A STUDY OF THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE BOARD CHARACTERISTICS AND PRACTICES, AND BUSINESS PERFORMANCE OF ZIMBABWE STOCK EXCHANGE LISTED BANKS

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ABSTRACT

The overriding aim of this study was to study the relationship between corporate governance board characteristics and practices, and business performance of banks listed on the Zimbabwe Stock Exchange (ZSE) at the end of 2013. Board characteristics investigated in this study were Board composition and diversity; Board size, meetings frequency and board members' attendance at meetings; Chief Executive Officer (CEO) status and succession planning; and Board committees, with a particular emphasis on Audit, Remuneration and Nomination committees. Both financial and non-financial business performance measures were considered.

The study sample was selected using a stratified random sampling approach. Further in pursuit of the study a quantitative research methodology was employed, utilizing both descriptive and inferential statistics in analyzing the data. For inferential statistics, correlation and regression analysis models were used. In addition, independent t-tests and analysis of variance (ANOVA) models were also performed on the data.

The study found a significant negative relationship between all the board characteristics and practices under study and business performance. The study also found a good level of compliance with corporate governance good board practices by ZSE listed banks. Finally the study found that the identified corporate governance board characteristics and practices cannot be used as a good predictor of business performance of the ZSE listed banks.

The study recommended less board diversity and fewer non-executive directors on boards. Also smaller boards were recommended together with fewer board meetings. On CEO status and succession planning it was recommended that both positions be occupied by the same person. Finally on board committees, it was recommended that ZSE listed banks have as much as possible less of such boards for enhanced business performance.

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Corporate Governance is the set of processes, customs, policies, laws and institutions that affect the way a company is directed and administered. It comprises the long term management and oversight of the company in accordance with the principles of responsibility and transparency [Organisation for Economic Cooperation and Development (OECD), 2010]. The link between corporate governance and performance has been a subject of numerous researches that however have yielded conflicting results. It is therefore the aim of this research to contribute to available literature on the subject.

The formation of a limited liability company results in the separation of ownership from control of such firms (Fama and Jensen, 1983). Managers of such firms are paid to safeguard shareholders' interests, the shareholders being the legal owners of the firm. Managers however have a well documented inclination to act in their own best interests at the expense of shareholders interests. Such actions include wasteful empire building and excessive on the job consumption. These actions have necessitated the institution of monitoring mechanisms of which the board of directors is an important tool.

Weak corporate governance has been identified as one of the main reasons for the corporate collapses of Enron and WorldCom and other corporate scandals worldwide (Bhimani, 2008). These corporate failures and scandals prompted interest in the link between corporate governance and firm performance. Little is currently known on whether better governed firms are better performers. Researches that have been conducted before have yielded conflicting results.

If corporate governance is directly related to firm performance, then firms that are better governed must perform more than the less governed banks. The aim of this study was to test whether there is a relationship between corporate governance

practices and business performance of Zimbabwe Stock Exchange (ZSE) listed banks. From a banking sector perspective, and indeed from any sector's point of view, corporate governance involves the manner in which the affairs and business of the organizations are governed by their boards and senior management (Huq and Bhuiyan, 2012). The study attempted to answer the question of whether better governed banks are the best performers. The study focused on banks listed on the Zimbabwe Stock Exchange and was restricted to the period 2013.

1.2 BACKGROUND

Due to the well publicized corporate collapses, such as Enron and World Com, and some highly questionable strategic decision making, the board of directors has received a lot of attention. Table 1.1 below shows some of the firms that have collapsed due to purported corporate governance failures.

Table 1.1: Corporate Scandals in history

Company	Year	Country	Detail
Daewoo	1998	South Korea	Accounting fraud embezzlement by former Chief Executive Officer (CEO)
Flowtex	1999	Germany	Insolvency after exaggerating sales figures
Enron	2001	USA	Bankruptcy of the seventh largest United States of America (USA) company due to accounting fraud
Marconi	2001	UK	Bankruptcy due to overpriced acquisitions and to neglecting of controls
Swiss Air	2001	Switzerland	Insolvency due to wrong strategy, inefficiencies of the board
HIH	2001	Australia	Stock market manipulation
One Tel	2001	Australia	Overstretching of budget for overambitious

			Acquisitions
Allied Irish Bank (AIB)	2002	Ireland	Loss of $961m in unauthorized trading
WorldCom	2002	USA	Company collapses with $41bn debt due to fraudulent accounting
Tyco	2002	USA	Overstretching of budget for overambitious acquisitions leading to bankruptcy
Vivendi	2002	France	Overstretching of budget for overambitious acquisitions leading to losses of $23.3bn
Royal Ahold	2003	Netherlands	$500m accounting fraud
Parmalat	2003	Italy	Undisclosed debts of €14.3 bn
Volkswagen	2005	Germany	Abuse of corporate funds to provide inappropriate benefits

Source: Corporate governance scandals (Steger and Amann, 2008: 6)

Several countries, global institutions and institutional investor organisations have come up with "Codes of best practices" all in an attempt to improve corporate governance standards. Such codes are developed on the understanding that good corporate governance means higher returns for shareholders. Research findings however have generally yielded conflicting results.

Over the past few years the Zimbabwean economy has witnessed an increase in unethical behavior and lack of executive accountability in some banking institutions. This has led to the collapse of a number of banks such as Renaissance Merchant Bank and Interfin Merchant Bank resulting in a huge social and economic cost as a number of people lost their jobs. In light of the above a National Code on Corporate Governance (NCCG) project was launched in 2009. This was a joint venture between the Institute of Directors Zimbabwe (IODZ), the Standards Association of Zimbabwe (SAZ) and the Zimbabwe Leadership Forum (ZIMLEF) and the objective

was to come up with a national code on corporate governance in Zimbabwe. These efforts were as a result of the realization that good corporate governance practices could have a positive impact on performance of Zimbabwean firms in general and banking institutions in particular. The national code is now complete and currently being refined.

1.3 PROBLEM STATEMENT

In the absence of a National code, Zimbabwe's corporate governance practices have largely been derived from the practices of former colonial master, Britain. These practices are predominantly voluntary. This means that managers of ZSE listed banks have had greater discretion in deciding on the type and extent of corporate governance practices to implement for their institutions.

Research on the importance of good corporate governance has generally failed to find convincing connections between corporate governance practices and business performance (Heracleous, 1999). Moreover most of the research has been done in developed countries which have their own peculiarities different from developing nations like Zimbabwe (Lawrence and Marcus, 2006). An investigation of corporate governance and bank performance in Zimbabwe was therefore necessary due to the vast differences in the country's social, cultural and economic factors as compared to other countries. There is thus a knowledge gap in available literature on corporate governance which the researcher sought to fill by investigating the relationship from a Zimbabwean perspective.

The issue addressed in this study was the determination of the extent to which corporate governance board practices have an impact on overall bank performance. The study also evaluated the effectiveness of corporate governance practices of ZSE listed banks by examining the nature and level of compliance with best practice and its implications for bank performance.

1.4 RESEARCH OBJECTIVES

The main objective of this study was to investigate the relationship between the quality of ZSE listed banks' corporate governance board characteristics and practices; and the banks' performance.

Other objectives of this research were:

- To determine the nature and level of compliance with corporate governance best board characteristics and practices by ZSE listed banks.
- To examine the direction and strength of relationship between the ZSE banks' corporate governance board characteristics and practices; and business performance
- To ascertain whether there were any differences in respondents' perceptions on the relationship between corporate governance board characteristics and practices; and business performance of ZSE listed banks
- To ascertain whether the ZSE banks' corporate governance board characteristics and practices could be used as a good predictor of business performance.

1.5 RESEARCH QUESTIONS

The primary research question was "Does better corporate governance board practices lead to improved bank performance?"

Other research questions were:

- What is the nature and level of compliance with corporate governance best board characteristics and practices by ZSE listed banks?
- What is the direction and strength of the relationship between banks' corporate governance board characteristics and practices; and business performance?

- Are there any differences in respondents' perceptions on the relationship between corporate governance board characteristics and practices; and business performance of ZSE listed banks?
- Can ZSE listed banks' corporate governance board characteristics and practices be used as a good predictor of business performance?

1.6 RESEARCH HYPOTHESES

The hypotheses of this research were:

H1: ZSE listed banks' nature and level of compliance with corporate governance best board characteristics and practices is poor.

H2: There is no significant relationship between corporate governance board characteristics and practices and business performance of ZSE listed banks

H3: There are no significant differences in respondents' perceptions on the relationship between corporate governance board practices and business performance of ZSE listed banks.

H4: Corporate governance board characteristics and practices cannot be used as a good predictor of business performance of ZSE listed banks

As highlighted previously by Huq and Bhuiyan (2012) corporate governance is concerned with the manner in which the affairs and business of corporations are governed by their boards of directors. Accordingly this study focused on the impact of various board of directors' characteristics and practices on business performance. Board characteristics were grouped into four categories, namely board composition and diversity; board size, meetings frequency and board members' attendance at board meetings; board committees; and CEO duality and succession planning. The second hypothesis was accordingly broken down into the following sub-hypotheses according to the four categories of board characteristics and practices.

H2a: Board size is not significantly related to business performance.

H2b: Board meetings frequency and attendance at board meetings are not significantly related to business performance.

H2c: Board gender diversity is not significantly related to business performance.

H2d: Board racial composition is not significantly related to business performance

H2e: Board members' age is not significantly related to business performance.

H2f: Board members' professional backgrounds are not significantly related to business performance.

H2g: Proportion of independent directors in the board is not significantly related to business performance.

H2h: Board committees are not directly related to business performance.

H2i: CEO status and succession planning is not significantly related to business performance.

1.7 RATIONALE OF RESEARCH

Research on the impact of corporate governance board characteristics and practices on business performance has failed to find convincing connections between the two (Heracleous, 2001). Moreover most of the research has been done in developed countries which have their own peculiarities different from developing nations like Zimbabwe (Lawrence and Marcus, 2006). An investigation of corporate governance and bank performance in Zimbabwe was therefore necessary due to the vast differences in the country's social, cultural and economic factors as compared to other countries. There is thus a knowledge gap in available literature on corporate governance which the researcher sought to fill by investigating the relationship from a Zimbabwean perspective.

By attempting to find whether board characteristics and practices could be used as a good predictor of business performance, it was hoped that banks and policy makers can benefit. If for example there is a relationship banks should reap the benefits of improved performance by improving on their corporate governance practices. The country's economic development, a reflection of the performance of its firms will be enhanced through policy makers' support for high quality corporate governance. Indeed regulators are concerned with the effect that corporate governance board characteristics and practices have on the performance of banks because the overall health of any economy depends upon performance of the country's banking sector (Adams and Mehram, 2003).

1.8 SCOPE OF RESEARCH

The research focused on the period 2013. This is a period of relative economic stability in the Zimbabwean economy compared to prior periods of hyperinflation. A cross-sectional data methodology was used (Cheng, 2007). The study was restricted to banks listed on the ZSE during this period. Company secretaries, legal representatives and other knowledgeable personnel were the preferred respondents as they were assumed to have more information on the corporate governance board characteristics and practices of their banks. Board members and other stakeholders were also considered.

1.9 LIMITATIONS OF STUDY

Since the questionnaire was used as the primary data collection instrument, its limitations also served to limit the study. For example there was possibility of a low response rate by respondents as they would have little motivation to cooperate. To counter this potential problem the researcher increased the number of potential respondents. Also the study was limited to ZSE listed banks. Due to practical reasons, like for example difficulties in obtaining board information of non listed banks, the researcher made no attempt to include non-listed banks. Thus the relationship between corporate governance board characteristic and practices and bank performance for such banks could not be easily discerned from this study.

1.10 CONCLUSION

By undertaking a study of the relationship between corporate governance board characteristics and practices and bank performance from a Zimbabwean perspective, this study attempted to provide answers to the long standing question of whether indeed good corporate governance board characteristics and practices are related to business performance. Chapter two was a review of relevant literature that is available on the subject while chapter three explained the research methodology for the study. Chapter four presented and discussed the findings. Finally chapter five was a conclusion of the study together with recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The previous chapter provided an introduction to the study. The research problem was highlighted and research objectives, questions and hypotheses explained. The justification for the study was also discussed together with the scope and limitations inherent in the study. This chapter presents a review and discussion of related literature relevant for the study.

The separation of management and ownership of firms has given rise to the importance of corporate governance. This is because more often interests of shareholders and managers conflict. The absence of a single definition of corporate governance in available literature implies the subject can be viewed from various angles. Oman (2001) for example explains that the term corporate governance can refer to both private and public institutions and includes the laws, regulations and practices that dictate the interaction between managers and shareholders. La Porta, Lopez-De-Silanes and Shliefer (2002) describe corporate governance as a set of ways through which shareholders safeguard their investment from misuse by managers. Another angle is provided by the OECD Principles of Corporate Governance (2004) which simply define corporate governance as a system through which corporations are directed and controlled. The term corporate governance can therefore be as broad or narrow as the preferred definition. Different countries from across the globe have adopted different corporate governance frameworks. Mulili and Wong (2010) noted that countries following civil law, for example mainland Europe countries, had frameworks whose focus is on stakeholders. Other countries with a common law tradition, mainly the Anglo-Saxon countries, had frameworks tailored towards shareholders' interests. The purpose of this chapter is to present a conceptual framework of the research's corporate governance – performance model and undertake a critical review of related literature.

2.2 THEORIES OF CORPORATE GOVERNANCE

The study was informed by a combination of the Agency, Stakeholder, Resource Dependency and Stewardship theories. These theories were formulated to help understand the concept of corporate governance. A theory by definition is a system of interrelated ideas designed to compact and organize knowledge (Nueman, 2006).

Agency theory is premised on the interests of shareholders while the Stakeholders theory is based on profits of all the stakeholders. Stewardship theory on the other hand is based on any individual who is affected by the achievement of a firm's objectives. Finally the Resource Dependency theory focuses on the role of the board of directors in the provision of access to critical resources needed for the proper functioning of the firm. The subsequent section discusses these theories.

2.2.1 AGENCY THEORY

Classical economics was built on the assumption that firms were owned, managed and controlled by the shareholders. However with industrialization and the development of markets the ownership and control of corporations began to separate. Clarke (2004) define an agency relationship as a contract under which one or more persons (principal) engage another person (agent) to perform some service on their behalf. This involves delegating some decision making authority to the agent. If both parties to the agency relationship are utility maximisers, there will be reason to believe that the agent will not always act in the best interests of the principal. Figure 2.1 below is a diagrammatic representation of the agency theory.

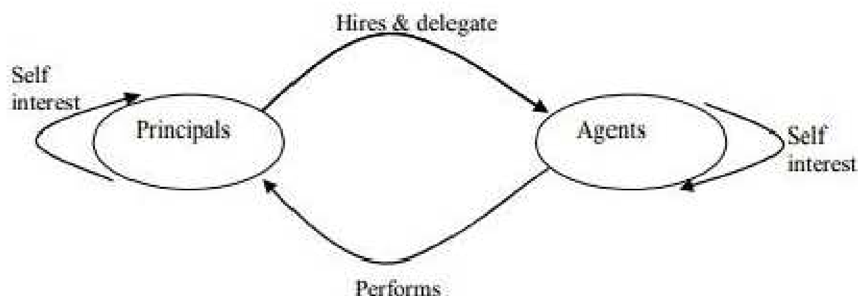


Figure 2.1: Agency Theory Representation (Abdullah and Valentine, 2009)

Under the agency theory shareholders (principals) hire managers (agents) to run the company (Clarke, 2004). In this situation the managers might be self-interested and only think about maximizing their utility while managing the company. The expectations of the principals and agents therefore will differ resulting in the agency problem. Smith (2005: 606) says that 'The directors of such firms; however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own'. In his study Bhimani (2008) says agents do not generally act in their principals' best interests. The agency theory therefore aims to prevent and provide the necessary monitoring to reduce agency problems between the agent and the principal. The board of directors is one such mechanism designed to provide a monitoring role for shareholders.

2.2.2 STAKEHOLDER THEORY

The Stakeholders approach states that a company holds corporate accountability to a variety of stakeholders (Sundaram and Inkpen, 2004). They further define a stakeholder as any individual or group who can affect or is affected by the achievements of a firm's objectives. The implication of this theory is that firms which affect society pervasively must be accountable to all sections of society, and not only to their shareholders. All stakeholders accordingly have a right to management's attention. Friedman and Miles (2006) identified the main groups of stakeholders as customers, employees, local communities, suppliers and distributors, and shareholders. Proponents of the stakeholder theory believe that all parties with legitimate interests in the company shall get benefits and there is no priority in terms of these interests and benefits (Donaldson, 2003). Figure 2.2 overleaf is a diagrammatic representation of the stakeholder model.

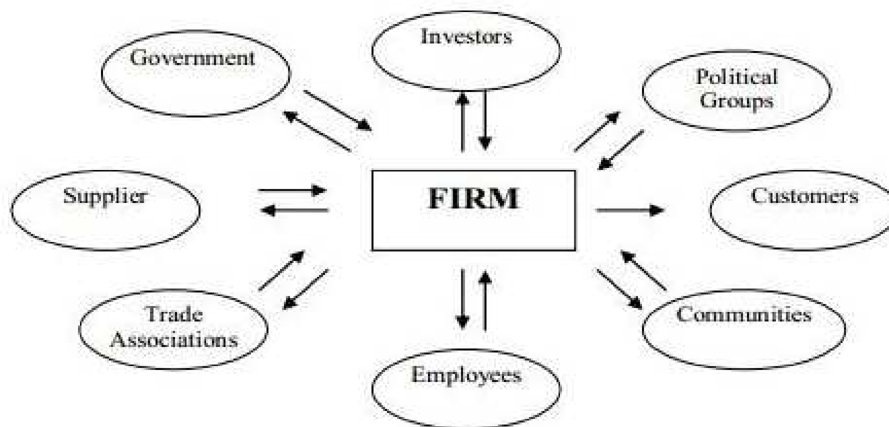


Figure 2.2: The Stakeholder model Representation (Donaldson, 2003)

Clarkson (2002) points out that all the partakers of risk and profits for the firm are the company's stakeholders who must obtain a share of the riches created by join efforts. The difference between that agency and stakeholder theories is that while the stakeholder theory's focus is on the interests of all parties in the corporation, the agency theory's focus is only on the interests of shareholders.

2.2.3 STEWARDSHIP THEORY

A steward protects and maximizes shareholders wealth through firm performance, because in doing so, the steward's utility functions are also maximized (Clarke, 2004). In this theory, stewards are the company executives and managers who work for shareholders. As opposed to agents under the agency theory, stewards protect the firm and make profits for the shareholders. The theory is not premised on the notion of individualism, as in the agency theory. Stewards are satisfied and motivated when the firm achieves its target. Donaldson (2003: 325) says that:

'The executive manager, under this theory, far from being an opportunistic shirker, essentially wants to do a good job, to be a good steward of the corporate assets. Thus, stewardship theory holds that there is no inherent, general problem of executive motivation. Given the absence of an inner motivational problem among executives, there is the question of how far executives can achieve the good corporate performance to which they aspire. Thus, stewardship theory holds that

performance variations arise from whether the structural situation in which the executive is located facilitates effective action by the executive. The issue becomes whether or not the organisation structure helps the executive to formulate and implement plans for high corporate performance'

The stakeholder model is represented in figure 2.3 below.

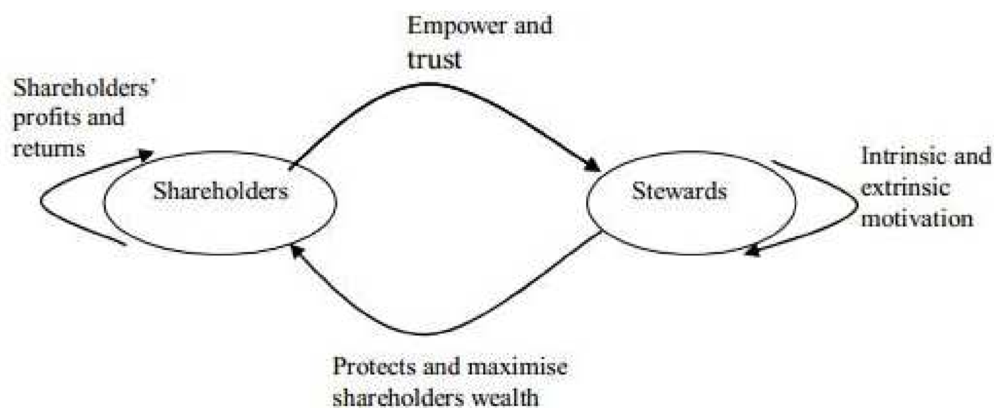


Figure 2. 3: The Stewardship model Representation (Donaldson, 2003)

According to the stewardship theory, managers are motivated to act for the success of the firm. It is assumed that managers act as stewards for the benefits of shareholders (Tricker and Tricker, 2009). If managers are good stewards acting for the benefit of shareholders, then monitoring costs would be significantly reduced (Daily*,* Dalton and Cannella, 2003). This theory supports the combining of the CEO and Chairman's role in order to reduce agency costs and also to enable the two offices to play a significant role as stewards in the organization.

2.2.4 RESOURCE DEPENDENCY THEORY

Through their interactions with the outside environment, independent directors of a firm play a critical role in accessing important resources needed for proper functioning of the organization (Hillman, Canella and Paetzold, 2005). The appointment of a firm's non-executive directors is therefore a way of gaining provision for resources needed for business success. An independent board

member who is a marketing expert for example will provide marketing advice during board meetings or at any other fora. Such advice would ordinarily be expensive to obtain from other sources. Such resources are important for the proper functioning of an organization (Daly *et al.* 2003). Examples of key resources that directors bring to a firm are information, access to suppliers and markets, legitimacy and skills (Hillman, Cannella and Paetzold, 2005).

2.3 OVERVIEW OF CORPORATE GOVERNANCE IN ZIMBABWE

According to Aguilera and Jackson (2003), Corporate Governance offers a description of the structure of rights and responsibilities among the stakeholders of a firm. The OECD Principles of Corporate Governance (2004) suggest that a corporate governance framework should promote transparent and efficient markets. In addition the framework must be consistent with the rule of law while clearly stating the division of responsibilities among different supervisory, regulatory and enforcement authorities.

Corporate Governance is crucial in any economy's efforts to provide sustainable management principles. Although corporate governance is a relatively new management concept, it has become increasingly important for Zimbabwe's private and public sectors alike. This is because lack of sound corporate governance principles can negatively affect the economic development of the country. The subject of corporate governance has become increasingly important in view of the global financial crisis which has placed the need for countries to put in place good corporate governance practices that enhance economic development.

Armstrong (2003) identified the following factors as being responsible for the drive towards sound corporate governance.

- Good corporate governance contributes to economic development of a country.
- It enhances corporate responsibility and improves reputation of firms.
- It is a deterrent to corruption and other unethical practices in business.

- It can attract foreign investors.
- It can lead to market transparency and discipline.

Tarentino (2009) defines corporate governance as referring to the processes, systems and controls by which organizations function. The relationship between those who govern and those who are governed is also addressed in corporate governance. Mensah (2003) posits that corporate governance is induced by both internal and external factors. Internal factors relate to such issues as relationships among key organizational stakeholders, sound policies and procedures and effective corporate governance systems. External factors encompass the rules, laws and institutions aimed at ensuring both a level playing field and disciplined behavior from insiders.

Various countries have in place numerous initiatives designed to ensure good governances of organizations. One of these is the National Codes on Corporate Governance and Zimbabwe is no exception with its own “Principles of Corporate Governance”. Such codes are supported by sound ethical considerations.

The primary elements of a sound code corporate governance code are illustrated in Figure 2.5 overleaf.

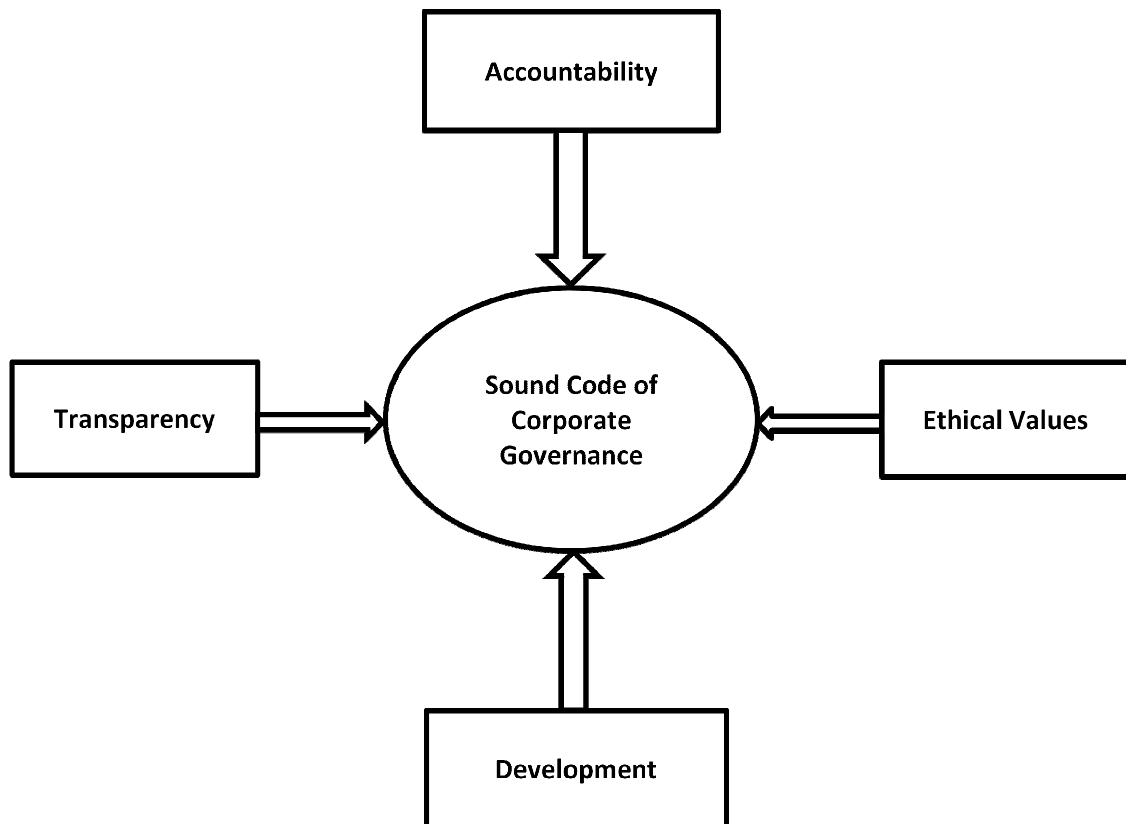


Figure 2.5: Elements of a Sound Code of Corporate Governance (Roussow, 2005)

These elements are applicable to both private and public sector organizations. A lack of ***transparency*** can prevent private companies from participating in local stock exchanges. This deters economic growth since stock exchanges are crucial for economic ***development*** of any country. In addition, a lack of sound regulations may lead to incidents of ***unethical behavior***. Finally some boards of directors may lack ***accountability*** required for good corporate governance. According to Roussow (2005) national codes on corporate governance place emphasis on the ethical nature of good governance. Emphasis is also placed on fundamental values of good corporate governance which are transparency, responsibility, accountability and probity.

2.3.1 CORPORATE GOVERNANCE IN ZIMBABWE'S BANKING SECTOR

In the early years of post independence Zimbabwe monetary authorities generally made little interference in the country's banking sector. Despite reported cases of corruption in other sectors of the economy the banking sector was apparently immune. The Banking Act (Chapter 24:01) was the only operational law governing bank operations. With the advent of The Economic Structural Adjustment Program (ESAP) and the accompanying financial market liberalization of the early 1990s local banks were granted banking licenses as existing entry barriers in the sector were removed. In 2004 monetary authorities uncovered unethical underhand dealings by domestic banks which threatened to destabilize the whole banking sector. This prompted the Reserve Bank of Zimbabwe (RBZ) to act. Two guidelines on corporate governance, Corporate Governance guidelines and Minimum Internal Audit Standards in Banking Institutions were issued. These represented minimum standards that banks were expected to abide by and included the selection and proportion of executive and non-executive directors subject to approval by monetary authorities. In addition a new department – the Corporate Governance and Compliance Unit - tasked with ensuring sound corporate governance practices among banks was set up by the RBZ.

In light of the increased emphasis on good corporate governance practices, and also the realization that Zimbabwe needs its own code taking into account the country's peculiarities, the Institute of Directors in Zimbabwe has also promoted sound governance by promoting compliance with the United Kingdom (UK)'s Cadbury Report of 1992 and the Kings Reports of South Africa. In 2009, the Institute of Directors in Zimbabwe in partnership with the Zimbabwe Leadership Forum and the Standards Association of Zimbabwe undertook to promote development of a National Code on Corporate Governance that is almost complete.

2.4 CORPORATE GOVERNANCE PRACTICES

The Cadbury Report (1992) defined corporate governance as the system by which firms are directed and controlled. It is concerned with the duties and responsibilities of a company's board of directors to successfully lead the company and their relationship with its shareholders and other stakeholder groups (Pass 2004). It is also defined as a process through which shareholders induce management to act in their interests, providing a degree of investor confidence that is necessary for the capital markets to function effectively (Rezaee 2009).

The Cadbury Report (1992) further considered board structure as an important corporate governance mechanism, which would result in improved performance. The committee addressed board structures, separation of the roles of CEO and Chairman, non-executive directors' representation and board committees. These aspects will form the basis of this study.

2.4.1 BOARD SIZE, MEETINGS FREQUENCY AND BOARD MEMBERS' ATTENDANCE AT BOARD MEETINGS

2.4.1.1 BOARD SIZE

An optimal board size is crucial to business performance. The benefits of having a large board of directors include increased monitoring of a firm's activities. However this is often outweighed by the challenges of poor communication and decision making of a larger group of directors (Brickley, Coles and Jarrell, 2007). A strong possibility exists that a large board will not be as effective as a smaller board (Hermalin and Weisbach, 2003). A larger board may lead to agency problems attributable to some directors who may take advantage of the large number and become free riders offering very little benefit. Lipton and Lorsch (2005) argue that large boards are less effective and are easier for the CEO to control. They recommend limiting the number of directors in boards to ten, with a preferred size of eight or nine. The authors further argue that when a board gets too big, it becomes difficult to coordinate and for it to process and tackle strategic problems of the organization. Indeed when boards become too big agency problems are likely to

increase. The boards become more symbolic and less part of the management process (Lipton and Lorsch, 2005). On the other hand Hermalin and Weisbach (2003) argue that smaller boards present the CEO with a better opportunity to expropriate a firm's wealth since smaller boards will mean less independent directors. The disadvantage of having small boards lie in the limits to board diversity, that is in terms of skills and experience that can be brought to the table (Dalton and Dalton, 2005)

In evaluation there is no doubt that a board's capacity to monitor management's activities increases with board size. However this benefit is discounted by the subsequent slower decision making and biases against risk-taking that are associated with bigger boards and thus an optimal board size is crucial for performance.

2.4.1.2 BOARD MEETINGS' FREQUENCY AND BOARD MEMBERS' ATTENDANCE AT BOARD MEETINGS

A firm's board of directors is responsible for carrying out critical roles such as advising, supervising and disciplining management to ensure that management's actions are in tandem with the interests of shareholders (Ntim, 2009). According to Adams and Ferriera (2012) the importance of board meetings lies in the fact that they are a platform where directors obtain information and partake in decision making the quality of which has an impact on the performance of an organization.

In order to more effectively serve the interests of shareholders board members are expected to attend all board and various board committee meetings (Brown and Caylor, 2006). Board members' attendance at board meetings is the primary means through which directors obtain company information and provide direction to management (Cai, Garner and Walkling, 2009). Brown and Caylor (2006) emphasise the attendance at board meetings as an important corporate governance measure positively related to corporate performance.

2.4.2 BOARD COMPOSITION AND DIVERSITY

Board diversity can be defined as the differences in characteristics that exist in the board's composition (Campbell and Mingiez-Vera, 2007). A number of attributes can be used as proxies for board diversity and the most common are gender (Carter, Simkins and Simpson, 2003), race (Oxelheim and Randoy, 2003), age (Richard, Barnett, Dwyer and Chadwick, 2004) and professional background (Kilduff, Angelmar and Mehra, 2000).

2.4.2.1 BOARD GENDER DIVERSITY

According to Dutta and Bose (2007), board gender diversity can be described as the presence of female members in a firm's board of directors. The Higgs Report (UK) of 2003 brought to the fore issues related to gender diversity in boards of directors. Despite release of this report however, corporate boards are still largely dominated by males (Grosvold, Brammer and Rayton, 2007). Studies on gender representation in boards across the African continent have shown that males outnumber females in company boards. Campbell and Minguez-Vera (2008), for example highlighted that in South Africa, only 11.5% of the board positions were held by females in 2005.

2.4.2.2 BOARD RACIAL COMPOSITION

Racial diversity in company boards may increase the chances of cross-cultural communication problems within boards (Lehman and Dufrene, 2008). It may also lead to interpersonal conflicts (Cox, J.R, 1991). On the other hand, however, board racial diversity may be expected to bring a competitive advantage to the firm as well as more international networks (Oxelheim and Randoy, 2003).

2.4.2.3 BOARD MEMBERS' AGE

Board members' age is one board diversity characteristic that has raised interest over the last few years (Waelchli and Zeller, 2012). Houle (1990) argues that diversity in terms of age can be grouped into three categories, the younger, middle and older groups, each of which has its own characteristics and functions. The younger group is motivated by the desire to achieve success while the middle group

has its focus rooted on responsibilities to the firms and society at large. The older group on the other hand contributes by providing the experience, wisdom, important resources and a broad network. In line with the Dependence theory discussed earlier each group has a unique aspect that it brings to the board. According to Huse and Rindova (2001) diversity in the age of board members' helps in creating different perspectives and views in the board which ultimately has a positive impact on its effectiveness. Herrmann and Datta (2005) explain that age is a proxy for the number of years experience and also the directors' perceptions towards risk taking. They suggest that youthful directors have more appetite for approving and pursuing risky strategies while older directors are mainly risk averse.

2.4.2.4 BOARD MEMBERS' PROFESSIONAL BACKGROUNDS

Carpenter and Westphal (2001) say that the board acts collectively as a group that combines a mixture of skills and competencies. These skills act as a human capital bank and results in more value being added in the board's governance function. The professional backgrounds of directors and their balance in the board are critical for effective decision making. The board's monitoring role can be greatly enhanced if directors are qualified and come from different professional backgrounds (Ingley and van der Walt, 2001). Indeed, in accordance with the Resource Dependence Theory, the various skills and professional backgrounds of directors are a strategic resource which if tapped well can have a positive impact on corporate performance.

2.4.2.5 PROPORTION OF NON-EXECUTIVE DIRECTORS

Boards of Directors consist of both executive and non-executive directors. Shah, Butt and Saeed (2011) say executive directors can be thought of as dependent directors while non-executive directors can be referred to as independent directors. Independent directors have no ties to the firm in any way other than in their position as board members. Leblanc (2004) refers to independent directors as not being executives of a company, nor shareholders, nor blood relatives of top management. Their main contribution lies in unbiased monitoring of top management (Fernandes and Fransisco, 2008). According to Young (2003), enhanced director independence is appealing because having ties to a firm results in a director having difficulty

turning down an excessive pay packet, challenging the rationale behind different proposed actions or bringing to the fore any reservations necessary for effective monitoring.

The defenders of the Agency Theory argue that outside (non-executive) directors are able to provide superior performance due to their independence from firm management (Mather and Ramsay, 2003). Fernandes and Fransisco (2008) have provided compelling evidence on the importance of non-executive directors in safeguarding shareholders wealth in the face of various agency problems. Alternatively the stewardship theory argues that managers are good stewards of the firm and work to attain high levels of corporate profits and shareholder returns (Donaldson and Davis, 2001). Therefore the distinction between executive and non-executive directors will be of no consequence. The Resource Dependency theory on the other hand argues for the importance of independent directors by saying that executive directors, being inside the firm have no access to outside information and resources that can benefit the company.

2.4.3 BOARD COMMITTEES

Companies constitute a number of sub committees that work as assistants to the main board of directors. In order to ensure the independence of these sub committees, they should consist solely of non executive directors (Bizjark and Anderson, 2000). For the purpose of this study, three sub committees are discussed. These are the Audit, Remuneration and Nomination committees.

2.4.3.1 AUDIT COMMITTEES

Mallin (2007) posits that the audit committee is the most important sub-committee of a firm's board of directors because of its crucial role in protecting shareholders' interests in terms of financial control and oversight. Klein (2002:378) points to the primary role of an Audit Committee being "to oversee the financial reporting process, to review financial reports, internal accounting controls, the audit process, and more recently a firm's risk management practices". This helps alleviate the agency

problem by facilitating the timely release of unbiased accounting information by managers to shareholders, creditors, and other stakeholders, thus reducing the information asymmetry between insiders and outsiders. If effective monitoring leads to higher day-to-day firm performance, then performance will be positively related to the percentage of outside directors sitting on audit committees. Various regulators have placed their own conditions on the composition and attributes of audit committees. The New York Stock Exchange (2011) requires each listing domestic corporation to have an audit committee comprised solely of directors independent of management and free from any relationship that would interfere with the exercise of independent judgment as a committee member. The Sarbanes-Oxley Act (2002) requires that the audit committee be composed solely of independent directors. The committee must also contain at least one member who is knowledgeable about finance.

2.4.3.2 AUDIT COMMITTEE CHARACTERISTICS

Since all banks listed on the ZSE have audit committees, it can be inferred that differences in performances of these banks can be related to the differences in the audit committee characteristics of each bank. Literature identifies three key attributes namely size and meeting frequency, independence and expertise, that is experience and education (Klein, 2002).

2.4.3.3 SIZE AND MEETING FREQUENCY

These are interrelated and the size of an audit committee can be expected to result in an increase in meeting frequency (Raghunandan and Rama, 2007). Various regulators however have their own recommended meetings frequency for the audit committee despite its size. The Sarbanes-Oxley Act (2002) for example prescribes that the audit committee meets at least quarterly.

2.4.3.4 INDEPENDENCE

Abbott, Parker and Peters (2002) allude to the fact that an independent audit committee results in effective monitoring of the financial reporting process. This independence however have its own risks as independent directors may lack the necessary industry expertise and also be preoccupied with their own personal affairs resulting in less time being devoted to a firm's business (Sharma, Naiker and Lee, 2009).

2.4.3.5 EXPERTISE

Regulations such as The Sarbanes-Oxley Act (2002) recognize the need for the audit committee to have at least one member who is a financial expert. The financial expertise should comprise of both experience and education (Abbot *et al.* 2002). Krishnan and Visvanathan (2008) suggest that audit committees with strong financial expertise enhance the committee's monitoring role. This view is supported by Raghunandan and Rama (2007) who confirm that an experienced audit committee contributes to more effective monitoring. Both experience and education are critical to financial expertise (Giacomino, Akers and Wall (2009). All audit committee members must therefore have the ability to not only read, but also understand financial reports.

2.4.3.6 REMUNERATION COMMITTEES

A Remuneration committee – ideally independent – is responsible for providing a remuneration package for directors that is performance sensitive; and also increasing transparency of a firm's corporate remuneration policy (Bizjark and Anderson, 2000). The Remuneration committee plays a crucial role in of linking executive compensation to business performance and also aligning shareholders and management's interests (Sun and Cahan, 2009). According to Evans and Evans (2001) the most important determinant of remuneration committee effectiveness is the independence of its members.

2.4.3.7 NOMINATION COMMITTEES

According to Ruigrok, Peck, Tacheva, Greve and Hu (2006) an independent nomination committee enhances the independence of corporate nominations to the company's board. Greater independence in the nomination of board members helps in ensuring management's activities are aligned with shareholders' interests thereby increasing firm performance (Sun and Cahan, 2009).

2.4.4 CEO STATUS AND SUCCESSION PLANNING

The CEO's is a full time post as opposed to the part-time Chairmanship post of a board of directors. While the CEO is tasked with overseeing the day to day operations of an entity and also corporate strategy setting and implementation, the chairman is there to ensure effective operation of the board. He has ultimate responsibility for monitoring and evaluation of executive directors' performance. In practice, the two positions can either be occupied by one person or by different persons (Abdullah, 2004). Succession planning involves the regular review of both the CEO and Chairman's performance and putting in place mechanisms to fill the positions should the need arise (Higgs, 2003).

CEO status in the context of corporate governance and performance refers to the separation of the top two positions of the board, namely the positions of chairman and CEO. Agency theorists advocate for CEO duality (Chen, Cheung, Stouraitis and Wong, 2005), implying that the two positions should be occupied by different persons (Higgs, 2003). Abdullah (2004) points out that the reason for the separation of the two positions is that if both the monitoring and the implementation roles are vested in a single person (combined leadership) the monitoring role will be adversely impaired. In addition such firms with combined leadership may have an individual with too much power and can make decisions that do not maximize shareholders' wealth (Ching-Ju and Ming-Je, 2007). Stewardship theorists on the other hand have a different view, that CEO duality has a positive impact on performance. When a single person is in charge of both the chairman and CEO roles, favorable decisions can be made faster provided the person charged with the decision making is well

aware of the decisions necessary to improve the performance of the firm (Abdullah, 2004). CEO duality can thus promote strong leadership with a sense of strategic direction. According to Mura (2007), CEO duality results in timely and optimal decisions due to the fact the CEO has requisite knowledge of the business and has expert knowledge of how to effectively run the company.

2.5 BUSINESS PERFOMANCE

A wide variety of definitions of business performance have been proposed in literature (Barney 2002). Matolcsy and Wright (2011) explain that various researchers have used various measures as proxies for business performance while Orlitzky, Schmidt and Rynes (2003) maintain that both accounting and market definitions have been used to study relationships between corporate governance and firm performance. Stakeholder views regard firm performance as being the total wealth generated by the firm before distribution to the various stakeholders rather than the accounting profit allocated to the shareholders (Riahi-Belkaoui 2003).

Yasser, Entebang and Mansor, (2011) for example used Return on Equity (ROE) and Profit Margin (PM) – both accounting measures - as measures of performance. Shah *et al.* (2011) on the other hand used the Tobin's Q – a market based measure – as a performance proxy. Bhagat and Black (2002) used numerous proxies and measured performance by the Tobin's Q, Return on Assets (ROA), Turnover ratio, Sales per employee and Operating margin.

The performance of Zimbabwean banks listed on the Zimbabwe Stock Exchange is affected by their corporate governance practices because the banks' success or failure depends on the extent to which they are effectively and efficiently managed. According to Mobius (2002) good corporate governance practices enhance firm performance through better management and prudent allocation of firms' resources. Earnings resulting from the increased performance contribute positively to share prices. Therefore good corporate governance practices can increase the demand for shares as well as increase the price of shares of a company.

For the purpose of this research, eight business performance measures were used. These consist of both financial and non-financial measures. These are Profit Margin, Return on Equity, Return on Assets, Market Share, Customer Satisfaction, Employee Satisfaction, Banks' image and Product/Service quality. These are briefly explained below.

2.5.1 CUSTOMER SATISFACTION

Gustafsson, Johnson and Roos (2005) define customer satisfaction as an overall evaluation of an encounter by the customer. It has retaining impact on the customer which ultimately means more revenue from repeat business resulting in better performance of any business. It is a personal feeling resulting from comparing the received and expected service and the fulfillment of the customer's needs FecÏikovaÂ (2004).

2.5.2 EMPLOYEE SATISFACTION

Bhatti and Qureshi (2007) define employee satisfaction as a measure of how employees are pleased with both their job and work environment. It is the extent to which an employee's needs, wants and desire are fulfilled in an organization. Research shows a positive relationship between employee satisfaction and productivity (Miller, 2006). Improved productivity will ultimately lead to improved business performance.

2.5.3 SERVICE QUALITY

Lasser, Manolis and Winsor (2000) define service quality as the ability to meet the needs of clients. This ability enables organizations to build healthy and long-lasting relationships with their clients. Mohamed and Shirley (2009) explain that service quality is critical because it gives organizations strategic competitive advantage over its rivals, which helps improve their business performance.

2.5.4 IMAGE

According to Bennett and Kottasz (2000) a firm's image refers to a mental picture that comes up at the mention of a firm's name. It can be viewed as a psychological

impression that changes continually depending on such factors as the firm's performance, media coverage and its public perceptions (Larkin, 2003).

2.5.5 MARKET SHARE

An organization's market share is its share of revenue within the total market in which it operates (Armstrong, Kesten and Greene, 2007). In view of this the maintenance or increase in a company's market share is a good sign of its strong competitiveness within its industry. This competitiveness has a favorable effect on business performance.

2.5.6 PROFIT MARGIN

This is a financial measure of performance that measures the profitability of an organisation's revenue after eliminating the effects of capital structure (Love, 2012). It is calculated by dividing after tax Operating Profit by Operating Revenue.

2.5.7 RETURN ON EQUITY

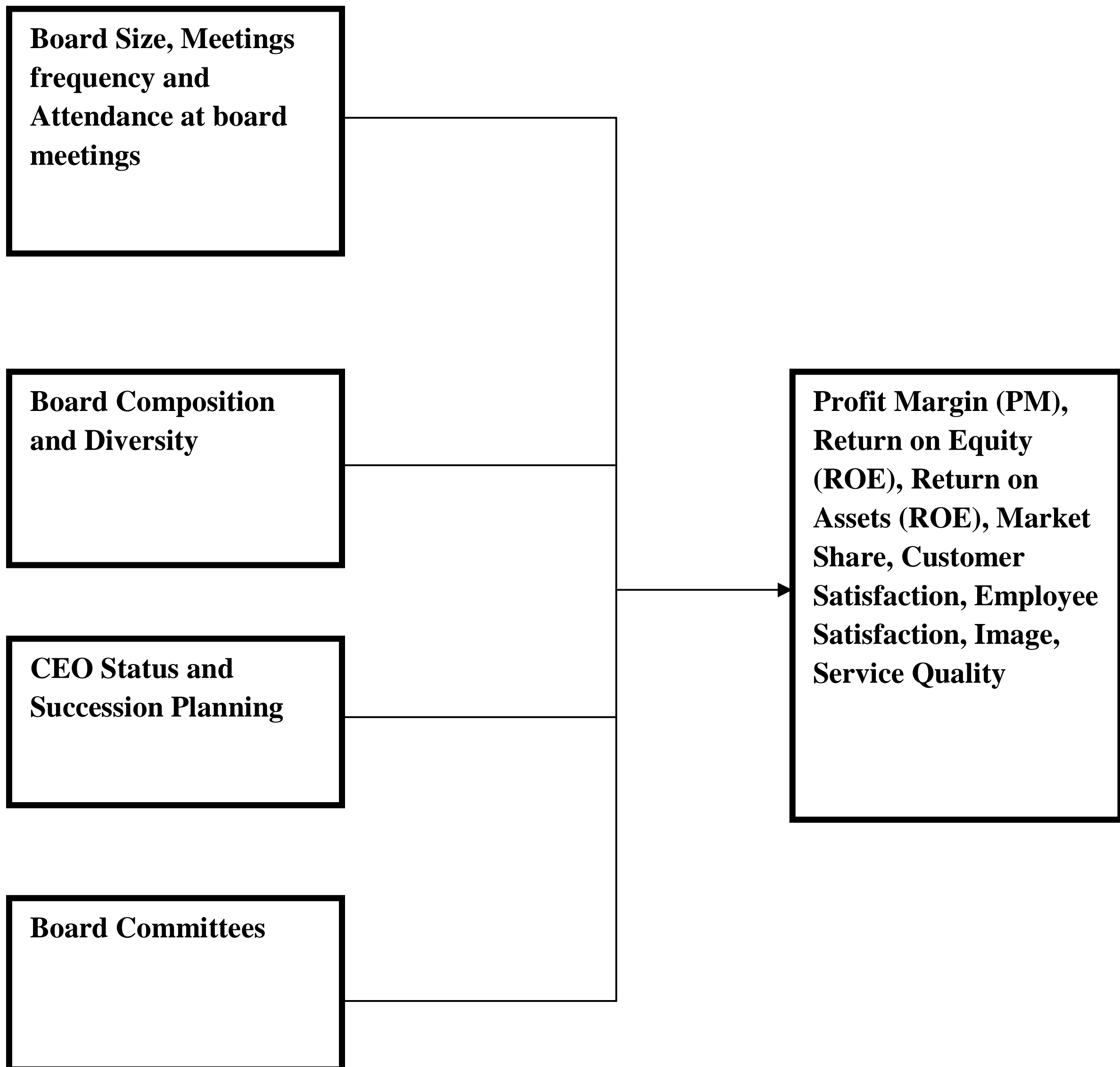
This is an accounting measure of the profit earned in relation to the equity resources invested in a business (Love, 2012). In elementary terms it shows how much profit is earned for every dollar the shareholders have invested in a business. It is calculated by dividing Profit after taxes the Total Equity.

2.5.8 RETURN ON ASSETS

This is an accounting measure of performance that shows how much profit the assets invested in a business are generating (Padget and Shabbir, 2005). It shows how much profit is earned for every dollar of assets invested in the business. It is calculated as Profit after taxes divided by Total Assets.

2.6 CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

The conceptual model for this study can be represented by Figure 2.4 overleaf.



Independent Variables **Dependent Variables**

Figure 2. 4: Conceptual Model (Source: Own compilation)

2.6.1 BOARD SIZE, MEETINGS FREQUENCY AND BOARD MEMBERS' ATTENDANCE AT BOARD MEETINGS AND BUSINESS PERFORMANCE

2.6.1.1 BOARD SIZE AND BUSINESS PERFORMANCE

Empirical evidence on the board size – performance relationship points to opposite directions. Yokishawa and Phan (2005), using data from Japan, found a negative correlation between board size and performance. Mak and Kusnadi (2005) also reported that small size boards are positively related to high firm performance. Mak and Yuanto (2003) using a sample of firms in Malaysia and Singapore, find that firm valuation is highest when a board has 5 directors, a number considered relatively small in those markets. Bennedsen, Kongsted and Nielsen (2004) studied Danish firms and found that for a board size of less than six members, board size had no effect on performance. However, as the board size exceeded six a significant negative relationship existed. Bhagat and Black (2002) also undertook such studies and failed to find convincing connections between board size and performance.

In contrast with the above findings, other studies have found a positive relationship between board size and performance (Mak and Li, 2001). Adams and Mehran (2005) in their study of the USA's banking industry found a positive relationship between board size and performance, as measured by Tobin's Q. Dalton and Dalton (2009) performed a meta analysis that was based on more than 100 studies and found a positive relationship between board size and business performance. Such conflicting results may point to the possibility that the governance – performance relationship may be industry specific. This could mean large boards may result in better performance in certain industries while smaller boards could result in improved performance in other sectors. Based on the theoretical perspective discussed above the following hypothesis is formulated.

H2a: There is no significant relationship between board size and business performance.

2.6.1.2 BOARD MEETINGS FREQUENCY, DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND BUSINESS PERFORMANCE

Whether high board meetings' frequency results in a favorable firm performance remains undetermined because of mixed evidence obtained from various studies (Vefeas, 1999).
Bricks and Chidambaran (2010) in their studies find a positive relationship between board meetings frequency and business performance. This conclusion is based on the fact that the higher the number of board meetings held the greater the board's capacity to monitor management's activities which are then aligned to the overall shareholders' wealth maximization objective. In the same vein Mangena and Tauringana (2008) say that more board meetings help directors to remain informed of developments within the firm, placing them in a better position to anticipate and timely address potential problem areas to the benefit of the firm. Their study of a sample of 157 ZSE listed firms for the period 2001 to 2003 found a positive relationship between board meetings' frequency and corporate performance. Sonnenfeld (2002) says that frequent meetings can have the effect of creating and strengthening bonds among the directors which will have a favorable impact on corporate performance. Lawler, Finegold, Benson and Conger (2002) concluded that due to effective governance more board meetings result in improved board effectiveness leading to improved performance.

On the other hand Adams (2005) found an inverse relationship between board meetings frequency and business performance. The argument is that the performance of a firm will determine the board's activity, board meetings being one proxy for board activity. Hence poor performance will most likely result in more board meetings as directors seek ways to turn the firm's fortunes for the better. While more board meetings present directors with more time to discuss key issues there are also costs associated with more board meetings (Vefeas, 1999). Such costs include managerial time, travel expenses and directors' fees and can have a negative impact on corporate performance.

According to Brown and Caylor (2004) there exists a positive association between directors' attendance at board meetings and business performance. This presumably because the board meetings are the fora through which the board provides direction on the running of the firm ((Cai, Garner and Walkling, 2009). In light of the above discussion the following hypothesis is formulated.

H2b: There is no significant relationship between board meetings frequency and directors' attendance at meetings; and business performance.

2.6.2 BOARD COMPOSITION AND DIVERSITY, AND BUSINESS PERFORMANCE

2.6.2.1 BOARD GENDER DIVERSITY AND BUSINESS PERFORMANCE

Studies on the impact of board gender diversity on business performance have yielded mixed results (Randoy, Thomsen and Oxelheim, 2006). There are various theories that have been put forward to explain why board gender diversity may influence business performance. Robinson and Dechant (2007) say that firms with more gender diversity generally outperform those less diversified in terms of gender. The reasoning behind this is that diversity results in a better market understanding as the diversity of directors is matched with that of customers and employees resulting in more market penetration. Also since creativity and innovation are not randomly distributed in the population, board diversity can be expected to increase these aspects resulting in improved performance (Ibid, 2007). Further another advantage of having more board gender diversity lies in the fact that women may have a better understanding of market conditions than men. This in-turn brings more creativity in decision making (Smith, Smith and Verner, 2005). In addition good board gender diversity may benefit the firm through a better public image which may result in better performance.

According to Carter *et al.* (2003) the agency theory can be used to explain the relationship between board gender diversity and business performance. Board gender diversity should enhance the board's monitoring ability. In addition, they argue that since women tend to ask more questions than men, board gender

diversity can result in greater board independence. Further, Smith, Smith and Verner (2006) argue that a more gender diverse board should enhance a firm's competitive advantage to the extent that it improves the firm's image and affects customer behavior.

Erhardt, Werbel, and Shrader, (2003) posit that a firm with more women and minority groups in its board performs better. In their study in the USA during the period 1993 to 1998 they concluded that firms with more women and minority groups' representation in their boards outperformed those with less representation when looking at Return on Assets and Profit margin. Campbell and Minguez-Vera (2008) also came to the same conclusions in the Spanish study. In as much as there are studies finding a positive relationship between board gender diversity and business performance other studies identified a negative relationship. Bohren and Strom (2005) for example established a negative relationship between board gender diversity and business performance for Norwegian firms. According to Richard, Barnett, Dwyer and Chadwick (2004) greater board diversity in terms of gender can be disadvantageous as there is an increased possibility of conflicts, slow decision making and differences in responding to various risks. Other studies found no relationship at all between board gender diversity and business performance. Randoy *et al.* (2006), in their Nordic countries' (Denmark, Sweden and Norway) studies, established that board gender diversity had no effect whatsoever on business performance, measured by Return on Assets. Rose (2007) in studies undertaken in Denmark also found no relationship between business performance and board gender diversity. Based on the above discussion, the following hypothesis can be postulated.

H2c: There is no significant relationship between board gender diversity and business performance.

2.6.2.2 BOARD RACIAL COMPOSITION AND BUSINESS PERFORMANCE

Evidence of the relationship between board racial diversity and business performance has generally come from developed countries. This evidence has

shown mixed results. Oxelheim and Randoy, (2003) while studying Norwegian and Swedish firms posit that business performance and board racial diversity are positively related. While using profit margin as a performance measure, Ruigrok and Kaczmarek (2008) found that board member racial diversity was positively related to financial performance in the Nertherlands, Switzerland and the United Kingdom. In a similar manner Choi and Hasan (2005) found a positive relationship between board racial diversity and business financial performance in Korean banks. Other studies however find no empirical link between racial diversity and business performance. For example, using market share of European firms as a proxy for business performance, Kilduff, Angelmarand and Mehra (2000) failed to find any such association. In a study done in Denmark, Rose (2007) indicate that board racial diversity has no significant influence of business performance of firms. In light of the above discussion, the following hypothesis is formulated.

H2d: There is no significant relationship between board racial composition and business performance

2.6.2.3 BOARD MEMBERS' AGE AND BUSINESS PERFORMANCE

A limited number of studies exist on the relationship between board members' age diversity and business performance (Barker and Mueller, 2002). These studies however came to different conclusions. Kilduff *et al.* (2000) in their study found a positive association between board age diversity and marketing performance. Ararat, Aksu and Cetin (2010) in their study of Turkish companies concluded that board age diversity had a significant influence on Return on Equity but not other measures of performance. On the other hand Randoy *et al*. (2006), while studying Nordic region firms; and Eklund, Palmberg and Wiberg (2009), while studying Swedish firms failed to find a convincing impact on business financial performance, of board age diversity. Kusumastuti, Supatmi and Sastra (2007) also suggest the absence of empirical evidence on the relationship between business performance and board age diversity. Based on the above discussion the following hypothesis can be formulated.

H2e: There is no significant relationship between board members' age and business performance.

2.6.2.4 BOARD MEMBERS' PROFESSIONAL BACKGROUNDS AND BUSINESS PERFORMANCE

Numerous studies have confirmed a positive relationship between the mix of professional backgrounds in a board and corporate performance (Hunt, 2000; Ljungquist, 2007). A right mix of professional backgrounds in the board benefits the firm through a combination of competencies that create different perspectives to decision making (Carpenter and Westphal, 2001). The different professional backgrounds increases the knowledge base, results in more informed processing of problems and stimulates the consideration of other alternatives (Carver, 2002). Westphal and Milton (2000) explain that diverse professional backgrounds provide a rich source of ideas that provide different perspectives on strategic issues. In light of the above the following hypothesis is formulated.

H2f: There is no significant relationship between board members' professional backgrounds and business performance.

2.6.2.5 PROPORTION OF NON-EXECUTIVE DIRECTORS AND BUSINESS PERFORMANCE

Various studies on the association between independent directors and firm performance have yielded mixed results. One set of results is based on the agency theory while the other is based on managerial "hegemony". Scherrer (2003) posits that the difference between executive and non-executive directors lie in the latter's non-preoccupation with their own career opportunities. This results in their working towards protecting shareholders' interests. The implication of this assertion is that outside directors can effectively monitor management's activities better than executive directors. Dissecting the hegemony theory yields contrasting insight. Here, the argument is that the board of directors is not capable of providing its oversight and supervisory role aimed at protecting the wealth of shareholders (Carter and Lorsch, 2004). The argument is that non-executive directors are only involved with a

firm on a part-time basis and are more often busy with other commitments outside of the firm. This will negatively affect business performance. Further non-executive directors may only be valued for their advice and ability to foster strong business and personal relationships rather than their ability to monitor. Mixed results aside, what is clear is that a board of directors is appointed by shareholders and other stakeholders. As such, the board must act in the best interests of shareholders, not management. In light of the above, in situations where shareholders and management's objectives are at crossroads, it is the duty of non-executive directors to represent the interests of shareholders who are the ultimate owners. Independence of directors is therefore important in this regard.

There is no consistent evidence to suggest that boards dominated by independent directors perform better. Some studies have found better performances by firms with boards of directors dominated by outsiders (Omar, 2003). Krivogorsky (2006), Lefort and Urzua (2008), and Limpaphayom and Connelly (2006) also undertook studies that confirmed a positive relationship between board composition (that is the proportion of independent directors on the board) and performance. Weir and Laing (2001) on the other hand found no relationship, in terms of accounting profit and firm value. Staikouras, Staikouras and Agoraki (2007) found no relationship between board composition and performance and so did Adusei (2011) who failed to find convincing connections between board composition and performance of Ghanaian banks. In the same vein Bhagat and Black (2002) found no correlation between the degree of board independence and four measures of firm performance, controlling for a variety of other governance variables, including ownership characteristics, firm and board size and industry. The results indicate that poorly performing firms were more likely to increase the independence of their board. Similarly Andres, Azofra and Lopez's (2005) study failed to find a significant relationship between board composition and performance. The relationship between the proportion of outside directors and firm performance is therefore not straight forward and studies have generally obtained mixed results. Based on the above discussion the following hypothesis is formulated.

H2g: There is no significant relationship between proportion of independent directors and business performance

2.6.3 BOARD COMMITTEES AND BUSINESS PERFORMANCE

Ideally an increase in meetings frequency and in the size of the audit committee can be expected to improve performance of a firm. Anderson and Bizjak (2003) found that large audit committees can control and protect a firm's financial reporting process by introducing greater transparency which would ultimately lead to better performance. However, a large audit committee size may also lead to inefficient governance which could have a negative impact on performance (Sharma *et al.* 2009).

Significant literature exists that links audit committee independence to improved performance and value. Chan and Li (2008) in their study concluded that higher levels of audit committee independence are associated with higher firm value. The rationale behind this assertion is that the presence of an independent audit committee results in improved monitoring of the firm's financial reporting process (Bronson, Carcello, Hollingsworth and Neal, 2009). Siagian and Trenaningsih (2011) also allude to this by suggesting that Audit committees and directors that are independent from management should serve to improve the quality of reported earnings because they are not subject to potential conflicts of interest that reduce their capacity to monitor management's activities

However other researchers have noted an inverse relationship between audit committee independence and performance. They suggest that a lack of audit committee independence improves monitoring quality (Carcello and Neal, 2003). In summary the key role that is played by audit committees in financial reporting, decision making and financial integrity should result in management making high quality decisions that should ultimately results in superior performance.

Evidence on the relationship between the remuneration committee independence and business performance is conflicting. Anderson and Bizjak (2003), for example found a positive relationship between remuneration committee independence and business performance. On the Daily *et al.* (2003) failed to find any such relationship. On nomination committees there is empirical evidence suggesting that the composition of the nomination committee by an executive director can result in fewer independent directors being appointed to the board (Yermack, 2004). As Sun and Cahan (2009) suggest the presence of executive directors in the nomination committee would negatively affect business performance of firms. From this argument it can be deduced that the presence of independent directors in the nomination committee would be expected to result in increased business performance. However other scholars such as Dulewicz and Herbert (2004); and Mak and Kusnadi (2005) failed to find any such relationship. In view of the previous discussion, the following hypothesis is formulated.

H2h: There is no significant relationship between board committees and business performance.

2.6.4 CEO STATUS AND SUCCESSION PLANNING; AND BUSINESS PERFORMANCE

Elsayed (2007) notes that the impact of CEO duality on performance varies with industry and various studies have yielded mixed results. Jackling and Johl (2009) found that firms with separate leadership structures outperformed joint structures when measured on return on equity, return on investment and profit margins. However Dalton*,* Daily, Johnson and Ellstrand (2009) found no evidence of a relationship between leadership structure and financial performance. According to Abdullah (2004), board independence and combined leadership either singly or jointly are not related to performance.

Using a sample of 452 firms in the annual Forbes magazine rankings of 500 largest public banks in the USA between 1984 and 1991, Lin (2005) confirmed that corporations are more valuable when the chief executive officer and the board

chairman positions are occupied by different persons. However, Lipton and Lorsh, (2005) did not find a positive relationship between the separation of chief executive officer and the board chairman.
From the foregoing arguments it can be concluded that evidence on the relationship between CEO duality and performance is still mixed and inconclusive. Based on the foregoing discussion the following hypothesis is formulated.

H2i: There is no significant relationship between CEO status and succession planning; and business performance.

2.7 INFLUENCE OF DEMOGRAPHICS ON CORPORATE GOVERNANCE PERCEPTIONS

Demographic issues are changing the global economy and the world (Chappell, 2011). Various researchers (for example Amran and Haiffa, 2011; Kiel and Nicholson, 2003; and Caird and Roy, 2006) have attempted to investigate the influence of various demographic factors on how respondents perceived corporate governance issues. These studies have yielded mixed results. Accordingly the following hypothesis is formulated.

H3: There are no significant differences in respondents' perceptions on the relationship between corporate governance practices and business performance of ZSE listed banks.

2.8 CONCLUSION

From the foregoing paragraphs it has been become evident that there exists so much literature devoted to studying the relationship between corporate governance and business performance. Despite the huge amount of literature there is not yet consensus on the nature of the relationship. While most research support hypothesis of a positive correlation between governance and performance, a number of studies have questioned such a relationship. The next chapter presents a description of the research methodology that was utilized for the purpose of this study

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The previous chapter provided a critical review of literature available on Board Characteristics and Business Performance. In this chapter, the methodology used in this study is presented. Collis and Hussey (2003) define research methodology as the overall approaches and perspectives to the research process designed to answer the following questions: why certain data is collected, what data is collected, where data is collected, how data is collected and how data is analysed. The chapter points to the population under study, sampling methods employed and an expansive description of the data collection instrument that was utilized. There is also an explanation of the data analysis methods that were employed. Finally the validity, reliability, ethical issues and how these were ensured are also discussed.

3.2 RESEARCH OBJECTIVE

The overall objective of this study is to investigate the relationship between the quality of ZSE listed banks' board characteristics and practices and their performance.

3.3 MAJOR RESEARCH QUESTION

Related to the main research objective, the major research question of this study is: What is the nature of the relationship between board characteristics and practices and the performance of ZSE listed banks?

3.4 RESEARCH HYPOTHESES

The following are the hypotheses formulated at the beginning of this study.

- ZSE listed banks' nature and level of compliance with corporate governance best board characteristics and practices is poor.

- There is no significant relationship between corporate governance board characteristics and practices and business performance of ZSE listed banks
- Corporate governance board characteristics and practices can not be used as a good predictor of business performance of ZSE listed banks
- There is no significant difference in respondents' perceptions on the relationship between corporate governance board practices and business performance of ZSE listed banks.

3.5 RESEACH PHILOSOPHY / PARADIGMS

Researchers have in built inclinations that shape the design of their research (James and Vinicombe, 2002). They must choose between a plethora of choices for their research designs. However it is important to align the choices to the research problem that a study is designed to address (Blaikie, 2000). Failure to achieve a perfect alignment will result in research designs and methods that are incompatible with the research problem. The incompatibility will undermine the research findings. According to Saunders and Thornhill (2007), Research Philosophy refers to the development of a research background, knowledge and nature of the knowledge.

Research Paradigms are one way of explaining research philosophy (Easterby-Smith, Thorpe and Lowe, 2002). Cohen, Manion and Morrison (2000) define a Research Paradigm as the general framework of conducting a research. It comprises the perceptions, beliefs and understanding of the various practices and theories used in research. Gliner and Morgan (2000:27) define a paradigm as "a way of thinking about and conducting a research. It is not strictly a methodology, but more of a philosophy that guides how the research is to be conducted." Various elements are encompassed in research paradigms and philosophy. These include an individual's beliefs of reality, perceptions and ways of seeing things. Different paradigms enable different researchers to apply themselves to research situations differently (Hatch and Gunlife, 2006). Gliner and Morgan (2000) identify three types of research paradigms, namely Positivism, Interpretivism and Realism.

3.5.1 INTERPRETIVISM

Also known as Social Constructivism or Anti-positivist (Hatch and Gunlife, 2006), this position argues that social phenomenon are a result of the perceptions and actions of social actors (Bryman and Bell, 2007). The view assumes that the world and reality are subjective and are socially constructed and granted meaning by people (Hatch and Gunliffe, 2006). Interpretivism requires that a researcher avoids starting with pre-determined hypotheses. Rather the researcher must allow these to come out of his / her research (Bevir and Kedar, 2008).

3.5.2 REALISM

Realism philosophy is an important philosophy that is based on the interdependency of human values and beliefs. This research philosophy focuses on the beliefs that really exist in the environment. This research philosophy believes in the existence of external and objective reality that influences people's social interpretations and behavior. It also believes that humans are not the objects for the study in the style of natural science. This philosophy also defines that how an individual react towards a real world situation (Johnson and Christensen 2010).

3.5.3 POSITIVISM

Positivism has its roots in natural science and its main characteristic is the testing of hypotheses that are developed from existing theory (Crowther and Lancaster, 2008). This is done through the measurement of social phenomena that would have been observed. In this approach, objectivism thrives over subjectivity (Cooper and Schindler, 2006). This means that the only credible knowledge is one that is obtained through objective collection and interpretation of data. Objectivity requires that the data be quantifiable which in turn would make it possible for statistical analysis to be performed on the data (Collins, 2010). According to the positivist approach to research the personal beliefs of a researcher cannot have any influence on the research study (Crowther and Lancaster, 2008).

A research philosophy adopted for any study must match the research objectives and questions. Since this study involves testing hypotheses on different board characteristics and their relationship to business performance, and also considering that these characteristics are quantifiable, this research took a positivist approach.

3.6 RESEARCH APPROACHES

Different research questions require different research approaches (Gray, Owen and Adams, 2010). The choice of which research approach to take is a function of the philosophy that a researcher adopts (Brammer and Pavelin, 2008). Cresswell (2002) affirms the importance of explaining the research approach adopted in a study by pointing out that an appropriate approach serves to guarantee validity of the research.

Corbetta (2003) explains that Qualitative Research is open and interactive. Furthermore in this approach, observation of phenomena precedes theory. Quantitative Research on the other hand is a structured form of research where theory precedes observation. According to Yin (2009) one of the key areas of difference between quantitative and qualitative methodologies lies in the nature of the data. In a quantitative approach the data can be described as hard, objective and standardized while in a qualitative approach the data can be described as soft, rich and deep. Table 3.1 overleaf is a diagrammatic representation of the main differences between quantitative and qualitative research approaches.

Table 3.1: Difference between Quantitative and Qualitative Research Approaches

Characteristic	Quantitative research	Qualitative research
Type of data	Phenomena are described numerically	Phenomena are described in a narrative fashion
Analysis	Descriptive and inferential statistics	Identification of major schemes
Scope of inquiry	Specific questions or hypotheses	Broad, thematic concerns
Primary advantage	Large sample, statistical validity, accurately reflects the population	Rich, in-depth, narrative description of sample
Primary disadvantage	Superficial understanding of participants' thoughts and feelings	Small sample, not generalisable to the population at large

Source: Nueman, 2000

Saunders, Lewis and Thornhill (2009) posit that research approaches are a function of the research philosophies identified for a particular study. For instance the deductive / quantitative approach is commonly adopted in researches characterized by the traditional scientific views (positivism). In deductive research the first step is to develop a theoretical framework which will be tested by observation. The inductive / qualitative approach to research on the other hand is usually based on

interpretivism. In inductive research the direction of research is from observation to theory, that is theory is developed from observation of reality.

In this study a deductive approach, with its associated quantitative research methods was adopted. This is because quantitative methods are the most credible techniques to obtain knowledge in an objective world, also proving objective and unbiased results not influenced by the researcher (Nueman, 2000)

3.7 RESEARCH STRATEGIES

According to Robson (2002) a Research Strategy is the overall approach taken in a study. Saunders, Lewis and Thornhill (2007) describe a research strategy as a general plan of how a researcher will intend to answer the research questions set in the beginning. Yin (2009) identifies seven research strategies, namely experiment, survey, case study, action research, grounded theory, ethnography and archival research. In addition to identifying the seven strategies identified above Saunders *et al.* (2007) points out that a particular research strategy should match the research paradigm a researcher will follow. This study, with its positivism paradigm adopted the survey research strategy for the reasons explained below.

3.7.1 SURVEYS

Surveys are a popular strategy for conducting business research because they allow the collection of a large amount of data from a given sample (Saunders *et al.* 2009). Furthermore surveys are important in collecting data of a quantitative nature where the researcher can be able to quantitatively analyse the data by applying sophisticated statistical analysis techniques. Collis and Hussey (2003) points that in addition to surveys' ability to facilitate collection of vast quantities of data in a more economic way than other research strategies, this strategy also allows for the use of standardized questionnaires thereby ensuring easy analysis of responses. For these reasons, the survey strategy was used in this study.

3.8 DATA COLLECTION METHODS

Data Collection Methods are the techniques used for gathering information during a research. These include interviews (structured, semi-structured and unstructured), focus groups, observation, participant observation, questionnaires (open-ended and closed ended) and archives. Data collection methods are related to the research approach intended with interviews, focus groups, observation and participant observation mainly suited for qualitative research while, questionnaire and archives are suited to quantitative research.

The study used both primary and secondary data. Primary data is data collected for a specific research goal (Robson, 2002). The data was obtained through the use of a structured questionnaire. Information on the banks' nature and level of compliance with the Reserve Bank of Zimbabwe's board guidelines was corroborated by confirming responses with the banks' annual reports.

Data obtained for this study related board size, meetings frequency and attendance at board meetings; board composition and diversity; board committees and CEO status and succession planning. Business performance data used in this study were the Profit Margin, Return on Equity, Return on Assets, Market Share, Banks' image, Customer Satisfaction, Employee Satisfaction and Service Quality.

3.9 RESEARCH INSTRUMENT

The questionnaire was the main data collection instrument used because it makes it possible for researchers to bring to the fore relationships between constructs, in particular the cause and effect relationships (Saunders *et al*. 2007). Development of the questionnaire was based on a nine step approach recommended by Churchill and Iachobucci (2002). The approach is shown in Appendix 1.

Section A of the questionnaire covers the sample's demographic characteristics, educational qualifications and also length of services of the respondents. Section B has questions that relate to board composition and diversity. Section C had questions related to board size, meetings frequency and board members'

attendance at board meetings. Section D solicited information on CEO status and succession planning while section E had questions relating to board committees. Finally section F covered questions on the relationship between board characteristics and the 8 business performance proxies used in the study. In total the questionnaire consisted of 24 closed ended questions. The questionnaire is shown in Appendix 2. Sections B to E of the questionnaire adopted a likert scale. For the purpose of analysis the likert scale questions were given scores as shown in Table 3:2 below. Kumar (2005) posits that a likert scale is the easiest to construct. Further they are based on the assumption that every statement or item on the scale is equal in attitudinal value, weight or importance in terms of reflecting an attitude towards the issue under investigation.

Table 3.2: Likert Scale Guide

Very Good	5
Good	4
Fair	3
Bad	2
Very bad	1

Section F of the questionnaire had a different likert scale rating as shown in table 3.3 below

Table 3.3: Likert Scale for Section F of the Questionnaire

1	2	3	4	5
Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree

3.10 VALIDITY AND RELIABILITY

According to Jupp (2004) validity refers to the extent to which a research instrument measures what it claims to measure. Tests designed to screen job applicants, for example are valid to the extent that the scores obtained can directly be traced to the future job performance of the applicants. There are three types of validity, content, criterion-related and construct.

Criterion-related validity refers to the effectiveness of a research instrument in foreseeing the indicators or criterion of a construct (Trochim, 2006). Two types of criterion validity exist, namely concurrent validity and predictive validity. Concurrent validity refers to the correlation between scores on a scale and scores on another scale. It indicates the extent to which the test scores accurately estimate an individual's current state with regards to the criterion. Predictive validity on the other hand occurs when the criterion measures are obtained at a time after the test. In other words predictive validity is the extent to which a score or test predicts future behavior. In summary, predictive validity "predicts" while concurrent validity "diagnoses".

Construct validity refers to the theoretical foundation underlying a particular scale or measurement (Smallbone and Quinton, 2004). It looks at the underlying theories or constructs that explain a phenomenon. Confirmatory factor analysis is used to explore how individual survey items contribute to an overall construct measurement. This is done by comparing the results obtained by a new instrument with that of an existing instrument that measures something which is known to be closely related to the study intended to be measured.

Content validity of a research instrument refers to the extent to which items on the instrument represent the whole range of possible items that the instrument must cover (Healy and Perry, 2000). In other words an instrument that is fully content valid should provide an affirmative answer to the question of whether or not the instrument provides adequate coverage of the study topic. Pretest open ended questions help to establish content validity. If no related instruments exist then

expert opinion is required on each question in order to determine whether or not each question tests what it's supposed to.

To ensure complete validity of the research instrument a pilot study was done. On finalization of the questionnaire development, it was reviewed by two academics who are experts in the field. As advised by Douglas and Craig (2006) the study also ensured face validity by pre-testing the questionnaire. The pretesting of the questionnaire helped in making sure that the questions were clear for respondents to easily understand. In addition to pretesting by academics the input of potential respondents was incorporated in changes that were made to the original questionnaire. Validity tests performed on the questionnaire were based on data obtained from the study.

Reliability refers to the consistency of a measure. An instrument is considered to be reliable if the same result is obtained repeatedly when the instrument is administered (Malhorta, 2004). Cronbachs' co- efficient alpha is a statistic used to test the reliability of items in a questionnaire. According to Schumaker and Lomax (2004) the alpha estimates the degree of interrelatedness among a set of items and variance among the items, and a widely advocated level of adequacy for co-efficient alpha is set at least 0.7. A value below this is unsatisfactory (Malhotra, 2003). In all these tests the questionnaire was deemed both valid and reliable.

3.11 POPULATION AND SAMPLING

3.11.1 POPULATION AND SAMPLING FRAME

According to Mugenda and Mugenda (2003) a population refers to the whole group of individuals, objects or events with common observable characteristics. The population for this study was made up of all Zimbabwean banks registered under the Banking Act (Chapter 24:20). Sampling Frame is the complete list of the units of analysis of units of interest from which the samples were selected (Kothari, 2004). For this study the sampling frame consisted of the six banking institutions listed on

the Zimbabwe Stock Exchange at the end of the year 2013. These are Banc ABC, Barclays Bank of Zimbabwe Limited, Commercial Bank of Zimbabwe Limited, First Banking Corporation limited, National Merchant Bank of Zimbabwe Limited and ZB Bank limited. One listed bank, Interfin is suspended from the ZSE and as such was excluded from the study. As shown in Appendix 3 the total population under study was 820, that is 64 board members, 41 executive managers, 695 middle level managers and 20 corporate governance experts.

3.11.2 SAMPLING DESIGN AND SAMPLE SIZE

Parasuraman, Grewal and Krishnan (2004: 356) define sampling as "the selection of a fraction of the total number of unites of interest to decision makers for the ultimate purpose of being able to draw general conclusions about the entire body of units." From this sample a conclusion about the research objective can then be made by inferring the sample results to the actual population (Saunders *et al.* 2007). The rationale for sampling is that due to time and financial constraints when doing a research it is almost impossible to examine every element of the population (Wilson, 2006). This study's approach to sampling follows Churchill and Iacobucci's (2002) suggestions which follow the steps identified in Appendix 4.

Teddlie (2005) identified two approaches to sampling, namely probability and non-probability sampling. According to Patton (2002), in probability sampling each element of a given population has an equal chance of being selected. Having determined the sample size this approach involves literally selecting respondents at random. The aim of probability sampling is to ensure the sample accurately represents the entire population under study. In non probability sampling, the items in the population have no equal chance of being selected. Three types of non probability sampling are convenience, purposive and quota sampling. Non probability sampling is more suited to qualitative research with its interpretivist orientation.

Tashakkori and Teddlie (2003) explain that probability sampling is more likely to be used when the researcher's theoretical orientation is positivist and the method used is quantitative. Accordingly this study used the probability sampling technique. According to Patton (2002) probability sampling types are random, systematic, stratified and cluster. In random sampling each individual item in the population is selected completely at random. Systematic sampling entails selection of every nth element of the population. Cluster sampling involves selection of a particular sub group at random. In Stratified sampling, the population is separated into segments according to their characteristics. A number of items in each segment are then selected through random sampling.

The study used Stratified Sampling. The procedure that was followed is that first the respondents were divided into four strata namely board members, executive management, functional management and corporate governance experts. Simple random sampling was then utilized to select the respondents to participate in the study. The rationale for coming up with these four strata is that the first three are critical levels in influencing corporate governance decisions while corporate governance experts are a fountain of knowledge of corporate governance issues.

According to Gay in Mugenda and Mugenda (2003), for quantitative studies, at least 20% of the population is good enough for a sample size. Accordingly a sample size of 190, being 23% of the total population was selected.

3.12 MODEL SPECIFICATION

The economic model used in this study is in line with models generally found in available literature and is shown below:

$$Y = \beta_0 + \beta F_{it} + e_{it} \quad (1)$$

Where, Y is the dependent variable, β_0 is a constant, β is the coefficient of the explanatory variable (corporate governance mechanisms), F_{it} is the explanatory

variable and e_{it} is the error term (assumed to have zero mean and independent across time period)

The study employed four financial and four non-financial ratios to measure bank performance. These are Profit Margin, Return on Equity, Return on Assets, Market Share, Customer Satisfaction, Employee Satisfaction, Service Quality and Bank Image. In empirical literature, the Tobin's q has generally been used as a proxy for bank performance. This is the market value of equity plus the market value of debt divided by the replacement costs of all assets. This study did not use the Tobin's Q as a proxy for bank performance due to the difficulty that can be experienced in obtaining the information for making the calculations. Such information as the replacement costs for all assets is not found in financial statements which the researcher intended to use as a secondary source of data for the Zimbabwe Stock Exchange listed banks. In order to mitigate the problem of having relevant information available Sanda, Mikailu and Garba, (2005) used a modified form of Tobin's Q. However such modifications are subjective and depend really on the preferences of different researchers. Therefore such modifications were not be used as these could influence the outcome of the study.

Unlike Cho (1998), Himmelberg, Hubbard and Palia (1999), Palia (2001), and Demsetz and Villalonga (2001) who used managerial compensation as the only corporate governance mechanism this study followed Bhagat and Black (2002) and; Coles, Daniel and Naveen (2008)'s approach that examine four board characteristics namely board size, meetings frequency and attendance at board meetings; board composition and diversity; CEO status and succession planning; and board committees.

After adopting the economic model in equation 1 above to suit this study, the equation became:

$$\mathbf{PERF = \beta_0 + \beta_1 BSIZE + \beta_2 BCOMPANDDIV + \beta_3 CEO + \beta_4 BODCOM + e_{it}} \quad \textbf{(2)}$$

3.12.1 DESCRIPTION OF VARIABLES

Tables 3.4 below and 3.5 overleaf are a description of the variables, both dependent and independent, that were used in this study.

Table 3.4: Dependent variable description

VARIABLE	DESCRIPTION / MEASUREMENT
Profit margin	Profit after tax / Turnover
Return on Equity	Profit after tax / Total Equity shares in issue
Return on Assets	Profit after tax / Total Assets Invested
Market Share	Organisation's share of revenue within the total market in which it operates
Customer Satisfaction	Measure of the overall evaluation of an encounter by the customer
Employee Satisfaction	Measure of how employees are pleased with both their job and work environment
Service Quality	Ability to meet the needs of clients
Banks' Image	How the outside world view an organization

Source: Own compilation

Table 3.5: Independent variable description

VARIABLE	DESCRIPTION / MAEASUREMENT
BSIZE = Board Size, meetings frequency and attendance at board meetings	Number of directors on the board
BCOMPANDDIV = Board Composition and Diversity	Proportion of outside directors sitting on the board and board diversity in terms of race, gender, age and professions
CEO = Chief Executive status and succession planning	Value zero (0) if the same person occupies the post of Chairman and CEO and one (1) for otherwise.
BODCOM = Board Committees	The composition of the various board committees, that is Audit, Remuneration and Nomination

Source: Own compilation

3.13 DATA PROCESSING AND ANALYSIS

The Quantitative data analysis technique was employed in this study. According to Bryman (2012) the benefits of quantitative research methods include the following;

- Measurement – it enables the researcher to demarcate fine differences of the characteristics under study. Further, it provides a constant yardstick for making distinctions as well as gives a basis illustrating how closely related the elements under study are.

- Reliability and Validity – the methods give the researcher an ability to use consistent measures.
- Stability – the researcher is able to re test a method to ensure that methods are highly correlated.

The Statistical Package for Social Sciences (SPSS) version 16 was used to process the data. The data was analysed using descriptive statistics, correlation analysis, regression analysis, t-tests and Analysis of Variance (ANOVA).

Once all the questionnaires were collected the researcher designed an alpha numeric coding system for ease of data input. For example, in Section A, on gender, F would represent female while M would represent male. All other questions adopted a similar system. For example answers to question 2 in section B were coded as B2A, B2B, B2C and so on. Once done the data was then loaded into SPSS for analysis.

3.13.1 DESCRIPTIVE STATISTICS

Descriptive statistics of all the independent variables used in the study were determined, the variables being board size, meetings frequency and attendance at board meetings; board composition and diversity; CEO status and succession planning; and board committees. The aim of descriptive statistics is to have a general appreciation of the data collected (Salkind, 2000). This form of analysis reduces data sets thereby allowing for easier interpretation. The statistics determined for this study include mean and standard deviation.

3.13.2 NORMALITY TESTS

Most statistical techniques, for example regression analysis and independent t-tests can only be performed provided the variables are normally distributed (Hair, Black, Babin and Anderson, 2010). The study employed three measures to test for the data normality. First a Normal Q-Q Plot for Business Performance was extracted from SPSS to determine whether the observed values were clustered along a straight line – this being proof that the data is normally distributed. Further the Shapiro-Wilk and

Kolmogorov – Smirnov tests were done to provide additional proof of whether or not the data had a normal distribution.

3.13.3 CORRELATION ANALYSIS

Correlation analysis is of importance in helping researchers understand and explain the nature of causal relations between different variables (Freedman, 2005). It measures the linear association between two variables. Values of the coefficient lie between +1 and -1 and the following table 3.6 is a summary of the types of relationships and their correlation coefficients.

Table 3.6: Correlation Types and Coefficients

Correlation Type	Correlation Coefficient (r)
Perfect Negative Correlation	$r = -1$
Negative	$-1 < r < 0$
No Correlation	$r = 0$
Positive	$0 < r < 1$
Perfect Positive Correlation	$r = +1$

Source: Correlation and Simple Linear Regression, 2008

Regardless of the sign, the higher the correlation coefficient the strong is the linear relationship between two variables. A positive correlation means as the value of one variable increases, the value of the other variable moves in the same direction. For negative correlation, as the value of a variable increases the value of the other variable moves in the opposite direction (Correlation and Simple Linear Regression, 2008). A small or zero correlations means the variables do not have a linear relationship.

This study used the Pearson’s correlation coefficient to measure the strength and direction of association between board characteristics and business performance. This technique is in accordance with similar past studies conducted in other countries (Abdullah, 2004).

3.13.4 REGRESSION ANALYSIS

According to Freedman (2003) the aim of regression analysis is to estimate the relationships among variables. It is ideal when the focus is on the relationship between a dependant variable and one or more independent variables. By utilizing this technique a researcher can be able to understand how the value of a dependent variable reacts to changes in any one of the independent variables, with others being held fixed. Another use of regression analysis is to aid in the understanding of which among independent variables, are related to the dependent variable and to explore the nature of such relationships. In restricted circumstances, regression analysis can also be used to infer causal relationships between dependent and independent variables. In such situations regression analysis is used to determine cause and effect relationships by calculating the extent to which variations in the dependent variable can be predicted by variations in the independent variables.

Regression analysis can be either simple or multiple. Simple regression involves two variables, one dependent and the other independent. Multiple regression involves more than two variables, one dependent variable and many independent variables (Regression Analysis, 2008). In order to assess whether the board characteristics identified in the study could be used to predict business performance a linear regression test was used.

3.13.5 INDEPENDENT T-TESTS AND ANALYSIS OF VARIANCE (ANOVA)

T-tests are an analysis technique used to determine whether there are significant differences between two sets of means. Carver and Nash (2006) explained that Two-related sample t-tests should be used when there are repeated measurements of the same sample. Abdullah (2004) used the same approach when studying the relationship between board characteristics and business performance.

For the purpose of testing the different hypotheses relating to the connection between various corporate governance variables (board characteristics) and business performance variables, this study employed a multi-variate analysis of variance (ANOVA) technique. This technique is designed to test for differences among sets of means grouped by in excess of one classifying factor. The tests separate the total data set variability into random and systematic factors. Random factors have no statistical influence on any given data set while systematic factor do have influence. According to Veal (2005) the ANOVA technique is used when there exist a number of independent variables and each variable contributes to some aspect of the makeup of the phenomenon. ANOVA uses F-statistics to determine the probability (p). The F-ratio is used to test the null hypothesis which state that the mean of groups do not differ significantly (Doncaster and Darvey, 2007). If the calculated ***p*** fall short of the predetermined thresh hold (5 and 10% in this study), then the null hypothesis would be rejected. ANOVA is versatile technique due to its ability to distinguish effects on a response from among many different sources of variations compared simultaneously, or in other cases through time. Doncaster and Darvey (2007) posit that this versatility makes this technique ideal in answering questions relating to causality.

In this study, ANOVA was first used to determine whether the various board characteristics influenced the banks’ performance in similar fashion. The test was also performed on the various respondents’ characteristics categories with the objective of determining whether such categorizations in different groups had any bearing on how respondents perceived board characteristics-business performance issues.

3.14 ETHICAL CONSIDERATIONS

The issue of ethics has progressively become important in the conduct of effective research (Best and Khan, 2006) and because of this Trimble and Fisher (2006) conclude that the ethical behaviour of researchers is now under unprecedented scrutiny. According to Cooper and Schindler (2003) the objective of ethics in research is to ensure that no part is harmed or experience adverse consequences

because of the research activities. In conducting any study a researcher must have the safety of participants in mind as well as the participants' fully informed consent.

According to Cresswell (2005) consent involves the procedures through which individuals choose whether or not to participate in a study. It is critical that participants be provided with sufficient information on the study to enable them to freely decide whether or not to take part. Accordingly in accordance with the recommendations of Best and Khan (2006) the researcher ensured participants had full understanding of the objective and techniques used in the study, the risks involved and all other demands placed upon them as participants. Participants were also informed that since their undertaking in the study was purely voluntary, they had a right to withdraw from the study at any point without any consequences.

Issues relating to privacy have also assumed increased importance in research. Privacy has become a right that must not be compromised (Pittenger, 2003). As such the researcher sought to ensure privacy of participants by not naming any of the respondents involved in the study. The issue of deception is another ethical issue the researcher sought to manage. Deception involves the intentional misrepresentation of facts obtained before and after a study. According to Keller and Lee (2003) deception involves either omission or commission. In omission, the researcher withholds information about certain aspects of the study. In commission, the researcher misleads participants by giving false information about the study. Concerning this study, the researcher provided participants with all the information regarding the objective and techniques used during the study.

Finally the researcher tackled the issue of integrity and plagiarism during the research. Concerning integrity, there may be a temptation by a researcher to report the findings of a study somewhat differently from what the data collected indicated (Cresswell, 2005). This may be because the actual results may for example fail to show the expected statistically significant differences the researcher would have expected. The researcher reported all findings as they were obtained and did not manipulate any of the research findings. On the issue of plagiarism the researcher

duly acknowledged related work done by other authors by utilizing the Harvard referencing style.

3.15 CONCLUSION

It is the researcher's belief that the methodology discussed in this chapter was suitable for the study and helped in the fulfillment of the research objectives and adequately answering the research questions. The researcher's philosophy inclination was discussed and so did the research approaches adopted. An explanation of the available research strategies was proffered together with the researcher's choice for a suitable strategy for this study. A discussion of the population, sampling procedures adopted was done. The data collection methods utilized were highlighted together with the data analysis techniques applied to the data, the findings and analysis of which is the subject of the next chapter. Finally ethical issues encountered during the research and how they were managed was discussed. The next chapter is a presentation of the data findings, analysis and discussion thereof.

CHAPTER FOUR

RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

The previous chapter was a discussion of the methodology used in the conduct of the research. This chapter is a presentation and analysis of the data. First reliability test results are presented. Descriptive analysis of the data is then performed. Inferential statistics is also employed for a more in-depth analysis of the data. A discussion of the findings viz a viz existing literature is also done.

4.2 SAMPLE ANALYSIS

In total 190 questionnaires were sent out and 121 of them were completed and returned. This constitutes a 64% response rate, a figure generally in line with rates of at least 50% recommended by Bryman and Bell (2007). Therefore the researcher deemed this adequate for the study's purposes.

An analysis showed that 59% of the respondents were male while 49% were female (table 4.1). As shown in table 4.2 the respondents fell in 6 distinct age groups namely less than 25 years (2.4%), 26 to 35 years (22.3%), 36 to 45 years (28.1%), 46 to 55 years (17.4%), 56 to 65 years (19.1%) and over 65 years (10.7%). Further analysis showed that 54 (44.6%) of the respondents were degree holders (table 4.3). The others are holders of various professional qualifications (26.4%), Masters' degree holders (19.1%) and Doctorate degrees (9.9%). As table 4.4 clearly demonstrates the majority of the respondents (43%) occupy functional management level positions. The others were board members (14.8%), senior management (36.4%) and corporate governance experts (5.8%). In terms of respondents' work experience in their current positions, as shown in table 4.5, 84% of the respondents have at least six years work experience in the current positions. Hence the research can be confident of the results of the research given that the respondents are knowledgeable people in their field.

Table 4.1: Gender Distribution

Gender	Frequency	Percentage (%)
Male	71	58.7
Female	50	38.8
Total	**121**	**100.0**

Table 4.2: Age Distribution

Age (Years)	Frequency	Percentage (%)
Less than 25	3	2.4
26-35 years	27	22.3
36-45 years	34	28.1
46-55 years	21	17.4
56-65 years	23	19.1
Over 65 years	13	10.7
Total	**121**	**100.0**

Table 4.3: Highest educational qualification distribution

Qualification	Frequency	Percentage (%)
Degree	54	44.6
Professional Qualification	32	26.4
Masters Degree	23	19.1
PHD	12	9.9
Total	**121**	**100.0**

Table 4.4: Position of respondents

Position	Frequency	Percentage (%)
Board Member	18	14.8
Senior Management	40	36.4
Functional Management	56	43.0

Governance Experts	7	5.8
Total	**121**	**100.0**

Table 4.5: Experience of respondents in current position

Years of Experience		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	2	1.7	1.7	1.7
	1 to 5 years	35	28.9	28.9	30.6
	6 to 10 years	71	58.7	58.7	89.3
	11 to 15 years	7	5.8	5.8	95.0
	+15 years	6	4.9	4.9	100.0
	Total	121	100.0	100.0	

4.3 INTERNAL RELIABILITY OF THE MEASURING INSTRUMENT

This section aims to present the reliability of the measuring instrument used in this study. The questionnaire used in this study was evaluated for reliability using the Conbrach's alpha coefficient. According to Collis and Hussey (2003), such tests are very important if the results obtained are going to be consistent and reliable. Bryman and Bell (2007) suggest that a conbrach's alpha of .70 or more generally represent a good level of internal reliability. Table 4.6 overleaf shows the reliability analysis for the different sections of the questionnaire together with the overall conbrach's alpha for the whole questionnaire.

Table 4.6: Qustionnaire Conbrach's Alpha

Section	Number of items	Conbrach Alpha
Section B: Board Composition and Diversity	11	0.724
Section C: Board size, meetings frequency and attendance at Board meetings	10	0.713
Section D: CEO status and succession planning	3	0.765
Section E: Board Committees	19	0.743
Section F: Board characteristics and Business performance	8	0.891
Whole Questionnaire	**51**	**0.707**

The statistics show the questionnaire reliability analysis for the sections on board composition and diversity (0.724); board size, meetings frequency and attendance at board meetings (0.713); CEO status and succession planning (0.765); and board committees (0.743). The scores represent a good level of internal reliability of the identified sections of the questionnaire. The whole questionnaire had an overall conbrach's alpha coefficient of 0.707, which again is a good level of internal validity. This means that the same consistent results can be expected to be obtained if the research study is repeated.

4.4 NORMALITY TESTS

The data was subjected to normality tests using the graphical presentation shown in figure 4.1 overleaf.

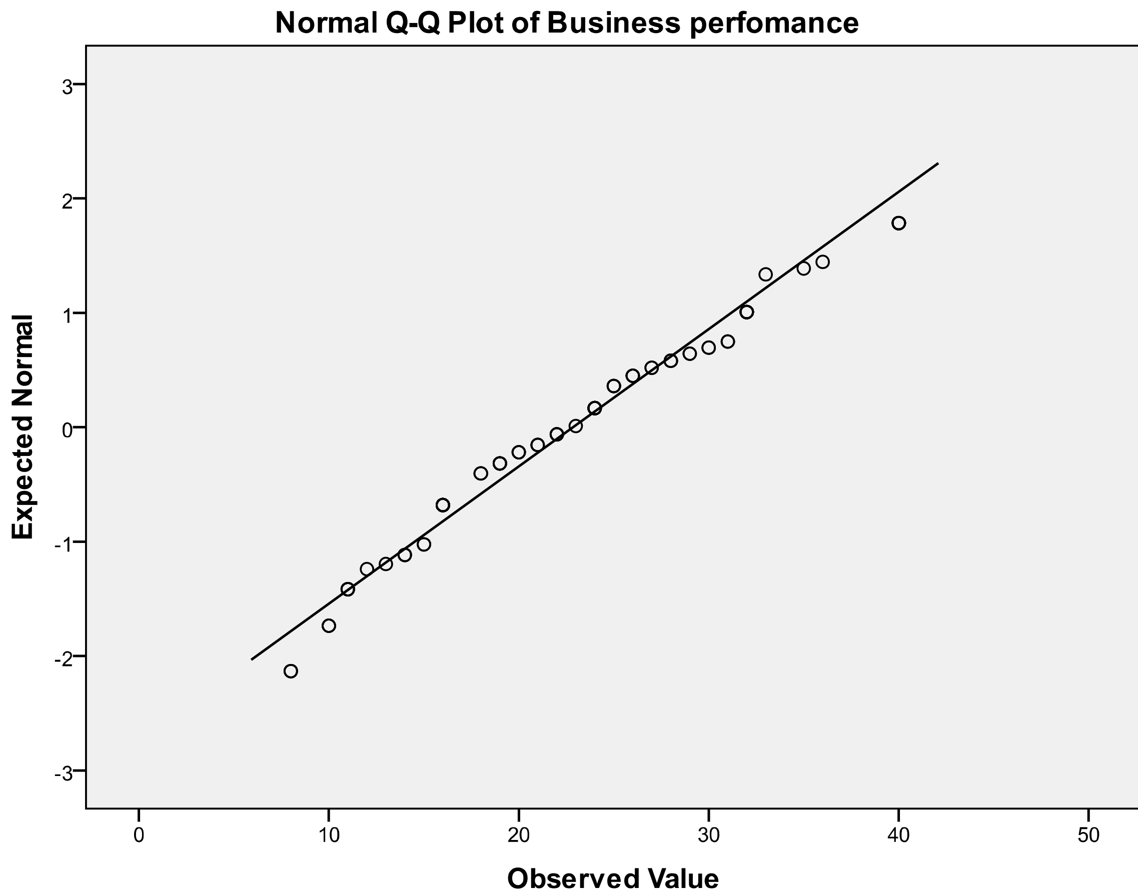


Figure 4.1: Normality Plot of Board Characteristics and Business Performance

Since all the data points are close to the diagonal line, the data was assumed to be normally distributed. Non-normality of the data would have been assumed if most of the data points strayed from the diagonal line in non-linear fashion. To further reinforce the data normality, a Shapiro-Wilk test and a Kolmogorov – Smirnov test were also performed on the business performance data. The results are presented in table 4.7 below.

Table 4.7: Shapiro-Wilk and Kolmogorov-Smirnov tests results

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Business performance	.128	120	.071	.960	120	.072

a. Lilliefors Significance Correction

The Shapiro-Wilk test confirmed that the data was normally distributed since it was statistically insignificant, W (120) =0.960, p=0.072, with the statistics computed at the 95% confidence level. The Kolmogorov – Smirnov results also indicate normalcy of the data. This test is appropriate to the research data since the sample size exceeded 50.

4.5 LEVEL OF COMPLIANCE WITH GOOD BOARD PRACTICES

The analysis of this section is designed to answer the research question; what is the level of compliance with good board practices by Zimbabwe Stock Exchange listed banks? Questions and statements representing good board characteristics and practices were posed to respondents with the objective of determining how well their banks adhered to such good practices. Section B of the questionnaire had questions and statements relating to board composition and diversity and the results are shown in table 4.8 below.

Table 4.8: Board Composition and Diversity Statistics

How well does the board members represent		Frequency	Percentage	Mean	Standard Deviation
	Institutional Shareholders	70	58%	3.69	.656
	Majority Shareholders	70	58%	3.67	.638
	Minority Shareholders	56	46%	3.50	.697
	Proportion of non-executive directors	82	68%	3.86	.694
	Members of different professional backgrounds	58	48%	3.42	.602
	Racial balance	2	2%	1.65	.630
	Gender balance	1	1%	1.63	.579
Age	(30-40) years	7	6%	2.71	.584
	(41-50) years	73	60%	3.59	.527

(51-60) years	64	53%	3.51	.564
Above 60 years	74	61%	2.62	.567

In terms of board composition and diversity, the banks' boards generally had good representation in terms of their representation of various aspects of composition and diversity. For example 58% of the respondents were in agreement that their boards had good representation of institutional and majority shareholders. This is confirmed by average score of around 4, representing a "good" score. The only areas where compliance with good board diversity practice lagged are on racial and gender balance, and also the board representation by members in the 30-40 year age group. In particular gender and racial balance on the boards was bad while representation of the boards by directors in the 30-40 year age group was fair. Overall the majority of board members were in the 40-50 year age group.

In terms of board composition by executive and non-executive directors, as table 4.9 shows the banks had an average of 8 non-executive directors on their boards, with a minimum of 5 and a maximum of 12 non-executive board members.

Table 4.9: Number of Non-executive Directors in the board

	N	Range	Minimum	Maximum	Mean	Std. Deviation
Non executive directors	121	7	5	12	8	3

Section C of the questionnaire dealt with statements and questions relating to board size, meetings frequency and board members' attendance at board meetings. In terms of board size, 66% of the boards had in excess of 10 board members while 34% had between 5 and 10 board members (Figure 4.2 overleaf). This number is in slight contrast to recommendations by Lipton and Lorsch (2005) who recommended limiting the number of directors to 10 members.

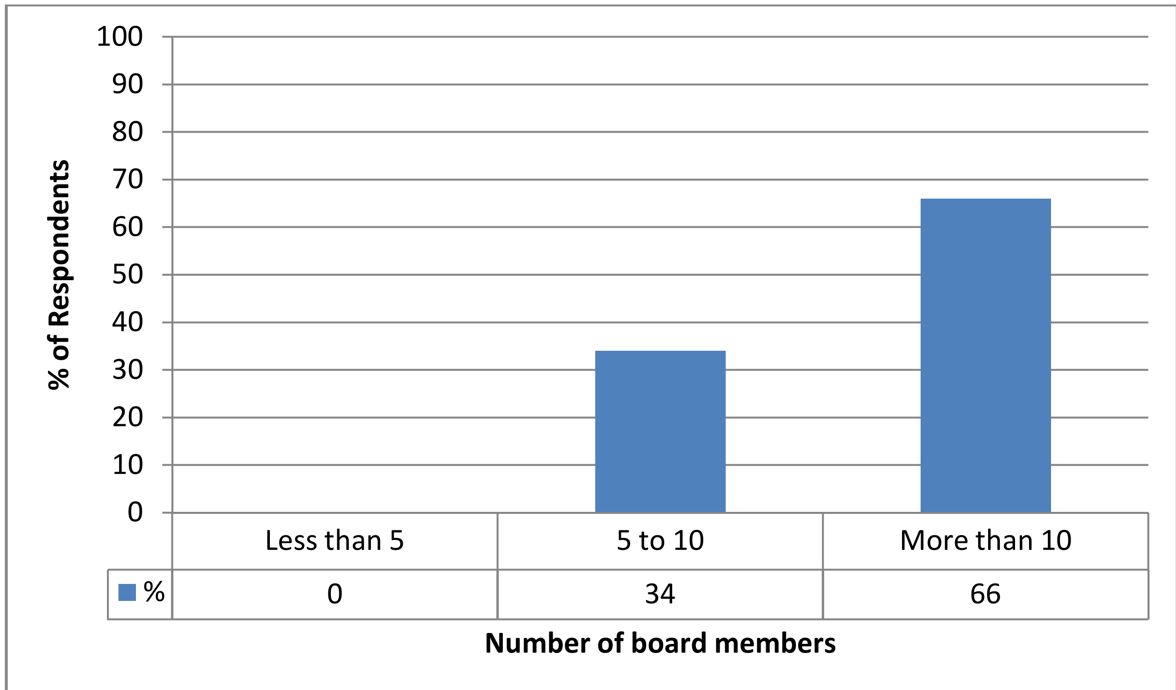


Figure 4.2: Number of Board Members in the banks

The majority (92%) of the boards had between 4 and 6 board meetings per year while only 1% met less than 4 times a year (figure 4.3 overleaf)

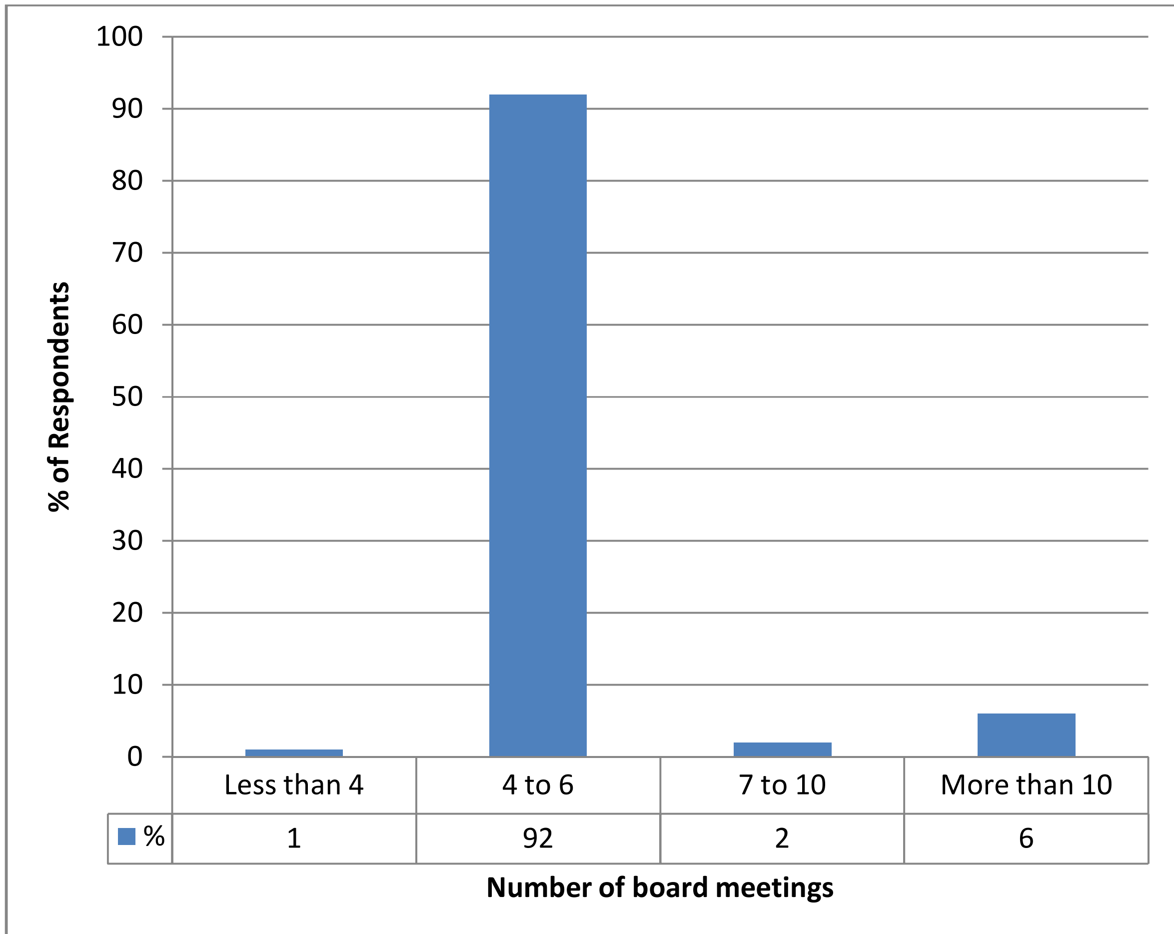
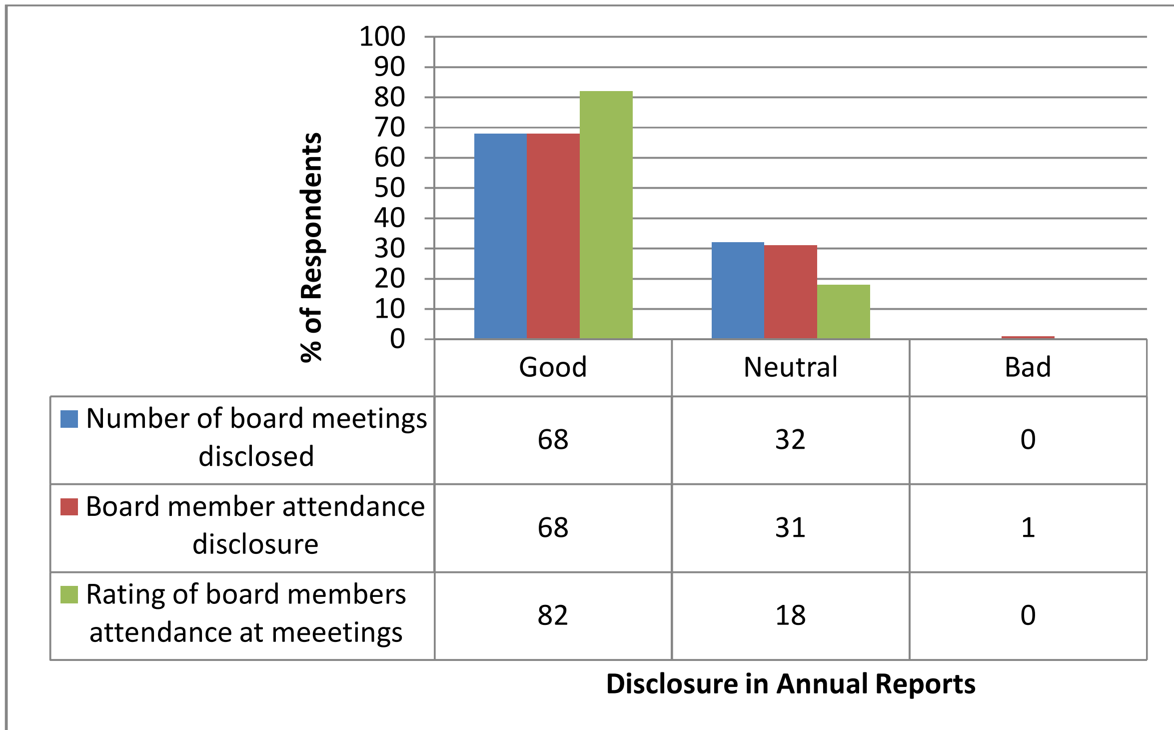


Figure 4.3: Number of Board Meetings per year

The statistics on board meetings' frequency are generally in line with recommendations by the Sarbanes-Oxley Act (2002) which advocated for meetings to be held at least quarterly.

As depicted in figure 4.4 overleaf, only 1% of the respondents felt there was inadequate disclosure of board members' meetings attendance record in the annual reports, representing a good level of transparency, which is one of the key principles of sound corporate governance. An overwhelming majority (82%) noted that board members' attendance at board meetings was good.



	Good	Neutral	Bad
Number of board meetings disclosed	68	32	0
Board member attendance disclosure	68	31	1
Rating of board members attendance at meeetings	82	18	0

Figure 4.4: Rating of Disclosure and Meetings Attendance in Annual Reports (n=121)

In section D of the questionnaire, responses were solicited on CEO status and adequate succession planning for the Chairmanship and CEO posts. The results are shown in figure 4.5 overleaf.

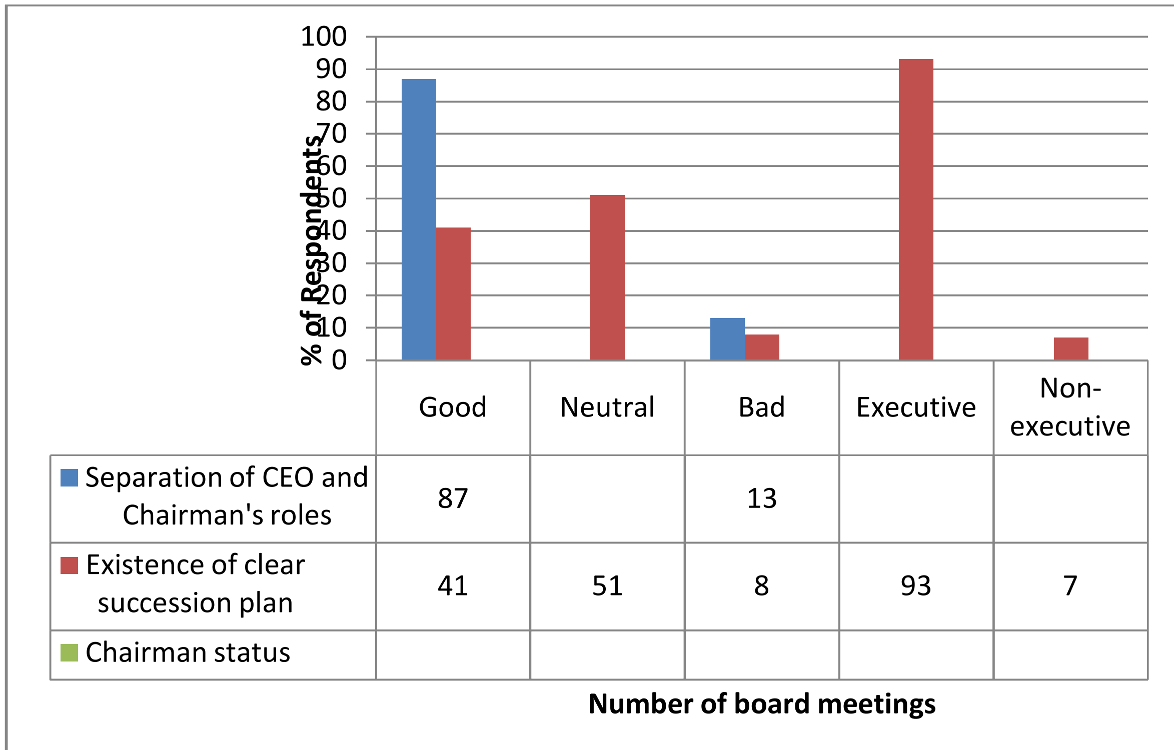


Figure 4.5: CEO Status and Succession Planning

Although the majority of the banks overwhelmingly had separate persons occupying the chairman and CEO positions, information gathered shows there is no clear Chairman and CEO succession planning in the banks, with 59% of respondents not convinced such clear succession planning existed.

Section D of the questionnaire sought information on the banks' board committee characteristics. Information on three important board committees, namely the audit, remuneration and nomination committees' was solicited. Information sought was on the number of board members in each committee, formal writing down of their roles, their composition with entirely non-executive directors, chairmanship of each committee and the committees' effectiveness in performing their roles and responsibilities.

All the banks surveyed had the three board committees in place (figure 4.6).

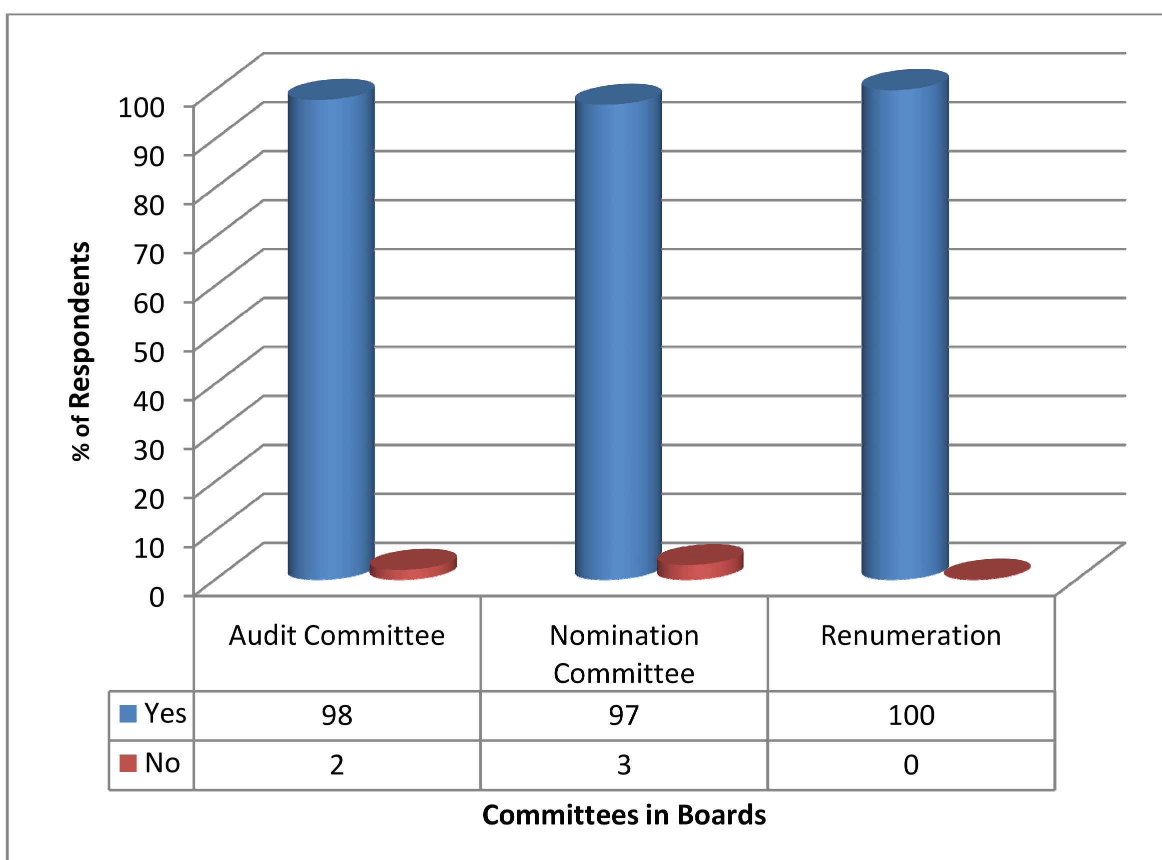


Figure 4.6: Board Committees' Presence in Boards

Further descriptive statistics on the board committees are shown in tables 4.10 and 4.11 below.

Table 4.10: Board Committees' Statistics

Committee	N	Range	Minimum	Maximum	Mean	Std. Deviation
Audit	121	5	3	8	4.31	1.845
Nomination	118	4	3	7	4.65	1.603
Remuneration	121	3	3	6	4.37	1.259
Valid N	118					

On average the banks' audit, nomination and remuneration committees consisted of 4, 5 and 4 members respectively which is generally in line with good board committee practices.

Table 4.11: Board Committee Practices

		Frequency	Percentage	Mean	Standard Deviation
Audit Committee	Formal writing down of its roles and responsibilities	63	52%	3.55	.658
	Its composition is entirely non-executive directors	89	74%	3.65	.715
	Its chairing is non-executive director	75	62%	3.64	.530
	Presence of at least one member with the requisite financial expertise and experience	54	45%	3.46	.533
	Its effectiveness in performing in roles	50	41%	3.40	.556
Remuneration Committee	Formal writing down of its roles and responsibility	52	43%	3.37	.647
	Its composition with entirely non-executive directors	15	12%	2.50	.720
	Its chairing by a non-executive director	40	33%	3.32	.502
	Its effectiveness in performing its duties	31	26%	3.21	.517
Nomination	Formal writing	52	43%	3.39	.587

Committee	down of its roles and responsibilities				
	Its composition with entirely non-executive directors	15	12%	2.80	.737
	Its chairing by a non-executive director	40	33%	3.36	.533
	Its effectiveness in performing roles	31	26%	3.18	.448

The bank audit committees' constitution and practices generally conformed to good board practices with an average score of 4, representing good compliance. The audit committees' effectiveness was however fair implying an acceptable level of effectiveness. Remuneration and Nomination committee characteristics and practices were fair, with a room for improvement.

4.6 RELATIONSHIP BETWEEN BOARD CHARACTERISTICS AND BUSINESS PERFOMANCE MEASURES

The relationship between the various board characteristics used in this study and business performance was investigated through the use of the Pearson's correlation coefficient. This is an appropriate measure for normally distributed data (Hair *et* a*l.* 2010) a fact that applies to data for this study as confirmed by the normality tests performed. This measure indicates the direction and strength of the linear relationship between the two variables. The coefficient ranges from -1 to +1 (Collis and Hussey, 2009). A positive value represents a positive relationship while a negative value represents a negative relationship, meaning as one variable increases, the other is expected to decline. The p-value shows the significance of the strength of the relationship. For example all significant relationships between variables where the p-value is less than 0.10 ($p < 0.10$), 0.05 ($p < 0.05$) and 0.01 ($p < 0.01$) are indicated by one star (*), double stars (**) and triple stars (***)

respectively. According to Meijen (2007) any relationship is considered significant when -0.15 is greater than or equal to the r-value and also when 0.15 is greater than or equal to the r-value.

4.6.1 BOARD CHARACTERISTICS AND BUSINESS PERFORMANCE

Table 4.12 below shows the correlation coefficients between the dependent variable represented by business performance and the independent variables, represented by the four categories of board characteristics.

Table 4.12: Board Characteristics and Business Performance Correlation

		BUSINESS PERFORMANCE	BOARD COMPOSITION & DIVERSITY	BOARD SIZE, MEETINGS FREQUENCY & ATTENDANCE AT MEETINGS	CEO STATUS & SUCCESSION PLANNING	BOARD COMMITTEES
BUSINESS PERFORMANCE	Pearson Correlation	1	-.229*	-.172	-.160	-.187*
	Sig. (2-tailed)		.014	.064	.081	.048
	N	120	116	117	120	113
BOARD COMPOSITION & DIVERSITY	Pearson Correlation	-.229*	1	.273**	.180	.472**
	Sig. (2-tailed)	.014		.003	.052	.000
	N	116	117	114	117	110
BOARD SIZE, MEETINGS FREQUENCY & ATTENDANCE AT MEETINGS	Pearson Correlation	-.172	.273**	1	.077	.369**
	Sig. (2-tailed)	.054	.003		.409	.000

	N	117	114	118	118	111
CEO STATUS & SUCCESSION PLANNING	Pearson Correlation	-.160	.180	.077	1	.165
	Sig. (2-tailed)	.081	.052	.409		.080
	N	120	117	118	121	114
BOARD COMMITTEES	Pearson Correlation	-.187*	.472**	.369**	.165	1
	Sig. (2-tailed)	.048	.000	.000	.080	
	N	113	110	111	114	114

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

A significant negative relationship was found between board composition and diversity; and business performance (r = -.229, p-value < 0.05). This implies that as board representation by non-executive directors increases the business performance is expected to decline. These findings support conclusions by Carter and Lorsch (2004) who argued for a negative relationship between number of non-executive directors and business performance. This is because of non-executive directors' preoccupation with other commitments outside of the firm. These finding however contradict the agency theory that suggests that the presence of non-executive directors results in improved business performance. The findings also are at odds with the assumption of the Resource Dependence Theory that non-executive directors provide a cheaper source of resources to firm which are expected to contribute positively to business performance. The findings of this research therefore are in contrast to studies done by Omar (2003), Krivogorsky (2006), Lefort and Urzua (2008), and Limpaphayom and Connelly (2006) that found a positive relationship between the proportion of non-executive directors and business performance.

This finding also implies that as board diversity in terms of gender, age, race and professional background increases business performance would be expected to decline. The research's findings contradict the findings of Randoy *et al.* (2006), and Eklund, Palmberg and Wiberg (2009), who failed to find a significant relationship between board members' age and business financial performance. The findings also oppose the findings of Oxelheim and Randoy, (2003) who concluded there was a positive relationship between board racial diversity and business performance. Finally on gender diversity the research's findings contradict the findings of Ibid (2007) who concluded there was a positive relationship between board gender diversity and business performance. The findings are however in support of Bohren and Strom (2005) who argued for a negative relationship between the two variables.

On the aspect of board size, board meetings frequency and board members' attendance at meetings, the results show that at the 10% significance level ($p < 0.10$) there is a negative relationship between the board size, meetings frequency and members' attendance at board meetings; and business performance. This study therefore supports research findings on board size by Yokishawa and Phan (2005); and also Mak and Kusnadi (2005). The study found a significant negative relationship between the number of board meetings held during the year and business performance thereby contrasting to studies by Bricks and Chidambaran (2010); and Mangena and Tauringana (2008) who found a positive relationship between board meetings frequency and business performance. The research findings are however in agreement with studies by Vefeas (1999) who found a negative relationship between board meetings frequency and business performance. In terms of board members' attendance at meetings the research results are contrary to findings of Brown and Caylor (2006) who concluded that attendance at meetings by board members had a positive effect on business performance.

In terms of CEO status and succession planning, the research found a significant negative relationship ($r = -.160$, $p < 0.10$) between the separation of chairman and CEO roles, the chairman being a non-executive director and existence of a clear CEO and board chairman succession plan; and business performance. These

finding are in contrast with results obtained by studies by Jackling and Johl (2009) and Lin, Y. (2005) who concluded that separation of Chairman and CEO roles results in improved business performance.

Finally, on board committees, the study observed a significant negative relationship ($r = -.187$, $p < 0.05$) between the existence of effective board committees and business performance.

4.7 BOARD CHARACTERISTICS AS A PREDICTOR OF BUSINESS PERFORMANCE

For the purpose of assessing whether board characteristics identified in this study can be used as a predictor of business performance, a linear regression test was used. The results of the regression test are shown in table 4.13 below.

Table 4.13: Model Summary for Board Characteristics as a Predictor for Business Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.258[a]	.066	.029	8.22684

a. Predictors: (Constant), BOARD COMMITTEES, BOARD COMPOSITION, CEO STATUS AND SUCCESSIONPLAN, BOARD SIZE, MEETINGS FREQUENCY AND ATTENDABCE AT MEETINGS

The regression test yielded a positive r-value of 0.258. The Adjusted r square value of 0.029 implies that the board characteristics identified in this study explain 2.9% of the variations in the performance of ZSE listed banks. The other 97.1% of the variations in performance of ZSE listed banks is explained by other factors. Table 4.14 overleaf shows the Analysis of Variance performed on the data.

Table 4.14: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	486.003	4	121.501	1.795	.136[a]
	Residual	6835.771	101	67.681		
	Total	7321.774	105			

a. Dependent Variable: BUSINESS PERFORMANCE

The result of the test is that board characteristics are weak predictors of business performance of ZSE listed banks (F (4) =1.795, P=0.136). The p-value (0.136) is greater than 0.01, 0.1 and 0.5 meaning that at the 99%, 95% and 90% confidence levels board characteristics identified in this study are not significant in explaining business performance of ZSE listed banks.

The results of the regression model in table 4.15 overleaf shows that when there is no good governance practices then the banks financial performance is 48.833.The findings also mean all the attributes governance practices have negative, though insignificant implications on bank's performance (because the p-values are all greater than 0.05). A unit increase in Board Composition would cause a decline in bank's performance by -.512, while board size and frequency of meetings will worsen the situation at a factor of -0.684 and CEO Status and succession planning and will affect the performance of the banks by a factor of -0.579. Board Committees caused an insignificant decline in bank performance at -.005.

Table 4.15: Coefficients table

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	48.833	12.270		3.980	.000
BOARD COMPOSITION AND DIVERSITY	-.512	.342	-.148	-1.496	.138
BOARD SIZE,MEETINGS FREQUENCY, AND ATTENDANCE AT MEETINGS	-.684	.462	-.150	-1.480	.142
CEO STATUS AND SUCCESSIONPLAN	-.579	.589	-.095	-.983	.328
BOARD COMMITTEES	-.005	.206	-.002	-.023	.981

The standardized beta value coefficients represent the standard deviation change in business performance that is expected by a unit standard deviation change in the board characteristics' variables. A 1 standard deviation increase in board composition and diversity for example would be expected to result in a 0.148 standard deviation decline in business performance.

Based on the table 4.22 above, the equation for the regression line can be computed as follows:

Business Performance = 48.833-0.512(Board Composition and Diversity)-0.684(Board Size, Meetings Frequency and Attendance at board meetings)-0.579(CEO Status and Succession Planning)-0.005(Board Committees)

Using the above equation, when given values for board composition and diversity; board size, meetings frequency and attendance at board meetings; CEO status and succession planning; and board committees, a prediction, though weak of the business performance variable can be determined.

4.8 TESTS OF INDEPENDENCE OF RESPONDENTS' PERCEPTIONS ON BOARD CHARACTERISTICS AND BUSINESS PERFORMANCE

Independent t-tests were performed on the various respondents' categories to test for any differences in their perceptions of various board characteristics issues and their relationship with business performance. The tests were first performed on the gender categories and the results are presented in table 4.16 below.

Table 4.16: Independent t-tests for Gender

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Business performance	Male	71	23.4930	8.43779	1.00138
	Female	46	21.7174	8.03786	1.18512

Further an independent samples test (with the assumption that no variance existed between the two gender groups) was performed with the results shown in table 4.17 below.

Table 4.17: Independent Samples Tests for Equality of Variances and Means

	Levene's Test for Equality of Variances		t-test for Equality of Means						
								95% Confidence Interval of the Difference	
	F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Equal variances assumed	.023	.881	1.132	115	.260	1.77557	1.56785	-1.33004	4.88117
Equal variances not assumed			1.144	99.568	.255	1.77557	1.55154	-1.30281	4.85394

The results indicate that there is slight difference between the mean scores of males and females (23.49 plus/minus 8.4 against 21.72 plus/minus 8.0). The independence samples test results show that there was no statistical differences in perceptions that existed along gender lines (t (115) =115, p=0.26 when equal variances were assumed).

An analysis of variance (ANOVA) was also performed on respondents' age groups, educational qualifications, position and number of years' experience. The objective was to investigate whether categorization of respondents in the above groups had any bearing on how they perceived board characteristics vs. business performance issues. The results are shown in tables 4.18, 4.19, 4.20 and 4.21 below.

Table 4.18: ANOVA of Respondents' Age Groups

Age groups perceptions

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	256.769	5	51.354	.731	.602
Within Groups	8009.822	114	70.262		
Total	8266.592	119			

Table 4.19: ANOVA of Respondents' Educational Qualifications

Educational Qualification/bank performance

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	239.441	3	79.814	1.153	.331
Within Groups	8027.150	116	69.200		
Total	8266.592	119			

Table 4.20: ANOVA of Respondents' Position

Position of authority/Business performance

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	71.225	3	23.742	.336	.799
Within Groups	8195.367	116	70.650		
Total	8266.592	119			

Table 4.21: ANOVA of Respondents' Number of Years' Experience

Years of experience/Business performance

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	129.336	4	32.334	.457	.767
Within Groups	8137.256	115	70.759		
Total	8266.592	119			

From the above ANOVA results the age group of respondents had no bearing on how they perceived board characteristics / business performance issues (F (5) =0.731, p=0.602). Since p > 0.05), the results show statistical insignificance, hence no perception differences between age groups. The same results of statistically insignificant differences in perception were also noted on the respondents' educational qualifications, position and years of experience categories.

4.9 CONCLUSION

The objective of this chapter was to present and perform an analysis of the research's findings and make a discussion thereof. In the next chapter the researcher will present a conclusion and appropriate recommendations resulting from the above findings as well as proffer concluding remarks on the research.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

In the previous chapter, a detailed presentation, analysis and discussion of the research study was proffered. The relationship between corporate governance, as represented by identified board characteristics and practices, and business performance was investigated. Correlation and Regression analyses techniques, together with descriptive statistics were utilized as mode of analysis. This chapter presents a rear view of the study, from its inception to completion. Conclusions from the study are drawn and recommendations derived from study are proposed. Finally the chapter proposes areas for further study.

As highlighted in chapter 1, research in the area of corporate governance practices and business performance, in addition to yielding mixed results, has also been predominantly undertaken in developed countries. According to Lawrence and Marcus (2006) these countries present their own differences with developing countries such as Zimbabwe. Differences exist in terms of such aspects as the social, economic and cultural factors at play. A knowledge gap therefore exists in terms of corporate governance and business performance from a Zimbabwean ZSE listed banks' perspective. This is the gap the research sought to bridge by aiming to investigate the extent to which corporate governance practices affect business performance of the banks.

The main objective of this study was to investigate the relationship between ZSE listed banks' corporate governance (board) characteristics and practices; and business performance. In the next section, a discussion of the research objectives and hypotheses of this study is done in view of the empirical findings of the research.

5.2 EVALUATING THE OBJECTIVES OF THE STUDY

As highlighted in section 1.4 of the study, the following empirical objectives were formulated.

- To determine the nature and level of compliance with corporate governance best practices by Zimbabwe Stock Exchange listed banks.
- To examine the direction and strength of relationship between the ZSE banks' corporate governance practices and business performance
- To ascertain whether there are any differences in respondents' perceptions on the relationship between corporate governance and business performance of ZSE listed banks
- To ascertain whether the ZSE banks' corporate governance board characteristics and practices can be used as a good predictor of business performance.

In order to achieve the first objective of determining the nature and level of compliance with corporate governance good board practices, descriptive statistics was used. Respondents were asked to demonstrate their banks' adherence to good board practices by answering questions and responding to statements that highlighted good board characteristics and practices as specified in the Reserve Bank of Zimbabwe's Corporate governance guidelines for banks. Responses to the statements were overwhelmingly positive indicating that the banks' performance in terms of adhering to best board characteristics and practices was good. The only areas were good board practices were lagging were on the racial and gender compositions of the board, which were not all inclusive. The banks' boards were dominated by black and male directors. Also the boards lagged on adequate representation by younger board members in the 30 to 40 year age group. However, despite the Reserve Bank of Zimbabwe's corporate governance guidelines advocating for such inclusivity in boards, empirical results of this study, as discussed below argued for the contrary.

To determine the strength and direction of relationship between the ZSE listed banks' corporate governance practices and business performance, the study used Correlation analysis. In particular, due to the normal distribution nature of the data, the Pearson's correlation coefficient for each of the four board characteristics' categories was determined. The study found a significant negative relationship between board composition and diversity; board size, meetings frequency and attendance at meetings; CEO status and succession planning; and board committees; and business performance. In terms of strength, all the correlation coefficients were less that -.15 implying the relationship between the board characteristics and practices; and business performance was strong (Meijen, 2007). Therefore according to this study, there is a negative association between corporate governance board characteristics and practices of ZSE listed banks and their performance

For the purpose of determining whether there were any differences in respondents' perceptions on the corporate governance – business performance relationship, independent t-tests and Analyses of Variance (ANOVA) were performed on the various respondents' categories, namely gender, age groups, educational qualifications, position and number of years' experience. In all these categories, there were no statistically significant differences that were observed implying there was no difference in the way different groups perceived corporate governance versus business performance issues. According to the results, the gender, age groups, educational qualifications, position and number of years' experience of respondents do not have an influence on their perceptions of corporate governance characteristics and practices of their banks. The implication is that irrespective of their gender, age, educational qualification, position and number of years' experience, respondents perceptions on corporate governance good board characteristics and practices are the same.

Finally in order to determine whether the corporate governance board characteristics and practices could be used as a strong predictor of business performance, regression analysis was employed. Regression analysis was used to determine

cause and effect relationships by calculating the extent to which variations in business performance (dependent variable) can be predicted by variations in the board characteristics (independent variables). The regression results showed that board characteristics could not be used as predictors of business performance since they constituted a very small proportion (2.9%) of any variation in business performance. Other factors were responsible for the other 97.1% variation in business performance among the banks. The results also indicate that corporate governance practices have a negative effect on bank performance. This was in contrast to other studies by for example Brown and Caylor (2004); Yeh, Lee and Ko (2002); and Javed and Iqbal (2007) who found a positive relationship between corporate governance board practices and business performance. The results are in agreement with other studies carried out by Aman and Nguyen (2007); and Suchard, Pham, and Zein (2007); who all found a negative relationship between corporate governance board practices and business performance.

5.3 EVALUATION OF RESEARCH'S HYPOTHESES

The research's hypotheses, as proposed in chapter 1 are as follows:

H1: ZSE listed banks' nature and level of compliance with corporate governance best board characteristics and practices is poor.

H2a: Board size is not significantly related to business performance.

H2b: Board meetings frequency and attendance at board meetings are not significantly related to business performance.

H2c: Board gender diversity is not significantly related to business performance.

H2d: Board racial composition is not significantly related to business performance

H2e: Board members' age is not significantly related to business performance.

H2f: Board members' professional backgrounds are not significantly related to business performance.

H2g: Proportion of independent directors in the board is not significantly related to business performance.

H2h: Board committees are not directly related to business performance.

H2i: CEO status and succession planning is not significantly related to business performance.

H3: There are no significant differences in respondents' perceptions on the relationship between corporate governance board practices and business performance of ZSE listed banks.

H4: Corporate governance board characteristics and practices cannot be used as a good predictor of business performance of ZSE listed banks

Table 7.1 below shows the results of the data analysis techniques performed on the data in order to test the research hypotheses.

Table 5.1: Hypothesis test outcomes

HYPOTHESIS	**DECISION**
H1: ZSE listed banks' nature and level of compliance with corporate governance best board characteristics and practices is poor.	Hypothesis rejected
H2a: Board size is not significantly related to business performance.	Hypothesis rejected
H2b: Board meetings frequency and attendance at board meetings are not significantly related to business performance	Hypothesis rejected
H2c: Board gender diversity is not significantly related to business performance.	Hypothesis rejected
H2d: Board racial composition is not significantly related to business performance	Hypothesis rejected

H2e: Board members' age is not significantly related to business performance.	Hypothesis rejected
H2f: Board members' professional backgrounds are not significantly related to business performance.	Hypothesis rejected
H2g: Proportion of independent directors in the board is not significantly related to business performance.	Hypothesis rejected
H2h: Board committees are not directly related to business performance.	Hypothesis rejected
H2i: CEO status and succession planning is not significantly related to business performance.	Hypothesis rejected
H3: There are no significant differences in respondents' perceptions on the relationship between corporate governance board practices and business performance of ZSE listed banks.	Hypothesis rejected
H4: Corporate governance board characteristics and practices cannot be used as a good predictor of business performance of ZSE listed banks	Hypothesis accepted

5.4 RECOMMENDATIONS

5.4.1 RECOMMENDATIONS BASED ON BOARD COMPOSITION AND DIVERSITY

Contrary to the view that non-executive directors provide unbiased monitoring of top management and therefore tow management's line towards improved business performance, the research found that the proportion of non-executive directors is significantly and negatively related to business performance. This could be due to the fact that such directors are only available on a part-time basis and can be busy with other commitments outside of the bank. As such policy makers must put in

place such regulations that minimize as much as possible, the proportion of non-executive directors in banks' boards.

While some arguments support the notion that board gender diversity is likely to bring advantages to the firm leading to improved performance, empirical results of this study show that the opposite is true. This may be due to the fact that gender diversity in boards can lead to conflict of interests and slow decision making and different perceptions towards risk. Ultimately this has a negative impact on business performance. Banks must therefore strive to have less gender diversity in their boards if the boards are to function towards improving business performance.

The study found that board racial diversity may result in more cross-cultural communication problems as well as interpersonal conflicts that can negatively affect the board's effectiveness and therefore performance of the banks. Therefore banks need less racial diversity in their boards to minimize such problems.

The negative relationship between board members age and business performance calls for the need for banks to have more young members on their boards. Although older board members can be expected to bring in experience, younger members have the energy to steer the banks and can also be swift in terms of decision making which can be beneficial to the banks. Young board members are also likely to less conservative and are more motivated to process new ideas that can positively enhance business performance

5.4.2 RECOMMENDATIONS BASED ON BOARD SIZE, MEETINGS FREQUENCY AND BOARD MEMBERS' ATTENDANCE AT MEETINGS

The research seems to support the argument that as the size of the board increases, communication challenges may increase. Also conflicts of interest may arise thereby resulting in a decline in business performance. Accordingly banks should aim towards having small boards as this may help reduce risks of large boards identified above. The negative relationship between board meetings frequency and business performance that was observed may be due to the fact that more board meetings are a sign of less efficient board members which affects board effectiveness. The

recommendation in this regard is that banks should minimize the number of board meetings held during the year as much as possible. In similar light, the negative relationship between board members' attendance at board meetings and business performance can be explained by the fact that more attendances can be expected to results in more costs in terms of for example board sitting fees. Ultimately this would have a negative impact on business performance. In any case greater attendance at board meetings can only result in free-riding where directors add very little in terms of value in the board meetings. Therefore board members' attendance at board meetings is one area that banks need to monitor with a view to limiting such free riders.

5.4.3 RECOMMENDATIONS BASED ON CEO STATUS AND SUCCESSION PLANNING

The study found a significant negative relationship between the separation of CEO and Chairman Roles together with succession planning and business performance. This means banks with CEO who also acts as the Chairman would be expected to perform better than banks where the roles are occupied by different persons. This may be explained by the fact that such banks would benefit from quick decision making absent in banks with a dual role structure whereby the CEO's decisions would be subjected to the Chairman's scrutiny before being approved. Quick decision making can benefit the banks since they will be able to take advantage of opportunities that may arise. While in all of the Zimbabwean banks, CEO and Chairman roles were occupied by different persons, there is need for policy makers to and banks themselves to explore the possibility of having these positions occupied by the same person, as is the situation in the USA.

5.4.4 RECOMMENDATIONS BASED ON BOARD COMMITTEES

The existence of effective board committees was found to be negatively related to business performance. One possible reason for such scenario could be the cost implications of having such committees, for example committees' meeting and free riding costs which may negatively affect performance. Banks should strive to have

less of such board committees. Board committee presence in banks must be at the barest minimum in line with relevant banking laws and regulations. Banking sector regulators must have this in mind when they craft relevant policies on the number and functioning of various board committees.

5.4.5 RECOMMENDATIONS BASED ON BOARD CHARACTERISTICS AND PRACTICES AS A PREDICTOR OF BUSINESS PERFORMANCE

The study found that variations in corporate governance board characteristics and practices contributed weakly to variations in business performance. The identified board characteristics are therefore weak predictors of business performance of ZSE listed banks. This implies that there could be other factors that influence business performance more than these board characteristics. Bank executives therefore need to put greater emphasis, not merely on these board aspects but also on other aspects that enhance business performance. Such aspects may include actions of competitors and the quality of the banks' products / service offerings.

5.4.6 RECOMMENDATIONS BASED ON THE RESULTS OF RESPONDENTS' PERCEPTIONS ON BOARD CHARACTERISTICS AND BUSINESS PERFORMANCE

The study found no significant differences in perceptions on corporate governance board characteristics and practice versus business performance issues between the various respondents' categories, namely their gender, age group, educational qualification, position and number of years' experience. This implies that the identified respondents' categories view corporate governance issues in the same way and similar results would be obtained if different mixes of the respondents' categories were selected for a similar study. The implication of this is that, while corporate governance is a relatively new area when compared to other areas of management, it is an objective, rather than subjective area that is not generally influenced by the background and other specific characteristics of company managers and corporate governance experts.

5.5 RESEARCH LIMITATIONS

Just like all studies, this study had its own limitations. Firstly, the quantitative approach, and its associated use of the structured questionnaires as the data collection instrument served to limit the depth of information provided by respondents. This is in contrast to a qualitative methodology where interviews may result in respondents providing insights a researcher may not have anticipated. The researcher attempted to mitigate this by incorporating as much information on board characteristics and practices as possible to ensure all potential views were captured. The size of the sample used may also be a shortcoming on the study. Maximum effort was however made to ensure that the as many respondents as possible were reached. By relying on views of respondents, which may be subjective, a possibility existed that these views may not be appropriately reflective of the total population under study. In order to mitigate this, however, only respondents with relevant knowledge of the field were considered. This was to ensure that their views were reflective of the overall board characteristics and practices landscape of their respective banks. Finally, the research was done under the constraints of limited time. To mitigate this problem, the questionnaires were send early in the research to minimize the possibility of non-response due to inadequate time given to respondents to complete the questionnaires

5.6 AVENUES FOR FURTHER STUDY

The study focused on corporate governance board characteristics and practices and their relationship to business performance of ZSE listed banks. In future studies focusing on other sectors in general and State Owned Enterprises in particular should be beneficial. This is especially more so given the purported dearth of corporate governance practices in organizations like the Premier Service Medical Aid Society (PSMAS) and the Zimbabwe Newspapers (ZIMPAPERS) group. The study also focused on a one year period. There is scope to do studies spanning for a number of years. This would then enable the examination of the relationship's consistency over a longer period. The study also adopted the quantitative approach. Future studies can be done using the qualitative approach, with its potential benefit

of enabling more insightful data to be collected. There is also need to include other board characteristics like directors remuneration and directors' shareholding in future studies.

5.7 SIGNIFICANCE OF THE STUDY

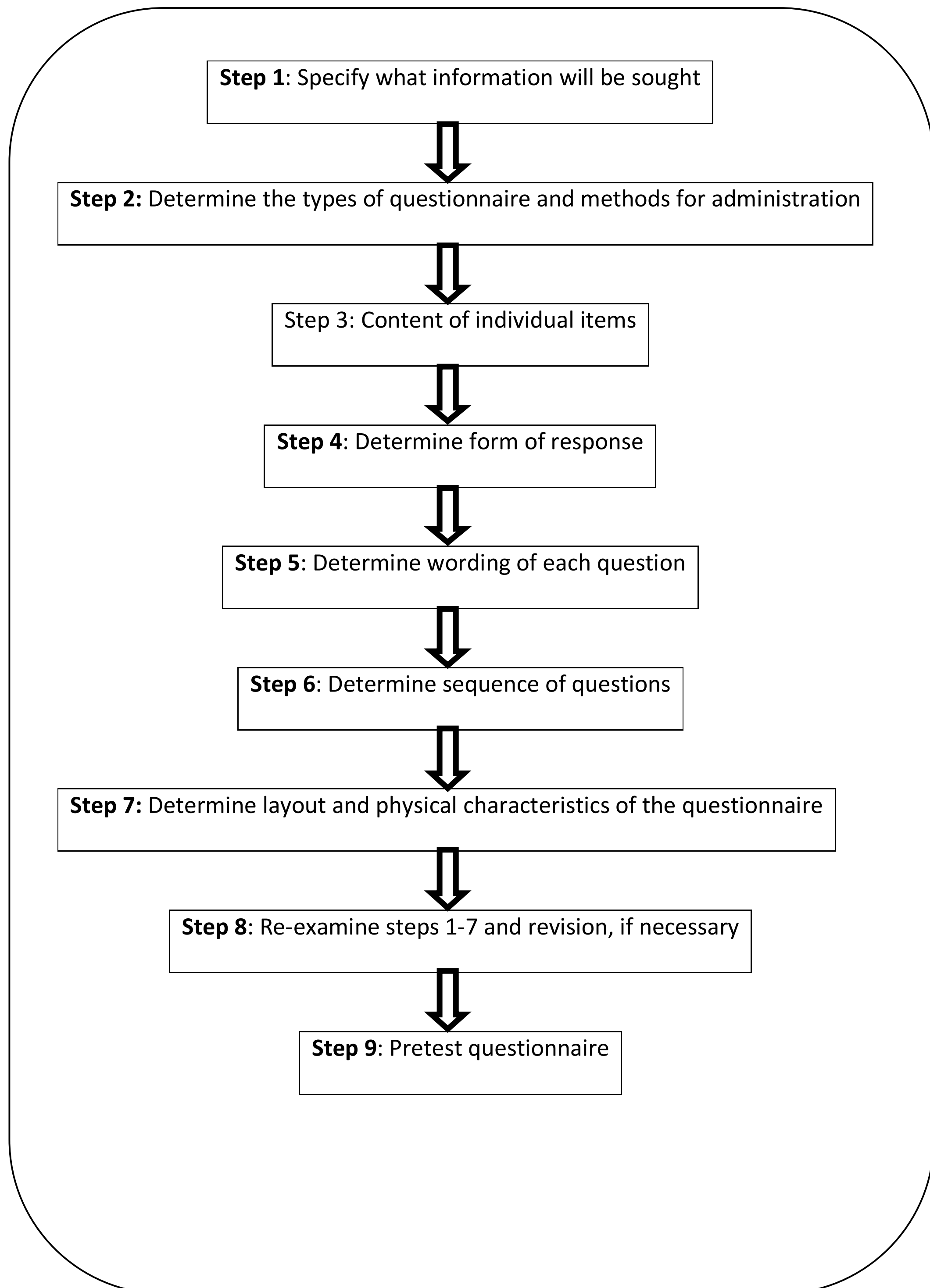
This study could be valuable to the banking industry policy makers such as the Reserve Bank of Zimbabwe in that it provided more insights on corporate governance board characteristics and practices. Policy makers could formulate sector regulations that can improve overall performance of the banking industry as a whole by tapping on some of the recommendations of this study. The findings of the study should also help managers understand the board characteristics and practices that constitute good governance practice. In addition the results can also aid managers appreciate the various board characteristics and practices together with their impact on performance of their banks. Such knowledge can then enable them to put in place such mechanisms that are beneficial to their banks' performance.

5.8 CONCLUSION

The research sought to contribute to existing literature on corporate governance and business performance in the banking sectors of developing countries like Zimbabwe. The research results indicated a good level of compliance with good board characteristics and practices by ZSE listed banks. The results also indicated that there were no significant differences in perceptions on corporate governance – business performance issues among the various respondents' categories. The study concluded that a significant and negative relationship existed between all the board characteristics and practices under study and business performance. Finally it was noted that board characteristics and practices generally cannot be used as a good predictor of business performance. Other factors are at play in influencing business performance of ZSE listed banks.

APPENDIX 1

CHURCHILL AND IACHOBUCCI (2012) NINE STEP APPROACH TO QUESTIONNAIRE DEVELOPMENT



APPENDIX 2

QUESTIONNAIRE

BOARD CHARACTERISTICS AND PRACTICES SURVEY OF BANKS LISTED ON THE ZIMBABWE STOCK EXCHANGE

This questionnaire is designed with the objective of helping the researcher to carry out a study on the impact of corporate governance (represented by board characteristics) and business performance of banking institutions listed on the ZSE. The research is in partial fulfillment of a Master in Business Administration degree program at the University of Zimbabwe. The researcher values your contribution to this study and your contribution will be held in strict confidence. Please indicate your preference by ticking in the appropriate box. Thank you.

SECTION A: DEMOGRAPHIC CHARACTERISTICS

1. Gender	Male	☐
	Female	☐
2. Age	less than 25	☐
	25-35 years	☐
	36-45 years	☐
	46-55 years	☐
	56-65 years	☐
	Over 65 years	☐
3. Educational Qualifications	Diploma	☐
	Degree	☐
	Professional Qualification	☐
	Masters Degree	☐
	PHD	☐
4. Position of Respondent	Board Member	☐
	Senior Management	☐
	Functional Management	☐

	Governance Experts	☐
5. Experience in Current Position	Less than 1 year	☐
	1 to 5 years	☐
	6 to 10 years	☐
	11 to 15 years	☐
	+15 years	☐

Sections B to E seek to solicit information on various board of directors' characteristics and procedures of your bank. Please indicate by ticking the appropriate box. The statements are represented on a scale of 1 to 5 where (1) means Very Bad, (2) means Bad, (3) means Fair, (4) means Good and (5) means Very Good. Please tick only one number for each statement.

1	2	3	4	5
Very Bad	Bad	Fair	Good	Very Good

SECTION B: BOARD COMPOSITION AND DIVERSITY

6. How well do the board members represent the following investors?

(i) Institutional Shareholders	1	2	3	4	5
(ii) Majority Shareholders	1	2	3	4	5
(iii) Minority Shareholders	1	2	3	4	5

7. The proportion of non-executive directors in the board is	1	2	3	4	5

There are …………. Non-executive directors

8. The inclusion of members of various professional backgrounds in the board is	1	2	3	4	5

9. How well is the board represented in the following age groups?

(i) 30 - 40 years	1	2	3	4	5
(ii) 41 - 50 years	1	2	3	4	5
(iii) 51 - 60 years	1	2	3	4	5
(iv) above 60 years	1	2	3	4	5

10. How well is the board represented in terms of board members' race? | 1 | 2 | 3 | 4 | 5 |

11. How well is the board balanced in terms of gender? | 1 | 2 | 3 | 4 | 5 |

SECTION C: BOARD SIZE, MEETINGS FREQUENCY AND BOARD MEMBERS ATTENDANCE AT MEETINGS

12. How many board members does the bank has?

☐ Less than 5

☐ 5 – 10

☐ More than 10

13. On average, how many board meetings are held during the year?

☐ Less than 4

☐ 4 – 6

☐ 7 – 10

☐ More than 10

14. How well is the number of board meetings held during the year? | 1 | 2 | 3 | 4 | 5 |

15. How well is each board member's meetings attendance record disclosed in the annual reports? | 1 | 2 | 3 | 4 | 5 |

16. How would you rate board members' attendance at board meetings? | 1 | 2 | 3 | 4 | 5 |

SECTION D: CEO STATUS AND SUCCESSION PLANNING

17. Your comment on the separation of the CEO and Chairman's roles | 1 | 2 | 3 | 4 | 5 |

18. The Chairman is a non-executive director. Yes ☐ No ☐

19. Your comment on the existence of a clear succession plan for both the board chairman and CEO | 1 | 2 | 3 | 4 | 5 |

SECTION E: BOARD COMMITTEES

20. Does the board has the following committees

(i) Audit Committee Yes ☐ No ☐

If yes, how many? (……….)

(ii) Nomination Committee Yes ☐ No ☐

If yes, how many? (……….)

(iii) Remuneration Committee Yes ☐ No ☐

If yes, how many? (……….)

21. Please tick the appropriate box if the bank has an audit committee.

Comment on the committee's conformance to the following good practices.

(i) Formal writing down of its roles and responsibilities. | 1 | 2 | 3 | 4 | 5 |

(ii) Its composition with entirely non-executive directors.	1	2	3	4	5
(iii) Its chairing by a non-executive director.	1	2	3	4	5
(iv) Presence of at least one member with the requisite financial expertise and experience.	1	2	3	4	5

(v) Its effectiveness in performing in roles.	1	2	3	4	5

22. Please tick the appropriate box if the bank has a remuneration committee.

Comment on the committee's conformance to the following good practices.

(i) Formal writing down of its roles and responsibilities.	1	2	3	4	5
(ii) Its composition with entirely non-executive directors.	1	2	3	4	5
(iii) Its chairing by a non-executive director.	1	2	3	4	5
(iv) Its effectiveness in performing in roles.	1	2	3	4	5

23. Please tick the appropriate box if the bank has a nomination committee.

Comment on the committee's conformance to the following good practices.

(i) Formal writing down of its roles and responsibilities.	1	2	3	4	5
(ii) Its composition with entirely non-executive directors.	1	2	3	4	5
(iii) Its chairing by a non-executive director.	1	2	3	4	5
(iv) Its effectiveness in performing in roles.	1	2	3	4	5

SECTION F: BOARD CHARACTERISTICS AND BUSINESS PERFOMANCE

The statements below relate to the effect on banks' performance of adhering to the various good board of directors' practices and procedures (that is on board size, meetings frequency and board members attendance at meetings, board composition, CEO status and succession planning, and board committees). Please indicate by ticking the appropriate box denoting the extent of your agreement or disagreement with the following statements. The statements are represented on a scale of 1 to 5, where, (1) means Strongly disagree, (2) means Disagree, (3) means Moderately agree, (4) means Agree and (5) means Strongly agree.

Please tick only one number for each statement

1	2	3	4	5
Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree

24. Good board practices and procedures,

F1	Improve customer satisfaction		1	2	3	4	5	
F2	Improve employee satisfaction		1	2	3	4	5	
F3	Improve bank's image		1	2	3	4	5	
F4	Improve product / service quality	**Strongly**	1	2	3	4	5	**Strongly**
F5	Improve bank's market share	**Disagree**	1	2	3	4	5	**Agree**
F6	Improve Profit Margin		1	2	3	4	5	
F7	Improve Return on Equity		1	2	3	4	5	
F8	Improve Return on Assets		1	2	3	4	5	

APPENDIX 3

TOTAL POPULATION UNDER STUDY

BANK	NO OF BOARD MEMBERS	NO OF EXECUTIVE MANAGERS	NO OF MIDDLE MANAGERS	CORPORATE GOVERNANCE EXPERTS
CBZ	10	9	300	5
Banc ABC	8	6	70	3
NMBZ	14	8	65	3
BARCLAYS	8	7	60	3
ZB BANK	10	5	80	3
FBC	14	6	120	3
TOTAL	**64**	**41**	**695**	**20**

APPENDIX 4

CHURCHILL AND IACHOBUCCI (2012) FIVE STEP APPROACH TO SAMPLING