from 2007 to 2017. The OLS, Fixed, Random Models, and the difference GMM techniques are used for the analysis. The study results reveal that board efficiency is negatively related to the profits of firms in SSA which is proxied by the ROAs of the firms, but it positively impacts Sales. Professional management also has a positive relationship with profits and negatively relates to Sales, while Ethics also has a negative relationship with Sales. The study further finds that, by considering the sizes of the firms, board efficiency positively affects sales levels of firms in SSA, professional management has a positive impact on the firms' profits while ethics also affect profits of the firms positively. Therefore, this study provides significant implications for firms and gives firms' management a framework for adoption in managing their business activities.

Keywords: Board efficiency; Professional Management; Ethics; Sales; Profitability

JEL Classification: D2; D46; D92; H25; L25

1. Introduction

Organizational governance practices refer to the mechanisms existing in firms that give opportunities for shareholders to appoint managers as caretakers to oversee the daily affairs of the firms while paying heed to governed principles and independent auditors to check the works of managers and update the appropriate quarters accordingly (Cadbury, 2002). Organizational governance practices also describe the mechanisms instituted by firms to ensure its smooth running, specify the relationship between the owners and governed bodies and ensure fair treatment of all

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stakeholders (OECD, 1999; Madhani, 2007), while a firm's financial performance refers to the degree to which the firm earns profit (Khan, Shamim & Goyal, 2018; Beekman & Robinson, 2004; Beck, Demirgüç-Kunt & Maksimovic, 2005). To the above scholars, a firm's financial performance is measured by the profitability level of the firm. Others view firms' financial performance as reflecting the ability and the degree to which firms use their assets effectively and earn returns on their assets (Batchimeg, 2017; Echekeba & Ananwude, 2016; Kiel & Nicholson, 2013). Batchimeg (2017) and Baysinger et al. (2015) also state that a firm's financial performance is best reflected in the rate at which it can utilize its owners' equity effectively and efficiently. Firm size is also measured by using the number of employees, sales volume, market capitalization, and total asset size (Dang, Li & Yang, 2017). To perform well, firms must institute the necessary measures to supervise managers' duties to guarantee better performance. This necessity gives rise to corporate governance, which is mainly centered on responsible organizational practices, transparency, and accountability when well instituted (Madhani, 2007). Firms with efficient governance frameworks also enjoy higher valuations, higher profits, higher sales growth, and lower capital expenditures (Black, Jang & Kim, 2012; Madhani, 2007). Firm governance practices have a positive and direct relationship with a company's financial performance (Gan, 2018; Cera & Kusaku, 2020; Ahmad & Ahmad, 2021; Bank of Ghana, 2018). However, Iqbal et al. (2018), Chen (2020) and Ibhagui et al. (2018) provide evidence that corporate governance has a negative association with firm financial performance. Following series of corporate scandals, notably the current collapse of banks in Ghana, Enron, and Tyco, together with an abysmal performance by firms and malpractices of high-rank corporate executives, have generated research interest among academia and policymakers into what drives corporate performance (Bhagat & Bolton, 2013; Ali, Ansari, Memon, 2020; Black et al., 2012; Bank of Ghana, 2017; Amenu-Tekaa, 2022). Several studies have taken an interest in delving into the issues of corporate governance practices to unearth their effects on firm financial performance (Kao, Hodgkinson & Jaafar, 2019; Kuo, Lu & Dinh, 2019; Din, Khan, Khan & Khan, 2021; Mehralian, Peikanpour, Rangchian & Aghakhani, 2020). However, several studies above use different proxies to measure firm governance practices and financial performance. Additionally, existing studies provide divergent views on the relationships among the various variables underlying the study leading to inconsistent conclusions. Moreover, previous studies provide considerable evidence from the western world with little known in other continents and economic regions such as sub-Saharan Africa. Furthermore, no study has conclusively incorporated professional management, board efficiency, and ethics in measuring firm governance practices and discussed their relationship with a financial performance by considering the issue of firm size. The present study, therefore, seeks to investigate the relationship between firm governance practices of board efficiency, ethics, and professional management and the financial performance of firms in SSA

by considering the role these firms' sizes play. The study is structured into five chapters. The remaining is chapter two, which reviews the relevant theoretical and empirical literature. Chapter three considers the methodology, while the presentation, analysis, and discussion of results are captured in chapter four. Finally, chapter five presents the concluding remarks and policy implications.

2. Literature Review

2.1. Theoretical Foundation

The theories underlying the present study are discussed below. These theories are the agency and stakeholder theories.

2.1.1. Agency Theory

This theory states that firms use the neoclassical approach to strengthen the operation of the firms since owners, as principals due to their inability to participate in the daily running of the business, appoint managers as agents to manage the business and appoint directors to oversee the activities of managers and report same to shareholders regularly (Jansen & Meckling, 1976; MacNeil, 2010). The basic objective of owners as "principals" for appointing managers as "agents" is to satisfy their interest in increasing economic efficiency to maximize their wealth. The agent also accepts the fiduciary duty to comply with such a task. Anytime managers pursue their interest at the expense of the principal, agency problem arises (Jansen & Meckling, 1976). The theory expects that if the board that represents the interest of principals is efficient in supervising the activities of managers, then firm performance would increase. This theory is related to the present study since it assesses the activities of the principal, board, and agent on company performance. The stakeholder theory states that all interested parties directly or indirectly affected by the corporation's activities should be incorporated into the company's policies (Davis, 2012). This theory expands the argument put forth by the shareholder theory that seeks only the satisfaction of the shareholders of a company. Zingales (2017) states that the smooth running of the firm results from the effort and collaboration of all its stakeholders. This theory is related to the current study because it considers the interest of the various stakeholders whose prowess is assessed on the firm's performance and expects a better performance of the organization if stakeholders are well catered for.

2.2. Empirical Review

Ahmad et al. (2018) assessed the effect of financial leverage on financial performance using accounting ratios, indicating that leverage significantly impacts return on assets (ROA) and return on capital employed (ROCE). Nonetheless, the

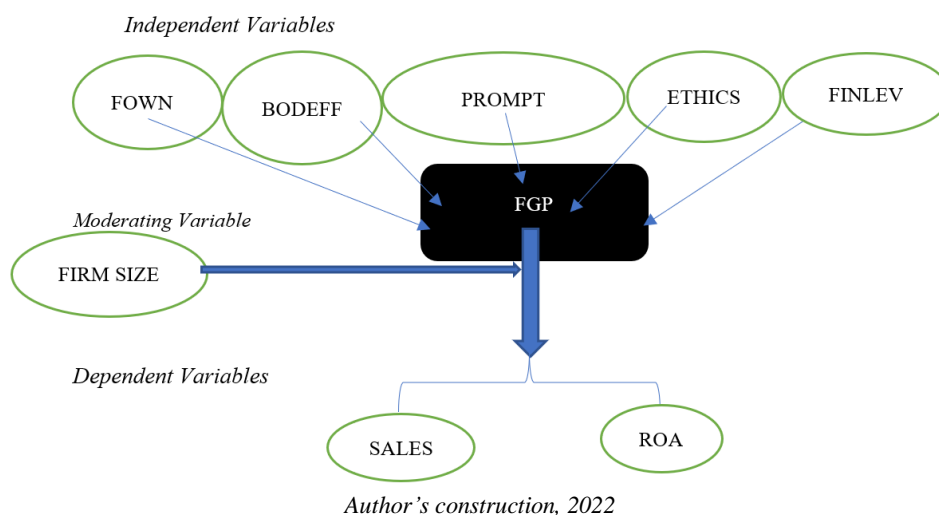
effect of the same measure on return on equity (ROE) and EPS was insignificant. Similarly, Iqbal & Usman (2018) sought to unravel the association between financial leverage and the performance of textile firms in Pakistan with four years of data. Output from the regression analysis depicted an inverse yet significant relationship with ROE. However, leverage showed a significant and positive association with ROA. Chen (2020) also finds a significant negative association between financial leverage and a firm financial performance denoted by ROA. Unlike the previous studies, Ku & Yen (2016) used the quantile regression technique to assess the effect of financial leverage on corporate financial performance using 6,630 firms in Taiwan and concluded that the relationship between financial leverage and firm performance is non-homogenous while the effect between same is trivial. A careful examination of the effect of management proficiency on the organizational performance of Banks in Kenya concluded that a significant and positive association exists between management proficiency and the financial performance of companies (Bonface, Malenya & Musiega, 2015). In the same way, CEOs who are highly proficient at their job positively impact companies' financial performance by making decisions that reduce capital and acquisition expenditures. However, these abilities weaken when they are more exposed to equity risk (Gan, 2018; Bhutta, Sheikh, Munir, Naz & Saif, 2021). This was confirmed by Cera & Kusaku (2020), who found evidence that management proficiency positively correlates with firm financial performance. Contrary to Cera & Kusaku's (2020) findings, Mehralian, Peikanpour, Rangchian & Aghakhani (2020) found an inverse and insignificant relationship between managerial proficiency and a company's financial performance. Nevertheless, with a mediating role of organizational climate, managerial proficiency can positively affect firm performance. Using a stratified method to draw 265 firms to analyze the effect of managerial skills on performance with the deployment of structural equation modeling, it was revealed that managerial skills have a positive relationship with

firm performance (Ahmad & Ahmad, 2021). This confirms the assertions of (Bonface et al., 2020); Gan, 2018; Bhutta et al., 2021) but sharply contradicts the views of Mehralian et al. (2020). Empirical examination of the effect of board efficiency on the performance of organizations by El-Dahdoh (2018) suggests that efficient boards can impact an organization's performance positively. This confirms the assertion of Ahasak, Albrecht, De Sanctis & Barnett (2018) that an effective board's activities positively impact organizational performance. Makhlof, Laili, Basah, & Ramali (2017) argue that board efficiency has a positive and significant association with firm financial performance after they analyzed financial performance proxied by ROA and Tobin's Q and board efficiency of firms listed in Jordan. According to Rahman & Saima (2018) efficiency of a board proxied by large board size has a significant and positive association with performance. However, the relationship turned negative when it was proxied by board independence. Such a

result conflicts with the findings of (Makhlouf et al., 2017; Bonface et al., 2020). These discrepancies may be as a result of different proxies used. On the effect of firm ethics on corporate financial performance, Sumlin, Hough & Green (2021) find from a PLS analysis that ethics has a positive and significant effect on the financial performance of United States companies. Per the account of Hough, Sumlin & Green (2019), ethical practices have a positive association with organizational performance and go to support the views of Karanja (2014), who states that corporate ethics has the potency to influence organizational performance in a positivize manner. A study that sought to investigate the effect of ethical standards observed by an organization and its effect on corporate performance concluded that ethics is positively linked with a firm's performance, while unethical practices impact firm performance adversely (Ezeanyim, & Ezeanolue, 2021). Chuah & Hooy (2018) used panel data to analyze the effect of an ethical standard on the financial performance of listed firms in Malaysia and concluded that a high ethical standard improves a company's financial performance. Mgaya (2016) documented that corporate ethics is a significant determinant of a firm financial performance. The account of (Bonface et al., 2020; Hough et al., 2019) contradicts the result of (Mehrelian et al., 2020). On the other hand, firm ownership was found to have a direct and significant relationship with firm financial performance when foreigners, family own the company, institutional investors, and block-holders (Kao et al., 2019; Kuo et al., 2019; Din et al., 2021). Similarly, Rashid (2020) maintains that foreign and director ownership significantly impacts accounting and market-based measures of financial performance. However, firms owned by institutional investors do not influence a market-based measure of financial performance (Jarbou Abu-Serdaneh & Mahd, 2018). A positive and significant linkage exists between return on assets and institutional ownership, while board independence and ownership structure partially mediate this relationship (Rashid, 2020). As discussed in the studies above, Jarbou et al. (2018) and Din et al. (2021) conclude that foreign and government ownership show a significant relationship with firm financial performance. From the multiple regression analysis of listed non-financial firms in Amman, the study failed to provide evidence that foreign ownership positively affects a firm financial performance (Alabdullah, 2017). This contradicts the views expressed by Kao et al. (2019) and Kuo et al. (2019). However, managerial ownership exerts a significant positive impact on financial performance (Alabdullah, 2017), which is inconsistent with Kirimi et al. (2022), who find an inverse relationship between managerial ownership, government ownership, institutional investors, foreign ownership and financial performance. This confirms the empirical findings of Alkurdi, Harmad, Thneibat & Elmarzouky (2021), who found a negative connection between managerial ownership and firm performance. Meanwhile, accounting and market-based proxies have a positive and strong link with institutional ownership.

2.3. Conceptual Framework

The framework below illustrates the relationship between the dependent and independent variables and the other control variables used in the study.



Studies reviewed so far provide evidence of divergent views on corporate governance measures' impact on firm financial performance. These varied views make it difficult to draw a meaningful conclusion on corporate governance measures and firm performance. Again, previous studies were not built on a comprehensive measure of financial performance and firm governance practices of board efficiency, ethics, and professional management. As a result, it is important to undertake this study to investigate an area in the literature that appears ignored and contributes to expanding the extant body of knowledge. The above framework, therefore, describes the variables this study uses to investigate the moderating role of firm size on the relationship between board efficiency, professional management, ethics, and financial performance of SSA firms. The dependent variables are the SALES and ROAs of the firms, with the main independent and moderating variable of interest being the firm size. The study incorporates control variables of firm ownership and financial leverage.

2.3.1. Hypothesis Development

Based on the literature review, the study proposes the following hypotheses for testing;

H₁: Board Efficiency (BODEFF), Professional Management (PROMGT), and Ethics(E) have a positive relationship with the financial performance of firms in SSA.

H₂: Sizes of firms in SSA positively moderate their relationship between board efficiency, professional management, ethics, and financial performance.

H₂: The interaction between firm size and board efficiency, professional management, and ethics positively impacts the financial performance of firms in SSA.

H₂: Financial leverage and Firm ownership have a positive relationship with the financial performance of firms in SSA.

3. Methodology

This section of the study describes analytical techniques for examining patterns, variables, the development of research assumptions, and the interdependence of corporate governance measures such as board efficiency, ethics and professional management, and firm size on the performance of firms in SSA.

3.1. Data and Sample

The study sample included 327 firms in SSA that were gathered for non-finance firms from 2007–2017 from the Bloomberg Terminal. The country-level data were taken from the Global Competitive Index of the World Economic Forum (WEF) online edition. The major focus of the study is the moderating effect of board efficiency, ethics, professional management, and firm size on firms' performance in SSA. The focus is on the net impact on the profitability and sales of SSA firms.

3.2. Tools and Techniques

Fixed and random effects models are used to investigate the moderating role of firm size on the relationship between board efficiency, ethics, and professional management on the financial performance of firms in SSA. The correlation coefficient is applied to get the association between firm size, board efficiency, ethics, professional management, financial leverage, and firm ownership.

For robustness checks, difference GMM technique is employed.

Table 1. Variable Description

Variable	Measurement	Reference	Expected Sign
Return on Asset (ROA)	This is proxied by net income scaled to total assets	Ahmad et al., 2018; Igbal & Usman, 2018; Chen, 2020; Batchimeg, 2017	-
Sales	Annual total goods or services sold out	Dang et al., 2018; Black et al., 2007	-
Firm ownership (FOWN)	This refers to the ownership concentration of the studied firms	Kao et al., 2019; Kuo et al., 2019; Din et al., 2021	Positive
Professional management (PROMGT)	This is assessed based on how efficient management has been in their task	Gan, 2018; Bhutta et al., 2021; Cera & Kusaku, 2020; Mehrelian et al., 2020.	Positive
Board efficiency (BODEFF)	Measured based on how the board has been influential in overseeing the management	Ahasak et l., 2018; El-Dahdoh, 2018; Mehrelian et al., 2020; Gan, 2018; Makhoulouf et aal., 2017.	Positive
Financial Leverage (FINLEV)	This is the ratio of total debt to total equity.	Igbal & Usman, 2018; Chen, 2020; Ibhagui & Olokoyo, 2018; Ku et al., 2016; Ahmad et al., 2018.	Positive
Ethics	Assessed based on how the firm upholds acceptable and sustainable business practices	Ezeanyim & Ezeanolue, 2021; Chuah & Hooy, 2018; Mgaya, 2016; Sulmin et al., 2021; Karanja, 2014.	Positive
Total Assets (Firm size)	The natural log of the total asset of the firm measures the size of the firm.	Dang et al., 2018; Black et al., 2007.	Positive

3.3. Empirical Model

The study employs static and dynamic specifications to investigate the moderating role of firm size on the relationship between board efficiency, professional management, ethics, and financial performance of non-finance firms in SSA. The baseline linear regression equation is as follows:

$$Y = \alpha + \beta X + \varepsilon_{it} \quad (1)$$

3.3.1. Static Panel Model

$$ROA_{it} = \beta_{it} + \beta_1 Lsize_{it} + \beta_2 Finlev_{it} + \beta_3 Fowm_{it} + \beta_4 Bodeff_{it} + \beta_5 Promgt_{it} + \beta_6 Ethics_{it} + \varepsilon_{it} \quad (2)$$

$$LSALES_{it} = \beta_{it} + \beta_1 Lsize_{it} + \beta_2 Finlev_{it} + \beta_3 Fowm_{it} + \beta_4 Bodeff_{it} + \beta_5 Promgt_{it} + \beta_6 Ethics_{it} + \varepsilon_{it} \quad (3)$$

3.3.2. Static Model with Firm size as the Interaction Effect

$$ROA_{it} = \beta_{it} + \beta_1 Lsize_{it} + \beta_2 Finlev_{it} + \beta_3 Fowm_{it} + \beta_4 Bodeff_{it} + \beta_5 Promgt_{it} + \beta_6 Ethics_{it} + \beta_7 (Bodeff_{it} * Lsize_{it}) + \beta_8 (Promgt_{it} * Lsize_{it}) + \beta_9 (Ethics_{it} * Lsize_{it}) + \varepsilon_{it} \quad (4)$$

$$LSALES_{it} = \beta_{it} + \beta_1 Lsize_{it} + \beta_2 Finlev_{it} + \beta_3 Fowm_{it} + \beta_4 Bodeff_{it} + \beta_5 Promgt_{it} + \beta_6 Ethics_{it} + \beta_7 (Bodeff_{it} * Lsize_{it}) + \beta_8 (Promgt_{it} * Lsize_{it}) + \beta_9 (Ethics_{it} * Lsize_{it}) + \varepsilon_{it} \quad (5)$$

3.3.3. Dynamic Model

The dynamic connections are described by the carriage of a lagged dependent variable with the regressors, that is:

$$Y_{it} = \delta Y_{it-1} + \beta x_{it} + u_{it} \quad (6)$$

$$ROA_{it} = \beta_{it} + \beta_{it} ROE_{it-1} + \beta_1 Lsize_{it} + \beta_2 Finlev_{it} + \beta_3 Fowm_{it} + \beta_4 Bodeff_{it} + \beta_5 Promgt_{it} + \beta_6 Ethics_{it} + \varepsilon_{it} \quad (7)$$

$$LSALES_{it} = \beta_{it} + \beta_{it} ROE_{it-1} + \beta_1 Lsize_{it} + \beta_2 Finlev_{it} + \beta_3 Fowm_{it} + \beta_4 Bodeff_{it} + \beta_5 Promgt_{it} + \beta_6 Ethics_{it} + \varepsilon_{it} \quad (8)$$

3.3.4. Dynamic Model with Firm Size as the Interaction Effect

$$LSALES_{it} = \beta_{it} + \beta_{it} SALES_{it-1} + \beta_1 Lsize_{it} + \beta_2 Finlev_{it} + \beta_3 Fowm_{it} + \beta_4 Bodeff_{it} + \beta_5 Promgt_{it} + \beta_6 Ethics_{it} + \beta_7 (Bodeff_{it} * Lsize_{it}) + \beta_8 (Promgt_{it} * Lsize_{it}) + \beta_9 (Ethics_{it} * Lsize_{it}) + \varepsilon_{it} \quad (9)$$

$$ROA_{it} = \beta_{it} + \beta_{it} ROA_{it-1} + \beta_1 Lsize_{it} + \beta_2 Finlev_{it} + \beta_3 Fowm_{it} + \beta_4 Bodeff_{it} + \beta_5 Promgt_{it} + \beta_6 Ethics_{it} + \beta_7 (Bodeff_{it} * Lsize_{it}) + \beta_8 (Promgt_{it} * Lsize_{it}) + \beta_9 (Ethics_{it} * Lsize_{it}) + \varepsilon_{it} \quad (10)$$

where; i ($i=1 \dots 327$) is the intercept for every firm, t ($t=2007-2017$) characterizes the years examined, and β are the coefficients for each regressor variable, including ε as the disturbance term. Different approaches will be used to examine the static panel models examined: Pooled Ordinary Least Squares (PLS), Random Effects (RE), and Fixed Effects (FE) with n firm-specific intercepts. Fixed-effects models investigate the relationship between input and output variables in different things, considering that the firm has characteristics that influence the association of concerning variables. On the other hand, random-effects models indicate random

variation across firms, unassociated with input variables. At the same time, the Hausman test explains the finest model from the Fixed and Random effect models. Ultimately, to fix autocorrelation and heteroscedasticity problems, 6th to 10th regression models were used, especially regression with difference GMM.

4. Empirical Results

Table 2 presents the descriptive statistics for all the variables used in the estimations. The average level of per capita ROAs growth is 1.92%, while the minimum (-4.61) and maximum (6.13%) do not indicate a widespread in ROAs representing profitability levels of the firms. The growth rate of the firms in terms of SALES as a share of revenue of firms in sub-Saharan Africa shows an average value of 9.764%, which is greater than the growth rate of ROA (that is, profits). The standard deviation is about 1.074% and 4.137% for ROA and SALES, suggesting that on average, ROAs and SALES deviate from the mean by about 1.074% and 4.137% respectively. The average scores for BODEFF, PROGMT, ETHICS, FOWN, FINN, and TAs are 0.71, 0.69, 1.39, 0.69, 0.84, and 3.42, respectively. Notably, these corporate governance measures are rated on a scale from 0 (worst) to 10 (best); hence, the low average rating indicates that firms in SSA are not robust concerning that particular variable.

Table 2. Descriptive Statistics

Variables Statistics	R O A	LSAL ES	LBODE FF	LFO WN	LTOTA L ASSETS	LETH ICS	LPR OMG T	LFIN N
MEAN	1.9 16	9.764	0.714	0.69 1	3.418	1.396	0.697	0.841
MAXIMUM	6.1 32	19.516	0.797	0.79 6	7.219	1.637	0.766	7.893
MINIMUM	- 4.6 05	-3.540	0.603	0.50 9	-1.122	1.135	0.569	- 0.249
STD. DEV.	1.0 74	4.137	0.053	0.04 4	1.125	0.129	0.048	0.574
KURTOSIS	6.6 79	2.735	1.773	5.57 4	2.869	1.834	1.749	16.34 9
SKEWNESS	- 1.1 57	0.309	-0.103	- 1.41 3	-0.354	-0.365	-0.239	2.430
OBSERVATIONS	27 24	2642	3578	3578	3338	3578	3578	3270

Table 3 presents a correlation analysis for sub-Saharan non-financial firms. Considering the correlations among the variables, it is observed that ROA is

positively correlated with ETHICS, FOWN, and PROMGT and negatively correlated with FINN, TAs, and BODEFF. Both TAs and FINN are positively correlated with SALES, while BODEFF, FOWN, ETHICS, and PROMGT are negatively related to SALES. The BODEFF is positively related to PROMGT and ETHICS, which is expected since management becomes efficient if a board is active and vibrant. The variance inflation factor (VIF) is computed to check for multicollinearity among independent variables. The result shows a value of less than ten (10) for all the variables, suggesting no problem of multicollinearity.

Table 3. Correlation Matrix

VARIABLES	ROA	SALES	TOTAL ASSETS	ETHICS	FINN	FOWN	PROMGT	BODEFF
ROA	1.00							
LSALES	0.065	1.000						
LTAs	0.087	0.625	1.000					
ETHICS	0.091	-0.376	-0.364	1.000				
FINN	0.223	0.149	0.172	-0.095	1.000			
FOWM	0.111	-0.354	-0.307	0.571	-0.009	1.000		
PROMPT	0.087	-0.234	-0.242	0.763	-0.034	0.652	1.000	
BODEFF	0.005	0.231	-0.191	0.770	-0.067	0.518	0.8809	1.000

4.1. Board Efficiency, Professional Management, Ethics, and Firm Performance

In this section, the study sheds light on the relationship between corporate governance measures of board efficiency, ethics, and professional management and the financial performance of firms in sub-Saharan Africa. Table 4 reports OLS, Fixed Effect, Random effect, and GMM results of 8 different specifications of the effect of board efficiency, professional management, and ethics on SSA firms' financial performance measured by the firms' ROAs and their SALES levels.

The ROAs and SALES variables enter the models with lag, considering that ROAs and SALES activities do not have a contemporaneous association with firm performance but take some time before reflecting on firm performance. Specifications 1-8 in Table 4 are based on Equations 2,3,7 and 8 (without interacting term), which mainly looks at the effects of financial leverage, firm ownership, firm size (represented by total assets), and the individual corporate governance variables of board efficiency, ethics, and professional management on the performance of sub-Saharan firms. These are the baseline results, which will be compared to subsequent analyses with the interaction term. Specifications 9 to 16 include an interaction term of firm size (denoted by total assets) with the various corporate governance measures of board efficiency, ethics, and professional management.

The Hausman test results reveal that the fixed effect estimations are appropriate to explain the effect of BODEFF, PROMGT, and ETHICS on the financial performance of firms in sub-Saharan Africa.

Model 3 and 4 in Table 4 suggest that a 1% increase in BODEFF decreases the performance of firms in sub-Saharan in terms of their ROAs (representing profitability) by 6%. This result is contrary to the expectation of the stakeholder theory, which advocates that for a smooth running of a firm, all concerned parties who hold a stake in the company should be engaged. This could be due to the over-strict management of employees without a substantial increase in incentives, and the board needs to be more goal-oriented rather than employee-centered. This phenomenon demotivates employees pushing them to put up a lackadaisical attitude resulting in lower firm performance. The observed result agrees with the findings of Rahman and Saima (2018), who found a negative relationship between board efficiency and firm performance. However, the result suggests that board efficiency impacts the performance of firms in SSA positively, showing that a 1% increase in the board efficiency levels of these firms causes SALES revenue to increase by 5%. The possible reason for this result could be that board member improvement triggers higher output. Again, efficient companies can provide incentives that boost employees' morale to increase productivity, resulting in higher sales revenue. The finding is consistent with the position of Black et al. (2007), who postulate that increasing the efficiency level of firms promotes sales revenue. For PROMGT, the results show that a 1% increase in the professional management levels of firms in SSA caused the profitability levels (proxied by ROAs) to increase by 4.3%. This finding firmly supports the views expressed by MacNeil (2010) that an increase in a firm's profit is in the good interest of shareholders. The SALES levels, however, decrease by 3.6%. This may be because managers of firms in SSA are good at employing asset management strategies and turn to over-focus on maximizing asset returns but pay little attention to their firms' sales volumes. The result could also be because the cost incurred in training managers outweighs the sales returns. This is in gross opposition to the expectation of agency theory, where principals expect

managers as agents to deploy strategies that seek to maximize their interest. The relationship between professional management and firm performance supports the account of (Boniface et al., 2015; Gan, 2018; Bhutta et al., 2021; Cera & Kusaku, 2020), who provide substantial evidence that proficient management has a positive and significant impact on firm performance. On the other hand, Mehralian et al. (2020) argued that management proficiency negatively impacts firm performance. Regarding ETHICS, the results indicate that the ethical behaviour of employers and employees of firms in SSA does not affect their financial performance in terms of profitability. However, the results suggest that a 1% improvement in the ethical behaviors of SSA firms surprisingly reduces their SALES by 1%, and this could be because the ethical behaviors exhibited by these firms do not substantially and immediately benefit their clients, thereby reducing the patronage of products offered by SSA firms. Thus, the ethical behaviors and standards that firms uphold take some time before reflecting on the lives of the customers of these firms. This finding is inconsistent with that of (Hough et al., 2019; Karanja, 2014; Chuah & Hooy, 2018), who suggest that ethical practices positively affect firms' performance.

The specifications also include control variables such as TAs, FINLEV, and FOWN, representing firm size, financial leverage, and firm ownership concentrations of SSA firms, respectively. Models 3 and 4 in Table 4 show a negative and statistically significant result for FINLEV, indicating that a 1% increase in debt levels of firms in SSA reduces their profit levels by 0.47%, which is in line with the finding of (Igbal & Usman, 2018; Chen, 2020) who suggest a negative relationship between financial leverage and firm performance. The firm ownership (FOWN) also depicts a negative and statistically significant result suggesting that an increase in the ownership concentration causes a decline in the performance of these firms in terms of their profitability. This could be due to the inactiveness of newly included firm owners. This finding contradicts the viewpoints of (Kao et al., 2019; Kuo et al., 2019; Din et al., 2021), who found that firm ownership has a significant positive association with firm performance. However, Model 4 shows total assets (TAs) to be positive and statistically significant, indicating that an increase in total assets leads to improvements in the SALES levels of firms in SSA. The plausible explanation for this is that management efficiently utilizes assets for higher output. Again, additional asset increases the production capacity of the firms. This finding supports the account of Dang et al. (2020), who opine that increased firm size results in higher sales.

Similar to the discussions above based on results from the fixed effects estimations, Models 7 and 8 report results from the difference GMM estimations which capture incorporated lag values of ROAs and SALES. The coefficients of lagged values of ROA and SALES are positive and statistically significant at 1%, suggesting that the previous year's profits and sales levels of firms in sub-Saharan Africa impact their subsequent year's profit and sales. This could be because firms in the sub-region can

create value and satisfy their clients, increasing customer loyalty and high patronage, leading to higher sales values and profit levels in subsequent years.

From Model 8, the study's result reveals that the coefficient of BODEFF is negative and statistically significant at 1%, suggesting that an improvement in the board efficiency of firms in SSA results in decline in the SALES of these firms. The finding disagrees with the position of the stakeholder theory, which states that all concerned holders of an enterprise should be involved in the running of the firm. This result is rather surprising, but the possible explanation could be that employees of SSA firms with adequate technical know-how over concentrate on other areas of the firms with little attention to the sales aspect, causing a decline in sales. These findings contradict the positions of (El-Dahdoh, 2018; Ahasak et al., 2018) but confirm the conclusion by Makhlouf et al. (2017) and Bonface et al. (2020) that a negative association exists between board efficiency and firm performance. Models 7 and 8 further show that the coefficient of PROMGT is positive and statistically significant at 1% as far as its relationship with ROAs and SALES of firms in SSA are concerned. This suggests that as the professional management levels of SSA firms improve, the firms' performance in terms of profitability and sales improves. Perhaps this may be due to management's ability to combine strategies for their companies' production capacities and focus on good asset management practices. The account, as presented by Dang et al. (2018); Cera and Kusaku (2020) and Bhutta et al. (2021) appears consistent with the study's finding that a rise in professional management increases firm performance. Regarding Ethics, Models 7 reports that a 1% increase in improvement in the ethical behaviors of employers and employees in SSA firms results in a decline in profit levels of these firms by 2.3%. The reason may be that these firms pay more attention to international ethical standards with little or no regard for ethical behaviors that positively affect the immediate surroundings, as Mehrelian (2020) suggests, even though it runs contrary to views expressed by Sumlin et al., (2021), Karanja (2014) and Ezeanyim, & Ezeanolue (2021). However, concerning SALES, Model 8 reports that a 1% improvement in the ethical behaviours of both employers and employees of firms in SSA also lead to a surge in their SALES by 0.01%, which may be a result of the use of sustainable and responsible marketing practices by firms in SSA. The finding supports the position of (Chuah & Hooy, 2018; Dang et al., 2018), who put forth that ethics have a positive relationship with performance.

Table 4. Board Efficiency, Professional Management, Ethics, and SSA Firms' Financial Performance

VAR	1	2	3	4	5	6	7	8
IAB	OLS	OLS	FE	FE	RE	RE	DIFF.	DIFF.
LE	(RO	(SALE	(RO	(SALE	(RO	(SALE	GMM	GMM
	A)	S)	A)	S)	A)	S)	(ROA)	(SALES)
RoA							0.302*	
(-1)							**	
							(0.052)	
Sales								1.062***
(-1)								(0.015)
Bode	-	-	-	5.118*	-	-0.536	-1.051	-
ff	88.75	9.799*	6.034	**	5.89*	(0.741)	(0.982)	0.315***
	6***	**	***	(0.755)	**			(0.016)
	(9.78	(2.537)	(0.84		(0.72			
	3)		8)		5)			
Prom	49.65	22.317	4.299	-	4.51*	1.508	3.645*	2.667***
pt	9***	***	***	3.55**	**	(1.077)	**	(0.196)
	(9.83	(2.972)	(1.16	*	(0.88		(1.130)	
	9)		5)	(1.139)	8)			
Fow	25.02	-	4.703	-	4.49*	-2.4***	-	0.384***
m	3***	28.32*	***	5.23**	**	(0.854)	25.92*	(0.119)
	(8.89	**	(0.97	*	(0.79		**	
	9)	(2.913)	9)	(0.903)	1)		(12.97)	
Total	2.032	2.338*	-	6.49E-	-	1.59**	-8.62E-	2.77E-
Asset	***	**	5.05E	07***	1.37E	*	05***	06***
s	(0.25	(0.065)	-	(2.25E-	-07	(0.072)	(2.58E-	(7.53E-
	8)		07**	07)	(2.16		05)	08)
			*		E-07)			
			(2.58					
			E-07)					
Ethic	21.19	-	0.459	-	0.54*	-	-	0.055***
s	8***	4.611*	(0.39	1.04**	**	0.81**	2.307*	(0.012)
	(3.48	**	2)	*	(0.31	*	**	
	9)	(0.804)		(0.349)	9)	(0.32)	(0.946)	
Finn	-	0.002*	-	-	-	-0.08*	-0.008	0.064***
	6.869	**	0.473	0.11**	0.43*	(0.05)	(1.279)	(0.026)
	***	(0.111)	***	*	**			
	(0.45		(0.07	(0.051)	(0.05			
	3)		5)		5)			
Cons	-	1.662*	-	13.80*	-	6.40**		
tant	12.82	**	0.297	**	0.616	*		
	(5.37	(19.260	(0.68	(0.606)	(0.52	(0.697)		
	7))	2)		4)			

Observations	3233	2543	2677	2543	2677	2543	2113	2072
R-Squared	0.102	.455	0.516	0.97	0.07	0.22		
Number of Firms	323	259	318	259	318	259	315	255
Diagnostics Checks								
Hausman test			33.65***	38.21**				
Multi collinearity test (VIF)			1.831	2.030				
Sargan test chi2(8) / (p-value)							0.712	0.496
AR(2) (z) p-value							0.448	0.2888

4.2. Moderating Role of Firm Size

As the previous section captures the impact of board efficiency, professional management, ethics and other control variables used in this study on the performance of firms in SSA, this section considers the moderating role of SSA firms' sizes in the relationship between board efficiency, ethics, professional management, and performance of firms SSA regarding their profitability and Sales. The study is particularly interested in knowing whether board efficiency, ethics, and professional management of firms in SSA affect their performances by considering the influence of their sizes. Therefore, following the specifications in Equations 4, 5, 9, and 10,

we include an interaction term between board efficiency, ethics, professional management, and the firm size, as reported in Table 5.

Again, the Hausman test reveals that the Fixed effect model is more consistent than the Random effect model. Model 11 includes interaction terms of firm size and board efficiency and positively affects firm performance in terms of profitability. Specifically, interacting the board efficiency with firm size leads to growth in profit by 1.60E-06. However, including interaction terms of board efficiency and firm size in Model 12 indicates a negative effect on the firms' sales performance, which could be that efficient boards can develop pragmatic corporate expansion strategies and ensure that management implements them. This increases the size of the firm's production capacity leading to higher profit margins. The study agrees with Mubeen, Han, Abbas, Álvarez-Otero, and Sial (2018) that firm size positively moderates the relationship between corporate governance and firm performance. On the contrary, this relationship contradicts the suggestion by Li and Chen (2014) that firm size as a moderating variable undermines the positive relationship between corporate and firm performance.

The interaction term of professional management and firm size, as shown in Model 11, also negatively and significantly impacts performance. The reason for this may be that an increase in the size of the firm results in higher operational costs, including emolument paid to hiring and training managers without corresponding returns. In model 12, the study interacts with professional management and firm size and finds a positive impact on the firms' sales. This means hired managers can manage the operational activities of firms in SSA by maximizing output from available resources. Similarly, an interaction between ethics and firm size may cause the sales performance of SSA firms to grow. The study does not find a significant impact from the interaction of ethics and firm size.

The study additionally applied the dynamic regression techniques to cover the problem of heteroscedasticity and serial correlation more accurately (Roodman, 2006; Baum, Schaffer, & Stillman, 2003; Reed & Ye, 2011). The lags of the dependent variables have been taken to mitigate endogeneity problems, and *BODEFF*SIZE*, *ETHICS*SIZE*, and *PROMGT*SIZE* are used as interaction terms. The significance of the dependent lagged variables of ROA (-1), and SALES (-1) show that the difference GMM is a reliable model (Heid, Langer, & Larch, 2012; Çoban & Topcu, 2013; Nguyen & Do, 2020). In Model 15, board efficiency and firm size have significant value and positively influence the SALES performance of SSA firms. The findings support the agency theory (Jansen & Meckling, 1976; MacNeil, 2010) and stakeholder theory (Davis, 2012; Zingales, 2017) since involving principals in the running of the firm yields positive results and this demonstrates the smooth running advocated by the framework. This could be because the board of firms in SSA is focused on increasing production by acquiring

and hiring new hands to increase output. The difference GMM result in Model 16 does not find a significant effect from the interaction of ethics and firm size on the sales levels of firms in SSA. However, the difference GMM results of the interaction between ethics and firm size in Model 15 indicate a significant positive performance in the firms' profits. Specifically, interacting ethics with firm size leads to growth in profit by 0.237%. This result shows that, as the firms grow, they can adhere to ethical practices at a lower cost leading to a net increase in profits.

Further, the interaction between professional management and size produces a positive growth in the firms' profits, whereas the same interaction reduces sales. The profit growth agrees with the expectation of stakeholder theory (Davis, 2012; Zingales, 2017). This may be attributed to managers employing efficient cost-reduction strategies that reduce nuisance and total variable costs. The observed reduction in sales is attributed to the saturation of firms' products, overcrowding, and fierce competition in the market space. This supports the position of (Mubeen et al., 2018), who found that smaller firm size reduces the impact of corporate governance on firm performance.

The AR (2) results are insignificant for the difference GMM estimates in Models 15 and 16 (Model 15= 0.158 and Model 16= 0.355), whereas the Sargan tests also have consistent and insignificant values of 0.268 and 0.29 for Models 15 and 16 respectively. The Sargan test results were insignificant, suggesting that the null hypothesis of jointly valid instrumental variables has not been ignored (Ma & Fu, 2020). The selection of difference GMM is the best fit for the selected sample data to infer the outcomes (Zhang & Wang, 2020). This model is tested using the Sargan method for over-identification restrictions (Chatterjee, 2020).

Table 5. Board Efficiency, Professional Management, Ethics, and Firm Performance: The Role of Firm Size

VARIABLE	9 OLS (ROA)	10 OLS (SAL ES)	11 FE (ROA)	12 FE (SALES)	13 RE (ROA)	14 RE (SAL ES)	15 DIFF. GMM (ROA)	16 DIFF. GMM (SALES)
Roa (-1)							0.299*** (0.081)	
Sale (-1)								0.294*** (0.038)
Bodeff	- 114.89 *** (28.51 9)	- 13.81 *** (6.292)	-0.52*** (0.075)	5.229** * (0.781)	- 0.462* ** (0.064)	4.801 *** (0.77 6)	0.159 (0.435)	-0.192*** (0.032)
Prompt	- 11.197 (27.80 0)	21.68 1*** (2.990)	0.399*** (0.104)	- 3.713** * (1.154)	0.413* ** (0.080)	- 3.099 *** (1.14 7)	-0.619 (0.440)	0.222*** (0.053)

Fowm	7.769 (10.22 0)	- 27.32 *** (2.911)	0.408*** (0.086)	- 5.153** * (0.904)	0.397* ** (0.071)	- 5.48* ** (0.90 1)	0.026 (0.104)	-0.016 (0.031)
Total Assets	-0.899 (3.669)	-0.039 (0.822)	3.57E-06 (4.10E- 06)	-1.15E- 05*** (5.10E- 06)	3.96E- 06 (3.58E- -06)	- 1.43 E- 05** * (5.07 E-06)	-0.693 (0.693)	1.539*** (0.238)
Ethics	61.093 *** (12.22 1)	- 10.56 *** (3.209)	0.104 (0.104)	- 1.187** * (0.364)	0.106 (0.085)	- 1.51* ** (0.36 1)	0.872*** (0.456)	-0.265 (0.537)
Finn	- 6.926* ** (0.456)	0.013 (0.112)	-0.05*** (0.011)	- 0.109** * (0.051)	- 0.007* ** (0.002)	- 0.096 *** (0.05 0)	-0.059 (0.039)	-0.022 (0.032)
Promgt*T As	19.689 *** (8.293)	- 6.15E 07*** (1.42 E-07)	-2.33E- 06*** (8.02E- 07)	2.70E- 05*** (7.21E- 06)	- 1.12E- 06* (6.49E- -07)	3.18 E- 05** * (7.14 E-06)	0.247*** (0.122)	-1.76E- 06*** (6.00E-07)
Bodeff*TA s	6.359 (8.173)	0.094 (0.141)	1.60E- 06*** (6.90E- 07)	-1.98E- 05*** (6.36E- 06)	1.04E- 07 (5.73E- -07)	- 2.30 E- 05** * (6.30 E-06)	-0.109 (0.119)	1.27E- 06*** (4.47E-07)
Ethics*Tas	- 10.953 *** (3.209)	1.452 *** (0.829)	-6.54E- 07 (7.89E- 07)	7.32E- 06*** (2.51E- 06)	7.22E- 09 (6.96E- -07)	9.08 E- 06** * (2.49 E-06)	- 0.237*** (0.125)	0.018 (0.133)
Constant	4.472 (14.65 7)	29.82 7*** (3.843)	0.352 (0.463)	8014019 .	-0.176 (0.349)	14.57 *** (0.66 4)	-	-
Observatio ns	3233	2543	2677	2543	2677	2543	1898	2072
R-squared	0.106	0.465	0.514	0.97	0.06	0.091	-	-
Number of firms	323	259	318	259	318	259	295	255
Diagnostics Checks								
Hausman test			33.65***	38.21** *				
Multicollin earity test (VIF)			2.50	3.07				
Sargan							0.268	0.293

test chi2(8)		
(p-value)		
AR (2) P-	0.1582	0.3554
value		

5. Conclusion and Recommendation

This study aimed to examine the moderating effect of board efficiency, professional management, ethics, and firm size on firms' performance in SSA. The study used the difference GMM, fixed, and random effects models to analyze 327 non-finance firms. The results were significant in many ways. First, the study found that improvement in BODEFF (board efficiency) does not improve the performance of firms in SSA in terms of their profits (proxied by their ROAs), which could be due to the over-strictness of management on employees without a substantial increase in incentives. This phenomenon demotivates employees pushing them to put up a lackadaisical attitude resulting in lower firm performance. However, board efficiency impacts the SALES of firms in SSA positively, which may be because efficient companies in SSA can provide incentives that boost employees' morale to increase productivity resulting in higher sales revenue. The study finds that interacting board efficiency and firm size significantly positively influence the SALES performance of firms in SSA. Second, the study found that improvement in professional management (PROMGT) levels also cause the profit levels of firms in SSA to improve. However, the SALES levels do not experience growth with improvement in professional management. The possible reason could be that managers of firms in SSA are good at employing asset management strategies and turn to over-focus on maximizing asset returns but need to pay more attention to their firms' sales volumes. Further, the study found that interacting professional management and size produces a positive growth in the firms' profits, whereas the same interaction reduces sales. Third, regarding ETHICS, the study found that the ethical behaviour of employers and employees of firms in SSA does not affect their profitability. However, improvement in the ethical behaviours of SSA firms surprisingly reduces their SALES levels. This could be because the ethical behaviors exhibited by these firms do not substantially and immediately benefit their clients, thereby reducing the patronage of products offered by SSA firms. The study found that the interaction of ethics and firm size positively affect the SALES levels of firms in SSA, which shows that, as the firms grow, they can adhere to ethical practices at a lower cost leading to a net increase in profits. Based on the evidence, the study concludes that board efficiency positively affects the sales levels of firms in SSA, professional management has a positive impact on the firms' profits, and ethics also affect the profits of the firms positively. This study provides significant implications for firms and provides firms' management with a framework for adoption in managing their business activities. Lastly, the study contributes to the

literature by providing evidence to show how corporate governance measures such as board efficiency, professional management, and ethics impact the financial performance of profits and sales.

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