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VALUE CREATION THROUGH CORPORATE GOVERNANCE IN THE AGRICULTURAL SECTOR: A LITERATURE REVIEW

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Abstract: **Agricultural sector create value by investing capital from investors to generate future cash flows at rates of return exceeding the cost of that capital. This enable agricultural sector to grow revenues and deploys more capital at attractive rates of return by ensuring process efficiency and production of quality products. Corporate governance enable agricultural sector to operate more efficiently, improve access to capital, mitigate risks especially financial risk and safeguard shareholders interest thus, enhancing accountability and transparency to investors. This paper reviewed existing empirical literature to find out value creation through corporate governance in the agricultural sector. The existing evidence revealed that corporate governance aspects such as board of directors, internal control, power balancing and compensation enhanced the performance of agricultural sector. The results further revealed that corporate governance systems focused on the creation of economic value, decisions consistent with the company objective to maximize share price. Translating the wealth-creation into tangible results has been a determining factor in the evolution of corporate governance systems and the implementation of decision-making criteria and resulting management procedures.**

Keywords: **Corporate Control, Corporate Governance, Value Creation, Agricultural Sector.**

1. INTRODUCTION

Corporate governance broadly describes the processes, customs, policies, laws and institutions that direct the corporations in the way they act, administer and control their operations (Khan, 2011). It is viewed from different angles; it can be described as ways in which suppliers of finance to corporations assure themselves of getting a return on their investment, or as governance that determines how the firm's top decision makers (senior management) actually administer contracts. It focuses on managing the relationship among the stakeholders including the board of directors and shareholders in order to achieve the goals of the organization (Shleifer and Vishny, 1994). Corporate governance has reached the center of attention following a chain of events, more specifically, several high profile scandals that brought mistrust and uncertainty in the international capital market. The financial losses following these scandals and the social implications were the impulse for the enacting of the Sarbanes-Oxley Act in 2002, considered to be the most sweeping corporate governance regulations in the past 70 years (Byrnes et al., 2003 and Brown et al., 2004).

Corporate control is the policies, guidelines, and controls to manage an organization and reduce inefficiencies. Corporate control refers to the authority to make the decisions of a corporation regarding operations and strategic planning including capital allocations, acquisitions and divestments, top personnel decisions and major marketing, production and financial decisions. Corporate control is usually used in a narrow sense where it's concerned with who has and who exercises ultimate authority over significant corporate practices whereas corporate governance involves the broader interworking of the day-to-day management at large and interested parties to formulate and implement corporate strategy. It encompasses the

internal and external factors that affect the interests of a company's stakeholders, including shareholders, customers, suppliers, government regulators and management. The entity's management provide reasonable assurance on effectiveness and efficiency of operations, monitoring activities, reliability of financial reporting compliance with applicable laws and regulations and ensure the integrity of financial and accounting information, meet operational and productivity targets to enhance balanced score card, process efficiency and quality products in agricultural sector (Douma and Schreuder, 2013).

Value creation is a way of providing useful products and services to the society by addressing its needs and meeting challenges of inadequate supplies. It focuses on the connections between societal and economic progress and that expands the total pool of economic and social value. Firms create value by investing capital from investors to generate future cash flows at rates of return exceeding the cost of that capital. Corporate governance ensure that agricultural sector operate more efficiently, improve access to capital, mitigate risks especially financial risk and safeguard shareholders interest in order to enhance accountability and transparency to investors (Jensen, 2000). Agricultural sector being one of the key sectors in driving Kenyan economy require value addition in their products by ensuring quality products are produced through quality management systems at low cost in order to maximize on net profit. Value creation being manifested in "qualitative growth", by increasing the quality of goods and outcomes produced by an economy rather than an increase in the quantity of goods and services, whilst offering the same or greater opportunities for profitable investment, full employment and decent wages (Benedickt & Oden , 2011; Herman, 1996).

Agricultural sector create value, by acquiring resources and producing goods and services whose value is greater than the acquisition, production, and financing costs involved. The sector offer the investors competitive returns commensurate with the risks the entities are taking. The sector offer competitive returns, by acquiring the right resources, managing them well and use them effectively. Using resources effectively means converting them into the quantity and quality of goods and services society desires, offering them at appropriate prices, and generating sufficient profits or gains to both offset the cost of the resources and adequately compensate the lenders. Sectors that succeed in creating true economic value, generate wealth, and contribute to the well-being of society, thereby ensuring their long-term survival. Agricultural sector is interested in having corporate governance with strong rules and guidance for different situations. Corporate governance principles are elaborated in such way to determine top managers to fulfill their duties in a qualified and correct manner, so that the interests of the stakeholders are followed and protected.

Agricultural sector has been facing continual challenge in production of quality products in order to survive in a competitive environment and raise the living standards of the rural people. The producers have to come up with sustainable operations so as not to lose their market. The sector to put in place internal control process designed to provide reasonable assurance on effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Value creation implies that business should get the most out of society's limited resources, while returning greater value to society so that the pursuit of stakeholder value and a healthy environment helps a business to maximize its financial value. Value creation has presented a challenge to the sector, the customer has certain expected functionality of the products and they will either reject or accept. If the products meet their expectations, they get satisfied and dissatisfied if expectations are not met. With the current increase in industrial growth, the manufacturers who do not conform to the market demands cannot survive (Hicks, 2009). Therefore, there is need for the sector to provide quality products tailored to customers' expectations.

2. THEORETICAL LITERATURE REVIEW

Agency Theory

Agency theory was first introduced by Stephen Ross and Barry Mitnick in 1973 and advanced by Jensen and Meckling in 1976 who argued the theory refers to the relationship between the principals, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hires the gents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents. According to agency model, the separation of ownership and control creates an inherent conflict of interest between the shareholders (Principal) and the management (Agent) (Aguilera et al., 2008). Although managers are said to be rational, but cannot be trusted to remain faithful by always acting in the best interest of the principal since they are also presumed to be self-interested(Williamson, 1975) Therefore, managers must be controlled to avoid moral hazard using some risk-bearing and monitoring mechanisms that checkmate their deviant behaviors . Eisenhardt (1985) posits agency theory suggests two underlying strategies of control: behavior based and outcome based. The agricultural sector faces the risk of

conflict of interest between the principal and the management that hinders value creation in the sector. The introduction of proper oversight and planning, stewardship and relationship management could help in addressing the risk.

Entity maximization theory

The theory was proposed by Friedman in 1970 and advanced by Robert Clark in 1986. This theory rests on the company being a separate legal entity form its shareholders and investors. It can continue existing without them. The company is viewed as being an actor that is responsible for its own actions. The theory focuses on the company as a separate legal entity and maintains that the objective of the company is to maximize the wealth of the entity as an entity at the same time to ensure that the company is sustained financially. The agricultural sector has unique ability to promote and protect interests not only of shareholders but all kinds of investors whose investment is predicted on the continued existence and financial survival of the company. It involves the fostering of wealth which will entail directors endeavoring to increase the overall long run market value of the company as a whole taking into account the investment made by the various people and groups. Maximization improves compensation in terms of employees or managers' remuneration, bonus payments and contribution to stable living environment in which the company operates. Focusing on maximizing the wealth of the entity and enhancing the production of quality products will benefit all the groups (Keay, 2008).

Transaction Costs Theory

The theory was formally proposed by Ronald Coase in 1937. It was advanced by Williamson in 1975. The theory argued that governance regimes consist of formal and informal structures and rules that enable carrying out economic transactions in an economic manner. The theory explains why companies expand or source out activities to the external environment. When external transaction costs are higher than the company's internal bureaucratic costs, the company will grow, because the company is able to perform its activities more cheaply, than if the activities were performed in the market (Ronald 1937).Transaction cost theory explains why companies exist, and why companies expand or source out activities to the external environment. Transaction cost occurs when a good or a service is transferred across a technologically separable interface. However, agricultural sector has been experiencing inefficiency in its production process. The sector being key in economic growth there is need for establishment of quality management systems in order to enhance efficiency in production process (Williamson, 1975).

Labor theory of value

The theory was proposed by Adam Smith in 1790. It refers to the amount of labor necessary to produce a marketable commodity, including the labor necessary to develop any real capital used in production. It argues that the economic value of a good or service is determined by the total amount of socially necessary labor required to produce it. The price of a commodity is seen in terms of the labor that the purchaser must expend to buy it. The theory further holds that the working class is exploited under capitalism and dissociates price and value. Agricultural sector requires extensive labor in order to create tools used in producing a commodity. The value is created if a commodity is worth whatever labor it would command in others or whatever labor it would save (Smith, 1790).

Critique of the existing literature to the study

From the empirical studies reviewed, it was revealed that value creation posed challenges to majority of the institutions. Challenges such as production of quality products, process efficiency and balanced score card remain un-addressed thus creating a gap to fill. The literature reviewed concentrated on corporate governance and stock markets, none of the studies conducted on agricultural sectors. Corporate governance and economic performance will be affected by the relationships among various stakeholders in the firm. Any assessment of the strengths, weaknesses, and economic implications of different corporate governance frameworks needs a broader analytical framework which includes the incentives and disincentives faced by all stakeholders and not only by the shareholders approach which assumes that the conflicts are between strong, entrenched managers and weak, dispersed shareholders. This result into exclusive focus, in both the analytical work and in reform efforts, of resolving the monitoring and management entrenchment problems which are the main corporate governance problems in the principal-agent context with dispersed ownership. The shareholder approach to corporate governance is primarily concerned with aligning the interests of managers and shareholders and with ensuring the flow of external capital to firms. However, shareholders are not the only ones who make investments in the corporation. The competitiveness and ultimate success of a corporation is the result of teamwork that embodies contributions from a range of different resource providers including investors, employees, creditors, suppliers, distributors, and customers. Managerial pay enhanced in the presence of independent directors is vague. Non-executive members tend to be like proxies

and do not perform their own real task which is to protect shareholders' interest and they are under the influence of executive directors by political and internal hidden own interest. There are concerns, as independent directors are not yet contributing in the sense of their role in tightening the managerial salaries with organizational accounting performance. The pay-performance relationship turns negative in the presence of independent authorized members. It is also unclear whether the increased conformance translated into improved performance or if firms are engaged in "box-ticking" that adds little or no value. If firms have engaged in "box-ticking" more for the sake of appearance rather than effect, then little or no performance effect could be expected.

3. METHODOLOGY

The study used desk research technique which involved collecting data from existing resources using search engine. The existing data was summarized and collated to increase the overall effectiveness of research. The study relied on empirical studies to arrive at findings and conclusion. The table below shows the search terms:

Table 1: search terms

Key term	Related words/phrases
Corporate control	Controlling, monitoring, authority, strategic planning
Corporate governance	Rules, practices, processes
Value creation	Customer satisfaction, quality products, profit, efficiency
Agricultural sector	Pricing, marketing, competition

EMPIRICAL LITERATURE REVIEW

In Kenya, Linner (2009) examined corporate governance practices and challenges: a study of international NGOs. Research findings indicated that 80% of the international NGOs covered by this study have been in existence for more than 10 years and corporate governance exists to a large extent. Governance body going by different names exists and it consists of external directors who are separate from the management and the CEO is not the chair of the board. The roles of the board and that of the management are separate and distinct and each group understands their roles well. Policies, guidelines and operating plans exist in most of the organizations to guide the operations of the board as well as the management. The board has defined terms and the members understand their mandates well. The chair embraces independence of the board and represents management well in the board. The boards are diverse in terms of gender and skills presentation and sub committees are in line with the organizations' areas of interventions.In Canada Lorne N. Switzer and Catherine Kelly (2006) carried out study on corporate governance mechanisms and the performance of small-cap firms in Canada**.** It was concluded that besides corporate governance being a key determinant of performance in organizations, adoption of appropriate strategic choices greatly enhances the performance. Azim (2012) examined corporate governance mechanisms and their impact on company performance: A structural equation model analysis. Findings showed some similarities and some striking differences with results on the interactions between control mechanisms and performance found for the US firms. Similarly to US studies, the results showed that simultaneity exists between various governance mechanisms and firm performance. There was evidence to support the hypothesis that alternative governance mechanisms are substitutes. The results provided some interesting insights into the determination of various governance mechanisms and confirm that Canadian small-cap firms do not optimally determine the level of these control mechanisms.

The study by Maria Maher and Thomas Andersson(1999) as evident in their paper, SEM is superior in identifying the cause–effect relationships among variables and the existence of reverse causality. Very few studies have employed SEM to examine the inter-relationships among the corporate governance variables. The prospect of changes to monitoring mechanisms in response to performance deficiencies gives rise to simultaneity issues. Effective combinations of corporate governance mechanisms would mean that a company can perform better and satisfy its shareholders' interests. Results show a greater consistency across all the models when examining the substitution or complementary effects between the combinations of (a) shareholders and board of directors monitoring; (b) board of directors and auditor monitoring; and (c) shareholder and auditor monitoring. Any individual monitoring mechanism will be complemented to some extent by an alternative one.

A research paper conducted by Piet M. A. Eichholtz and Nils Kok(2007) revealed that corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation. In an era of increasing capital mobility and globalization, it has also become an important framework condition affecting the industrial competitiveness and economies of Member countries. The paper set out to further develop understanding of corporate

governance and its effect on corporate performance and economic performance. In doing so, it addresses some of the underlying factors that promote efficient corporate governance, and examines some of the strengths, weaknesses and economic implications associated with various corporate governance systems. It also provided a survey of empirical evidence on the link between corporate governance, firm performance and economic growth, identifying areas in which a consensus view appears to have emerged in the literature and areas in which further research is still needed. Takeovers are a very expensive way of changing management. There are huge transactions costs associated with takeovers in countries like the US and UK, which hinder the efficiency of the takeover mechanism (Peacock and Bannock, 1991). Given the lower income levels in developing countries, these costs are likely to be proportionally heavier in these countries. It may also be observed that highly successful countries overall, such as Japan, Germany and France, have not had an active market for corporate control and have thus avoided these costs, while still maintaining systems for disciplining managers. Significantly, the lack of a market for cooperate control has not imposed any great hardship on these economies as their superior long-term economic record say over the last 50 or a 100 years, compared with that of Anglo-Saxon countries, indicates. Furthermore, there is no evidence that corporate governance necessarily improves after takeovers. This is for the simple reason that all takeovers are not disciplinary; in many of them the acquiring firm is motivated by empire building considerations or indeed by asset-stripping.

In their paper, Rehman et al (2021) they found that executive remuneration is set subject to performance, provided positive association consistent with agency theory. Results were consistent with past research studies (Firth et al., 2007; Kato & Long, 2006; Mengistae & Colin Xu, 2004). These findings were inconsistent with a managerial power hypothesis which is based on an expropriation view of executive remuneration. These results also confirm that despite the fact that executives are holding more power internally than directors, their remuneration is still linked to corporate accounting performance. SOEs appoint executives in a more bureaucratic way, so their behaviour is expected to reflect features of market power theory (Kato & Long, 2006; Firth et al., 2007) however; the strong association of executive remuneration with ROE and ROA in SOEs infers that executives despite holding greater power are still influenced by firm performance. The firms under state ownership strongly link their executive remuneration with accounting performance. NSOEs may link their executive remuneration with market based measures (Firth et al., 2006, 2007). NSOEs have features of dispersed ownership so executives of such firms seemed to be vigilant towards corporate performance for which the directors may link their firm performance with different market based measures such as firms' stock price for many reasons such as their own market reputation. The reason to not account for market returns in this study is that executives rarely hold stock options and even their financial reports are highly volatile in such matters, so this study does not employ a stock returns' based proxy to measure corporate performance.

ChungMing et.al (2014) evaluated corporate Social Responsibility in China: A Corporate Governance Approach. The results of data from China indicate that the concept of corporate governance is appropriate to explain a firm's CSR performance, which was not yet well understood in the literature, especially in the context of emerging economies. Moreover, Jo and Harjoto (2012) investigated the interesting relationships among corporate governance, financial performance, and CSR performance. They found empirically the support of stakeholder theory but not agency theory in the complicated causal relationships. The study relied on published data to examine the causal effects of governance variables on CSR performance. The actual CSR activities were not measured. In Poland Golebiewska and Czerwonka in 2012 carried out study on corporate governance and propensity to share information: the long-run effect. According to the research conducted, the hypothesis that the impact of lower information asymmetry on company's performance is overestimated and in reality no long-run effect on the higher abnormal returns occurs should not be rejected. The research shows that for the first decile of companies, i.e. companies with the highest propensity to share information, there is no long-term impact on the prices of companies, and thus, the wealth of shareholders. In the case of the last decile, i.e. companies with the lowest propensity to share information, initially, the companies' propensity to disclose information attracted investors, but after two quarters they decided that investing in these companies is not advantageous. Moreover, it was found that companies in particular industries have a higher propensity than others to share information. The highest propensity occurs in the case of companies operating in the Banking sector, and the lowest propensity is in the case of companies in the Light Industry sector. The relation can be noticed not only in the number of companies with the highest propensity to share information indices, but also in the averages of the indices in each sector. It can be concluded, that, the average performances of companies disclosing or non-disclosing information are influenced rather by the results of certain industries, but they do not result from the behavior of a specific company. As the results obtained in BHAR analysis do not differ noticeably, it can be concluded, that the fact that a company's management was willing to share information and in fact reduced information asymmetry had no effect on prices of analyzed companies in the long-run.

In Australia, Plastow et al (2012) examined an analysis of the corporate governance practices of smaller listed Australian companies. This paper investigated the internal corporate governance attributes of a sample of smaller Australian listed companies and assesses the extent to which these firms have adopted the ASX corporate governance recommendations, and factors associated with the adoption of the recommendations. The results demonstrate substantial variation in rates of adoption of individual recommendations, consistent with the non-prescriptive approach of the ASX. While conformance with the ASX recommendations has increased over time, the rate of increase has slowed both within this sample and more widely (Horwath, 2009b). In addition, it is unclear whether the increased conformance has translated into improved performance or if firms are engaged in „box-ticking‟ that adds little or no value. If firms have engaged in „box-ticking‟ more for the sake of appearance rather than effect, then little or no performance effect could be expected. However, the lower rate of adoption of some of the structural recommendations suggests that „box-ticking‟ is not the sole motivation for the changes observed and that firms are being judicious in determining their optimal governance structure. In general, the literature regards a majority independent board, an independent board chair and an audit committee as three of the most important governance attributes. By 2006, some 80 per cent of companies had formed an audit committee, whereas majority independent board and independent chair had relatively low adoption rates of 39 per cent and 53 per cent respectively. These findings suggest that the audit committee is potentially the most important governance mechanism for smaller firms and that it may be a substitute for board and chair independence. While corporate governance plays an accountability and monitoring role, the way in which it manifests in each company will depend on firm specific factors. In firms with dispersed shareholdings governance may have an important role in restricting excessive agency costs. In contrast, in younger and more tightly held firms the stewardship of the firm may emanate from the critical knowledge and experience of key insiders. In such firms, key corporate governance attributes such as an independent board chair and a majority independent board may be of less importance than the guidance of officers with a thorough knowledge and understanding of the company's business and operations (Kiel & Nicholson, 2003).

A key contribution of the paper is the insight provided into the nature of individual recommendations. Relative to other governance studies this study provides a deeper insight into the adoption of governance recommendations by disaggregating them into categories of structure, behaviour and disclosure and by comprehensively examining and revealing differences between categories. While the behaviour and disclosure categories have similar rates of adoption, the structural recommendations have been adopted at substantially lower rates. Although this is consistent with „if not, why not‟ approach and the ASX guidance accompanying the recommendations, the higher rates of adoption for the behaviour and disclosure categories may be evidence of „box-ticking‟, given differences in the cost of adopting different categories of recommendations. Changes in structural recommendations such as majority independent boards and the formation of committees have not been as high as the changes in policy-based recommendations, commonly explained by the sample firms as being for reasons of cost or lack of efficiency. Of the 28 recommendations, four structural recommendations, the independence of the chair, the independence of the board, and the formation of nomination and remuneration committees, have the lowest levels of conformance. Not only are these the recommendations potentially the most costly to implement, they are also viewed within the governance literature as some of the most important. The comparatively low levels of conformance with these specific governance attributes suggests future research consider how the adoption of alternative governance practices in smaller firms is associated with performance outcomes. Evidence of the effectiveness of these practices is likely to be of considerable interest internationally to regulators, investors and other stakeholders.

In South Africa Waweru(2012) evaluated corporate governance and the value of the firm. The purpose for the study was to investigate the relationship between corporate governance characteristics and firm value in companies listed in the JSE Securities Exchange of South Africa. Specifically we draw from Agency theory to examine whether corporate governance characteristics (Board size, Board composition, Block shareholding and dispensed shareholding and Audit quality) influence the value of the firm. Consistent with agency theory, the results show a positive significant relationship between the proportion of NEDs and firm value, suggesting that independent NEDs help to monitor and control management. Furthermore the results support the recommendations of the King Report (2009) which calls for a board consisting of a balance between executive and non-executive directors preferably with a majority of NEDs, of who a majority number should be independent. Block shareholding is found to be negatively related to the value of the firm, suggesting that high shareholder‗s concentration decreases the market value of the firm. The results indicate that block shareholding plays an insignificant role in monitoring and controlling corporate management in SA. This finding is important given the ―shadow directors problem in the SA corporate sector.

Finally, there was no significant relationship between board size, dispensed shareholding and firm value. However, the direction of the coefficient is positive suggesting that larger boards may impede firm value maximization. Likewise, higher shareholding concentration inversely affects firm value, suggesting the need for leaner boards and a more dispensed shareholding in SA firms. The study contributes to the literature on corporate governance debate both in SA as well as the other developing countries of Africa. In particular the findings are important to those countries, including SA where recent corporate failures have been blamed on poor corporate governance structures. Moreover our study makes the first attempt to evaluate whether compliance with the recommendations of the King Report (2009) increases the value of the firm. In this respect, we have found that good corporate governance practices are associated to higher firm values. Therefore, in the context of Africa, strengthening of corporate governance practices may improve the market value of African firms, which would in turn attract more foreign investors, thus impinge upon economic growth. Empirical evidence suggests that foreign investors avoid investing in developing countries because of weak corporate governance practices (Gibson 2003; Bokpin and Isshaq, 2009) despite the importance of our study, the findings should be interpreted in the light of the following limitations. First our study sample consists of the fifty largest firms listed in the JSE of SA. Therefore the results may not be generalized to other smaller firms operating in SA. Second, this study is constrained to SA. Firms in other developing countries may differ from their SA counterparts. This may be so because of legal and regulatory constraints and economic policies that may differ between countries.

In Turkey, Yurtoglu (2003) conducted a study on corporate governance and implications for minority. The paper described the ownership structures of 305 publicly listed companies in Turkey. The overwhelming majority of these firms are ultimately owned and controlled by families who organize a large number of companies under a pyramidal ownership structure or through a complicated web of inter-corporate equity linkages. Thus, Turkey can be classified as an "insider system" country, with the insiders being the country’s richest families. The controlling owners use also dual class shares or other corporate charter arrangements through which they can reduce their cash flow rights while they firmly sit on their companies. A number of empirical papers have shown that such arrangements harm minority shareholders while they benefit the controlling owners. The results obtained here are consistent with the available empirical evidence on an already long list of countries with similar corporate governance problems. These results obtained with 2001 data are similar to those reported for the 1990s (Yurtoglu, 2000) and indicate that the systematically lower market valuation for companies with such arrangements is not a time specific phenomenon. Given that bad governance discourages small shareholders to supply the funds that companies badly need, which steps should be taken to improve corporate governance in Turkey? While the integration of world financial markets will in the long run improve corporate governance as some observers argue, existing evidence suggests that increased legal protection of investors through stronger accounting standards, increased transparency and other legal remedies that allow investors to take action can also be useful. Recent research shows that such reforms are both feasible and fruitful regardless of the legal system of countries (Gugler, Mueller, Yurtoglu, 2003). The fact that families have concentrated a huge amount of wealth under their control suggests in itself that future work on corporate governance issues in developing countries should give priority to a deeper understanding of families' objective functions. The much debated corporate governance reform at a more substantial level will be hard to accomplish against the will and interests of such powerful actors in Turkey.

In Taiwan, Yeh (2003) conducted study on corporate ownership and control; the study used the detailed data to better understand the ownership structure in Taiwan and investigates the determinants for deviation of control from cash flow rights. Then we compare the family-controlled and other control companies, and also explain the difference of ownership structure, board variables and corporate characteristics between the non-deviation and deviation companies. Based on our findings, the companies’ shares are common concentrated in the hands of the largest shareholder, controlling family or wealthy investors. This finding is similar with the ownership structure in East Asian countries. When comparing the family-controlled and other control type companies, we find that the deviation of control and cash flow rights is greater in the family-controlled companies than other control type companies. Also the controlling shareholders use more pyramids and cross shareholding to increase their control rights and even make the divergence of control rights from cash flow rights that accompanies with deeply management participation. The controlling shareholders hold more than half board seats and usually occupy the chairman and general manger to enhance their control power in family-controlled companies. When the largest shareholder (or controlling family) enhances their control rights through pyramids or cross-shareholding, it also decreases their cash flow rights in the meanwhile in all sample and family-controlled companies. The largest shareholder would also invest in more ownership rights to possess more profit rights if the past performance measured by EBIT is good. This would reduce the divergence in control and ownership rights and raise the ratio of ownership to control rights. No matter in all sample or family-controlled companies, the controlling shareholders owns significantly less cash flow rights,

occupy more board seats in deviation group companies than those without deviation. While the equity market value and corporate valuation are significantly lower in the companies with the divergence of control from cash flow rights. The study provides the new evidence of ownership structure in Taiwan. Summarizing the findings in this paper, the ownership is concentrated in controlling shareholder in Taiwanese listed companies and the deviation of control and ownership is common especially in family-controlled companies. The controlling shareholders usually use the pyramids and cross shareholders to enhance their control rights.

In USA, Anderson and Fraser (2000) examined corporate control, bank risk taking, and the health of the banking industry**.** The results suggested that managerial shareholdings do influence bank total and specific risk. However, the association is different in the 1987-1989 periods when banks were less regulated and under financial stress than in the 1992-1994 period following legislation (FIRREA and FIDICIA) designed to restrict risk-taking and after the industry returned to profitability. Managers with substantial equity holdings took more risk in the 1987-1989 periods. In contrast, managers with substantial equity position took less risk in the 1992- 1994 period in response to regulatory changes designed to reduce incentives for risk-taking and improvements in the financial health of the banking industry. Evidence from the other variables also provides potentially important insights into bank risk-taking. Franchise value appears to be an important determinant of bank risk-taking: banks with high franchise values are less likely to take risk than banks with low franchise value. In contrast, outside blockholders have, at best, limited influences on bank risk taking. While it does appear that managerial shareholdings do influence bank risk taking and that this relationship is different in the 1992-1994 periods then in the 1987-1989 periods, identifying the causes of the change must be done in a more tentative way. Large increases in franchise values in the 1990s suggest reduced incentives for banks to take risk, as do significant changes in the bank regulatory regime designed to reduce bank risk taking.

Further evidence on whether the enhanced regulatory restrictions have been sufficient to control management incentives to take risk will be provided the next time that bank franchise values decline substantially. Hitt et al (2012) carried out a study on market for corporate control and firm innovation. The research provided strong support for the general model. In fact, nine of the ten hypotheses received support from the results of the study. These results strongly suggest that firms actively buying or selling businesses, or both, are likely to produce less internal innovation and rely more heavily on external innovation for a variety of reasons, including the structure and implementation of the internal control systems derived from their strategic actions. The results have important implications for the fields of strategic management and organization theory. First, innovation is an important outcome of firm processes and has been shown to be critical for firm performance, particularly in industries with global competition (Franko, 1989). Bettis and Hitt (1995) described a new competitive landscape that is developing be- cause of the increasing global competition and the technological revolution that affect most all organizations. This new competitive landscape places importance on firms being able to innovate in order to remain competitive in global markets. Innovation is important in both new product introductions and the processing of information and communications throughout complex organizations with operations in multiple countries. The study focused on strategic actions that have been popular for many years, exemplified by the more than 55,000 acquisitions that occurred during the 1980s, followed by the significant restructuring (downscoping and downsizing) of many major corporations in the United States and abroad (Hitt, Keats, Harback, & Nixon, 1994).

Recent data suggest the potential for a new wave of mergers and acquisitions on a global basis. Given that innovation is important for strategic competitiveness and that the buying and selling of businesses is becoming a globally popular strategic action, our results are profoundly important. The results suggested that an active acquisition strategy has direct, negative effects on the internal development of firm innovation. This effect is likely due to the transaction costs involved and to acquisition-related activities that absorb managers' time and energy. Because of these transaction costs, managers have little time left to manage other important projects, and target firm managers in particular become strongly risk averse. Thus, managers of acquiring and target firms may postpone major decisions regarding long-term investments such as R&D and thereby reduce the innovative capabilities of their firms. Alternatively, no relationship was found between divestiture intensity and internal innovation. These results suggest that the major effects of divestitures on innovation are indirect, mediated by control systems. Some of the firms making divestitures are likely doing so as a part of a well-planned program of down scoping (Hoskisson & Hitt, 1994). Although such firms may desire to change their control systems, the turmoil (and even chaos) created by the major changes do not allow them to do so. However, the goals of the divestiture program may be to refocus the firm and, in the process, increase firm innovation. Thus, the countervailing forces of positive goals and negative effects from the emphasis on financial controls produce neutral effects of divestitures on internal innovation. In our data set were 36 firms that had completed their divestiture program (they had made no divestitures in the most recent

two-year period). These firms, for this reason, were not included in the sample for our primary hypothesis tests. However, post hoc analyses showed divestiture intensity in these firms to have a positive and significant effect on internal innovation. These results provide support for prior research (Hoskisson & Johnson, 1992) and for the arguments regarding the goals of divestitures stated above. The results of this study strongly suggest that the least innovative firms are likely those following a portfolio strategy. Those firms are regularly acquiring and divesting businesses, so the effects on control systems, internal innovation, and external innovation are likely to be magnified. Because of the continuous changes in the portfolio of businesses through acquisitions and divestitures, these firms have strong financial controls and use few, if any, strategic controls. Furthermore, even if they acquire innovative businesses, they are less likely to realize advantages from them because of the strong focus on acquisitions and divestitures (significant transaction costs and use of managerial time and energy) and heavy emphasis on financial controls. Thus, a portfolio strategy is likely to be successful only in industries in which innovation is unimportant (e.g., mature industries where increases in internal efficiencies can produce greater returns). The results of this study provide guidance for future research. The significance of internal controls in our study strongly suggests that control systems should be examined in research on organizational innovation. Additionally, we need a better understanding of the long-term implications of substituting external for internal innovation. The research reported herein also suggests that research on organizational innovation should examine systemic integrated models (as opposed to simple bivariate relationships).

More research was also required to understand the true relationship between strategic and financial controls. The results suggested a positive relationship between the two. Perhaps strong use of strategic controls allows positive use of financial controls and delimits their negative effects on organizations. The research has provided a finer-grained examination of the effects of buying and selling businesses on firm innovation than done in previous research. Specifically, this study has several features not included in previous studies. These include the simultaneous examination of acquisition and divestiture intensity, examination of the relationships between internal control systems and acquisition and divestiture intensity as well as internal and external innovation, examination of both R&D investments and the introduction of new products (internal innovation), and examination of acquiring innovation externally. Perhaps the greatest contribution, however, is that these relationships were examined in a holistic, integrated model for the first time. Although acquisitions seem to have both a direct and mediated effect on firm innovation, divestitures' effect on firm innovation is more indirect, mediated through the firm's control system (until the program of divestitures is completed). This research suggests that active involvement in the market for corporate control can be negative to an organization's health in industries in which innovation is important. Furthermore, because of the growing importance of innovation in the developing new competitive landscape and the increasing global activity in mergers and acquisitions, the findings of the study may be critically important for firms' maintenance of strategic competitiveness.

The study by Machuki and Rasowo(2018) evaluated Corporate Governance and Performance: An Empirical Investigation of Sugar Producing Companies in Kenya. The study sought to establish the corporate governance practices in the sugar producing companies in Kenya and to determine the effect of the corporate governance practices on the performance of the sugar companies. The study was guided by relevant theories as well as empirical studies in the areas of corporate governance and organizational performance. The findings of this study have provided evidence that all the sugar producing companies in Kenya have boards of directors in place. Most of the boards have 3 to 4 subcommittees which meet fairly frequently. Corporate governance practices revolve around composition of boards, frequency of board meetings, and independence of board of directors, independence of internal audit and audit committee, and CEO-Chair duality. One important function of the board of directors is the monitoring of the performance of top management as postulated in the agency theory. Results of this study have also established that board members in the studied sugar companies are normally supplied with appointment letters which detail out their responsibilities. Results further show that the boards normally undertake a review of the performance of the company as well as the review of CEOs performance on an annual basis. The board of directors is an important institution in the governance of corporations. The board is viewed as the apex of internal decision control system of organizations (Fama and Jensen, 1983).

Findings of the study further indicate that the role of chairperson of the board and CEO are separated and held by different persons in over 50% of the sugar companies in Kenya. The two roles were found to be completely separated in the government and publicly owned sugar companies while they are combined in the family owned firms. Good corporate governance practice demands a separation of roles between the board and management in order to enhance appropriate oversight and supervision as stipulated in the agency theory. The findings of the study indicate that majority of the sugar companies hold an average of 6 to 12 board meetings in a year with meetings generally lasting 3 to 5 hours and board

decisions are arrived at through consensus. Conger et al (1998) suggest that board-meeting time is an important resource in improving the effectiveness of a board with directors who meet more frequently being more likely to perform their duties in accordance with the shareholders' interests. Jensen (1993) however opined that frequent board meetings serve as a fire-fighting device rather than as a proactive measure for giving direction on policy and that higher board activity is likely to symbolize a response to poor performance. The findings of the study also show that the corporate governance practices affected performance of the sugar companies although the degree of impact differed. Board establishment and functions and board structure were found to wield the strongest positive effect while the financial performance perspectives showed the weakest correlation to the corporate governance structures.

4. FINDINGS

Study by Linner(2009) on Corporate governance practices and challenges: a study of international NGOs in Kenya findings indicated that 80% of the international NGOs covered by this study have been in existence for more than 10 years and corporate governance exists to a large extent. Governance body going by different names exists and it consists of external directors who are separate from the management and the CEO is not the chair of the board. The roles of the board and that of the management are separate and distinct and each group understands their roles well. Policies, guidelines and operating plans exist in most of the organizations to guide the operations of the board as well as the management. The board has defined terms and the members understand their mandates well. The chair embraces independence of the board and represents management well in the board. The boards are diverse in terms of gender and skills presentation and sub committees are in line with the organizations' areas of interventions.

In Canada Lorne N. Switzer and Catherine Kelly (2006) examined corporate governance mechanisms and the performance of small-cap firms in Canada**.** It was revealed that the results confirmed simultaneity between several governance mechanisms and Canadian small-cap firm performance. CEO, ownership and shareholder rights were shown to determine board independence. It was concluded that besides corporate governance being a key determinant of performance in organizations, adoption of appropriate strategic choices greatly enhances the performance.

Azim (2012) examined corporate governance mechanisms and their impact on company performance: A structural equation model analysis. Findings showed some similarities and some striking differences with results on the interactions between control mechanisms and performance found for the US firms. Similarly to US studies, the results showed that simultaneity exists between various governance mechanisms and firm performance. There was evidence to support the hypothesis that alternative governance mechanisms are substitutes.

The study by Maria Maher and Thomas Andersson (1999) on corporate governance: effects on firm performance and economic growth**.** The study developed and tested a conceptual model to better understand the complex relationships between various monitoring mechanisms and their impact on company performance. As evident in this paper, SEM is superior in identifying the cause–effect relationships among variables and the existence of reverse causality. Very few studies have employed SEM to examine the inter-relationships among the corporate governance variables. The prospect of changes to monitoring mechanisms in response to performance deficiencies gives rise to simultaneity issues. Effective combinations of corporate governance mechanisms would mean that a company can perform better and satisfy its shareholders' interests. Results show a greater consistency across all the models when examining the substitution or complementary effects between the combinations of (a) shareholders and board of directors monitoring; (b) board of directors and auditor monitoring; and (c) shareholder and auditor monitoring. Any individual monitoring mechanism will be complemented to some extent by an alternative one.

A research paper conducted by Piet M. A. Eichholtz and Nils Kok(2007) on How Does the Market for Corporate Control Function for Property Companies? Corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation. In an era of increasing capital mobility and globalization, it has also become an important framework condition affecting the industrial competitiveness and economies of Member countries. The paper set out to further develop understanding of corporate governance and its effect on corporate performance and economic performance. In doing so, it addresses some of the underlying factors that promote efficient corporate governance, and examines some of the strengths, weaknesses and economic implications associated with various corporate governance systems. It also provided a survey of empirical evidence on the link between corporate governance, firm performance and economic growth, identifying areas in which a consensus view appears to have emerged in the literature and areas in which further research is still needed. Takeovers are a very expensive way of changing management. There are huge transactions costs associated with takeovers in countries like the US and UK, which hinder the efficiency of the takeover mechanism

In their paper, Rehman et al (2021) carried a research on executive remuneration, corporate governance and corporate performance: Evidence from China. They found that executive remuneration is set subject to performance, provided positive association consistent with agency theory. The result confirmed that despite the fact that executives are holding more power internally than directors, their remuneration is still linked to corporate accounting performance. The study also revealed that ownership concentration moderates the relationship between corporate performance and executive remuneration in a way that this relation tends to be stronger when there is high ownership concentration. Remuneration gets higher in the presence of concentrated ownership but subject to higher performance.

In Australia, Plastow et al (2012) examined an analysis of the corporate governance practices of smaller listed Australian companies. The results demonstrated substantial variation in rates of adoption of individual recommendations, consistent with the non-prescriptive approach of the ASX. These findings suggest that the audit committee is potentially the most important governance mechanism for smaller firms and that it may be a substitute for board and chair independence. While corporate governance plays an accountability and monitoring role, the way in which it manifests in each company will depend on firm specific factors. In firms with dispersed shareholdings governance may have an important role in restricting excessive agency costs. In contrast, in younger and more tightly held firms the stewardship of the firm may emanate from the critical knowledge and experience of key insiders. In such firms, key corporate governance attributes such as an independent board chair and a majority independent board may be of less importance than the guidance of officers with a thorough knowledge and understanding of the company's business and operations.

In South Africa Waweru (2012) evaluated corporate governance and the value of the firm. The results showed a positive significant relationship between the proportion of NEDs and firm value, suggesting that independent NEDs help to monitor and control management. Furthermore the results supported the recommendations of the King Report (2009) which calls for a board consisting of a balance between executive and non-executive directors preferably with a majority of NEDs, of who a majority number should be independent. The results indicated that block shareholding plays an insignificant role in monitoring and controlling corporate management in SA.

In USA, Anderson and Fraser (2000) examined corporate control, bank risk taking, and the health of the banking industry**.** The results suggested that managerial shareholdings do influence bank total and specific risk. Managers with substantial equity holdings took more risk in the 1987-1989 periods. In contrast, managers with substantial equity position took less risk in the 1992- 1994 period in response to regulatory changes designed to reduce incentives for risk-taking and improvements in the financial health of the banking industry. The results suggested that managerial shareholdings do influence bank total and specific risk. However, the association is different in the 1987-1989 period when banks were less regulated and under financial stress than in the 1992-1994 period following legislation (FIRREA and FIDICIA) designed to restrict risk-taking and after the industry returned to profitability. Managers with substantial equity holdings took more risk in the 1987-1989 period. In contrast, managers with substantial equity position took less risk in the 1992- 1994 period in response to regulatory changes designed to reduce incentives for risk-taking and improvements in the financial health of the banking industry. Evidence from the other variables also provides potentially important insights into bank risk-taking. Franchise value appears to be an important determinant of bank risk-taking: banks with high franchise values are less likely to take risk than banks with low franchise value. In contrast, outside blockholders have, at best, limited influences on bank risk taking. While it does appear that managerial shareholdings do influence bank risk taking and that this relationship is different in the 1992-1994 period then in the 1987-1989 period, identifying the causes of the change must be done in a more tentative way. Large increases in franchise values in the 1990s suggest reduced incentives for banks to take risk, as do significant changes in the bank regulatory regime designed to reduce bank risk taking. Further evidence on whether the enhanced regulatory restrictions have been sufficient to control management incentives to take risk will be provided the next time that bank franchise values decline substantially.

The study by Machuki and Rasowo(2018) evaluated Corporate Governance and Performance: An Empirical Investigation of Sugar Producing Companies in Kenya. The findings of this study have provided evidence that all the sugar producing companies in Kenya have boards of directors in place. Most of the boards have 3 to 4 subcommittees which meet fairly frequently. Corporate governance practices revolve around composition of boards, frequency of board meetings, and independence of board of directors, independence of internal audit and audit committee, and CEO-Chair duality. Results of this study have also established that board members in the studied sugar companies are normally supplied with appointment letters which detail out their responsibilities. Results further show that the boards normally undertake a review of the performance of the company as well as the review of CEOs performance on an annual basis. Findings of the study further indicate that the role of chairperson of the board and CEO are separated and held by different persons in over 50% of the

sugar companies in Kenya. The two roles were found to be completely separated in the government and publicly owned sugar companies while they are combined in the family owned firms. Good corporate governance practice demands a separation of roles between the board and management in order to enhance appropriate oversight and supervision as stipulated in the agency theory. The findings of the study also show that the corporate governance practices affected performance of the sugar companies although the degree of impact differed. Board establishment and functions and board structure were found to wield the strongest positive effect while the financial performance perspectives showed the weakest correlation to the corporate governance structures.

5. CONCLUSION

The reviewed literature revealed that corporate governance is an important aspect in agricultural sector; specifically the literature showed that it influences performance, determines board independence, monitoring mechanisms, resource allocation, executive pay and value creation. The main factor hindering value creation is the conflict between managers and the owners. The ownership concentration is positively related to executive pay revealing an entrenchment that is collusion between large shareholders and top management. The managerial power and agency theory CEO duality exhibits a positive relationship with executive remuneration, while board and board independence also reveal a positive association with executive pay, indicating board ineffectiveness in reducing managerial entrenchment. It further revealed that corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation. In an era of increasing capital mobility and globalization, it has also become an important framework condition affecting the industrial competitiveness and economies of countries. The roles of the board and that of the management are separate and distinct and each group understands their roles well. Policies, guidelines and operating plans exist in most of the organizations to guide the operations of the board as well as the management. The board has defined terms and the members understand their mandates well. The chair embraces independence of the board and represents management well in the board. The boards are diverse in terms of gender and skills presentation and sub committees are in line with the organizations' areas of interventions. The findings suggested that the audit committee is potentially the most important governance mechanism for smaller firms and that it may be a substitute for board and chair independence. Corporate governance plays accountability and monitoring role, the way in which it manifests in each company will depend on firm specific factors. Firms with dispersed shareholdings governance may have an important role in restricting excessive agency costs. In contrast, in younger and more tightly held firms the stewardship of the firm may emanate from the critical knowledge and experience of key insiders. In such firms, key corporate governance attributes such as an independent board chair and a majority independent board may be of less importance than the guidance of officers with a thorough knowledge and understanding of the company's business and operation. Creating economic value is associated with creating wealth. There is a direct connection between the two concepts insofar as those responsible for creating value can also benefit from some of the wealth created. Wealth is measured by the value of the products on the market and, in the case of shareholders, the market value of their stock. Therefore, agricultural sector will see its prices and value rise as demand for its goods and services rises. The corporate governance systems focused on the creation of economic value, decisions consistent with the company objective to maximize share price. Translating the wealth-creation into tangible results has been a determining factor in the evolution of corporate governance systems and the implementation of decision-making criteria and resulting management procedures.

However, the concept of reducing the value-creation to maximizing share price has met with some opposition. Some critics argue that equating real economic value with stock price presupposes highly efficient financial markets, which they dispute. They further contend that value creation is not always recognized or is underestimated by the financial markets. Conversely, financial markets sometimes also recognize value that does not exist by overestimating the stock price. Such a situation can affect decision making and lead to less-than-optimal resource allocation in the long term. Consequently, sectors that create the most value see their stock price increase, providing them with access to the financing they need to grow.

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