

## Duality—concept, data and twin goals in Ghanaian firms

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### Suggested Citation:

Arhin, S. & Donkor, J. (2018). Duality—concept, data and twin goals in Ghanaian firms. *Global Journal of Business, Economics and Management: Current Issues*. 8(3), 145–152.

Received from January 26, 2018; revised from March 21, 2018; accepted from October, 23, 2018.

Selection and peer review under responsibility of Prof. Dr. Cetin Bektas, Gaziosmanpasa University, Turkey.

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### Abstract

Pragmatically, there has been a hot debate on the new wave of strategic governance in duality as a concept from Business perspective. Critics argue sharply and blamed Management inappropriately for utilising duality model to achieve corporate goals. Nevertheless, there is a school of thought that believes that duality model negatively or positively impacts the corporate performance, especially at the top level of management hierarchy. Few of the authors think it has no impact whether the duality model is adopted or not by top-level management. The purpose of this study examines the duality model as a concept and its dual goals from the Ghanaian context. Specifically, this study focuses on measurement of the impact of duality model behaviour of organisations in Ghanaian community. This study also aims to measure the application of the duality concept in relation to the three models: Technology acceptance model, agency theory institutional theory. This research uses primary data from 30 prominent organisations in Ghana, which have used the model in duality roles. Questionnaire was sent to top-level management in these organisations to collect primary data. Responses were categorised and analysis was performed on data that were collected to determine data reliability and usefulness. The result indicates that the duality model is perceived to be easy and less expensive to use and most of the managers in duality role perform better than individual managers in separate roles. Based on the research findings, managerial implications and directions for future research are discussed.

**Keywords:** Duality, qualitative, questionnaire, research, findings.

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## **1. Introduction**

Duality is a situation of corporate governance where the Chief Executive Officer (CEO) of a firm is also the Chairman of the Board of Directors of the firm. Duality in typical sense aims to kill two birds with one stone. According to Sridharan and Marsinko (1997), a firm is said to have a dual CEO, when the CEO functions simultaneously as the chairman of the board. Much of the CEO phenomenon arises from the initial belief that CEO duality would make a difference to firm performance and corporate governance. The relationship between CEO duality and firm performance has been studied to a limited extent with varying results (Boyd, 1994; Chaganti, Mahajan & Sharma, 1985; Pi & Thimme, 1993; White & Ingrassia, 1992). Dualities of duties have been posing problems in many areas of industries as well as educational sectors of the economy. Whilst one school of thought believe duality poses a lot problems to managers, another school of thought believe that duality is right approach to better performance towards achieving goals and reducing costs.

### **1.1. Background to the study**

The relationship between duality and firm performance has been studied to a limited extent with varying results. Jensen (1993) voices his concern that a lack of independent leadership makes it difficult for boards to respond to failure in top management team. Fama and Jensen (1983) also argued that the concentration of decision management and decision control in one individual reduces board's effectiveness in monitoring top management. In the first place, the efficiency of this prevailing governance mechanism has been questioned (Jensen, 1993, Miller, 1997; Porter, 1997). The purpose of this research is to provide adequate statistical research on data from Ghanaian context for duality concept in predominant sectors. Specifically, this research seeks to discuss and focus on various aspects of duality with carefully selected banking firms, retail and health, restaurant, where the heads holds duality roles.

### **1.2. Problem statement**

Rambaliga, Moyer and Ramesh (1996) stated that rising shareholder activism following poor corporate performance and a subsequent drop in shareholder value at many major corporations had rekindled interest in duality and corporate governance. Besides this, due to recent corporate scandals and high incidence of improper insider activities, in many organisations, more regulatory agencies appear to lean towards the opposition of duality. The above research shows that more theoretical work needs to be done first in order to better understand the pros and cons of different board leadership structures in different environments. Despite limited empirical evidence, duality has been blamed in many cases for the poor performance, and failure of firms to adapt to a changing environment. The purpose of this research is to provide adequate statistical research on data from Ghanaian context for duality concept in predominant sectors. This problem statement describes the context for the study and it also identifies the general analysis approach (Wiersma, 1995). The problem arises because the initial belief of the concept was not achieved, so there is a controversy surrounding how duality affects the firm. Interest groups that oppose duality such as shareholder activist groups, and corporate governance watchdogs suggest that duality may adversely affect firm performance because the duality structure would reduce the board's ability to govern, which is its primary function. Therefore, there remains a gap in the research to assess knowledge of these opinion groups in the Ghanaian context with difference composition of organisations in Ghanaian economy. Duality has been more applicable in the western environment. However, in the Ghanaian economy more research literature on the application of the concept to different organisations is encouraged.

### **1.3. Objective of the study**

The objective of a research provides specific rationale and accurate synopsis of the overall purpose of the study. Critics argue sharply and blame top-level management for lack of splendid performance due to duality of duties, which made the managerial efficiency very difficult to achieve. Both the private and public companies managers often blame executives and trustees for inappropriately burden the appointed officers with difficult and related functions. Therefore, the objective of this study is to assess the impact of result of duality pertaining to duality of duties. The rationale behind this research is to provide a specific and accurate synopsis of the overall purpose of the study (Locke, Spirduso and Silverman, 1987). The purpose of this study examines the critical changes of duality concept in the selected corporations in Ghana. Measurement of the impact of duality concept will be on two models from social science point of view for the purpose of this research comprising of Technology Acceptance Model by Davis (1989) which focuses on perceived usefulness, perceive ease of use (PEU) and attitude towards behaviour. The study is also based on the theory of Reasoned Action by Azjen and Fishbein (1975). This theory focuses on subjective Norms (SN), Attitude (A) and Behavioural intention. Due to recent corporate scandals and high incidence of improper insider activities in many organisations, more regulatory agencies appear to lean towards the opposition of duality. The above research shows that more theoretical work needs to be done first in order to better understand the advantages and disadvantages of different board leadership structures in different environment.

### **1.4. Limitation of the study**

The research is limited to the data in Ghana. It is limited to the selected industries in Ghana. The results obtained can be carefully generalised to all other regions of Ghana. Primary data collection targeted some carefully selected industries within Ashanti regions. Large data collection on the remaining industries will give comprehensive result for managers in duality roles. This study examines the relationship of duality concept only in Ghanaian context, because of these limitations, this research will be more applicable to less-developed countries which are now using the model.

### **1.5. Research questions**

The main questions which this research seeks to resolve are:

1. What are the reasons behind the duality roles and why are they interested by the heads concerned.
2. What are the evidence of success with duality concept in Ghana.
3. What are key benefits of duality over independent leaderships in these selected institutions?
4. Examine financial implications of duality companies or institutions.
5. What are the cases of financial misappropriations of duality companies or institutions?

### **1.6. Significance of the study**

The study measures performance by the use of internal and external financial metrics and technology models to apply it to the Ghanaian situations, which is not synonymous with other studies. It also aims to contribute to academic literature and bridge the knowledge gap on duality in Ghanaian context which can be very resourceful in future studies in terms of organisation and the level of academic citation for future research purposes.

## **2. Review of the literature**

Research conducted by Muth and Donaldson (1998) suggests that where there are fewer independent non-executive directors and where the roles of chairman and CEO are combined, there is

a better financial outturn for shareholders. This statements need to be examined and tested in future research projects, in diverse sectors of the economy. Despite limited empirical evidence, duality has been blamed in many cases for the poor performance, and failure of firms to adapt to a changing environment.

### **2.1. The theoretical framework and empirical studies**

Duality concept has been developed for long time. According to Kesner and Dalton (1986), there has been some tendency to approach the issue of CEO duality from within a perspective akin to agency theory. It is very evident that some significant proportion of duality model has risen over many years, especially in US relative to their competitor nation of Japan.

Ferry (1988) contrasted this with the experience from Australia. He stated that in Australia, only a small minority of large corporations have CEO duality. However, even in US, the widespread practice of CEO duality has been roundly criticised in the US and calls have been made to create separate incumbents of the roles of CEO and board chair to restore industrial performance and shareholder returns. In most of the organisations, where there was CEO duality, the long competition coding was based on the CEO, where there was an independent chair, the long-term compensation coding was on the top executive. It is, therefore, preferred by many employees that CEO duality should be avoided as much as possible to pave a room for Top-level management to make decision that will benefits all the workers. Usually, the top-level management due to the nature of their jobs roles compared with the CEO have a kind of sympathy on the employees and ensure fair equitable resources. Daily and Dalton (1992) find no relationship between CEO duality and performance in entrepreneurial firms. Brickley et al. (1997) show that CEO duality is not associated with inferior performance. Rechner and Dalton (1991) also mentioned that the study of the relationship between some measures of corporate governance such as board size, board composition and CEO duality and firm performance of listed non-financial institutions in Ghana. Some critics argue that in the case of board structure based on duality or otherwise of the CEO, Companies Code does not prevent the appointment of the same person to the two offices. In USA, The Security and Exchange Commission Code on the other hand advocates for, but does not insist on the two-tier board structure, where the CEO is different from the board chairman. On the whole corporate governance structure development in Ghana have been somewhat modest, there is a need for more advancements in corporate governance issues given the effect, these have on firm performance. Kang and Zardkoohi (2005) relating CEO duality more specifically to firm performance, find however, mixed evidence.

Jensen and Meckling (1976) stated that the development of code of best practices in the world over has advocated that CEO and chairman role should be separated. Agency theory believes that duality promotes CEO entrenchment by reducing board monitoring effectiveness. Ian and Lau (2001) mentioned that CEO duality is generally seen as a barrier to effective corporate governance by Chinese policy makers and researchers. In the 1990s, there is a contingency approach for the research on CEO duality and firm performance. Boyd (1995) concludes that duality can have a positive effect on performance under certain industry conditions, that is resource scarcity or high complexity. However, the positive relationship is stronger for firms in low munificence and high-dynamism environments. The additional cost of non-duality is not worthwhile when the CEO owns substantial equity.

### **3. Methods**

According to Wiersma (1995), the methods or procedures section is really the heart of the research project. The research uses the primary data through questionnaire to gather data from different organisation including Health, Retail, Restaurant and Banking.

### **3.1. Sampling**

An initial selection of 30 organisations operating in Ghana was selected for the study. The top-level managers in duality roles were selected and questionnaires were administered to them. Even though questionnaire was sent to about 40 organisations, out of these, 30 targeted managers only responded (response rate of 75%). All the managers selected were in key duality position to show their candid opinion on the research topic.

### **3.2. Assumptions**

The main criteria that were used for the inclusion of a firm in a study are:

1. All firms included in the sample must be in operation in Ghana.
2. All firms must have duality roles which are clearly and distinctly stated.

### **3.3. Research instrumentation**

While the research uses primary data through the questionnaire, it also tries to relate the findings to three key technology theories and their application on duality concept: Technology Acceptance Model (1999), agency theory by Ullmann (1985) and institutional theory by Dominic (2010).

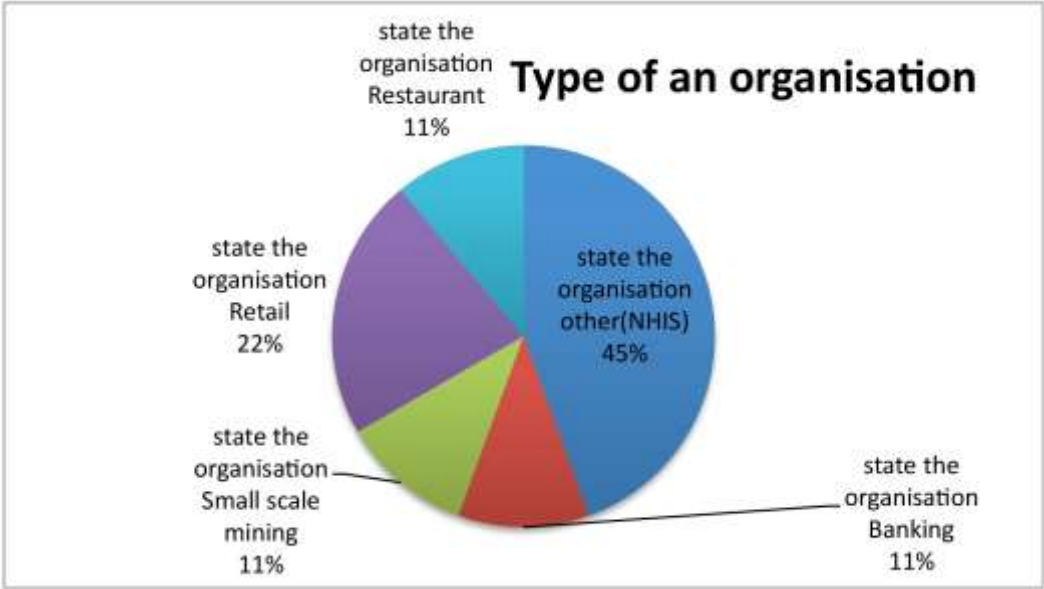
### **3.4. Data collection procedure**

Primary data collection method is adopted through the questionnaire. Questionnaires were administered personally to respond in their working environment. Some of the responded who could not answer the questionnaire on the same day were asked to complete for collection at later date.

### **3.5. Validity**

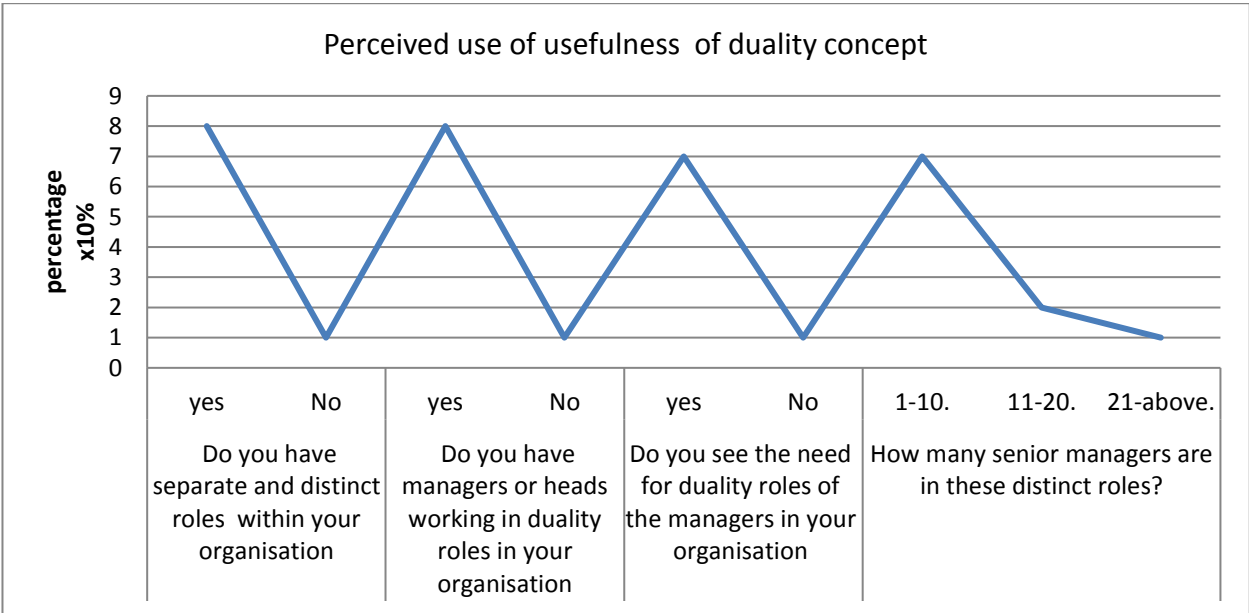
The validity of a measurement instrument is the extent to which the instrument measures what it is supposed to measure. Leedy and Omrod (2005) said that reliability is the consistency with which a measuring instrument yields a certain result when the entity being measured hasn't change. To ensure internal validity, the three models are used to measure performance and the variables predicting performance. Reliability was ensured in this study by adhering to the same procedure in collection of data on firms and the performance of the statistical analysis for each of variables selected for this study.

**4. Data analysis**



**Figure 1. The results of the type of organisation sampled comprising restaurant, Retail, small scale mining, Banking and Health industry**

Out of the selected organisations sampled, firms operating in the health industry constitute the highest accounting for 45%, while retail firms constitute 22%.



**Figure 2.**

Most of the firms sampled perceived the need for duality roles and have fully implemented them in their respective firms, but these managers are not many with most of the firms having managers ranging between 1 and 10 in duality roles.

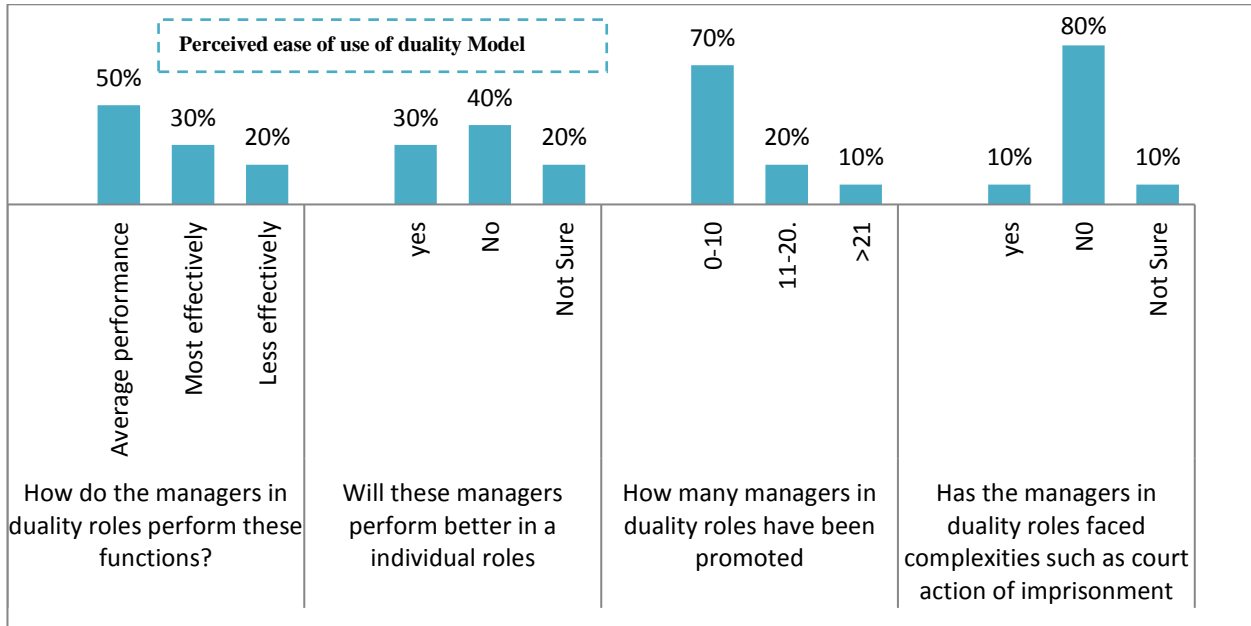


Figure 3. PEU of duality model

Whether the use of the duality model is necessary, the respondent perceived that most of duality roles are very complex though they perform averagely to receive their promotions, but none have faced imprisonment in their respective establishment.

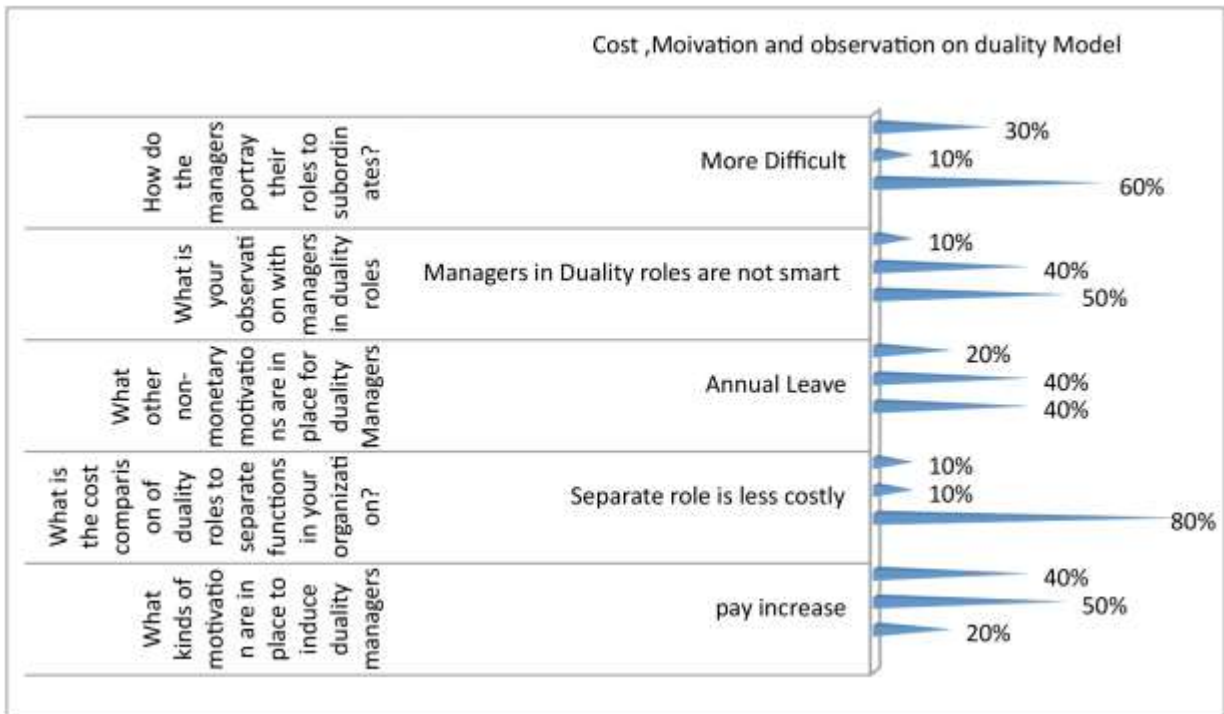


Figure 4.

On the aspects of cost, observation and motivations, most of the respondents believe that duality is less costly than separate duties and companies use the model to reduce cost. Because of this there are pay increase, annual leave and vacations for duality managers who achieve their goals in their

establishment even though these managers portrays their jobs as difficult, they usually looks smarter in performing them.

**Table 1. Attitude and behaviour intention in percentage**

Attitude of the manager in duality role toward employees is bad	Attitude of the manager in duality role in exchanging information is good	Duality leads to stability and continuity to the organisation	Duality firms are believed to outperform non-duality firms?
Strongly Agree 70	Strongly Agree 10	Strongly Agree 50	Strongly Agree 40
Agree 20	Agree 70	Agree 30	Agree 30
Disagree 5	Disagree 10	Disagree 10	Disagree 20
Strongly Disagree 5	Strongly Disagree 10	Strongly Disagree 10	Strongly Disagree 10

From the table, greater percentage of the responded agree strongly with the managers attitude in duality roles. About half of the responded agree that duality leads to stability and continuity and usually firms in duality roles outperform non-duality roles.

## 5. Conclusion and recommendation

There are some important considerations in coming to conclusions and recommendations for the future researchers. The most important thing is a strong policy formulation on monitoring and evaluation on managers in duality roles to ensure efficiency. There are lots of institutional inefficiencies leading to reduction in morale of an employee. It is observed that most of the clerks were unwilling to disclose information on their duality roles while some are performing roles which they were performing duality roles which have not been clearly and distinctly defined.

The technology acceptance model is usually used more new technological products, its application in social science phenomenon is very little applied. Firms who are have not seen the need of the duality concept can apply this model to introduce the concept in the their respective firms to minimum the cost of roles being perform by so many employees which results in less productivity and efficiency.

Lastly, several efforts by many firms still seem firms in retail, health and banking and mining are not employing duality in relation to any technology model, future researchers, therefore, need to use the concept in relation to any of their own selected technological model in the area of cost reduction and also use large data which can be applied not only to Ghana but other parts of the world.

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