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BOARD COMPOSITION IN FAMILY BUSINESS AND PERFORMANCE IN GHANA: ROLE OF CEO DUALITY AND TYPE OF DIRECTORS

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Abstract

Over decades now, studies on board compositions have been centered on well-structured market and institutions to the disadvantage of small and medium firms who are also drivers of growth. This paper therefore seeks to examine how non-listed private family owned firms' performance are affected by certain board structural characteristics. Using hierarchical regression analysis with 319 firms in Ghana, on one hand the result reveals that a higher proportion of non-executive directors impacted negatively on the positive effect of CEO duality. On the other hand, we could not adduce any evidence to suggest that family firms' board of directors' diversity have influence on the impact of non-executive director's effect on performance. We therefore proposed that growing non-listed family firms should lessen the use of non-executive directors when the CEO plays dual role in the firm. The study therefore provides empirical evidence that composition of board of privately owned family firms affect performance and further gives insight and credence to the need to influence the application of good corporate governance in such businesses and in a faction different from what has been suggested in general literature of board

Keywords: Board Composition Family Business; Directors; Performance; CEO.

1.0 Introduction

Generally, corporate governance literature with specific reference to board of directors have seen several studies that attempt to examine the effect of certain variables related to board composition on firm performance (e.g. Dalton and Dalton, 2011; Frimpong and Kuutol, 2017, Djan, Zehou and Bawuah 2017). Notwithstanding the above, much studies have not been seen regarding family firms' board composition and firm performance (Bettineli, 2011), suggesting more opportunity for further research. Our review of boards and family business literature shows that most empirical studies adopts sample public (listed) family firms (e.g. Prabowo and Simpson, 2011; San Martin-Reyna and Duran-Encalada, 2012; Leung et al, 2014; Cabrera-Suárez and Martín-Santana, 2015) to the neglect of private (unlisted) family firms or uses combination of both public (listed) family and private (unlisted) firms (e.g Oswald et al. 2009) but the characteristics in family listed firm are or could be potentially different from that of the unlisted family firms because listed firms have some special regulations which are not applicable to unlisted firms. There is almost non-existence of studies that focus on private family firms (Cabrera-Suárez and Martín-Santana, 2015), the few that exist either focus on factors that determine a specific boards composition in public family firms (e.g. Klein, 2007; Bammens et al, 2008) or more fewer examining the relationship between board composition and performance (e.g. Maseda et al., 2015; Cabrera-Suárez and Martín-Santana, 2015). In the light of empirical review on the relationship between board composition and family firm performance, the findings have been mixed and this link is even more unclear in the case of private family firms (Masweda et al., 2014; Cabrera-Suárez and Martín-Santana, 2015). However, we believe boards have and should play a key role in the performance of private firms and by extension private (unlisted) family firms and thus boards as a potential tool to prevent possible failure in several of such family firms

(Bammens et al., 2008). Therefore, Cabrera-Suárez and Martín-Santana (2015) summit that by studying the function of boards in private family businesses, it presents an important or specific findings and recommendations other than that of the general corporate governance studies, which can be better defined and adopted to suit a particular organization (Chen and Nowland, 2010).

In board of directors literature relating to family businesses, two key functions are highlighted, board as an internal administrative body that exercise control and the provision of advice with agency and stewardship theories as the main theoretical approaches (Bammens et al., 2011). From the point of view of agency theory, boards of directors are to mitigate moral hazard problems relative to family businesses. These agency problems emerges from two main source, pursuit of economic and non-economic interest of owning-family to the determent of minority shareholders; and intra-family divergence of interest owing to generational evolution of the firms (Bammens et al., 2011). On the other hand, stewardship theory suggest that decision-makers show particular situational factors like strong involvement and identification as well as personal and social fulfillment. These factors motivate the decision-makers to be organizational oriented instead of opportunistic oriented as explained by agency theory. Thus, board function is to support and advice management but not controlling management (Bammens et al., 2011). Therefore, we submit that stewardship behaviour as opposed to agency problems are most likely to persist in private family businesses other than listed family businesses hence there are special characteristics expected to have influence on the function of board of directors in private family businesses and by extension composition. Definitely, characteristics like CEO duality and proportion executive directors are normally address in general board composition studies but barely untouched in family firms' studies. Since the CEO duality and presence of more executive directors are more prevalent in private family businesses, this present a research gap and opportunity for further research in this regard. Additionally, it seems that recommendations regarding good corporate governance tend to support the idea that independent directors are more efficient even though empirical evidence is inconclusive (García-Ramos and García-Olalla, 2011a), nevertheless, this may not be true for family businesses particularly private family firms (Arosaet al., 2010). Even if it is true this study is more relevant in sub-Sahara Africa and for that matter Ghana because there is a low level of protection of external investors' interest and boards of directors become very relevant as a mechanism of corporate governance in family firms. Also, emerging countries are increasingly embracing the concept of corporate governance, however, the focus has largely been on the bigger firms and/or listed firms.

Thus, this study aims to provide new evidence on the highly under researched area of corporate governance in family firms, by so doing, we examine the relationship between board composition and performance in private family firms in the context of sub-Sahara Africa. We submit that the first evidence of study in unlisted family firms in relation to board composition and performance was carried out in Spain by (Cabrera-Suárez and Martín-Santana, 2015), but the findings may not be adoptable because of contextual and country specific issues and the uniqueness of variables selected could possibly be the first to study in Sub-Sahara Africa.

As far as we know this is the first study including such kind of data about the boards in private family firms. The study is structured as follows; firstly, the theoretical framework begins with a discussion of the special nature of the private family firm, then, the analysis of the consequences of these special features on the roles of the board and on its composition allows the hypotheses of the study to be proposed. Secondly, the methodology used to obtain and process the data and define the variables is outlined. After that, the results are presented and the final section presents the main conclusions drawn from the discussion of the results and establishes the limitations of the study, making suggestions for future research. Ghana can be seen as a country with no or small legal framework for family business, therefore, there is a low level of external investors' protection, given credence to corporate governance mechanism, hence, the Ghanaian context is quite suitable for this research given its particular characteristics.

2.0 Theory and hypotheses

2.1 The private family firm: stewardship and psychosocial altruism

As theory suggest and consequently the hypotheses are based on the idea that private family firms have more crucial defining faces than that of the public traded family firms (Cabrera-Suárez and Martín-Santana, 2015), family firm that are private correspond to what theory defines as family firm, given the fact that shareholder base is concentrated and members of the family are active in the management team as well as on the board (Lane et al., 2006). Private family business as advance by Bammens et al (2011) are used as a tool for the sustainability transgenerational economics and socio-emotional needs. Therefore, in family business, family members are actively involved in the management and ownership and thus see the firm as their life blood. The kind of family ties and relationship that exist have a greater impact on the firm functioning ability, to the extent that success or failure rest on it. But in the public listed family firms, it may include non-family owners who may want to play an active role in the firm governance and by extension, decision-making process by trying to exert economic and financial interest over the family non-economic and non-financial interest. In most cases, listed family firms aspirations and interest and approach to family are undermined due to pressures and conditional factors exerted by external stakeholders (Dyer, 1986) and the fact non-family member have ownership interest the ease of information flow that are mostly present in family firms are undermined and erode intimacy among family members. It is also worth noting that the nature and the size of private family firms and that of it counterpart public listed firms differs and this is also seen in the size of the family (Cabrera-Suárez and Martín-Santana, 2015). We are therefore with the opinion that bigger family firms will loss it family ties and weaken relationship and thereafter affect the social capital enjoyed by the family but the reverse will be the case for smaller family firms. Since we know social capital exist in smaller family firms, it ensure that family members work within the conformity of the family norms (Haffman et al., 2006) and this will strengthen the family bonds and ties. As stronger the ties of family members becomes, it encourages the creation of favorable conditions to ethical behavior in both the family and the firm. There is therefore a higher propensity of smaller private family firms to show stewardship behaviour (Le Breton-Miller et al., 2011). Thus, the assumptions underlining stewardship theory suggest that executive behaviour may not only gear towards private interests but also could be motivated by general interests of a firm (Davis et al., 1997). In the light of this assumption, owner-managers of private family firms uses the firm as tools to sustain generational and economic needs of the family but public traded family firms as the case may be, will present a distance between the family and the firm hence the incentive to exploit to the disadvantage of the firm (Bammens et al., 2011). Therefore, private family firm tends to show stewardship behaviour and this could explain why this form of family firms mostly tend to rely on relational governance rather than contractual governance (Cabrera-Suárez and Martín-Santana, 2015). Further to this social dynamics tool like trust, commitment and shared vision play a significant role in private held family business (Calabrò and Mussolino, 2011). These unique governance characteristics are expected to influence in the management and board composition of privately held family business.

2.2 The executive directors' role

From the perspective of traditional agency theory, executive director presence on firm's board can be a compromising factor on board decision and supervision of management activities. Fama and Jensen (1983) posit that management stand the chance of making decisions that benefit them to the disadvantage of owners' interest in the firm. Hence a higher percentage of executive directors' presence on firm board have a potential to reduce supervision role of board and eventually, negatively affect firm performance. Notwithstanding the agency theory position, the supervision role of board may not be the main focal point in the private family businesses, where stronger presence of family members exist in the management team and board of director as well (Maseda et al., 2014; Cabrera-Suárez and Martín-Santana, 2015). Hence more information flow exist between management team and the firm owners, thus defeating the traditional agency problem associated with divergence of interest due to separation of ownership and control (García-Ramos and García-Olalla, 2011a). In another vein, the issue of power abuse and extraction of private gains of majority holding of family shareholders to the detriment of non-family minority shareholders which is mostly seen in listed family firms may not be the case in private family firms, since the presence non-family minority shareholders is most unlikely (Cabrera-Suárez and Santana-Martín, 2004; Bammens et al., 2011). Because in private family firms, where control is in the hand of family, there are more incentives to care for the business as it may be inspired by stewardship behaviour other than to exploit for personal interest by the managers (Le Breton-Miller et al., 2011), therefore the agency problem associated with owner-manager is most likely to be less key in private family firm (Cabrera-Suárez and Martín-Santana, 2015). On the card of supervisory role, executive directors' presence on boards of private family firms have no potential to impact on performance but the provision of advice is significant when interactions are based on stewardship attitude.

Davis et al, (1997) advance that the main duty of a board is to counsel executives (stewards) in their pro-organizational endeavors, which is aim at adding to the knowledge of management team (Bammens et al., 2011). In family business, decisions on managerial position and promotion are based on kinship professional exposure associated with the position (de Kor et al., 2006). Thus family directors prefers to keep and preserve values and socio emotional wealth of the family firm (Gomez-Mejia et al., 2011). This may bring deficit in the expertise required to run the firm due to family imposed personnel due to exclusive consideration to family without recourse to expertise. While executive directors of private family firm have deep knowledge about the organization, they lack skill and knowledge needed through academic exercise and perhaps previous experience aside knowledge of the firm, hence again limiting strategic options open to the board (Bammens et al., 2011). Therefore, we proposed the following hypothesis;

$H_{1.}$ Higher proportion of executive director on the board of private family firm will negatively affect performance.

2.3 Duality in the position of chief executive

According to Dalton et al. (1998), when the chief executive officer (CEO) position of a firm is held by the same person as the board chairman, in such a case CEO duality as occurred. This issue has generated a lot of controversies in literature as to whether this condition has positive and/or negative impact on a firm performance (Cabrera-Suárez and Martín-Santana, 2015). Following the traditional agency theory arguments, the positions of power of both CEO and board chair held by one person diminishes the capacity to supervise. As CEO may abuse power by championing his/her own interest to the disadvantage of a firm is well held because of lack of appropriate monitoring and thus may account for hiring incompetent staff or conservative decisions that may affect the firm strategically (García-Ramos and García-Olalla, 2011b). But in the case of private family firms, there will be less problems concerning abuse of power due to prevalence stewardship attitudes characteristics. As a result diminishing problem of abuse of power, if the CEO behaves as steward, we believe the CEO interest will be aligned with that of others stakeholders in the firm thus eliminating opportunistic tendencies. Hence the concentration of decision-making capacity and power in one person bring positive effect to firm since unity of command will exist at the highest levels of management. Additionally, Kowalewski et al. (2010) argue that CEOs with a longer time period in their positions may be able to develop chain of specific advantages associated with more opportunities for acquiring and learning about their firms when highly committed. Hence, since CEO position in private family firms could be held for long time and same person as board chair, we hypothesis that:

$H_{2:}$ If the same person serves as CEO and board chair in private family firm, it will positively affect performance.

2.4 Diversity of family directors

Cabrera-Suárez and Martín-Santana (2015) posit that over time, structures of family firms are likely to evolve from controlling owner into sibling partnerships, with different proportion of ownership held by single generation and/or ownership is fractional between different generations (third, fourth or more) (Gersick et al. 1997). Thus, vote control is spread among different family members who might occupy manager or director role with different interest and incentive (Gersick et al. 1997; Le Breton-Miller et al, 2011). This development may have negative tendencies on the family and the firm. However, knowing that the strength of family social capital is influenced by the relationship between family members and stability, to the extent that the interaction, interconnection and interdependence among the family members are within the family. Therefore, social capital element of trust, sense of mutual obligation, and identification with the family and the firm could weaken as family ties reduces. This could make the family vulnerable to conflicts capable of division among and/or into generations and fractions in the family with the firm bearing the potential and ultimate negative consequences in an attempt to reduce family members' involvement in the firm. Advantages arising from social capital could be lost due to weakening family ties in private family firm and may look like public traded family firm. Accordingly, the alignment of objective between family owners and managers as alluded by stewardship theory, which is the intrinsic motivation to the welfare of the firm will be eroded. And from the agency theory, this will bring about divergence of interest among family member with each subdivision within the firm held by a branch of the family division seeking to pursuit its own economic and non-economic benefit of the nuclear family instead of the extended family interest in the firm. This will eventually create agency problem and it associated costs (García-Ramos and García-Olalla, 2011b). Therefore, following the argument we hypothesis that:

H_3: Private Family firm with higher diversity of family Directors will have negative effect on performance.

2.5 Outsider board members role

Outsider directors are board members who do not belong to the management team (Dalton et al., 1998) and/or belong to controlling family (Klein, 2007). Coming from agency theory viewpoint, outside directors have a greater incentive to fulfill the supervisory role and controlling executives so that their actions are geared towards protecting owners' interest (Cabrera-Suárez and Martín-Santana, 2015). Hence, recent governance reforms are geared toward board of directors working independent of management team, and by this most governance reforms endorsed majority outside directors (García-Ramos and García-Olalla, 2011b). Now from empirical studies, the role of outside directors are mixed for both family listed firms and non-family firms. For instance, Garcia-Ramos and García-Olalla (2011b) found that independent boards improved firm performance for European family firms led by their founders and the reverse happens in firms led by descendants. Literature may support the idea that for private family firms, the contribution of outside directors regarding supervisory role may not be important since the same person could be the owner and manager as well. Key stakeholders who are insiders are expected to care more than outsiders on the health of the family firms (LeBreton-Miller et al., 2011), besides, outsiders stand to have little knowledge and context of the firm since they do not neither involved in the management team nor part of ownership family. Hence, Maseda et al. (2014) advance that outsider directors are poverty of specific knowledge and information about the family firm.

Therefore, if outsiders are brought on boards in private family firm with the intention to controlling managers, it may reduce the intrinsic motivation of managers leading a potential increase in opportunistic tendencies and minimizes pro-organizational behaviour (Bammens et al., 2011). This could potentially distort flow of communi-cation from managers to outsider directors as compare to where all the directors are insiders, this could be disadvantageous to decision making of the board. This activities could be detrimental to the board effectiveness in advisory role and eventually affect performance.

H_4: Family firm board with majority outside directors will negatively affect performance.

2.6 Moderation effect

On one hand, in contrast to earlier arguments, in certain situation outsider board members could be useful to the realization of family firm ultimate objective of wealth maximization (economic) and non-economic interest. As mention already, CEO duality can be positive regarding unity of command and better communication flows to other management team, since private family business dependence on CEO as the ultimate decision maker is exclusive and high (Calabrò and Mussolino, 2011). The CEO duality role could lead to lack of delegation or minimize joint decision making responsibility to the detriment of collective responsibility for decision-making which could be harmful to the firm succession and success. From this perspective Maseda et al. (2014) suggest that outside directors can contribute vital resources to the firm in terms of general knowledge of business, contracts and reputation enhancement which could foster the advisory role of the board as well as improve strategic development and implementation process. Calabrò and Mussolino (2011) posit that the role played by outside directors can be very useful to the development of strategic changes processes in family firms by making decisive, distinctive and additional contributions to the strategic decision -making processes. Thus, we propose the hypothesis that;

H_5 : CEO duality in private family firms will moderate the effect of outside board members on the performance in a manner that a board with a majority of outside directors will have a positive effect on performance when CEO duality exist.

On the other hand, the diversity of family directors (distinction between executive and non-executive family directors) could lead to arise in agency conflicts with corresponding reduction in social capital (Cabrera-Suárez and Martín-Santana, 2015). In these situations, the role of outside directors is potentially useful, thus being able to protect the interest of various interest groups involved in the firm being in bed with top management and/or resolving conflicts between interest groups (Bammens et al., 2008). The existence of outside directors can help reduce information asymmetry among various interest groups of the owner-family in the firm by intermediating and bring clear an objective counsel to issues of conflicts (Calabrò and Mussolino, 2011; García-Ramos and García-Olalla, 2011b). Besides, the mere presence of outside board members could serve as a motivator for the family member to constructively manage their internal conflicts (Bettinelli, 2011). In a situation where there is low alignment of objectives between family owners and family mangers, the role of outside directors become critical. Hence we propose a hypothesis that

H_6 : The diversity of family directors of private family firm will moderate the effect of outside directors on the performance in the manner that outside directors will have a positive effect on performance when the diversity of family is higher .

3.0 Methodology

3.1 Data

We consider a firm to be a family firm if it has at least two people who are siblings on the board of directors and/or management teams, and the board chair is a relation. The presence of siblings in the governing bodies implies an intention, and by far transmission of leadership between generations in the family; this, in turn, is another key factor in the definition of family firms (Zellweger et al., 2010). Lastly, the presence of family members on the board and the fact that the chair of the board is a family member also allows us to infer that the ownership of the firm is in fact controlled by the family (García-Castro and Casasola, 2011). The population of this study was private family firms in Ghana, where the firms are predominantly businesses with a strong presence of the leading families in the board, management and ownership. Using interview, questionnaire and annual reports, we analyzed each firm, case by case to arrive at the variables employed for this study. The questions and interviews together with annual reports were sharped to derive the following variables. To do this we imposed certain restriction on the firm who were affected by certain conditions that wouldn't allow them to be part of the sample. Thus, during the course of data gathering process, 367 private family businesses were contacted, however, firms in which any of the following conditions existed were considered as outlier and deleted from the sample.

1. When the firm is a subsidiary of another already included firm
2. When insolvency administrator is appointed
3. Non-availability of relevant data for the study
4. When the firm is chaired by a company
5. When the families involved were not related in anyway

To also ensure that the characteristics of the firms would enable the objectives of the study to be met, firm were selected based on the following conditions

1. The board chair belongs to the family. This was to ensure that firms studied were those in which members of the family held the highest positions of reasonability.
2. The board members are at least three
3. The management team have at least responsibility positions
4. The number of employees was 10 or more to avoid selection of micro-firms, this will give a real role of responsibility to the board.
5. Not listed and didn't belong to financial sector

   Finally, 319 firm were included in this study for 2017 financial year.

Table 1: Definition of variables

Acronym	Variable	Description of variables	Expected sign
PERF	Performance	It measures the productivity as the natural logarithm of the ratio of sales to employees in 2016. This measure considered to be more trustworthy and less subjective than other figure related to profit (Oswald, 2009).	
CEOD	CEO duality	This is a dummy variable that takes the value '1' when the CEO or the general manager is also the board chair otherwise '0'	Positive (+)
EDIR	Proportion of executive directors	This is measured as the percentage of executive director relative to total number of directors.	Negative (-)
ODIR	Majority of outsider directors	This is a dummy variable that takes the value '1' when the proportion of outside directors on the board is more than 50% and '0' otherwise.	Negative (-)
DDIR	Diversity of family directors	This is measured by using absolute value percentage difference between executive and non-executive directors.	Negative (-)
SIZE	Firm size	This is measured as total asset of the firm but due to high variability natural logarithm of total asset was taken.	Positive (+)
FAGE	Age of the firm	This was measured as number of years since the establishment of the firm. Due to high variability natural logarithm was taken.	Positive (+)
GROW	Firm Growth	This was measured as percentage change in the sales relative to previous year's sales.	Positive (+)
SECT	Sector of activity	This is a dummy variable that takes the value '1' when the firm belong industrial sector '0' otherwise.	Negative (-)

3.2 Moderator effects

A moderator or an interaction effect occurs when the moderator variable, a second independent variable, changes the relationship between another independent variable and the dependent variable, namely, an effect in which a third independent variable (the moderator variable) causes the relationship between a dependent/independent variable pair to change, depending on the value of the moderator variable. The moderator effect is represented in multiple regression by a compound variable formed by multiplying the independent variable by the moderator variable, which is entered into the regression equation. The two moderator effects proposed in hypotheses H5 and H6 are linked to two interaction variables whose purpose is to determine the extent to which the effect of a majority of outside directors on performance is positive in case of duality and/or a higher diversity of family directors. The two Moderating variables therefore correspond to the following interactions of independent variables:

4.0 Result

4.1 Board Structure

Table 2 below shows the characteristics of board of directors in the firms under consideration of this study. The analysis denotes that the size of most boards of family owned firm are between 3-6 (representing 74.6 percent). Family owned firms who has 50% or less of its executive directors on the board represented 73.7%. Private Family owned firms with more than 50% of family members' representation on their boards denoted 79%. 88.1% of firm with less than 50% outside board members representation. The overall conclusion from this analysis is that boards are heavily controlled and highly influence by families.

Table 2: Board Structure

BOARD CHARACTERISTICS	N	%
BOARD SIZE –		
3 OR 4	156	48.9
4 OR 6	82	25.7
7 OR 8	43	13.5
9 OR 10	24	7.5
ABOVE 10	14	4.4
PERCENTAGE OF EXECUTIVE DIRECTORS		
0 TO 25 PERCENT	106	33.3
26 TO 50 PERCENT	129	40.4
51 TO 75 PERCENT	63	19.7
76 TO 100 PERCENT	21	6.6
PERCENTAGE OF FAMILY DIRECTORS		
1 TO 25 PERCENT	18	5.6
26 TO 50 PERCENT	49	15.4
51 TO 75 PERCENT	78	24.5
76 TO 100 PERCENT	174	54.5
PERCENTAGE OF OUTSIDE DIRECTORS		
2 TO 25 PERCENT	193	60.5
26 TO 50 PERCENT	88	27.6
51 TO 75 PERCENT	27	8.5
76 TO 100 PERCENT	11	3.4

4.2 Analyses

This study employed hierarchical multiple regression, where its normally variant of the basic multiple regression process that ensures specification of fixed order of entry for variables so us to control for the effects of covariates or to test effects of certain predictors influence of others. Therefore, this study was able to analyze:

a. The effect of control variables on the dependent variable

b. The joint or combined effect of explanatory variables regardless significance levels of the control variables

c. The individual effect of moderating variables in the explanatory power of the model. This helps the study to predict the predictive power of the moderators which was added to the model, following changes in R^2 . hence if the changes in R^2 shows statistical significance then we observe significant moderator effect. Thus, the study

d. assesses incremental effect only not the individual variables.

e. For the overall level of significance of the model, we adopted the adjusted R^2 and the F ratio because in practice R^2 assumes some setbacks when comparing models from the goodness to fit perspective.

4.3 Findings

Before going further to test our hypotheses of the study, we tested the existence of multi-colinearity between or among the variables in the model. Since in most regression analyses, this is one of the problems it encounters. On the account of this issue, we deployed two means of assessing whether the situation of multi-colonearity is present among the variables. The variance inflation factor (VIF) value together with the tolerance levels were analyse as well as correlation matrix between the variables were analyse.

From table 4, we observed that the VIF value were less than 10 and that of tolerance levels higher than 0.10 which is the threshold upon which it could be said that multi-colonearity exist. From the correlation perspective in table 3, the continuous variables used in this study showed that no coefficients between the variables was higher 0.80, hence discriminant validity exist as long as coefficients were less than 0.80. We therefore draw conclusion that no multi-colinearity exist between the variables.

We tested the hypotheses using hierarchical regression analysis, where the variables are entered in successive blocks (see table 4). The model I, which happens to be the baseline model comprising only the control variables {firm size (SIZE), firm age (FAGE), growth (GROW) and sector of operation (SECT)}. For the Model II, in addition to the control variables it includes all the independent variables {CEO duality (CEOD), proportion of executive director on the board (EDIR), majority of outside director on the board (ODIR), diversity of family directors on the board (DDIR)}. In addition to the variables in the II, we include moderator (interaction term between CEOD and ODIR) and (interaction between DDIR and ODIR) to form the model III and IV respectively. In the model III and IV, it allow recording combination effect of the moderators on the performance of the family owned firm. It should be noted, empirical evidence shows that an increase of more than one percent should be measured as significant, hence assumes the existence of moderating effect.

The regression results from model I in table 4 indicates that the sector in which a family firms operate or involved in influence its performance. In this case firms that operate in the manufacturing sector influence the ratio of sales to employees of the firms. The size of the firm and the rate of growth in sales equally influence the performance of the family owned firm but we found no evidence suggesting that ages of a family owned firm affect performance.

The model II in table 4, we estimated the regression results by adding the four main independent variables to the control variables. It could be seen that a significant change happened in the determination coefficient (change in R^2 - 6.98%, change in F – 12.23, p – 0.000) in the model II, indicating significant effect of the main regressors when applied on the dependent variable. Hence the effect of board of directors’ structure or composition on the family-owned firm performance is established. Following the results of the findings, the following conclusions are drawn:

TABLE 3: DESCRIPTIVE STATISTICS AND CORRELATION MATRIX

	MEAN	S.D	PERF	SIZE	FAGE	GROW	EDIR	DDIR	CEOD*0DIR	ODIR*DDIR
PERF	0.2857	0.1104	1.0000							
SIZE	6.5019	0.4491	-0.5601***	1.0000						
FAGE	1.3069	0.3450	-0.2263**	0.5543***	1.0000					
GROW	0.0800	0.0326	-0.3799***	0.6108***	0.5885***	1.0000				
EDIR	0.1616	0.3687	0.1508***	-0.6424**	-0.4563***	-0.7403***	1.0000			
DDIR	0.6955	0.3157	-0.2758***	0.3793***	0.3116***	0.3744***	-0.1675**	1.0000		
CEOD*ODIR			-0.4663***	0.6652***	0.5696***	0.8539*	-0.7147**	0.4019***	1.0000	
ODIR*DDIR			-0.4192***	0.4272**	0.4572*	0.6420	0.4395***	0.7620***	0.7051**	1.0000
CEOD	0.7892	0.4088								
ODIR	0.1737	0.1155								
SECT	0.7668	0.4238								

*,**,*** denotes significance level at 1%, 5%, 10% respectively

TABLE 4: SHOWS RESULTS OF MULTIPLE LINEAR HIERARCHICAL REGRESSION MODELS.

Independent variables	Model I		Model II		Model III		Model IV		Variance Inflation Factor (VIF)	
	Coefficient	t	coefficient	t	coefficient	T	coefficient	t	VIF	1/VIF
Constant		12.27***		12.27***		9.13***		11.72***		
SIZE	-0.3116	-10.08***	-0.2991	-10.06***	-0.2357	-7.38***	-0.2913	9.67***	5.91	0.161965
FAGE	0.0125	0.60	0.0025	0.13	-0.0056	- 0.33	-0.0014	-0.07	1.56	0.640962
GROW	2.5635	5.85***	2.4905	4.72***	1.9635	3.64***	2.4390	4.63***	6.27	0.159669
SECT	-0.0131	-0.95	-0.0148	-1.11	-0.0148	-1.14	-0.0160	-1.20	1.03	0.966597
CEOD			0.1207	4.05***	0.1790	5.25***	0.1222	4.11***	5.16	0.193748
EDIR			0.1405	0.47	0.0255	0.87	0.0127	0.43	4.20	0.238183
ODIR			-0.2922	-2.87***	-0.0226	-0.18	-0.2502	-2.37**	4.82	0.209351
DDIR			-0.0101	-2.19**	-0.0072	-1.56	-0.0025	-0.37	1.29	0.776189
CEOD*ODIR					-0.5484	-3.30***				
DDIR*ODIR							0.0480	-1.50		
R^2		0.4164		0.4944		0.5189		0.4997		
ADJUSTED R^2		0.4057		0.4755		0.4986		0.4785		
F		38.39***		26.16***		25.53***		23.64***		
Change in R^2				0.0780		0.0245		0.0053		
Change in F				12.23		0.63		2.52		

*,**,*** denotes significance level at 1%, 5%, 10% respectively

- There is a significant positive relationship between CEO duality role and the performance private family owned firm. This illustrations that having the same person as board chairperson and the CEO in a private family business positively affect performance. Following this finding hypothesis (H_1) is accepted.
- the presence of majority directors being outsider of a private family owned firm board has a significant negative effect on the performance of the firm. This indicates that as more and more persons who are not members of the family who owned the firm reduces the performance of the firm, therefore hypothesis (H_2) is accepted .
- We observed that higher diversity of family directors has a significant negative relationship with the performance of private family owned firm. Again, this finding shows that as more diverse the board of a private family owned business becomes, it worsens the performance of the firm, due to the emergence of competing interest of the blocks within the family. Base on this hypothesis (H_3) is accepted.
- We find no significant relationship between proportion of executive director on the private family owned firms and performance. However, the relationship was positive. Since the was expected sign was negative, the hypothesis (H_4) is rejected.

Furthermore, in the estimation of model III and IV, which includes two moderators into model II to estimate the coefficients of the moderating effect considered independently. Result of this estimation model is also illustrated in table 4. As it is observed from the results obtained, the incorporation of moderator variable (CEOD*ODIR) into model II to estimate model III shows that there was a significant increase in the determination coefficient (change in R^2 - 2.45%, change in F – 0.63***). On the bases of this the effect of the moderator variable has negative statistically significant at 1 percent level of significance. This finding suggest that a majority of outside directors on the board of private family owned firm has a negative effect on the performance of CEO where duality of role exist, therefore hypothesis (H_5) is rejected. If CEO duality exist in private family owned firm, it positive effect on performance is lesser, because it has negative moderator effect on the relationship between majority of outside directors and performance. Or the effect of majority of outside directors' effect on performance outweighs the effect of CEO duality on performance. The coefficient of (-0.5484) indicates the unitary change in the effect of CEO duality on the performance when proportion of outside directors' changes. Therefore, if the proportion outside is more than 50%, it reduces the total effect of CEO duality on performance and the reverse is truth of the outside director proportion is lesser than 50%.

On the account of the second moderator variable(DDIR*ODIR), the effect is not significant on performance. The incorporation of this variable into model II to estimate model IV, did not sufficiently increase the determination coefficient (change in R^2 – 0.53%; F – 2.52), so hypothesis (H_6) is rejected.

Finally, to test the reliability and validity of the results of model III and IV and guarantee the robustness of the findings, we tested the normality of the residuals (Kolmogorow-Smirmov Z-test 1.379, p- 0.048 and Z-test-1.389, p- 0.041 respectively) and this shows normality of the residuals. Furthermore, to validate the robustness of the model, the study carried out robustness check by using return on asset as a measure of performance (dependent variable). We find no significant differences when it comes to authenticating the hypotheses of the study and the coefficients.

5.0 Discussion and Conclusions

Our study empirically contribute to under-studied existing evidence in the area of private family owned business governance. This study gains more relevance due to stronger family ties and steward attitude of a board of private family firms, gives more interest in the board role of such firms. In trying to explain board role using agency theory we join with complementary theory of stewardship theory to demonstrate board composition and its effect on private family owned business performance. Existing studies on family firms' governance chiefly applied theoretical argument coming from traditional literature of family firms and adopted data of listed family firms. Hence, using data from private family owned firms, we make important contribution to family firm literature. In summary, the study concludes that board composition of board of directors of private family owned firms affects the performance. However, it must be noted somehow, the structure of the board of private family owned firms might be different from what has been suggested in general literature of board.

As we look forward to, the results indicate that having the same person leading the board (board chair) and management team (chief executive officer) has positive effect on the performance of private family owned firm. On one hand the results in this study is consistent with the findings of (Cabrera-Suárez and Martín-Santana, 2015) who studied non-listed family owned firms. based on this, duality could be a way of giving firms advantage of unity of command at the highest level of management, such as greater response to capacity, clearer and single understanding of strategic orientation and greater autonomy. Additionally, in private family firms leaders tend to consolidate their power to management for a long period of time, it becomes advantageous to the firm by acquiring or learning specific knowledge of their firms (Miller and Le Breton-Muller, 2006). We believe that private family owned firms promote the level of commitment of the family leader which intend stimulate stewardship behaviour. On the other hand, the results differ from the results obtained by (Braun and Sharma, 2007; Lam and Lee, 2007), who studied public firms controlled family firms. Therefore, how the CEO duality affect performance of firms operated as private owned family firms differ from that of the public or listed family owned firm. While in private family firm duality improves performance, the reverse is the case when the firm is traded public.

Furthermore, we found the existence of outside directors has negative influence on performance of private family owned firms. This results confirms the findings of (Cabrera-Suárez and Martín-Santana, 2015). The results seems to suggest that the benefit derived from outside directors in term of supervisory capacity and wider base of available resources to firm are offset by the losses arising from commitment level, trust, lack of knowledge of the firm and other gains related to social capital associated with outsiders on the board. Ordinary outsiders may not be effective in the monitoring and supervisory process because in family owned business certain strategic family information that affect the firm maybe hidden from those of outside (non-family members) which will eventually impede their service to the firm board.

We found evidence to support our hypothesis that higher diversity of family directors negatively impact on the performance of private family owned firms. The differentiation between executive and non-executive directors of a family owned firms implies increase in the divergence of interests or better agency conflict may arise between the two set of directors. This may go further to affect the family ties and related benefits of social capital may be affect due to the distinction between the directors of the family. As the board become diverse it affect the ability of the family to govern themselves and therefore lacks unity of interest. This eventually will create divergence of interest hence impeding performance. Therefore, consultants of family businesses may well advice and help owners of family business to develop balanced equilibrium insider and outsider directors on the board since each group of directors are significant to the survival and growth of the business.

No evidence was established to support the hypothesis that higher proportion of executive directors on the board affect performance negatively because of the fact that a typical agency problem related to opportunistic behaviour are uncommon is family owned firms. Diversity of views from management team of those who are not on the board of firms with higher presence of executive directors on board are accommodated.

In conclusion, further studies should consider or explore the relationship between governance, the management of human resources available to the firm from the family in private family owned firms since the decision of promotion and position of these firms are based on kinship instead of professional skills. Again, since performance of family owned firm can not only be understood in terms of board composition but also other dynamics, another further studies may explore boards' concentration on decision-making and problem coordination. Furthermore, decision coordination as CEO duality exist in family owned firms, it impact of financial performance.

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