

**PUBLIC SECTOR REFORM AND DISCLOSURE PRACTICES OF STATE-OWNED
ENTERPRISES: THE CASE OF GHANA**

By

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PHILOSOPHY**

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ABSTRACT

The purpose of this thesis is to examine disclosure practices of State-Owned Enterprises (SOEs) and explore the impact of reform programmes in the SOE sector on such practices. The motivation for the study stems from SOEs problems, some of which were attributed to the absence of relevant and reliable information and poor financial reporting. Moreover, though reform programmes were initiated in a number of developing countries to address the problems, very limited studies have been conducted on the impact of the reforms on the information disclosure practices of SOEs. This study is based on multiple case design with data gathered from three large SOEs in Ghana. The main sources of data were documents and interviews with officials of the SOEs and key policy makers. The findings show that the disclosure relationships, objectives, and media are generally the same across all SOEs. There are however some notable variations from both the within-case and cross-case analyses, particularly, the generic sections, volume and disclosure types in their respective annual reports. There are also differences in relation to the processes of producing their disclosure media. With regards to the impact of reform programmes, the study found both sector-wide and industry-specific reform programmes, driven and underpinned by institutional forces and tenets of agency and stakeholder theories. These programmes have among other things, increased the numbers of stakeholders or principals that SOEs must disclose to (e.g. SEC, and other agencies created as part of reform programmes), expanded the nature of disclosure (managerial, program, procedures, and financial) and types of disclosure relationships (diagonal). Moreover, the reform programmes have increased the number of disclosure media, and that has resulted in more disclosure requirements and disclosure types for SOE performance-monitoring and evaluation. The study therefore provides empirical evidence on the calls for theoretical pluralism in explaining the phenomenon in public sector environment generally, and the impact of reform programmes on disclosure practices of SOEs in particular. It also suggests the need to revisit the issue of formulating a tailored single regulatory framework for the entire SOE sector (for example, a SOE Act), in view of the findings on disclosure challenges associated with multiple regulatory frameworks for SOEs and the SOE sector.

DEDICATION

I dedicate this work to my family.

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ABBREVIATIONS

AGM/ASM	Annual General Meeting/Annual Stakeholder Meeting
BPR	Business Process Reengineering
CA	Content Analysis
ECA	Economic Commission for Africa
EC	Energy Commission
ERP	Economic Recovery Programme
GCE	Government Controlled Enterprise
GDP	Gross Domestic Product
GIHOC	Ghana Industrial Holding Corporation
IDA	International Development Agencies
IEG	Independent Evaluation Group
IMF	International Monetary Fund
MOFEP	Ministry of Finance and Economic Planning
NGO	Non-Governmental Organisation
NMC	National Media Commission
NPA	New Public Administration
NPM	New Public Management
OECD	Organisations for Economic Cooperation and Development
PAC	Public Accounts Committee
PBE	Public Business Enterprise
PE	Public Enterprise
PEP	Public Enterprise Project
PFI	Private Financial Initiative
PID	Public Investment Division
PIS	Public Institutional System
PME	Performance Monitoring and Evaluation
PMR	Public Management Reform
PO	Parastatal Organisation
PPP	Public/Private Partnership
PSR	Public Sector Reform
PURC	Public Utility Regulatory Commission
SAC	Structural Adjustment Credit
SAP	Structural Adjustment Programme
SEC	State Enterprises Commission
SES	State Enterprises Secretariat
SOE	State-Owned Enterprise
SOERP	State-Owned Enterprise Reform Programmes
SSA	Sub-Saharan Africa
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

CHAPTER ONE

OVERVIEW OF THE STUDY

1.1 Introduction

This study examines one of the key segments of the public sector, State-Owned Enterprises (SOEs), in the context of several reform initiatives undertaken since the 1980s in many developed and developing countries. While these reform initiatives were motivated internally and externally, this study focuses on the externally recommended reforms, particularly those of the World Bank and International Monetary Fund (IMF). These reforms were in two variants: divestiture (complete and partial) and non-divestiture programmes. The latter, which is the focus of this study, was to make the strategic (core) and viable SOEs better in the areas of accountability, governance and disclosure of relevant and reliable information for effective monitoring and control, informed decision-making and, ultimately, to improve performance. This study, therefore, considers two key aspects of SOEs: their disclosure practices and impact of the non-divestiture reform programmes on disclosure practices.

This chapter presents, first, the background and underlying motivations for the study, followed by discussions on identified research gaps, and the formulation of research questions and objectives. The next section provides an overview of the scope of the study and justifications for using SOEs in Ghana, and the background to Ghana's SOE sector in relation to reforms in the sector. The final section presents how the entire thesis is organised.

1.2 Background and Motivation for the Study

Since the late 1970s and early 1980s, public sectors of developed and developing countries have experienced a phenomenal rate of reform experimentations described under labels such as Public Sector Reform (PSR), and New Public Management (NPM)¹. They were implemented, with varying degrees of emphasis, generally to address challenges arising from poor public sector performance including, ensuring the provision and delivery of quality

¹Other labels are cited and discussed later in chapter two. Some of the foremost countries to have experienced the reform programmes such as structural adjustment programme, privatisation, performance contract, corporatisation, financial sector reform, and so on, at national, sectorial and firm levels (macro and micro) include Pakistan, Bolivia, Senegal, Ghana, Ivory Coast, Nigeria, India, Chile, South Korea (see e.g, Nellis, 1989; Shirley, and Xu, 1998; World Bank, 1995).

public services. Specifically, they were to make the public sector more business-like (Hood, 1991, 1995a; Olsen & Peters, 1996; Page, 2005), and enhance efficiency, effectiveness, transparency and accountability in the sector (e.g. Lapsley, 2008; Pina & Torres, 2003).

Unlike developed countries, developing countries were affected by the reform initiatives based on neo-classical policy such as economic liberalization, Structural Adjustment Programme (SAP), and other initiatives sponsored by the IMF and the World Bank (see example Stiglitz, 2002). While some scholars argue that they were impositions on developing nations by donor agencies, such as the World Bank and the International Monetary fund (IMF), as conditions for financial assistance (Cook & Kirkpatrick, 1995; Uddin & Hopper, 2001, 2003), others perceive such developments as continuous domination of colonial logic (Mukandala, 2000), a subtle neo-colonialism and perpetual slavery (Omoyefa, 2008).

Regardless of the apparent controversy, the afore-mentioned reform programmes are broadly concerned with policies, structures, and practices to strengthen and improve management and performance in the public sector (Omoyefa, 2008; Schacter, 2000). The said programmes have different features and variations (Hood, 1995a; Lapsley, 2008), but are generally linked with economic, political, administrative, regulatory and governance and performance issues (e.g. Economic Commission for Africa [ECA], 2004; Independent Evaluation Group [IEG], 2008; Larbi, 2001; Owusu, 2006; Schacter, 2001; Steven & Teggman, 2004; World Bank, 2000).

At the heart of many of the above programmes are two key governance dimensions, namely, transparency and accountability which are best demonstrated and reinforced through disclosure of relevant and reliable information for improved decision-making and better monitoring and evaluation of performance (Islam, 1993; Kurunmäki, 2009; Ouda, 2003; Rahaman, 2009; Uddin & Tsamenyi, 2005).

Moreover, among public sectors, particularly those in developing countries, the State-Owned Enterprise (SOE)² sector has attracted the highest number of reform programmes over the

² From the literature, State –owned Enterprises (SOEs) are also described as Public Enterprises (PEs) sector, Parastatal Organisations (POs), and Government Controlled Enterprises (GCE), so are used interchangeably.

years. Nellis (2005) reports that about 98% of World Bank approved structural adjustment operations were SOE-related under names such as SOE reform programmes, public enterprise reform programmes, and so on. Practitioners and scholars explain that emphasis on SOEs is due to the negative impact of the sector's poor performance on the entire economy of many developing countries. Indeed, SOEs, during the period of reform, accounted for over 17% of GDP in Africa, compared to a global average of 10% (Nellis, 2005), and continue to play a much larger role in developing countries than their counterparts in developed countries (Smith & Trebilcock, 2001).

The reform programmes, therefore, sought to address problems causing the poor performance of the sector, some of which are huge debts and account receivables, poor monitoring, managerial and technical challenges, deficient board of directors, poor reporting systems, corruption, and political interference (see Nelli, 2005; Trivedi, 2008; World Bank, 1983, 1995).

In light of the above, two groups of reform strategies (not mutually exclusive) were proposed as solutions: a group that lead to changes in SOE ownership (divestiture or privatisation) and another that did not (Chang, 2007; ECA, 2003; Larbi, 2001; Mallon, 1994; Nellis, 2005; Smith & Trebilcock, 2001). However, from the literature, those programmes that result in change of SOE ownership (e.g. privatisation) appear to have received much attention. Chang (2007) explains that this trend stems from efforts by donor governments and agencies, such as the World Bank and the IMF, to influence developing countries to ensure that privatisation is considered as the main, and even the only way, for improving productivity, efficiency, service delivery and investment capital access, and for reducing budgetary burden of loss-making SOEs (see also World Bank, 1995). Thus, many of the studies on the impact of reforms in the SOE sector tend to focus on privatisation and the results are mixed (Tsamenyi, Onumah, & Tetteh-Kumah, 2010; Uddin & Hopper, 2001, 2003; Yonnedi, 2010).

In light of the above, there are calls for studies on reform programmes under the non-divestiture strategy (henceforth, by reform programmes we mean those under non-divestiture strategy) and the need to ascertain their impact on SOE practices and performance (Chang, 2007; Cook, 1997; UN, 2008). They include the legal and institutional interventions in the

SOE sector, which have the potential of making SOEs more accountable and transparent for informed decision-making and improved performance monitoring and evaluation, hence improved SOE performance (see e.g. Chang, 2007, Islam, 1993; Shirley & Xu, 1998, 2001).

However, there are very few comprehensive studies examining the impact of reform programmes on SOE practices and performance (Chang, 2007; Cook, 1997; Gómez-Ibáñez, 2007). In fact, many of the existing studies consider the impact of a single reform programme; corporatisation and performance (Aivazian, Ge, & Qiu, 2005), performance contract and actual performance (Larbi, 2001; Shirley & Xu, 1998, 2001; Simpson & Onumah, 2010), formation of state enterprises commission (SEC) and budgetary control and performance (Uddin & Tsamenyi, 2005).

The current study seeks to examine the impact of multiple reform programmes on SOE practices, cited as crucial to ensuring improved performance. Information disclosure is cited as one of the vital issues for improved SOE performance. Shirley and Xu (1998) for instance report that, poor performance of SOEs in developing countries ultimately arises from poor reporting practices. Other scholars call for accountability and transparency in the public sector including the provision of relevant and reliable information for better monitoring and functioning of SOEs (Greiling & Spraul, 2010; Islam, 1993; Rahaman, 2009; Solomon, 2007). In fact, there are attempts in the context of developed countries to develop corporate governance and disclosure framework for SOEs (OECD, 2005a, b; OECD, 2010). However, accountability barriers such as multiple principals, agents, tasks and objectives associated with public sector organisations (Heath & Norman, 2004; Trivedi, 2008), and differences in public sector environments have triggered the need for studies in other contexts.

It is against this background that this study seeks to ascertain and examine the disclosure practices of SOEs in a developing country. The study mainly examines how reform programmes in the SOE sector have influenced disclosure practices for timely and reliable information for better monitoring and evaluation.

1.3 Research Problem

Disclosure is generally concerned with releasing or simply sharing information considered useful for decision-making. It has been discussed in various fields of discipline such as human resource (Gospel, Lockwood, & Willman, 2003), accounting, finance, economics (Gibbins, et al., 1990; Healy & Palepu, 2001; Verrecchia, 2001), business communications (Beattie, et al., 2008; Williams, 2008), and health (Lansky, 2002) within both private and public sector settings. With respect to the private sector (especially publicly listed companies), disclosure is said to improve information intermediation by financial analysts, reduce estimation risk, improve stock liquidity, and reduce capital cost due to lower information risk (e.g. Healy & Palepu, 2001; Verrecchia, 2001). Moreover, in the public sector, disclosure is considered vital in ensuring transparency, performance monitoring, trust, and accountability (e.g. Greiling & Spraul, 2010; OECD, 2005a, b; OECD, 2010; Solomon, 2007).

Despite the importance that the literature unanimously accord to disclosure, many of the studies in both developed and developing countries have been on evidence from private sector entities, particularly publicly listed (e.g. Adelopo, 2011; Botosan, 1997; Cheung, Jiang & Tan, 2010; Gray, Kouhy, & Lavers, 1995; Healy & Palepu, 2001; Hossain & Hammami, 2009; Tsamenyi, Enninful-Adu & Onumah, 2007; Verrecchia, 2001). Furthermore, studies on disclosure practices are critiqued for being on a piece of the ‘disclosure puzzle’ (Verrecchia, 2001, p. 98). Thus, there is need for comprehensive disclosure studies to address questions such as: who to disclose to (parties to the disclosures), what to disclose (content of disclosures), when to disclose (timing of disclosures), why disclose (rationale for disclosures), and how to disclose (medium and presentation of disclosures)? (see e.g. Gibbins, Richardson & Waterhouse, 1990; Curtis, 2004; Williams, 2008).

In the context of public sector entities, there are relatively few disclosure-related studies in both developed and developing countries. Herawaty and Hoque (2007) explain that the dearth of disclosure studies from the public sector is due to the traditional perception that public sector performance is a ‘black box’ and information is limited to internal use and parliamentary review. This, perhaps, explains the limited research in public sector accounting globally and, particularly, in developing countries (Broadbent & Guthrie, 2008, Goddard,

2010; Rahaman, 2010). Bakar and Saleh (2011) confirm this, following a survey of the public sector accounting literature over a period of 30 years. They further established that the tier of public sector entities that receive less attention in most of the studies are SOEs, despite their economic and strategic importance, especially in developing countries. This could be due to ambiguity of SOEs emerging from their possession of both private and public sector attributes and interest (Thomasson, 2009).

Despite the above, disclosure studies on public sector organisations are not negotiable, if accountability and transparency principles are to be seen and understood from that context. Furthermore, though private sector entities can be excused for minimal disclosures, due to strategic and/or competitive reasons (Bakar & Saleh, 2011; Kochetygova, Popivshchy, Shvyrkov, Todres, & Liadskaya, 2005), the same cannot be said of public sector organisations, hence the need for disclosure studies to improve our understanding of the monitoring and evaluation of public sector performance.

From the few disclosure studies in public sector settings, Herawaty and Hoque (2007) examine the level of voluntary and mandatory disclosures by Australian government departments. Ferguson et al. (2002) also examine the level of voluntary disclosure by former SOEs listed on the Stock Exchange of Hong Kong. In the specific case of SOEs, Kochetygova et al. (2005) examine large Russian companies with divergent interests: State (partial & full); listed (local and foreign) and unlisted - listed on Russian and/or foreign exchanges); and unlisted ones that have publicly traded debt or preferred stock. In a survey of governance practices of OECD countries, only the various media of disclosure by SOEs were presented, i.e. ex ante, ex post and aggregate reports (OECD, 2005b). Bakar and Saleh (2011), from a review of the public sector literature, identify some incentives for disclosure of accounting information. In addition, Humayun and Adelopo (2012) provide a response, by exploring the disclosure practices of SOEs in Swaziland, but only with focus on governance disclosures.

With regard to how reform programmes influence disclosure practices in the SOE sector, none of the foregoing studies explored the impact of reforms on disclosure practices. To the best of the investigator's knowledge, only Bozec (2004) explicitly examined the impact of

reform programmes on voluntary disclosures. Drawing on evidence from Canadian SOEs, he specifically examined how commercialisation (a non-divestiture programme) and privatisation had influenced the level of information disclosed by SOEs.

Like the foregoing studies, Bozec's work provides evidence on a small piece of the disclosure puzzle (Beattie, Dhanani, & Jones, 2008; Gibbins, et al., 1990; Verrecchia, 2001, Williams, 2008) hence this study seeks to examine the broader perspectives of disclosure practices of SOEs and the impact of SOE reform programmes. Moreover, the focus of many of the studies has been on the conventional deductive analysis of annual reports, using disclosure checklists³. However, for SOEs that have multiple principals and multiple objectives, the medium of disclosure goes beyond annual reports (OECD, 2005b). Thus, the analysis of only annual reports presents an account of only one aspect of SOE disclosure practices. Besides, the use of disclosure checklists limits the comprehensiveness of findings, especially in grey sectors like SOEs. Consequently, content analysis without preconceived categorization (inductive approach) is considered more appropriate to providing opportunity to illuminate existing practices and gain new insight (Hsieh & Shannon, 2005), hence the adoption of the inductive content analysis in this study.

In a related study examining the impact of reform programmes on budgetary control and performance in SOEs, Uddin and Tsamenyi (2005) report that the creation of SOE monitoring agency, as part of The World Bank-sponsored reforms, affected SOE reporting practices but that made no positive changes to SOE accountability and performance. Rahaman, Lawrence, and Roper (2004) also report that the World Bank, through the provision of financial support (coercive isomorphism) influenced SOE's accounting and budgeting systems, including reporting on social and environmental issues. Findings from these two studies confirm the potential of reform programmes influencing disclosure practices of SOEs.

Apart from the above, theoretical explanation for disclosure practices among public sector organisations is mixed. Rahaman, et al (2004) draw on institutional theory to explain the rationale for social and environmental reporting by an SOE. Bozec (2004) also assumes a

³ This is discussed in the chapter on research methodology

dyadic relationship and focuses on economic-based disclosures, hence his adoption of agency theory. However, in the SOE sector, relationships are in tiers, multidirectional and multidimensional. In other words, the activities of SOEs affect and are affected by different and many stakeholders from the various arms of government, i.e. the executive, legislature, etc. Furthermore, disclosures relate both economic and non-economic issues, hence the need to explore other relevant disclosure theories.

In addition, there are quite extensive studies providing theoretical explanations for changes in accounting systems and practices among public sector organisations in both developed countries (Carpenter & Feroz, 2001; Modell, 2001 Tsamenyi, Cullen, & González, 2006;), and developing countries (Rahaman, et al, 2004; Uddin & Tsamenyi, 2005), but studies focusing particularly on disclosure practices are scanty. Bozec (2004) offers some limited theoretical explanation for the changes in the level of voluntary disclosure; and how reform programmes (commercialisation) influence disclosure practices in the public sector.

1.4 Research Objectives and Questions

Based on evidence from Ghana, this study primarily seeks to explore how reforms in the sector have influenced disclosure practices of State-Owned Enterprises (SOEs). Based on the research issues emerging from the above discussions, the following specific research objectives and questions are put forward:

a. To understand the disclosure practices of SOEs

1. What is the nature of disclosure relationships in the disclosure practices of SOEs?
2. What is the structure of disclosure media used by SOEs?
3. How are disclosures presented in the disclosure media of SOEs?
4. What are the processes of preparing the disclosure media of SOEs?

b. To explore the impact of public sector reform programmes on disclosure practices of SOEs

1. What is the nature of public reform programmes targeting SOEs?
2. Which reform programme(s) has/have the potential of influencing disclosure practices?
3. How do the identified reforms influence SOE disclosure practices?

c. To theorise the impact of reform programmes on disclosure practices of SOEs

1. What is the theoretical basis for disclosure by SOEs?
2. What are the theoretical explanations for changes in SOE disclosure practices?
3. How do SOE reform programmes explain SOE disclosure practices?

1.5 Scope of Study and Justification for selected Country

Defining the scope of any study is necessary at every stage of the research process; topic selection and research questions; literature review; research design; and many more. Indeed, the scope of any study defines the breadth and depth of the topic to be covered, time period, geographical locations, including criteria for information to be considered (Cooper & Schindler, 2011). In simple terms, it deals with fundamental questions such as what is being studied, who are the participants, where are they located, when and why is the study being conducted. In this study therefore, the focus is on reform programmes and SOE disclosure practices drawing on both primary and secondary data.

With regard to geographical location, Ghana is selected as the case, for some notable reasons. First, it is for accessibility and proximity to the required data. This is crucial, considering the politically sensitive nature of the sector under study. Secondly, Ghana has been at the forefront of political independence, democratic governance, social and economic progress in Sub-Saharan Africa (SSA). This has earned her the recognition by many scholars as a veritable and rich site for researching into developmental issues in African settings (Acharya, 1981; Ayee, 2008). Furthermore, elements of transparency and accountability are best examined in countries with the foregoing conditions (Hood & Heald, 2006; Kaufman, et al., 2009).

Thirdly, Ghana has a rich history of SOE sector and adoption of reform programmes. Indeed, Ghana is the first Anglophone nation in Africa to adopt IMF/World Bank- sponsored SOE reform programmes (Nellis, 1989; World Bank, 1995). Furthermore, the Ghanaian SOE sector has had both ‘good’ and ‘bad’ experiences, so far as implementation of the reforms are concerned (Shirley & Xu, 1998, World Bank, 1995), so such evidence will contribute

significantly to the body of knowledge, policy and practices in the SOE sector of Ghana and other developing countries.

Finally, the existence of an oversight and monitoring body for SOEs, known as State Enterprises Commission (SEC) in Ghana, makes it relatively easy to identify SOEs. This is critical, because in many jurisdictions, especially developing countries, it is difficult to identify the population of SOEs (IMF, 2001)⁴. Wettenhall (2003) adds that identifying the right classification of public sector organisation is crucial for better understanding of the public sector context and reform programmes in the sector. Ghana therefore provides an informative case study for an examination of the implications of reforms on disclosure practices of SOEs.

1.6 Background to the Ghanaian SOE Sector and Reform Programmes

The evolution of Ghana's SOE sector predates her political independence from the British in 1957, but the sector developed faster after independence, due to reforms in the sector to support the economic development programme of the country. For instance, Kwame Nkrumah, the first president of Ghana, was determined to attain economic independence, also, and so opted for a pro-market-oriented development strategy, described by Acharya (1981, p. 118) as "African socialism". As a result, several SOEs were set up as the medium of development. Indeed, the number of SOEs increased from four (4) in 1957 to fifty-three (53) by mid-1960s, operating in virtually all aspects of the economy as monopolies and monopsonies (Killick, 1978).

Also, during that period, the sector made significant contributions to employment and GDP. Specifically, the sector contributed about 86% of total registered employment in Ghana and approximately 26% of GDP (Appiah-Kubi, 2001; Killick, 1978). Additionally, between the period of independence and the end of 1966, employment generated by the sector had increased by 950% (Adda 1992). Profits from some of the SOEs were used to finance the setting up of additional public enterprises (including Banks) (Appiah-Kubi, 2001). Within the sub-region, SOEs in Ghana contributed significantly to the economy, earning the highest gross national savings of 16.2% and gross domestic investment of 24.7% (Acharya, 1981).

⁴ Details are discussed in subsequent chapters.

However, from 1966, when the first coup took place in Ghana and subsequent instabilities, the success story of the Ghanaian SOE sector began to reverse (Agyeman-Duah, 1987; Gyima-Boadi & Jeffries, 2000). Indeed, the economic condition of the entire country began to deteriorate under successive governments⁵. To reverse the situation, successive governments formulated and executed various policies to streamline, among other things, the sector. These included establishing the Ghana Industrial Holding Company (GIHOC) to regulate and supervise all SOEs in the non-financial sector. Also in the early 1970s, some government departments were separated from mainstream public service to operate as statutory corporations (SEC, 1995). Furthermore, other interventions were made, which resulted in crowding out of private sector initiatives by the SOE sector. These included the acquisition of majority interest in sectors dominated by private and foreign investors, restriction of foreign participation in many sectors of the economy, and subsequent confiscation of private enterprises allegedly engaged in financial malfeasance.

By early 1980s, Ghana had over 300 SOEs consisting of about 181 with 100% direct government interest, 107 with over 50% direct and indirect government interest, and 29 with minority interest. However, financial returns from these investments were very low. During that period, the SOEs were draining about 12% of total government expenditure (Adda, 1989; Opoku, 1997), resulting in a budget deficit of over 3% of GDP (Tangri, 1991).

In light of the above economic challenges, Ghana in 1983 opted for the International Development Agency (IDA)-sponsored bailout in the form of Economic Recovery Programme (ERP). As part of this economic reform were programmes targeting SOEs and the overall SOE sector. Like other developing countries, there were two groups of reform programmes: divestiture programmes and non-divestiture programmes. The former included a complete or partial privatisation of SOEs via sales or lease of SOEs, as a going concern or their assets. The latter, which constitute the focus of this study, generally focused on strengthening the management and supervision of SOEs, through legal and institutional reforms as well as various training programmes, to make SOEs efficient and profitable.

⁵ The leaders of governments were mostly military leaders.

1.7 Structure of the Thesis

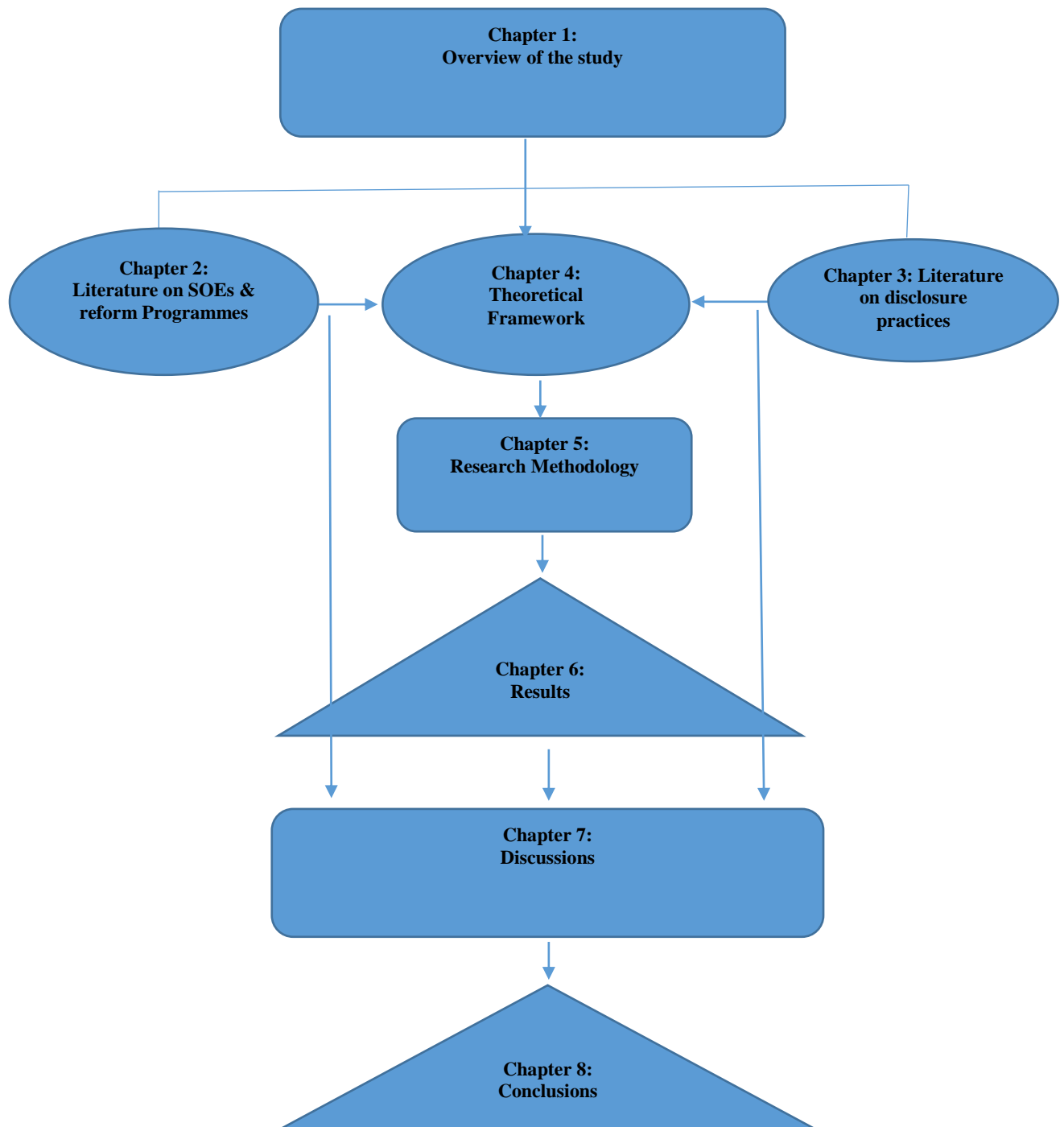
The study comprises eight chapters, which are connected and shown in Figure 1.1 below. Chapter 1 provides the background to the study, its motivation and objectives, research problems and questions. Also, addressed under this chapter are scope of the study, including justifications for the choice of SOEs in Ghana, and finally an outline of the entire study. This is followed by Chapter 2, which deals with the literature on public sector, particularly the SOE sector, implications of reform programmes for SOE practices, and the potential with regard to disclosure practices. Chapter 3 focuses on disclosure-related literature to throw some light on aspects of information disclosure that constitute disclosure practices.

Chapter 4 discusses the various theoretical perspectives on information disclosure, in an attempt to theorise disclosure practices of SOEs and public sector organisations in general. In addition, the chapter presents some relevant theoretical underpinnings of reforms in the public sector. These informed the choice of adopted theories and development of theoretical framework to conceptualise any potential association between reform programmes and SOE disclosure practices.

Chapter 5 presents and justifies the choice of research methodology and approaches, and Chapter 6 presents the results from the analysis of the data collected from primary and secondary sources in relation to the research objectives.

Chapter 7 is the discussion chapter, which integrates review of the literature and theory in Chapters 2, 3, and 4, vis-à-vis the results reported in Chapter 6. This informs what goes into Chapter 8, which presents the conclusions drawn from the study, and discusses the potential contribution of the study as well as limitations and directions for future research.

Figure 1.1: Structure of the Thesis



CHAPTER TWO

LITERATURE REVIEW: STATE-OWNED ENTERPRISES (SOES) AND REFORM PROGRAMMES

2.1 Introduction

This chapter seeks, among others, to review the literature on the nature of SOEs and developments in the sector, in the context of reform programmes. This is to aid the identification of sector players for possible inclusion in the study as cases and interviewees. Besides, the chapter highlights gaps in sector practices, particularly disclosure practices, and ascertains how reform programmes introduced into the sector have reduced the problem of information asymmetry for decision-making by actors in the sector.

Additionally, the chapter provides background knowledge on interpreting and understanding disclosure practices presented in chapter 3, and on how the potential of reform programmes influences disclosure practices in public sector settings. This is important because, as hinted in the introductory chapter, disclosure practices in public sector settings are less developed compared to private sector organisations. Therefore, this chapter sets the stage for review of literature on disclosure practices.

To achieve the above, the chapter is organised as follows: The next section provides an overview of the various domains of the public sector environment, particularly, the SOE sectors. This is followed by a review of literature on the background and nature of SOEs in both developed and developing countries. The section after this presents various ways of organising SOE sectors across the globe and the implications for the nature and types of relationships in the SOE sector. The penultimate section focuses on reforms in the public sector, emphasising those targeting the SOE sector. Consistent with the objectives of this study, this section discusses the reform programmes and their potential of influencing disclosure practices in the sector. The final section presents the chapter summary.

2.2 Locating SOEs in the Public Sector Environment

The phrase ‘public sector’ is often synonymous with public administration, public service, and governmental entities. This stems from the logic that public administration is irrelevant, if there is no public sector. The sector is said to encompass all activities of government, hence its description as a “compendious term” by the UN (UN, 2008, p.10). Besides, developments over time and other contextual issues have made the sector highly eclectic. Broadbent and Guthrie (2008), therefore, call for modifications in the definition, from public sector to public service, to reflect the changing nature of the sector.

Generally, what constitutes public sector is determined by the purpose (or function) of the entity involved, ownership (and/or control), source and flow of resource, level of centralisation and bureaucratisation, and the presence of multiple principals and tasks or goals (Dixit, 2002; Frumkin & Galaskiewicz, 2004; Hyndman & Anderson, 1997; Lienert, 2009; Schacter, 2000). Also, the nature of output and the ability to accurately measure that output can also be the basis for identifying what constitutes the public sector (Broadbent, 1999; Frumkin & Galaskiewicz, 2004). Frumkin and Galaskiewicz (2004) explain that in the public sector, outputs are often more difficult to measure and in some cases benefits can only be measured in the future. On account of these, the public sector is said to be made up of government departments and agencies, which execute State or government functions, including the provision of both market and non-market goods and services in the interest of all citizens (see also Mhone, 2003; Schacter, 2000).

Developments in the sector have made some of the aforementioned attributes inadequate in identifying what constitutes the public sector. For instance, there is a growing involvement of private sector entities and civil society organisations (including NGOs) in the provision of public goods, outsourcing of government functions to the private sector, joint ventures, and innovations such as Public Private Partnerships (PPP) and Private Finance Initiatives (PFI) (see e.g. Broadbent, 1999; Broadbent & Laughlin, 1998, 2005; Lienert, 2009).

In response to the above, attempts have been made, leading to definitions, based on legal frameworks, accounting standards and others categorisations. Among OECD countries, the public sector comprises general government and public corporations including central banks.

The United Nations provides a similar definition, except that in its definition, the sector includes not-for-profit institutions owned by the State (UN, 2008).

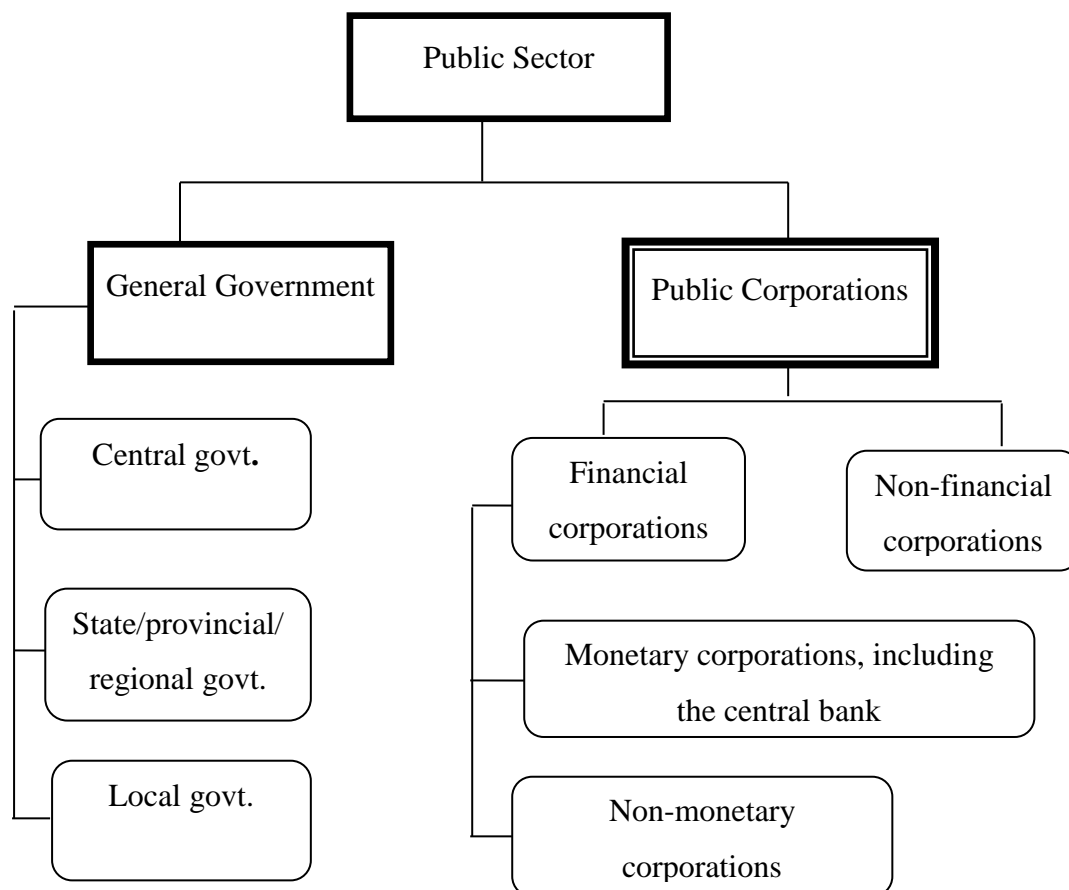
The IMF provides that any public sector has two main domains as shown in Figure 2.1 (IMF, 2001): general government and government-controlled entities (includes SOEs). The International Public Sector Accounting Standard Board (IPSASB) (IFAC, 2010) has also adopted this classification. General government consists of all governmental units of the executive, judiciary, and legislature at the central, state/provincial/regional and local levels concerned with formulating and executing public policy, by providing goods and services at relatively lower than commercial prices, as well as ensuring fair distribution of income and wealth among the citizenry. On the other hand, the public corporations, also known as public enterprises, SOEs, etc., include the financial and non-financial corporations concerned with commercial activities. They can further be categorised into the roles they play: promotion, facilitation, regulation with commercial orientation (UN, 2008), but distinct from quasi-corporations which are not legal entities and not incorporated.

Broadbent and Guthrie (1992) also identify central government, local government, Public Business Enterprises (PBE), and Public Institutional Systems (PIS) as the main domains of any public sector. They further explained that, PBEs are related and are part of central government, but PIS are part of both central government and local government. What is more, the complexities associated with the involvement of private sector and NGO in the public sector (PPP/PFIs and contract out) can be handled via PIS (Broadbent & Guthrie, 2008). They add that, relationships exist between the main domains and sub-domains arising from funding, ownership and control, accountability and governance, regulation and supervision, provision of service and policy directions, but such relationships have rarely been highlighted (see e.g. Broadbent & Guthrie, 1992, 2008).

Other scholars cite ministries, departmental boards, commissions, trusts, statutory authorities, special agencies (e.g. revenue collection agencies), public enterprises (government business, SOEs, etc.) as segments of the public sector (see e.g. Schacter, 2000), but what is consistently clear is that, the arrangements of any public sector are contextual and country-based, hence, the lack of universally applicable definition.

In this study, the IMF definition of public sector is adopted, since that allows comparability across countries, within countries and various institutional units, as well as moderates the difficulties associated with defining the boundaries and constituents of the public sector (see also Lienert, 2009).

Figure 2.1: Domains of the Public Sector



Source: Adapted from Figure 2.2 IMF, 2001 (p. 15)

2.3 State-Owned Enterprises (SOEs): Background and Nature

From the literature, the history of SOEs seems to vary beyond countries. For instance, SOEs are said to have emerged in OECD countries in the 20th century to address market and regulatory failures due to economic, financial, and political crisis (OECD, 2005b). In countries across Asia and South America, SOEs were seen as the solution to poor growth and slow development in those continents, but for African countries, the concept of SOE has been attributed to political, ideological, and cultural predispositions (Nellis, 2005; UN, 2008). Over time, the concept of SOEs seems to be changing, i.e. assuming more roles, which continue to affect their nature, hence the tag: hybrid organisations (Koppell, 2007; Thomasson, 2009). In recent years, SOEs find themselves between government agencies and commercial firms, compounding the difficulty in defining and identifying the SOE sector. Across the globe, they are heterogeneous in terms of nature of State ownership (listed or unlisted, partial or full), and their locus in the public sector, i.e. at federal/central, state/provincial/regional, and local levels. These, perhaps, explain the various tags and description such as Public Enterprises (PEs) and Parastatal Organisations (POs), Government Controlled Enterprise (GCE), Public Business Enterprises (PBE), etc. given to SOEs.

Literature presents very limited definitions of SOEs, but often they cover all undertakings with diverse legal and corporate forms (e.g. departmental undertakings, public corporations, statutory agencies). They include any “commercial, financial, industrial, agricultural, or promotional undertaking – owned by public authority, either wholly or through majority shareholding – which is engaged in the sale of goods and services and whose affairs are capable of being recorded in balance sheets and profit and loss accounts” (UN, 2008, p. 91). This definition appears to be very broad, as it includes all agencies concerned with the provision of goods and services using government revenues.

The OECD (2005a) guideline on corporate governance of SOEs, defines SOEs to include all enterprises that the State has significant control over wholly or partially (majority or significant minority). This definition, however, fails to distinguish between SOEs and joint ventures (less than 100% State-ownership). Earlier, the often cited World Bank policy research report, ‘Bureaucrats in Business’, defined SOEs as “government owned or controlled economic entities that generate the bulk of their revenue from selling goods and

services” (World Bank, 1995, p.263). This seems more specific as it clearly distinguishes SOEs from other government-owned entities concerned with the provision of goods and services, and emphasises direct control over indirect control, through significant minority ownership. Besides, it stresses that an SOE may be identified by the way its operations are funded (see also Broadbent & Guthrie, 2008).

In fact, SOEs may provide financial and non-financial services (regulation, promotion, facilitation, and selling), and may be subject to competition, but in identifying what constitutes an SOE, many studies describe SOEs as those engaged in non-financial services (see Chang, 2007; OECD, 2005b; UN, 2008; World Bank, 1995). Moreover, they are identified by attributes some of which are outlined in Table 2.1 (UN, 2008, pp. 39-40), and associated with the entities that fall directly under the supervision and regulation of a SOE oversight body. Also, in other jurisdictions, particularly developed ones, there are SOE Acts defining the SOE sector and providing guidance on the governance and reporting practices of SOEs (OECD, 2005b).

Table 2.1: Some useful attributes of SOEs

Areas	Features
General	Part of government and accountable to government Objectives are diverse and influenced by national politics
Innovative Orientation and Survival	Legal, political and bureaucratic restrictions on innovation Little or no incentives to innovate Limited interaction with external environment Minimal technological changes driven by the State budget Organisational changes are also driven the State Can survive as “loss makers” because of soft budget constraints
Human Resource and Remuneration	Hiring is formalised and standardised Civil service protected managerial positions Standardised pay and limited opportunities for extra rewards for effort Limited control over group norms
Management	System-wide rules for promotion and removal Limited ability to reward unique roles or performers Managerial behaviours are driven by civil service rules Difficult to provide feedback on performance Limited freedom to design jobs

Regarding the foregoing and for purposes of this study, SOEs are defined as *legally-incorporated entities with 100% State ownership, and concerned with the production and distribution of goods and services. They use all or most of the revenues generated by their operations, operate as autonomous or semi-autonomous corporate bodies, and are monitored by a supervisory or regulatory body.*

2.3.1 Nature and Development of the SOE Sector

Review of the literature on SOEs shows that the sector has gone through several phases of evolution over the years. In fact, the form and organisation of the sector appear to be based on factors such as how a country's entire public sector is organised, the roles and ownership structure of SOEs, and countries' experience of public sector reforms. For instance, in developing countries, the SOE sector structure is significantly influenced by the structural, regulatory, and institutional reforms implemented in the sector (e.g. Larbi, 1999; Nellis, 1989). Globally, the involvement and influences of the private sector, including adoption of private sector methods of providing goods and services is said to have also resulted in structural changes in the sector (see e.g. Broadbent and Guthrie, 2008).

Among the OECD countries, the SOE sector is arranged under three models: decentralised model, dual model and centralised model (OECD, 2005b). The foremost model which is the decentralised model is the traditional way of organising SOEs, by making them a part of or putting them under specific ministries (e.g., as a departments or agencies). To that end, the sector ministry directly controls and influences all the financial and operating activities of the SOE, and also manages and supervises all its activities. The main advantage of this is the absolute control that the sector ministry exercises over that SOE. This arrangement can however be critiqued for not clearly distinguishing ownership functions from regulatory and policy-related roles. Moreover, it is appears unclear who is actually running the SOE under this model, since the sector ministry is seen as very active in the day-to-day running of SOEs.

On the other hand, the dual model shares the responsibilities of SOE financial and operating activities between two ministries. The two ministries jointly appoint the board of directors of the SOE, and approve its strategic and major plans as well as transactions: but one ministry may be concerned with the financial and fiscal implications of SOE activities (e.g. ministry of

finance), while the other concentrates on operational, regulatory, performance monitoring issues, as well as policy coordination to ensure goal congruence as in Australia and New Zealand (OECD, 2005b).

In other countries, there is another version known as “the multi-model”, where the responsibilities of SOEs are shared among at least three ministries or bodies. In Korea for instance, there is also the “tri-model” where SOEs come under the ministry of finance, a sector ministry, and an audit and inspection body (see e.g., Chang & Singh, 1993; Chang, 2007). This form of SOE organisation clearly shows the segregation of responsibilities, which makes it relatively easy in identifying who should be held accountable for what; an example of flow of information. However, there is also a potential conflict of interest, delays, and bureaucracy, especially when it comes to decision-making and executing industrial policies.

The most recent trend is the centralised model, which puts all SOEs under one ministry or an agency, and gives some level of autonomy (see Chang, 2007)⁶. Where the agency option is adopted, the agency may report to a ministry or the executive (office of the president or prime minister) or to the legislature. Globally, this model appears to be favoured in both developed and developing countries, due to the advantages of attracting and retaining scarce expertise from both private and public sectors in areas such as reporting, auditing and governance. Besides, it has a high potential of promoting aggregate reporting on SOEs, helping to ensure standardised disclosure and governance practices across SOEs, and most importantly enhancing effective monitoring.

It is however not clear from the literature the common models operating in developing countries including Ghana, and the changes over the years. There is also the dearth of studies exploring whether the advantages of the foregoing arrangements are being enjoyed by developing countries, in view of evidence that many developing countries seem to have changed or are changing the arrangement of their respective SOE sector as part of reform programmes. In addition, these arrangements highlights various actors in the SOE sector, which give rise to sophisticated chains of accountability: management, board, ownership, sector ministries, and regulatory bodies (OECD, 2005a, b) worth examining.

⁶ Usually not financially autonomous

2.3.2 Nature and Types of Relationships

In discussing the constituents of the public sector, very little attention is often paid to existing and potential relationships among the various actors. However, identifying the types and forms of relationships that exist among the various actors in the public sector is essential for effective public sector management (Broadbent & Guthrie, 1992, 2008). These relationships may arise from ownership and control, governance, funding, regulation, service provision, accountability, and many more (Bozec, 2004; Broadbent & Guthrie, 1992, 2008).

The information needs of the various constituents of the public sector, however, have not received the required attention, hence questions about the usefulness of annual reports in the public sector (Mack & Ryan, 2007; Steccolini, 2004). Indeed, identifying potential and existing relationships within the SOE sector provides the basis for understanding the nature of relationship (agent-principal or stakeholder relationships) and demonstrating the element of multiple principals and agents associated with the SOE sector (see Health & Norman, 2004).

A survey of OECD countries explores relationships in the SOE sector, but since most of the SOEs are partially owned by government, the concentration was on SOEs and shareholders (OECD, 2005b). Therefore, relationships are often assumed to be dyadic, hence the appropriateness of the agent and principal relationship. However, for developing countries where most SOEs are wholly owned by the State, the relationships may be complex (direct and indirect), so, agency relationship may not suffice. Moreover, the relationships give rise to different information needs, hence, the need to understand how information is disclosed to stakeholders in the public sector and changes over the years, in the context of reform experimentations in the sector.

2.4 Reforms in the Public Sector

The history of reforms in the public sector can be traced to public administration in view of the evidence indicating that reforms perceived as new are actually not (Ayeni, 2002; Frederickson, 1996; Gruening, 2001; Gültekin, 2011). Rather, there are only a few that have

gained global recognition, hence, labels such as New Public Management (NPM), Public Sector Reform (PSR), and Public Management Reform (PMR).

The term “reform” has several meanings, and has been variously described as innovation, experiment, programme, revolution, and change. In broad terms, reform is associated with a deliberate or planned change; an innovation and improvement; the need to cope with uncertainties and rapid change, which in turn calls for some urgency; any heavy technical content but inherently political processes; any specific institutional issues or system-wide change; any means to an end, not the end itself; and a combination of strategies and approaches (Ayeni, 2002, p. 2). Moreover, the sources, goals and targets of these reform initiatives are myriad across jurisdictions, but the targets over the years have been central government administration (mainstream civil service), SOEs (or public enterprises), and local administration.

Groot and Budding (2008) explain that the first recognised reform in the public sector was evidenced in the USA, aimed at reforming politics and administration by advocating for a more interventionist State, the separation of politics and administration, and dealing with corruption and performance-related problems. This was followed by a search by governments in Europe, Australia, New Zealand and other OECD countries in the late 1970s to early 1980s to improve the way the public sector was being managed, due to market failure and State crisis (see, also Larbi, 1999). In fact, areas targeted included the political, economic, social, and technological environments in order to improve how the entire public sector was managed to ensure efficiency, economy, effectiveness, accountability, and transparency (see Kettl, 1997; Kickert, Klijn, & Koppenjan, 1997; Lapsley, 2008; Pina & Torres, 2003).

African, Asian, and other developing countries had their share of reforms in the 1980s, but as prerequisites for economic assistance from World Bank and IMF. These reforms have been labelled as structural adjustments, economic, and administrative reforms (Cook & Kirkpatrick, 1995; Kikeri, Nellis, & Shirley, 1994; Larbi, 1999; Uddin & Hopper, 2001, 2003).

Based on the foregoing and experiences across countries and jurisdictions, versions or models of reforms in the public sector have emerged over the years. Ocampo (2000) talks about three well-known models: Osborne and Gaebler's (1992) Reinventing Government; Hood's (1991, 1995a) New Public Management (see also Hood, 1991); and Hammer and Champy's (1993) Business Process Reengineering (BPR)⁷. Frederickson (1996) also cited an earlier model referred to as the New Public Administration (NPA). Whilst, Reinventing Government, BPR, and NPA are identified with the USA, New Public Management (NPM) has been associated with OECD countries and Europe in particular.

For developing countries, the version of reforms has been the IMF/World Bank-sponsored reforms, based on the above models and "best practices" from developed countries. This version has the tag: Public Sector Reform (PSR) or Public Management Reform (PMR). By nature, this version of reform is a hybrid of those from developed countries, thus, exhibits characteristics of already existing versions of reform in the public sectors of other jurisdictions. This suggests that this model of reform lacks its unique themes as the foregoing models of reform traced to developed countries (Hammer & Champy, 1993; Hood, 1991, Kettl, 1997; Osborne & Gaebler, 1992; Pollitt & Bouckaert, 2011). Perhaps a unique characteristic of this model of reform is that it is externally sponsored (IMF/World Bank) as a condition for economic bailout. Furthermore, it is generational and consists of several components (IEG, 2008; Owusu, 2006; Therkildsen, 2000) targeting different aspects of the public sector (e.g. SOEs, civil service, local government, Health, etc.).

In additions, public sector reforms in developing countries have to do primarily with structural and economic adjustments, downsizing, legal and regulatory issues, governance and anticorruption, decentralisation, financial management and budgeting, divestiture, performance management, and many more (IEG, 2008; Owusu, 2006; Therkildsen, 2000). As stated earlier, the targets of these reform programmes are the various segments of the public sector (see Figure 2.1 in this chapter).

⁷ This model is less popular due to the limited application in the public sector (Halachmi, 1995)

Historically, the part of public sector that attracted many of the reform programmes is the SOE sector. In fact, about 98% of the reform programmes are said to be SOE related (Nellis, 1989).

Other studies confirm this and explain that the concentration on public enterprises stems from the long dominance of the sector in many developing countries, and the impact of their poor performance on the country as a whole (see World Bank, 1983; World Bank, 1995). However, studies on the implications of the various versions of reforms in general (Kurunmäki, 2009; Lapsley, 2008) and those in the context of developing countries and the SOE sector in particular, remain scanty and mixed (IEG, 2008; Owusu, 2006; Therkildsen, 2000). However, with respect to the SOE sector, there is little to show in the literature on specific reform programmes, and evidence of the impact of such reform initiative on policy formulation and practices (Chang, 2007; Cook, 1997; Gómez-Ibáñez, 2007), including disclosure practices, hence the current study.

2.4.1 Reforms Targeting the SOE Sector

The SOE sectors of developing countries have undergone various reforms, particularly during the post-independence era in the case of most African countries (see, Acharya, 1981; Nellis, 2005). However, the World Bank- sponsored reform programmes appear to be the types that gained global recognition. Earlier studies show that, the focus on SOEs stems from poor performance traced to problems with SOE reporting, absence of performance monitoring and evaluation, managerial and technical challenges, deficient board of directors, corruption, and political interference (see Jefferis 1994; Nellis, 1986, 1989; Schick, 1998; World Bank, 1983).

From the foregoing studies, the identified SOE problems were said to be both internally and externally inspired, and related to macro and micro level issues. Nellis (1989) for instance reported that “deficient macroeconomic policy, uneconomic pricing regimes, the lack of clearly defined objectives for individual enterprises or sub-sectors of enterprises, conflicts, and shortcomings in the legal and regulatory framework, overly easy access to the banking and credit system, weak financial structures, ineffective or interfering monitoring systems and chaotic budgetary relations...” (p. 2) were some of the main problems. These triggered

the first World Bank-sponsored reform programme for the SOE sector in 1978, but was implemented three years later under various labels including Structural Adjustment Loan (SAL) and Structural Adjustment Credit (SAC), etc. By 1988, the number of operational, sectorial, and structural adjustment initiatives had increased to 101, out of which 83 related to the SOE sector (Nellis, 1989).

Empirically, the reform programmes targeting the SOE sector have been variously categorised and described as privatisation/liquidation/divestiture⁸, physical and financial rehabilitation, management and performance contracts, management incentives and institutional changes (see Berg & Shirley, 1987; Swanson & Wolde-Semait, 1989). Nellis (1989), one of the pioneer authors on SOE reform programmes, categorised the reforms into issues on policy changes, human resource (labour), guidance and evaluation, and restructuring and rehabilitation. The author further put the reform programmes into three main categories: macroeconomic policy and financial frameworks; institutional reforms (guidance, supervision and evaluation); and divestitures in any form.

Analysis of the above and other classifications of reform programmes indicate two broad groups labelled as either divestiture (privatisation) and non-divestiture reforms or privatisation and alternative privatisation reforms (see e.g. Chang, 2007; Galal, 1990; Nellis, 1989; World Bank, 1995). Divestiture reform programmes generally entail full or partial sale/transfer of ownership of SOEs, the sale of SOE assets, leasing arrangements, contracting out, and liquidation of SOEs in various forms. This group of reform programmes constitutes about 40% of the first sets of reforms in the SOE sector in the 1980s (Galal, 1990; Nellis, 1989). Proponents of this group of reform programmes argue for ownership change and posit that governments must not be in charge of running businesses, considering the poor performance of SOEs and the budgetary implications on State resources.

The non-divestiture SOE reform programmes include all reforms other than those defined as a divestiture or privatisation, hence, the tag alternative privatisation reforms (see e.g., Chang, 2007; Cook, 1997; Galal, 1990; World Bank, 1995). Moreover, they are applicable as sector-wide programmes or to specific SOE or industry (not mutually exclusive). Advocates argue

⁸ Often the terms divestiture and privatisation are used interchangeably.

that SOEs can do very well if the macroeconomic, financial, institutional, and regulatory issues are properly sorted out, because there are many successful SOEs as private sector firms (e.g. Chang, 2007; Cook, 1997; Shirley, 1999; Vagliasindi, 2008).

Although the non-divestiture reforms are the oldest and constitute 60% of the reform programmes targeting the SOE sector, divestiture programmes have relatively received much attention in the reform literature (Chang, 2007; Cook, 1997; World Bank, 1995). For example, Chang (2007) notes that “until recently, privatisation was widely considered to be the main or even the only way to improve SOE performance” (p. 17). Furthermore, Cook (1997) explains that the bias towards divestiture programmes occurs because non-divestiture reforms are politically and technically more difficult; they require more work, including coordination of the roles and relationships of all relevant actors in the SOE sector; and finally their success is dependent on economic stability during the period in question (see also World Bank, 1995).

On account of the above, information on non-divestiture programmes, and their implications is scanty (Cook, 1997; Nellis, 1989, 2005). Gómez-Ibáñez (2007) specifically notes that, “there is less research on the alternatives to privatisation than on privatisation” (p. 5), and concludes that “many of the options have not been carefully studied” (p. 49). This informs the calls for studies on the options under the non-divestiture group implemented in different jurisdictions, the nature of the programmes, and the impact on SOE practices and performance (see Vagliasindi, 2008). These developments informs the current study to go beyond the debate on change of ownership (divestiture) and focus on the impact of non-divestiture reform programmes on SOE practices, including their disclosure practices.

2.4.2 Non-Divestiture Reforms and Information Disclosure

Non-divestiture Reform programmes (henceforth reform programmes) are generally organisational, administrative, institutional, and legal in nature. Furthermore, they are undertaken at sector, industry, and firm levels. Despite their nature and target of implementation, the primary objective is to address the root cause of poor SOE performance, and ultimately improve the performance (financial and non-financial) and contributions (economic and non-economic) of SOEs (e.g. Cook, 1997).

Review of the reforms studies show that the underlying principles of the components of this group of reform programmes are similar, but different terminologies, classifications, and descriptions are used in different countries. Drawing on the sector-wide classifications, the reform programmes are performance contracting, corporatisation and/or commercialisation of SOEs, management and governance-related reforms (including financial and performance reporting, accounting and auditing), and comprehensive monitoring reforms via the creation of supervisory and regulatory bodies (e.g. Gómez-Ibáñez, 2007; Nellis, 1989; Shirley & Nellis, 1991; World Bank, 1995). At firm (i.e. specific SOEs) and industry levels, they include pricing policy, staffing, training and capacity building (managerial and financial), restructuring, and rehabilitation (Nellis, 1989). Chang (2007) groups them into organisational, political, administrative, and institutional reforms, and reforms that increase competition and eliminate monopoly and monopsony.

However, each of the above-mentioned reform programmes is not tailored to a particular SOE problem. For instance, while some of the reform approaches deal with ensuring managerial autonomy and accountability, there are others such as supervisory and regulatory reform programmes, which address accountability conflicts between players in the SOE sector (e.g. SOE managers, Ministries, etc.). Gómez-Ibáñez (2007) aptly summarises the problem as follows: “we don’t know enough to specify exactly when and where each approach might work because available research and evidence is simply too limited. But we have some important hints about the circumstances favouring different kinds of reform” (p.7). This supports calls for studies adopting the longitudinal field study strategy to explore changes in public sector organisations arising from reforms (see also Hoque & Moll, 2001).

The foregoing informs the objectives of the current study in order to examine the impact of the various reform programmes on information disclosure and disclosure practices of SOEs. Empirically, there are very few studies focusing on the impact of specific reform programmes on information disclosure by SOEs (Shirley & Xu, 1998). Many of the studies suggest the potential of reforms influencing reporting and accountability by public sector organisations (see Aivazian, et al, 2005; Bozec, 2004; Gómez-Ibáñez, 2007; Guthrie, 1993; Hoque & Moll, 2001; Lee & Fisher, 2004; Simpson & Onumah, 2010). There are also studies, which report

changes in the reporting and information disclosure of SOEs attributable to reform programmes, but these studies made no reference to any particular reform programme (e.g. Lee & Fisher, 2004; Rahaman, Lawrence, & Roper, 2004; Uddin & Tsamenyi, 2005).

Lee and Fisher (2004), for instance, examined the 1999 annual reports of 73 public sector entities operating in the economic infrastructure industries of Australia, to ascertain the disclosure of infrastructure asset information in five broad areas: valuation, maintenance, physical condition, assets planning and management, and performance measurement. They report that disclosure levels were low and diverse, particularly in the areas of the physical condition and maintenance of infrastructure assets, as well as performance measurement. They also report that the other areas that recorded high disclosure levels were driven by the passing of reporting guidelines by the State and not by changes in the corporate form of public enterprises through for example, corporatisation. Based on evidence from Ghana, Rahaman, et al., (2004) report that a power utility SOE began to report on environmental and social issues and made changes in its financial management systems to legitimise its relationship with international financial institutions such as the World Bank. Another study by Uddin and Tsamenyi (2005) examines changes in the budgetary practices of a SOE, but their findings show changes in the reporting practices of that case. In both studies, the changes were not identified with a particular reform programme, and the focus was on only the traditional medium of reporting by SOEs, i.e. annual report.

Taking cognisance of the above and objectives of this study, the next section reviews the extant literature on the non-divestiture reforms, particularly those implemented across the SOE sector and the potential of influencing SOE disclosure practices and flow of information from SOEs to stakeholders in the sector.

2.5.2.1 Corporatisation and Commercialisation

Guthrie (1993) explains that corporatisation involves the processes of moving away from the conventional form of public sector organisations into a form that allows for corporate governance and accountability. Shirley (1999) adds that corporatisation is the initiatives undertaken to ensure that SOEs operate as though they were private corporations in competitive and efficient regulatory and legal environment, where there is absence of

subsidies and special privileges, and provision of managerial autonomy and incentives as private managers. Others explain that corporatisation involves hiving off an SOE from a ministry or department, enabling it to be recognised as statutory and distinct legal entity and undertaking policy changes to enable the SOE have managerial autonomy to adopt “best” or commercial practices (e.g. Gómez-Ibáñez, 2007; Hoque & Moll, 2001; Ouda, 2008).

On the other hand, commercialisation is said to include the modernisation of public sector practices by adopting and adapting private sector practices, without necessarily transferring ownership (privatisation) or allowing private sector management or management contract (e.g. Guthrie, 1993; Hoque & Moll, 2001; Nor-Aziah & Scapens, 2007). According to Guthrie (1993), commercialisation entails implementing commercial management principles and styles in public sector entities. Further, Hoque and Moll (2001) establish that the process may take three stages: the creation of business relationships between customers and suppliers of public services; establishing formal intra-government or inter-department trading relationship (partial commercialisation); and allowing the adoption of practices just like private firms (full commercialisation).

Ouda (2008) adds that it involves the process of moving any commercial type operations from direct government control; evidenced by a clear separation of SOEs from government departments, and seen as autonomous in terms of property and property rights, accounting and reporting, performance monitoring and evaluation. More specifically, other scholars emphasise that commercialisation involves the change from social and political orientations to profit making; and other elements such as restructuring, change or shift in mandate to market (profit) orientations, decentralisation of functions, creation and separation of independent units to be more focused, and advancing managerial (and/or financial) autonomy (e.g. Bozec, 2004; Guthrie, 1993; James, 2005; UN, 2008).

The two concepts, i.e. commercialisation and corporatisation, seem very related and complementary. Scholars explain that corporatisation may be an evidence of commercialisation or may be a pre-requirement for commercialisation, and other reform programmes (e.g. Nor-Aziah & Scapens, 2007). Furthermore, it may be a form of commercialisation where SOEs are made body corporates (legally), operate under hard

budgetary constraints as other entities, and required to internally generate revenue to cover all costs (UN, 2008). In fact, corporatisation processes can lead to facilitating competitions and marketisation, and adoption of commercial practices. Moreover, the objectives of the two concepts are similar; both are concerned with clarifying operational and financial autonomy, formulating corporate objectives and responsibilities, property rights and decision rights, organising effective organisational structure for monitoring and decision-making processes, and ensuring effective and efficient use of organisational resources (see Dixon & Kouzmin, 1994; Fellow & Kelaher, 1991; Hoque & Moll, 2001).

There are, however, some unique differences with respect to elements within the context of public sector reforms. For example, corporatisation leads to legal transformation of a public sector agency into a legally independent and autonomous corporate body (e.g. Limited Liability Company or Joint Stock Company, statutory corporation), but commercialisation may not necessarily require legal reform or change in the form of ownership structure (see, e.g., Nor-Aziah & Scapens, 2007). Furthermore, corporatisation allows an SOE to operate and prepare financial statements separate from its parent ministry. Thus, it is considered a necessary condition for effective commercialisation (Aivazian et al., 2005; Guthrie, 1993; Hoque & Moll, 2001; James, 2005; Nellis, 1989; UN, 2008).

Theoretically, Guthrie (1993) argues that corporatisation and commercialisation of public sector organisations will result in a change of norms and practices in accountability, auditing, accounting, and public sector management in general. He adds that corporatisation of public sector organisations compels them to go beyond traditional accountability issues, thus, the process requires the establishment of various levels of accountability and reporting systems between SOEs and other actors in the SOE sector (see also Aivazian, et al, 2005; Gómez-Ibáñez, 2007).

However, empirical evidence in the literature on the impact of corporatisation and/or commercialisation reform programmes on SOEs performance and practices is very few, particularly, those in the context of developing countries (see Aivazian, et al, 2005; Gómez-Ibáñez, 2007; Nor-Aziah and Scapens, 2007). Aivazian, et al. (2005), who authored one of the few studies, examined the impact of corporatisation on the performance of SOEs in

China, based on a single case study. The authors established that corporatisation positively influenced one of the three dimensions of SOE performance; efficiency, but not profitability and investment. They traced this significant positive impact to changes in the internal governance structures resulting from corporatisation. Nor-Aziah and Scapens (2007) also explored how corporatisation affected accounting change in a Malaysian Public Utility. They reported that there had been accounting changes to legitimise operations, though with some resistance. It also resulted in creating conflict and tension between accountants and operations managers, as well as changes in budgeting, but not connected to most organisational activities.

Also, in the area of information disclosure, studies explicitly examining the impact of corporatisation and/or commercialisation are spotty. Based on evidence from public sector organisations within different domains of the Australian public sector, Lee and Fisher (2004) posit that corporatisation of public sector entities to operate under the same legal regime as private sector entities, will lead to increase in information disclosure (including infrastructure assets disclosure) in annual reports. Results from a cross sectional content analysis of annual reports show that, the public sector entities/ organisations in the study made high disclosure in areas that reporting guidance are provided by government. They conclude that corporatisation does not explain the levels of disclosure on infrastructure assets (Lee & Fisher, 2004).

Bozec (2004) also examined the impact of commercialisation on information disclosure of SOEs in Canada, and suggested that this reform programme has inculcated into SOEs the principles and practices of private firms. Based on content analysis of the annual reports of SOEs, he reported that SOE managers made additional information disclosures, particularly, financial disclosures (historical and projected results).

In addition to the above mixed results, other scholars suggest that corporatisation and commercialisation of SOEs have the potential of improving information disclosure, the quality of the information for monitoring and performance evaluation of SOEs (Gómez-Ibáñez, 2007; Shirley & Xu, 1998), and perhaps, their disclosure practices.

2.5.2.2 Performance Contracting

Contracting is generally associated with some form of agreement between two parties or groups of parties. Generally, performance contracting is the process of agreeing in writing and based on mutual expectations, some targets which but may not be legally enforceable (Shirley & Xu, 1998, 2001). Nellis (1989) defines performance contract as a negotiated agreement between two parties; government as the owner of public enterprises and management of the enterprise. It outlines the underlying principles, rights, obligations, and responsibilities of both parties. It goes by diverse names such as contract plan (France, Mexico, and Senegal), memorandum of understanding (India), performance evaluation, and monitoring systems (South Korea), performance agreement (USE), and signalling system (Pakistan). There are also hybrid models such as performance monitoring and evaluation system (Philippines, Ghana) and programme agreement (Bolivia).

Despite the apparent differences in descriptions, the underlying principles and features of each system are similar (Shirley, 1989 a&b; Islam, 1993; Shirley & Xu, 1998; Trivedi, 1990). In addition, they are standardised and formalised with corporate objectives, targets, obligations and responsibilities, with systems of reward clearly stated (Islam, 1993; OECD, 1999; Shirley & Xu, 1998, 2001; World Bank, 1995).

Performance contracts may focus on the State (government) and board of directors/managers of SOEs (or just the chief executive officer). From the reform literature, performance contract is considered a major intervention to commercialising SOEs and, inter alia, encouraging accountability, corporate planning, information flow, ensuring managerial autonomy, performance monitoring, and formalising SOE and state relationship (Islam, 1993; Nellis & Kikeri, 1989; Shirley & Xu, 1998, 2001; World Bank, 1995). However, most of the studies examining the impact of this reform programme have been biased towards SOE performance (e.g. Larbi, 2001; Mallon, 1994; Shirley & Xu, 1998, 2001; Simpson & Onumah, 2010). Shirley and Xu (1998), for example, highlighted how this programme addresses the information problem of SOEs. They posited that a performance contract could improve the performance of SOEs when it reduces the information gap between parties to the contract. Based on data gathered on 12 SOEs from six countries, including Ghana, they reported that information provided by 42% of the cases is poor in quality and not timely. They however

conclude that, evidence on whether the introduction of performance contract has improved the timeliness and reliability of information from SOE is inconclusive, thus, the need for further studies.

Later studies report that SOEs are more accountable than before, and that targets in performance contracts are not as soft as anecdotally reported, suggesting an improved information flow by SOEs (Boston Institute for Developing Economies (BIDE), 1998; Simpson & Onumah, 2010). However, questions associated with the bigger picture, that is, the impact on disclosure practices appear unexplored. This is critical following evidence of efforts to understand the incentives for information disclosure (Bakar & Saleh, 2011) and the disclosure of some specific information by public sector organisations (Herawaty & Hoque, 2007; Lee & Fisher, 2004; OECD, 2005a&b).

2.5.2.3 Legal and Supervisory Reform Programmes

These reform programmes are said to be crucial in ensuring that SOEs adopt and execute practices associated with commercialisation (see Gómez-Ibáñez, 2007; Nellis, 1989). For instance, legal reforms are generally concerned with corporatisation. Furthermore, the legal reform programmes clarify the legal identity of SOEs, allow the preparations and presentation of separate accounts and constitution of board of directors, increase managerial autonomy for procurement and hiring, and lessen control procedures (Gómez-Ibáñez, 2007; Guthrie, 1993; Nellis, 1989).

Legal reforms may take the form of formulating or amending relevant legal frameworks to expand or narrow the operations of SOEs, and allow competition and minimise the presence of monopolies and monopsonies. Gómez-Ibáñez (2007) observes that, the legal reform may take the form of incorporating existing SOEs to operate under the same or similar law as private sector organisations. Among OECD countries, legal frameworks in the form of SOE Act, targeting the entire SOE sector have been promulgated to standardise information expected from all SOEs (OECD, 2005b).

There is however, a paucity of empirical studies examining the impact of these types of reform programmes on SOE practices and disclosure practices in particular. From the few

empirical studies, it is suggestive that legal reform programmes have the potential of influencing disclosure practices. Lee and Fisher (2004) report that the provision of reporting guidelines by government (mandatory) to public sector entities increase disclosure levels. Gómez-Ibáñez (2007) also argues that incorporating SOEs to operate under the same or similar law as private sector organisations, would make them bound by the same strict accounting and reporting requirement as private corporations, hence, compel managers to reveal more information about their operations and performance than they would have done traditionally.

Closely linked to the above is the establishment of supervisory agencies to among other things, ensure that the changes associated with commercialisation and corporatisation reform strategies, and performance contracting become conspicuous in the operations and practices of SOEs for improved performance. Nellis (1989) further notes that, the creation of supervisory agencies is to move SOE supervision from rigid and bureaucratic pre-control and approval, towards a reduced and more flexible post-performance evaluation system.

Gómez-Ibáñez (2007) also explains that, this kind of reform is to minimise the extent of political interference from, especially, sector ministries. He adds that, corporatisation through legal reforms though necessary, is not sufficient to insulate SOEs from political meddling and ensure SOE commercialisation; thus, the creation of supervisory agencies for SOEs moderates such interferences, and encourages the introduction of “best practices” into the SOE sector (see also Vagliasindi, 2008). Lee and Fisher (2004) further argue that creating such regulatory and supervisory bodies compels public sector organisations to make much more disclosure (quantity and quality), despite the fact that most are not available to the public.

Historically, the creation of supervisory agencies for the SOE sector predates the inception of the World Bank reform strategies; however, the rebirth of SOE supervisory bodies under the World Bank reform programmes has resulted in a shift of emphasis. For instance, in many developing countries, including Ghana, the traditional objective of supervisory agencies was to provide general supervision to SOEs, offer advice to government to make the management of SOEs efficient and profitable, and coordinate the operations of SOEs (Gómez-Ibáñez,

2007; Vagliasindi, 2008). The introduction of World Bank-sponsored reform programmes has made the objectives of supervisory agencies supportive to ensuring SOE commercialisation and performance monitoring and evaluation (Nellis, 1989), as well as planning and proposing future reform programmes.

Empirically, however, there is little to show in the literature on progress and impact of the use of supervisory agencies on practices in the SOE sector. Nellis (1989) earlier noted that much remained undone in terms of studies on progress and taxonomy of SOE supervisory bodies. In response, there have been some studies highlighting some common models of SOE supervisory agencies: decentralised model, dual model and centralised model (OECD, 2005b), hence the need to examine the impact of changes in the supervisory arrangements on disclosure practices of SOEs, especially in the context of developing countries.

2.5 Chapter Summary

This chapter had multiple objectives, including identifying SOEs and players in the SOE sector in particular and generally in the public sector environment. Also, the chapter sought to analyse reform programmes targeting the SOE sector, and to discuss the potential of those programmes in influencing disclosure practices in the sector. Finally, it sought to introduce the discussions on disclosure practices in chapter 3. This was achieved by presenting literature from three related areas: the domains of the public sector vis-a-vis the SOE sector, the background and evolving nature of SOEs and the sector, and the nature of public sector reforms emphasising those targeting the SOE sector.

From the literature review, it can be concluded that SOEs remain an integral part of any public sector environment, regardless of the definition of scope and domains of the public sector. However, it is becoming more difficult to identify and define an SOE, considering expansions in the roles of SOEs and developments in the sector. One of the ways of mitigating the above is by creating an agency to be in charge of all SOEs. In Ghana, the State Enterprises Commission is an example of this arrangement.

In the area of reforms in the public sector, it can be concluded that the segment of the public sector that historically attracted the most attention, in the form of reform packages from the World Bank, IMF and other donor agencies, is the SOE sector. There were reform programmes resulting in changes in SOE ownership (privatisation), but others did not (e.g. non-divestiture). However, there is paucity of research on the latter, thus, the resurgence of interest from scholars, the World Bank and IMF consultants, specifically in research on the impact of such reform programmes on practices of public sector organisations. Moreover, the reform programmes have multiple objectives seeking to address interconnected SOE problems, hence the lack of clarity in tracing reform programmes to a particular SOE problem as well as the best order to implement the reform programmes.

Having discussed the literature on public sector reforms in this chapter, the next chapter considers the literature on disclosure in order to understand the impact of the reforms on disclosure.

CHAPTER THREE

LITERATURE REVIEW: DISCLOSURE AND DISCLOSURE PRACTICES

3.1 Introduction

This chapter reviews extant literature in an attempt to providing an understanding of the disclosure practices of SOEs, and exploring how reform programmes could affect disclosure practices of SOEs. To achieve these objectives, the chapter consists of seven sections, starting with an introduction. This is followed by definitions and explanations of disclosure and disclosure-related terminologies and concepts. This is to provide clarification and understanding of the many aspects and dimensions to disclosure practices. The third section presents literature on the rationale and objective of corporate disclosure as well as relationships that drive the need for such disclosures. The next section discusses the various disclosure categories and types that emerge from disclosure studies, including those developed by organisations such as the OECD, The United Nations Conference on Trade and Development (UNCTAD), etc. The fifth section discusses the media of corporate disclosure available to organisations and the forms in which disclosures may be presented in the adopted disclosure medium. The penultimate section discusses the factors that are likely to affect disclosure practices of organisations, especially those in public sector settings. The final section presents the chapter summary.

3.2 Understanding Disclosure and Disclosure Practices

Information over the years has been an integral part of virtually every endeavour that requires decision-making. This has made the term ‘disclosure’, arguably, the most topical and popular issue in the private, public and not-for-profit sectors. This explains the burgeoning discussions on disclosure-related issues in many areas of study, such as human resource (Gospel, et al., 2003); business communication (Beattie, et al., 2008, Williams, 2008); accounting, finance, and economics (Healy & Palepu, 2001; Verrecchia, 2001); and health (Lansky, 2002). Though these developments should be seen in positive light, attempts in various disciplines to offer explanations and highlight the importance of disclosure have resulted in a proliferation of disclosure terminologies and related concepts, which has largely diluted the understanding of the practice.

In the area of accounting and finance, which is the focus of this study, the term has become amorphous, so described in several ways. Verrecchia (2001) for instance explains that the growing literature on disclosure have made it both heterogeneous and highly idiosyncratic. Therefore, to distinguish it from other practices such as public relations or marketing, Williams (2008) recommends the need to use ‘corporate disclosure’ instead.

Drawing on the extant literature from accounting, finance and related fields, this section presents and reviews existing definitions in order to propose a definition to guide the current study. This is followed by a review of disclosure-related terminologies to provide clarity, and possibly properly classify them for some level of understanding in the context of public sector organisations and SOEs in particular.

3.2.1 Defining Corporate Disclosure

Disclosure is generally associated with sharing, releasing and communicating some useful information. In accounting and finance, disclosure has traditionally been linked to financial reporting (Verrecchia, 2001) and identified as one of the few ways of dealing with information asymmetry and solving agency problems (e.g. Berle & Means, 1932; Healy & Palepu, 2001, Jensen & Meckling, 1976; Ross, 1973), and in recent years, linked to corporate reporting, value reporting, and sustainability reporting (Farneti and Guthrie, 2009; Mahadeo, Oogarah-Hanuman, & Soobaroyen, 2011; Williams, 2008).

Earlier disclosure studies⁹ rarely provided a comprehensive definition of disclosure, and the few attempts focused on only some aspects of disclosure (Gibbins, et al., 1990; Meek, Roberts, & Gray, 1995). Based on their seminal inductive (grounded) theory work described as the most prevailing, Gibbins, et al. (1990) define disclosure as “any deliberate release of financial information, whether numerical or qualitative, required or voluntary, or via formal or informal channels” (p.122). This definition has, since, been adopted by subsequent disclosure studies, but also criticised for highlighting only financial disclosures, hence calls for the need to expand or redefine the concept (see e.g., Dye, 2001; Meek, et al., 1995; Williams, 2008).

⁹ See Healy & Palepu (2001) and Verrenchia (2001) for a review of the empirical disclosure literature over a period of three decades.

Motivated by the above and search for a universal taxonomy for corporate disclosure, Williams (2008) defines corporate disclosure as “any purposeful public release of information - financial, social or environmental, required or voluntary, qualitative or quantitative - that is likely to have an impact on the company’s competitive performance and on the strategic making on its internal and external audience” (p. 237). This definition notably adds other disclosure types (non-financials). She further explains that the word ‘public’ replaces ‘deliberate’ to take cognisance of only formal and written disclosures (not information leaks or unintended disclosures).

Comparing the above definitions and developments in the disclosure literature in recent years instigates further expansion of the existing definitions of disclosure. Indeed, there have been evidences of firms formally and publicly releasing misleading financial and non-financial information for opportunistic and strategic reasons. The case is worse when it comes to narrative disclosures, which are rarely audited and made up of managerial biases (Cheung, et al, 2010; Core, 2001; Williams, 2008). Moreover, the use of graphs and other visual elements has become a significant dimension to disclosure studies, hence worth considering in defining disclosure (Beattie & Jones, 2008; Beattie, et al., 2008; Curtis, 2004).

In view of the foregoing, this study defines corporate disclosure as *a purposeful formal release of relevant and reliable information voluntarily or compulsorily by a company to its internal and external audiences on its financial and non-financial operations, presented using narratives, numeric and visuals, and in both conventional and contemporary channels of communication.*

3.2.2 Defining Disclosure Practices

The above definitions of corporate disclosure highlight a number of disclosure-related terms and concepts. They include the type of information - financial, social or environmental (disclosure types); the objective of disclosure - required or voluntary (disclosure forms); nature of the information- numerical or qualitative (or narrative); the form of presentation- visual elements; the disclosure channels - the formal or informal means of communicating corporate information; and the quality of disclosure - relevance and reliability.

Apparently absent from the definitions are the processes, tasks, activities, and strategies of disclosure (Courtis, 2004; Gibbins, et al., 1990; Williams, 2008). Gibbins, et al., (1990) define disclosure processes as “all activities and procedures, the individuals or groups involved, the alternatives considered, the timing and sequence of events, and the threads and connections among people and events” (p. 126). Courtis (2004) emphasizes all choices (free and regulated) associated with what he considers as the three conventional aspects of disclosure: nature of information (content), the period (timing) and how the information is presented. Williams (2008) adds that disclosure process includes all the tasks and activities undertaken to determine what is to be disclosed, why it should be disclosed, how it should be disclosed and so on (see also Tooley, Hooks, & Basnan, 2010). She summarised the process in three broad words: determine (the analysis, interpretations, and decisions of materiality), disclosure (decision to disclose or withhold, disclose now or later, etc.) and document (use of annual report or other media).

The foregoing discussions emphasize the need to include the processes making disclosure, the choices, perceptions, opportunities and outcomes, which is based on either an existing regulatory environment or management’s personal values and knowledge. Recent studies add the need to include the processes of producing the media of disclosure (e.g. annual report) which hitherto have been neglected (see e.g., Skaerbaek, 2005).

Empirically, studies in relation to the above have been spotty and mixed. Gibbins, et al., (1990) for instance reported that, an individual’s attitudes and preferences, as well as the Chief Executive officer (CEO) influence the disclosure processes of organisations. Bartlett and Jones (1997) from a longitudinal study of 20 years report that the architect of that entity’s disclosure policies and practices is the board chairman. Williams (2008) highlights a growing trend where most organisations are forming disclosure committees to decide on an entity’s disclosure processes, policy and practices- analysis, interpretations, documentation and communication of corporate information. Marshall and Heffes (2003) confirm this in a survey of 300 companies by Financial Executive International (FEI) which shows that about 74% of large organisations have such Committees. They add that such Committees often consist of high-level managers such as the CEO, investor relations officer, the head of finance

(controller or executive director), the general counsel (company secretary/solicitor), and others with the required expertise.

The above developments have the potential of standardising the disclosure process of organisations, encouraging teamwork (and not an individual's preferences), engendering accountability as a particular team is identified as responsible for all corporate disclosure, and improving the reliability and timeliness of corporate disclosures to investors and management.

In summary, corporate disclosure practice can be said to be an embodiment of all processes, activities, tasks and choices of a body corporate that gives rise to the need for information by its internal and external audiences, due to some established relationships (economic and non-economic, mandatory and voluntary), decisions and choices by the company with respect to the kind and nature of information to release, the timing, the presentation and media for communicating to all the company's audiences. Like corporate reporting, it starts with identifying the objective and purpose of disclosure (why disclose), followed by the parties to disclosure (to whom), the issues to disclose (what issues) and finally, how the disclosures should be made (Deegan & Unerman, 2011; Tooley, et al., 2010).

3.2.3 Disclosure-related Concepts and Practices in the Public Sector

From public sector literature, the term 'disclosure' appears uncommon, despite evidence that conditions creating information asymmetry and agency problems also exist in that sector. In fact, such conditions seem more pervasive in the public sector than in the private sector settings, due to problems of multiple principals, agents, tasks, and objectives (Benz & Frey, 2007; Heath & Norman, 2004; Moe, 1987). Moreover, the description of the public sector with respect information as a 'black box' by Herawaty and Hoque (2007) confirm the pervasiveness of information asymmetry in the public sector environment.

Though the term disclosure is rarely used in public sector settings (Bakar & Saleh, 2011), the terms 'accountability' and/or 'transparency' are commonly used for information- related

issues such as reporting, government communications and many more¹⁰. Similar to the disclosure concept, accountability and/or transparency have also been ubiquitous in both private and public sectors over the years (e.g. Bushman & Smith, 2003; Tregidga, Milne, & Lehman, 2012), and variously explored in subject areas, such as accounting and finance, public administration (policy and political discourse) and law (e.g., Bovens, Schillemans, & Hart, 2008; Christensen & Skaerbeak, 2007; Mulgan, 2003; Sinclair, 1995). This makes the concept of accountability multidisciplinary and seems to explain the absence of a universal definition (Bovens et al, 2008; Hood & Heald, 2006; Mulgan, 2003; Schillemans, 2011), hence, the description of the concept as, a chameleon (Sinclair, 1995).

Generally, the two concepts are often bracketed with each other and concerned with openness to scrutiny (stakeholders) and debate, availability of some specific information when needed, reporting and provision of explanations to stakeholders (see e.g. Hood & Heald, 2006; Kaufman, et al., 2009). Comparatively, accountability is said to be broader than transparency. Roberts (2009) explains that transparency is a form of accountability, so, it is rarely defined in the public sector literature compared to accountability. Scholars confirm that accountability covers all practices relating to openness and freedom of information, transparency, responsiveness, responsibility, controllability, accounting and control systems, and reporting (Bovens, 2007; Bovens, et al., 2008; Dubnick, 2005; Koppell, 2005; Sinclair 1995).

Traditionally, accountability is seen as a mechanism for establishing relationships, based on obligations (formal) and not on moral grounds (voluntarily) (Bovens, 2007, Bovens, et al., 2008; Sinclair, 1995). In recent years, it has become a virtue in terms of it being an evaluative tool (responsibility, responsiveness, transparent, trustworthy, and fair) and a practice in the public sector environment - compulsory and voluntary (Bovens, 2010; Schillemans, 2011). In all these attributes, it involves a party known as the actor/accountor/agent reporting and offering explanations to another party or parties, known as the forum/accountee/principal, who may ask some questions to inform their judgment, and give the possible consequences to

¹⁰ This is not suggesting that disclosure cannot use or has not been used in public sector settings. Similarly, accountability and transparency can be used and has been used in private sector settings.

the actor (s). Added to this is the fact that the actor must be obligated or bound to give an account (formal or mandated accountability), and in some cases (rare though) may undertake informal or voluntary accountability described by accountability scholars as accountability practice (see e.g. Schillemans, 2011; Vamosi, 2005). Vamosi (2005) adds that accountability is considered more formal because it must be documented, explicit, trustworthy and audited.

Conceptually, accountability covers four main elements: the actor, the forum, the nature of information, and the reason for giving account. These have been summarized into questions such as: who, whom, about what, and why? (Bovens, 2007; Bovens et al, 2008; Mulgan, 2003; Sinclair, 1995). Response to these questions have resulted in a number of accountability elements, types and forms shown in table 3.1.

Sinclair (1995) for example, cited five forms of accountability: public, political, managerial, professional and personal. Bovens (2007) expanded these drawing on four accountability elements: actor, forum, activities, and obligations. He adds that these are not mutually exclusive. Proponents explain that, an actor may be an organisation, a group or an individual; and a forum, which may be political, public, social, legal, professional or administrative. This arrangement creates actor-forum relationships and the nature of the relationship determines the kind of information (financial, managerial, programmes, etc.). In addition, the nature of the relationship determines whether the nature of obligations (or accountability) is vertical, horizontal, or diagonal. For instance, in public and political relationships between an actor and forum, accountability is hierarchical, thus the nature of obligation is vertical. Furthermore, obligations of actors to other actors or parties on equal footing (have mutual benefits) are said to be horizontal accountability. This type of accountability is generally informal and voluntary (see Bovens, 2007; Schillemans, 2011).

There is also the diagonal accountability, which is considered a shadow of the hierarchical accountability, and arguably, the least explored type of accountability. Schillemans (2011) reports that hierarchical or vertical accountability studies have dominated the literature, thus, there is little to show with respect to which accountability types and forms ensure better monitoring and evaluation for improved performance.

Table 3.1: Types and Forms of Accountability

Questions	Nature of accountability elements	Accountability types and forms
Who	Actor	Corporate or organisational/hierarchical/collective/individual
To whom	Forum	Political/legal/public/administrative/professional/social
About what	conduct (operations)	Financial/managerial/procedures/product/programmes and policies
Why	Obligation	Vertical/Horizontal/diagonal

Source: Developed from Bovens (2007) and Sinclair (1995)

Relating the above to corporate disclosure practices shows a number of similarities, traceable to the questions: who accounts, to whom, about what, why account and how to account? However, accountability is said to be broader and more comprehensive than disclosure (Bushman & Smith, 2003, Coy & Dixon, 2004).

3.3 Disclosure Relationships and Objectives

As established in previous discussions, information asymmetry is at the centre of disclosure and accountability. Furthermore, it is often traced from the different relationships that an entity has with its internal and external audience. These relationships are commonly described as agency relationship and stakeholder relationship, and they constitute that part of disclosure and accountability concerned with the question; to whom does one disclose?

Related to the nature of disclosure relationships is the question; why disclose? Firms may disclose to meet some minimum requirements (mandatory/ritualism) and/or to maximise an opportunity (voluntary/opportunism). This section therefore reviews literature on the nature of the disclosure relationships and the objectives of disclosure.

3.3.1 Disclosure and Accountability Relationships

Disclosure and accountability relationships have generally been seen as dyadic, i.e., management and owners, hence an agency relationship (see e.g., Eisenhardt, 1989; Ross, 1973). The relationships have over the years been extended to those other than owners (shareholders) drawing on the normative and ethical aspects of stakeholder relationship¹¹. Though many of those stakeholder relationships are not enforceable, they are spurred by an entity's effort to gain legitimacy (see e.g. Deegan & Unerman, 2011).

Like other organisations, SOEs have several types of relationships (see chapter 2), including financing and ownership relationships, oversight and monitoring relationships, auditing, supervisory, regulatory, licensing relationships, collaborative relationship with other state departments, and customer/supplier relationships. Moreover, there are other SOE disclosure and accountability relationship with the state (represented by the executive), international agencies in some cases (e.g., World Bank), the legislature, other state agencies, and other SOEs. However, many of these relationships in the case of SOEs are specified in the legislature instruments establishing them, thus, may be enforceable in many jurisdictions (see e.g., OECD, 2005b).

Ascertaining the foregoing actors and nature of disclosure relationship is important in establishing the objectives of disclosure. Tooley et al. (2010) report that determining whom to disclose to influences the objective and purpose of disclosure. Deegan and Unerman (2011) add that identifying recipients of disclosed information helps in establishing which information is mandatory and which is voluntary.

3.3.2 Mandatory and Voluntary Disclosure

The objectives of disclosure are several, including stakeholder management, ensuring legitimacy, accountability, addressing principal-agent problem, maximising managerial and shareholder wealth, etc. (see e.g. Deegan & Unerman, 2011; Tooley et al., 2010). These are classified into what are commonly known as mandatory and voluntary disclosures. Gibbins et

¹¹ Extensive review of the underlying principles is in chapter four. See examples, Clarkson, 1995; Donaldson and Preston, 1995; Freeman, 1984; Friedman and Miles, 2002; Mitchell, et al., 1997.

al. (1990) also introduced the terms ritualism and opportunism, showing an entity's predisposition to accepting and adhering to some prescribed routine procedures and standards for measuring and disclosing information (ritualism), and seeking and pursuing some specific advantages (opportunism).

Generally, mandatory disclosures are the information provided by an entity to meet some minimum and strict regulatory requirements. Such disclosures are to ensure the release of information necessary for decision-making by all relevant stakeholders. They tend to be explicit and specific, including the consequence for non-compliance. These disclosures are made periodically, i.e. annually, semi-annually, and quarterly. The sources of mandatory disclosures are often the regulatory framework applicable to the country under consideration and reporting standards. They include Acts and Decrees, IFRS, IPSAS and other generally accepted guidelines. In addition, the type of organisation influences the composition of mandatory disclosure. For example, publicly listed companies have relatively more requirements than other forms of business ownerships since mandatory disclosures are critical to the functioning of capital and product markets (e.g. Gibbins, et al., 1990; Healy & Palepu, 2001; Verrecchia, 2001).

Voluntary disclosures are the information provided in excess of established requirements (compulsory), and represent free choices on the part of company managements to provide accounting and other information deemed relevant to the decision needs of users (see e.g., Brown et al., 2004; Kumar et al, 2008; Meek, et al, 1995). Such disclosures are not required by any law or regulation, but are based on managerial incentives (Dye, 2001; Healy & Palepu, 2001) and for stakeholder management (ethical).

It is important, however, to note that voluntary disclosures can be expected from an entity by its stakeholders even where there are no explicit laws or regulation. In recent years of corporate failures, for instance, stakeholders expect more disclosures from entities than what is required. Scholars argue that mandatory disclosure complemented with voluntary disclosure is very useful in valuing a firm's future prospects (e.g. Core, 2001; Healy & Palepu, 2001; Verrecchia, 2001).

Empirically, defining voluntary disclosures has been purely subjective, especially in cases where little information is presented by the institutional and regulatory frameworks governing the sector being studied (Beattie, et al., 2008). However, many of the disclosure studies have focused on voluntary disclosures (e.g. Botosan, 1997; Deegan & Unerman, 2011; Dye, 2001; Meek, et al., 1995; Verrecchia, 2001). Justifying the trend, Cheung et al. (2010) argue that companies are not rewarded for complying with mandatory requirements, hence the concentration on voluntary disclosure. They explain that the relationship between mandatory disclosure and market value is not statistically significant, and it is only when voluntary disclosure increases that a firm can be said to be transparent, i.e. reducing information asymmetry between insiders and outsiders, thereby promoting management accountability and reducing the monitoring cost of investors.

However, in the context of developing countries, where enforcement mechanisms are either relaxed or non-existent (Ali, et al., 2004), mandatory disclosure appears more imperative. Interestingly, many of the disclosure studies from developing countries, especially those in Africa, appear to focus on voluntary disclosures (Adelopo, 2011; Barako, Hancock, & Izan, 2006; Tsamenyi, et al., 2007).

In the public sector setting, there are few studies on mandatory and voluntary disclosures. Bozec (2004) examined the level of voluntary disclosure by Canadian SOEs, and reported that commercialisation and privatisation increases voluntary disclosure about financial information - historical and projections. Herawaty and Hoque (2007) developed mandatory and voluntary indices, based on guidelines of the Australian public sector. Drawing on a single year's annual reports of 56 government departments (state and local governments), they report an average mandatory and voluntary disclosure levels of 58% and 65% respectively. They conclude that this was inadequate, but the basis for such a conclusion is not clear. In fact, the basis could either be comparative disclosures in previous years (intra-firm comparison), inter-firm comparison, or similar studies in other jurisdictions. The absence of any of the cited basis of comparisons for informed discussions and conclusions may be indicative of the need for further disclosure studies in the public sector, and SOE sector in particular to provide such a basis for comparisons.

3.4 Disclosure Categories and Types

This section deals with studies on types and kinds of information disclosed by entities. From disclosure studies, information disclosed by entities may be grouped into financial and non-financial or quantitative and qualitative (e.g. Ferreira & Rezende, 2007; Narayanan, Pinches, Kelm, & Lander, 2000). However, classifying disclosures as qualitative has been questioned, following the argument that the so-called qualitative disclosure can also be quantified (see e.g. Ferreira & Rezende, 2007). This has resulted in a number of disclosure categories described as disclosure types (Williams, 2008), which cover governance, operations, financials and accounting, and other contemporary disclosures (e.g. social, environmental and sustainability).

Conventionally, many of the disclosure studies in both public sector and private sector settings have been based on categorisations proposed and validated in earlier studies by Meek et al., (1995) and Botosan (1997) (e.g. Adelopo, 2011, Barako, 2006; Ferguson, et al., 2002; Tsamenyi, et al., 2007). Meek et al. (1995) proposed 85 voluntary disclosure items, categorised into strategic, financial, and non-finance. Botosan (1997) also developed 55 voluntary disclosure items under five headings: background information, summary of historical results, key non-financial statistics, projected information, and management discussion and analysis.

Over the years, some organisations have also developed disclosure categories considered as best practice for different entities, but bias towards publicly listed companies. Moreover, distinction is not made between the disclosure categories that are mandatory and voluntary. For example, the Standard & Poor's Transparency & Disclosure index was developed, based on disclosures in annual reports of companies operating in both developed and emerging markets including Africa (Patel & Dallas, 2002). The index consists of 98 disclosure items covering three broad areas: ownership structure and investor rights, financial transparency and information disclosure, and board and management structure and process.

The United Nations Conference on Trade and Development (UNCTAD)¹² has also been providing disclosure items on good practices on corporate governance since 2002. The index consists of 53 disclosure items, broadly grouped into financial and non-financial. It has further been divided into five areas: financial transparency and information disclosure, ownership structure and exercise of control, board and management structure and processes, corporate responsibility and compliance, and auditing (UNCTAD, 2006, 2008).

Taking cognisance of the unique nature of SOEs and the need for better accountability and performance of SOEs, OECD¹³ issued the OECD Guidelines on Corporate Governance of State-Owned Enterprises based on the 2004 edition of OECD principles on corporate governance, to address the concerns associated with the various forms of state ownerships (control through full, majority, and significant minority). The guideline covers 30 disclosure items under these areas: legal and regulatory framework, rights and responsibilities of the state as an owner, rights and treatment of minority shareholders, relations with stakeholders, transparency and disclosure, and issues on SOE Boards.

In the public sector, Bozec (2004) adapted Botosan's (1997) index for his study on Canadian SOEs, Kochetygova et al., (2005) also applied the S&P disclosure index on the Russian SOE sector, and in recent years, the UNCTAD disclosure items were used to assess the disclosure of governance practices by Public Enterprises in Swaziland (Humayun & Adelopo, 2012).

Reviewing the above disclosure items shows that focus is on the private sector entities and publicly listed SOEs (see e.g. UNCTAD, 2008). Even the OECD framework, which attempts to focus on SOEs, appears biased towards SOEs with partial ownership and those publicly listed. Also, all except the S&P's T&D, seem to concentrate on governance disclosures, but there are equally important disclosure types, which show the interaction between an

¹² This draws from the OECD Principles of Corporate Governance (including revisions), the International Corporate Governance Network (ICGN) Corporate Governance Principles, past ISAR conclusions, the Commonwealth Association for Corporate Governance Guidelines (CACG Guidelines), the pronouncements of the European Association of Securities Dealers (EASD), the EU Transparency Directive, Cadbury Report, the Combined Code of the UK, the United States Sarbanes-Oxley Act, and many other codes in Asia, Europe, Australia, Africa, etc. (See www.unctad.org/isar).

¹³The process began in June 2002 by the OECD Working Group on Privatisation and Corporate Governance of State-Owned Assets

organisation and its internal and external audiences. Some of the notable disclosure types in the disclosure literature are reviewed in the following subsections.

3.4.1 Corporate Governance Disclosures

Corporate governance simply deals with ownership, management and control of an organisation, and broadly encompasses the structures, processes, cultures and systems that engender successful operation of an organisation (Keasey, Thompson, & Wright, 1997). Lee (2006) defines governance as the formal mechanisms of direction, supervision, and control put in place within a company in order to monitor the decisions and actions of its senior managers and ensure these are compatible and consistent with the specific interests of shareholders and other interests of stakeholders who contribute to the operations of any company.

Further review of the corporate governance literature¹⁴ cites certain indispensable elements as indicative of good governance practice. They include the existence of board of directors and management, nature of remuneration, internal and external control structure and systems, auditing (internal and external), corporate reporting, and ethical behaviour (Combined Code on Corporate Governance, 2003; OECD, 2005a; UNCTAD, 2006). Particularly, disclosure about board of directors and management is said to be the necessary and sufficient element of any governance practice (Cadbury Report, 1992; Cochran and Warwick, 1988; Fredrick, 2011).

In view of this, corporate governance disclosures generally cover information on details of the board of directors and management. These include names of board members and management, their professional background and experience (especially board members outside the entity, i.e. non-executive directors), responsibilities of board, board composition (e.g., gender balance and number of executive directors (EDs) compared to non-executive directors (NEDs), date of appointment and tenure, remuneration and compensation policy for directors, names and composition of board sub-committees. Recent studies show the

¹⁴ See example, Cadbury Report, 1992; Cochran and Warwick, 1988); Combined Code on Corporate Governance, 2003; OECD, 2005a; UNCTAD, 2006.

emergence of the use of pictures for board issues, considering that their ability attracts attention and boosts confidence (e.g. Bernardi, Bean, & Weippert, 2002; Davison & Warren, 2009; Parker, 2009)¹⁵.

In the public sector, the few disclosure studies cite governance disclosure items (Herawaty & Hoque, 2007; Ryan & Ng, 2000). This probably motivates the recent resurgence of interest and search for governance framework for public sector organisations (Kamal, 2010; OECD, 2005b; Fredrick, 2011). Ryan and Ng (2000) identify governance disclosure items under leadership (CEO and executive management), management environment (setting of objectives, roles and responsibilities of management, and ethical issues), risk management (identifying and managing risk), monitoring (control structures and systems), and accountability (internal and external reporting on compliance to laws and performance with respect to objectives). They further report that most of the public sector entities (83%) make disclosure on monitoring activities, and fewer than 30% of the entities make disclosure on accountability issues. Moreover, the average number of pages in the annual report devoted to governance disclosures is four (4), the maximum and minimum number of pages is ten (10) and one half (½) respectively.

Drawing on evidence from Australia, Herawaty and Hoque (2007) also identify eight (8) governance disclosure items based on regulatory frameworks on Australian government departments. They include names and responsibilities of senior executives, management committees, and roles, information on risk management, corporate and operational planning, nature and amount of remuneration, statement of governance practices, policy and practices on ethical behaviour, and statement of compliance with fraud principles. Results show that between 75%-80% of the government departments have disclosure items such as corporate planning, names and responsibilities of senior executives, management committees and roles, and statement of governance practices as the topmost items.

In light of the above mixed evidence, and search for governance framework for the public sector (see e.g., Fredrick, 2011; OECD, 2010), the current study explores the above governance disclosures, including other issues such as qualifications, professional background and

¹⁵ This is not considered in the governance disclosure categories discussed above

experience and the use of images of the board members, and possible changes over a long period.

3.4.2 Operational and Financial Disclosures

From the disclosure categorisations discussed earlier, disclosures on operational results generally cover information on an entity's objectives. They include general description of business products and services, industry and sector of operation (e.g. Botosan, 1997; UNCTAD, 2006). Disclosures on financials, however, cover wider areas. They include information on accounting policy, on valuation of assets and liabilities, accounting and reporting standards, related-party and intra-group transactions, auditors and audit report, review of financial performance (at most 5 years), comparative financial statements (income statement, balance sheets, statement of changes in equity, statement of cash flow, and notes to the accounts), projection of key financial performance indicators, and many more (e.g. Botosan, 1997; Meek, et al, 1995; OECD, 2005a; Patel & Dallas, 2002; and UNCTAD, 2006).

Beattie et al. (2008) add that disclosure on operations and financial activities of an entity may be combined or disclosed separately. In terms of average number of pages devoted to such disclosures in annual reports, evidence from top UK companies report that there is growing disclosures through reviews on operations rather than on financials (ibid).

In the public sector, there is little information on such disclosure categorisations. Herawaty and Hoque (2007) mention 12 disclosure items, which relate to financial performance and 30 associated with operational performance. The disclosures on financial results primarily cover overview and discussion of performance, comparison of actual performance with targets, reports from external auditors (Auditor-General), and reports from parliamentary committees.

Bozec (2004) also reports that due to commercialisations, Canadian SOEs define their goals and provide information on their strategies, productions and market conditions. This has resulted in increased operational disclosures, but financial disclosures show a more significant increase over a period of 3 years. The current study adds to the literature in terms of the number of pages of SOE annual reports devoted to this disclosure types.

3.4.3 Intellectual Capital, Environmental and Social Disclosures

These disclosure types have traditionally been discussed under labels such as corporate social responsibility disclosures (CSR) and social responsibility disclosures (SRD). Earlier proponents argued for these disclosure categories to show an organisation's interaction with its physical and social environment (Guthrie & Mathew, 1985; Guthrie & Parker, 1990). This argument has been sustained, and recent advocates have broadened such disclosures into sustainability disclosures (see e.g., Deegan & Unerman, 2011).

Generally, these disclosure categories cover issues on internal and external stakeholders (providers of capital, customers, suppliers, employees), health and safety, training and education, labour and employment issues, human right and gender issues, pollution control, prevention and/or repair of environmental damage, conservation of natural resources, energy conservation and energy efficiency of products, and community activities (Gao, 2011; Global Reporting Initiative (GRI), 2011).

Empirically, many of the studies have been categorised in the foregoing disclosures as intellectual capital disclosures (Abeysekera & Guthrie, 2004; Beattie & Thompson, 2007; Campbell & Rahman, 2010); social and environmental disclosures (Gray, et al, 1995; Jones & Solomon, 2010; Milne & Adler, 1999; Thomson and Bebbington, 2005); environmental disclosures (Deegan & Rankin, 1996; O'Donovan, 2002; Patten, 1992); and corporate social responsibility and sustainability disclosures (Mahadeo, Oogarah-Hanuman, & Soobaroyen, 2011). In recent years, sustainability is used and it covers disclosures on social, economic, and environmental issues (Adams & Larrinaga-González, 2007; Farneti & Guthrie, 2009; Guthrie & Farneti, 2008; Hrasky, 2012).

Without reference to the above disclosure categories, Herawaty and Hoque (2007) identified from the Australian government departments 10 disclosure issues relating to human resources, health and safety and disability issues. Their results show that about 50% and 57% of departments in the study make voluntary and mandatory disclosures respectively on human

resource as well as health and safety. Moreover, about 75% of the government entities disclose on disability issues.

Lee and Fisher (2004) also examined the disclosure of infrastructure assets (intellectual) by public sector organisations; disclosure on valuation of assets, maintenance, physical conditions, assets planning and management, and performance measurements. They report that 85% of the 73 entities sampled from the Australian public sector make disclosure on the valuation method of infrastructure assets. Moreover, disclosure on planning and management of infrastructure assets is a common practice in public sector entities, but disclosure on maintenance, physical condition of such assets and performance measurements is low.

From developing countries, there is little evidence from public sector organisations on disclosures on intellectual capital, social and environmental issues. Rahaman et al. (2004) report of growing disclosure on social and environmental issues by a SOE in a developing country. This study therefore contributes to the literature by providing evidence from a developing country and a different tier of public sector organisations, i.e. SOEs. In addition, the study provides evidence on disclosure types in the context of reform programmes implemented in the public sector.

3.5 Disclosure Media and Forms of Presentations

This section deals with the disclosure question, how to disclose? Courtis (2004) explains that how information is disclosed constitutes the media (e.g. annual reports, interim reports, press releases, the Internet), layout and format (e.g. font and font size and general organisation), and technique (e.g. tables, charts, graphs, photographs and other graphics, prose, etc.). Other scholars add the choice of disclosure media, the structure, the volume (size) of disclosures, the form of presentations, and to some extent, the processes of preparing disclosure media as part of the disclosure puzzle (e.g. Beattie, et al., 2008; Courtis, 2004; Gibbins, et al., 1990; Skaerbaek, 2005; Williams, 2008).

3.5.1 Media of Disclosure and Processes of Preparation

There are several media or channels available to organisations to make all the disclosure categories and types discussed in earlier sections, but the traditional media has been annual reports. Healy and Palepu (2001) mention financial reports (annual and interim), including financial statements, footnotes, management discussion and analysis, and other regulatory filings (mandatory). In addition, there are other disclosure media (often voluntary), such as management forecasts, interim reports, analysts' presentations and conference calls. Others are press releases, proxy documents, internet sites, business magazines and newsletters, and other corporate reports issued through information intermediaries such as financial analysts, industry experts, and financial press (see Álvarez, Sánchez & Domínguez, 2008; Curtis, 2004; Healy & Palepu, 2001; Mangena and Pike, 2005; Oyelere, Laswad & Fisher, 2003).

In the public sector, similar disclosure media are used, except that many of the innovated media are comparatively not common in public sector environments. Also, in the public sector, budget statements are considered one of critical channels of disclosure (Herawaty & Hoque, 2007). Moreover, reforms undertaken in the public sector to ensure accountability have resulted in the emergence of some disclosure media, which focus on specific disclosure types that may be financial or non-financial performance. Typical examples are corporate plans, quarterly performance monitoring reports and performance contracts (Islam, 1993; Larbi, 2001; Shirley & Xu, 1998, 2001; Simpson & Onumah, 2010).

In spite of the above, annual reports remain the traditional and most widely used medium of disclosure. They are considered the formal and legal documents for mandatory reporting and disclosures for the larger group of stakeholders (see e.g., Lee, 1994; Stanton & Stanton, 2002). What is more, it is the media of disclosure that permits longitudinal analysis to reveal changes in organisational reporting (see Bartlett & Jones, 1997; Ditlevsen, 2012; Lee, 1994; Williams, 2008) and elements of disclosure discussed earlier. Stanton and Stanton (2002), however, report of selective examination of annual reports when a disclosure checklist is used as in many disclosure studies, which limits the benefits of relying on annual reports for accounting research. They explain that examining annual reports as a complete document reveals the various perspectives of corporate reporting and understanding disclosure practices (see also, Ditlevsen, 2012; Tregidga, et al., 2012).

Disclosure studies in recent years have instigated the need to examine the processes of producing the various media of disclosure. Stanton and Stanton (2002) for instance reiterated the increasing changes in the form of annual report, which stems from the use of either an in-house or external design agency. Other scholars add that the external design agencies go beyond the designing of annual reports and contribute to the content of annual reports, particularly, the non-technical and voluntary sections (Skaerbaek, 2005; Stanton & Stanton, 2002; Tregidga, et al., 2012). These authors emphasize the need for further investigation into how disclosure media are produced by organisations and the role of external agencies. Tregidga, et al. (2012) specifically note that this aspect of disclosure studies is still in its developmental stage. They explain that, “the process and context of reporting and other communications, and the production and consumption/interpretation of the messages contained within are in need of further investigation” (p. 224). This study therefore examines the processes alluded to in an attempt to offer an understanding of the disclosure practices of SOEs.

3.5.2 Structure and Size of Disclosure

As stated in the preceding section, the annual report is the most common disclosure media, and in view of this, disclosure studies (see e.g. Beattie et al., 2008; Bartlett & Jones, 1997; Lee, 1994) focusing on the structure and size of disclosure give attention to annual reports. Over the years, there have been studies examining changes in the annual reports of companies (e.g. Lee, 1994). However, there is a paucity of systematic studies examining changes in structure of annual reports (Beattie et al., 2008; Stanton & Stanton, 2002). Furthermore, benefits derived from the use of annual reports as a source of data for accounting research is limited (Bartlett & Jones, 1997; Beattie et al., 2008; Ditlevsen, 2012; Lee, 1994). Ditlevsen (2012, p. 93) for instance note that: ‘...the annual report is primarily a statutory document and reveals that changes within organisations have a much greater and more immediate impact on changes in the annual reports than do other contextual factors’.

Reviewing the annual reports of one of largest listed companies in the UK from 1970 to 1990, Bartlett and Jones (1997) identified 31 sections that appeared at least once in the annual

reports. Seventeen of the sections relate to voluntary disclosure and the rest are mandatory disclosures. Also, from a cross-section of large listed companies in the UK over two points in time (1989 and 2004), Beattie, et al., (2008) report of 19 generic sections other than the financial statements. Three of the sections were not part of the annual reports in 1989 (Statement of directors' responsibilities, Remuneration report and Corporate governance). In recent years, Ditlevsen (2012) reports 11 common sections from an analysis of the annual reports (from 1935 to 2007/2008) of one of the largest Danish companies with presence in over 40 countries.

From the foregoing studies as outlined in table 3.1, the voluntary sections are said to include table of contents, financial highlights, corporate profile (company history), summary historical performance, information on board of directors, chairperson's statement, CEO statements, reviews on operations, and information on company products and services. Besides, the mandatory sections vary across countries, but the common sections include, auditor's report, director's statement of responsibilities, financial statements and notes and descriptive narratives (see also, Bartlett & Jones, 1997; Beattie et al., 2008).

From the perspective of public sector studies, only Herawaty and Hoque (2007) appear to have provided some information on sections in annual reports of public sector organisations. They report that table of contents, address of contact offices, financial statements, departmental reviews, assets management, purchases and consultancy, contracting and tendering, health and safety, etc. are mandatory disclosures. The authors later conclude that, except report on performance, review by secretary (CEO), governance, and human resources that have both mandatory and voluntary disclosure items, all the rest are mandatory.

Table 3.1: Sections in Annual Report

Beattie et al. (2008)		Bartlett and Jones (1997)		Ditlevsen (2012)
2004	1989	Voluntary	Mandatory	
Table of contents	Table of contents	Changing shape of group	Notice of meeting	Financial position of the company
Financial highlights	Financial highlights	Summary of results	Employee involvement	(Balance sheet)
Chairman's statement	Chairman's statement	Directors and Advisers	Directors' report	General performance of the company
CEO's statement	COE's statement	Group operating structure	Group accounting policies	Selected topics about specific company matters (e.g. employees)
Operating & financial review	Operating & financial review	Company objectives	Profit and loss account	Auditors' report
Operating review	Operating review	Employee council	Balance sheet	Financial highlights
Financial review	Financial review	Long-service employees	Current cost statements	CEO's letter
Directors' report	Directors' report	Chairman's statement	Subsidiaries	Shareholder information
Statement of directors' responsibilities	Auditors' report	Trading activities	Auditors' report	Management of the company (Board issues)
Remuneration report	Advisors	Analysis of shareholdings	Notes to accounts	Communication data (Company address)
Corporate governance	Board of directors	Brief company history	Group cash movements on fixed assets	Table of contents
Auditors' report	Corporate social responsibility	Five-year summary	Directors' interests	Obituaries
Advisors	Historical record	Group managing director's review		
Board of directors	Shareholders' information	Financial review		
Corporate social responsibility	Annual general meeting	Financial calendar		
Historical record	Financial calendar	Directors' biographies		
Shareholders' information		Group cash flow		
Annual general meeting				
Financial calendar				

Source: Author's Research (2012)

With regards to the size or volume of disclosure, evidences based on page, paragraph, word, and sentence counts show an increasing trend over time (Beattie et al., 2008; Stanton & Stanton, 2002). Lee (1994) reported that the volume of disclosure in annual reports, in terms of number of pages, has increased. Drawing on annual reports of 25 large industrial companies in the UK at three points in time (1988, 1978 and 1965), he argues that the increase in volume of annual reports may be indicative of companies making voluntary disclosure since an increase in the volume of annual report shows that an entity is disclosing beyond what it is required. Results from his study show that the average page count rose from

26 in 1965 to 54 by 1988, whereas disclosures on narratives in general increased from an average of 8 to 19 pages.

Using Lee's (1994) study as the base period, Beattie, et al. (2008) report that, the volume of annual reports by 2004 had risen to 75 pages with narrative disclosures rising to an average of 38 pages. From the few longitudinal single case studies, Bartlett and Jones (1997) show that from 1970 to 1990, the volume of the case's annual report increased from 21 to 36, and Ditlevsen (2012) also reports an increase in the number of pages from 12 in 1935 to 128 by 2007/2008.

Concerning the size of disclosure in respect of mandatory and voluntary disclosure, Lee (1994) reports that, the number of pages devoted to voluntary and mandatory disclosure, on the average, grew from 11 to 29, and 15 to 25 respectively. Further analysis of narratives in terms of pictures shows an average increase of 3 to 10 pictures over the period. In terms of narratives in text, disclosures on operations and product, results show an increase from 8 to 16 and 1 to 12 pages respectively. Bartlett and Jones (1997) also report of increases in the number of pages devoted to voluntary disclosures from 8 to 19, and mandatory disclosures from 13 to 17 for the period. Beattie et al. (2008) add that, the space devoted to both voluntary and mandatory disclosures has increased from 11 to 32 pages and 15 to 43 pages respectively.

From the above, it is clear that the use of annual reports for voluntary disclosures is growing relatively faster than mandatory disclosures (Beattie et al., 2008; Lee, 1994). However, the generic sections that constitute voluntary and mandatory depend on the country and the nature of the entity (public sector and private sector) being studied. Furthermore, there are few empirical studies exploring the amount of space in annual reports that is devoted to disclosure types (Beattie, et al., 2008).

3.5.3 Forms of Presenting Disclosures

Disclosures in annual reports are generally presented numerically (quantitative) and qualitatively (narrative). Over the years, there has been growing interest in the qualitative form of disclosure in annual reports, that is, narrative disclosure studies, which analyse

elements such as number of sentences, paragraphs, linguistic choices and structure, syntax and semantics of language readability issues, and good and bad news (Brennan, Guillamon-Saorin, & Pierce, 2009; Clatworthy & Jones, 2003; Feldman, Govindaraj, Livnat, & Segal, 2010; Merkl-Davies, Brennan, & McLeay, 2011; Thomas, 1997).

However, such studies appear to be growing predominantly from developed countries (Mäkelä & Laine, 2011; Tregidga et al., 2012) and a few from developing countries (Maltby & Tsamenyi, 2010). Tregidga et al., (2012) argue for qualitative disclosure studies that improve the understanding of organisational communication and accountability in general. Tauringana & Mangena (2006) introduce two classifications of narrative disclosures: complementary and supplementary information, which are considered useful in providing clarification and explanation of data in financial statements for understanding by investors with reasonable knowledge in accounting (unsophisticated investors). They define complementary as narrative information relating to some specific accounting numbers in financial statements, and supplementary information as general narratives. They argue that this classification is necessary to regulate narrative disclosure, since complementary narratives are specific and can easily be verified.

Beattie et al., (2008) also use different terminologies: story telling or accounting narratives and descriptive narratives. They explain that the former provides clarifications on past results and an outlook of the future. Sections of the annual report devoted to such disclosures include, CEO statement, chairperson's statement, review of operations, corporate profile and other voluntary disclosures. They add that the descriptive narratives include reports on governance, directors' remunerations, etc.

Another form of disclosure presentation that is attracting attention in the disclosure literature is the use of visual elements. Davison and Warren (2009) argue that accountability is best ensured when information is communicated using numbers, words and visuals. However, studies on the use of visuals for accountability relative to numbers and text-based disclosures have received little attention in the accounting literature (Beattie & Jones, 2008; Beattie, et al., 2008). Many scholars argue that visual elements do not only affect the volume and size of disclosure, but also offer better understanding; retention, readability, and communicate the

intangible aspects of accountability (see also Davison & Warren, 2009; Dilla & Janvrin, 2010; Lee, 1994; Penrose, 2008; Stanton & Stanton, 2002; Tregidga et al., 2012).

The most common visual elements from the literature are tables, graphs and photographs (pictures), but comparatively, studies on the use of tables and graphs in annual reports have received the most attention in accounting literature (Beattie & Jones, 2008; Beattie, et al., 2008; Penrose, 2008). For instance, Penrose (2008) reports that tables and graphs are both very useful in acquiring numerical data and providing quick summarises, but graphs are the most favoured. This is evidenced by many studies covering various aspects of the use and abuse of graph in many countries (see Penrose, 2008).

A recent study by Beattie, et al. (2008) shows that the use of graphs has become universal among UK companies (99%). From the period 1989 to 2004, the average number of graphs used in annual reports rose from 6 to 7, confirming the prominence of the use of graphs by UK companies over the past 15 years. They add that the use of graphs is mostly for disclosures on financial highlights and review of operations. In addition, firms tend to present disclosures using graphs in periods of improved performance, i.e. for impressing management.

With respect to pictures, there are relatively few studies on them in accounting literature. Lee (1994) appears to be the first to examine the use of visual images, other than graphs, in corporate reporting. Based on observations made at three points in time, 1965, 1978 and 1988, he reports that in the UK there has been a relative increase in the use of visual images in annual reports. Also, from one of the few longitudinal studies on the use of visual presentations for disclosures, Ditlevsen (2012) reports of growing use of pictures for disclosures. Beattie et al., (2008) from a cross-section of top companies (240-500) in UK also report that pictures are often used at the sections on chairperson's remarks, CEO statement, board of directors and management, operating and financial reviews and CSR issues. They, however, conclude that the use of pictures and graphs in annual reports is generally declining in recent years.

Other studies focus on the integral role that pictures play in annual reports, i.e. the symbolic or rhetoric meanings that they provide (Davison & Warren, 2009; Graves, Flesher, & Jordan, 1996; McKinstry, 1996; Preston, Wright, & Young, 1996). Recent studies concentrate on the use of pictures to make some specific disclosure types; gender and membership of governing boards (Bernardi et al., 2002); intellectual capital (Hooks et al., 2010); corporate social and environmental disclosures (Hrasky, 2012; Jones, 2011).

However, many of these studies are based on private sector companies and those listed on recognised financial markets. Additionally, many of the studies are cross-sectional, thus their inability to reveal changes and patterns with respect to visual and other disclosure elements (Ditlevsen, 2012). This study contributes in that regard, drawing on longer periods of annual reports.

3.6 Factors Affecting Disclosure Practices

From the discussions in earlier sections, particularly sections 3.2 and 3.3, it is established that the disclosure practice of any organisation is influenced by a number of factors from within and outside an entity, but the main factor is the objective of disclosure; meeting some mandatory requirement or otherwise (see e.g., Deegan & Uneman, 2011). Empirically, many of the studies as cited below focus on factors influencing voluntary disclosure. For instance, studies based on capital market settings describe factors as endogenous and exogenous (e.g. Dye, 2001; Healy & Palepu, 2001; Verrecchia, 2001). Healy and Palepu (2001) present four (4) main issues that drive disclosure: regulation, intermediaries (e.g. external auditors) of disclosure, managers of disclosure decisions, and consequences of disclosure. Other factors, such as firm size, listing status, industry, and country of origin, have been identified as drivers of disclosure (e.g. Grüning, 2007; Meek et al., 1995). Boesso and Kumar (2007) add that the information needs of investors, stakeholder management issues, and market complexity affect both the volume as well as the quality of voluntary disclosure. Grüning (2007) explains that the driving factors are interrelated and do not have singular impacts on disclosure.

From an inductive perspective, Gibbins et al. (1990) explain that disclosure outputs are driven by multiple inter-related factors from both internal (organisational) influences (history of the organisation, management decisions and preference, internal behaviour pattern) and external (environmental) influences (e.g. external auditors and consultants, industry norms, etc.). They establish that an organisation's disclosure output is a function of whether the said organisation sees disclosure as an opportunistic or ritualistic activity (disclosure position). Furthermore, the corporate structure, including perceived and defined norms and opportunities, affect both the entity's disclosure position and disclosure output. These factors are also driven by the internal and external antecedents of the organisation in question (borrowed culture and traditions), stakeholders such as auditors, consultants and all those who have professional interaction with the organisation (external mediators), and other firm-specific disclosure factors (internally and externally driven disclosure issues). These agents of change have been described in the literature as epistemic communities (Adler & Haas, 1992; Christensen, 2006; Potter, 2005). They specifically include groups of professionals with recognised sets of technical competence, skills and expertise in some specific areas, and are given the authority to make policy claims, based on their knowledge on issues being considered.

Maingot and Zeghal (2008) cite factors such as the nature of regulatory oversight; market forces; cost of disclosure; organisational structure and behaviours; and corporate governance practices and regulations. They add that these factors are dependent on the sector under consideration or type of organisation - private, public and not-for-profit organisations.

From the business communication perspective, Williams (2008) adds that factors affecting disclosure practices are informed by the form of disclosure (mandatory or voluntary) and the disclosure decision-making process (managerial choices and interpretations). She argues that, for sectors where the elements of disclosure are clearly stated in the regulatory framework, this will drive the disclosure practices of entities in that sector. In the absence of such a clarity, the nature of disclosure practices can be based on choices and decisions made by management in the context of that entity's conventional practices, current objectives, and pressure from its key stakeholders. Focusing on changes in corporate annual reports in general, Beattie, et al. (2008) note social and cultural developments within and without the

organisation, innovations and technological factors, and regulatory and institutional developments. In the case of public sector organisations, there appears to be little information on the drivers of disclosure practices.

Based on studies on the domains of the public sector, other than the SOE sector, Bakar and Saleh (2011) identify 21 disclosure-related articles from a survey of public sector literature covering the period 1984 to 2009. They grouped the factors that drive the disclosure of accounting information in the public sector into five themes: political, social, financial, institutional and governance issues. Financial incentives (reliance on debt financing, financial support from government) were ranked top in influencing disclosure in the public sector. This is followed by governance factors (accounting and audit quality, disclosure regulation), and the next are institutional issues, such as professionalism, quality of staff and type of government. The penultimate group includes factors relating to political issues (power of the legislature and other interest groups, voter participation and political party interplay and competition), and finally social issues (socioeconomic status of citizens, strength of public media).

Other scholars argue that the nature of stakeholders (direct and indirect, internal and external, specialist and generalist) and the nature of relationship may influence an entity's disclosure practices (Heath & Norman, 2004; Tooley et al., 2010). Christensen and Skaerbaek (2007) report that disclosure and reporting practices in the public sector are significantly influenced by key stakeholders, other than the citizenry or voters. The current study contributes to the disclosure literature by inductively ascertaining changes in the disclosure practices of SOE and examining the impact of reform programmes in that sector on disclosure practices.

3.7 Chapter Summary

This chapter primarily sought to discuss the literature on disclosure-related issues in order to understand the disclosure practices of SOEs and ascertain the impact of the World Bank and IMF-sponsored reform programmes on disclosure practices among SOEs. To achieve this, it has been argued in this chapter that, there is the need to first understand what constitute disclosure vis-a vis disclosure practices. So, from the disclosure studies, it is established that there are several disclosure-related terminologies, concepts and practices revealed by the

prevailing definitions of disclosure. However, existing definitions of disclosure do not explicitly take cognisance of the processes of disclosure, credibility issues, structure, and presentation of disclosure.

Therefore, it is concluded in this chapter that disclosure practice of any organisation is an embodiment of all the processes, choices and activities associated with disclosure; the parties and relationships that give rise to disclosure (who to disclose to); the rationale and objectives of disclosure (why disclose); the media, structure and forms of presenting disclosures (how to disclose); and the nature and type of information disclosed (what to disclose). It is also concluded that there are interrelated factors from within and outside an organisation that influence each of the above aspects of disclosure and ultimately disclosure practices.

Finally, it is established in this chapter that studies on the foregoing disclosure issues are limited when it comes to the public sector, thus, the current study. The next chapter examines the theoretical foundation of disclosure and the study.

CHAPTER FOUR

THEORETICAL PERSPECTIVES AND FRAMEWORK

4.1 Introduction

This chapter seeks to make the study more theory-relevant, so, discusses the theoretical reasoning underlying the phenomenon under study towards the development of a framework for data collection and analysis. This discussion is vital in providing a clear story showing how this study links to adopted theories, methodology, and data gathered. Furthermore, it provides the opportunity to explore the extension and/or integration of existing theories for different contexts, particularly public sector settings.

To achieve the above, this chapter is divided into five main sections. The first part is concerned with examining the theoretical underpinnings of disclosure practices generally. The next section discusses the relevance of existing theories on disclosure to public sector organisations, particularly the state-owned enterprises (SOEs). The third section presents the theoretical orientations of reforms in the public sector and changes in organisational practices of public sector settings. The next section presents the theoretical framework proposed for this study; the final section concludes with the chapter summary.

4.2 Theories Adopted for Disclosure Studies

Disclosure studies show that there is no single theory that completely explains disclosure and disclosure practices (see e.g., Berger, 2011; Dye, 2001; Leventis & Weetman, 2000). Reviewing disclosure studies over the past three decades, Verrecchia (2001, p.99) confirm that "...there is no comprehensive, or unifying theory of disclosure ...". This, perhaps, explains the emergence of several postulations aimed at explaining the disclosure practices of organisations. The theories can be grouped into two: economic-based theories and alternative or non-economic-based theories.

4.2.1 Economic Based Disclosure Theories

The literature specifically identifies some economic-based theories on disclosure. Proponents of this category of theories argue that the focus of any disclosure is to maximise managerial and shareholder wealth. This section reviews some of the notable economic-based theories in order to explore their relevance in explaining disclosure by SOEs.

4.2.1.1 Agency Theory

This theory, which is the foremost and most widely used, posits that there are several relationships such as employer and employee, shareholder and management, and many more, that take the form of a principal-agent relationship (Berle & Means 1932; Jensen & Meckling, 1976; Ross, 1973; Watts and Zimmermann, 1978). The relationship may be a contract - formal and informal or implicit and explicit (Van Slyke, 2006).

Traditionally, the focus has been on shareholders and managers relationship, hence the 'principal-agent problem' arising from the separation of ownership (shareholders/principal) and management of resources (managers/agent). This problem causes information asymmetry, goal conflicts, and opportunistic behaviour on the part of the contracting parties, especially the agent (Eisenhardt, 1989; Fama & Jensen, 1983; Jensen & Meckling, 1976; Noreen, 1988), so, the owners have the option to monitor or provide incentives to managers or both (Davis, Schoorman, & Donaldson, 1997). One of the arrangements for monitoring the activities of managers and providing them with the needed incentive to align their interest to that of owners is corporate governance. This, however, comes with some costs: agency cost, bonding cost, and monitoring cost (Eisenhardt, 1989; Jensen & Meckling, 1976).

The provision of relevant and reliable information, using appropriate channels of communication can help shareholders (principal) to protect their interests by using the information provided to monitor and assess the stewardship of managers (agents) (Berle & Mean, 1932). They added that, this explains the regulation of information flow to ensure the disclosure of some minimum level of financial and non-financial information (mandatory) for decision-making by relevant users. Other scholars add that when mandatory disclosures are

complemented with voluntary disclosures, they reduce the cost of solving the principal-agent problem (Healy & Palepu, 2001; Jensen & Meckling, 1976)¹⁶.

Empirically, the agency theory has been used to explain governance disclosures and other disclosure types (financial and operational) that can influence existing and potential investors. Besides, most of the disclosure studies adopting this theory are mainly based on private sector settings and capital markets (see e.g. Core, 2001; Dye, 2001; Healy & Palepu, 2001; Verrecchia, 2001). Thus, it is criticised for over-concentrating on shareholders and ignoring other key players in an entity. In fact, all diverse interests in any firm must be recognised (Harrison, et al., 2010), thus, the need to go beyond shareholders. In corporate disclosure therefore, it is strongly argued that disclosure practices of corporate bodies need to be extended and directed towards stakeholders and not only shareholders or investors (Ferreira & Rezende, 2007; Healy & Palepu, 2001).

4.2.1.2 Signalling Theory and Political-Cost Hypothesis

Signalling theory, which is also known as Information Problem Theory is akin to the agency theory in that, it is based on the principal-agent nexus. The former, however, focuses on dealing with only information asymmetry. Promoters of this theory postulate that managers (agents) solve the information problem by sending signals using various means such as dividend policy, the choice of a particular capital structure, etc. Such practices are believed to reveal relevant information for investors and market players to interpret and adjust accordingly (Ross, 1977; Spence, 1973). Proponents argue that companies with superior performance use information as signals; they disclose private information (voluntary disclosure), which existing and potential principals (investors) may interpret as a good signal or otherwise and act accordingly. However, the theory is criticised for being more bias towards voluntarily disclosure and reliance on hidden methods and means, as well as overly investor-based, thus favour studies based on capital market settings.

Related to the above is Watts and Zimmerman's (1978, 1986, and 1990) political-cost hypothesis of the positive accounting theory. They contend that firms disclose more

¹⁶ Agency cost is reduced more when disclosures are made voluntarily than compulsorily (e.g. Jensen and Meckling, 1976).

information than required (voluntary) as a means to mitigate their exposure to unwanted regulation and improve their image. Spurred by the idea that politicians and pressure groups generally seek to intrude the affairs of firms when they become politically visible (increase in size, high profit, etc.), they argue that firms make voluntary disclosures, including the declaration of relatively lower profit, in order to reduce the high political cost and other pressures (taxation, other regulations, lobbying, etc.). A number of the studies that had applied this hypothesis and conclude that it best explains self-interest behaviour and voluntary disclosure (e.g. Deegan & Carroll, 1993; Lim & McKinnon, 1993) and not necessarily social disclosure, which is also voluntary in nature (Gray et al., 1995; Milne, 2002).

From the above, it is evident that the underpinnings of the signalling theory and the political-cost hypothesis emphasize voluntary disclosure behaviour. Specifically, the signalling theory supports implicit disclosures whereas political cost theory makes weak argument for disclosure types on social and environmental issues (Gray et al., 1995; Milne, 2002), hence, they appear limited and need to be complemented with other disclosure theories as far as this study is concerned. The next section presents some alternative disclosure theories.

4.2.2 Alternative Disclosure Theories

These include theories that explain disclosures based on reasons other than purely economic ones. Proponents argue that accounting reports are social, political, and economic documents, so disclosures must possess the aptitude to communicate social, political, and economic messages for varied sets of stakeholders, including shareholders (Cooper & Sherer, 1984; Jones, 1995; Tinker et al., 1982). Below are some notable theories.

4.2.2.1 Legitimacy theory

The term legitimacy has been variously defined and explained by several authors, but the most prevailing is Lindblom (1994, p. 2) who defines legitimacy as ‘a condition or status which exists when an organisation’s value system is congruent with the value system of the larger social system of which the organisation is a part’. Suchman (1995, p. 574) also defines it as ‘a generalized perception or assumption that the actions of an entity are desirable, proper

and appropriate within some socially constructed system of norms, values, beliefs, and definitions’.

Underlying these definitions is an assumption that there is an implicit and explicit social contract between organisations and their respective societies within which they operate. Proponents of this theory therefore argue that organisations must be responsive and take necessary actions to align their activities to the norms of society in order to be accepted by society (Deegan, 2002; Mathews, 1993; Suchman, 1995). Mathews (1993) aptly notes that:

Organisations seek to establish congruence between the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are a part. As far as these two value systems are congruent, we can speak of organisational legitimacy. When an actual or potential disparity exists between the two value systems, there will be a threat to organisational legitimacy (p. 350).

Suchman (1995) adds that, apart from seeking organisational legitimacy, there are also other distinctive legitimacy types: pragmatic legitimacy; moral legitimacy; and cognitive legitimacy. The first two are concerned with the communicative discourse between the organisation and society, and based on conscious and self-interest judgment. They entail making voluntary disclosure on social and environmental issues (see Deegan, 2002). The third is based on the recognition (acceptance) that an organisation receives without any planned, substantive and/or symbolic effort to establish, extend, sustain and restore legitimacy (e.g. Hahn, 2012; Suchman, 1995).

In the light of the above, many disclosure studies show a link between legitimacy theory and particularly, environmental and social disclosure policies (e.g. Adams, 2008; Deegan & Unerman, 2011; Gray et al., 1995; Jones, 2011; Lindblom, 1994; Mahadeo et al., 2011) which is also referred to as Corporate Social Responsibility (CSR). However, disclosure studies on the application of this theory to the disclosure of information on issues such as profitable and financial performance in general show inconsistent findings (see e.g. Deegan & Unerman, 2011).

4.2.2.2 Stakeholder theory

The literature on stakeholders shows an unsettled history (e.g. Clarkson, 1995; Laplume, Sonpar, & Litz, 2008), but the seminal work of Freeman (1984) undoubtedly spurred the burgeoning interest in the stakeholder concept in the 1990s. This resulted in what is now known as stakeholder theory. Though Freeman's initial intention was to simply suggest a practical approach to strategic management that takes into account individuals and groups who have stake(s) in the business, three views on the theory have emerged over the years.

At one end are those who argue that the underpinnings of stakeholder theory make it an alternative to shareholder-based theory. This, perhaps, stems from Freeman's subsequent papers (e.g. Freeman, 1999), which gave advocates the indication that the stakeholder theory challenges the neoclassical economic theory of the firm (see also Key, 1999; Marens & Wicks, 1999). Related to this group is the second group, which views the stakeholder theory as anti-shareholder (e.g. Jensen, 2002) because it questions the traditional assumption that managers of a firm have a single objective of profit maximization. The third group argues that the theory complements the shareholder-based theory (Clarkson, 1995; Heath & Norman, 2004; Hill & Jones, 1992; Laplume et al., 2008; Phillips, 2003). These authors add that the theory is multi-purpose for firms, as it seeks to ensure fairness by taking cognisance of various interests in the firm.

Despite the above, the debate on the theory is unabated. Earlier, Donaldson and Preston (1995) noted that "...anyone looking into this large and evolving literature with a critical eye will observe that the concepts - stakeholder, stakeholder model, stakeholder management, and stakeholder theory - are explained and used by various authors in very different ways and supported (or criticised) with diverse and often contradictory evidence and arguments" (p. 66). Examining about 125 research papers in accounting that used stakeholder terminologies, Roberts and Mahoney (2004) report that close to 65% of these papers really used what proponents refer to as stakeholder theory. Laplume, Sonpar, & Litz, (2008) add, "the theory is adolescent because empirical validity is yet to be established on several of its key propositions.... In addition, it is controversial because it questions the conventional assumption that pursuit of profits is the preeminent management..." (p. 1153).

Conventionally, debate on this theory has been on stakeholder identification, hence calls for definitions to make the concept much more specific as well as clarify the underlying issue considered blurred (Clarkson, 1995; Donaldson & Preston, 1995). Freeman and Reed (1983, p. 89) first defined stakeholders as ‘those groups who have an interest in the actions of the corporation’. Later, Freeman revised this definition to take into account the interdependence and interrelationship between firms and other parties, including individuals (Freeman, 1984). He defined a stakeholder as ‘any individual or group who has an interest in the firm because he (or she) can affect or is affected by the firm’s activities’ (p. 41). This definition is however criticised for being too broad, because it provides an opportunity to include groups such as terrorists and competitors as stakeholders who can affect the firm negatively and painfully (e.g., Phillips, 1997). Other authors recommend that the phrase ‘interest in’ be replaced with ‘stake in’, ‘claim on’, ‘ownership’, or ‘right, and classify them into primary and secondary stakeholders or legitimate and illegitimate groups (Clarkson, 1995; Mitchell, Agle, & Wood, 1997).

Clarkson (1995) describes primary stakeholders to include all those, without whose continuous involvement, the firm in question cannot survive as a going concern. Examples are shareholders, employees, customers, suppliers and the public (e.g. governments and communities). Secondary stakeholders are those whose level of influence is relatively lower in terms of the frequency of interaction with the firm in question (e.g. the media, NGOs, researchers and analysts).

Implicit in the foregoing are shareholder attributes which have over the years emerged as the descriptive aspect of stakeholder theory (who are the stakeholders and how do firms relate with them), the instrumental or managerial aspect (what is the link or nature of manager-stakeholder relationship), and normative or ethical aspect (how and why firms ought to relate with stakeholders).

All three perspectives are related, the instrumental or managerial perspective seems to expand the traditional focus of stakeholder theory (who are the stakeholders) to include the implications and management of the link between the firm and stakeholders.

This perspective of stakeholder theory, posits that management of organisations has the inclination to attend to the needs and expectations of stakeholders considered ‘powerful’ or ‘key’. Many scholars argue that this perspective of the stakeholder theory is akin to agency theory because shareholders/ owners are considered the most ‘powerful’ (see Friedman & Miles, 2002; Roberts & Mahoney, 2004). Others add that the source of power may be economic or non-economic (political, regulatory, etc.), and the type of power may be coercive (physical resource of force/threat/restraint), utilitarian (material or financial resources/incentive) and normative (symbolic resources), so, the managerial perspective goes beyond the agency theory (see e.g., Mitchell, Agle, & Wood, 1997). Apart from the type of power determining the stakeholder-management relationship, Mitchell, et al., (1997) propose other variables such as legitimacy (individual, organisational, societal), urgency (time sensitivity and criticality), and salience (the extent to which managers prioritise the competing claims of stakeholders). However, existing studies have focused on each of the variables separately, particularly, the legitimacy variable, and the rest have received limited empirical studies (Magness, 2008; Neville, Bell, & Whitwell, 2011; Weber & Marley, 2012).

The normative or ethical aspect is concerned with ensuring that all stakeholders (primary and secondary) are treated equitably. Many authors consider this perspective as the core of the stakeholder theory (see e.g. Clarkson, 1995; Donaldson & Preston, 1995; Quin & Jones, 1995). Proponents argue that organisations have the moral obligation to include all parties that have intrinsic right in all their decisions (Clarkson, 1995; Quin & Jones, 1995). The basis of this advocacy is to ensure fairness and cooperation, with long-term effects of maximizing shareholders’ wealth (Friedman and Miles, 2002; Phillips, 1997, 2003; Roberts & Mahoney, 2004). Furthermore, the theory generally aims at analysing the effect of management decision, especially in the area of information asymmetry, developing and executing organisational strategies, and how societal events influence firms’ objectives.

However, there are limited empirical studies highlighting this perspective of the stakeholder theory. Furthermore, studies on the ethical aspect are said to be of a high level of abstraction and premature in the sense that the basis for such classification is easily contestable (Roberts & Mahoney, 2004). Thus, legitimacy theory seems to be the most preferred since it is also underpinned by moral, values and philosophical issues (see e.g., Deegan & Unerman, 2011).

In spite of the above, all three perspectives of the stakeholder theory are jointly useful (see e.g., Laplume et al., 2008), but failure to acknowledge each perspective would lead to confusion (Donaldson & Preston, 1995). This perhaps explains the application of the theory as stand-alone or adapted to develop an existing theory or theories in accounting, management, and social and environmental issues. In accounting research, the theory has been widely applied to explain governance and accountability issues (Roberts & Mahoney, 2004).

Specifically, in the area of disclosure studies, the theory is deeply rooted in both shareholder and non-shareholder corporate reporting relating to economic, social, ethical, and environmental issues (e.g. Deegan, 2002; Neu, Warsame, & Pedwell, 1998; Roberts & Mahoney, 2004; Van der Laan, 2009). However, the theory appears to be useful and easily justifiable for voluntary disclosures and not mandatory disclosures. Clarkson (1995) explains that issues not subject to any regulation (not mandatory) are more of stakeholder issues. This has resulted in calls for a legal version of the stakeholder model (see also Donaldson & Preston, 1995).

With regards to the public sector context, the application of this theory seems to be growing though not with respect to disclosure studies (Heath and Norman, 2004; Thomasson, 2009; Tooley, et al., 2010). In fact, the theory appears relevant in explaining any existing and potential conflicts among multiple principals associated with public sector settings, by harmonizing the interests of the various stakeholders in order for each group to receive some degree of satisfaction.

4.3 Relevance of the Above Theories to Public sector Settings

Considering the nature and objectives of public sector organisations, particularly SOEs, both economic and non-economic-based theories will be relevant in understanding disclosure practices in the sector. Indeed, as hybrid organisations, SOEs pursue both commercial and social goals (see e.g., Thomasson, 2009), thus, the need to compare the theories under each group (see table 4.1).

Starting with those under the economic-based theories, agency theory appears more relevant to this study, since it covers and advocates for both mandatory and voluntary disclosure. Additionally, it supports the disclosure of governance issues, financial and operational issues. Also, the negative characterization of an individual (agent) as being opportunistic and self-seeking under the agency theory is more evident in the SOE sector, especially in light of the high perception of public sector corruption.

Benz and Frey (2007), however, raise a red flag concerning the extension of the agency theory to the public sector. Their main query is on the issue of who the principal (s) is or are and who has the actual rights to decide over what? This supports the arguments of multiple principals and agents engaged in multiple tasks motivated by both commercial and non-commercial orientations, often associated with the SOE sector (Heath & Norman, 2004). These lead to multi-task agency problems, and multi-principal agency problems, making the agency theory less useful in the public sector. Unlike the principals in the private sector who have a common objective (wealth maximization), the objective of principals in the SOE sector are several and generally parallel (e.g. social and profit making). These gaps therefore support the need for a theory or theories that take into account all stakeholders including shareholders, hence complementing agency theory with other theoretical perspectives (Eisenhardt, 1989; Steinberg, 2010).

Perhaps, the political scientists' perspective of agency theory (Mitnick, 1975) may be relevant to the public sector. This perspective of agency theory emerged as early as the economic genre of agency theory by Ross (1973)¹⁷, but as Moe (1984) puts it, the former failed even though both advocate the same principles of agent-principal contract as well as the problems of moral hazard and adverse selection resulting from information asymmetry, and opportunistic behaviour of agents. Moe (1987) argues that this version of agency theory consists of several bureaucratic agents surrounded by multiple principals, so it is unrealistic to assume a dyadic relationship. Indeed, the focus on one principal and one agent is for research expediency (see also Waterman & Meier, 1998). Shapiro (2005) adds:

¹⁷ Mitnick developed the general agency theory in Political science and Ross (1973) took the economic dimensions

...political scientists assume multiple agents and principals; heterogeneous preferences or goal conflict and competition among principals and among agents as well as between them; problems of collective action; a more complicated palate of interests and therefore different incentives mobilized to control them; varying sources of and mechanisms to mitigate informational asymmetries; an active role for third parties (interest groups, regulated parties, etc.); and a dynamic playing field on which relationships unfold and are transformed (p. 271).

The foregoing result in the need for different modes and levels of delegation by the multiple principals, thus the several relationships require different agency contracts (Shapiro, 2005). This version of agency theory appears relevant to the public sector (e.g. SOEs). It appears to be a response to the calls to move away from the assumption of control in agency theory to ‘significant’ influence as in public sector settings (Brehm & Gates 1997; Eisner, Worsham, & Ringquist, 1996; Worsham, Eisner, & Ringquist, 1997). Empirically however, applications of the political science dimension and those other than the economic perspective of agency theory remain theoretical (Heracleous & Lan, 2011; Shapiro, 2005; Waterman & Meier, 1998; Wiseman, Cuevas-Rodríguez, & Gomez-Mejia, 2012; Wood & Waterman, 1991)¹⁸.

In the case of non-economic-based theories, they all appear relevant to the SOE sector. This is particularly the case, due to the nature and ownership structure of SOEs, which make virtually all citizenry legitimate stakeholders (Phillips 2003). Moreover, drawing on the various branches of stakeholder theory will aid in the clarification of who a stakeholder is, for purposes of understanding disclosure practices (see Deegan & Unerman, 2011) of SOEs.

Also, in the public sector where calls for accountability and transparency go beyond providers of resources, to include parties with legitimate interests, stakeholder theory has become more relevant in justifying the calls. For example, the definition of accountability as a duty (legal and moral) to provide an account of actions for which one is held accountable via whatever means, clearly demonstrates a strong connection between stakeholder theory and accountability (Roberts & Mahoney, 2004). Besides, the diverse relationships that emerge in public sector environment from ownership, supervision, regulation, funding

¹⁸ Studies not in public sector context

(financial and technical), provision and receipt of services (e.g. Bozec, 2004; Broadbent & Guthrie, 1992, 2008) make the stakeholder theory useful. However, studies in the SOE sector rarely use the stakeholder theory, especially in the area of disclosure. Heath and Norman (2004) adopted the deontic (normative) aspect of stakeholder theory in explaining social responsibility and corporate governance.

Table 4.1: Overview of Useful Theories for Disclosure Studies

Theories and Attributes	Economic-based theories			Alternative theories	
	Agency theory	Signalling theory	Political- Cost Hypothesis	Legitimacy theory	Stakeholder theory
Overview	Assumes principal- agent relationships causing problems such as asymmetric information; Moral hazard; and Conflict of interest	Firms send signal via dividend, capital structure, etc. to capital market	Firms will take some actions such as information disclosure to reduce governmental intrusion (political cost)	Argues that there is a social contract (implicit and explicit) between an organisation and society	Covers three areas: descriptive/empirical (who are the stakeholders); instrumental (management of the link between the firm and stakeholders); normative (how and why firms ought to relate with stakeholders)
Key strength	Agency theory is widely used in most disclosures studies (mandatory and voluntary), and can be complemented with non-economic theories. Assumptions are questionable w.r.t. social and environmental disclosure	voluntary disclosure	voluntary disclosure	It integrates well stakeholder theory (Gray, et al., 1995, 1996), and accountability theories in general. Widely used in voluntary disclosure studies (social and environmental disclosures)	Emphasizes both ethical and managerial reasons for disclosure. It covers elements of different actors that an organisation has relationship with (Gray, et al., 1995, 1996; Deegan, 2002, 2006)

Prior application to public sector settings	Limited due to its focus on economic relationships, and the nature of public sector organisations (multiple tasks principals). The political scientists dimension of the theory (Shapiro, 2005) enhances its potential for public sector disclosure	None	None	Rarely used but has the potential in examining disclosure practices in the public sector	widely used in the public sector (Heath and Norman, 2004, Thomasson, 2009) but not for disclosure studies
Relevance to this thesis	Useful especially in the context of economic relationships in the public sector (or political science context)	less useful	less useful since the public sector is part of govt.	Useful	Useful

4.3.1 Adopted Theories for Explaining SOE Disclosure Practices

This section seeks to explore the inter-relationship and complementarity of the possible theories to be adopted for this study. Eisenhardt (1989) suggests the complementarity or integration of theories is possible since the underlying assumptions can be relaxed based on the context under study. This makes the discussions in this section important, because it provides the basis for justifying the choice of either a single-theory or a multi-theory approach for this study.

Relating the above disclosure theories to the objectives of this study, particularly the elements of disclosure practices in SOE settings, a single-theory approach appears inadequate, the adoption of multiple theories (see table 4.2), however, appears more appropriate. This choice provides deeper insight and understanding of issues (Gray, Owen, & Adams, 1996; Islam & Deegan, 2008), particularly, those associated with the public sector environment (see e.g. Jacobs, 2012). Moreover, the hybrid nature of SOEs makes the need to adopt a multi-theory approach necessary for this study. Jacobs (2012) recommends that multi-theoretical approaches are needed to respond to the organisational and other complexities associated with the public sector setting.

Table 4.2: Adopted theories to Explaining SOE disclosure Practices

Elements of disclosure practices	Agency theory	Stakeholder theory
Forum/actors of disclosure (to whom to disclose?)	Shareholders (existing and potential)	All groups including shareholders
Nature of information disclosed (what to disclose?)	Economic information: governance, financial and operational disclosures	Economic, social, environmental and other non-economic information
Determinants of information disclosure (why the disclosure?)	Solve agent (management)-principal (shareholders) problems by mandatory and voluntary disclosures	Obligated and moral
Channel and Presentation of disclosures (how are disclosures made?)	Relevant and reliable communications. E.g. Audited corporate annual report.	Audited annual reports, and other mandatory reports

From the economic perspective, agency theory is chosen because it seems to support both mandatory and voluntary disclosures. Also, it possesses attributes of flexibility and complementarity which are often overlooked (Eisenhardt, 1989). Recent conceptual studies

confirm these attributes (Ghoshal, 2005; Heracleous & Lan, 2011; Wiseman et al., 2012), thus, the need to go beyond the application of this theory in its ontological form, and the narrow interpretation often given. They argue that the agency theory can be expanded to include economic and non-economic relationships arising from both control and influence.

Also, in the area of methodology, agency theory is often associated with the positivist epistemology, hence underpinned by deductive reasoning. Heracleous and Lan (2011) recently demonstrated that this theory is not appropriate for only the positivist deductive reasoning, but may also be used inductively (interpretivist) to provide in-depth understanding of existing practices, and to inform further deductive studies (Payne and Williams, 2005).

Besides, from the non-economic based-theories, stakeholder theory is adopted to explore all the three aspects of the theory in the context of the SOE sector. Traditionally developed through inductive reasoning, the problem with the stakeholder theory that, perhaps, makes it different from related theories is the definition of who constitute stakeholders and the nature of their relationship with an entity. However, it has proven to provide broader perspective disclosure studies by espousing assumptions consistent with other non-economic theories, and instigating issues that are considered less important to shareholders. For instance, stakeholder theory together with legitimacy theory explain the basis and role of information and disclosure in relationship(s) between organisations, the state, individuals and groups under the tag 'systems-oriented theories' (Gray et al., 1996, p. 45).

With respect to the complementarity of agency theory and stakeholder theory, Hill and Jones (1992) show that stakeholder relationships may be seen as principal-agent relationships, i.e. the managerial aspect of stakeholder theory. In addition, there are conceptual and empirical evidences indicating that these two theories can be combined in explaining issues that directly and indirectly influence disclosure behaviours (Culpan & Trussel, 2005; Heracleous & Lan, 2011; Shankman, 1999). It is, however, not clear from these studies the type of organisations in which the combinations of these theories are more applicable. Though the two theories may be applicable, it is likely one may dominate, 'agency-stakeholder theory' or 'stakeholder-agency theory'. To this end, the current study contributes to the disclosure

literature by inductively exploring ‘agency-stakeholder theory or stakeholder-agency theory’ in examining the disclosure practices of SOEs.

4.4 Theoretical Dimensions of Reforms in the Public Sector

Theoretical explanations for reforms in the public sector have, over the years, been inclined toward ideas from various disciplines like political science, public administration, economics, and management. Thus, lists of theories cover management theories, classical and neoclassical public administration theories, the public-choice theory, principal-agent theory, transaction-cost economics theory, property-rights theory, and policy analysis theory (Gruening, 2001). However, many scholars argue that most of the assumptions underpinning reforms in the public sector are explained by the principal-agent theory (see Cordella, & Bonina, 2012; Hood, 1995a & b; Larbi, 1999; Verhoest, 2005). These authors explained that many of the problems in the public sector that triggered the reforms had to do with information asymmetry, goal conflict, lack of clarity in the relationships between civil servants (agents) and elected officials (principals), need for changed managerial behaviours, and managerial autonomy (see also Waterman & Meier, 1998).

However, from the PSR literature, particularly those based on experiences from developing countries, the traditional theories including the agency theory are criticized for being bias towards economic oriented reforms (structural adjustment programmes). Later reform programmes, addressing non-economic issues and targeting different tiers of the public sector, have led to the search for non-economic theories. Indeed, many of the reform programmes were in response to the need for changes in the way things are done in the public sector (Hood, 1995a; Omoyefa, 2008; Schacter, 2000)¹⁹.

From the African context, Omeyefa (2008:17) explains that PSR is ... “a deliberate policy as well as action to change organisational structures, processes, and people’s behaviour in an attempt to improve government administrative machinery for performance at optimal level”. Based on other developed settings, Hood (1995a) adds that programmes under the NPM are concerned with professionalism in management, the adoption of private (business) sector practices, performance management, public accountability and many more (see also Hood,

¹⁹ See details in chapter 2 of this thesis

1991). Other scholars also argue that reforms were undertaken to gain legitimacy from influences and pressures internally and externally (Broadbent & Guthrie, 1992; Hoque, Arends, & Alexander, 2004; Lapsley, 1999).

In the specific case of reform programmes in the SOE sector, two strategies are cited in the literature: privatisation/divestiture and non-divestiture programmes²⁰. Theoretically, it has been established that organisational practices change, due to privatisation by changing ownership, so scholars wonder the incentive to change organisational practices and behaviour, in the case of non-divestiture programmes, where ownership is the same (e.g., Aivazian et al., 2005; Nelson & Nikolakis, 2012). This has led to the conclusion that the theoretical basis for non-divestiture reform programmes is not as straightforward as privatisation (see also Bilodeau, Laurin & Vining, 2007; Cambini, Filippini, Piacenza, & Vannoni, 2011).

However, from a review of the PSR literature in chapter two, it can be concluded that the nature and purpose of reform programmes are to result in organisational and behavioural changes. This makes change theories relevant in explaining reform programmes in the public sector, and conceptualising the impact of such programmes on organisational practices. The question that needs to be answered is: which change theory or theories is/are more relevant?

Ven and Hargrave (2004) explain that change is a product of individualism or institutionalism. They further explained that the individualists argue that an individual is rational and in exercising his or her freewill makes changes to fulfil his or her self-interest. On the other hand, the institutionalists focus on structural (organisational) changes, but recognize individual behaviour. Regardless of the source of change, the choice of theory must take into account several factors relating to contexts, organisational structure and the processes involved in the structuring (Pettigrew, 1990).

Indeed, the choice of theory must take cognisance of levels of analysis, actors, and events, including the type of changes: causal or changes via time and/or events (Ven & Hargrave, 2004; Poole & Ven, 2004). Relating these to the objectives of this study, especially

²⁰ See chapter two for details

ascertaining the impact of critical events like reform programmes targeting SOEs as well as other institutions in the SOE sector, organisational or institutional change theory will suffice. Moreover, the theory must be consistent with changes that can be observed over time, and not just causal change, thus aiding deeper understanding of organisational practices in the context of SOE reform programmes.

On the basis of the foregoing, institutional theory or neo-institutional theory is proposed for this study. The reason for this choice stems from the ‘strength’ of the theory, compared to other organisational change theories. Jacobs (2012) establishes that many of the theoretical approaches said to be representing organisational theories could be categorised as institutional theory. This perhaps stems from the evidence that the theory takes cognisance of elements of major organisational theories like organisational legitimacy and resource dependency theory (Gomes et al., 2008; Oliver, 1997). Additionally, it is a hybrid theory, considering its applicability to all types of organisations - associations, public sector organisations and business entities (see e.g. Ashworth, et al. 2009). Indeed, institutional theory has become the fastest growing theory for studies on changes in organisational processes and practices (Ashworth, Boyne, & Delbridge, 2009; Dacin, Goodstein, & Scott, 2002) and is expected to respond to the many complexities of public sector environments (Jacobs, 2012).

4.4.1. The Institutional Theory

Institutionalism is said to have emerged in reaction to the assumptions of individualism, where human beings are seen as rational and seeking to maximise their utility (Ven & Hargrave, 2004). This view has developed over the years to what is presently known as neo-institutionalism (Covaleski, Dirsmith, & Samuel, 2003; DiMaggio & Powell, 1983, 1991; Meyer & Rowan, 1977; Oliver, 1991, 1997; Scott, 1995).

Meyer and Rowan (1977) presented the first exposition on this theory, labelled old institutionalism. They argue that organisations have the propensity to adopt and adapt practices and procedures defined by existing or formalised conditions of a work environment and institutionalised, in order to increase their legitimacy, prospects, and survival. This

postulation has been criticised for focusing on organisational continuity and stability, and not organisational continuity and change, hence the new institutional theory or neo-institutionalism (see DiMaggio & Powell, 1991; Scott, 1994).

Proponents of this new paradigm argue that organisations undergo various changes - incremental, radical, divergent and convergent - in order to maximize opportunities (see also Ashworth et al., 2009; Dacin et al., 2002). However, such changes are influenced and shaped by institutional contexts, values and interests, rules and norms emerging from the institutional environment (political, cultural, and societal).

DiMaggio and Powell (1983) describe the influences as institutional isomorphism. These authors explained that organisations, especially in the state of uncertainty, are more likely to change by adopting the same practices and/or structures being used by other organisations they view as successful - mimetic isomorphism. Also, the organisation may want to adopt a particular practice, due to power play with respect to the source and providers of funds²¹ or comply with existing regulatory framework or standard (Gomes, Carnegie, & Rodrigues, 2008)- coercive isomorphism; or may want to have acceptance or legitimacy from the society (e.g. stakeholders, professional groups)- normative isomorphism.

This theory has been widely applied in various disciplines and subject areas. Bealing, Dirsmith and Fogarty (1996) relied on the theory to examine the development of US Securities and Exchange Commission (SEC). They found that the US SEC enhanced its legitimacy after making disclosures of its enforcement guidelines. However, it must create and maintain its legitimacy to receive and have a sustained funding and support (Bealing, 1994). Lane and O'Connell (2009), for the first time, applied the theory to the field of governance, ascertaining changes in regulatory activities of the US SEC in improving the quality of corporate disclosures. They found that the SEC had increased their enforcement activities on disclosures in financial statements to ensure societal legitimacy. Deegan and Unerman (2011) also argue that the theory complements legitimacy theory and stakeholder theory in explaining voluntary disclosures and relationships in the disclosure process. Though empirical studies are yet to be sighted (Deegan & Unerman, 2011), Islam and Deegan (2008)

²¹ This is similar to resource dependence theory

add that the use of all three theories provides richer understanding of factors that drive social and environmental disclosures.

In accounting, it has been used in both the private and public sector settings to understand changes in accounting systems and accounting choice (Carpenter & Feroz, 2001; Hussain & Hoque, 2002; Modell, 2001; Scapens, 1994; Tsamenyi et al., 2006). In public sector accounting research, it is the most widely used, and remains the approach to understanding accounting practices and processes in the public sector (Jacobs, 2012).

In the case of reforms in the public sector, there are few studies explicitly drawing on institutional theory in identifying and explaining changes in practices and processes (Jacobs, 2012). The study by Tolbert and Zucker (1983), investigating changes in the context of civil service reform, appears to be the foremost use of institutional theory. They found that the adoption of civil service reform is not because of its efficiency, but rather because it is seen as a symbol of good public service (see also Zucker, 1987). Similarly, Rahaman et al. (2004), identified elements of institutional theory in the social and environmental reporting practices of a public utility company they studied.

Besides, there are studies in public sector environments providing evidences of managerial, contextual and institutional explanations for planned and unintended impact of reforms on the public sector (Ghobadian, Viney, & Redwood, 2009; Hood & Peters, 2004; McNulty & Ferlie, 2004). For instance, it has been shown that institutional influences arising from the nature of relationships (power) between state agencies and central government, local government and central government, and the need to balance diverse stakeholder interests in the public sector, have resulted in the introduction of private sector performance management techniques into public sector environment (Brignall & Modell, 2000; Modell, 2001). Scholars call for more analytical and theoretical research on the impact (negative and positive) of reforms on the public sector (Kurunmäki, 2009; Lapsley, 2008) as well as those explaining the unintended consequences (Ghobadian et al., 2009).

Ironically, public sector entities are much more vulnerable to institutional influences than for-profits and not-for profits entities (Frumkin & Galaskiewicz, 2004). Verhoest, Verschuere &

Bouckaert (2007) also found that the internal and external pressures associated with the NPM doctrines spur on the innovative and adaptive behaviour of public sector organisations. These findings, among other things, may have inspired Jacobs' (2012) recent remark:

...the call for further development of theoretical approaches grounded in the accounting setting remains valid. While not formalised theories, concepts such as the nature of the accounting profession, accountability and the nature of NPM and NPM reform were evident in the papers reviewed. One would hope that these themes continue to be emphasised but that future authors make a greater effort to develop and extend these concepts into more developed theoretical frameworks, which inform our understanding of the role of accounting in the process and practices of public sector entities (p.18-19).

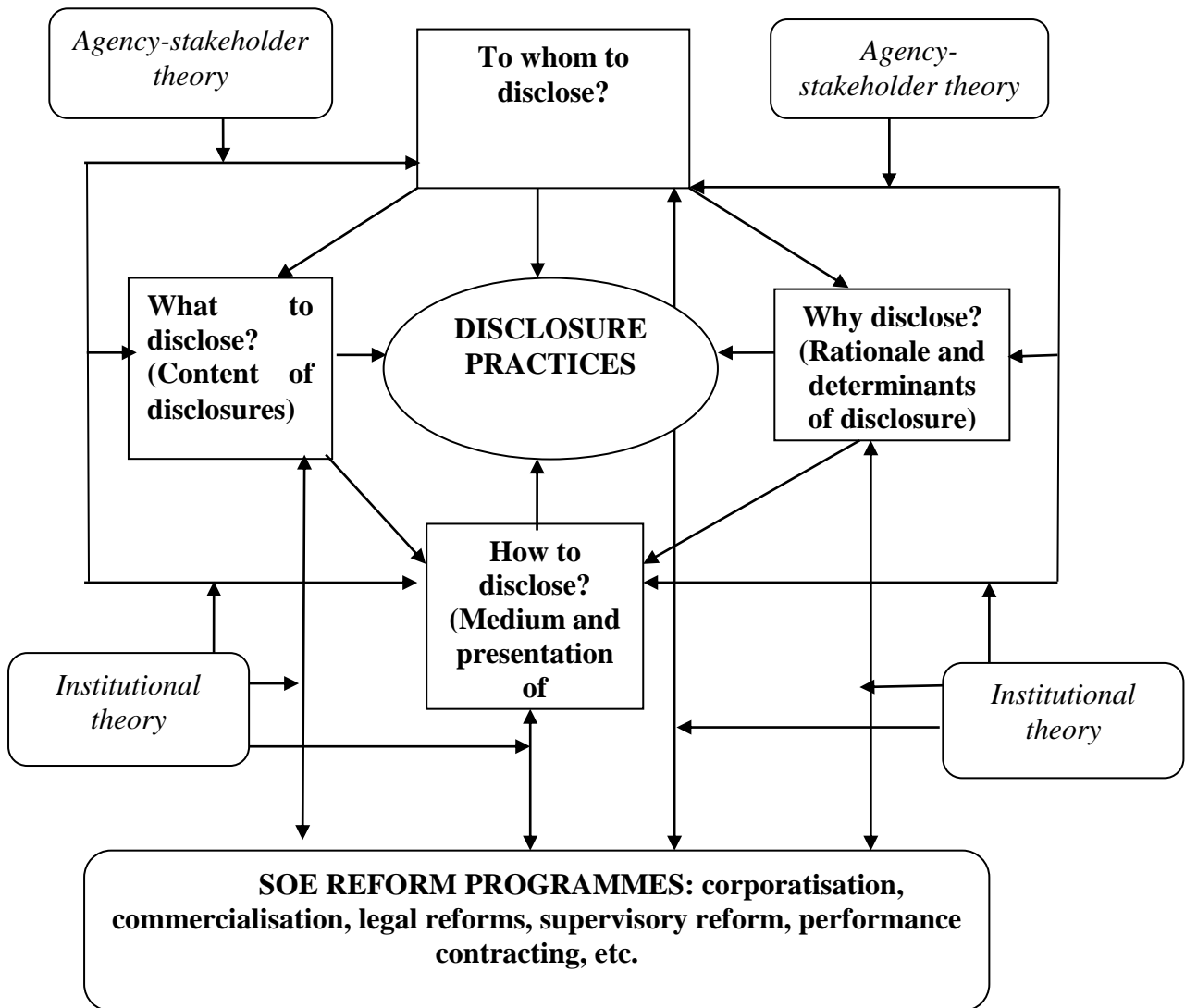
Drawing on institutional theory, the current study seeks to contribute to public sector literature in general, using evidence from developing countries (Goddard, 2010; Rahaman, 2010) and conceptualise the impact of non-divestiture reform programme, particularly on disclosure practices.

4.5 Proposed Theoretical Framework

As stated throughout this study, the primary research objective is to ascertain the impact of SOE reform programmes on their disclosure practices. To achieve this, the research objective is divided into two main parts: disclosure practices and public sector reforms. As stated earlier, this approach is adopted to aid the identification of relevant literature due to the dearth of studies explicitly examining the impact of public sector reforms on disclosure practices. In this section, a theoretical framework is proposed, showing the potential association between the two parts and how the two parts could be explained theoretically.

From the review of literature in chapter three, the disclosure practices of any entity encompass several processes, tasks, activities, and strategies (see e.g. Gibbins et al., 1990; Williams, 2008). Therefore, the proposed framework as shown by figure 4.1 presents the sets of elements that constitute the disclosure practice of an entity (in case a SOE).

Figure 4.1: Proposed Theoretical Framework



These elements of disclosure practices are grouped into four interrelated and interdependent elements, formulated in the disclosure questions: to whom to disclose (parties to the disclosure), why disclose (objectives and determinants of disclosure), what to disclose (the issues to disclose, disclosure types) and how to disclose (the processes, media, and form of presentations). The figure further show that, these elements and the possible changes over time, may be explained by three theories: agency, stakeholder, and institutional theory. For instance, whilst both agency and stakeholder theories explains each of the four interrelated disclosure questions from the economic and non-economic perspectives respectively, the isomorphic pressures underpinning institutional theory particularly explain changes in each of the elements of disclosure practices separately or concurrently. However, it is not clear empirically, which of the theories dominate when triangulated to explain disclosure practices in general and particularly in the context of hybrid organisations as SOEs.

The figure further present the potential association between SOE reform programmes and their disclosure practices, the focus of this study. As can be seen from figure 4.1, the interaction between SOE reform programme their disclosure practices is bi-directional, i.e. the use of a two-way arrow. This means that the reform programmes may influence each of the disclosure elements separately and at different stages of an entity's life cycle, and consequently, the entire disclosure practice of SOEs and the elements of SOE disclosure practice may have influenced the choice of reform programmes and perhaps future ones.

Finally, the figure indicates that, the potential association between SOE reform programmes and their disclosure practices can be explained by the principles of institutional theory, hence, a possible interaction between the agency theory, stakeholder theory and institutional theory. This interaction of theories in explaining the impact of reform programmes on SOE disclosure practices presented in the above figure differs from most impact studies which usually assume a unidirectional association and adopt a single theory.

4.6 Chapter Summary

This chapter has discussed some of the theoretical foundations of disclosures. From the above, it can be concluded that there are several theories with different orientations (economic and non-economic) relevant for providing evidence for the research objectives in this study, particularly the third research question. However, understanding components of disclosure practices in public sector environments, and even private sector settings, requires integration of multiple theories because the motivations for disclosures are both economic and non-economic.

Moreover, conceptualising the impact of public sector reforms and disclosure practices of SOEs requires the adoption of change theories. Based on the underlying tenets of change theories, institutional theory is considered the most relevant in providing explanations for changes in the practices of public sector organisations than any other, hence its relevance to explaining changes in the disclosure practices of SOEs, and to exploring the impact of reform programmes discussed in chapter two. These conclusions are diagrammatically summarised in the framework shown in figure 4.1. The next chapter describes the research methodology of this study.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 Introduction

This chapter specifically presents and discusses the research design adopted, the related assumptions and paradigms, as well as the data collection methods used to fill the research gap identified in this study. It reports the entire research process including the choices and assumptions, justifications and how they are related to the theoretical lens adopted. This is to provide the basis for readers and users to have confidence in the findings and conclusions made in light of the research questions.

The remainder of the chapter is organised as follows. The next section discusses the available research design and methodology for achieving the objectives of this study and the basis of choices made for the current study. This is followed by a discussion of the research strategy adopted for the study. The section includes, among other things, the target being studied, how cases were selected, units and events analysed, sources of data and how data was collected and finally management of data collected. The last but one section presents the caveats for choices made, in relation to the entire research process and arrangements made to reduce the potential adverse effects on findings and conclusions. The final section provides a chapter summary.

5.2 Philosophical Orientation and Research Paradigm

The literature on research methodology highlights some positions and assumptions on how the world may be observed, perceived, measured and interpreted (e.g. Burrell & Morgan, 1979; Creswell, 2007; Guba & Lincoln, 1994; Patton, 1990). They are so crucial that failure to take cognizance of such assumptions at the beginning of a study often leads to much difficulty (Miles, 1979). These assumptions provide the foundation for the research, relate, and support adopted theory or theories and findings, as well as conclusions made. Lukka (2010) argues that ‘they bring to the fore the normally silenced, implicit or even hidden, but fundamental values underlying the research’ (p, 111).

Myers (2008) confirms this, adding that it does not matter whether the assumptions are disclosed or not, but the effects on the phenomenon under study should be analysed. This is so because the assumptions influence the directions or orientations for developing or confirming a proposition or propositions; or for answering research questions, and the specific techniques for collecting and analysing data (Bryman, 2007; Creswell, 2003; Lukka, 2010; Mason, 2002;). Being aware of the various philosophical assumptions provides any researcher options to choose from, so acknowledging the choice of a particular research assumption is indicative of a good research (Guba & Lincoln, 1994; Lukka, 2010). Lukka (2010) specifically notes that:

Being ignorant or unreflective of our own philosophical, methodological, and theoretical underpinnings may make us efficient ‘inside the box’, but carries the risk of seeing just the trees, not the entire forest. A researcher may have become a ‘dope’ of a certain paradigm, without even realising that. Paradigm debates offer academia the means to ‘stop the world’, at least for a while, in order to take a look at the traces behind us and to see what we are actually doing in a more fundamental sense (p. 112).

Generally, the research assumptions define the perspective (a belief and value system or worldview), the nature of knowledge and how knowledge can be developed or created in a particular field, which in turn affects the technical and practical considerations for a study (Burrell & Morgan, 1979; Guba & Lincoln, 1994; Patton, 1990, 2002). Scholars have over the years, categorised the research assumptions based on the nature of research beliefs, the unique attributes, as well as the practical implications in relation to research paradigms summarized in table 5.1.

Burrell and Morgan (1979) for instance explain that the philosophical assumptions may take three main dimensions such as the nature of knowledge or reality (ontology), the nature of knowing and developing knowledge via the interaction between the researcher and the phenomenon (epistemology), and finally assumptions on the process of research (methodology). Guba and Lincoln (1994) confirm the three assumptions; ontological, epistemological, and methodological perspectives (see also Chua, 1986), and Creswell (2007) adds the language of research (rhetorical). There is also another assumption which has to do

with the role of values in knowing and creating knowledge (axiological) (Creswell, 1994; Heron & Reason, 1997).

Related to the philosophical assumptions is what has been commonly referred to as research paradigm. It is also concerned with the general perspective, feeling, and belief of a researcher about the world (Guba 1990; Patton, 1990, 2002). Traditionally, this has taken a dichotomous categorisation: objective and subjective (Burrell & Morgan, 1979) or positivists and naturalists paradigms (Lincoln & Guba, 1985). Later scholars use groupings such as positivism or functionalism and post-positivism (naturalist) that includes interpretivism, critical realism, constructivism, advocacy/participatory, radical structuralism and radical humanism, and pragmatism (Creswell, 2007; Guba & Lincoln, 1994; Saunders et al., 2009). Furthermore, studies with functionalist or positivist orientations are quantitative in nature whereas the post-positivist or the naturalists also tend to apply research designs that are qualitative in nature.

In accounting research, Tomkins and Groves (1983) proposed the naturalist paradigm (post positivist) to complement the existing paradigm (scientific method or positive). Chua (1986) also identified three dominant paradigms in accounting research: positivists (mainstream), interpretive, and critical research, which have been summarized along the three traditional philosophical assumptions as shown in table 5.1. However, it has become more obvious over the years that, accounting is not a single paradigm discipline, hence labelled multi-paradigmatic (Lukka, 2010). For instance, realism and idealism, often associated with positivist ontology, can also assume interpretive epistemology and implemented using qualitative research design (see e.g. Parker, 2012; Richardson, 2012). Though all these elements are different and have different characteristics, the fundamental issues are interrelated (Heron & Reason, 1997).

Table 5.1: Useful Paradigmatic Issues Under Some Philosophical Positions

Paradigms/ Assumption	Ontological	Epistemological	Methodological	Axiological	Rhetorical
Question	What is the nature of reality or knowledge?	What is the relationship between the researcher and that which is being researched?	What is the research process?	What is the role of values in the quest for knowledge?	How does one writes about the research?
General Characteristics	Concerned with the nature and form of reality as well as what to be known about it. Reality is multiple and subjective as seen by participants in the study.	Concerned with the nature of understanding that can be acquired through different types and methods of inquiry or investigation.	Researcher uses inductive and deductive logic, studies topics within its context, and uses an emerging design.	Researcher acknowledges that research is value laden and that biases are present.	Researcher writes in a literary, informal style using the personal voice and uses qualitative terms and limited definitions.
Positivist	Reality, physical or social reality is external to human influences	Knowledge is subjected to some specific objectives and independent reality based on value free facts	Deductive hypothesis testing within a controlled social order. Usually quantitative in nature.		
Naturalist (Interpretive/ Critical Realist)	Reality is internal to human and social construction. There are multiple reality of the same phenomenon	Knowledge is socially constructed and constructed between the researcher and participants. Facts and values are interlinked , hence knowledge is not value free. The researcher r	Approaches that bring meaning from the context being studied. Little or no deductive logic and more of inductive reasoning where the researcher is not detached from the phenomenon being studied. The approaches are qualitative in nature.		

Source: Burrell and Morgan (1979); Cresswell (1994, 2007); Heron and Reason (1997) Guba and Lincoln, 1994

In this study, the objective is to provide an understanding based on possible interpretation given to the data collected by the researcher; thus, the adoption of the naturalists views of interpretation (interpretivist) within the epistemological position, where the researcher attempts to lessen the distance between the researcher and the phenomenon being researched. In fact, the interpretive orientation within the epistemology position allows inter-subjectivity, meaning that there is no objective or neutral reality, so truth is assessed through logical consistency and subjective interpretations (Chua, 1986). Moreover, it allows the researcher to interpret and understand actions with reference to human meaning and how they classify their experiences, so that truth is established through consistently repeated observations and account of research participants. This assumption supports the thesis' primary objective of understanding the disclosure practices of SOEs and reforms in the sector, as well as providing empirical and theoretical explanation for possible association between SOE reforms and disclosure practices.

Also, within the interpretive paradigm is what has over the years been described as the qualitative and phenomenological approach, considered a more relevant option for studies seeking meaning, interpretation and understanding of contextual and social reality, as well as changes in practices and processes as in this study (Ahrens, 2008; Parker, 2012; Richardson, 2012). Furthermore, such approaches support the adoption of inductive approach of providing understanding and insight into grey areas such as ascertaining the impact of reform programmes on disclosure practices. The criticism, however, has been that this research position is subjective (Burrell & Morgan, 1979) and does not support research with intentions of influencing policy and practices at macro levels, but recent studies demonstrate that interpretive paradigm means social reality and not necessarily subjectivism (Ahrens, 2008; Parker, 2008, 2012; Richardson, 2012). In fact, it has objective and subjective attributes, hence described as straddling between paradigms (Ahrens, 2008; Kakkuri-Knuuttila, Lukka, & Kuorikoski, 2008) as well as having implications for policy and practices at macro levels (Parker, 2012; Richardson, 2012; Scapens, 2008).

5.3 Methodological Choices

The terms methodology, method, and design are commonly identified with any research, and are mostly used interchangeably because, in practice, they are generally concerned with how

the research objectives are achieved and/or questions are answered in a study. However, scholars explain that they mean different things, though related (see e.g. Creswell, 1994, 2007; Silverman, 2005). They explain that research methodology is concerned with the theoretical and philosophical assumptions underlying a study; methods entail the procedures and techniques applied in collecting and analysing research data; and research design covers the linking of methodology to method(s), i.e. the connections between research questions, theory, data, and use of data.

However, Maxwell (2005) notes that the methodology adopted for any research links the research questions, design, data, analysis, and reporting of results, while research design shows interrelationships between the various research activities required to address the central themes and stages of the study. Creswell (2003) aptly explains that research design specifies the structure, type of information to be collected, the sources of the data and the data collection procedures, as well as the analysis of data collected. Other scholars add that the nature of research questions formulated also influences the nature of knowledge that the study seeks to generate and all of these affect the decision for a particular research design (Salkind, 2010; Trauth, 2001; Yin, 2003).

Two broad research designs are identified in any study; qualitative and quantitative. Studies that seek to provide meaning and understand existing practices, the need for detailed understanding of processes, systems and experiences, and are exploratory in nature can best be answered using qualitative research design (see e.g. Bazeley, 2007; Creswell, 2007; Denzin & Lincoln, 1994, 2003; Morse, 1994; Newby, 2010). Besides, qualitative research design allows researchers to begin their studies with vague research questions in order to gather initial data (Bazeley, 2007), and text-based data, considered very useful for research in the social sciences (Ryan & Bernard, 2000).

Unlike quantitative research design that is mainly deductive in terms of data analysis and interpretations, qualitative research allows inductive, deductive, and abductive approaches of analysis. Additionally, the inductive approach is considered more apt for research questions on grey or relatively less researched areas, and allows the formulation of hypothesis, based on

existing literature (including theories) that informs the gathering and interpretation of data, as well as reporting the outcome (Kelle, 1997; Silverman, 2000; Strauss & Corbin, 1998).

Relating the above to the objectives of this study, i.e. understanding the disclosure practices of SOEs and ascertaining how reform programmes have influenced disclosure practices of SOEs makes the qualitative research design more relevant and appropriate. Indeed, the level of uncertainty surrounding the consequences of reforms in the public sector (Ghobadian et al., 2009), and the dearth of research examining association between PSR and disclosure practices, as well as SOE disclosure practices (e.g. Bakar & Saleh, 2011) make qualitative research design the most appropriate. It also supports the use of inductive approach, i.e. approaches without preconceived expectations or tightly prefigured approach (see e.g. Creswell, 2003) to data analysis and interpretation. This is important because as discussed in previous chapters (one and two), studies examining the impact on reforms in the public sector are limited and mixed. Similarly, there is paucity of studies on disclosure practices in public sector settings and public sector accounting in general (Bakar & Saleh, 2011; Broadbent & Guthrie, 2008; Goddard, 2010; Herawaty & Hoque, 2007; Rahaman, 2010).

Additionally, the qualitative research approach is adopted because it facilitates triangulation, with respect to methods of collecting data, sources and types of data, and thus provides stronger evidence for conclusions made. It possesses the ability to generate data via interviews, observations, archival and documentary analysis (including content analysis), and many more (Brannen, 2005; Buijink, 2006; Creswell, 2003; Krippendorff, 2004; Tashakkori & Teddlie, 2003; Weber, 1990). Furthermore, it provides an in-depth, more holistic, comprehensive and 'deeper' understanding of the phenomenon in a natural and socially constructed settings, be it complex or dynamic (Creswell, 2003; Glesne & Peshkin, 1992; Miles & Huberman, 1994; Silverman, 2000, 2005) like reforms in the public sector. It also permits flexibility for local contexts (developing countries), preserves sequential flow of events (Miles & Huberman, 1994; Strauss & Corbin, 1998), and allows better data interactions and interconnection among the different research issues identified in the current study.

5.3.1 Adopted Research Strategy: Interpretive Case Study

Saunders, Lewis, and Thornhill (2009) present several research strategies consistent with the research philosophies and paradigms discussed in the previous section. Taking cognizance of the events and phenomenon being studied, the case study strategy is considered more appropriate, hence employed. In fact, case studies are good at providing understanding and insight into grey and complex issues, and tracing processes and patterns holistically over a long period of time (Baxter & Jack, 2008; George & Bennett 2004; Gerring, 2007; Stake, 1995; Yin, 2003). Moreover, they are useful for theoretical, hypothesis-generation, theory confirmation, and analysing deviant cases (e.g., Bennett 2004; Eisenhardt, 1989). Bazeley (2007) adds that only the case study strategy allows gathering of in-depth information for quality qualitative research. Furthermore, case studies are very useful for generating, contributing, and explaining theory and practices, motivating further research and justifying more refined conceptualization (Cooper & Morgan, 2008; Eisenhardt, 1989; Siggelkow, 2007). This study draws on the foregoing features of the interpretive case study method, especially its ability to allow the researcher to examine the three main research questions posed in the study through a variety of lenses (Baxter and Jack, 2008).

Case study scholars present different types of case studies: single-case (intrinsic or instrumental), multiple-case (collective), embedded case, and holistic case (Creswell, 2003; Stake, 1995; Yin 2003). While all these case study types have similar underpinnings, single-case studies are based on unique, persuasive, intrinsic, and revelatory (instrumental) cases for descriptive purposes or explaining a phenomenon. Multiple-case studies seek to achieve some level of external validity (generations) by analysing data from more than one case. In fact, they go beyond providing an account of events and understanding a phenomenon; they also improve the external validity of the study. Holistic case studies are narrative and descriptive in nature, but provide minimal understanding of the theory or phenomenon being explored.

On the other hand, an embedded case study draws on multiple sub-units of analysis, thus providing opportunity for more detailed inquiry due to identification and inclusion of multiple sub-units of analysis. Indeed, this case study approach allows triangulation of methods (Yin, 2003).

The above case study types may be used for explanatory (causal links and positivist), exploratory (evaluative in nature), and descriptive (illustrative) purposes, but the exploratory aspect of case study is considered more appropriate in evaluating an intervention with no clear or single outcome (Baxter and Jack, 2008; Yin, 2003), such as reform programmes that have multiple objectives. In this study, an embedded case study approach is adopted because it is consistent with the objectives of this study. In addition, it allows the researcher to give a chronological account of reform programmes targeting the Ghanaian SOE sector, describe the disclosure practices of SOEs, and explore how these events, particularly, the IMF/World Bank-sponsored programmes have affected disclosure practices of SOEs.

5.3.2 Selection of Case(s) and Unit of analysis

One of the major considerations in any case study is the selection and definition of the case (s) to be studied (e.g., Stake, 1995; Yin, 2003). A case may mean several things, but it generally means an object (individual, organisation, or country) or an event/programme/process observed at a particular point in time or over a period of time, place, and contexts (Creswell, 2003; Gerring, 2007, Miles & Huberman, 1994; Stake, 1995; Yin, 2003). Stake (1995) adds that for intrinsic case studies, cases are not selected; they present themselves, so such cases are less useful for providing understanding of events and phenomenon, building, and explaining theory. On the other hand, instrumental and collective case(s) is (are) chosen to provide empirical evidence in evaluating or explaining a phenomenon, so the case(s) selected will represent a population of cases.

In this study, Ghana is selected as the case from the population of developing countries that had experimented the IMF/World Bank-sponsored reform programmes. In Ghana, there were several reform programmes targeting different domains of the public sector, but the SOE sector and non-divestiture-related reform programmes were selected as the sub-units of analysis. Details of reasons for choosing Ghana over other developing countries, the SOE sector and non-divestiture reform programmes have been presented throughout the study (see e.g., chapter 1).

Focusing on SOEs as a population of cases, the exact number of SOEs in Ghana for many years remained unknown, considering the changing nature of SOEs, reorganisations and

restructuring of the SOE sector. However, organising the State Enterprises Commission (SEC), as part of the reform programme to have oversight responsibilities over SOEs, has, to some extent, helped in estimating the number of SOEs. Under this arrangement, SOEs are to be tracked and monitored using the performance contracting system which involves implementing performance contracts, issuing reports on performance, and making recommendations for rewards and sanctions.

Using the above as the basis for estimating the population of SOEs, 37 government-controlled enterprises were identified operating under the supervision of the State Enterprises Commission (SEC) as at December 2010. From this number, two are wholly-owned subsidiaries of a particular SOE, thus reducing the population to 35. This number was further reviewed, based on their ability and willingness to provide the relevant empirical data to achieve the objectives of this study.

The first consideration was whether those SOEs had been in operation prior to 1989 to 1993, the period dominated by various SOE reform programmes. Besides, those SOEs should have been operating under the reconstituted SEC in 1987, and should have consistently participated in the performance contracting system (the first reform in the SOE sector) of Ghana until 2009. Furthermore, they should have assumed corporate form (corporatized) or been converted into limited liability company to operate as private sector companies, and should have been commercialised. These parameters were established to ensure that only SOEs who had experienced the relevant reform initiatives are included in the study.

Based on documentary evidence on the sector (see e.g., SEC, 1990, 1992ab, 1993, 1995), the first performance contract was signed in 1989 and only 11 participated in the Planning, Monitoring and Evaluation (PME) system. As at 2009, 5 out of the 11 SOEs that signed the first performance contract were still in existence. Other SOEs participating beyond 1989 were considered to include as many SOEs as possible, since the availability of annual reports of the SOEs was vital in the current study. Thus, the researcher targeted 10 SOEs, hence, the years were purposively increased steadily and the target was achieved after considering SOEs that joined the performance contract system in 1992.

This list of SOEs was first reviewed together with current and former officials of the State Enterprises Commission (SEC). The review took into account the strategic and economic importance of those SOEs, access to the data required (annual report from 1990-2009), and the performance of SOEs under the performance contract system (consistent participation). These processes are important in ensuring that SOEs selected are both persuasive and instrumental in achieving the objectives of this study. Based on these considerations, all 10 SOEs were confirmed by the SEC. Formal letters were then sent personally to those SOEs (see sample letters in appendices A and B). After several follow-ups, five (5) responded by calling the researcher for a meeting to discuss requests made in the letter. At the end of the process, three expressed willingness to be part of the study. SEC officials (including former officials) were contacted again, including other players in the SOE sector (Parliamentary Select Committee in Charge of SOEs, MOFEP) to confirm the significance and influence of the three SOEs in the SOE sector.

In selecting the cases for this study, the link between the units of analysis (or cases) and events and/or phenomenon in the study were crucial. Yin (2003) explains that the unit of analysis demonstrates how the case links with the broader body of knowledge. He added that the unit of analysis may be a group of people, location, items, embedded or layered. Schwandt (1997) further notes that the unit of analysis includes the specific and time-bound phenomenon selected for a study with attributes such as concreteness and circumstantial specificity as well as theoretical interest and generalizability. Thus, the choice of unit of analysis for this study was primarily guided by the extent to which it can be easily defined in terms of boundaries (when it starts and ends), and its consistency with the research questions raised in the study (Yin, 2003).

Related to the unit of analysis are the class of events of interest. As clearly stated from the onset, the class of events ranges from reforms in the SOEs sector and disclosure practices of SOEs with the aim of exploring association between SOE disclosure practices and reform programmes in the sector. Though the association(s) have not been established empirically, there is anecdotal evidence suggesting a potential association between the SOE reform programmes and their disclosure practices (see e.g., Aivazian, et al, 2005; Gómez-Ibáñez, 2007; Guthrie, 1993; Simpson & Onumah, 2010). Furthermore, the study argues that the

focus of sponsored SOE reforms - legal and institutional - has been on improving information flow to enhance monitoring and evaluation, thereby improving SOE performance. For instance, the reconstitution of SEC as part of institutional reforms under the SOE Reform Programme (SOERP) was, among other things, to promote efficient and profitable operation of the SOEs, utilizing the tools of corporate planning; performance contracting, monitoring, and evaluation (see details in PNDC Law 170). On account of the preceding evidence and other practical considerations, such as access to the relevant data (annual reports from 1990-2009), and most importantly the willingness of senior officials concerned to be part of the study, the three cases viz: SOE A; SOE B; and SOE C were selected for the study.

5.3.1.1 Overview of Selected Cases

Profile and reform experience of SOE A

Historically, SOE A has, over the last five decades, been operating as a body corporate with perpetual succession under a common seal and corporate name that must be officially and judicially noticed, be sued, or may sue. The law establishing it and later amendments generally define the functions of SOE A to include three core functions and two other complementary roles that must be pursued on sound commercial lines, i.e. aim at profit making. This makes SOE A one of the few SOEs in the country which, from the onset, were mandated to operate as profit-making entities.

The foregoing functions are to be planned and implemented under the supervision of a governing body appointed by the leader of government (President or Head of State). From the law establishing SOE A, the membership of the governing body, also known as board of directors, must be 8; and the chairperson as well as the Chief Executive Officer (CEO) shall hold office for not more than three years. The tenure of the other six must be between 1 to 2 years. In addition, one of the other six board members must have expertise in accounting and finance, and two must be representatives of the two major consumers of SOE A's outputs.

By this arrangement, the CEO serves as the link between the board and the team in charge of the day-to-day running of the entity. The CEO is charged with providing direction, and responsible for the entire administration and organisation of SOE A. He/She undertakes the

foregoing functions with the help of three deputies; each directly responsible for core and non-core functions as well accounting and finance matters.

In the area of accounting and finance, SOE A, since its inception, has been operating with the objective of making profit. To support this mandate, the board has been given the financial autonomy to borrow on both short and long-terms, but not exceeding a limit determined by the President or his representative. To determine the profitability, the board is required to prepare and keep proper accounts to be audited annually by the state auditor (Auditor-General) or an independent auditor appointed by the board and approved by the Auditor-General.

The name, structure, and content of the accounts are not stated, but the law establishing SOE A provides that the accounts must report the dealings associated with the activities and operations for the preceding financial year. Furthermore, the content must relate to the policy of SOE A and any other matters that the board considers as relevant to its interest. Besides, the nature of the accounts must be consistent with the directives given by the state auditor (Auditor-General). Finally, the statement of accounts in addition to the auditor's report must be presented to the President, representing the Executive arm of government and a copy to the legislature, at most six months and seven months respectively after the end of the financial year.

SOE A has over the years, been performing its functions and has recorded some modest results. Concerning the period being studied (1990-2009), revenue from operation was approximately GH¢4 million (£1.33 million)²² in 1990 and after 20 years it had risen to almost GH¢775 million (£258.33 million). Operating profit and net profit in 1990 were about GH¢2 million (£666,670) and GH¢1.2 million (£400,000) respectively. After over a decade of continuous operating losses, a little over GH¢8.2 million (£2.73 million) was recorded as operating profit in 2009 and a net loss of almost GH¢80 million (£26.67 million) in the same year. In the non-financial areas, staff strength rose from about 2,000 in 1990 to over 3,000 (excluding casual workers) in 2009.

²² Average exchange at April 2013 is GH ¢3 to £1.

Within the same period, SOE A undertook various reform programmes including corporatisation, performance contracting with support from diverse sources: local and foreign. Moreover, the programmes targeted various aspects of SOE A's operations, which had a potential of affecting their disclosure practices. These reform programmes are broadly institutional and regulatory in nature. The specifics and timelines of implementations are ascertained, presented, and discussed in chapter six of this study.

Profile and reform experience of SOE B

SOE B has over the years, been identified as one of the flagships of Government of Ghana especially in the area of revenue generation. Officials report that additional enterprises, including banks, were set up using appropriated surplus from only SOE B and was the source of revenue for the industrialisation and stabilisation of Ghana's economy in the 1960s (see also Appiah-Kubi, 2001). To date, SOE B remains strategic in the Ghanaian economy and continues to play its developmental roles, hence tagged as one of the success stories of state-ownership.

Historically, the activities SOE B can be traced from the late 1930s, but was formally established as a state agency in the 1940s by an ordinance. As a state agency, it was primarily concerned with developing the industry within which it was operating, but its mandate and operations began to change due to legal and institutional reforms resulting also in change of name to its present.

From the legal framework governing its operations, and based on official reports on the sector, SOE B is governed by at least 14 members: Three nominees by government, one of whom shall be the chairperson, the CEO and two employees, representing both lower and middle-level management, four representatives of stakeholders, other than government, with the remaining four being representatives of sector ministries and related state agencies. Moreover, all board members have tenure of 2 years whereas the CEO and his deputies are expected to hold office for four years, but they are all eligible for re-appointment.

The board supervises the activities of the management team, headed by the CEO, who has the responsibility for the day-to-day running and control of the staff of SOE B, and assisted by

three deputies. Other directors heading departments, divisions and subsidiaries of SOE B are answerable to their respective deputy CEO, who in turn, reports to the CEO.

With regard to operations, SOE B continues to enjoy monopoly and has recorded some impressive results. Its turnover, operating profit and net profit in 1990 were GH¢10 million (£3.33 million), GH¢3 million (£1 million) and GH¢500,000 (£166,667) respectively. As at 2009, these figures had risen to over GH¢2 billion (£666.67 million), GH¢31 million (£10.33 million) and GH¢56 million (£18.67 million) respectively. Apart from this, SOE B has been able to reduce its staff strength from 38,000 to about 6,000 over the same period.

In the area of reform programmes, SOE B, from both oral and documentary evidence, has attracted many of the reforms introduced into the Ghanaian SOE sector. Details of the reform programmes, particularly those under the non-divestiture strategy experienced by SOE B are presented and discussed, in relation to the changes brought about in its disclosure practices, under the chapter on discussion of results.

Profile and reform experience of SOE C

A little over 60 years ago, SOE C was established in Ghana, with 100% shareholding by a foreign company. After a decade of operations, it was acquired by the Government of Ghana in the early 1960s, and later incorporated as a statutory corporation, under the Statutory Corporation Act 1964 (Act 232). This legal transformation made SOE C a body corporate with perpetual succession, and its existence and dissolution became the prerogative of the President of the republic of Ghana.

Over the years, SOE C has been one of the very few SOEs that have been operating within a very competitive environment. This, in addition to legal reforms in the SOE sector, has spurred it to diversify its operations into related activities including the introduction of modern methods and practices into the industry within which it operates. Moreover, it has enjoyed more managerial and financial autonomy and the many of the sector-wide reform programmes in the Ghanaian sector. Details are presented and discussed later in chapter 6

Over the years, SOE C has made some modest gains. It currently has staff strength of little over 400. From the data available, SOE C's turnover and net profit in 1999 was close to GH¢3 million (£1 million) and GH¢600,000 (£200,000) respectively. As at 2009, these amounts have risen to almost GH¢25 million (£8.33 million) and GH¢2 million (£666,667) respectively. To confirm its impressive performance, SOE C, since 2003, has been declaring and paying dividend to the state. Apart from this, it is the only existing SOE that first organised annual general meeting after its conversion under the statutory corporations (Conversion to Companies) Act, 1993 (Act 461) into a company registered under the Companies Act, 1963 (Act 179) in the late 1990s. These make SOE C unique among the SOEs in Ghana.

From official reports, SOE C achieved the foregoing due to the quality of board of directors and management team. It has, over the years, benefited from boards with diverse backgrounds and experiences both from within and outside Ghana, and in the areas of finance, law, and academia. The board has been responsible for providing strategic direction, for leading, controlling, and monitoring the activities of management and operations of SOE C directly and indirectly. All board members, except the managing director, who represents the management team, have a two-year tenure, but are eligible for re-appointment. The management team, who do not have a fixed tenure, is led by the Managing Director and assisted by General Managers in five functional areas.

5.3.3 Sources and Methods of Data Collection

This section enumerates and discusses the sources and types of data used to support the study. Multiple data collection approaches were adopted for this study, considering the research objectives and limitations identified in existing studies examining the impact of reform programmes. Data were gathered from multiple sources (e.g. primary and secondary data from SOEs, regulatory bodies, oversight bodies, etc.) to allow empirical investigations into the research questions, and specifically answers the what, why, how, etc., types of questions (Eisenhardt & Graebner, 2007; Robson, 1993; Saunders et al., 2009; Yin, 2003). This ensures corroboration (or triangulation) of documentary evidence and the accounts of experts and professionals, which are critical to both theoretical and empirical validity (Creswell, 2003; Eisenhardt, 1989; Tansey, 2007; Yin, 2003).

The study commenced with the collection of archival materials from the SOE sector. Kendall and Wickham (2004) recommend the usefulness of these data types in understanding existing knowledge and practices. In view of this, the current study relied on archival data of World Bank/IMF reports, published and unpublished materials on the Ghanaian SOEs sector and SOEs, reform programmes including the political and economic background, motivations, and scope of reforms. In addition, other secondary data such as the annual reports of SOEs, performance contracts and other documents such as SOE corporate plans, monitoring reports, budgets, and performance reports on SOEs by the SEC were relied upon to illuminate the impact of reforms in the SOE sector.

Specifically, the documentary data was used to first trace reform programmes targeting the SOE sector over the years. This was used to provide a narrative of the reform programmes in order to ascertain those that have influenced disclosure practices of SOEs. Also, disclosure-related data were used to ascertain the disclosure practices of SOEs, i.e. parties to disclosures in the SOE sector, types and form of disclosure media, disclosure categories and types, as well as the presentation of disclosures in the various disclosure media.

To gain a better understanding and clarify the equivocal issues such as changes in the content of SOE annual reports and others identified from the analysis of the documentary data, interviews were conducted with the actors in the SOE sector and reform process. The interviews were conducted in phases, and that spanned over a period of six months starting from the August 2012 in order to gather all relevant data in light of the exploratory nature of the study.

At the early stages of the study and before the selection of cases, initial interviews conducted between July and August, 2011 to ascertain the relevance of the research questions to policy and practice; fine-tune the research issues identified; help in locating and accessing relevant documentary data on the subject under study; identify and select possible cases and stakeholders in the sector. In addition, some senior officials of potential SOEs were informally contacted to confirm the relevance of the study to practice and explore their possible inclusion in the study.

Informed by the initial interviews and after ethical approval, formal letters were sent in August, 2012 to players in the SOE sector for permission, access to documentary data and potential interviewees for the study (see appendix B for copies of request letters). This was considered critical because it aided the selection of cases for the study. In fact, some of the SOEs requested the interview guide (see appendix D) to give officials an idea of the nature of the information required and seek clearance, where necessary, for the information they may consider confidential. For the SOEs that gave the researcher the approval, the Public affairs department coordinated the interviews after approval from the CEO.

Overall, the interview guide is organised into four main parts. The first part sought to confirm the background of interviewees and their competency to respond to issues relating to the objectives of the study. The other rest are organised along the broad research objectives. For instance, the interview questions in part B and D required responses that provide both empirical evidence and explanations to changes observed from the analysis of the annual reports of SOEs (Research Objective A). Furthermore, the questions in part C address the second research objective, i.e. the impact of public sector reform programmes on disclosure practices (see samples of interviewee guides in appendix D). Similar processes were followed with respect to other key players in the Ghanaian SOE sector. They include officials at the office of the Vice President of the Republic (oversight over the SEC), Ministry of Finance and Economic Planning (the trustee of government's ownership in SOEs), sector ministries, other relevant state agencies (Audit Service, Registrar general) parliamentary committee, and officials of the World Bank and IMF.

The choice of interviewees was primarily based on parties involved in the disclosure practices of SOEs, individuals and representatives of institutions who are well informed and knowledgeable about the themes of the research, especially, the reforms and operations of SOEs. Besides, interviewees should have had not less than 10 years of experience in relation to existing practices. This is to ensure that interviewees are close to the events (reforms) being studied. So, overall, 38 officials were contacted for in-depth interviews (see table 5.2 for details). The in-depth interview provided the investigator the opportunity to ask for clarifications, insight into the critical issues of information and to solicit reasons for changes over the years, the role of reform programmes, and most importantly to provide evidence-

based conclusions and suggestions for policymaking and practice (Brannen, 2005; Buijink, 2006; Hammersley, 2000).

Table 5.2: Summary of Research Participants

Source of Interviews	No. of interviewees
SOEs (3)	15 (5 in each SOE)
Office of the President	1
SEC	5 (of which 2 are former/retired officials)
Ministry of Finance and Economic Planning (MOFEP)	2
Sector Ministries	3
Other actors: Registrar General Dept., sector specific regulatory bodies	3
Audit Service (Commercial Audit)	4
Parliamentary select Committee on SOEs/Public Accounts Committee	4
Parliamentary select Committee on SOEs/Public Accounts Committee	4
World Bank/IMF	1
Total	38

Overall, each interview lasted for between 1 to 2 hours. Specifically, five senior officials from each SOE and other players in the SOE sector as listed in table 5.2 were interviewed. Those from the SOEs included Directors of finance, company secretaries, senior managers in charge of performance contract systems; those in charge of collating and coordinating the preparation of corporate annual reports, Internal auditors and public affairs/communication managers. Though six groups of interviewees are cited in table 5.2, five officials were interviewed because in all the three cases, one group of interviewees performs other disclosure-related functions. For instance, in SOE A, the public affairs or corporate communication directorate is also in charge of collating and coordinating the preparation of end of year annual reports. Also in SOE B, the group in charge of the performance contract system doubles as coordinator for collating reports for the annual reports. Finally, in SOE C, the finance department is also in charge of collating and coordinating the preparation of annual reports.

As part of the data collection, the researcher was given an invitation to sit through the AGM of SOE A to observe the process and meet those considered as key stakeholders. The researcher took that opportunity to interview some of the key stakeholders, and to establish rapport for later interviews.

5.3.4 Data Management and Analysis

This step of the research process is generally concerned with post data collection activities. However, the method and types of data collected influence the management and analysis of data. Miles and Huberman (1994) explain that for qualitative studies, data management and analysis start when the study begins and it continues throughout the study. They specifically note that the major activities associated with data management and analysis, i.e. data recording, data reductions, data reporting, and drawing of conclusions are undertaken concurrently (see also Silverman, 2005).

As provided earlier in this study, data was obtained from primary and secondary sources. Data from the primary sources were mainly based on interviews and observations, while those from secondary sources consisted mainly of documentary data. Different approaches were adopted for the management and analysis of the foregoing data sources.

5.3.4.1 Interviews and Observations

The first step to managing data from interviews is the recording of the interviews. This can be done using audio tapes (digital voice recorder) and/or detailed note taking. Where interviews are audio-recorded, there is need for it to be transcribed, followed by sorting, categorising and labelling into themes for easy reporting and processing. Recent practices support these stages of data management, but not all studies require recording of interview and transcription. Bazeley (2007) notes; “not all interviews can be recorded and not all data requires full transcription... emotional and phenomenological responses...do not require transcription” (p, 40-46). She explained that notes from interviews are adequate when the study involves extracting information about how an event occurs, something is done, or a listing of some relevant issues is carried out.

In this study, the interview data was recorded mainly through detailed note-taking due to some practical challenges. Most respondents appeared uncomfortable with audio recording, despite attempts by the researcher to assure them of confidentiality and personal integrity, etc. (see documentation in appendix C). Their fears seemed justifiable in light of news of leaked recordings of interviews with public servants on some political developments and issues of public accountability (The Ghanaian Chronicle, 2011; Myjoyonline, 2012).

Data collected through the interviews were analysed manually during the data collection process. The data were first typed, sorted, and categorised into the description of selected cases, the process of choosing respondents and background of respondents. Copies of these accounts were sent to respondents to confirm the information therein and to clarify equivocal areas. For instance, in the case of SOE B and C, the respondents provided some clarity on the processes of preparing their respective annual reports and changes over the years.

Satisfied with the above, a detailed account of the events and phenomenon being studied was prepared. Following this was the analytical discussions of results from the interviews and documentary evidence obtained in relation to the literature. The analysis and discussion of results were organised along the research objectives. The final phase was the interpretations given to the findings and possible conclusions.

5.3.4.2 Documentary Evidence-Content analysis

The documentary data obtained were primarily analysed using the content analysis (CA) technique. It is a technique that has been in use for many years, mostly for analysing various kinds of data; text, symbols, and visuals (Krippendorff, 2004; Weber, 1990). Overtime, it has been variously classified as pragmatic, semantic, and sign-vehicle CA (Krippendorff, 2004), and conceptual and relational (semantic) (Hassan and Marston, 2010).

Whilst pragmatic CA is concerned with the causes and effects of using a particular word several times, semantic CA deals with the frequency that a term or word and some characteristics have been used, referred to, and characterized in a particular way. On the other hand, sign-vehicle CA focuses on psychophysical properties of documentary data.

Comparing the three classification of CA, the first two are said to common in disclosure studies seeking to determine the existence or frequency of issues of interest and explaining the relationships and associations among the concepts identified (see e.g., Krippendorff, 2004). Moreover, they reveal both manifest (visible and obvious elements) and latent contents (relationships, interpretations, and meanings) of data analysed.

A review of the above classifications and definitions shows that there are several perspectives and approaches to CA, but what appears common is the emphasis on the objective and systematic nature of CA in categorizing and analysing texts, discovering meanings and relationships, and making replicable and valid inferences within the context of use. It may be employed in qualitative or quantitative forms and remains one of the most common approaches in analysing archival data from various sources (Hsieh & Shannon, 2005; Krippendorff, 2004), hence allowing researchers to conduct deductive or inductive studies. Brennan et al (2009) add that when applied to documentary data, such as corporate reports over longer periods; it has the potential of revealing changes arising from reporting and regulatory frameworks and the behaviour of preparers and users of information. In addition, it allows longitudinal studies, minimizes researcher's demand bias, and aids triangulation of data from multiple sources and other methods (Mahadeo et al., 2011).

Specifically in accounting, it has been established that CA of annual reports and other corporate documents reveal change in disclosures and give in-depth insight into accounting practices (Brennan et al., 2009; Mahadeo et al., 2011; Steenkamp & Northcott, 2007). Apart from this, it has been adopted and adapted to various accounting research based on words, themes, paragraphs, sentences, page numbers, thematic structure, linguistics (syntactic, semantic, etc.) to reveal syntactic manipulation, rhetorical manipulation, attributions of organisational outcomes (meaning oriented studies), thematic manipulation, selectivity (choice/selection of performance number), visual/presentation effects (Brennan et al., 2009; Clatworthy & Jones, 2003; Feldman et al., 2010; Merkl-Davies et al., 2011; Beattie & Thompson, 2007).

In the specific case of the nature of disclosures, many similar studies have been predominantly quantitative and deductive in nature. They are labelled deductive because the

studies are based on preconceived disclosure checklists. In the few studies on disclosure by public sector organisations, the content analysis are based on checklists developed for private sector companies, hence deductive (see e.g. Bozec, 2004; Humayun & Adelopo, 2012).

Broadly, qualitative CA is concerned with techniques in which data are analysed without the use of statistical tools (Elo & Kyngäs, 2008; Hsieh & Shannon, 2005; Morgan, 1993; Patton, 2002). It consists of the preparation stage, which starts with the selection of unit of analysis (e.g. a letter, word, sentence, theme, part or the whole text, etc.). The next stage is the organising phase, where the unit of analysis is coded and grouped into categories; a group of content that is exhaustive and mutually exclusive (Krippendorff, 2004; Weber, 1990). The final stage is the reporting and interpretation of the results. These scholars add that, though qualitative CA may be undertaken both inductively and deductively, the inductive approach is most appropriate for studies where there is little or fragments of knowledge. The authors further explain that, whilst the processes under the inductive and deductive approaches are the similar, i.e. the preparations, organising, and reporting stages, they differ at the organising phase. In fact, at the organising phase, the inductive approach allows the researcher to adopt open coding and generate freely categories not based on pre-determined or preconceived categories. To that end, the inductive approach offers the relevant flexibility to create categories that best describes the phenomenon being studies and increase understanding and knowledge in the process.

Given the above, and the evidence that the disclosure practices of public sector organisations is grey and less explored areas, it is advisable to apply content analysis inductively and qualitatively (Hsieh & Shannon, 2005), hence, the application of this approach in this study, consistent with the choice of research paradigm and methodology. It aided the analysis of the annual reports of the selected SOEs and the archival data on the SOE sector and reform programmes implemented in the sector in providing an account of reforms in the Ghanaian SOE sector since independence vis-a-vis the World Bank/IMF-sponsored reform programmes. Also, it allowed the analysis of other documentary data helped in identifying disclosure-related reform programmes, while legal and regulatory reports were analysed to identify disclosure relationships, disclosure media, disclosure categories, and disclosure types.

Specifically in this study, the unit of analysis was the annual reports of SOEs from 1990-2009 and other disclosure media that emerged as part of the reform programmes (e.g. performance contracts). First, the annual report and performance contract for the year 1990 were reviewed thoroughly and headings that describe all aspects of the content were developed. The headings were later grouped into categories that are externally heterogeneous and internal homogenous, i.e. exhaustive and mutually exclusive. Using the categories generated from the 1990 disclosure media as the base year, the disclosure media for the other years were reviewed along the developed categories and where there were changes, additional categories were created. For instance, as can be seen from table 6.3 a & b in chapter six (6), seven (7) and nine (9) categories were generated from the review of the 1990 annual reports of SOE A and B respectively. Additional categories were created from the analysis of the annual reports of later years, hence, the categories increasing to ten (10) and twelve (12) for SOE A and B respectively.

Similar processes were followed in the content analysis of the use of visual elements in the disclosure practices of the SOEs. The processes particularly aided the identification of changes in the structure and content of the disclosure media the SOEs, and provided the basis for further investigation into how those changes could be traced to the reform programmes in the SOEs and the sector as a whole.

5.4 Ethical Considerations

Ethical considerations in research have become an important development in social science studies, particularly interpretive research, due to human elements, confidentiality, and informed consent in such research, and the need to support the quality and integrity of findings and conclusions drawn.

In this study, a number of steps have been taken to ensure that all ethical issues are dealt with at different stages of the study. The first step was to apply for ethical approval from the University of Birmingham's Research Ethics Team before data collection and analysis. Information provided to the Team for the approval include, among other things, background, purposes and expected outcomes of the study, methodology adoptions, types and number of

participants, and evidence of some documentations to ensure that participants who have consented to be part of the study can withdraw later, as well as the arrangements made to ensure confidentiality of data and participants.

Before the actual data collection, each research participant was provided with full details about the study, their responsibilities and rights in a form of information sheet and consent form (see appendix A). In addition, the researcher introduced himself fully, mentioned the purpose of the study, and offered to answer any questions that participants may have after perusing the received documents. None of the participants was coerced or deceived to participate in the study. For instance, one of the potential interviewees in SOE B refused to be part of the study by persistently giving excuses, despite approval by the CEO. This interviewee could have been reported, but arrangements were made with another official in the same department with similar years of experience to replace him. Moreover, most participants expressed their unwillingness to have the interview audio recorded. They argue that the political tension and reports of leakages of recorded conversations with public servants in the media make them uncomfortable. The researcher respected their views by taking detailed notes in those interviews.

Beyond the data collection was the need to ensure confidentiality of data and anonymity of research participants. With respect to the latter, participants were not only assured of nondisclosure of their names or positions in the study, but during the research process, the identity of participants have not been disclosed in any form. Specifically, pseudo names such as SOE A, SOE B, and SOE C have been used throughout the study and information provided about their activities has been general. Also, the term ‘officials’ were used without necessary citing the official position of the interviewees, thereby protecting the privacy and confidentiality of the research participants.

5.5 Chapter Summary

The objective of this chapter was to present and justify the research processes for the study. The chapter first presented the research assumptions and paradigms, as well as methodologies available to this study, outlining their strength in relation to the objectives of the study. Based on the discussions, choices consistent with the research questions raised in this study were

made. Specifically, the study adopted an interpretive epistemology vis-à-vis qualitative research design because the study seeks to understand disclosure practices of SOEs and explore the impact of reform programmes in the SOEs sector on disclosure practices. In fact, the exploratory nature of the study made the above choices more appropriate for the current study. The next chapter presents the results from the analysis of the data collected from both primary and secondary sources discussed in this chapter.

CHAPTER SIX

PRESENTATION AND ANALYSIS OF RESULTS

6.1 Introduction

This chapter presents results from the analysis of oral and archival data collected in relation to the objectives of the study. To achieve this, the chapter begins with results covering the chronology and nature of the reform programmes in the Ghanaian SOE sector in general (pre- and post IMF/World Bank sponsored programmes) and specific experiences of the SOEs in the current study. This aided the identification of reform programmes that sought to improve the information disclosure and disclosure practices of the SOE case studies. The second section presents results from the analysis of data collected in relation to each of the elements of disclosure practices identified and discussed in chapter 3. The section focuses on results on the changes in the elements of disclosure practices and the impact of reform programmes. The chapter summary is presented in the final section.

6.2 Chronology and Components of SOE Reform Programmes

Ghana's SOE sector dates back to her independence in March 1957, but initiatives in the sector began after independence. In fact, some notable interventions prior to the famous World Bank and IMF-sponsored reform programmes can be identified. Based on archival evidences and interviews on the reform interventions in the Ghanaian SOE sector, three main groups of reforms are identified: Pre-IMF/World Bank reform programmes, IMF/World Bank-sponsored reform programmes, and related and emergent Reform Programmes. This study shows that most studies have focused on the last two. The first falls in the category of interpretational history and that has received relatively little attention in research on SOE reform programmes. This study contributes to the literature by presenting an interpretational account of the nature and objectives of reform programmes for three periods identified from the archival and oral data analysed.

6.2.1 Pre-World Bank and IMF Sponsored SOE Reform: 1957-1982

The SOE sector in Ghana has over the years experienced a number of interventions that can be referred to as a reform, but, the analysis of reports on the sector (e.g., SEC, 1990, 1992ab, 1995) shows that the first initiatives in the Ghanaian SOE sector was primarily to promote the formation of SOEs. This is confirmed by the tremendous increase in number of SOEs to over 54, close to a decade after independence in 1957 (see e.g., SEC, 1995). A former official of the SEC recounted that:

the promotion of SOEs was considered a crucial move to among other things, aid the then government's industrialisation strategy, act as facilitators in accelerating economic activities and the provision of goods and services required by the nation, generate funds from SOE revenue for national development and provide basic social services that private enterprises will hitherto offer at exorbitant prices (e.g., utilities), as well as generate employment.

Analysis of the foregoing SEC reports confirms an increased number of employees by tenfold within the same period from 1957 to 1966 (see Adda, 1992).

In light of the growing number of SOEs and the acquisition of interests which ranged between 10% and 94% in joint venture enterprises by the then Government, the State Enterprise Secretariat (SES) was established during that period. Analysis of the historical reports obtained show that the objective for the emergence of that body was to provide and exercise general supervision over SOEs and manage government's interests in joint ventures. In the specific case of SOEs, SES was tasked to promote government policy on trade and ensure that SOEs operated efficiently and profitably. These were to be achieved by setting annual production and financial targets for SOEs, organising training programmes for staff of the SOEs, as well as conducting periodic inspections of the SOEs to ensure that they operate within their respective legal enactments and government policy directives.

However, the secretariat was unable to execute its mandate following the limited powers of SES. For instance, the secretariat lacked the authority to demand performance from officials

of SOEs who wielded significant influence by virtue of their link with ministers who dictated the nature and content of the accounts of SOEs. One of the SEC officials remarked:

There were too many bosses competing for authority to control the affairs of the SOEs, thus, SES ultimately became an extension of the civil service, lost its supervisory functions over most SOEs, especially those operating in the non-manufacturing sector, who were operating more or less as divisions and department of various Ministries.

To salvage the sector from the above problems, SES was scrapped and replaced with another body called Ghana Industrial Holding Corporation (GIHOC), which was established in 1967. Apart from assuming the role of SES, GIHOC was to oversee and manage all SOEs in the manufacturing sector. Officials explain that, the focus on SOEs in the manufacturing sector stems from their dominance, contribution to the entire economy and the apparent upsurge of SOEs in that sector. One of the former SEC officials recounted:

...the number of SOEs in the manufacturing sector increased in the context of Governments' import substitution strategy for industrialization, employing over 6000 people, engaging in various activities including those beyond their mandate...so the rationale was to bring all the manufacturing SOEs under one umbrella with the view of ensuring orderliness and rationalisation in the use of resources.

Beyond the above development, two departments were hived off their respective ministries to operate as statutory corporations, thus, joined the SOE sector in the early 1970s. Besides, other bodies were formed outside the existing arrangements to manage and control confiscated companies by the state from private investors (domestic and foreign) accused of financial malfeasance in mid-1970s. This development together with other expansions increased the number of SOEs, hence increased pressure on existing financial and human resources for monitoring and supervision. An official noted that:

...burdened by the substantial workload of the GIHOC in managing and overseeing the constituents in the GIHOC group of companies, expansions of the SOEs sector,

including over 17 confiscated private companies by the state, central bodies such as the National Trust Holding Co. Ltd. (NTHC) was established as an investment trust company designated with the foremost responsibility of managing the ceased enterprises as public sector enterprise...

The foregoing developments seems to have triggered the formation of the State Enterprises Commission (SEC) by Supreme Military Council Decree (SMCD) 10 in 1976 to provide general supervision over the operations of SOEs, including those under the supervision of the GIHOC, and provide advisory services to government on the management of SOEs. The SEC officials explain that, unlike previous interventions, the Commission, in addition to its supervision roles, reviewed the objectives of SOEs, initiated management audits, and determined the appropriateness of enterprise management of all the SOEs.

Between the late 1970s to the early 1980s, a change in power saw the restructuring of the State Enterprises Commission (SEC) with the promulgation of the State Enterprises Commission Act, 1981 (Act 433). This law mandated the new Commission to replace the preceding one and assume all previous functions, but the focus was to be on wholly owned SOEs and joint ventures (partial ownership) with commercial objectives. In addition, the coming into power by another government – the Provisional National Defence Council (PNDC) saw the passing of the Public Boards and Corporation Decree to allow the existing management structure of about 61 large SOEs to be replaced by an Interim management Committee.

Despite the above developments, the performance of the SOE sector continued to deteriorate. The account of interviewees and analysis of historical reports on the Ghanaian SOE sector (e.g., SEC, 1995) confirm this observation. One of the interviewees for instance noted:

Following the continuous financial pressures to save the economy ...the then Head of State resorted the World Bank and IMF for assistance in a form of reforms under the Economic Recovery Programme (ERP)...

The foregoing provide the basis for analysing data collected on the World Bank sponsored reform programmes, and presenting the emergent results.

6.2.2 IMF and World Bank Sponsored Reform Programmes: 1983-1993

The interviewees described the Reforms under the World Bank label as a significant departure from earlier reform interventions since independence. One of the officials remarked:

...the reform programmes could be described as a major and well-organised reform programme..., it is the only reform to have begun with a diagnostic survey to, first, assess the problems confronting the SOE sector to inform the nature and focus of the reform programme...

Analysis of the World Bank document(s) on the Ghanaian SOE sector and the SEC reports (e.g., SEC, 1992, 1995) show that the reform process began in 1984 with a survey by local consultants to collect data on SOEs in Ghana. This was followed by a diagnostic study by external consultants, funded under the United Nations Development Programme (UNDP), to assess the problems in the SOE sector. After a year, the study was completed and a task force on SOE reform was constituted in 1985/1986 to assess the reports of the external consultants and to make proposal(s) on the overall reform programme, which was to include a Government policy statement on the SOE sector, measures in the SOE reform programmes and action plan for implementation. Parts of the proposed reforms, which required negotiations with the financiers (IDA and other donor supports), were also considered.

The SEC officials interviewed confirmed the above and explained that, since the objective of the above was to inform the design of reform programmes, the diagnostic studies sought to obtain data on SOEs and ascertain the causes of poor SOE performance. Some of the major findings, as outlined in the reports of the studies show problems traceable to poor policy framework on the SOE sector and poor institutional environment, as well as management weaknesses at ministerial, regulatory, and firm levels, resulting in the absence of monitoring and evaluation of SOEs performance. Besides, the accounting practices and budgeting systems were identified as poor, lack of managerial accountability, ineffective government

agencies (SEC, MOFEP, and sector ministries) with respect to their mandatory and oversight responsibilities, poor governance arrangements, and absence of corporate planning. A former official of SEC noted:

At the commencement of the reform programme, information available on the sector was scanty and, in the financial area particularly, the information on SOEs were out of date. This made planning difficult and unrealistic, and I believe these challenges influenced the nature of conditionalities imposed on the support provided by them [World Bank/IMF].

Other officials added that, the above weaknesses identified in the SOE sector and SOEs in particular, instigated discussions and consultations with all relevant stakeholders, including the IDA (World Bank/IMF), hence, the recommendation of a comprehensive SOE reform encompassing the following:

- 1) A programme to ensure that SOEs operate along sound commercial lines, and to reduce and remove government financial support and increase competition;
- 2) Institutional and regulatory programmes to give SOE managers the relevant legal, managerial and financial autonomy to operate and ensure accountability through reorganisation of existing supervisory agency, particularly, SEC;
- 3) A programme to streamline the SOE sector through divestitures (privatisations, sale or liquidation) and mergers;
- 4) Reforms to improve management of SOEs in the areas of human resource management (staffing and training), management information systems (MIS), preparation of corporate plans, and preparation of financial statement and undertaking financial audits;
- 5) Programmes to restructure and rehabilitate some specific SOEs which are crucial in ensuring the success of ERP; and
- 6) Programmes to restore the solvency of SOEs and create guidelines and procedures for financial relationships between government and SOEs as well as among SOEs.

The above recommendations received the approval of the donor agencies, which led to the first loan agreement under the label, Public Enterprise Project (PEP) agreement (IDA Credit

No. 1847 GH) in 1987. Officials explained that, the project was expected to be completed by 1994, but the deadline was extended to 1996 at the request of Government. One of them noted:

The deadline was extended twice, first in 1994 and 1996, to enable us [SEC] deal with many of the reform works related to institutional issues and accelerated divestiture programmes, which were in progress.

Analysis of the project documents confirmed the above in three broad components: strengthening the management of SOE reform programmes, divestiture of SOEs, and restructuring of SOEs, which were funded with the release of successive structural adjustment credits (SAC): SAC I to III in 1987, 1989 and 1991 respectively, targeting different aspects of the Ghanaian SOE sector (see also SEC, 1995).

6.2.2.1 Rebirth of State Enterprises Commission

Analysis of the reports on PEP and accounts on the history of the World Bank sponsored reform programmes show that, the rebirth of the State Enterprises Commission was the first formalised reform programme implemented in the Ghanaian SOE sector under SAC I in 1987. This was evident by an approval and passage of new SEC legislation; PNDCL (170). According to the interviewees, this development was a very important step. They explained that, the SOE sector then was amorphous; there was lack of clarity on what constitute a SOE, there were multiple chains of command with little or no clarity, and so on. A former official of the SEC for instance recounted:

...at the outset of the reform programme, there was total chaos in the sector attributable to the operating environment and the management of the SOEs in general.
...information on SOEs and entities with Government equity was scanty...

Other interviewees added that, the existing institutional arrangements to provide oversight and other roles appeared non-existent. An official from the SEC noted:

...the Commission [SEC] over the years operated in a manner not clearly defined and in an ad hoc manner to meet the government in power's policy, so our [the SEC] formalisation with the passage of PNDCL 170... gave the green light for the release of support for the reform programmes and future proposals.

Analysis of the law establishing the Commission (PNDL 170) shows sets of responsibilities, and which confirms the above. As can be seen from table 6.1, the new Commission's task can be grouped into three: performance-related, advisory and others. The first two groups according to SEC officials are the main functions of SEC, and the third; consultancy services, are means of generating income internally.

Table 6.1: Summary of SEC's Functions

Performance related	Advisory	Others
To encourage efficient and profitable SOEs in pursuit of government policies	To advise government on the need for changes in organisational structure of SOEs, Human resource policies and practices, including remuneration and service conditions.	To provide consultancy services in its areas of expertise
To promote the development of SOE plans, objectives and programmes as well as their monitoring and evaluation	To establish guidelines and procedures for establishing new SOEs and streamlining SOE sector through divestiture, restructuring, rehabilitation, etc.	To perform all other functions related to the SOEs sector.
To embark on or arrange for various audits (operation, management, financial) to improve SOE performance	To make recommendations on the appointment and removal of CEO and Board members of SOEs	
Encourage payment of dividend by SOEs	To assess investment proposal and financial position of SOEs and offer advice to the state agency concerned	
To ensure the existence and operation of internal auditing, corporate planning and MIS, including developing and implementing management and staff trainings programmes	To advise on applications for financial support (including guaranteeing for borrowings) from Ministry of Finance	

As hinted by the interviewees earlier, the first SAC focused on the rebirth of State Enterprises Commission due to lack of clarity on what constitute SOEs and perhaps, a proliferation of

SOE definitions arising from earlier diagnostic studies and surveys. So, the reconstitution of SEC was to among other things, aid the identification of SOEs. One of the interviewees noted:

The first phase of our [the SEC] work was to identify SOEs, and later grouped into various categories for the appropriate reform programme...

This seems to have resulted in the identification of over 300 SOEs of which 200 were directly owned by the government of Ghana (wholly owned and majority interest), 88 indirectly owned through state-owned banks and the rest were those with less than 50% government ownership reported in the SEC reports (1992a, 1995).

On account of the above, officials of SEC, explain that, the Commission began the second phase of its function by examining and classifying the above SOEs into categories to aid the application of the appropriate reform programme. Analysis of the reports on SEC's activities (e.g., SEC, 1990, 1995) shows four categories of SOEs:

- I. Strategic and viable SOEs: those providing basic public services and are to remain with Government;
- II. Non-strategic but commercially viable: those operating under the terms of their instrument of establishment, produce or are intended to produce goods or services on a commercial basis, due to their financial viability;
- III. Non-strategic and non-viable SOEs: those operating under the terms of their instrument of establishment, produce or are intended to produce goods or services on a commercial basis but are not financially viable; and
- IV. Strategic but non-viable: those that have been playing their social and developmental roles, thus, require budgetary support in the form of subvention, capital grants or loan guarantees.

They added that, the above classifications were key in forming the negotiation for further financial support from the World Bank. Based on the classifications for instance, it was decided to progressively eliminate government subventions and subsidies as well as undertake rehabilitation and restructuring programmes to improve service delivery,

efficiency, and financial performance of those in the first category. This category of SOEs specifically underwent reform programme 1, 2, 4 and 5, whereas those in the second category were included in the divestiture programme - reform programme 3. Those in the third category were liquidated (programme 3). The remaining SOEs in the last category were reviewed with respect to their functions for further classification into those that can be reabsorbed into main stream civil service, those to remain and operate as SOE; those to be divested; and those to be restructured and rehabilitated.

To achieve the above programmes and meet conditionalities attached to the release of the next tranche of SAC I and SAC II, officials of SEC explain that, the Commission was tasked to initiate the implementation and management of programmes proposed by the World Bank under the name 'Planning, Monitoring and Evaluation' (PME) system to the SOEs considered as core in Ghana, as part of reform programmes 2 and 4. An official specifically noted:

Our work depended so much on the availability of information on the SOEs. Further, the boundaries of our responsibilities in relation to MOFEP and sector ministries when it comes to specific SOE were not clear. Therefore, the PME system was to coordinate and clarify the interaction between the ministries and us [SEC] when it comes to reform implementation and other issues. It also encouraged the generation of information by SOEs and collection by the Commission for its advisory functions.

6.2.2.2 Planning, Monitoring Evaluation (PME) System

From the data gathered, this reform programme consists of two main activities: corporate planning and performance contracting. The interviewees defined performance contract as negotiated agreements between the government of Ghana represented by MOFEP and a sector ministry on one side, and management of a SOE on the other, and witnessed by SEC. They explained that, performance contract outlines the respective intentions, obligations, and responsibilities of both Government (not a particular ministry) and SOE. Moreover, it has multiple objectives such as creating a culture of corporate planning among SOEs, clarifying and institutionalising an interface between government (executive) and SOEs, as well as, allowing SOE managers some level of managerial autonomy in order to hold them accountable through performance monitoring and evaluation.

Analysis of SEC reports (SEC, 1990, 1995) and the interview responses show that, the corporate planning aspect of the PME system was the focus at the initial stages of this reform programme. One of the interviewees remarked;

At the beginning of the reform programmes in 1987, no SOE in the country had a corporate plan, there was no formal arrangement for sector players to interact with SOEs, so our financiers [IMF/World Bank] made the preparation of corporate plans of 14 core SOEs and signing of performance contract by 1988, a condition in the SAC II.

To meet the above conditions, the interviewees recounted that the sector players were constrained by the lack of expertise to meet the deadline, so the Commission engaged the services of external consultants to prepare corporate plans for those core SOEs. In addition, series of workshops were organised for SEC and SOE officials with the aid of external consultants on the preparation of corporate plans. One of the interviewees from the SEC noted:

During that period, the management of most SOEs that had never undertaken corporate planning prior to this, expressed confusion and desperation. They [SOEs] had to rely exclusively on external consultants for the preparation of their corporate plans.

The above seems to have affected the number of completed corporate plans and delay in executing the performance contracting aspect of the PME system. This is because, review of the first SOE performance report (SEC, 1990) and other SEC reports (SEC, 1992, 1995) confirm that, the first performance contracts were signed in 1989 by 12 core SOEs. Moreover, the processes were undertaken without the participation of key stakeholders such as MOFEP and sector ministries in the process of negotiating performance targets. These key stakeholders later joined the process following evidence of improved SOE performance, the SEC officials recounted.

Analysis of SOE evaluation reports shows increased participation by SOEs in the system. For instance, starting with 12 SOEs, the number rose to 15 and 17 in 1990 and 1991 respectively. By 1992 and 1993, the number of SOEs signing PCs had risen to 30 and 47 respectively. However, at the early years, the SOEs were seen to be doing very well due to poor quality of performance targets arising from lack of reliable information, analytical tools, and personnel with the expertise to critically review proposed targets and effectively negotiate for 'hard' performance targets. Furthermore, a number of the SOEs according to the interviewees signed their performance contract without corporate plans during the early years of the PME system. The interviewees in SOEs explained that they could not meet some requirements of the PME system, particularly, preparing and updating corporate plans because they lacked the expertise.

In addition, the interviewees from the SOEs noted that managerial autonomy was virtually absent. One of them stated that:

The ministers and all sorts of politicians continued to make both authorised and ad hoc interventions that we could not say no....they were virtually taking all the strategic and policy decisions as well as, managing the SOEs, but we were held accountable for the terms of the performance contracts.

The foregoing deficiencies precipitated other reform programmes, including legal and institutional reforms, to create relevant conditions for SOEs to benefit from the PME system.

6.2.3 Related and Emergent Reform Programmes: 1993 Onward

As previewed in the preceding section, developments from the implementation of the above programmes, including the weaknesses that emerged instigated other reform proposals by SEC. They include training programmes sponsored by the Bank for SEC officials, senior managers, and directors of SOEs on topics such as corporate planning, and performance monitoring, exposing officials to the need to formulate and demonstrate linkages between vision, mission, objectives, and their respective operations.

Furthermore, there were legal reviews in 1992 to address a problem of conflicting legal regimes affecting the managerial autonomy of SOE managers (SEC, 1992, 1995). For instance, under those legal regimes, individuals outside the SOEs could intervene, review, and direct the approval of decisions. In fact, any politician could interfere with the governance of any SOE under those legislative frameworks. One official noted:

...weaknesses in the laws establishing SOEs were undermining the progress of the reform programmes introduced earlier. Clear separation of law and practice between public enterprises and mainstream civil service was absent, erosion of enterprise autonomy and accountability, and anomalous legal environment and practices.

The foregoing informed a review of the existing legal frameworks and subsequent proposal for legal reform programme (SEC, 1992). The interviewees revealed that, the promulgation of the Statutory Corporations (Conversion to Companies) Act, 1993 (Act 461) was one of the key outcomes of the review of legal frameworks and proposed legal reform.

From the report on the review of legal frameworks in the SOE sector (SEC, 1992), 45 SOEs were proposed to be converted under this Act, but analysis of the Act 461 shows that, thirty-two (32) SOEs were first converted to operate under the Companies Act, 1963 (Act 179), i.e., just as limited liability companies in 1993. This was followed by the passing of the Companies Regulation in 1994 to regulate the governance practices of SOEs. To assist in the transition, the SEC developed and executed training programmes in the areas of financial management and governance to strengthen the capacity of the directors and top management of SOE. Specifically, in 1994, there were training programmes on financial management areas such as working capital management, corporate taxation, capital investment appraisal, international business negotiation. There were also support training sessions to strengthen the capacity of SOE management on other areas such as workforce management.

In 1995, additional 18 SOEs were registered to operate under Act 179 (SEC, 1995). In addition, there were some industry-specific reforms including the establishment of regulatory agencies such as the National Media Commission (NMC), Environmental Protection Agency (EPA), Public Utility Regulatory Commission (PURC), and Energy Commission (EC),

through the passage of appropriate legislations in 1993, 1994, 1997 respectively, to provide the needed legal and regulatory framework for reforms in the SOEs and relevant industries. Besides, the Government of Ghana power sector reform was launched in 1996. The outcomes of those programmes are the establishment of PURC, charged with the setting and regulation of tariffs, and EC, responsible for licensing and monitoring the energy market (PURC Act 538, 1997; EC Act 541, 1997). As part of this reform programme also, the Volta River Development (VRD) Act, 1961 (46) was amended in 2005 to restrict its operations.

Whilst the foregoing industry specific reform programmes were ongoing, a new credit agreement was signed between the Government of Ghana with IDA after the expiration of the first agreement in 1996, under the label, Public Enterprise and Privatisation Technical Assistance (PEPTA) project (Credit No: 2877 GH). The agreement, which expired in 2003, sought to among other things;

- Continue strengthening of the capacity of SEC to monitor and evaluate of SOEs;
- Building capacity within the Ministry of Finance and the SEC to co-ordinate the implementation of programmes to manage the Government's portfolio of equity investments, loans and guarantees
- Preparing selected SOEs for divestiture;
- Provision of technical assistance and training of SEC staff

Over the years, officials explain that, the following programmes under the PEPTA project have been achieved at various levels:

- Development of integrated SOE database to track key operational and financial performance indicators of SOEs, which has been ongoing since 1996.
- Review and improvement of the performance contract system. This included the design and delivery of workshops for SOEs Board members and management staff, as well as SOE desk officers in the sector ministries, to broaden their understanding and thereby, facilitate the implementation of the improved PME System.
- Disclosure of information to the public on the performance of the SOE sector through the publication of annual reports on the sector.

- A study that identified the constraints that may impede the divestiture of selected SOEs was completed in year 2000.

6.3 The Reform Experiences of Selected Cases

Interactions with SEC officials and analysis of documentary evidence on the sector show that, though many of the reform programmes are sector-wide, there are variations with respect to the year of implementation within SOEs in the sector. This section therefore presents the timelines of implementing the reform programmes discussed above in each of the cases selected in this study.

6.3.1 SOE A

SOE A is one of the key SOEs, which have been operating in the Ghanaian economy over the last five decades. Focusing on the period under review (1990-2009), the operations of SOE A have been affected by a number of developments including expansions in operating capacity, diversifications and innovations, regulatory and legal amendments and reviews and institutional changes. Furthermore, officials were sponsored to top universities in developed countries and others sent to similar organisations in developed countries to improve their knowledge base and skills.

Regarding the externally-sponsored reform programmes, interviewees explained that the notable ones include the introduction of the PME system, conversion of SOE A to operate under the Companies Act, 1963 (Act 179), and some industry-specific reform programmes. The timelines for the implementation of the above reform programmes, based on interviews and documentary evidence (SEC reports, and annual reports of SOEs) on SOE A are shown in table 6.2 (a).

As can be seen from the table, the first reform activities in SOE A had to do with the PME system. Preparation for the system began with the creation of a Corporate and Business Planning department, and the introduction of a new and comprehensive personnel and finance computerised management system (see SOE A's Annual Report in 1991). SOE A joined the

PME system in 1992, and has been participating in all PME and training sessions organised for all SOEs.

Table 6.2 (a): Timelines of Reform Programmes in SOE A

Year	Reform Activity
1991	Creation of department for corporate planning in preparation for PME system
1992	Joined the PME system/Proposed to operate under Act 179
1993	Participated in PME related training programmes
1996	Started presenting accounts based on Companies Act 1963, Act (179)
1996/1997	Industry specific reform programmes to allow competition, etc.
2005	Amendment to the legal framework establishing SOE A.

From 1996, SOE A began presenting its accounts, in compliance with Companies Act 1963 (Act 179) as indicated in that year's annual reports. In the same year through to 1997, industry-specific reform programmes were initiated to, among other things, create a conducive environment for efficient and transparent operations, as well as encourage private sector participation. The programmes specifically include the passage of laws to establish regulatory frameworks and agencies responsible for setting rules and principles for best practices and performance measurement and monitoring. It also sought to liberalise the industry to encourage competition and capital injection through private partnership and joint ventures, as well as for reorganising and restructuring of relevant SOEs (including SOE A) into separate and strategic business entities for improved accountability by management and boards of directors.

Furthermore, the amendments of the legal frameworks also affected governance issues in SOE A, i.e. board composition, appointment, tenure and meetings, including the adoption of balance scorecard for performance management.

6.3.2 SOE B

As previewed in the previous chapter (chapter 5), SOE B has over the years been one of the strategic SOEs in the Ghanaian economy. Interviewees explained that SOE B is arguably one of the few SOEs in Ghana that experienced reform programmes under both the divestiture and non-divestiture interventions.

For the period under consideration, the reform experience of SOE B started with a legal reform in the mid-1980s, which led to the reconstitution of SOE B to expand its activities to include controlling, monitoring, regulating, promoting, encouraging, facilitating, and coordinating all activities (research, cultivation, production, processing, marketing, storage, distribution, etc.) associated with the industry within which it operates. Additionally, SOE B became a body corporate with perpetual succession and was mandated to operate commercially to ensure that it made returns for expansion, and allowed transfers into the country's consolidated fund (in the government's budget), and made reserves for other developments in the early 1980s.

This was followed by some SOE specific reforms, besides the PME system, as shown in table 6.2 (b). Furthermore, there were programmes such as removal of support to SOE B via subsidies and other forms; exposure to market forces; labour issues; and divestiture of loss-making subsidiaries of SOE B and its assets. Interviewees explained that the 1990s was very eventful for SOE B. Reform programmes specific to SOE B and its industry were implemented during that period to, among other things, encourage competition and liberalise aspects of the operations of SOE B as well as the divestiture of some subsidiaries.

Table 6.2 (b): Timelines of Reform Programmes in SOE B

Year	Reform Activity
1989	Part of the first 12 SOEs to join the PME system
1990	Started a gradual phasing out of redundant workers, Began granting operational and financial autonomy to key divisions and subsidiaries, Organisational restructuring to encourage internal marketing,

1992	Divestiture of a subsidiary in its supply chain/proposed to commercialise its operations and operate under Act 179
1993	Participated in PME related training programmes Reintroduction of internal marketing Mandated to oversee the licensing of industry players, especially those in the supply chain
1993/94	Part of the first 32 SOEs converted into limited liability company under the Statutory Corporation (Conversion of Company) Act, 1993 (Act 461).
2000	Privatised a subsidiary through public share floatation.

6.3.3 SOE C

SOE C is one of the few SOEs that have, over the years operated in a very growing competitive environment. An official explained that SOE C had not enjoyed monopoly and monopsony often associated with SOEs. Established over 60 years ago, SOE C has undergone some reform interventions in the SOE sector as shown in table 6.2 (c) below.

From the reports on the review of legal and institutional frameworks (SEC, 1992), SOE C was among the second batch of SOEs proposed to operate under the Companies Code, 1963 (Act 179) just as the 17 SOEs identified as core.

Table 6.2 (c): Timelines of Reform Programmes in SOE C

Year	Reform Activity
1992	Joined the PME system/ proposed to operate under Act 179
1993/1994	Participated in PME related training programmes
1999	Converted into a Limited Liability Company and began presenting accounts based on Companies Act 1963, Act (179)
2002	First AGM held

From officials of SOE C, one of the first reform programmes in their organisation was the participation in the PME system and related training of staff. Furthermore, SOE C was proposed to be part of those to undergo conversion and operate under the Companies Act 179

by 1993, but the conversion became a reality in the late 1990s. Under this arrangement, SOE C changed from being a sub-vented public corporation into an autonomous limited liability company with the Minister of Finance holding all 100% shares in trust for the Government of Ghana. An official explained that by this change, the dissolution, functioning and all activities governing the operations of SOE C were no longer in the hands of the President of Ghana, but in the hands of the Registrar-General just as any other autonomous company registered under the Companies Act, 1963 (Act 179). As can be seen from table 6.2c, SOE C, since 2002, has been organising annual general meetings (AGM), as required by the Companies Act, so as to receive and adopt reports of the directors and auditors; declare dividend; and authorise directors to determine the remuneration of the auditors, among other things.

6.3.4 Cross-Case Analysis of Reform Experiences

A comparison of the results on the reform experiences of the above cases reveals some noticeable similarities and differences. Clearly, all three cases participated in the PME, confirming the sector-wide nature of that reform programme. Furthermore, all the cases underwent training programmes on SOE related activities organised by the SEC as part of the reform programmes, and were proposed to be registered and operate as limited liability companies under Act 179 (see SEC, 1992).

However, analysis of the annual reports of the cases shows that the application of the Act, particularly with respect to the preparation of and presentation of financial statements began in different years. SOE B was the first in 1994, followed by SOE A and C in 1996 and 1999 respectively. Moreover, there are differences with respect to the year that the cases participated in the PME system. Officials in all the case explained that, though the objective of the system was sector-wide, it was experimented on a few core SOEs of which SOE B was part, and later extended to others SOEs. One of these officials noted, for example that:

We [i.e. SOE B] were the backbone of the economy then, which has not changed that much over the years. We bring in foreign exchange and employ the majority compared to other SOEs, so the political interference, inefficiencies, and waste in the

system were so much that we became one of the few first targets of many of the reform programmes.

The above observation seems to explain the rationale for SOE B's experience of many firm specific reform programmes as shown in table 6.2b. Similarly, the industry within which SOE A operates appears to have attracted most of the industry specific reforms, hence, the resultant firm specific reforms in SOE A.

Finally, only SOE C has been operating in competitive environment compared to other SOEs, hence, their practices are rarely traceable to the public sector attributes. For instance, as part of the conversion to operate under the Companies Act, 1963 (Act 179), SOEs are to organise annual general meetings, but SOE C was the first to comply in 2002, though the last among the three SOEs to begin operating under Act 179.

6.4 Disclosure Practices of State-owned Enterprise

From the analysis of the data collected in relation to the disclosure practices of SOE from multiple sources, the results are presented in this section for discussion in the next chapter. In fact, the results are presented along each of the disclosure elements identified in the literature and outlined as the objectives of the study.

6.4.1 Sources, Types, and Nature of Disclosure Relationships

From the data collected, there are diverse users of disclosures from SOEs, an indication of many SOE disclosure relationships, but the legal framework establishing and regulating the operations of each SOE and the sector (including all amendments) enumerate both enforceable and unenforceable disclosure relationships.

Focusing on the external relationships of the SOEs, the law establishing the three cases in this study mentions a number of users of their disclosures. The President/Head of State of Ghana, Ministry of Finance and Economic Planning (MOFEP), and the sector Ministry under which each SOE operates, the Accountant-General, the Auditor-General, the Legislature, have over the years been the traditional users of disclosures by all SOEs, including those in this study.

In addition, there are some specific users associated with different SOEs. In this study, consumers/customers (wholesale and retail), suppliers and intermediaries in the supply chain of SOEs, and the community/settlement areas within which the SOEs operate are a few of those users.

Interviewees confirmed the above, adding that there were also some short-term disclosure relationships which emerged due to firm specific reforms seeking to expand the operations of SOEs. For instance, in both SOE A and B, interviewees noted that a few years ago, they were directly sending monthly and quarterly reports on a new segment of their operations to the World Bank, due to some financial support that they received for that project. Furthermore, responses from the interviewees and analysis of the regulatory frameworks governing the operations of SOEs and the SOE sector reveal major players as far as the SOEs in the study are concerned. They include suppliers, customers, and communities as key players in their operations. From the SOEs in the study, an official noted:

Over the years, our bulk and wholesale customers locally and internationally have been major stakeholders, so Managing Directors of the local based customers had representation on our board. This seems to have changed since 2001 [SOE A].

Analysis of the annual reports of that SOE A confirms the above assertions. Further analysis of the law establishing and governing the operations of SOE A makes the representation of customers on the board of SOE A mandatory. Though this provision was amended in 2005, the practice changed from 2001.

Another official of SOE B also stated:

The suppliers of our raw materials are one of the enterprise's key players; hence, most of our activities are towards them. In recognition of their importance, they have [suppliers] had representations on our board all these years and in some years chaired the board.

Officials of SOE C also mentioned the importance of their customers, but emphasized the key role that their distributors and agents play in the realisation of the goals of the enterprise.

Over the years, developments in the sector by way of legal, institutional and other reform programmes, as presented earlier in this chapter, have increased the number users of SOEs disclosures. The emergence of supervisory, regulatory, licensing, and monitoring relationships (e.g., the SEC and industry specific agencies) are examples. In addition, the accounting and auditing functions have been taken over by the SOEs from the Accountant-General and the Auditor-General respectively due to the aforementioned reform programmes.

Concerning the nature of disclosure relationships, analysis of the legal frameworks show that, SOEs in Ghana have ownership disclosure relationship with the President/Head of State. The President decentralises its ownership functions through the ministries and other state agencies. MOFEP, for instance, is the trustee of government's shareholding in all SOEs, and the relationship with SOEs is just like that of an investor and investee. An official at MOFEP for instance noted:

...all that the ministry expects from them [SOEs] is to operate profitably and to pay them [i.e. MOFEP] dividend, meet their [i.e. SOEs'] statutory obligations and provide their audited accounts timely. We execute our responsibilities through our departments and agencies, including the Accountant-General...

Specifically, the Accountant-General is in charge of the accounting and monitoring of government investments in SOEs and the Auditor-General takes care of external auditing until the reforms in the SOE sector that made SOEs self-accounting and had the autonomy to engage their own external auditors. Another official at the ministry interviewed added:

there have also been other changes to aid effective monitoring of government investments in SOEs... the creation of a new unit (Public Entities) in 2002 operating under the Public Investment Division (PID) of MOFEP. It is concerned with providing oversight management of all state investments to ensure that all non-tax revenue, by way of dividend, is well accounted for.

Further analysis of documents on the activities of this new unit created as part of the PEPTA project, show the following responsibilities:

- Monitoring decisions relating to performance monitoring and divestiture as well as all other profit oriented and commercially viable investments of the Government;
- Providing the relevant guidance to SOEs to ensure efficient and effective management of such entities;
- Initiating and supporting proposals for programmes that seek to reform or restructure SOEs;
- Providing lead advisory services to the Minister of Finance on matters of strategic and financial importance to SOEs, including policies to achieve economic development via the SOEs; and
- Liaising with relevant state agencies to ensure compliance with government's requirements for fiscal and financial policies, and ensure control and accountability.

Apart from MOFEP, line (sector) ministries under which SOEs operate undertake some ownership functions. Unlike MOFEP, the sector ministries focus on policy issues. One of the interviewees at the sector ministries remarked:

the SOEs under us are seen as implementing agencies of the ministries' policies and programmes. We are [sector ministries] concerned with formulating and developing the policies, programmes and projects. We also monitor and evaluate projects and programmes implemented through them [SOEs]...

Other interviewees in the Ministries and Departments and Agencies (MDAs) confirmed the above, and added that, some of the sector ministries in this study perform their functions through regulatory agencies operating under them in the form of licensing, accreditation, and permit. For example, the Ministry of Energy implements its monitoring and licensing policies through the Energy Commission.

The legislature (parliament) is identified as a non-executive group that has enforceable disclosure relationships with SOEs. From the interviews and analysis of the regulatory frameworks on the SOE sector, the legislature plays an oversight role with respect to various aspects of SOE operations through relevant parliamentary Standing Committees and Select Committees. The interviewees cited the Public Accounts Committee (PAC) and the Committee on Employment, Social Welfare and State Enterprises as crucial in overseeing the activities of all SOEs. There are also select committees that deal directly with some SOEs operating in specific industries, focusing on technical issues such as energy, communication, works and housing, agriculture and cocoa, transport, and trade.

Focusing on the two general oversight committees relevant to this study, PAC is a standing committee principally mandated with the examination of audited reports on annual reports of the entire government including SOEs. SOEs may appear before the Committee when there are queries raised in auditor's reports sent to the legislature. The auditor's report on 2004/2005 annual report is an example of a case where officials of the SEC were called to answer queries on the performance of some SOEs and governance issues at the Commission.

On the other hand, the Committee on Employment, Social Welfare and State Enterprises is a select committee that focuses on reviewing the operations of all SOEs on continuous basis for operational efficiency. In addition, the Committee is expected to examine the reports and audited annual accounts of SOEs in the context of their autonomy, efficient management, and consistency with generally accepted business principles and commercial practices. The audited accounts may be income and expenditure statement, balanced sheet and statement of profit and loss accounts (Standing Orders of the Parliament of Ghana, 2000).

An official of the Committee adds that the committee sometimes investigates allegations against SOEs that are properly referred to parliament, and those that have gotten to the committee's attention. The interviewee added that, the audited annual reports of SOEs are rarely examined, even though copies are received. One of the interviewees remarked:

...until recently (the fourth and fifth parliament in the fourth republic), many of our MPs did not have the requisite background in Accounting and Finance, so we have

over the years, restricted ourselves to on-site visits to ascertain their operations and the challenges they face. Where it becomes necessary [suspicion of corruption], the Committee may engage the services of a professional who is not an MP.... I am reliably informed that in the next parliament [the sixth], the professional background will be a key factor in constituting this Committee, just as some Standing Committees like PAC [Public Accounts Committee].

Apart from the above, the SEC emerged due to reform programmes in the SOE sector, to undertake monitoring of SOEs under the PME system, provide advisory services, and manage existing and future reform programmes. As explained in earlier sections, the SEC through the PME system has a vital relationship with SOEs by ensuring that SOEs submit their audited financial statements, annual budgets, corporate plans, and quarterly monitoring performance reports. Through the same system, there is some form of advisory relationship between the SEC and the afore-mentioned state agencies and the ministries. The SEC is thus answerable to parliament and the presidency, through the Vice President.

Similarly, the creation of technical regulatory agencies such as the Public Utility Regulatory Commission (PURC), Energy Commission (EC), National Media Commission (NMC), Environmental Protection Agency (EPA), etc., as part of the reform programmes have expanded the number of users of SOE disclosures.

There are however variations across the interviewees in relation to who constitute the key stakeholders. For example, one of the interviewees remarked:

...for any effort of the SOEs to succeed, it requires firm and unwavering commitment and support from key stakeholders like its sub-sector partners, its regulators, and above all the government.

Another interviewee noted:

...our financiers (local and international) and their partners as well as suppliers are part of our key stakeholders.

Despite the above variations, the interviewees consistently described the government as the key stakeholder, including regulators of the sector. In terms of rankings, the government, represented by the MOFEP and the sector parent ministry and international financiers (/World Bank/IMF) are considered key, followed by SEC and other regulatory agencies in the SOE sector, before any other stakeholders such as bulk consumer/customers, and intermediaries in the supply chain providing finance and raw materials.

6.4.2 Media of Disclosure

From the data collected, annual report of SOEs was the only medium through which SOEs made disclosure to stakeholders, until the introduction of PME. For instance, from the legal frameworks establishing the SOEs in this study, annual report is the only document cited. Interviewees explained that prior to the reform programmes, state agencies and ministries could obtain information from SOEs, but the arrangement was not formalised, hence, the annual report was the only formal medium of SOE disclosure.

The interviewees saw the introduction of the PME system as an opportunity for SOEs to formally make disclosures and formalise discussions among stakeholders. An official of the SEC added that the information demanded from SOEs compels them to be transparent. He noted:

...the things they [the SOEs] do not want others to know or do not feel like disclosing, they are forced to do through standardised documents required by stakeholders in the sector, especially [the] SEC during the various stages and processes of the PME system.

Moreover, interviewees explained that, there are five key documents, in addition to annual reports, emphasised under the PME system as media of disclosure. They include corporate plan, annual budget, performance contract, performance monitoring report, and performance evaluation report. The interviewees explained that, the performance contract is prepared and presented based on disclosures in corporate plans and annual budgets, and disclosures in

performance monitoring and evaluation reports are also based on performance contracts and audited annual reports.

6.4.3. Analysis of Disclosure Media and Processes of Preparation

6.4.3.1 Structure of Annual Reports

Examination of annual reports collected on the selected cases shows some generic sections, which constitute the structure of their respective annual reports as shown in tables 6.3 (a to c) for SOE A, B and C respectively. Over the period under review, the number of sections in the annual reports of SOE A and B are 7 and 9 respectively as at 1990. By 2009, the number of generic sections has gone up to 10 and 12, in the case of SOE A and B respectively. For SOE C, the number of sections from the available annual reports (7 years) has been consistently 11.

Moreover, in the three cases for instance, the common sections are table of content (ToC), board of directors (BoD) and management, the financials – audited financial statement (F/S), financial review or highlights and statement of responsibility (SoR). The section on chairman’s statement became common among all the three SOEs from 1994. Moreover, all the SOEs have sections on operations and corporate profile. Similarly, both SOE B and C have in common the section on auditors and company addresses.

There are however, some notable differences worth mentioning. For instance, only SOE A does not have a section giving details of its auditors and address of its registered office. Moreover, annual reports of SOE A and B show no section on CEO/MD’s statement over the period under review. Officials of both SOE A and B explain that there is no need for an explicit section for disclosures by CEO/MD because; they (CEOs/MDs) are responsible for all information presented in the annual report. Officials of SOE B add that, the presence of the CEO signature after the narratives on its operations supports their argument.

Further examinations of the generic sections over the period within each case, show that new sections were introduced, and existing ones taken out with respect to SOE A and B respectively. In the case of SOE A, the section on BoD and management has been divided into two sections as from 2006: BoD and Management. Moreover, two additional sections on

support services and operations of subsidiaries were introduced from 2001, and finally from 2003, a section on statement of directors' responsibilities was added. Examining the content of these sections shows that the additional sections from the years 2006 and 2001 are reclassifications because there are no changes, compared to previous years. It is only the addition from 2003 that led to additional information with respect to the responsibility of directors.

With regard to SOE B, three sections - organisational outline, global market, and personnel and administration - were only seen from 1990 to 1993. In fact, the level of consistency with sections in the annual report began from 1994 through to 2009. For example, information on global market, since 1994 is presented under chairman's statement, and information on personnel and administration is shared between the sections on highlight(s) and public relations and community activities. In addition, information on organisational outline is shared between sections on BoD and Management.

Table 6.3 (a): Structure of Annual Report of SOE A

Sections/Years	1990	91	92	93	94	95	96	97	98	99	2000	01	02	03	04	05	06	07	08	09	
Table of Content (ToC)	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Corporate profile (CP)	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
BoD &Mgt. Chair.	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Remarks																					
Operation	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Support activities	-	-	-	-	-	-	-	-	-	-	-	*	*	*	*	*	*	*	*	*	*
Subsidiary	-	-	-	-	-	-	-	-	-	-	-	*	*	*	*	*	*	*	*	*	*
Financial Review	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Statement of Responsibilities (SoR)	-	-	-	-	-	-	-	-	-	-	-	-	-	*	*	*	*	*	*	*	*
Audited Financial Statement (F/S)	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*

Table 6.3 (b): Structure of Annual Report of SOE B

Sections/Years	1990	91	92	93	94	95	96	97	98	99	2000	01	02	03	04	05	06	07	08	09
Auditors & Registered Office					*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Table of Content ToC	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Highlights					*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
BoD					*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Mgt					*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Heads of Subsid.					*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Chair's Statement					*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Organisational Outline	*	*	*	*																
Global Market	*	*	*	*																
Operations	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Subsidiaries	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Personnel/Admn.	*	*	*	*																
Public relations (PR) & Community activities	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Financial review	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
SoR				*	*	*	*	*	*	*	*	*	*	*	*	*	*	*		
Audited F/S	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*

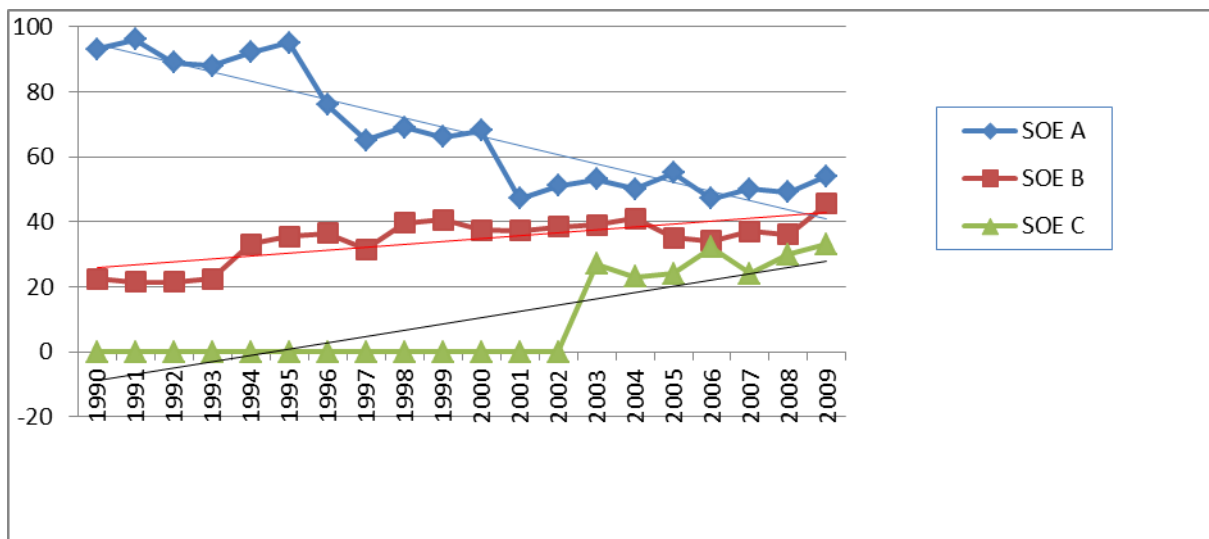
Table 6.3 (c): Structure of Annual Report of SOE C

Sections/Years	2003	2004	2005	2006	2007	2008	2009
Table of Content (ToC)	*	*	*	*	*	*	*
Financial Summary	*	*	*	*	*	*	*
Financial Highlights	*	*	*	*	*	*	*
Names of BoD & Mgt. registered address, auditors and Bankers	*	*	*	*	*	*	*
Corporate Profile (C.P)	*	*	*	*	*	*	*
Board of Directors (BoD)	*	*	*	*	*	*	*
Management	*	*	*	*	*	*	*
Chairman's Report	*	*	*	*	*	*	*
MD's Report	*	*	*	*	*	*	*
Statement of Responsibility(ies) (SoR)	*	*	*	*	*	*	*
Audited Financial Statement (F/S)	*	*	*	*	*	*	*

6.4.3.2 Volume of Disclosures in Annual Reports

Related to the above generic structure is the size of annual reports, which from the literature is indicative of the volume of disclosure (see chapter 5 for details). Drawing on the number of pages devoted to disclosures in SOE annual reports, as a measure of the volume of disclosure, the analysis show mixed results. As can be seen from figure 6.1, the trend of disclosure volumes by SOE A is downward and that of both SOE B and C are upward. Also, SOE A's downward trend is steeper than the other cases (see trend equations).

Figure 6.1: Trend of Page Counts



Further analysis of the volume of disclosure in the annual reports of the SOEs based on the number of pages, taking cognisance of the nature of page layout of annual report²³ show that, SOE A on the average has the largest number of pages devoted to disclosures in annual reports, compared to the other cases (see table 6.4 for details). In fact, the number of pages of SOE A's annual reports is about twice the number of pages of SOE B and two-half of SOE C (see table . This is corroborated by the range of the number of pages devoted for disclosures in the annual report of each case. Over the period under considerations, the maximum and minimum number of pages is 96 and 47 respectively in the case of SOE A, and these figures were recorded in the years 1991 and 2006. Both SOE B and C recorded their maximum number of pages of 46 and 33 respectively in 2009. The minimum for SOE B is 22 in 1991 and for SOE C it is 23 in 2004.

²³ In the case of SOE A, the texts (narratives) in the annual reports for some years were split into two (double) columns. In the other cases, the texts (narratives) in the annual reports were single column (normal).

Table 6.4: Analysis of Page Count and Layout

Years	SOE A			SOE B	SOE C
	General	One Column Text	Two Columns Text	General	General
1990	93		93	23	-
1991	96	96		22	-
1992	89	89		22	-
1993	88	88		23	-
1994	92	92		33	-
1995	95	95		36	-
1996	76		76	37	-
1997	65		65	32	-
1998	69		69	40	-
1999	66		66	41	-
2000	68		68	38	-
2001	47		47	37	-
2002	51		51	39	-
2003	53		53	39	27
2004	50		50	41	23
2005	55		55	35	24
2006	47		47	34	32
2007	50		50	37	24
2008	49		49	36	30
2009	54		54	46	33
Ave.	68	92	60	34	28

6.4.3.3 Disclosure Categories and Types

Drawing on the sections ascertained and shown in the preceding sections, some disclosure themes were found to be common among the cases in this study. As can be seen in table 6.5, there are six dominant themes covering different proportions of the space in their respective annual reports.

From the within-case and cross-case analysis, it is evident that on the average (in terms of the number of pages), the greatest proportion of space in SOE annual reports is devoted to disclosures on financial issues, especially the financial statements (see table 6.5). This is followed by disclosures on operations. Even in the case of SOE C, which does not have a section on operations, disclosures on its operations under the sections on corporate profile

and MD's report represent 28%. Furthermore, SOE C on the average devotes more space for disclosures on governance than the other SOEs.

Further analysis of each theme shows that, company profile covers a number of disclosure types. In the case of SOE A, this disclosure theme include issues on its history, operations and product, and types of customers. Moreover, in 1999 and 2000, the vision and mission statements were disclosed for the first time under the same theme. The third time was in 2009, but this time a whole page was devoted to that and not hidden under a section. In all these occasions, the set of statements were different each of the years. SOE C also discloses the mission, visions, corporate values, cultural values, and strategic thrust consistently under this theme since 2003.

Table 6.5: Analysis of Space devoted to Disclosure Themes

Disclosure theme	SOE A (%)	SOE B (%)	SOE C (%)
Corporate Profile	3	-	14
BoD and Mgt.	3	8	13
Chairman's Statement	4	4	6
MD's Report	-	-	14
Operations	33	26	-
Financials	54	57	50

Disclosures on SOE A's governance generally include names and professional background of board members (basic)²⁴. It was only in the years 2001, 2002, and 2009 that the photographs of board members were added in the case of SOE A. The only change in those years was the appointment of a new CEO without using the conventional method of elevating one of the deputies or board members. Moreover, it is observed from the annual reports of SOE A that the CEO was removed in the course of the year 2003 and all other board members were maintained, but the use of photographs for disclosures on governance was absent in the 2003 annual report. It was resumed in 2009, when a new CEO was appointed.

In the case of SOE B, names of board members are provided, but in most years, pictures of board members and management were provided²⁵. For SOE C, names, pictures, professional

²⁴ This does not include disclosures on board members' relevant areas and years of experience, academic and other achievements, and so on.

²⁵ Further details under the section on forms of disclosure presentations.

and educational background of board members and management are presented throughout the years under consideration, except the years that a new board is constituted, more disclosure is made on the background of board members.

Disclosures under the chairman's statement of SOE A did not generally follow a particular format, as in the case of the other SOEs. Most of the disclosures relate to performance in terms of turnover, profitability and operations; achievements; developments in the organisation, industry and sector (including reforms); operations, project expansions and completion, staff issues and community-based activities. Also, in the year 2000, many of these disclosure types were presented under subheadings. It was also only in that year that disclosures on the outlook of SOE A were clearly made.

In the case of SOE B, disclosures under chairman's statement since 1994 consistently cover global market in relation to the local scene, i.e. financing and performance in terms of profitability (and other operating results) and future outlook. However, in the case of SOE C, the disclosures under this section appear to be more detailed. Information provided covers economic and political environment, competition, details of board and board committees' meetings and major decisions (other corporate governance issues and changes), staff and remuneration issues, and financial results.

As stated earlier, it is only SOE C that has a section on MD's report, and content analysis of that section, over time, shows that disclosures in this section appear to be expanding on issues highlighted in the chairman's statement. The disclosure issues include financial performance, economic environment, competition, products and programmes, strategic plans and administration, staff training and development, ICT, subsidiaries, health, CSR activities (donations) and outlook.

Also, the disclosure theme on operations is concerned with disclosure types relating to the cases' core functions. While SOE C had no section on operations, disclosures of this disclosure types, including social activities, are located under other sections: corporate profile and MD's report.

For SOE A, disclosures on operations include its core functions and operations of its subsidiaries, and support activities relating to the health and safety of staff and the community at large, management information system, human resources (staff strength and welfare), social activities (schools and hospitals, etc.) and environmental control programmes. The same can be said about SOE B, except that disclosures on operations are mainly on its core functions and related divisions. In addition, there are disclosures on public relation issues (visits by dignitaries, and organisations (mainly international) and educational supports. Comparing the three cases, SOE A makes more disclosure on environmental, social, health and safety issues than the other two cases.

In the area of financial disclosure types, they mainly cover financial highlights, auditor's reports and financial statements. The financial highlights generally include changes for the past 5 years. In the case of SOE A, disclosures under financial highlights have been on changes over the last 10 years, until 2001 when the period was reduced to 5 years. In the case of SOE B, the highlights relate to only two years.

Disclosures in the audit reports and financial statements show very negligible changes within each case and across the SOEs. The financial statements comprise Profit and Loss Account, Income Surplus Account, Balance Sheet, Cash Flow Statements, and notes to the accounts. The only notable change is with SOE A, where the title Revenue Statement was used in place of Profit and Loss account prior to 2001, but the content was largely the same.

6.4.3.4 Forms of Disclosure Presentation

From the literature, disclosures are presented in texts, numeric and, in recent years, an increased use of visual elements (table, graphs/charts and photographs or pictures). Focusing on the use of pictures or photos and graphs or charts, results in terms of counting the number of these visual elements in the annual reports of SOEs as shown by table 6.6 reveal that, photos are the most used visuals. Moreover, SOE C uses more photographs (pictures) for presenting various disclosure types than the other SOEs, whereas SOE A makes more presentation using graphs/charts.

Within-case analysis shows that, the periods that recorded the highest use of pictures in SOE A were 1990, 1995, 2001 and 2009. For SOE B, the periods were 1994, 1998 and 1999; and for SOE C, they were 2003, 2006 and 2009. In the case of the use of chart/graphs, the highest numbers were recorded in 1994 and 1996 so far as SOE A is concerned. In SOE B and C, the periods were 1994/2004, and 2003 respectively.

Table 6.6: Analysis of visual presentation of disclosure

Year	SOE A		SOE B		SOE C	
	Photo	Charts/Graph	Photo	Charts/Graph	Photo	Charts/Graph
1990	19	9	1	0		
1991	18	9	3	5		
1992	8	9	3	5		
1993	10	9	4	6		
1994	14	10	22	4		
1995	19	9	3	4		
1996	10	11	2	4		
1997	8	6	3	3		
1998	11	6	27	3		
1999	10	6	27	3		
2000	6	7	2	3		
2001	21	3	10	3		
2002	17	7	10	3		
2003	6	8	11	3	28	5
2004	4	6	11	6	5	4
2005	9	6	11	3	14	4
2006	6	8	11	3	25	4
2007	7	8	11	3	15	4
2008	7	8	11	4	16	4
2009	19	7	10	4	27	4
Ave.	11	8	10	4	19	4

Further analysis of the above visual elements in relation to the disclosure theme identified (see table 6.5), is shown by table 6.7 and the results show that photographs are used much more for disclosures under corporate profile, governance (BoD and management.), chairman and MD's report and operations. Moreover, graphs/charts are adopted much more for disclosures on operations and financial issues. Within each case, photographs are mostly used for disclosures on the operations and related support services and subsidiary operations than

graph/chart in the annual reports of SOE A. Also in SOE B and C, photographs are heavily relied upon for disclosures on governance.

Table 6.7: Analysis of the number of visual elements used in the Disclosure Themes

	SOE A		SOE B		SOE C	
	Photo	Graph/Chart	Photo	Graph/Chart	Photo	Graph/Chart
Financial Highlights		21				29
Corporate profile					20	
BOD/Mgt	27		180		85	
Chairman's Report	22		10		6	
MD's Report					19	
Operations (89+69+22)	180	131	3	72		
Total	229	152	193	72	130	29

6.4.3.4 The Processes of Preparing Annual Report

Analysis of the legal frameworks governing the operations of SOEs provides minimal guidance on the preparation of SOE annual reports. However, for some SOEs and especially those SOEs operating under the Companies Act as part of the reform programmes, some guidance is provided with respect to when the annual report should be ready. In the specific case of SOE A, section 32 of the law establishing it provides a maximum of 6 months, whereas for those operating under the Companies Act, their annual report is expected to be ready 3 months after the end of their financial or accounting year. Therefore, for most companies whose accounting year ends on December 31, their annual report should be ready by March 31 of the following year.

The interviewees at the SEC, confirmed the requirements of the Companies Act, and added that, SOEs on the average have within 3 to 6 months, after their financial year, to submit their audited annual report. The interviewees further explained that, from their experience, SOEs occasionally meet the various deadlines outlined in any of the existing legal frameworks analysed, hence, the inclusion of timely submission of audited annual report as a performance indicator as part of the reform programmes. One of the interviewees at the SEC noted:

...the Commission sets higher targets for them based on their previous performances in relation to the submission of annual report. This we [i.e. the SEC] did to solve the problems associated with late submission of audited annual reports.

Confirming the above, results from the content analysis of the annual reports of the SOEs in this study for the period under consideration shows that in some years, annual reports are approved and audited 9 to 30 months after a financial year. However, the interviewees explain that there have improvements over the years.

With regards to the processes of producing SOE annual reports, the interviewees explained that, the process starts with a written letter or memo to heads of departments, divisions, and subsidiaries requiring the submission of report on their activities and performance for the year. They added that, the key information required to be included in the annual reports are highlighted in that letter. Although there are however, difference in the responses from each SOE with respect to the source of the letter, what is common among the three SOEs is that, the letter originates from the department in charge of the collating and drafting of the annual report.

Over the period under review, officials of SOEs noted that the above arrangements have not changed. In SOE A for instance, the corporate communications (public affairs) department has been in-charge of the processes, whereas it is the planning, research, monitoring and evaluation department, and finance department in the case of SOE B and C respectively.

In the specific case of SOE A, the scheduled officer explained that, the target for completing the process is June of the subsequent year, so letters are distributed in the second week of January and he has just a month to put together all the information received in the form of an annual report. He added that the draft report is sent to heads of department and divisions that provided the information for the report for confirmation or otherwise. Corrections are effected, and a copy is forwarded to the office of the CEO, before it is finally submitted to the board for approval. Through the process, design options and the choice of images are considered and discussed by the corporate communications department, so upon approval, the

designs are incorporated and revisions finalised before the report is sent for final approval by the board of directors. During the process, there are regular interactions with the head of accounting and finance to ensure that there are no errors with respect to the reproduction of the audited financial statements. Moreover, the board secretary is contacted to ensure that information on especially governance issues is accurate.

He concludes that, since 1995, the sources of comments on the draft annual reports have been widened when the new officer (the interviewee) was engaged to take over this task. He explains that apart from the various heads of departments who examine the draft report, individuals within and outside the organisation with the relevant expertise in for example, photography, graphic design, English language, linguistics, and MIS are contacted in an effort to improve upon the qualitative aspects (voluntary) of the report. Moreover, more efforts have been directed toward proofreading, elaboration of captions, breaking down the numbers to compliment the text, connecting photographs to texts and accomplishment, as well as engaging readers using graphs and charts for most of the quantitative information.

Concerning changes in the past and possibly in the future, the head of the department in charge noted that, since he joined the department over 10 years ago, that was how things had been done. He noted:

since no one had raised any query or concerns about the format and content of the annual report, the same process would continue. The only changes that have occurred were perhaps, the print designs, which had been improving in recent years.

Concerning areas that require improvement, the interviewee recommends that the individuals within the organisation that he contacts informally to contribute to the annual report must be constituted as a committee and their activities formalised to improve upon both the timeliness and reliability of information in the annual report. He bemoans the fact that those officials currently see their contribution as voluntary, thus in years that they are busy or on other assignments, they make minimal inputs.

SOE B follows similar processes as in SOE A, except a few differences. First, the department in charge of the process is also in charge of receipt of information (financial and non-financial) for management decisions. Similar processes are followed in collating information for the production of their annual report. Secondly, after approval by the head of finance, CEO and the board, the draft report is forwarded to the public affairs department for proofreading, designs, and photographs. At this stage, the head of the public affairs department is in regular contact with the head of the department in charge of drafting the annual report, head of finance, and a legal person who is the board secretary, until the final draft is ready from printing. The interviewees added that, to ensure the accuracy of the information for the annual reports, the information received from the various departments and divisions with respect to their annual activities are crosschecked with information received in the course of the year for monitoring and decision-making.

For SOE C, the preparation of their annual report is also a coordinated effort, led by the head of finance. He explains that, based on information received from the departments (Marketing, HR & Admn, Technical, etc.) which is compared with monthly submissions (audited) to his office, he prepares the chairperson's statement, and MD's Report. Besides, the company solicitor, who is also the board secretary, contributes to the chairman's statement, particularly on issues of number of board meetings, board decisions, boards committees, etc. Finally, information on company profile, history, layout, graphics, pictures, and marketing-related issues (CSR, etc.) are handled by the public affairs section, under the department of Marketing. He explains that unlike the financial statement, which is prepared and presented in line with the reporting standards and legal framework in use, the format and content of narrative aspects of the annual report are influenced by attempts to follow best practices, i.e. what pertains out there, regardless of the industry.

6.4.4 Analysis of the Disclosure Media under the PME System

As presented earlier in this chapter, six disclosure media can be identified under the PME system, namely, corporate plan, annual budget, performance contract, performance-monitoring report, performance evaluation report, and audited annual report. Analysis of these disclosure media show that performance contracts draw on the content of many of the

other disclosure media. Furthermore, officials explained that, the structure and content are standardised by SEC to aid monitoring and evaluation of SOEs' performance.

Focusing on the performance contracts, analysis of the first version signed in 1989 shows 5 standardized headings: objectives of the SOE (a statement of mission), indicators of performance and annual targets, obligations of government, incentives for achievement of targets, and reporting requirements. Over the years, the number of sections have increased to 17 sections as shown in table 6.8 covering various disclosure types, which can be categorised into financial and non-financial, and presented in narrative and numeric forms. Furthermore, out of the 17 generic sections, 9 contain the same number of words and sentences. They fall under the headings; table of content, preamble, undertakings by SOE to government and vice versa, performance incentives and sanctions, monitoring of contract, duration of contract, arbitration and settlement of disputes. Moreover, space devoted to the other heading such as corporate vision and mission statement are relatively the same across SOEs, hence, the size of performance contracts in relation to the number of pages, show little variation across the cases in this study.

Related to the performance contract are other key disclosure media, namely; performance evaluation report and performance-monitoring report, which have standardised structures as shown in tables 6.9a & b respectively. Analysis of these disclosure media, shows that there have been some changes over the years. In fact, there has been an additional performance dimension labelled dynamic effect and was introduced in 1999, including reclassifications of some performance indicators as shown in table 6.9 (a).

Table 6.8: Structure and Disclosures in Performance contract

Sections	Nature of Disclosure
Table of content	
Preamble	Date of agreement and parties to the contract
Basic information and recent performance	Name of SOE, sector ministry, main output and input, market, and pricing by SOEs Recent Performance for last 3 years: -Operational performance (output, production) -Financial performance (revenues, operating cost and net profit)
Mission statement	
Corporate Vision	
Corporate objectives	Numeric and narrative
Constraints	Relates to external factors, raw materials, competition, act of nature, etc.
Strategies	
Performance indicators and targets	Financial/Economic, efficiency/productivity, dynamic effect, management improvement/projects (See table 6.9 a)
Major assumptions	Inflation, foreign exchange rates, borrowing cost, etc.
Undertakings by Government to SOE	Disclosure of government commitment to give management and BOD managerial autonomy on human resource issues, financing, expansion, etc.
Performance incentives and Sanctions	Disclosure of who (SEC) and how bonus will be assessed and paid as well as sanctions applied with respect to SOEs and Government
Monitoring of contract	Responsibility of SOE in submitting quarterly report on its financial and operational results to SEC to monitor targets in the contract (see table 6.9 b) Responsibility of SEC to report on the evaluation of SOE performance and the recipients of the report (see table 6.9b)
Duration of contract	Time period of performance contract (annually)
Review of contract	Events that will trigger performance contract review: labour issues, acts of God, change in line of business, etc.
Arbitration and settlement of dispute	Means and time period of settling potential dispute (within a Month)
Signature of parties to the contact and witnesses of each group	

Officials of the SEC explained that, the dynamic effect was introduced based on a proposal made by consultants from Boston Institute for Developing Economies (BIDE) in 1998 to take cognisance of the long-term viability of SOEs which hitherto was not considered.

Furthermore, information requirements have over the years been expanded. For instance, the Financial/economic indicators have been expanded to include other indicators such as ratios of staff cost to revenue and others such as the ratio of administrative expenses to revenue reclassified under efficiency/productivity. Also, additional information is required on board minutes, holding of annual general meetings (AGM) as part of management improvements

Table 6.9 (a): Performance Indicators and Changes

1989	1999	2009
Financial/Economic: Gross profit NPBT Staff cost/Sales Admn. cost/revenue	Financial/Economic: Total revenue, operating income, net profit after tax (NPAT), return on assets, dividend declared, increased and efficient use of internally generated funds (for those PE that receive financial support from government)	Financial/Economic: Total revenue, operating income, net profit after tax (NPAT), return on assets, dividend declared, increased and efficient use of internally generated funds (for those PE that receive financial support from government)
Efficiency/productivity: Staff strength Output Running cost Accounts receivable Labour productivity	Efficiency/productivity: Daily/weekly/monthly outputs, staff strength, the ratio of administration expense and revenue, the ratio of staff cost and revenue	Efficiency/productivity: Daily/weekly/monthly outputs, staff strength, the ratio of administration expense and revenue, the ratio of staff cost and revenue
Management improvement: Completion of accounts Completion of projects Training of staff Submission of corporate plans Submission of quarterly report	Management improvement: Conformance to SEC quarterly reports format, timely submission of quarterly reports, annual audited accounts, draft budget and PC, approved board minutes, filled-out integrated PE database forms, fulfilment of dividend obligations, etc.	Management improvement: Conformance to SEC quarterly reports format, timely submission of quarterly reports, annual audited accounts, draft budget and PC, approved board minutes, filled-out integrated PE database forms, fulfilment of dividend and statutory obligations ²⁶ , holding of stakeholder meetings or annual general meeting, submission of procurement plans

²⁶ Statutory obligations include payment of tax and pension of staff (SSNIT)

	Dynamic effect: Staff Training (submission of budgeted and implementation of training programme); Corporate Planning (submission of updated corporate plan for at least 2 years); Maintenance (submission of maintenance programme and implementation schedule); Safety Management (submission of Safety Management Programme and implementation); Research and development; and marketing	Dynamic effect: Staff Training (submission of budgeted and implementation of training programme); Corporate Planning (submission of updated corporate plan for at least 2 years); Maintenance (submission of maintenance programme and implementation schedule); Safety Management (submission of Safety Management Programme and implementation); Research and development; and marketing
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Table 6.9 (b): Disclosures on Performance monitoring and evaluation reports

Performance monitoring Report	Performance Evaluation Report
Achievement of target, explanations for deviations and disclosure of significant trend in the quarter by CEO/MD	Performance against agreed performance targets;
Operating statement showing a comparative of actual and budgeted each quarter and year to date	Causes of any major deviations from the approved plan/budget
Balance sheet as at end of quarter	Effects of external factors on SOE performance and in particular the effect of Government policies on performance and;
Cash flow comparing actual and budgeted	Performance of management and workers and the recommended incentives to be paid or sanctions to be applied.
Report on capital project for actual and budgeted	
Report on the achievements of agreed performance targets	

With regards to the types of disclosures and forms of presenting disclosures under the PME system, analysis of each of the above medium (i.e. performance contracts, performance monitoring reports and performance evaluation reports) reveals various disclosure types covering the financials, operations, governance, and human resources issues of SOEs. Furthermore, corporate plans show that each plan covers a period of three to five years. In the plans are also disclosures on the vision and mission of an SOE; disclosures on the specific

goals and objectives as well as strategies for ensuring the realization of set goals, including the assumptions made. These elements cover both financial and non-financial disclosures, especially, the operations and financials of SOEs.

Interviewees added that most of the financial and non-financial disclosures in the corporate plans are from SOE's annual budgets (see also table 6.9b). Furthermore, disclosures made on performance indicators and target sections include issues on financial/economic, efficiency/productivity, and management improvement aspects. Disclosures under the financial dimension cover issues on revenue generation to cover operating cost and/or paid dividends to the state. Efficiency includes issues on labour cost in relation to revenue generated, administrative cost, output from operations and many more. Moreover, there are also disclosures on training programmes for staff, health and safety issues as well as maintenance of machines and equipment (see table 6.9a).

As hinted earlier, the disclosures made through performance contracts cover wide disclosure types: financials and non-financials (operations, governance, etc.). In addition, the disclosures are presented in narrative form, but pictures or photographs are not used. Charts/graphs in addition to tables are used for disclosures on recent performance (section 3), but that is not widespread across SOEs.

6.4.4.1 Processes of Making Disclosure under PME System

Analysis of sample performance contracts and responses from interviewees shows that, the processes of making disclosures under the PME system draws on the other disclosure media highlighted in section 6.4.4. An interviewee noted:

The SEC will reject our performance contract without our corporate plans, annual budgets, and even annual reports. ...the content of the performance contract provides the basis that the SEC use in monitoring and evaluating our performance.

Similarly, the SOEs follow the same processes. The interviewees in the various SOEs explain that all SOEs must follow the format provided by SEC, and that was confirmed by the SEC. The SEC officials explained that, the PME process begins with an invitation to a pre-

negotiation meeting with SEC. The invitees are SOEs, represented by the board of directors, and government represented by MOFEP and sector ministries. The invitation often contains a timetable for actual negotiation, submission of final performance contract, signing of contract, monitoring, and evaluation, and reporting.

According to the officials, the meeting provides an opportunity for all key stakeholders in the process to agree on the timetable and discuss expectations of all parties. Examples of issues normally discussed include the format of actual negotiations, obligations and responsibilities of government and SOE boards, and new developments with respect to the process in order to agree on a timetable for implementation. The interviewees noted that the introduction of elements concerning the organisation of annual stakeholders meetings or annual general meetings, submission of BOD minutes and procurement plans are examples of benefits from past pre-negotiation meetings. One of the interviewees remarked:

...pre-negotiation meeting has been an innovation motivated by the Commissions experiences with most of the SOEs and from operating the PME system over the years. This forum afford us the opportunity to fill in any expectation gaps among us [the signatories to the contract, including SEC], provide clarity on grey and new issues, including SOEs issues that require attention or explanation.

The above is followed by what the interviewees referred to as actual negotiations, where the contents of draft performance contract for the next contract period are discussed. This process comes off in October/November of the preceding contract period. The interviewees described this stage as the most crucial, time consuming, and difficult aspect of the preparation processes. During this stage of the process, representative of each SOE makes a brief presentation, highlighting their past performance with respect to targets and expectations in the draft performance contract, prepared based on corporate plan and budgets, followed by questions. One of the interviewees noted:

We [SOEs] are required to provide justifications for every information in the draft contract taking into account our past performances in terms of the targets in past

contracts, realistic strategies to meet future targets and overcome potential challenges...

Preferably, the parties that must be part of the negotiations include senior officials from SEC and the ministries at the rank of director, at least a top-level manager, and a board member (preferably the board chairman) of the SOE in question. In practice, however, this has rarely been the case in a long while. An interviewee remarked:

I think SEC has been losing its authority in the sector gradually. Although officials of SEC attribute this to political interference, change in government, and changes in the arrangement of SEC, as well as limited financial support. I think the problem is that they [the SEC] cannot sanction us.

An official of the SEC added that, agreeing on performance targets is one of the challenging activities. 'We must make sure that SOEs do not set easy targets' one of the interviewees noted.

In practice however the Commission had do otherwise to avoid delays in the implementation of the performance contract. One of the interviewees stated:

The conditions that were prevailing at the early years of the PME system, where negotiations have to be organised in haste to meet SAC conditionalities have not really changed. This time, officials of the MOFEP and sector ministries attend the negotiation meetings, but some of them appear unprepared, so the interaction becomes a give and take between us [the SEC] and the SOEs. So, in cases where we realise that we are not reaching a consensus, we let go so that we don't waste too much time on one SOE.

Despite the above, results show that there are usually delays in the signing of performance contracts. Officials explained that, for most of the SOEs whose accounting year is between January and December, the performance contract ought to be finalised in the first month of the contract year. The final contract is signed in a ceremony where all parties to the contract-

often the CEO/MD and one witness for SOEs, and the ministers or their representatives (those from MOFEP and sector ministry) for government and witnessed by SEC. Officials add that in practice, the SOEs start implementing the content of their PC before the formal signing of PCs and the related publicity due to delays in the processes.

The above is followed by the monitoring and evaluation stage of the system. For performance monitoring, SOEs are expected to forward a report on how they are doing with respect to their financials and operations four weeks after each quarter (see table 6.9b). SEC may also undertake on-site visits to SOEs for first-hand information and physical verification of projects. Outcome of these visits and quarterly reports according to SEC officials may trigger mid-year review of the terms of the contract in light of unforeseen occurrences that has the potential of affecting the agreed targets positively or negatively.

The final stage involves the evaluation of each SOE by SEC drawing on the quarterly monitoring reports and audited annual reports. Based on agreed performance indicators and targets in four main performance criteria (see table 6.9a), SOEs are scored on five point Likert scale where 1 is undesirable (very poor) and 5 means superior (excellent). The scores are then weighed along three-performance areas: Economic/financial, dynamic effects, and management improvement/projects. SEC finally reports on the performance of each SOE which is sent to the Office of the Vice President of the Republic of Ghana, and copies to the Minister of Finance and Economic Planning, the SOE's sector Minister, Office of the Speaker of Parliament, the Managing Director of the SOE in question, and any other supervisory body of the SOE concerned.

According to the interviewees (SEC and SOEs), a major part of the final report is the recommendation for payment of bonus to management and staff or applicable sanctions. They explained that, an SOE must score at least 3.5 to qualify for a bonus. Furthermore, payment of bonus is dependent on SEC's assessment of audited financial statements and other operational reports as well as analysis of the financial resources of recommended SOE to ensure that payment of bonus will not impair their financial stability.

Officials of SOEs interviewed confirm the above processes, but from the perspectives of their respective organisations, different arrangements are made for the entire PME process. They all concur that SEC provides guidelines and sometimes organises training for SOEs on the PME system, especially corporate planning, but the internal arrangement for meeting PME system's requirement depends on the SOE's own practice.

In both SOE A and B, the system is associated with a division in the organisation concerned with corporate planning and research. In the case of SOE A, a department was created due to the introduction of the PME system to address PME related matters and issues on corporate planning. In recent years, the department has introduced elements of balanced scorecard into the PME system. Therefore, corporate plans and performance targets in performance contracts developed and implemented in SOE A are from corporate level, through to divisions, departments, and individual level. Moreover, the department operated directly under the office of the CEO, thus answerable to the CEO.

Officials of SOE B explained that in their case, an existing department concerned with receiving information from the operations of divisions, departments, and subsidiaries for decision-making was given an additional responsibility to handle corporate planning and PME issues when the PME system was introduced. The official in charge explained that by this arrangement, the department draws on the information submitted by the relevant sections as part of their routine submission to the department for decision-making to prepare relevant documentation for the PME system.

Therefore, issues of delay and reliability of the information submitted are significantly minimised. He added that:

...even when we request for information from them to prepare our documentation for SEC, we compare with information received by the department under different arrangement...management and all other stakeholders must trust the information we provide for decision making. With regard to reporting, the department is not directly answerable to CEO, but one of the deputies to the CEO.

The process is relatively different in the case of SOE C. There is no specific department in charge of the system, rather an individual who heads a department with nothing to do with planning or information, and doubles as the one in charge of the system. He explained that with the help of the head of finance and other heads of department, he compiled and coordinated all relevant documents needed for the planning, negotiation, implementation, monitoring and evaluation stages of the system.

6.5 Chapter Summary

This chapter aimed at presenting results from the analysis of data collection from primary and secondary sources in order to achieve the objectives of this study. Drawing on the evidences gathered, it has been established in this chapter that, SOEs in Ghana experienced a number of reforms before the IMF/World Bank-sponsored reform programmes. However, the evidences show that the sponsored reforms are relatively more organised and concerned with improving practices within SOEs and the SOE sector in general. Some of the notable ones include the reconstitution of the SEC and creation of related oversight and regulatory agencies and bodies, and the introduction of the PME system. In addition, the statutory conversion of SOEs to register and operate as limited liability companies, organise AGMs which will compel SOEs to be more conscious of ensuring up-to-date annual reports, as well as adopting private sector practices.

Concerning, the disclosure practices of SOEs, it is established in this chapter that, there are players in the SOE sector that SOEs are mandated to make various disclosures to, using diverse disclosure media based on the nature of their relationship with the SOE concerned. The chapter shows that the primary sources of the above relationships, including other related relationships, which are collaborative in nature, are the legal frameworks establishing SOEs and the various regulatory frameworks. Moreover, there have been changes over the years, particularly in relation to the number of disclosure relationships and disclosure media.

Focusing on the disclosure media, the chapter reports on two mandatory media, namely, annual reports and performance contracts. Annual report has been the conventional medium of SOE disclosures, and an analysis of this disclosure medium both within-case and across-case shows notable changes in the structure, content (disclosure types), volume, and form of

disclosure presentation over the period under study. The chapter finally shows that, performance contract is an outcome of the reform programmes targeting the SOE sector. Moreover, there have been changes in the structure and content of the performance contract and the related media since its introduction in 1989. The next chapter discusses the findings from this study in relation to the theoretical and empirical literature reviewed in chapters 2, 3 and 4.

CHAPTER SEVEN

DISCUSSION: REFORM PROGRAMMES AND DISCLOSURE PRACTICES OF STATE-OWNED ENTERPRISES

7.1 Introduction

This chapter discusses the findings from the analysis of the primary and secondary data collected and presented in the previous chapter on SOEs and the SOE sector of Ghana, drawing on the earlier works in chapters 2, 3 and 4. The discussions are presented along the overall objective of this study, which is concerned with exploring the impact of SOE reform programmes on disclosure practices. In addressing this objective, the chapter also discusses the findings on the theoretical issues that emerged, in relation to the elements which constitute disclosure practices and the changes over the period of implementing reform programmes targeting SOEs and the SOE sector.

The rest of the chapter is organised as follows. The next section presents the discussion on how institutional factors shaped the groups of reform programmes identified in the study. Specifically, this section discusses, among other things, how the different types of reform triggered the different institutional pressures as well as how the different institutional pressures are evident at the various levels of implementing the reform programmes in the SOE sector (sector, industry, firm levels). The third section focuses on how institutional pressures, through the reform programmes and vice-versa, have influenced the main elements of the disclosure practices- to whom to disclose, why disclose, what and how to disclose? The next section also presents the discussions on how the underpinnings of agency and/or stakeholder theory through the reform programmes and vice-versa, have influenced SOE disclosure practices. The penultimate section discusses how the above theories complement each other or otherwise in explaining the impact of reform programmes on SOE disclosure practices. The final section presents the chapter summary.

7.2 Institutional Forces and the Implementation of Reform Programmes

From the literature, institutional forces are said to drive different kinds of changes in the process, practices and behaviour of all types of organisations - associations, public sector organisations and business entities (see e.g. Ashworth et al. 2009; Dacin et al., 2002; Frumkin & Galaskiewicz, 2004). In the case of public sector organisations, the literature suggests that the reform programmes with labels such as public sector reforms, NPM and so on, are the main drivers of many of the changes associated with organisational innovations, professionalism in management, adoptions of private sector practices, changes in organisational practices and processes, and many more (Broadbent & Guthrie, 1992; Hood, 1991, 1995; Hoque et al., 2004; Lapsley, 1999; Omoyefa, 2008). Evidence on the chronology of reform programmes in this study confirms the types of changes that were being pursued by the sponsors of the reform programmes. For instance, although the Ghanaian SOE sector had experienced earlier reforms, it was the World Bank/IMFI/IDA sponsored reform programmes that instigated changes at various levels of the SOE sector. This is aptly put by one of the former heads of SEC:

...the reform programmes could be described as a major and well-organised reform programme..., it is the only reform programme to have begun with a diagnostic survey to, first, assess the problems confronting the SOE sector to inform the nature and focus of the reform programme...

Moreover, the literature suggests that the reform programmes instigate institutional influences in a form of isomorphic pressures, which are coercive, normative and mimetic in nature (Ghobadian et al., 2009; McNulty & Ferlie, 2004, Tolbert & Zucker, 1983). Despite the dearth of empirical evidence, other scholars add that public sector reforms may be initiated due to isomorphic pressures (Ashworth et al., 2009; Dacin et al., 2002; Frumkin & Galaskiewicz, 2004; Oliver, 1991). Evidence from this study seems to confirm both arguments.

For example, findings on the history of the World Bank/IMF-sponsored reform programmes seem to support the assertion that institutional pressures may prompt a reform in the public sector. Oliver (1991) for instance argued that, governments through coercive pressures in a

form of political pressures, may initiate a response to performance crisis or changes in an environment in a form of reform programme. Townley (2002) reports of Canada's experience in reinventing government through coercive influences such as political pressure in order to enhance public accountability and managerial professionalism and competence. Results from this study also show that Ghana's decision to opt for reform programmes for the SOE sector and the general economic recovery programme was spurred by both poor SOE performance and economic crises. In fact, the Government of Ghana, as a result of coercive pressure from economic challenges, resorted to the World Bank/IMF reform programmes as recounted by one of the interviewees as follows:

...the dire need for financial assistance to resuscitate the ailing economy, including support for SOEs and the SOE sector, the then Head of State subscribed to external support from the World Bank and IMF in a form of reforms under the Economic Recovery Programme (ERP) label in 1983 of which reform programmes for the SOE sector was key.

Beyond the decision to opt for the World Bank/IMF reform programmes; there is also evidence of the presence of isomorphic pressures on Government from IMF/World Bank in the form of conditionalities of meeting some deadlines, which are consistent with coercive isomorphism (Uddin and Tsamenyi, 2005). Analysis of the documentations on SAC I, II and III for example, show that the preparation of consolidated financial information on the SOE sector, compilation of cross-debt for clearance, classifications of SOEs into core, etc., preparation of corporate plans and signing of performance agreement, remuneration and staffing practices, etc., were made conditions for the release of subsequent SACs and other tranches (SEC, 1992, 1995). One of the interviewees from SEC also noted:

...a considerable amount of the work of SEC from 1987 through to 1990 was dominated by the need to satisfy SAC imposed conditionalities.

In addition, the findings show that some of the reform programmes which are coercive in nature encourage conditions that increase the potency of normative and mimetic isomorphic pressures. The next section provides some details.

7.2.1 Nature of Reform Programmes and the Types of Institutional Pressures

It is well documented in the literature that institutional forces provide explanations for both planned and unplanned impact of reforms on public sector organisations (Ghobadian et al., 2009; Kurunmäki, 2009; Lapsley, 2008; McNulty & Ferlie, 2004; Rahaman et al., 2004). Furthermore, the institutional pressures may overlap and operate concurrently (see also Carpenter & Feroz, 2001; DiMaggio & Powell, 1983), but Frumkin and Galaskiewicz (2004) added that the institutional forces are derived from different conditions. There is, however, little evidence on the type of institutional influence produced from different types of reform programmes and vice versa. Evidence from the study reveals that a particular reform programme may instigate multiple isomorphic pressures over time. In this study, for instance, analysis of the reports on reform programmes show interconnected programmes covering measures that encourage SOEs to operate on commercialised lines, facilitate competition, improved SOE management and accountability among SOEs and between SOEs and state institutions, relying on legal, institutional and other arrangements (see details in section 6.2.2).

Although the above findings are consistent with the sector-wide, industry-wide and firm-specific reform programmes such as performance contracting, corporatisation and/or commercialisation of SOEs, reforms (including management and governance-related programmes on financial and performance reporting, accounting and auditing), and comprehensive monitoring reforms via the creation of supervisory and regulatory bodies outlined in the literature (see Chang, 2007; Gómez-Ibáñez, 2007; Nellis, 1989; Shirley & Nellis, 1991; World Bank, 1995), the findings also explain the type(s) of institutional pressure that each type of reform programme activates.

7.2.1.1 Supervisory Reform and Performance Contracting

The literature suggests multiple objectives for the establishment of a supervisory agency as part of reform programmes. Nellis (1989) suggested that such creations are to move SOE supervision from rigid and bureaucratic pre-control and approval, towards a reduced and more flexible post-performance evaluation system. Other scholars explained that supervisory agencies are to minimise the extent of political interference, from especially, sector ministries

and encourages the introduction of “best practices” into the SOE sector (see Gómez-Ibáñez, 2007; Vagliasindi, 2008). Lee and Fisher (2004) argued that they are to compel public sector organisations to be more accountable.

The above, in combination with the findings on the reconstituted SEC, which was the foremost programme, supports the motivations and functions outlined in the literature (see table 6.1 and the SEC legislation, PNDCL (170). In fact, the findings suggest that the reform programme that instigated the re-formation of the SEC was primarily associated with imposing coercive pressure on SOEs. Specifically, the SEC was to activate coercive isomorphic pressures by compelling SOEs to be accountable to the actors in the SOE sector and the industry within which each SOE operates (see reform element 2 in section 6.2.2). By this reform, SOEs are mandated to provide both financial and non-financial information on their operations to SEC and adhere to changes prescribed by the SEC (see also Uddin and Tsamenyi, 2005). An interviewee in one of the ministries aptly noted:

...since the re-formation of the Commission, we count on them [i.e. the SEC] for efficient and timely feedback on our investments in SOEs and any other information.

The above evidence explains Uddin and Tsamenyi’s (2005) report that the creation of SOE monitoring agency in Ghana (the SEC) as part of the World Bank-sponsored reforms, affected SOE reporting practices.

Closely linked to the coercive pressure associated with the reorganisation of SEC was the introduction of the performance contracting under the label, performance monitoring and evaluations (PME) system as one of the major reform programmes. Findings from the study show that the PME system reinforced the coercive pressure from the SEC and emphasized the role of SEC. For instance, the SEC through the PME system makes it mandatory for SOEs to prepare corporate plans, prepare performance contracts containing some mutually agreed performance targets, based on which the SEC monitors and evaluates the performance of SOEs over the contract period. Moreover, under the system, the processes, structure and content of related documentations are standardised, hence intensifies the coercive isomorphic pressures on SOEs.

Also, from the literature, the creation of supervisory agencies and the introduction of the performance contracting system was to encourage managerial autonomy and adoption of best practices (see also Verhoest, 2005). This encourages both normative and mimetic isomorphic pressures. For instance, evidence from the study shows that during the initial stages of the PME system, the sector players were constrained by the lack of expertise to meet the deadline, so both the SEC and SOEs engaged the services of external consultants to prepare corporate plans. In addition, series of workshops were organised for SEC and SOE officials with the aid of external consultants on the preparation of corporate plans. This is aptly captured by an interviewee as follows:

During that period, the management of most SOEs that had never undertaken corporate planning prior to this, expressed confusion and desperation. They [SOEs] were given the free hand to rely on consultants from the private sector and the academia to prepare their corporate plans and train their staff for them [SOEs].

In the processes of meeting the demands of the SEC and the PME system, SOEs are given free control to adopt and adapt practices to enable them meet the coercive influences underpinning these two related reform programmes. For example, evidence from the study shows that SOEs are given managerial autonomy under the PME system to make their own arrangement to meeting the demands of the PME system. The findings as reported in the preceding chapter show that the internal arrangement for meeting PME system's requirement vary across the cases in this study, hence, depends on the SOE's own practice. Indeed, the findings show differences with respect to how corporate plans and performance targets in performance contracts are developed and implemented. These differences highlight the level of managerial autonomy that the PME system provides, and show evidence of mimetic isomorphic pressures on SOEs to adopt best practices from private sector companies or leading SOEs. A typical example is the introduction of the balanced score card by SOE A, as part to meeting the requirement of the PME system.

Another notable observation from the finding in terms of these reform programmes is the evidence suggesting that the coercive influences from the SEC and the related PME system seems to be weakening over the years. An interviewee for instance remarked:

In the past, when the reforms in the SOE sector began, management and board of SOEs used to shudder when the Commission is mentioned, and we [i.e. the SOEs] religiously followed the directives given by the SEC. For some time now, some of us [the SOEs] choose to partly adhere to the requirements from the SEC. For instance, as part of the PME system, we [the SOEs] are required to submit copies of board minutes to them [the SEC], but I think a few of the SOEs have adhered. We [SOE C] have never...

Other interviewees from the SOEs confirm the above and added that for some SOEs in recent years, the PME process is just one of their routines, so, they either attached little attention to the process or see it as a symbol of legitimacy (see e.g., DiMaggio & Powell, 1983, Meyer & Rowan, 1977). In fact, some interviewees noted that the continuous participation in the process is to ensure government guarantee on financial supports or borrowings from external and domestic sources. While these evidences support the claim that the type of isomorphic pressure is not permanent, they also confirm the postulations that a particular institutional pressure may be most salient at foremost stages of a reform or a change and other institutional influence may take over at later stages of the reform (see e.g. Carpenter & Feroz, 2001; DiMaggio & Powell, 1983).

Confirming the waning coercive pressure from the SEC and the PME system are the findings on the delays over the years in getting the performance contract complete for signing before executing the terms of performance contract. These developments seem to have attracted calls for legislating the process. For example, in 2005, the then Minister of Finance called for the legislation of the deadline for signing of performance contract. He noted:

...there is the need for all performance contracts to be signed before the end of October each year, ... to allow MOFEP to include the major projects and programmes

of SOEs that are to be undertaken in the ensuing year in the national budget (See Ghana New Agency, April 26, 2005).

Although, the idea of legislating the deadlines is to increase the potency of the coercive isomorphic pressures (see also DiMaggio & Powell, 1983; Gomes et al., 2008), the situation appears to be deteriorating, as shown in table 7.1 below.

Table 7.1: Pattern of Months of Performance Contract signing

Contract Year	Month that Performance contact was Signed
2004	April, 2004
2005	April, 2005
2007	February, 2007
2008	February, 2008
2009	August, 2009

Source: Ghana News Agency

7.2.1.2 Legal and Regulatory Reform Programmes

From the literature, these reform programmes may take the form of the promulgation of a new Act and amendment of existing ones, and /or the establishment of specialised (or technical) regulatory bodies to among other things, allow SOEs to operate as private sector companies via corporatisation or clarifying the legal identity of SOE, modernisation, commercialisation and generally the adoption and adaption of private sector practices (Aivazian et al., 2005; Guthrie, 1993; Hoque & Moll, 2001; Nellis, 1989; Nor-Aziah & Scapens, 2007; Shirley, 1999). While these reforms discharge coercive pressures through legal and regulatory frameworks, they also moderate the political interference, and hive off SOEs from mainstream civil service, hence, may create an environment for normative and mimetic pressures due to the managerial and legal autonomy.

Relating the above the findings in this study show that the review of legal frameworks in the SOE sector and subsequent passage of the Statutory Corporations (Conversion to Companies) Act, 1993 (Act 461), resulting in thirty-two (32) SOEs converted to operate under the

Companies Act, 1963 (Act 179), clearly increased the potency of coercive influences on the SOEs. Further evidence shows that the coercive forces were strengthened following the passing of the Companies Regulation, 1994 to streamline the governance practices of SOEs along 'best' and private sector practices.

Besides the above, there are evidence showing how the above coercive influence have also made conditions in the SOEs and the SOE sector conducive for normative and mimetic influences. For example, the findings on SOE C suggest that their conversion to operate as limited liability companies (Companies Act 179) have not only triggered coercive pressure, but also normative and mimetic influences. The Head of Finance in SOCE C for instance noted:

Since I joined this organisation from private practice, our standard in terms of reporting has been the Companies Act. In addition, since we were converted to operate under the Companies Act in 1999, our ultimate aim has been to be listed on the GSE, just as Goil Company limited, a former SOE. Therefore, as part of our preparations, we have been organising AGMs, which is mandatory under the Act, and been preparing as well as presenting our annual reports in line with those listed on the GSE.

The foregoing quote highlights elements of coercive pressure from the Companies Act, and mimetic isomorphic pressure from practices of listed companies in preparation for future listing on the GSE. Furthermore, the private sector background of the head of Finance and other colleagues with similar background may have instigated normative pressure as well.

In addition, findings on the industry-specific reforms including the establishment of regulatory agencies such as National Media Commission (NMC), Environmental Protection Agency (EPA), Public Utility Regulatory Commission (PURC), and Energy Commission (EC), through the passage of appropriate legislations activated coercive pressure in ensuring that the SOEs in those sectors operate within those respective regulatory frameworks. Although, these clearly increase the potency of coercive pressures, it may also provide the relevant condition for innovation; hence allow normative and mimetic isomorphic influences.

For instance, in performing its regulatory and monitoring functions such as, the provision of guidelines and approval of utility tariffs as well as monitoring the performance standards of SOEs in the utility sector in the interest of consumers, the PURC also encourages efficiency, innovation and competition (see PURC Act, 538), which are best achieved by responding to other isomorphic pressures other than the coercive forces, (Ashworth et al., 2009; Frumkin & Galaskiewicz, 2004; Oliver, 1991; Verhoest et al., 2007).

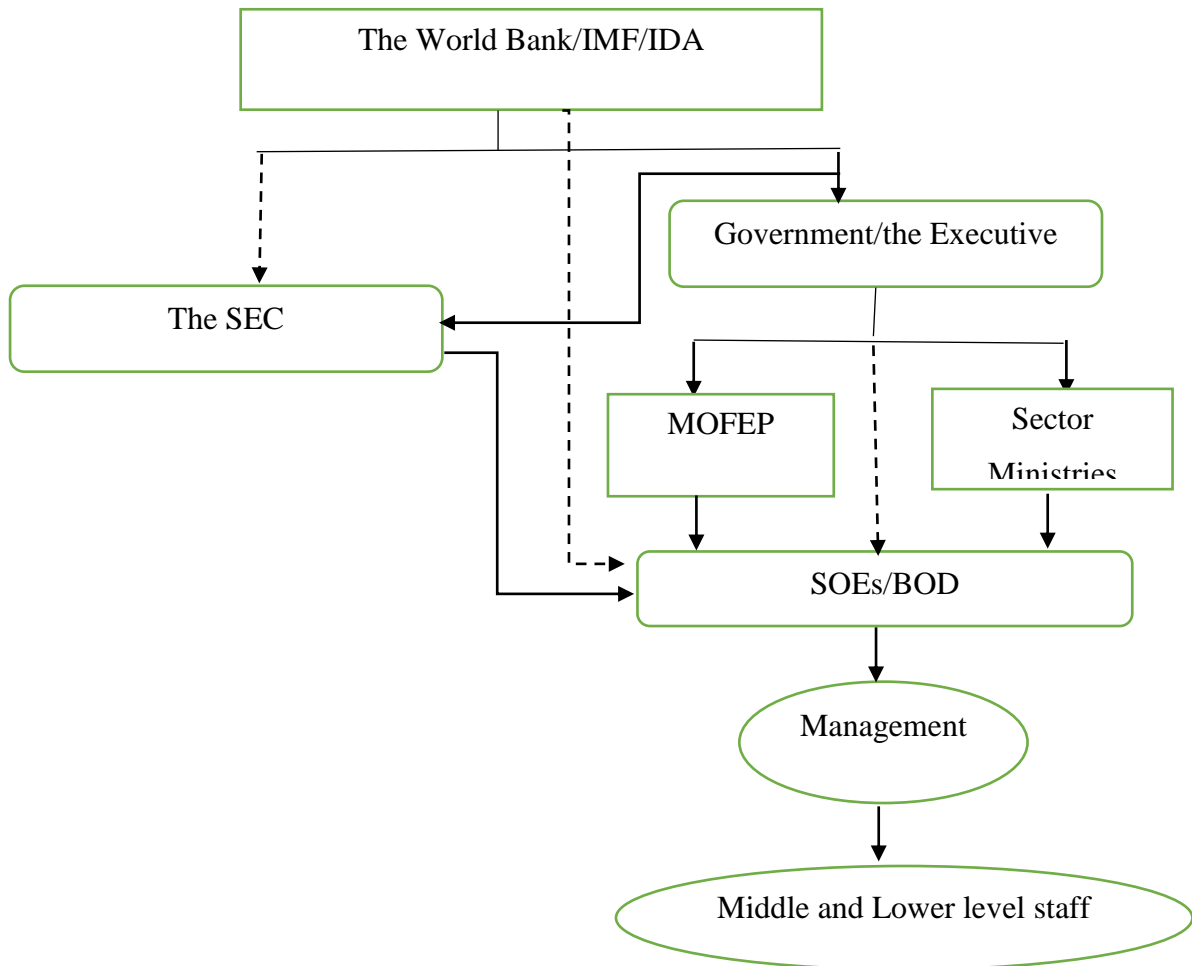
7.2.2 Hierarchy of Institutional Pressures in Reforms Implementation

Review of the literature on the institutional forces underpinning institutional theory suggests that they can proceed from sector, industry, country and international (macro), firm or organisation, sub-organisation, and interpersonal (micro) levels (see e.g. Ashworth et al., 2009; Dacin et al., 2002; DiMaggio & Powell, 1983; Oliver, 1991; Townley, 2002). However, the focus of many of the existing studies has been at one of afore-mentioned levels (see Ashworth et al., 2009; Dacin et al., 2002). Moreover, from the literature, the coercive pressures are said to be associated with the external environment of organisations, whereas the mimetic and normative isomorphic pressures are linked to the internal structures and roles in an organisation (Ashworth et al., 2009; DiMaggio & Powell, 1983; Frumkin & Galaskiewicz, 2004). In this study, the findings show the presence and potential of multiple isomorphic pressures from different sources and at different levels. In fact, contrary to existing studies, the findings show evidence of coercive influences at different levels of the SOE sector and within the SOEs (see figure 7.1). As shown in the figure below World Bank either directly (SOE specific reforms) or indirectly through SEC have implemented different types of reform programmes that compel and encourage SOEs to adopt practices consistent with the underpinnings of the various reform programmes. One of the interviewees at SEC for example remarked:

Since the reconstitution of SEC, its mission, structure and functions has been expanded to cover government advisory on reform priorities and strategies and management of SOE reform programme. ...the Commission's role, continues to be supervisory, limited to corporate planning, performance contracting, monitoring,

evaluation, advisory, and consultancy services to both the Government of Ghana and SOEs.

Figure 7.1: Hierarchy of Institutional Pressures in the Reforms Implementation



Also, based on evidence from Ghana, Rahaman et al (2004) report that the World Bank, through the provision of financial support (coercive isomorphism) influenced accounting and budgeting systems of a particular SOE. These findings show that some of the reform programmes (supervisory, PME system and legal reform programmes) drive changes in processes and practices among SOEs and the SOE sector through coercive pressures.

In the specific case of the PME system, the entire process shows coercive pressures at various levels of the SOE sector. For instance, at the macro level, the introduction of the PME system as part of the reform programmes is a manifestation of the coercive element of institutional theory emanating from the World Bank/IMF/IDA. Still at the macro level, the Government through the SEC imposes coercive pressure on SOEs by standardising the processes and documentations (see tables 6.8 and 6.9 a & b) associated with the PME systems, and the Government's apparent refusals to support SOEs if they fail to participate in the PME system.

Also, within each SOE, the board of SOEs, through the allocation of the performance targets negotiated, also coercively influence management and staff. An interviewee noted:

In this organisation (SOE A), targets in the performance contract linked to our internally designed bonus payments, so when the targets are agreed with SEC and the ministries, they are diffused into the various departments and each staff must contribute to realising those targets.

Similarly, through the above processes, the potency of normative and mimetic pressures may increase as the respective actors in meeting the demands and the coercive pressures emanating from the above reform programmes, especially, the PME, seek for innovative practices and techniques.

7.3 Institutional Pressures and the Impact of SOE Reforms on Disclosure Practices

As discussed in the literature and the counterpart discussions in the earlier section, the implementation of the reform programmes activated some institutional forces which have driven changes in the practices of SOEs, including their accounting, reporting and disclosure practices (Lee & Fisher, 2004; Rahaman et al., 2004; Uddin & Tsamenyi, 2005). Although the findings on the nature and types of reform programmes in the study make no explicit reference to the disclosure practices of SOEs, issues of accountability, transparency and improvement in the availability of information about SOE activities, which are all associated with SOE disclosure activities are emphasized throughout the reform programmes. For instance, the interviewees concur that many of the reform programmes were concerned with

improving the availability of information of SOEs, which previously was scanty and obsolete, resulting in little or no corporate planning by SOEs and little or no monitoring of SOEs by supervisory and regulatory agencies such as the SEC, PURC, NMC, etc.

These disclosure-related reform programmes are highlighted under reform elements 1, 2 and 4, which relate to accountability, strengthening the capacity of the SEC to institutionalise accountability, the establishment of Management information systems (MIS), preparation of financial statement and corporate plans, and timely submission of audited financial statements (see section. 6.2.2 for details). Moreover, the findings show that the reform programmes have directly and indirectly affected each of the elements of disclosure practices. The discussion in this section focuses on how the different institutional isomorphic pressures activated through reform programmes influence directly and indirectly, the different elements of disclosure practices identified in the literature- to whom to disclose (disclosure relationships), why disclose (disclosure objectives), what to disclose (disclosure types and categories), and how to disclose (disclosure media and form of presenting disclosures).

7.3.1 Reforms and Disclosure Relationships and Objectives

Review of the literature clearly establishes that unlike private sector organisations, public sector organisations including SOEs have mandatory disclosure relationships with multiple principals or stakeholders (Benz & Frey, 2007; Heath & Norman, 2004; Mitnick, 1975; Moe, 1987). Findings from the study confirm this and provide evidence to the effect that the multiple mandatory disclosure and accountability relationships are underpinned by the legal frameworks governing both SOEs and the entire SOE sector. For instance, the findings, particularly those based on the analysis of the legal frameworks establishing each SOE and governing the specific industries or sectors within which each SOE operates, cite several groups or actors that serve as forums/accountees/stakeholders/principals of SOEs. Moreover, the rationale (or objective) and nature of information that should be disclosed to the relevant actors are cited in the legal and regulatory frameworks.

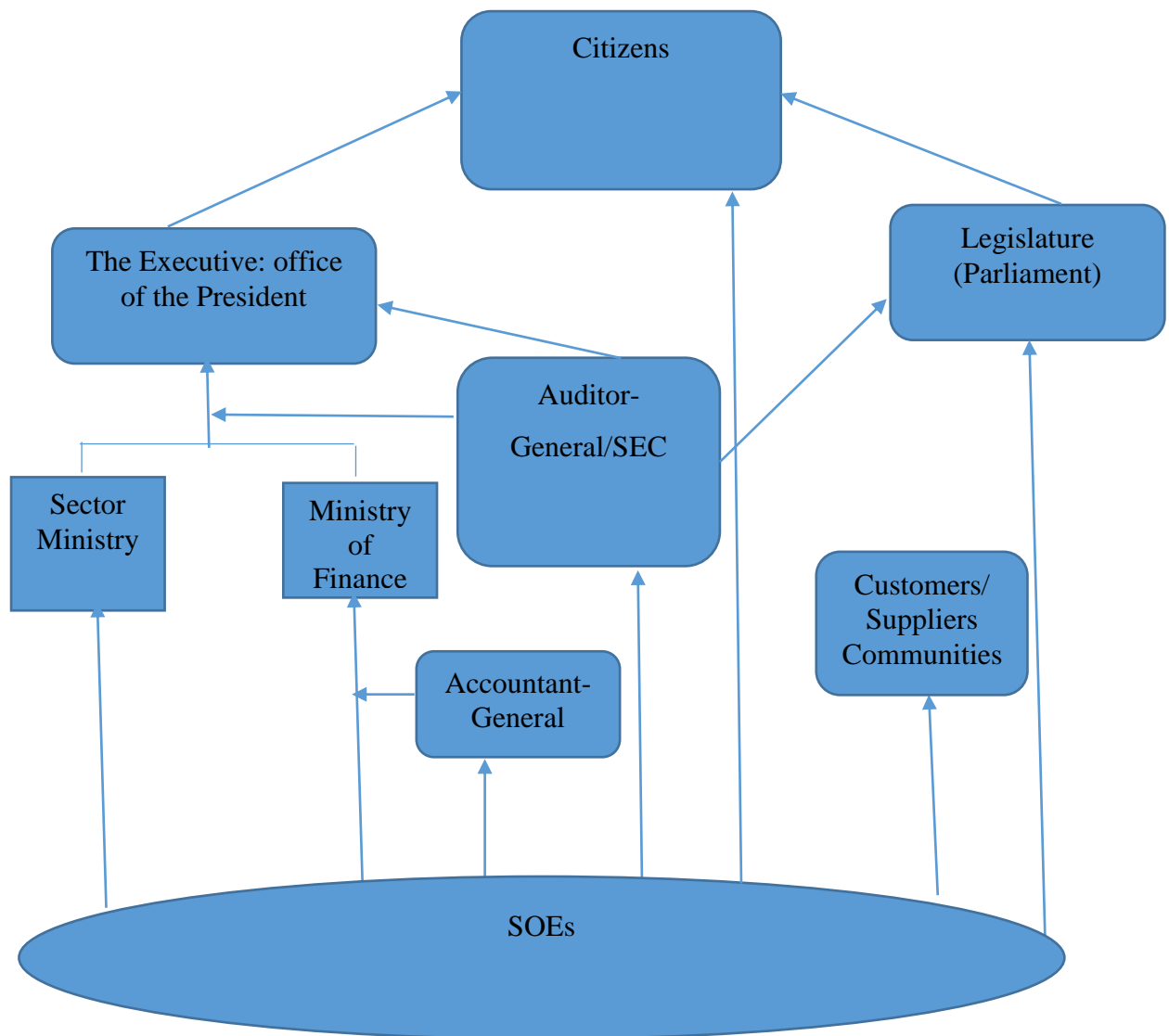
From the study, the findings show that before the implementation of the reform programmes, the SOEs had multiple forums/accountees/stakeholders/principals of SOEs with diverse disclosure and accountability relationships shown by figure 7.2a. As can be seen from the

figure, at the top of the accountability forum are the citizens of Ghana who own SOEs through the Executive and the legislature, with the Executive in charge of control and management of the SOEs. From the evidence, the Executive undertakes its ownership and related responsibilities, particularly, treasury and finance issues via the Ministry of Finance and Economic Planning (MOFEP); and policy and programme directions through their respective sector Ministries. These ministries (MOFEP and Sector Ministers) perform their responsibilities towards SOEs through the agencies operating under them.

The Accountant-General's Department, which is the accountant of the Executive, operating under the MOFEP, traditionally handled the accounting functions of SOEs and monitoring of financial investments in SOEs. Moreover, from the figure, there are other independent state institutions, such as the SEC and the Audit Service (the Auditor General), which have disclosure relationship with SOEs. For instance, the Audit Service is concerned with auditing of the books of accounts through direct audits and review of audit reports from the private audit firms engaged by SOEs. The SEC, prior to the reform programmes in 1987 was concerned with supervising the operations and reviewing the objectives of SOEs, including initiating management audits and recommending on the appropriateness of the management of SOEs.

On the other hand, the legislature, through some relevant Committees (e.g. The Public Accounts Committee, Committee on Employment, Social Welfare and State Enterprises) and based on information provided by the SEC and the Auditor General, monitors the financial and non-financial activities of SOEs. Furthermore, there are also others such suppliers, customers and communities mentioned as key players in regulatory frameworks governing the operations of the SOEs. These disclosure relationships highlight the coercive pressure from the legal frameworks governing the operation of the specific SOEs.

Figure 7.2 (a): Disclosure Relationships before Reform Programmes



Evidence from the study shows that the era of reform programmes led to the creation new disclosure relationships. As can be seen from figure 7.2(b), the SEC is highlighted due to its expanded functions via the coercive influences from the World Bank/IMF/IDA sponsored reforms. Moreover, from the figure, the SEC through the PME system (performance contracting) provides information on SOEs to the office of the president (Executive), the legislature, the MOFEP, and the sector ministries, but the commission is only accountable to the office of the president and parliament. Also, the figure shows that the reform programmes, particularly, the industry specific reform programmes have resulted in the

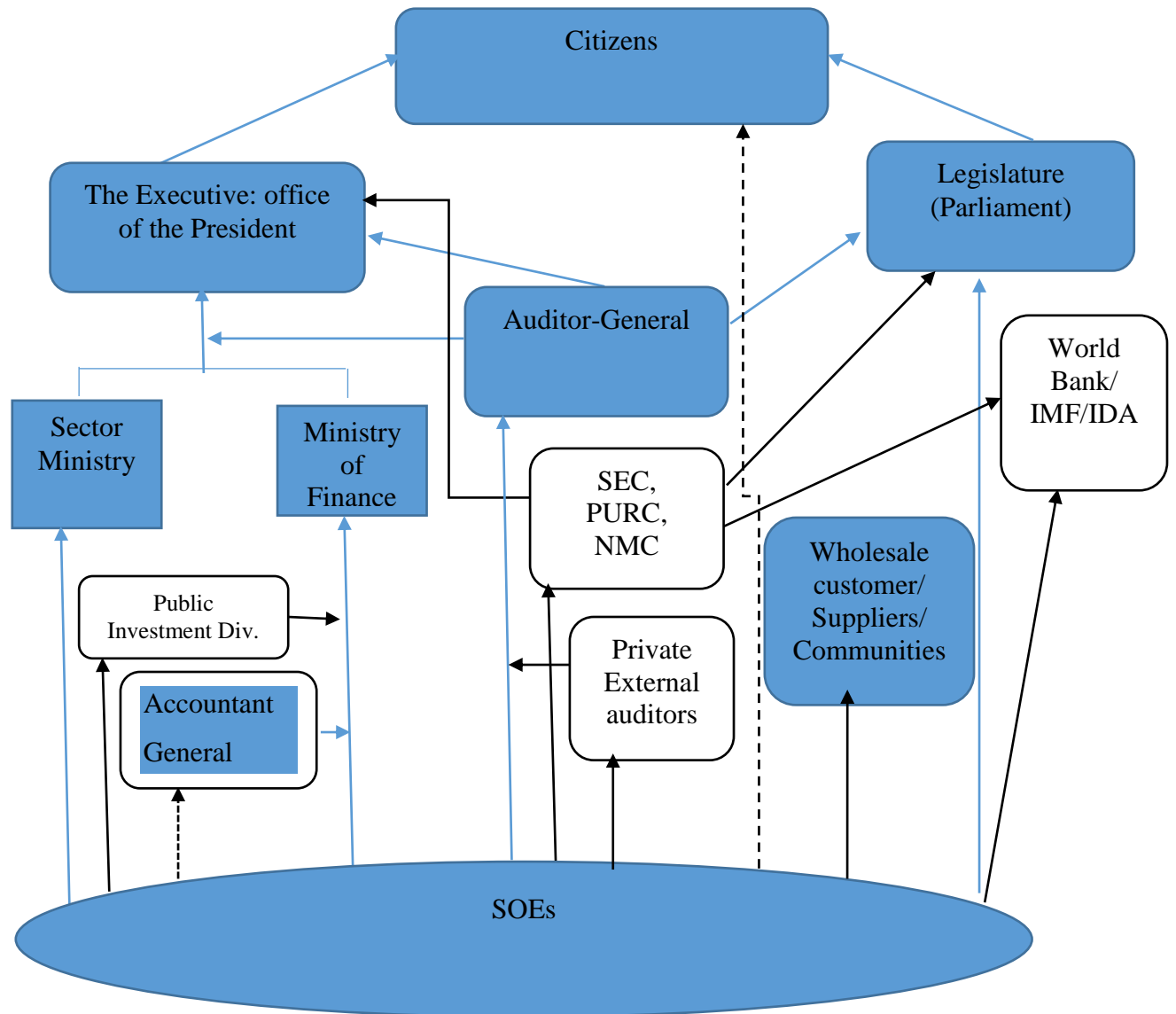
introduction of other stakeholders such as the PURC to deal with the SOEs in the utility sector, the Energy Commissions (EC) for SOEs in the energy industry, National Media Commission (NMC) for those in the information sector, and many more.

Similarly in the area of accounting and auditing, many SOEs as part of the reform programmes, were influenced through coercive pressures and the creation of an environment for and managerial autonomy to be self-accounting and appoint their own external auditors. Moreover, there is accountability relationship between SOEs and the Auditor-General, including the external private auditors An official at the Audit Service, (the section in charge of SOEs) remarked:

... many of the SOEs are now self-accounting, and my observation over the years shows that they are in recent years engaging highly qualified accountants and using accounting software which has improved the presentation of financial statements. ...they [i.e. the SOEs] have the autonomy to appoint their own external auditors...

Furthermore, the accountability relationship between SOEs and the citizens is shown using hidden lines since SOEs account to citizen through the relevant public sector institutions (e.g. SEC, PURC, parliament, etc.). These accountability relationships demonstrate isomorphic pressures, particularly, the coercive pressures emanating from the various reform programmes have expanded the number of mandatory SOE disclosure relationships, i.e. the number of principals/accountees/stakeholders. Similarly, the coercive pressures have introduced multiple mandatory disclosures from SOEs on both financial and non-financial issues to aid those agencies in performing their duties (see e.g. the PURC Act 538; PNDCL 170; EC Act 541; NMC Act 449).

Figure 7.2(b): Post Reform Disclosure and Accountability Relationships



7.3.2 Reforms and Disclosure Media, Structure, Size and Processes of Preparation

Consistent with the literature, findings from the study show that annual reports have been the conventional medium of disclosure by SOEs in Ghana, and apparently, the only disclosure medium explicitly stated in the relevant legal framework regulating the operations of SOEs, until the introduction of the many disclosure media under the PME system as part of the reform programmes. Furthermore, the findings show that the annual reports of SOEs remain emphasized throughout the various reform programmes.

7.3.2.1 The Annual Report: structure, size, process of preparation and Reform Programmes

Findings from the analysis of the annual reports of the SOEs in this study show high level of consistency within each case and some similarities across the cases in relation to the generic structure of annual reports over the period (see tables 6.3 (a to c)). For instance, the sections cited in the literature as voluntary and mandatory are present in the annual reports of SOEs. However, the findings on the number of generic sections appear lower, compared to an average of 22 sections reported in the extant literature (Bartlett & Jones, 1997; Beattie *et al.*, 2008; Ditlevsen 2012; Lee 1994). Furthermore, results show that there is no section for CEO/MD statement in the case of SOE A and B. This practice differs from what pertains in SOE C and the literature (Bartlett & Jones, 1997; Beattie *et al.*, 2008; Ditlevsen 2012; Herawaty & Hoque, 2007; Lee 1994).

Moreover, comparing the results on the generic sections in the annual reports analysed to the coercive pressures from the regulatory frameworks establishing each SOE to ascertain the source of those sections adopted by the SOEs showed no connection. Further comparison of the results with Companies Act, 1963 (Act 179), the regulatory framework stemming from the reform programmes, shows a few variations across the cases in this study. For instance, sections on financial statements (including notes), auditor's report, statement of responsibility, director's report, and names and occupations of directors are common across all the case, whereas names and addresses of registered office, and name and registered office of auditor are not in the annual reports of SOE A (see e.g., sections 27, 121,123-133 of Companies Act).

Moreover, the generic sections in the annual reports of SOE C appears more consistent with the companies Act, and the literature compared to the other cases. The findings are similar with respect to the timeliness of preparing and submitting the annual reports of the SOEs. For instance, comparing the processes of preparing annual reports and findings from content analysis of the annual reports of the three cases with respect to the date that the annual reports are audited and signed, SOE C appears to present their annual reports quicker than the other SOEs. This is, perhaps, due to the evidence that only SOE C has placed the entire process of

preparing annual reports in the finance department. Indeed, the back and forth between non-accounting department and accounting department, as in the cases of SOE A and B, to ensure that accurate information is presented in annual report causes delays. Also, the decision to allow accounting departments to handle the entire annual report process reduces the potential of an annual report becoming a public relation document (Stanton & Stanton, 2002; Tregidga et al., 2012).

Furthermore, the results about the size of annual reports which also relates to the volume of disclosures (e.g., Beattie et al., 2008; Lee, 1994), show that the volume of disclosures by the SOEs in this study is generally lower (see table 6.4). Also, there is mixed evidence regarding the trends of the size of annual reports across the cases as shown by figure 6.1. The findings differ from existing studies, which show increasing size of annual reports (see e.g., Beattie et al., 2008; Ditlevsen, 2012; Herawaty & Hoque, 2007; Stanton & Stanton, 2002).

The above findings show different impact when compared to institution forces from the reform programmes. For instance, the literature has suggested the changing form of annual report, which stems from the decision to either use an in-house or external design agency (Skaerbaek, 2005; Stanton & Stanton, 2002; Tregidga et al., 2012), and other external factors influenced by institutional forces. In this study, the findings are mixed.

For instance, the coercive forces from the macro levels, i.e. supervisory, legal and regulatory reform programmes seem not to have affected the processes of producing annual reports, but the inclusion of deadlines for submission of audited annual report, as one of the performance targets under the performance dimension on management improvement (see tables 6.9a) may have imposed some amount of coercive pressure on SOEs. Some of the SOEs have therefore devised innovative ways like linking the achievement of such targets to payment of bonuses to ensure timely preparations and submission of annual reports.

Furthermore, the findings in the case of SOE A show that the changes in their annual report became evident from 2001 when a new CEO was appointed using a non-conventional method, which is, not elevating one of the deputies or board members to that position. During that period, there was a separation in the section on operations of SOE A into core operations

and support services, and improvement in the disclosures on governance via the use of visual elements, until that CEO was removed. Similar observation was made from the 2009 annual report of SOE A when another CEO was appointed, using a similar method as in 2001. Whilst these findings confirm studies suggesting that the preferences of a CEO significantly influence disclosures in annual reports (Gibbins et al., 1990; Williams, 2008), there are also evidence of these CEOs introducing innovations in the disclosure practices of SOE A via normative and mimetic pressures. For instance, the two CEOs have had several years of experience with large multinational; hence appear to be extending those practices into the annual reports of SOE A. Moreover, the findings suggest that the CEO appointed in 2001 coercively introduced those changes, which failed to normalise as in SOE B. This is evidenced by the reversal when that CEO exited.

With regards to SOE B, the findings from the analysis of its annual reports (see table 6.2b), particularly, the generic sections, show that the notable changes coincide with the period that SOEs were converted to operate in the same legal framework as limited liability companies under Act 179 as part of the legal reform programme in 1993. In fact, SOE B began to achieve normalisation, with respect to the structure of annual report (from 1994). This finding is indicative of SOE B's response to the coercive pressure emanating from the Companies Act. Specifically, SOE B began to make disclosure on the names and addresses of registered office, and name and registered office of auditor as required in the Companies Act.

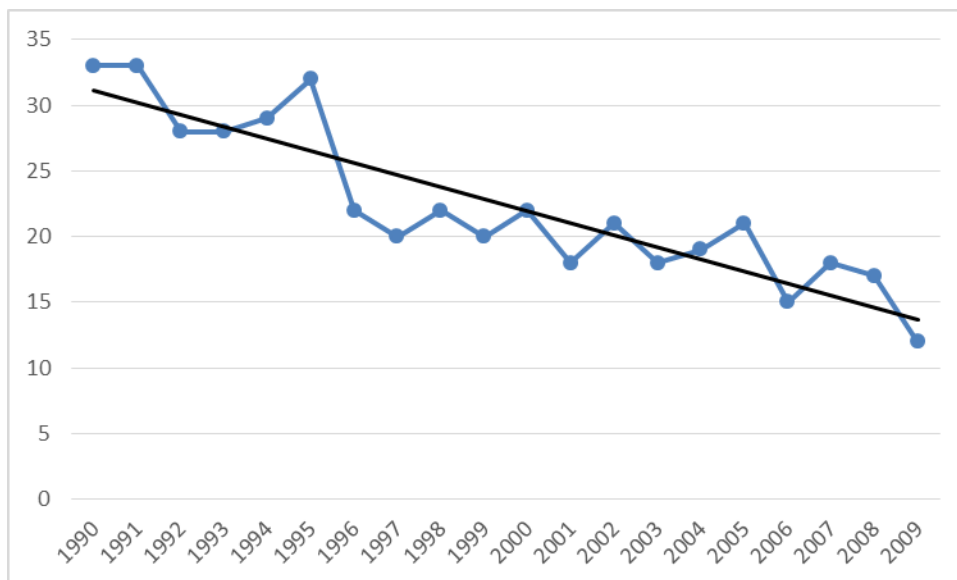
Findings in relation to SOE C compared to the other cases seem to show the presence of more of the elements of institutional theory. For instance, SOE C seems to have responded to the coercive pressures by organising AGM and adopting private sector practices as required under the Companies Act. Moreover, the growing engagement of personnel outside the organisation with private sector background (e.g., the appointment of heads of Finance) and the drive to operate as companies listed on the Ghana Stock Exchange (GSE), seems to emphasise the mimetic isomorphic pressure and perhaps some level of normative influences. For instance, the findings show that only SOE C among the three cases has a separate section on CEO/MD statement. Furthermore, disclosures on governance by SOE C are extensive, covering major decisions taken by the board and the number of times that board meetings have been held (see details in section 6.4.3.3).

7.3.3 Reforms and Disclosure Types and Forms of Presentations

Consistent with the literature reviewed on disclosure studies (see e.g. Beattie et al., 2008; Courtis, 2004; Herawaty & Hoque, 2007), findings from the analysis of the content of the disclosure media discussed in the earlier section show that SOEs disclose diverse information covering governance, operational, social and environmental issues.

With regards to the annual reports of SOEs, results show that annual reports devote the largest amount of space first to financial and then to operational disclosures. Although these findings are generally consistent with what Beattie et al (2008) found, comparing the findings from each case shows a notable difference in the levels of operational disclosures among the SOEs. In fact, SOE A on the average provided more information on its operations. This evidence perhaps stems from SOE A's multiple business functions being reduced to one through the amendment of its legal framework in 2005. As can be seen from figure 7.2, the number of pages devoted to disclosures on operations seems to have begun declining more quickly after 2005. This appears to stem from the coercive pressure from the amendment to the legal framework governing the operation of SOE A, to restrict its core business to only one area in 2005.

Figure 7.3: Trend of no. of pages on operational disclosures over time by SOE A



Also, from the study, disclosure of governance-related issues exhibit a growing trend (see table 6.5). Though this finding is consistent with reports of growing disclosures on governance among public sector organisations (Herawaty & Hoque, 2007; Ryan & Ng 2000), it also shows an increasing coercive pressure from state agencies and the SOEs themselves to ensure complete adherence to the terms of the existing regulatory frameworks, particularly, the Companies Act 179, and the governance related frameworks (see Companies Regulations, 1994).

Moreover, from the study, the findings show the influence of coercive pressures from regulations on disclosures regarding social and environmental issues. For instance, comparing the legal frameworks establishing and governing the operations of the three cases show that it is only in SOE A that disclosures on environmental and social issues are mentioned and presented in the annual report as part of disclosures on its operations (i.e. non-core operations). In the area of social disclosures that relate to employees, sections 8 and 9 of the legal framework establishing SOE A provides detailed guidance on the engagement of employees, training of staff and conditions of services, hence, disclosure are made in that respect in the annual report of SOE A. Similarly, sections 10 (e) and 14 (3) provide guidance on environmental disclosures. Those sections, among other things, require SOE A to see to the development of the health and well-being of the community within which they operate, ensure tree planting and prevention of conditions likely to be injurious to the health and well-being of the inhabitants. To that end, SOE A makes more disclosures in respect of the above disclosure types in their annual reports, relative to the other SOEs.

On the presentation of the above findings on disclosure types, results show that the SOEs in the study draw on the visual elements (photographs and chart/graphs) discussed in the literature. Consistent with the literature, the results from this study show a growing use of pictures for presenting disclosures (see table 6.6 and 6.7). Whilst charts and graphs are mostly used for financial disclosures and to some extent disclosure on operations (Beattie et al, 2008), results show findings similar to those by Beattie et al. (2008), which indicate a growing use of pictures for disclosures on governance . Furthermore, pictures are mostly used by the SOEs to make disclosure on social and environmental issues, especially in the case of SOE A where social and environmental issues are part of disclosure on operations. This

confirms recent findings showing the dominance of pictures for presenting disclosures on non-financial disclosures (Hrasky, 2012; Jones, 2011).

In the case of performance contracts, evidence on the disclosure types made by SOEs cover both economic and non-economic issues discussed in the disclosure literature. They include disclosure on financial, operations, governance and social issues (see tables 6.8, 6.9a&b). Disclosures on the operations of SOEs dominate the disclosure types, and the least disclosed across the cases are environmental disclosures. Relating these findings to the institutional forces show the dominance of coercive pressures from the PME system, which is evident by the standardised structure, content and form of presenting disclosures under the PME system.

7.4 Agency-Stakeholder Elements and the Impact of SOE Reforms on Disclosure Practices

According to the public sector literature, there is no single theory that sufficiently explains the underpinnings and adoption of the elements of reform programmes in the public sector (see Hood, 1995b; Watkins & 2007), but the agency theory is said to be one of the traditional theories useful in explaining reforms in the public sector in the face of criticism of being bias to economic reform programmes (see e.g. Cordella, & Bonina, 2012; Larbi. 1999; Verhoest, 2005). Relating the assumption of the agency theory to the findings on the nature of reform programmes implemented in the Ghanaian SOE sector confirms its relevance in explaining reforms in the public sector. For example, the findings show that the reconstitution of the SEC has provided some level of clarity in the SOE sector by streamlining the existing accountability arrangements (see reform element 2 in section 6.2.2). Furthermore, principal-agent relationships between the Government and SOEs as well as other relationships with the SEC have been clarified and institutionalised with the introduction of the PME system as part of the reform programmes. One of the interviewees aptly captures this as follows:

...at the outset of the reform programme, there was total chaos in the sector attributable to the operating environment and the management of the SOEs in general. ...information on SOEs and entities with Government equity was scanty... Further, the boundaries of our responsibilities in relation to MOFEP and sector ministries

when it comes to specific SOE was not clear. So, the PME system was to coordinate and clarify the interaction between us [SEC] and the ministries when it comes to reform implementation and other issues

Moreover, the findings on the PME system reinforce the tenets of agency theory by clearly showing who the principal and agent in a disclosure relationships are, namely, the government (principal) and the Board/Management of SOEs (agent), and their responsibilities also outlined in the performance contract, to reduce the fuzziness commonly associated with public sector organisations (e.g. Islam, 1993; Larbi, 2001; Shirley & Xu, 1998; Trivedi, 2008). Moreover, the legal and regulatory reform programmes demonstrate an expansion of the number of principal-agent relationships. For example, the creation of the PURC, MNC, etc., created another principal -agent relationships.

Relating the assumptions of agency theory to SOE disclosure practices and the findings on the impact of reform programs in the sector shows that disclosure relationships and objectives are defined through the PME system and legal reform programmes (conversion of SOEs to limited liability company). In fact, the findings show that the MOFEP is cited in the laws establishing each of the SOEs in the study as one of the stakeholders, but, the legal reform programme in a form of converting SOEs under Act 461 to operate as limited liability company cites the MOFEP as the shareholder. Section 4 of the Act among other things, states as follows:

all shares in the successor company (converted SOE) shall be allotted to and held in the name of the Minister (MOFEP)... and the Minister may in consultation with the Chairman of the State Enterprises Commission appoint such person or persons as he thinks fit as his nominee for the purposes of this section; and any person holding shares as a nominee of the Minister shall hold and deal with them on such terms and in such manner as the Minister (MOFEP) may direct.

Whilst the above quote emphasises agency relationships regarding economic and financial nature, evidence from the study shows that in practice, other government representatives such as sector ministries regulatory bodies and the SEC, also have principal-agent relationships

with SOEs, showing their level of influence and power based on legal and regulatory frameworks as well as other sources and types of power (political, regulatory, physical resource of force/threat/restraint, material or financial resources/incentive) (see e.g., Mitchell et al., 1997). Moreover, the findings show that the interest of these actors representing government differ and may conflict. For instance, the interest of MOFEP and its related agencies is mainly on return of their investments, specifically, the dividend, and other statutory obligations (corporate taxes) from SOEs. On the other hand, the sector ministry also tend to focus on the effectiveness of SOEs in implementing the sectorial policies and programmes. Similarly, the SEC, which acts as the referee during the signing of the performance contract, is actually a major actor in light of the role it plays.

The above confirms different types and levels of principal-agent relationships emerging from the reform programmes. This perhaps explains the call to examine the adequacy of the agency theory in explaining disclosure practices in the public sector in the light of changes spurred by reform programmes.

Further analysis of the findings vis-à-vis the nature of accountability, shows various accountability types and forms that are public, political, legal, managerial, social, professional and administrative in nature (see figure 7.2 a&b). Moreover, the directions of accountability are vertical, horizontal and diagonal, with diverse information requirements (economic and non-economic or financial and non-financial), so, these findings are consistent with the postulations of accountability scholars (see e.g., Bovens, 2007, Bovens et al., 2008; Sinclair, 1995). For example, both MOFEP and the respective sector ministry control the SOEs via a vertical chain of command, but the perspectives of demand for accountability through disclosure differ. The sector ministry which is concerned with the formulation of policies and guidelines, and their implementation through SOEs and other agencies in that subsector is interested in disclosures on the effectiveness and efficiency of policy implementation, so accountability types are managerial, programme, and procedural (Bovens, 2007, Bovens et al., 2008; Robinson, 2003; Sinclair, 1995).

In the case of the SEC, the disclosure and accountability relationships with SOEs is diagonal, and the accountability types relate to managerial, programme, procedures, and financials.

Also, the legislature and SOEs demonstrate a diagonal chain of command, and the accountability types include managerial, programme, financial, and legal (Bovens, 2007, Bovens et al., 2008; Robinson, 2003; Sinclair, 1995).

The MOFEP, on the other hand, is primarily concerned with funding issues such as providing budgetary support, sourcing for programme loans, and guaranteeing borrowings by SOEs, and would therefore focus more on financial accountability. As a result, the nature of disclosure and accountability information is fiscal in nature (budgetary compliance), and returns on investment is in terms of dividend and payback.

The findings confirm the assumptions of the agency theory and in addition, highlight the principles of stakeholder theory. For instance, the relationship between SOEs and Government, and the legislature clearly shows two sets of agent-principal relationships, but there are differences with respect to the level and types of influence, as well as the nature and interests of actors in the SOE sector, hence, support stakeholder-management relationship or the concept of multiple principals advocated by Mitnick (1975; see also, Moe, 1984, 1987; Shapiro, 2005) rather than that of agent-principal relationship posited by agency theorists. In fact, the findings ex ante and post ante the reform programmes support the richness of the stakeholder theory in explaining disclosure relationships and objectives in the public sector (Benz & Frey, 2007; Heath & Norman, 2004). This is particularly the case with respect to SOEs which possess features of public and private sector entities, because, the stakeholder theory highlights the differences in the interests of groups of stakeholders, the dynamism in the nature of relationships and the level of influences presented in the literature (Mitchell et al., 1997; Thomasson, 2009).

Conventionally, the stakeholder theory highlights disclosure and disclosure relationships with no reference to legal framework, and is thus mostly unenforceable (Clarkson, 1995; Donaldson & Preston, 1995). However, from this study, the findings show disclosure and disclosure relationships that are traceable to the existing regulatory frameworks, for example, the Companies Act, 1963 (Act 179), hence, revealing an enforceable stakeholder theory which aptly explains the disclosure practices of public sector organisations, including SOEs (e.g. Benz & Frey, 2007; Heath & Norman, 2004).

7.5 Complementarity of Institutional, Agency and Stakeholder Theories in Explaining the Impact of SOE Reforms on Disclosure Practices

In search for theoretical explanation of the impact of SOE reform programmes on disclosure practices, multiple theories are adopted in this study to capture the complexities associated with the public sector environment (Jacobs, 2012). The caveat however is that the choice of theories must be done with care to ensure their ontological compatibility (Jacobs, 2012; Young and Preston, 1996). In this study, the agency, stakeholder and institutional theories have been adopted. While, there is little debate on the potential of integrating the agency and stakeholder theories (see (Culpan & Trussel, 2005; Hill & Jones, 1992; Shankman, 1999), the debate on agency theory and institutional theory remains unsettled with respect to ontological differences. In fact, the agency theory, like other economic-based theories examines a phenomenon from an economic and functional perspective. On the other hand, institutional theory provides explanation from the perspective of social constructs, so, the agency theory is said to provide an under-socialised description of a phenomenon whereas institutional theory offers an over-socialised interpretation.

Therefore, it has been argued by earlier authors (Granovetter, 1985, 1992; Oliver, 1991); that the two theories are in conflict, but findings from later studies (see e.g. Roberts & Greenwood, 1997; Young et al., 2000; Berrone & Gomez-Mejia, 2009; Wiseman et al., 2012), including this study show no conflict. The two theories rather complement each other in providing understanding of the impact of reform programmes on disclosure practices in the public sector. For instance, the findings show the reinforcement of the assumptions of agency theory through the institutional forces underpinned by the implementation of the reform programmes. In fact, the establishment of SEC and the introduction of PME system in particular, provided clarity on the nature and levels of control as well as the influence of the various state agencies and principals over SOEs (see figure 7.2 b). Moreover, the institutional theory complements the tenets of agency theory by providing evidence and explanations on how the institutional pressures from internal and external sources influence changes in the agency relationships in attempt to ensure better accountability. Indeed, it is evident from the findings how institutional pressures provided clarity to the complex agent-principal problem

stemming from multiple and interconnected layers in the hierarchy of accountability relationships (Chang, 2007; Mitnick, 1975; Shapiro, 2005). Furthermore, it is evident from the study how the institutional pressures associated with the reform programmes, demonstrate the source of power, which is economic (financial) and non-economic (political, regulatory, etc.), the type of power (coercive, utilitarian, normative), and the variable of legitimacy (individual, organisational, societal) at micro, sub organisational and micro levels, in the management of principal-agent or stakeholder relationships (Hill & Jones, 1992; Mitchell et al., 1997).

7.6 Chapter summary

This chapter sought to discuss the results of the study by drawing on the literature and the theoretical framework of the study. The discussion highlights the roles of various institutional forces in shaping the reform programmes and disclosure practise of the SOEs. For example, it was argued in the chapter that the adoption of the World Bank/IMF sponsored reform programmes in the SOE sector stemmed from coercive isomorphic pressure associated with poor SOE performance and general economic crises. Moreover, the implementation of the reform programmes was primarily coercive in nature, but created conditions that increased the potency of normative and mimetic isomorphic pressures. Furthermore, the reform programmes reinforce the tenet of principal-agent relationships, but at different levels of the SOE sector, and so, the reforms highlight the principles of stakeholder theory.

Focusing on the sector-wide reform programmes, the chapter shows that the reform programmes implemented over the period of interest made no specific reference to the disclosure practices of SOEs. However, the objectives and results from the implementation of reform programmes such as the reconstitution of the SEC and introduction of PME system show that these reform programmes relate to disclosure practices of SOEs. Moreover, results on the legal and institutional reforms, including the establishment of regulatory and supervisory bodies in the SOE sector are also disclosure related.

With regards to the disclosure practices of SOEs and the impact of reform programmes, the chapter shows among other things, that the nature of information disclosed and the objectives

of disclosure by SOEs are influenced by the various disclosure relationships that are agency and stakeholder nature. Although many of these disclosure relationships and the related disclosure objectives are explicitly cited in the regulatory frameworks governing SOEs and the SOE sector, results from the study show that there are notable ones spurred by the reform programmes in the SOE sector. Analysing the disclosure media available to the SOEs, this chapter shows that the generic structure, volume of disclosure among other things differ from the existing literature. Furthermore, whilst some notable changes were identified in the disclosure media examined, particularly, the annual reports, some of the changes were attributable to the reform programmes in the SOE sector underpinned by isomorphic pressures, which are predominantly coercive in nature.

Theoretically, the chapter establishes that the adopted theories complement each other despite the seemingly ontological incompatibility, to explain the impact of reform programmes on SOE disclosure practices. Specifically, the chapter showed how institutional pressures underpinning the reform programmes, provided clarity and reinforced the principals of agency. The next chapter presents summary of findings from this study and conclusions.

CHAPTER EIGHT

SUMMARY OF FINDINGS AND CONCLUSIONS

8.1 Introduction

This chapter presents tentative conclusions made, based on findings in relation to the objectives of the study. The study primarily sought to ascertain and explain the disclosure practices of SOEs as well as how public sector reforms targeting SOEs in Ghana may have influenced their disclosure practices. The findings show improvements with respect to the creation of disclosure and accountability arrangements and mechanisms within the SOE sector arising from the creation of regulatory and supervisory bodies, as well as regular performance monitoring of SOEs through the reform programmes. However, findings from each of the cases in the study show varying improvement with respect to their disclosure practices. The next section presents an overview of the research gaps, the emergent research objectives and the research design adopted to achieve the objective of the study. It is followed by a summary of the major findings in relation to the research objectives. The next section discusses the implications of the study to both practice and the extant literature (empirical, theoretical and method) on disclosure practices, as well as the impact of public sector reforms, particularly those targeting the SOE sector. Limitations of the study are presented in the subsequent section and these inform the suggestions for future studies in the final section.

8.2 Overview of the Thesis

This study primarily sought to understand the disclosure practices of SOEs and to ascertain the impact of reform programmes in the SOE sector on such practices. Disclosure is generally concerned with releasing or sharing information considered useful for decision-making, but in the context of body corporate.

Empirically, issues on disclosure have been variously described and have received much attention, especially in private sector settings, and sometimes used in the same sense as transparency and accountability in the context of public sector organisations. However, it is argued that, many of the existing studies deal with only a small piece of the disclosure subject, hence the emergence of terminologies such as information disclosure, disclosure practice, disclosure process, disclosure media and many more. In this study, disclosure

practice covers an embodiment of all activities of a body corporate, giving rise to the need for information by its internal and external audiences (who), due to some established relationships (economic and non-economic), decisions and choices by the company (why) with respect to the kind and nature of information (what) to release, the timing (when), and the media and presentation (how) of information to a company's audiences.

Additionally, discussions on the disclosure subject have relatively received less attention in public sector literature, compared to the private or publicly listed sector. This is evident by the apparent absence of disclosure framework for the three tiers of public sector: central government, local government organisations, and SOEs. In fact, for SOEs, there are growing attempts to deal with their performance challenges attributed, *inter alia*, to the dearth of information flow in the sector, thus, the drive to develop disclosure and governance framework for the sector (OECD, 2005a, b; OECD, 2010). It is argued by many that provision of reliable and relevant information, using appropriate media of disclosure, potentially ensures transparency, performance monitoring, trust, and accountability (e.g. Greiling & Spraul, 2010; OECD, 2005a, b; OECD, 2010; Solomon, 2007).

On account of the above, the current study sought to empirically and theoretically, understand the disclosure practices of SOEs, and explore how reform programmes in the SOE sector have affected disclosure practices. Underlying this broad research objective were three research questions outlined in chapter 1 and restated here as follows: (1) What are the disclosure practices of SOEs? (2) How have SOE reform programmes influenced SOE disclosure practices? and (3) What are the theoretical explanations for the impact SOE reform programmes on disclosure practices?

To achieve the above objective, the study adopted an interpretive epistemology using qualitative research design. Consistent with this methodology, multiple case study strategy was adopted, allowing the adoption of multiple data collection approaches to collect data from both primary and secondary sources. Data from the secondary sources included World Bank/IMF reports, published and unpublished materials on the Ghanaian SOEs sector and SOEs, reform programmes including the political and economic background, motivations, and scope of reforms. Furthermore, other secondary data such as the annual reports of SOEs,

performance contracts, corporate plans, monitoring reports, and performance reports on SOEs were relied upon to explore changes caused by SOE reform programmes. This was followed by semi-structured interviews with actors in the selected SOEs and the SOEs sector in general, to seek clarity and additional information on the research questions raised in the study.

Theoretically, multiple theories were adopted considering the objectives of the study. Specifically, the agency and stakeholder theory were used in explaining the disclosure practices of SOEs, particular, the nature and types of disclosure relationships in the SOE sector. Institutional theory was adopted to explain the changes in the disclosure practices of SOEs, the nature of reforms programmes and the impact of the identified reform programmes on SOE disclosure practices.

8.3 Summary of Major Findings

This section provides a summary of the major findings in relation to the research questions posed in the study. Furthermore, it presents the major conclusions reached, based on discussions from the findings reported in chapter 7. This was achieved by drawing on interview and archival data relating to reform programmes in the SOE sector as well as disclosure practices of the selected SOEs.

8.3.1 Reforms and Disclosure Related Reform Programmes

In ascertaining the impact of reform programmes on disclosure practices of SOEs, the study sought to trace the chronology of reform programmes, targeting the Ghanaian SOE sector in general and specifically the cases under study. From the analysis of archival data and interview accounts, two groups of reforms were identified: the country-based reform programmes (pre-IMF/World Bank), and the ubiquitous IMF/World Bank-sponsored reform programmes.

Results show that the first group began focusing on expansion of the Ghanaian SOE sector to generate employment, promote public policies (e.g. trade), and support economic

development. As an evidence, the number of SOEs increased tremendously, with the creation of the State Enterprises Secretariat during that period (1957-1966). There were also programmes to coordinate the activities of SOEs in the manufacturing industry and provision of advisory services on the management of the SOE sector, through the creation of an oversight secretariat (SES) in 1965 and a conglomerate (GIHOC) in 1967. This was followed by the reorganisation of oversight bodies, but still concerned with the provision of advisory services to government on the management of the SOE sector (SEC) in 1976 and 1981. The last indigenous reform programme in the Ghanaian SOE sector before the IMF/World Bank-sponsored reform programmes was the dissolution of the management of 61 core SOEs and an interim management committee constituted to take charge of direct management of those SOEs, through the passage of the Public Boards and Corporation Decree in 1982.

With regard to the IMF/World Bank era of reform programmes, analysis of data collected shows two forms of programmes: those imposed by the IMF/World Bank and those that emerged from the implementation of the recommended programmes. The process started as part of an amorphous Economic Reform Programme (ERP), introduced into the Ghanaian Economy. Results confirm that the SOE sector became the target of most of the reform programmes, due to their strategic importance and dominance in the overall Ghanaian economy. Specifically, there were six (6) groups of reform programmes and five (5) out of the programmes were pro non-divestiture and the other focused on divestiture programmes. Besides, four (4) of the five (5) pro-non divestiture programmes were implemented sector-wide (all SOEs) and the other one applied to a few specific SOEs and industries (restructuring and rehabilitation). These findings confirm the assertion that the non-divestiture reform programmes constituted a chunk of the reforms targeting the SOE sector, hence the need for more studies in these areas of reform programmes (Chang, 2007; Cook, 1997; World Bank, 1995).

Focusing on the sector-wide non-divestiture reform programmes, notable findings include the rebirth of the State Enterprises Commission (SEC) and expansion of its functions to include performance and governance-related roles, in addition to its traditional advisory and oversight functions. In performing these functions, the PME system was introduced to deal with institutionalising a culture of corporate planning, performance monitoring, performance

evaluation, and reporting in the SOE sector. SOEs as part of the system were required to make disclosures using diverse disclosure media such as the corporate plan, annual budget, performance contract, performance-monitoring report, and performance evaluation report on SOEs. This has led to expansions of disclosure types (e.g. performance, operations, governance, etc.) and clarity of what constitute mandatory disclosures, which, hitherto, appeared equivocal and subjective. In fact, this reform programme has expanded SOE accountability to a large extent, using other disclosure media in addition to the traditional SOE annual report.

To ensure that the principles underlying the PME system are achieved, the findings show that, there were other reform programmes in a form of legal reforms (e.g., promulgation of Statutory Corporations (Conversion to Companies Act, 1993; Act 461, Companies Regulation 1994, etc.), and training by consultants from public sector and private sector settings to strengthen the capacity of SOE managers. Most of these reform programmes, unlike the earlier ones, were developed and promoted by SEC but were implemented with local and foreign financial support. Notable areas affected by these interventions include financial management; board issues; accounting and reporting; auditing; autonomy in the area of human resource management, and many more. These encouraged competition and managerial autonomy, conversion of SOEs to operate under the same regulatory regimes as private sector entities (publicly listed companies), organising AGMs and stakeholder meetings, and so on. Moreover, there were also legal and industry-specific reform programmes leading to formation of regulatory bodies (e.g. PURC, NMC, EPA, etc.) to expand the monitoring of SOEs in areas not covered by the SEC. PURC for instance regulates tariffs of SOEs in the utility sector and NMC regulates the editorial of SOEs in the media.

Although the findings with respect to the reform programmes implemented in the Ghanaian SOE sector are consistent with the literature (e.g. Chang, 2007; Gómez-Ibáñez, 2007; Nellis, 1989; Shirley & Nellis, 1991; World Bank, 1995), this study adds that the reform programmes introduced additional disclosure or accountability structure and relationships (hierarchical/vertical, horizontal, and diagonal), and accountability types (include managerial, programme, financial, and legal) (Bovens, 2007; Bovens, et al., 2008; Robinson, 2003;

Sinclair, 1995). In addition, the creation of these oversight and administrative bodies to perform some specific functions directly or indirectly compel SOEs to make disclosures beyond the traditional (detailed) issues to such bodies and existing conventional bodies (e.g., Guthrie, 1993; Lee & Fisher, 2004).

Relating the above to the adopted theories, particularly, institutional theory, the findings show elements of especially coercive isomorphic pressures emanating from economic crisis, political pressures to improve the performance of SOEs and imposed reform programmes (six groups) by the World Bank/IMF/IDA. Specifically, the passage of legislations leading to creation of administrative agencies compelled SOEs to meet some disclosure requirements, particularly, those relating to the PME system. Moreover, the promulgation of Statutory Corporations (Conversion to Companies Act, 1993 (Act 461) which sought to compel SOEs to operate under the same reporting and accountability requirements as private sector companies, for example, holding of AGMs, is a demonstration of both coercive and mimetic isomorphic pressures. In addition, the sources and nature of training or capacity building received by SOE managers, and the managerial autonomy given to SOEs to engage staff with different professional background as part of the reform programmes present traces of normative pressures inherent in the professions backgrounds of both facilitators of the training programmes and the new staff.

The foregoing findings are consistent with studies in other jurisdictions (see e.g., Ghobadian et al., 2009; McNulty & Ferlie, 2004; Rahaman, et al, 2004; Tolbert & Zucker, 1983), but the findings show the presence of coercive isomorphic pressures at different levels of an organisation (macro, micro and meso) as in the case of the PME system. Furthermore, the findings on the PME system show that the isomorphic influences may over time.

8.3.2 Disclosure Practices and Impact of Reform Programmes

From the study, it has been established that the term ‘disclosure’ is eclectic, but a review of the literature shows that a disclosure practice is larger and involves seeking answers to four interdependent and multi-dimensional questions explicitly shown in the framework developed in the study. Similar questions are relevant and posed in public sector contexts,

where the term ‘accountability’ is often used (e.g. Bovens, 2007; Schillemans, 2011; Sinclair, 1995).

8.3.2.1 Nature of Disclosure Relationships and Objectives

A review of literature on disclosure shows that the fundamental source of finding answers to most disclosure-related questions is the regulatory framework and guidelines (legal, enforceable guidelines, accounting standards, etc.) governing the sector or entities being studied. In fact, content analysis of such documents will reveal the targets of disclosures made (who), the objective of disclosure (mandatory and voluntary), nature of disclosure (financial, non-financial), and the media of disclosure (e.g. annual reports, etc.).

In this study, results from the analysis of both interview responses and legal documentary evidence, in relation to SOEs and the SOE sector show that, the targets of SOE disclosures are stakeholders emerging from two types of relationships: enforceable and unenforceable relationships. Stakeholders arising from enforceable relationships vary across SOEs, but the most common include the President/Head of State and /or his representatives; MOFEP, sector ministries, the legislature, and in some cases bulk consumers/customers, the community/settlement areas, where SOEs operate as well as suppliers and intermediaries in the supply chain of SOEs. The other stakeholders include other ministries and state agencies that have collaborative and consultative relationship with SOEs.

What is more, developments in the sector, by way of legal and institutional reform programmes, supported by both external and internal funds have increased the number of stakeholders within the category of enforceable relationships. Notable among them are financiers (World Bank, IMF, etc.), independent oversight and supervisory commissions/agencies (SEC, PURC), and other regulatory, monitoring and licensing bodies and collaborative agencies/ divisions (e.g. Energy Commission, Environmental Protection Agency, Public Investments Division).

With regard to rankings of the foregoing stakeholders, in relation to accountability and disclosure of information, there are differences across the SOEs in this study. Overall, financiers (e.g., IMF/World Bank) and government, represented by MOFEP (and divisions

under the ministry) and sector ministry are regarded as very key. Next is SEC, the legislature, other regulatory agencies, and state parastatals in the supply chain or intermediaries. Clearly, many of these stakeholders (SEC, other regulatory agencies and divisions under MOFEP and sector ministries) are consequences of reform programmes in the SOE sector.

Related to the above disclosure relationships are disclosure objectives inherent in the findings on the accountability types. Specifically, an improvement in relation to disclosure objectives that are managerial, operational, legal, political, and financial in nature.

The above findings confirms the tenets of principal-agent relationships, but at different levels of the SOE sector, highlighting the principles of multiple relationships and multiple principals, which is associated with public sector organisations (Benz & Frey, 2007; Heath & Norman, 2004; Mitnick, 1975; Moe, 1984, 1987; Shapiro, 2005). Moreover, the principles of primary and secondary stakeholders, advocated by the instrumental/managerial aspect of the stakeholder theory (Clarkson, 1995) is evident in the SOE sector. In addition, there are other stakeholder relationships including consultative and cooperative relationships that are not enforceable, thus, akin to the normative aspect of stakeholder relationships.

However, the majority of above relationships are legally enforceable because the various stakeholder relationships are explicitly stated in each SOE's regulatory framework. This finding appears to contradict calls for legally enforceable relationships or formalisation of stakeholder relationship (Clarkson, 1995; Donaldson & Preston, 1995). Additionally, these findings seem to suggest that the calls for legalising stakeholder relationships relate to private sector settings and not the public sector.

8.3.2.2 Disclosure Media and Processes

To meet the information needs of the foregoing stakeholders and/or multiple principals, SOEs employ diverse disclosure media. Findings from the study show that the annual report of SOEs has over the years, been the traditional and formal medium of disclosure. Moreover, reform programmes in the sector, for example the PME system have introduced other media of disclosure, particularly the annual performance contract and related media (e.g. corporate plans and quarterly performance monitoring reports). The stakeholders, who receive these

disclosure media under the PME system, vary across the sector. For instance, performance contract and corporate plan are restricted to the MOFEP, sector ministry, the SEC and SOEs, but these disclosure media may be shared with other collaborative and consultative stakeholders (normative stakeholders). Moreover, disclosures made in quarterly monitoring reports from SOEs and the SEC evaluation report on SOEs go beyond the above stakeholders to include the legislature for scrutiny by Standing Committees and Select Committees (including the Public Accounts Committee (PAC) and the Committee on Employment, Social Welfare and State Enterprises), and other sector players (e.g. office of the president).

With regard to the processes under the PME system, results from the study show that the processes are standardised, in terms of the cyclical activities at sector level. Although this finding is consistent with the literature (see Islam, 1993), there are variations from the perspective of the SOEs, i.e. the processes of preparing and presenting documentation under the system, as well as implementing the content of performance contract. Indeed, the process of corporate planning, target setting, and implementing the terms of performance contract are not standardised, thus, the suggestions that, standardising the entire process at all levels will significantly enhance the quality of disclosures under the PME system, thereby improving performance monitoring and evaluation by the SEC.

Similarly, the processes of making disclosures through annual reports in terms of parties to the process are similar to what pertains in private sector settings (Williams, 2008). Furthermore, the variations reported across the SOEs in this study are consistent with the disclosure literature (e.g. Gibbins et al., 1990), but from this study, it is evident that the processes of initiating and completing the annual report of any entity also occurs in departments other than accounting and finance. Actually, two of the SOEs (A and B) show that the department in charge of the processes is the public affairs and research departments, thus confirming the growing evidence that annual reports are fast becoming public relations documents (e.g. Beattie, et al., 2008; Tregidga et al., 2012; Stanton & Stanton, 2002). In fact, this resonates calls for a serious look at the public relation aspects of narratives presented via annual reports (Tregidga et al., 2012).

In addition, the study shows that except SOE B that has the same department in charge of the processes and preparation of disclosure media under PME system, and the corporate annual report, the other two SOEs have separate departments in charge of the two main groups of disclosure media identified in this study. However, evidence on the impact of this arrangement on the nature and quality of disclosure, seems inconclusive, hence, calls to examine the processes of producing public sector annual reports (see e.g. Skaerbaek, 2005).

Concerning the impact of the above-mentioned reform programmes, findings indicate that there have been changes in the processes of making disclosures in annual reports (expanded the level of consultation and the autonomy to engage staff with background in public relations as in the case of SOE A), but the changes cannot be directly traced to a specific reform programme. Indirectly, it could be inferred from the processes under the PME system that, the system may have served as an incentive for SOEs to submit audited annual reports timely, because that requirement is part of the performance evaluation targets in the PME system.

In the specific case of the PME system, it is evident that the system has resulted in streamlining and institutionalising the preparation of corporate plans, performance contracting, and performance monitoring and evaluation of SOEs (Larbi, 2001; Simpson & Onumah, 2010). In addition, findings from this study show that the system brings key stakeholders in the sector together, not only to negotiate performance targets but also to provide opportunity for discussing challenges facing parties to the contract, especially the SOEs.

8.3.2.3 Structure, Volume, Disclosure Types and Presentation of Disclosures

Analysis of the disclosure media used by SOEs shows mixed results. Starting with the traditional annual reports, analysis of the reports over the past 20 years (1990-2009) shows that the generic sections in the reports have not changed significantly. In fact, SOE A seems to have achieved normalisation, in relation to the generic sections in its annual reports in 2001 and 2003, and for SOE B, it was from 1994. In the case of SOE C, no change was observed, with respect to available annual reports (7 years). Additionally, the annual reports of SOE B, over the period, recorded the highest number of generic sections (16), followed by

SOE C (11) and A (10) respectively. Though the number of sections are generally lower, compared to an average of 22 generic sections reported in existing studies, the sections are generally consistent with the mandatory and voluntary sections cited in the disclosure literature (see e.g., Beattie et al., 2008; Lee, 1994). However, a very notable voluntary section such as CEO statement is consistently missing in the annual reports of SOE A and B over the period under consideration, hence inconsistent with “best practices” reported in the literature (Beattie et al., 2008; Herawaty & Hoque, 2007).

Empirically, the regulatory regimes under which each SOE operates provides less details of what constitute mandatory sections. Moreover, the general regulatory framework for companies; the Companies Acts, 1963 (Act 179) cites some mandatory sections, but differences in the annual reports of the three SOEs suggest that the sections considered mandatory in the Companies Act are not necessarily mandatory in the case of SOEs. As a matter of fact, it is only in the case of SOE B, where some form of mandatory sections appears to have been followed after the period (after 1993) that it was converted under the Statutory Corporations (Conversion to Companies) Act, 1993 (Act 461) to operate under the Companies Act, 1963 (Act 179). The findings are similar to the evidence from SOE C.

Further analysis of annual reports shows that, the volume of disclosure in terms of page count, (size of annual report) reveals a downward trend (figure 6 and table 6.3). This finding is contrary to evidence in the disclosure literature, which shows an increasing size of annual reports (Bartlett & Jones, 1997; Beattie et al., 2008; Lee, 1994; Stanton & Stanton, 2002). Voluntary disclosures, based on voluntary sections, appear to be growing faster, taking almost 50% of the total pages of annual reports (see table 6.4). Between 1990 and 2009, the proportion of pages allocated to mandatory sections (financial statement and auditors report, and statement of responsibilities) rose from 47% to 56% by SOE A; 56% vs. 64% in the case of SOE B and 33% vs. 38% by SOE C

Again, findings on disclosure types based on sections in the SOE annual report show that the most disclosed disclosure type is financials, followed by operations. Within-case analysis shows that SOE A discloses more on operations (including support services which cover disclosures on social, environmental and human capital issues) than the remaining two SOEs.

For SOE C, the section on MD report (including operations) and corporate profile are next to disclosures on financials (see table 6.4). Overall, findings on disclosure types are consistent with studies reviewed in this study (Bartlett & Jones, 1997; Beattie et al., 2008; Ditlevsen, 2012; Lee, 1994), and confirms growing disclosure on governance issues among public sector organisations (Herawaty & Hoque, 2007; Ryan & Ng 2000).

With regard to the form of presenting the above disclosure types, analysis of the annual reports shows the use of narratives, numeric and visual elements (table, graphs/charts and photographs or pictures). Focusing on visual elements, excluding tables, results show that SOEs draw on photographs much more for presenting disclosures than graphs/charts (table 6.5). Moreover, photographs are much more used for disclosures under corporate profile, governance (BOD and Mgt.), chairman and MD's report and operations. Graphs/charts are also used predominantly for disclosures on operations and financial issues. These findings are consistent with Beattie et al. (2008).

In the case of disclosure media under the PME system, the findings show that, the structure, in terms of generic sections and disclosure types, are standardized and mandatory. Analysis of the performance contracts shows that there are 17 mandatory generic sections (see table 6.7). These sections are the same across the SOEs in this study. Moreover, the disclosure types cover wide issues, such as vision, mission, goals and objectives, including strategies to realising them, financials, operations, governance (board minutes, AGM), intellectual capital (information on staff training and safety) and predominantly, disclosures on the operations of SOEs. However, there are few disclosures on environmental and social issues.

In relation to findings on the impact of the disclosure-related reform programmes identified above, it is clearly evident that, the reorganisation of the SEC and the introduction of the PME system compels SOEs to make disclosure on a variety of issues that, hitherto, were either non-existence or spotty. They include disclosures relating to corporate visions, missions, and corporate plans in general, board minutes, timely submission of audited financial statement, long-term projects and maintenance programmes, training, health and safety needs of staff, and research programmes to encourage innovations.

Focusing on disclosures in SOE annual reports, there are notable changes in the structure and volume of annual reports from 1990 to 2009, as well as the disclosure types and use of visuals to support disclosure types. In fact, the generic sections (structure) in SOE B's annual reports seem to have achieved normalisations immediately after the legal reform converting SOEs (Act 461) to operate in accordance with Companies Act. However, although the changes in the annual reports of the SOEs are traceable to isomorphic pressures associated with the reform programmes, especially, the coercive influences, attributing these changes strictly to a specific reform programmes in the sector appears inconclusive.

8.4 Contributions of the study and Implications

This thesis aims at providing evidence on how reform programmes implemented in the SOE sector may have influenced, particularly, the disclosure practices of SOEs. In achieving this primary objective, the disclosure practices of SOEs were examined over a period of 20 years. Findings from the study have led to several conclusions that have various implications for theory and practice presented below.

8.4.1 Contributions to Literature

Review of extant literature shows several studies undertaken in developed, emerging, and developing countries ascertaining the impact of public sector reforms in general and SOE reform programmes in particular. However, studies on SOE reform relative to other domains (central and local government) of the public sector are scanty. Also, within the SOE sector, one of the two groups of reforms identified in the literature, though constitutes 'the bulk' of reform programmes (non-divestiture programmes) has received relatively less attention in the literature (Chang, 2007; Cook, 1997; Gómez-Ibáñez, 2007; UN, 2008; World Bank, 1995), hence little examination of the impact of such reform programmes.

In view of the above, this study contributes to the existing literature by providing a narrative and description of the non-divestiture reform programmes, as well as identifying those that relate to disclosure of information or SOE accountability. In addition, this study has added to the literature by exploring the impact of such reform programmes on SOE disclosure practices. For example, this study confirms existing findings indicating that a greater

proportion of reform programmes in the SOE sector of developing countries are non-divestiture in nature. It also provides a chronological account on reform programmes in the Ghanaian SOE sector, including those before IMF/World Bank-sponsored programmes and the IMF/World Bank reforms. This clarifies the objectives of the reform programmes implemented in the SOE sector over the years, and identifies those that influence particularly disclosure practices in the sector. Furthermore, the study, unlike existing studies, contribute to the literature by examining multiple reform programmes in a single study, thereby identifying the reform programmes that influence disclosure practices of SOEs and to some extent highlighting how reform programmes in the SOE sector are interconnected (e.g. Gómez-Ibáñez, 2007).

With regard to disclosure practices, the study contributes to the literature by providing a comprehensive definition or conceptual framework of what constitute corporate disclosure or disclosure practices in view of reports that, existing studies on disclosure deal with a small piece of the disclosure puzzle (Verrecchia, 2001). Disclosure practice is therefore said to encompass issues on disclosure relationships (principals or stakeholders), disclosure media (annual reports, and other reports, internet, etc.), disclosure categories or objectives (mandatory and voluntary), disclosure types (governance, operations, financials, etc.), and forms of presenting disclosures (narrative, numeric, visuals). Related to this are the terms ‘accountability’ and ‘transparency’ often used in public sector settings. Though these terms are acceptable in public sector disclosure, the study establishes that in the case of SOEs, corporate disclosure goes beyond accountability issues (Guthrie, 1993; Lee & Fisher, 2004; OECD, 2005a&b). This study, therefore, has contributed to the few empirical studies on disclosures by public sector organisations and SOEs, in particular, and provided a definition of what constitutes disclosure practice.

Finally, on the impact of reform programmes on disclosure practices in the SOE sector, the study confirms that the creation of regulatory agencies and divisions, the use of performance contracts and legal reforms for SOEs to operate under similar regulatory frameworks (Companies Act, 1963, 179) as private sector organisations, influence disclosure practices of SOEs. This study also specifies the element (s) of disclosure practices that have been affected by reform programmes over the years. For instance, the first two sets of reform programmes

specifically affected disclosure relationships and objectives by introducing new ones, formalising and institutionalising existing ones; disclosure media (performance contact, etc., but not annual reports), disclosure categories (making disclosures under the PME system mandatory) and disclosure types (financial operations, health and safety, human resources, etc.). Moreover, legal reform (statutory conversion) causing SOEs to operate under the same rules as private sector organisations (Companies Act, 1963, 179) have caused some SOEs to organise AGMs, thus creating additional fora for stakeholders in the sector to ask management and board members of SOEs questions based on their annual reports.

However, the foregoing, in terms of organisation of AGMs, for example, is not widespread, hence appears voluntary. Furthermore, SOEs appear to comply much better with the legal frameworks establishing them than with the Companies Act, 1963 (Act 179), which provides higher level of disclosure guidance. This finding seems to be a departure from Lee and Fisher (2004), but adds that, where public sector organisations have multiple legal frameworks, their disclosure behaviour appears to be an issue with which of the legal framework is more convenient. Drawing on evidence from developed countries, a single legal framework for all SOEs, such as SOE Act, is more appropriate as that will provide some common disclosure guidance across SOEs, thus forestalling what pertains in the Ghanaian SOE sector and perhaps that of other developing countries.

8.4.2 Theoretical Contributions

There is consensus among scholars on the importance of studies to provide theoretical contributions, but there are variations with respect to what constitute theoretical contribution, (see e.g. Corley and Gioia, 2011; Cornelissen & Durand, 2012; Kilduff, 2006; Suddaby, 2010). Despite the varied suggestions, review of the suggestions indicate that, theoretical contributions include findings from studies that among other things, advance an understanding of a phenomenon being studied or provide multiple insights into existing theory or theories (see also, Jacobs, 2012; Suddaby, 2010).

In light of the above, this study provides evidence that advocates for theoretical pluralism in explaining the disclosure practices of SOEs and the impact of reform programmes. For

instance, agency theory (economic issues) appears dominant as far as disclosure practices under the PME system are concerned. Clearly, the process focuses on the relationships between Management of SOEs and government, represented by MOFEP (dividend and other financials) and sector ministry (operations). In the course of the process (negotiation, monitoring, evaluations, etc.), SEC and the legislature are introduced, making the stakeholder theory appear relevant. Further consideration of other empirical results from the analysis of oral accounts, regulatory frameworks, and sectorial reports make the tenets of the stakeholder theory more noticeable. In fact, relationships in the SOE sector are better seen as stakeholder relationships than agency relationships.

Furthermore, analysis of the content of disclosure media, under the PME system and annual reports, shows that disclosures made meet the information needs of at least the stakeholders listed in the regulatory framework guiding SOEs and other bodies (enforceable relationships). Meeting these information requirements, by using various disclosure media, highlights enforceable stakeholder relationships in the SOE sector and confirms that there is a legal form of stakeholder theory recommended by notable stakeholder theorists (Clarkson, 1995; Donaldson & Preston, 1995).

There are also elements of institutional theory explaining the components of disclosure practices and the impact of reform programmes. Specifically, there is evidence of coercive pressure on SOEs to adhere to structure and content of disclosure media under the PME system. Moreover, there are elements of mimetic and normative influences evident in the processes of producing annual reports, particularly, the voluntary sections. As reported earlier, there are changes in the structure and content of annual reports, which have been traced to the appointment of CEOs with several years of experience from the private sector. Moreover, SOEs are encouraged to organise AGMs just as publicly listed companies (mimetic) in order to ensure the provision of timely and reliable information for improving disclosure practices in the sector.

From the above, the study has provided some empirical evidence supporting calls for theory pluralism in explaining practices in public sector settings. Furthermore, the study provides evidence affirming the existence of the legal form of stakeholder theory, and prevalence of

‘stakeholder-agency theory’ than ‘agency-stakeholder theory’ in explaining the disclosure practices of public sector organisations before and after the reform programmes.

8.4.3 Contributions to Policy and Practice

It is evident from this study the need for some interventions that are likely to influence practices of SOE managers and other stakeholders. One key area is the provision of explicit and enforceable disclosure and reporting guidelines, which from the literature provide stronger incentive for public sector organisations to disclosure reliable and relevant information (see also Lee & Fisher, 2004). This intervention has become imperative, following evidence that multiple regulatory frameworks give SOEs the option to choose the guideline that they wish to comply with, thus making lower disclosures, particularly in their corporate annual reports. The study resonates calls for a tailored single regulatory framework for the entire SOE sector. Interestingly, reducing the number of regulatory frameworks of SOEs was one of the objectives of earlier reform programmes in the sector, but from this study, it appears a lot more remains undone.

Related to the above is the need to standardise the processes underpinning the PME system. Though the system provides some level of standardization in respect of structure and content of the various disclosure media, the processes from the perspective of SOEs are not standardised. Results from the study indicate that this affects the quality of disclosure under the PME system. It is against this background that this study, based on the findings, supports the need for intervention, by providing guidance for SOEs to follow. In fact, many of the SOEs have not integrated the entire system into their day-to-day activities. Furthermore, there is need to expand the performance dimensions under the PME system to cover disclosures on social and environmental issues, as well as, contemporary performance dimensions proposed under multi-purposed and interconnected tools such as balanced scorecard and performance prism (Hoque & Adams, 2011; Modell, 2012; Northcott & Taulapapa, 2012; Poister, Pitts, & Edwards, 2010). These will improve the disclosure types (Lee & Fisher, 2004), and quality. SOE A has been in the lead by introducing the balanced scorecard into its operations in 2009, and has since integrated the PME system. Interviewees reported of improvement in the PME system processes in SOE A, thus the need to extend to other SOEs the relevant support.

Achieving the above and other interventions, by way of policy, requires formalising and coordinating supports from epistemic communities. For instance, from the study, it is evident that during the early stages of implementing and designing new reform programmes. Moreover, there were stronger and closer interactions between SOEs, managers of the SOE sector and various epistemic communities (academia, and other professional groups). Specifically, SEC and other SOEs, with the approval of SEC, relied on the expertise of the academia and other professional groups at different stages of the reform process to meet deadlines. Beyond that, it appears the level of involvement of the epistemic community has been either absent or at individual firm levels (e.g. SOE A).

The findings from the study resonate calls to revive the relationship between SOE and the epistemic community, to ensure improved practices among SOEs and the SOE sector in general.

8.5 Limitations of the Study

In any research project, such as this, there are limitations that have the potential of affecting findings and conclusions made. This section presents some of the notable limitations and measures employed to mitigate the adverse implications on the current study.

Chapter 5 presented and discussed the research methodological options available for this study, choices made, and justifications for such choices. The process began with the choice of interpretive epistemology because that was the most appropriate in relation to the research questions posed in this study, and review of literature on the processes of conducting research (see e.g., Creswell, 2003; Myers, 2008; Newby, 2010). Supporting the choice of philosophical assumption and research paradigm is also the choice of the qualitative methodology and its related strategies. These drew the researcher very close to the cases (organisations, events, and phenomenon) being studied.

The above choices, however, presented some limitations worth discussing. A notable limitation often cited is that, qualitative approach is not tightly prefigured, mechanistic with prefixed sequence of steps like the quantitative design (Creswell, 2003; Silverman, 2000).

There is also criticism concerning the lack of generalizability (i.e. breadth), due to the use of small sample sizes, and non-representative cases, concerns about validity, and reliability.

In this study, criticism of statistical generalisation is substituted for more broad-based and in-depth understanding through the production of rich and diversified empirical evidence (Kirk & Miller, 1988; Myers, 2008; Salkind, 2003) and internal validity (if not external). Creswell (2003) adds that the validity of the research process, i.e. the soundness and strength are enhanced using rich portfolio of oral and archival data as in this study. The researcher dealt with validity and reliability concerns by triangulating data sources and collection methods, which improve the quality of results obtained using the qualitative research design (Myers, 2008; Newby, 2010). Silverman (2005) specifically explains that providing clear explanation of the processes of selecting cases and research participants and the criteria, how data is generated, analysed and reported addresses issues of both internal and external validity. Furthermore, the adoption of multiple methods of data collection in the research process as a corroborative purpose through triangulation increases reliability of qualitative research (see also Creswell, 2003). Specifically, the process of triangulation involved integrating different types of data (oral and documentary) from different sources (primary and secondary) in analysing and interpreting results on reform programmes and disclosure practices of SOEs.

In addition, using the case study strategy from the literature deals with problems of internal validity, since it provides causal insight and depth of field evidence (Gerring 2007) and recognises contextual factors (Bennett 2004). Moreover, the adoption of multiple cases (SOE A, B, and C) provides greater in-depth case accuracy (internal validity). However, failure to include outlier or deviant cases reduces the possibility of comparability and transferability, hence affecting external validity (generalization).

Another limitation arises from the longitudinal perspective taken with respect to the study. Though a longitudinal study was the obvious choice for examining the impact of a phenomenon that began several decades ago, there are concerns about time and scope, sources of data and types of data. For instance, it was important to position the study close to the event being studied: before, during, and after reform programmes. However, due to unavailability of documentary evidence, especially annual reports, the period was restricted

to 1990-2009 even though the first reform programmes in the sector was in 1987. This also influenced the selection and number of SOEs included in the study. In fact, the study was limited to a few SOEs, hence restricting evidence to less diverse SOEs from the Ghanaian sector, as well as giving little attention to issues such as younger and older SOEs, early and late adopters of reform programmes, etc. Consideration of these factors would have provided better understanding of the factors that influence disclosure practices in the SOE sector.

To minimise the above limitations, oral data via interviews were considered. That required, preferably, players in the SOE sector who had experienced any of the reform programmes considered in this study. However, considering the period, i.e. since 1987, interviewees were limited mostly to individuals who had knowledge about earlier programmes, and a few former officials. Moreover, these interviewees are likely not to recollect events accurately, and might have possibly altered their account for some self-interest. The effects of these limitations were moderated by relying on multiple data drawn from multiple sources. In fact, multiple interviewees from the same SOE were asked similar questions for clarification and confirmation.

8.6 Suggestions for Further Studies

It has been consistently reiterated in this study the importance of understanding the various components of public sector reform, particularly those that would not result in change in ownership. In response, this study focuses on exploring the reform programmes that have affected the disclosure practices of SOEs in a developing country, Ghana, one of the earliest adopters of SOE reform programmes in Sub-Saharan Africa. Findings of the study vis-a-vis the limitations therefore provide some opportunity for further research.

Firstly, based on the limitations in focusing on only SOEs, with annual reports covering the reform period (from 1989) for instance, future studies could include more SOEs to reveal the diverse generic sections and forms of presenting disclosures in annual reports as a disclosure medium, thereby providing further evidence for debates in the accounting literature, with respect to both public and private sector organisations operating under the same legal and reporting regimes (Barton, 2002; Newberry, 2001). Furthermore, such studies will provide

evidence in relation to calls for tailored guidance on disclosures in the corporate annual reports of SOEs, and address concerns about the need to make annual reports of public sector organisations more useful to wider audiences (Mack & Ryan, 2007; Ryan et al., 2000; Steccolini, 2004).

Secondly, findings from this study suggest that, changes in government and the resultant changes in the leadership of an SOE, particularly, the CEO, may affect the disclosure practices of that SOE. As observed in the case of SOE A, there were notable changes with respect to disclosures on governance using text and visual elements in the years of government change (2001 and 2009) and the appointment of new COE. Therefore, further studies that take a longitudinal perspective of SOEs will provide conclusive evidence on the impact of the above, the nature of changes and innovations in the reporting practices of these organisations (Bartlett & Jones 1997; Beattie et al., 2008; Stanton & Stanton, 2002).

Thirdly, findings confirm the dominance of non-divestiture reform programmes, hence the need to ascertain the interconnections among the various reform programmes and the impact on practices in the public sector. Furthermore, there is the need for comparative studies of the impact of reform programmes at firm levels or across countries, taking into account issues such as earlier adopters and late adopters of reform programmes, thus providing evidence for understanding factors that influence the changes emanating from non-divestiture reforms.

Related to the above suggestion may be studies focusing on the epistemic communities (Adler & Haas, 1992; Christensen, 2006; Potter, 2005) influencing developments in the SOE sector, particularly SOE reform programmes. Suggestions for such studies are informed by findings from the current study, indicating that the reforms in the Ghanaian SOE sector relied on several individuals and organisations (locally and externally). The professional background of these facilitators may have influenced the practices in the SOE sector. However, studies remain scanty with respect to their level of involvement and the impact on practices in the SOE sector. To that end, future studies seem imperative to identify members of the epistemic community, so far as developments in the SOE sector are concerned. It is also important to ascertain the nature of their participation or non-participation in designing,

implementing and evaluating past and future reform programmes, particularly programmes associated with accounting, reporting, and information disclosure.

Finally, findings from the study suggest that changes in management and boards of directors may have affected disclosure practices of SOEs, particularly voluntary disclosure practices. Thus, future studies may focus on the impact of reform programmes on SOE governance, particularly changes in the functions and characteristics of management and board of directors of SOEs.

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LIST OF APPENDICES

Appendix A	Introductory Letter from supervisor
Appendix B	Letters requesting for interview and other data-SOEs & Others
Appendix C	Information sheet and Consent Form
Appendix D	Interview guide for SOEs and other players in the SOE sector

APPENDIX A

To Whom It May Concern:

Re- Samuel Nana Yaw Simpson

This is to confirm that Samuel Nana Yaw Simpson is currently studying for Doctor of Philosophy Degree (PhD) in Accounting and Finance at the University of Birmingham. Samuel is examining the disclosure practices of State-Owned Enterprises (SOEs) in light of reforms in the Ghanaian SOE sector. He has completed the first phase of his study and is about to embark on the second phase, which is the fieldwork. He will therefore require access to relevant people and data to conduct the study.

From the literature, little is known about the disclosure practices of SOEs, and the role of SOE reforms in ensuring the generation and disclosure of relevant and reliable information. This makes the study very important as it examines the foregoing issues in the context of improving the monitoring and performance of SOEs.

I can assure you that no confidential information will be obtained and the names of individuals or organisations will not be revealed in the final thesis. A copy of the results of the study will also be made available to you if required.

I will therefore appreciate if you could assist Samuel with access to conduct such a study.

Yours faithfully,

Professor Mathew Tsamenyi (Supervisor)

[Redacted signature block]

APPENDIX B

Sample Letters to SOEs

Dear Sir,

REQUEST FOR INFORMATION

Samuel Nana Yaw Simpson is my name, a staff of University of Ghana Business School currently studying for Doctor of Philosophy (PhD) in Accounting and Finance at the University of Birmingham. My thesis aims at understanding the disclosure practices of SOEs and how reform programmes initiated in the sector has affected such practices. Findings will provide insights into the value of disclosure by SOEs; including alternative disclosure practices to ensure better monitoring and evaluation as well as improved performance of SOEs.

As a major player in the SOE sector, your assistance is requested in two ways: documentary evidence on SOE reform programmes undertaken in relation to disclosure practices (including annual report for the years: 1990 to 2009); and face-to-face interviews with those who have experienced the reform programmes and part of the preparation, as well as the authorization of information disclosed to all stakeholders.

Your kind cooperation would be very much appreciated. I am currently in Ghana and propose to conduct the initial interviews on any date mutually convenient. I can be contacted either by phone: [REDACTED] for further queries.

Be assured that all confidential information will be treated and handled as such. To ensure this, results of the study will be made available to you if so required. Please find enclosed a general letter from my supervisor, and a consent form.

Yours faithfully,

Samuel Simpson

Sample Letter to Players in the SOE Sector

Dear Sir,

REQUEST FOR INFORMATION

Samuel Nana Yaw Simpson is my name, a staff of University of Ghana Business School and currently studying for Doctor of Philosophy (PhD) in Accounting and Finance at the University of Birmingham. My thesis aims at understanding the disclosure practices of State-Owned Enterprises (SOEs) and how reform programmes initiated in the sector since the late 1980s have affected such practices. Findings will provide insights into the value of disclosure by SOEs; including alternative disclosure practices to ensure better monitoring and evaluation as well as improved performance of SOEs.

As the trustee of government's shares in all SOEs and so a key player in the SOE sector, your assistance is requested in two ways: documentary evidence on SOE reform programmes (e.g. performance contract, etc.) undertaken in relation to governance, accounting, disclosure practices, and auditing (pre and post reforms); and face-to-face interviews with those who have been actively part of the reform programmes in relation to the SOEs sector.

Your kind cooperation would be very much appreciated. I am currently in Ghana and propose to conduct the initial interviews on any date until the end of April 2012. I can be contacted either by phone: [REDACTED] for further queries.

Be assured that all confidential information will be treated and handled as such. To ensure this, results of the study will be made available to you if so required. Find attached a general letter from my supervisor.

Yours faithfully,

Samuel Simpson

APPENDIX C

PARTICIPANT INFORMATION SHEET

Title of Project:

Public Sector Reform and Disclosure Practices of State-Owned Enterprises: The Case of Ghana

Purpose and Description of Proposed Study

This thesis primarily aims at exploring the impact of public sector reform programmes on disclosure practices of State-Owned Enterprises (SOEs) in Ghana. Though the literature has identified a number of general impacts of reforms on SOEs, there have been limited studies on how such reform programmes impact on disclosure and reporting practices of SOEs.

At the heart of the various reform initiatives under study is transparency and accountability principles best demonstrated and reinforced via the disclosure of relevant and reliable information. In fact, disclosure of information by SOEs in developing countries is of very poor quality resulting in little or no monitoring of their operations, thus poor SOE performance. This study argues that understanding and ensuring the disclosure of information has the high likelihood of addressing SOE accountability barriers arising from multiple principal, agents and tasks, unclear expectation, goals and objectives, as well as the ‘not me’ syndrome.

This current study aims at ascertaining and examining the disclosure practices of SOEs, and exploring the impact of reform programmes in the SOE sector on their disclosure practices. Specifically, the study seeks answers to the following research questions:

1. What are the disclosure practices of SOEs?
2. What are the changes in SOE disclosure practices (if any)?
3. How do (or did) the reform programmes affect SOE disclosure practices?

Results from this study will provide lessons in the areas of policy changes, and restructuring of existing and future reform interventions. Apart from the general research community, the

key beneficiaries of this study will be public sector organisations, regulators and managers of reform programmes in Ghana and other developing countries, and finally donor organisations such as the World Bank and IMF in the development of future reform programmes.

Invitation to participate and explanation of what participation entails

Participation in this study is purely voluntary, but your selection for this study is based on knowledge, responsibilities, and experience relating to the topic under study. Therefore, participants must have some involvement in the preparation and presentation, and approval of annual reports and other related reporting documents, and ensuring quality corporate reporting and disclosure.

Your knowledge and experience is highly appreciated and will make a remarkable contribution to this project. Your contribution will primarily be:

- (i) Granting access to annual reports for the past 20 years; from the year of first SOE reform programme (1990-2009), and;
- (ii) Participating in a semi-structured interview which will focus on your organisation's disclosure practices over the years (see attached interview guide).

Each interview is estimated to last for at most an hour, and will be audio recorded subject to agreement with the interviewee. Where an interviewee objects to audio recording, then notes will be taken.

The interview questions are designed in such a way that they provide no risk or discomfort to participants. However, if there are any discomforts, then you the participant have the option not to respond to a particular question or withdraw from the study.

Due to time constraints, participants need to consider the following:

- Participants have two weeks to consider this invitation;
- Participants can withdraw from the study six (6) months after the data collection (see also the consent form below);
- Participants can seek for further clarifications from the researcher whose contact details have been provided below;

- Participants can notify me by phone or email of your decision not to participate in the interviews or withdraw from the study; and
- Consent form has been attached for you to confirm your willingness to participate in this project.

Confidentiality/anonymity and data security

Participants in the study can be assured of confidentiality of information provided and anonymity. Specifically, participants will not be identified by name, and their responses will be quoted in the study only where very necessary. To ensure anonymity in such situations, codes will be used.

On data security, data including interview responses (soft and hard copies) will be secured, i.e. with password and under lock. In fact, data collected will be available to only the researcher and his supervisors.

Results of the study

Information collected will be for academic purposes only. The final output of this study will be my PhD thesis, and as part of ensuring confidentiality and anonymity, pseudo and surrogate names will be used to conceal the identity of individual participants and cases selected in reporting the results in the thesis. For instance, codes such as SOE 1/A, SOE 2/B and SOE 3/C will be used for the three state-owned enterprises selected for the study. Furthermore, participants will have the opportunity to make all relevant verifications before the thesis is finalised and submitted.

Contact details

Researcher:

Samuel Nana Yaw Simpson,

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

CONSENT TO PARTICIPATE IN RESEARCH

Title of Project:

Public Sector Reform and Disclosure Practices of State-Owned Enterprises: The Case of Ghana

Please tick to confirm

I confirm that I have read and understand the information sheet for the above study.

I have had the opportunity to consider the questions to be asked; clarifications have been sought, and satisfactory answers provided.

I understand that my participation is voluntary and that I am free to withdraw six (6) months after the data collection, without being disadvantaged in any way. If I wish to withdraw, I can contact the researcher on: email,

_____.

If I withdraw, I understand that all relevant information will be removed from the study and destroyed.

I confirm that the researcher has discussed and assured me that any data collected during the study will be restricted and treated confidentially.

I agree to take part in this research.

Designation of Participant

Date

Signature

Researcher

Date

Signature

APPENDIX D

INTERVIEW GUIDE FOR SOES

Part A: General and Background Information

General information

1. Designation of Respondent:
2. Functions:
3. Number of years in current position
4. Working years in the organisation
5. Other positions held

Background of Organisation

1. Main lines of Activities (any changes, when and why?)
2. Sources of funding (any changes and why?)
3. Regulatory framework (any changes and why?):

Part B: Disclosure Practices

Stakeholders/Principal-Agent relationship

1. Who are your stakeholders?
2. Which of them are the key stakeholders and why?
3. Do you see your relationship with them as principal-agent or stakeholder-relationship? Pls clarify
4. In what areas do the above-mentioned stakeholders influence your activities: example Accounting, reporting, and disclosure
5. Can you rank them in order of those who significantly influence your activities?
6. How do you ensure the various interests of the above are achieved especially when they conflict?

Information Disclosures

1. What will you describe as information disclosure?
2. What do you understand by mandatory and voluntary disclosure? Which one is applicable to your entity?
3. Please give the themes of what constitutes
 - Mandatory disclosures
 - Voluntary disclosures
4. Why do you make mandatory and voluntary information disclosures?
5. What are the advantages?
6. Who are the targets of your disclosure? Pls explain
 - Mandatory only
 - Voluntary only
7. Does your organisation have information disclosure objective/Policy/standard (explicit or implicit)? Pls give details
8. Who responds to information requests and enforces the disclosure standards

Disclosure quality

1. Are there mechanisms in place to ensure reliability and relevance of disclosures made? Pls specify
2. Do you think disclosures made are understandable by the stakeholders and reasonably educated citizen?
3. How does your company monitor and control information disclosure?
 - Mandatory
 - Voluntary

Medium of Disclosure

1. Do you think the information needs of the public can be satisfied by other means apart from the annual report? Explain
2. What reporting tools / documents/ media do you use? and why?
3. Do you use your website for disclosures? What type of disclosures (voluntary and mandatory) or disclosure categories (e.g. governance, etc.)?
4. To what extent are the processes and medium of disclosures influenced by?
 - Type (mandatory or voluntary)

- Content
 - The targets
5. Are there any control (auditing) to ensure the reliability of other disclosures (e.g. voluntary) made using medium other than the annual report (soft and hard)?

Part C: Determinants of disclosures

Who and what influences your disclosure practices? Internal (organisational) and External factors and How?

- The content and type of disclosure (what is disclosed)
- The presentation and medium of disclosures (how?)
- The rationale for disclosure (why)

How about the following: (as examples)

Historical precedent and tradition

Internal financial regulation

Staff membership with Professional groups (e.g. accountants)

Sector ministry's directives

External auditors

Industry norms and Market competitors

Demand by International regulations (IPSAS), and Other professional consultants

Reforms and Information Disclosure

1. Are you aware of reforms undertaken by your organisations? Please specify
2. Were the reforms internally or externally initiated or both? Please specify
3. What is your understanding of the purpose of each reform program (externally sponsored)?
4. Which areas of your activities have been affected by these reforms? Examples
 - Leadership: management, BOD, Sub-committees, etc.
 - Internal control and auditing
 - Budgeting, performance and other reporting
 - Financial reporting and Auditing

5. Do you think the reforms programmes have affected the following? And how?
 - The content and type of disclosure (what is disclosed)
 - The presentation and medium of disclosures (how?)
 - The rationale for disclosure (why)

6. Do you think the impact of the reforms programmes on your disclosure practices is expected or otherwise? Explain

7. Questions based on content analysis of annual reports (case specific):

Part D: General observations:

Specific Observations:

- Structure and Size of Annual reports
- What constitute mandatory and voluntary disclosures?
- Disclosure types:
- Governance, operations, financials, environmental, social, intellectual capital issues
- Presentation in the annual reports

INTERVIEW GUIDE FOR SEC/ OTHER PLAYERS IN THE SOE SECTOR

General information

1. Designation of Respondent:
2. Functions:
3. Number of years in current position
4. Working years in the organisation
5. Other positions held
6. What is your relationship with SOEs? E.g. Principal-agent, stakeholder, etc.
7. Who do you think are generally the key stakeholders SOEs in Ghana? why
8. What kind of information do you require from SOEs? and for what purposes?

Information Disclosures by SOEs

9. What will you describe as information disclosure by an SOE?
10. What is your role regarding financial and non-financial disclosure of SOEs?
 - Establishing disclosure standards (specify)
 - Enforcing disclosure rules/ regulations and sanctions (specify)
11. Is there any legal framework or directive for SOEs to disclose to a specific range of users
12. What kind of disclosure will you describe as
 - mandatory
 - voluntary
13. Please give examples of themes of what constitute
 - Mandatory disclosures
 - Voluntary disclosures
14. Who are the targets of SOE disclosures?
 - Mandatory only
 - Voluntary only
15. Why are some disclosures mandatory?
16. What do you think are advantages of voluntary information disclosures?

17. From your experience do you think SOEs in Ghana have information disclosure objective/Policy/standard (explicit or implicit)? Pls give details

Disclosure quality

4. Do you have a way of ensuring reliability and relevance of SOE disclosures to:
 - your entity
 - Other stakeholders?
5. How? any differences in relation to the type of disclosure (Mandatory or Voluntary)
6. Can you describe one or several cases involving major violations of disclosure requirements? (i.e. denied access to information; accounting manipulation; non-disclosure of required information; etc.).
7. What enforcement actions were taken in each case?

Medium of Disclosure

6. Do you think the information needs of the public can be satisfied by other means apart from the annual report? Explain
7. What reporting tools / documents/ media do you use? and why?
8. Do you use your website for disclosures? What type of disclosures (voluntary and mandatory) or disclosure categories (e.g. governance, etc.)?
9. To what extent are the processes and medium of disclosures influenced by?
 - Type (mandatory or voluntary)
 - Content
 - The targets
10. Are there any control (auditing) to ensure the reliability of other disclosures (e.g. voluntary) made using medium other than the annual report (soft and hard)?

Determinants of disclosures

What are from your point of view the impediments and deterrents to full disclosure by companies?

Who and what influences SOE disclosure practices? Internal (organisational) and External factors and How?

- The content and type of disclosure (what is disclosed)

- The presentation and medium of disclosures (how?)
- The rationale for disclosure (why)

Reforms and Information Disclosure

8. Are you aware of reforms undertaken with respect to SOEs? Please specify
9. Were the reforms internally or externally initiated or both? Specify your role
10. What is your understanding of the purpose of each reform program (externally sponsored)?
11. Which areas of SOE activities have been affected by these reforms? Examples
12. Do you think the reforms programmes have affected the following? And how?
 - The content and type of disclosure (what is disclosed)
 - The presentation and medium of disclosures (how?)
 - The rationale for disclosure (why)
13. Do you think the impact of the reforms programmes on your disclosure practices is expected or otherwise? Explain