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CORPORATE GOVERNANCE PRACTICES IN FARMER COMPANIES IN THE LOWER USUTHU SMALLHOLDER IRRIGATION PROJECT (LUSIP) IN SIPHOFANENI, ESWATINI

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Abstract: *Widespread corporate scandals and the collapse of major corporations due to failure by executives to adhere to good corporate governance practices have resulted in issues of corporate governance becoming the centre of attention in organisations across the globe. This study sought to evaluate the extent of corporate governance practices in farmer companies of the Lower Usuthu Irrigation Smallholder Project (LUSIP) in Eswatini. The study was prompted by the often perceived corporate governance struggles in farmer companies which ultimately have adverse effects on their operations. The extent to which the farmer companies are trying to implement good corporate governance practices is not known. A descriptive survey design based on a quantitative approach was employed for the study. This was a census study in which questionnaires were distributed to 65 farmer companies in the LUSIP phase one around the Siphofaneni area. A corporate governance index was constructed to compare corporate governance practices with recommended or best practices. The study found that most of the corporate governance attributes evaluated were well implemented though managers and directors lack sufficient education and experience required for proper management of the companies. The study concluded that generally, recommended or best practices were well employed in farmer companies. However, their corporate governance problems seem to lie in the lack of enforcement of practices written down on paper. Recommendations made include development of a corporate governance code for farmer companies of SMEs in general.*

Keywords: *Corporate governance, farmer companies, index, Eswatini, shareholding*

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1. INTRODUCTION

Corporate governance is a relatively modern concept that incorporates several issues including internal controls, the structure and role of the management committee, management accountability and responsibility and the company's social responsibility. The Cadbury Report simply defines corporate governance

as the way companies are directed and controlled (Cadbury, 1992). Recurring corporate scandals and failures across the world have renewed interest in the importance of good corporate governance practice and its effects on company performance. For instance, the 2007/08 global financial crisis greatly affected the economies of many countries and raised further concerns about corporate governance policies and practices (Tuan & Tuan, 2016). The crisis was attributed to collapse of major corporations due to failure by executives to adhere to good corporate governance practices.

Several studies including Spanos (2005) and Flowers *et al.* (2013) have established a relationship between good corporate governance practice and sustainable company and economic growth. Claessens *et al* (2002) opine that companies which implement better corporate governance practices are more likely to benefit by having better access to financing, lower cost of capital, favorable treatment of all stakeholders and ultimately better performance. Corporate governance can be viewed as more than just being a set of rules, but rather as a way of life (Shaji, 2015). It is more of a way of life that requires giving importance to all business decisions and activities. The main ingredient of good corporate governance is transparency in business activities through a code of good governance which incorporates a system of checks and balances between key players who are the board of directors, management, shareholders and auditors.

Over the past two decades, the subject of corporate governance has immensely developed and received much attention in theory and practice to the extent of gaining strategic importance in organisations. Notably, more focus has been aimed at big and listed corporations with less attention to the study and implementation of corporate governance in small and medium-sized enterprises (SMEs), and in agri-business to be specific. Consequently, there is a gap in theory and literature on corporate governance which consequently gave motivation to embark on this study. This study assesses the extent of corporate governance practice in small scale farming businesses in the Lowveld of Eswatini.

The objectives of this study were to establish the corporate governance practices farmer companies are pursuing and establish how these farmer companies' corporate governance practice compare with recommended or best practices.

This study contributes to the corporate governance literature by offering evidence on small scale agri-business companies in a developing country are faring on corporate governance. To the best of our knowledge, no existing

studies provide any evidence on small businesses' corporate governance in a developing country, in particular, the Kingdom of Eswatini, a developing country that is transforming subsistence farmers into formalized and profitable agro-businesses.

The rest of the paper is organised as follows; Section 2 provides a brief background on farmer companies in Eswatini. Section 3 reviews the relevant literature. Section 4 presents the research method used to conduct the study. The findings and discussion, thereof, are presented in Section 5 while Section 6 provides the conclusions and recommendations.

2. FARMER COMPANIES IN ESWATINI

The concept of farmer companies is widely considered as a successful African initiative for transforming subsistence farmers into formalized and profitable agro-businesses. LUSIP was initiated by the Government of Eswatini to improve livelihoods of peasant farmers in the Lowveld of Eswatini. The objective of the program is to increase income levels for 4600 households or 34000 people who were dependent on small scale subsistence farming in the Lowveld. The key drive of the program is to transform small scale subsistence farms who were primarily engaged in farming food crops into larger, self-sustaining commercial farming operations. As a departure from informal subsistence farming, farmer companies are more formalized and they operate with business structures aimed at profitability and self-sustainability. The government plays a key role by providing irrigation infrastructure including dam construction, pumps and piping required for the program.

In the farmer company model community members group together and consolidate their land to form a company with proportionate shareholding. The process involves members renouncing their land ownership and handing it over to the company. As a source of labour, shareholders are the majority of employees for the farmer companies. Ultimate control in the management of farmer companies is in the hands of the board of directors whose members are appointed by shareholders at the general meeting. The board of directors appoints a chairperson who heads the board and ensures its effectiveness in setting and implementing the company's direction and strategy. The board of directors appoints a manager or supervisor who oversees the day to day operations of the company and is ultimately accountable to the board of directors for the company's performance. Technically, the manager/supervisor can be viewed as the famer company's chief executive officer (CEO)

responsible for planning, organizing, leading and controlling of all the day to day operations. The manager/supervisor is also responsible for managing and supervision of the company's employees in performing their daily activities. One unique characteristic in the structure of farmer companies is that most of the employees are shareholders providing labour to the company they actually own. The situation in which there are managers running day to day operations having shareholders under their supervision has resulted in conflicts regarding control and directing the companies; this has been one of the indications of a dearth of good corporate governance practices in some of the companies.

Farmer companies, including other SMEs are important players in the economy of Eswatini. However, there is no specific code of best practices for corporate governance in Eswatini that is meant for farmer companies or SMEs in general. While this may partly explain the relatively unknown levels of corporate governance practice entrenchment in farmer companies, it however sharpens the need to examine the extent to which they have adopted good corporate governance practices.

From the background, it can be deduced that there are corporate governance problems in these farmer companies but what is not known is the extent to which they are trying to implement good corporate governance practices. Therefore against this background, there is a need to evaluate the prevailing corporate governance practices in the farmer companies.

3. REVIEW OF RELEVANT LITERATURE

3.1. The Importance of Corporate Governance to Small Corporations

There are basically two points of view regarding whether corporate governance practices are important to small corporations. The first view is that corporate governance is relevant to SMEs while the second view is that corporate governance is not relevant to SMEs. Abor and Adjasi (2007) agree with the first point of view and opine that there is need to implement corporate governance in SMEs. This is based on the fact that although most corporate governance problems seem to be occurring in big corporations, small corporations are facing similar challenges but receiving little attention. Abor and Adjasi (2007) argue that good corporate governance practices will enable small firms to access capital from investors and the financial market which would ultimately lead to their rapid expansion and greater profitability which they so much require. They also put forward an argument based on the

resource based view of corporate governance highlighting that by bringing external board members on board, the firm gets access to external resources for growth. Good corporate governance practices will lead to growth and financial efficiency of SMEs because SMEs implementing good governance practices are regarded as having low risk by investors (Abor & Adjasi, 2007).

The second school of thought which holds that corporate governance is not relevant and not important to SMEs derives from the agency theory of corporate governance. The argument is premised on the fact that small corporations, as in the case of farmer companies are characterised by non-separation of ownership and control – the shareholders of the companies are the ones that are managing the companies. It is on these premises that Rashid and Lodh (2014) argue that when ownership and control are combined, the agency problem is eliminated and corporate governance practice becomes irrelevant. This is because when owners (shareholders) are the ones managing and controlling there is no risk of the agency problem as in big corporations where ownership and management are separated. The same view suggests that in order to apply corporate governance principles to a small corporation you will have to separate the ownership and control of the company by employing managers which would then lead to the agency problem (Hamad, 2011).

However, elimination of the agency problem when owners become managers will not necessarily imply that corporate governance practices are not required in SMEs because there are also a myriad of governance challenges associated with the non-separation of ownership and control in companies. For instance, Magaisa, Duggal and Muhwandavaka (2013) argue that having a situation in which tight control and ownership are placed in the hands of the same people inhibits the system of management checks and balances. This problem can be observed in farmer companies because in most cases the shareholders are the managers and employees of the company, which results in conflict of control, improper and unethical management practices together with lack of internal controls to institute systems of management checks and balances.

3.2. Instruments of Corporate Governance

This study relied on instruments or variables of corporate governance to analyse the extent of corporate governance practice among farmer companies. The implementation or non-implementation of instruments of corporate governance in farmer companies will help establish the extent of corporate governance practice. There are many forms of corporate governance

instruments that companies can implement for good corporate governance practice. We discuss some of them in this section.

3.2.1. Frequency of board meetings

Jackling and Johl (2009) point out that frequency of board meetings is a good way of evaluating board activity; it is a good measure of activeness or passiveness of the board of directors. Gabrielsson and Winlund (2000) argue that frequent board meetings will enable the board to receive frequent feedbacks on the company's situation. Meetings are a good instrument which can be used to monitor managers because they create a platform for exchange of ideas and discussion (Conger, Finegold, & Lawler, 1998). As such, it means a high frequency of meeting results in more control of the company and increased shareholder wealth. Lipton (1992) is of the view that frequent meetings are associated with higher performance levels. This can be attributed to the fact that the meetings give the board an opportunity to monitor performance (Gabrielsson & Winlund, 2000). However Jensen (1993) posits that most of the time in a meeting is taken by routine activities such that issues of control over management do not get much focus. This implies that board meetings alone may not be totally effective as an instrument for monitoring and controlling of management.

3.2.2. Board size

Board size has been shown as having a significant impact on corporate governance quality. Several studies support the idea that large boards can be dysfunctional. Boone, Casares Field, Karpoff and Raheja (2007) found that board size reflects a trade-off between the firm-specific benefits of increased monitoring and the cost of such monitoring. For example, Eisenberg, Sundgren and Wells (1998) found that small boards are related with better firm performance. Similar arguments come from Jensen (1993), who points out that coordination and communication problems will increase together with increased board size, consequently reducing the ability of the board to monitor the conduct of managers and therefore exacerbating the agency problem. In the same vein, large boards will reduce the monitor and control function of the board by giving managers space to pursue their own interests rather than those of the principals. Large boards are more likely to be controlled by the CEO rather than the board controlling management, leading to a negative impact on governance quality. As Jensen (1993) and Lipton (1992) argue, smaller boards are more effective because they reduce the likelihood of ineffective directors

hiding in the numbers by subjecting every director to increased accountability. However, some studies for instance, Hillman and Dalziel (2003) found that there was a positive relationship between board size and firm performance. Increased performance is attributed to better networks for accessing outside resources; this is consistent with resource dependence theory.

3.2.3. Board committees

Board committees are instrumental in increasing efficiency of company boards (Jiraporn, Singh, & Lee, 2009). Harrison (1987) indicated the two key forms of board committees which are monitoring/oversight and operating/management support committees. Monitoring committees, for example audit committees, are responsible for ensuring that auditing is well executed, this is in line with agency theory because it ensures that shareholders' interests are protected by an independent review of company executives and business dealings (Fama & Jensen, 1983). They are also responsible for ensuring that executives are properly remunerated and appointed (Chhaochharia & Grinstein, 2009). However, in the context of SMEs, the argument of cost has been used against creating board committees yet the issue is more about the size, independence and expertise of the board than cost. A board whose size and composition is devoid of experts cannot have a committee of experts. The King IV Report on Corporate Governance by the Institute of Directors in Southern Africa (2016) recommends that due to their size and resource limitations small corporations may find it difficult to put in place functioning board committees as corporate governance instruments. However, the board need to ensure that when necessary, hold separate meeting and structure their agendas aimed at addressing issues that would have otherwise been addressed by board committees, these include issues on audit, remuneration, appointments, risk and ethics (Institute of Directors in Southern Africa, 2016).

3.2.4. CEO duality

The agency theory is of the view that the roles of the CEO and chairperson should be separated. The theory argues that the separation of roles will result in more board independence from management which improves the monitoring and the oversight functions of the board (Jensen, 1993). In contrast, the stewardship theory is based on duality and contends against separation of CEO and chairperson roles. According to the stewardship paradigm successful management is centred on the principle of the unity of command, here decision making and responsibility are centred on one person.

In addition, Brickley, Coles and Jarrell (1997) claimed that CEO duality will help in reducing the incomplete communication between the chairman and the CEO, hence reducing inconsistencies and conflicts in decision making. Even though empirical studies cannot provide an agreed view on a contribution of duality to a firm's performance, there is an agreement between shareholders, institutional investors and policymakers that a chairman or chairwoman of a board should not be the same with the chief executive officer. In Europe, 84 per cent of firms separate the roles of a chair of a board and a CEO of a firm (Heidrick & Struggles, 2009).

3.2.5. Female Board Members

Board diversity and female board members have gained attention in recent studies. An analysis by Adams and Ferreirra (2009) suggests that women board members are much better at attendance than their male counterparts. Male attendance seemed to increase in boards with comparatively more female members. These findings point out that behaviour of all board members is positively influenced by addition of female members, which could have a positive effect on corporate governance quality. In addition Smith, Smith and Verner (2006) stated reasons why women may add value to a board with male counterparts. First, women board members generally show more understanding of a market than male members. Therefore, this understanding will lead to better decisions being made by the board. Second, a diversified board with female members will improve the corporate image and lead to better performance. Third, when female board members are included, other board members will have a better understanding of the business environment.

3.2.6. Board and management educational level

Vo and Phan (2013) posit that a board of directors supervising management decisions in an efficient manner will improve firm's performance. This places a requirement on board members that in order to be effective, the possession of knowledge, skills and abilities in management, finance, information technology, human resources and other fields is key in improving performance of directors and ultimately firm performance. Sufficient management skill is a key ingredient to the survival and success of any organization. Management skills are critical to the success of an enterprise. Lack of management skills is considered as a serious problem being faced by SMEs globally. Sultan (2007) states that poor management is the chief contributor to failure of SMEs, globally. This means that in order for companies to ensure their future sustainability and success

they need managers who have acquired sufficient education and skill to steer the company in the harsh and dynamic business environment.

3.2.7. Remuneration Policy for Board of Directors

Shareholders want to avoid unnecessarily extreme levels of directors' remuneration because of the high cost implication to the firm which will cut on the profits. A remuneration policy plays an important role in transparently stating how directors' remuneration is derived. This will guard against directors selfishly entitling themselves with expensive perks and packages at the demise of the company. Clark, Birds, and Boyle (2014) state that extreme levels of directors' remuneration is an important issue that shareholders are worried about and claim that it is an indicator of management that is liable and lacks transparency.

3.2.8. External audits

External audits are important corporate governance instruments because they ensure that financial statements present the true picture of a company's finances. External audit is important on the reliability of financial statements issued by SMEs (Albert, 2012). It is in this regard that financial statements of companies who do not engage external auditors are considered less reliable than financial statements of those that do external audits.

4. METHODOLOGY

Using a survey design for the study, quantitative data were collected from 65 farmer companies using questionnaires. The study population was 65 farmer companies in the Lower Usuthu region in the LUSIP project phase one. The census approach was used (the population size equals sample size) following Leedy and Omrod (2014) who suggest that for population less than 100 sampling is unnecessary. From the 65 questionnaires distributed, a 65% response rate was achieved as 42 questionnaires were completed. A quantitative approach was employed for analysing the data. The collected data were analysed using the descriptive analysis method and findings were presented in graphs, frequencies and percentages.

A corporate governance index was developed in order to compare the corporate governance practices in farmer companies with best practices. 20 corporate governance attributes of farmer companies were compared with best practices and recommendations of corporate governance for SMEs. Each

attribute was allocated a maximum score of 5 points against best practice; this gives a total corporate governance index of 100.

5. RESEARCH FINDINGS AND DISCUSSION

5.1. Position of Respondent

Data was collected from one responded for every farmer company in the study. Out of the 42 respondents, 71% (30 out of 42) of them were management, 21% (9 out of 42) of them were board members and 8% (3 out of 42) of them were shareholders. The fact that the majority of respondents were management gives the study a broader perspective because managers can be members of all the groups of targeted respondents in the research.

5.2. Implementation of Corporate Governance Attributes in Farmer Companies

Table 1
Implementation of corporate governance attributes

Corporate Governance Attribute	*Recommended Practice*	*Implementation status*
Company constitution	Yes	Majority have
Code of conduct/ rules and policies	Yes	Majority have (but they are not being followed)
Board size	3 to 9	Majority have
Frequency of board meetings	Minimum Quarterly	Majority (exceeding)
CEO Duality	No	Majority not dual
Non-executive directors	Board Majority	Majority have
Annual general meetings	Yes	Majority have
Annual general meeting notifications	Letter	Majority
Period of notice for annual general meetings	Minimum 21 Days	Sent Late
Board of directors' reports	Yes	Majority do
Management and shareholder conflict resolution	Yes	Majority do
Main consideration for appointment to the board of directors	Professional expertise	Majority
Main considerations for appointment of management	Professional expertise	Majority

Corporate Governance Attribute	*Recommended Practice*	*Implementation status*
External Audits	Yes	Majority have
Preparation of financial statements	Yes	Majority do
Board committees	Yes	Majority have
Remuneration policy for board of directors	Yes	Majority have
Management's level of education	Yes	Low
Board members' level of education	Yes	Low
Management training program	Yes	Majority have

Source: Field work

5.3. Frequency of Board Meetings

On the frequency of board meetings, it was found that the majority of farmer company boards meet at very short intervals as 64% (27 out of 42) of the respondents indicated that they meet weekly, 14% (6 out of 42) indicated that they meet fortnightly, and only 2% (1 out of 42) of the respondents said they meet monthly. Those who indicated that they meet at longer intervals are 10% (4 out of 42) who meet quarterly and another 10% (4 out of 42) pointed that they meet annually. In a normal SME setting, this high frequency of meetings would be an indication of a high level of micromanaging operations by the board. However, with farmer companies the high frequency of board meetings would be justified. Considering their unique structure where shareholders are employees which has mainly contributed to the problem of conflict between management and the employees (shareholders) on issues of day to day management. The high frequency of meetings would broaden the platform for more formal exchange of ideas and discussion between management and shareholders in order to avoid the counterproductive conflict among the two parties. It means more board meetings give the board more control of management.

5.4. Annual general meeting notifications:

On how shareholders were notified about annual general meetings, 60% (25 out of 42) of respondents indicated that they use letters, 36% (15 out of 42) indicated that they use telephone notifications. Only 2% (1 out of 42)

of respondents pointed that the use verbal/word of mouth and another 2% (1 out of 42) indicated that they notify using posters. The responses for this question show that some companies were using more than one method of notification. The Eswatini Companies Act (2009) stipulates that notices should be in writing; therefore the findings indicate that 40% of companies are sending ineffective communication to inform stakeholders of annual general meetings.

5.5. Management's Level of Education

The study found that 55% (21 out of 38) of managers have primary school as their highest level of education, 42% (16 out of 38) of managers have high school and the remaining 3% (1 out of 38) have a university (undergraduate) degree. The result indicates that managers in the farmer companies under study had not achieved a reasonable educational level that capacitate them in management and eventually enhance firm performance. Managers who have the required education and training in business management are likely to lead the business to higher levels of performance than those who do not have (Yang & Zhang, 2012).

5.5. Board Members' level of Education

Respondents indicated that 37% (42 out of 115) have primary school as their highest level of education; 57% (66 out of 115) have high school; 4% (5 out of 115) have a university degree and 2% (2 out of 115) have a master's degree as the highest educational qualification. Vo and Phan (2013) argue that in order for directors to efficiently supervise management decisions they are also required to possess knowledge skills and abilities in business and other relevant fields. This appears to be another source of corporate governance problems affecting the farmer companies.

5.6. The Corporate Governance Index

One of the objectives of this study was to establish how the corporate governance practices in farmer companies compare with best practices for SMEs. To achieve this objective, a corporate governance index to measure the governance parameters of farmer companies was developed with the available governance variables of our sample farmer companies. The study adopted the approach of Al-Najjar (2015) for an SME corporate governance index based on 20 corporate governance variables.

Table 2
Corporate Governance Index for Farmer Companies

Corporate Governance Attribute	*Best Practice (Recommended)*	*Scoring*	*Max Score*	*Mean Score*
Company constitution	Yes	Yes = 5 points No = 0	5	4.64
Code of conduct/ rules and policies	Yes	Yes = 5 points No = 0	5	4.29
Board size	3 to 9	3 to 9 = 5points Variance= - point each	5	4.50
Frequency of board meetings	Minimum Quarterly	4+ = 5 points Below 4 = - 1 point/ month	5	4.71
CEO Duality	No	No = 5 points Yes = 0	5	3.45
Non-executive directors	Board Majority	Proportional to percentage of directors	5	2.85
Annual general meetings	Yes	Yes = 5 points No = 0	5	4.76
Annual general meeting notifications	Letter	Letter = 5 points Other = 0	5	3.45
Period of notice for annual general meetings	Minimum 21 Days	21days + = 5 points 14 days = 3 points 7 days = 1	5	2.8
Board of directors' reports	Yes	Yes = 5 points No = 0	5	4.05
Management and shareholder conflict resolution system	Yes	Yes = 5 points No = 0	5	4.76
Main consideration for appointment to the board of directors	Professional expertise	Professional expertise = 5 Family = 0 Friends = 0	5	3.21
Main considerations for appointment of management	Professional expertise	Professional expertise = 5 Family = 0 Friends = 0	5	3.69
External Audits	Yes	Yes = 5 points No = 0	5	4.71
Preparation of financial statements	Yes	Yes = 5 points No = 0	5	4.88

Corporate Governance Attribute	*Best Practice (Recommended)*	*Scoring*	*Max Score*	*Mean Score*
Board committees	Yes	Yes = 5 points No = 0	5	3.09
Remuneration policy for board of directors	Yes	Yes = 5 points No = 0	5	3.93
Management's level of education	Yes	Primary School = 1 point High School = 2 points Diploma= 3 points Undergraduate = 4 points University (Masters) = 5 points	5	1.5
Board members' level of education	Yes	Primary School = 1 point High School = 2 points Diploma= 3 points Undergraduate = 4 points University (Masters) = 5 points	5	1.774
Management training program	Yes	Yes = 5 points No = 0	5	3.45
Corporate Governance Index			100	74.49

Source: Field work

The index assesses each corporate governance attribute/variable from a scale of zero to five points and the total index value for all 20 attributes (on an equal weights basis) is 100. If a farmer company fully meets the criteria for a corporate governance attribute, they are assigned an index score of five (5). Companies that do not meet the criteria are assigned an index value of zero. The corporate governance index is shown in Table 2.

Farmer companies scored highly on the company constitution and rules and policies with scores of 4.64 and 4.29 respectively. This is an indication that generally employees, managers, directors, shareholders and other stakeholders of farmer companies have reference to clearly set out rules with which their companies are governed. They also have clarity of guidelines in performing their duties.

Frequency of board meetings score was 4.71 points; which indicates that most of the farmer companies are conducting a minimum of 4 meetings per year as recommended. It means that the boards of directors have sufficient time to control management's activities, make important decisions, set policies and plan among other activities. As discussed earlier in the analysis, although frequency of board meetings is very high for the farmer companies, this could be justified by the need for more control of management by the board given the unique structure of farmer companies. This would reduce the manager and shareholder conflict problem revealed in the study.

Farmer companies scored highly with 4.76 points on holding annual general meetings showing that the meetings are a common governance practice among the companies. However the index score on notifications for the annual general meetings was moderate at 3.45 points. This is because some farmer companies resort to utilising other means than the letter which is stipulated by the Companies Act (2009). This means that shareholders are not being properly notified of the meetings which results in low attendance. Farmer companies had a low score of 2.8 points for period of notification of general meetings. This means that shareholders were receiving notifications in less than 21 days as stipulated by the Companies Act (2009). The indication is that farmer companies are risking poor attendance at annual general meetings, additionally the shareholders who are able to attend will have limited contributions because of the lack of sufficient time to make preparations.

On management's level of education farmer companies attained a low mean score of 1.5 which is apparently the lowest score on the index. Another low score was attained for board members' education level where the farmer companies scored 1.77 points. The low scores are an indication that managers and directors lack required knowledge and skills to perform their duties effectively. Employing people with the right qualification and expertise is an important aspect of corporate governance; therefore the low level of knowledge and skills exposes the farmer companies to the risk of poor performance caused by incompetence like poor decision making, poor problem solving and poor planning. This is a potential threat to profitability and future survival and growth of farmer companies.

The overall corporate governance index value of 74.49 indicates that farmer companies have done well in implementing recommended or best practices in their corporate governance attributes. Good corporate governance practices that were well implemented in company constitution, code of conduct/ rules

and policies, frequency of board meetings, preparation of financial statements and external audits. The index also points out some corporate governance attributes where recommended practices were poorly implemented; these include board members' level of education, management's level of education and period of notice for annual general meetings. The following attributes had recommended practices that were moderately implemented; management training program, CEO duality, board committees, main consideration for appointment to the board of directors and main considerations for appointment of management.

5. CONCLUSION

It can be concluded that farmer companies have successfully implemented recommended or best practices in most of the corporate governance attributes evaluated in the study. This conclusion was made based on the corporate governance index score of 74.49 points obtained by the farmer companies. However, the study also reveals that there are problems related to corporate governance which include; lack of adherence to rules and policies, shareholder and management conflicts, the lack of skills in management, fraud and outside interference in the management of business. This leads to the conclusion that in as much as farmer companies have things well written down on paper concerning corporate governance best practices, some of their problems lie in enforcing some of these practices. For instance adopting a certain policy as corporate governance best practice will not guarantee that the policy is well enforced. In light of this it can also be concluded that the solution for corporate governance problems in farmer companies should also focus on enforcement of recommended practices.

6. RECOMMENDATIONS

The study indicated that rules and policies are not being adhered to and one of the top suggestions was that there is need to appoint an officer to ensure that all stakeholders adhere to the adopted rules and policies. This is an indication that there is currently no company secretary role in farmer companies. Against this background it is therefore recommended that farmer companies highly consider appointing company secretaries. The company secretary plays the important role as the custodian of corporate governance in the organisation and is now often considered as the chief governance specialist of the company. This ensures that farmer companies have a skilled officer who is relied upon to provide advice and implement good governance practices. The company

secretary will play a key role in governing and monitoring the organisation including facilitating interaction between management, shareholders and the board – this will also manage the problem of shareholder and management conflict.

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