Board Members Tenure, Age Disclosures and Organizational Performance: Evidence from Sub-Sahara Africa Countries

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Abstract

There is dearth of empirical studies on the relationship between board members tenure, age disclosures and organizational performance of consumer and industrial goods companies in sub-Saharan Africa in a single study. Thus, this study was carried out to determine whether certain corporate governance disclosure attributes (board members tenure and age) affect organizational performance (return on capital employed). Data were obtained from annual statements of sixteen (16) companies from 2012-2021. Four (4) countries were selected from each region of sub-Saharan Africa, namely Nigeria (West), South Africa (Southern), Kenya (East) and Egypt (Central). Data obtained and computed were analyzed by means of descriptive, post estimation and inferential statistical techniques. The fixed and random regression result showed that board member age (coefficient = 0.1943, z_ value = 1.97 and prob. z = 0.082), and board member tenure (coefficient = -0.1101, z_statistics = -0.14 and prob. z = 0.891) had insignificant relationship with organizational performance among the consumer and industrial goods companies in sub-Saharan Africa. The study recommended a 'short-tenured board' which should not be more than nine (9) years. Also, if organizations are to carefully monitor the activities of the board to improve performance, an elongated tenure of board members should be discouraged.

Keywords: Board member tenure; Board member age; Organizational performance; Return on capital employed; Sub-Saharan Africa

Introduction

The demand for more information on corporate governance disclosure is becoming increasingly sophisticated. According to Thanh and Nguyen (2022), the closer monitoring and management of the decisions of the board and management of organizations have further heightened the calls for more corporate governance disclosure. This is because poor governance is a route to organizational failure; yet the survival and stability of the organization depends largely on their level of performance (Fatimoh, 2012). Abdullah and Valentine (2009) believed that corporate governance and the performance of organizations are intertwined; this is why studies have shown that attributes of corporate governance disclosure have strong influence on organizational performance (Hykaj, 2016; Sanda, Mikailu & Garba, 2005).

In sub-Saharan Africa, and the world over, emphasis on the need for governance reforms sprung up after the incidence of fraudulent corporate scandals resulting to poor management, high gearing ratios, and overtrading in stock markets (Osemeke, 2012). For instance, in Nigeria, the collapse of organizations can be observed in the cases of Oceanic Bank Nigeria Plc (2010), Intercontinental Bank Nigeria Plc. (2010), AfriBank and Bank PHB (2010), FinBank (2010) which were attributed to mismanagement and poor governance which tremendously heightened public anxiety about the

health of organizations (Imade, 2019). In South Africa, similar situations were observed for organizations like Steinhoff Company (2019), South African Airways (2020), Denel Arms Manufacturer (2020) (Nzimakwe, 2021).

Furthermore, in Kenya, the demise of organizations like Chase Bank, Spencon, ARM Cement and Karuturi (Gathaiya, 2017) and in Egypt, Silos and Storage Company, and the National Company for Cement (Mohamed, Basuony & Badawi, 2013), were clear evidences of ineffective corporate governance; all these increased the need for organizations to show disclosure on corporate governance. Given the collapse of some organizations in Nigeria (West Africa), South Africa (Southern Africa), Kenya (East Africa) and Egypt (Central Africa), it led to the governance reforms and initiation of numerous codes of governance. These governance codes were established with the view to enhancing transparency, accountability and confidence in the corporate environment.

Notwithstanding, the number of governance reforms and codes, board members role in the collapse of some organizations spurred series of arguments (Bebeji, Mohammed & Tanko, 2015). More importantly, research on the relationship between corporate governance disclosures attributes (such as board member age, and tenure) and organizational performance has remained mixed especially in sub-Saharan Africa (Hykaj, 2016; Akpan & Riman, 2012). While there is robust literature in developed countries, there seem to be relatively scanty empirical evidence in sub-Saharan Africa in a single study, particularly on the specific sets of corporate governance disclosure attributes like board member age and tenure that have positive and significant association with organizational performance.

Besides, this study observed that prior studies (Akinwole & Folorunsho, 2020; Osazevbaru & Tarurhor, 2020; Tabara & Ungureanu, 2012; Dabor & Adeyemi, 2011) on components of governance, did not pay attention towards ascertaining the best sets of corporate governance disclosure attributes that affect organizational performance the most. There is therefore a gap in management literature as to the need for continuous research into this area especially as regulatory requirement for improvement in governance disclosure in most countries of sub-Saharan Africa is currently experiencing a dramatic turnaround.

Sub-Saharan Africa is divided into four (4) regions namely West, Southern, East and Central Africa (Okoro & Ihenyen, 2020). The organizational performance indicator of the study is the return on capital employed while the corporate governance disclosure attributes are board member tenure of office, and board member age. Consequently, there is no consensus in management literature as to whether corporate governance disclosure attributes *inter-alia* will affect organizational performance in sub-Saharan Africa; this requires empirical investigation which this study seeks to satisfy.

Literature Review

Board Member Age

The age of the board member is considered an important dynamic in affecting organizational performance (Khamis, Hamdan & Elali, 2015). The age of board member is defined as how long or period of time a board member has spent on the boardroom of the organization. The use of board member age as a corporate governance attribute is justified on the basis that board member who have attained significant number of age must have acquired much experience and exposed to issues that pertains to board administration of an organization.

The board member age has been widely used by numerous studies (Brahma, Ahmad, Sadiqa & Khan, 2021; Akinwole &Ajide, 2020; Nwafor & Boateng, 2019; Biobele, Igbo & John, 2013). Ahmad, *et al* (2021); and Brahma, *et al* (2019) showed that board member age positively and significantly affects organizational performance. On the other hand, Akinwole and Ajide (2020); and Biobele *et al* (2013) found that board member age negatively and significantly affects organizational performance. Thus, there is mixed findings on the link between board member age and organizational performance.

In the literature, there is a gap on assessing the relationship between board member age and organizational performance in sub-Saharan Africa in a single study. Notably, increased board member age was more likely to have an improvement in organizational performance than decreased board member age. On the basis of this, board member age was included as a dimension of corporate governance attribute. The inclusion of board member age in the empirical model of the study is in consonance with the suggestions of Brahma *et al* (2019), Akinwole and Ajide (2020) and Ahmad *et al* (2021).

Board Member Tenure

In the literature, the tenure of board member (which represents the length in number of years a member is allowed to serve in the board) has been widely acknowledged as a fundamental determinant of organizational performance. According to Nzimakwe (2021), board member tenure refers to the term of office a member is allowed to serve or remain with the board of the organization. Prior studies (Osazevbaru &Yahaya, 2021; Samuel, 2021; Nurul, Nor, Fazrul & Zuraidah, 2020) support the viewpoint of long-board member tenure emphasizing that long-term board membership might permit a member to obtain more knowledge on the functions of the board and consequently allow them to be extra competent, and improve the capacity of the board member to uncover financial misdemeanor.

Noteworthy is the fact that advocacies of frequent substitution of board member tenure of office show that it could influence familiarity between board members and management and could result in manipulation in the boardroom, which may negatively affect organizational performance (Sobhan, 2021; and Akinwole & Ajide, 2020). In the views of Sobhan (2021), board member tenure negatively affects organizational performance. Contrarily, Nurul, *et al* (2020); Osazevbaru and Yahaya (2021); and Samuel (2021) found that board member tenure significantly affects organizational performance.

Consequently, there is mixed results on the relationship between board member tenure and organizational performance. Remarkably, there is literature gap on the link between board member tenure and organizational performance in sub-Saharan Africa in a single study. Given the viewpoints of prior studies, board member tenure was employed as one of the variables of corporate governance attribute and the inclusion of board member tenure in the empirical model of study is in line with the suggestions of Nurul, *et al* (2020); Akinwole and Ajide (2020); Osazevbaru and Yahaya (2021); Samuel (2021) and Sobhan (2021).

Organizational Performance

Organizational performance is the benefits emanating from companies' shares, and their operations which are disclosed in financial statements. The concept of organizational performance could be measured using variables of profitability (such as earnings per share, return on assets, dividend per share, return on equity, profit after tax, earnings yield, return on capital employed,

etc.) and/or market-based measures (Tobin's Q). Thus, financial performance of organizations according to Herly and Sisnuhadi (2011) can be assessed on the basis of information disclosed in the financial statements.

Organizational performance can be ascertained via the use of financial ratios which show the relationship between variables disclosed in the financial statements of an entity. Financial statement ratios are informative and can importantly be used as measures of organizational performance (Kabayeh, Nu'aimat & Dahmash, 2012). Al-Matari, Al-Swidi and Fadzil (2014) contended that organizational performance forms the hub of strategic management. Most studies on strategic management employ the paradigm of organizational performance in an attempt to assess and evaluate diverse strategy contents and processes (see Odiri, 2020; Tarurhor, & Olele, 2020; Tarurhor, 2017; Odiri, 2016).

In management literature, the role of organizational performance is vivid via the numerous prescriptions provided for financial performance improvement. Empirical researches suggest that organizational performance is largely reliant on financial-based measurements. Several studies had either employed market-based or financial-based measurements; we used financial-based measurement of organizational performance (return on capital employed). Financial-based measurement is deemed as a valuable dimension of organizational performance. Financial-based dimension indicates firm performance on a short term; however, it is viewed as a good indicator for assessing overall efficiency of the firm (Al-Matarneh, 2009).

Kapopoulos and Lazaretou (2007) contended that financial-based measurement of performance is backward-looking and partial future events estimation. Besides, market-based measurement of organizational performance is typified by its forward-looking nature because its shows the expectations of the shareholders regarding the organization's future performance (Wahla, Shah & Hussain, 2012).

Prior studies established that financial-based measurements such as returns on asset, earnings per share, returns on equity among others are used for short-term performance of an organization (Al-Matari, Al-Swidi & Fadzil, 2014). In view of this, the study focused on financial-based measurement (company-level) organizational performance via the divided of return on capital employed, which is calculated as earnings before interest and tax divided by the total assets minus current liabilities.

Theoretical Underpinning

This study used the stewardship theory (STET); the theory was popularized by Donaldson & Davies (1991). The idea of STET is that individuals at the helm of affairs in an organisation should be envisaged as motivated by a desire to realize or gain intrinsic contentment by performing several challenging tasks, and effectively exercising their responsibilities to gain recognition from other stakeholders (McClelland, 1961).

STEET suggests that absence of agency cost between principals (owners of wealth) and the agents (managers of wealth). There is a consensus in the interests of the shareholders and managers thus minimizing the necessity to monitor the management for increasing shareholders' wealth. The stewardship theory argues that shareholders' interests are maximized by shared incumbency of their roles in the board. Prior empirical studies do not support the agency theory and provide some support for stewardship theory (Donaldson & Davis, 1991).

Whereas, there may be elements of controversy as to which of the two theories (agency and stewardship) serves the best interest of shareholders; we took the stand point of agency theory. This is supported by the Securities and Exchange Commission (SEC) Code of Corporate Governance among others which is unequivocal in subscribing to agency theory and made the implementation of codes of corporate governance mandatory for companies in sub-Saharan Africa.

Materials and Methods

The study used the quantitative design and the study population consisted of all quoted companies in the consumer and industrial goods sector on recognized Stock Exchanges in sub-Saharan Africa. Using the purposive sampling method, four (4) countries in sub-Saharan Africa were employed, namely Nigeria (West Africa), South Africa (Southern Africa), Kenya (East Africa) and Egypt (Central Africa). The choice of purposive sampling is hinged on the fact that companies in the selected regions of sub-Saharan Africa have adequate disclosure measures on corporate governance, coupled with a robust capital market.

In Nigeria, there are forty quoted consumer and industrial goods companies (The Nigerian Exchange Group, 2021), seventy-seven in South Africa (The Johannesburg Stock Exchange, 2021), twenty-three in Kenya (The Nairobi Securities Exchange, 2021), and forty-three in Egypt, totaling one hundred and eight-three quoted consumer and industrial goods companies in the selected countries of sub-Saharan Africa.

The study used panel data consisting of corporate governance disclosure attributes (board member age and tenure) and organizational performance (return on capital employed) spanning from 2012-2021. The fixed and random effects regression technique was used in ascertaining the effect of corporate governance disclosure attributes (board member age and tenure) on organizational performance while the principal component and factor analyses were employed in assessing the corporate governance disclosure attributes that affects organizational performance the most in sub-Saharan Africa.

The analysis involved descriptive statistics (such as the mean, median, minimum and maximum value, standard deviation, skewness, kurtosis and correlation), post estimation tests (principal component and factor analysis, and variance inflation factor. Also, the Hausman specification test was done to determine whether random or fixed effect is more suitable. The study builds on existing corporate governance disclosure attributes and organizational performance models. The independent variable is corporate governance disclosure attributes (board member age and tenure) while the dependent variable is organizational performance (return on capital employed). The empirical models of the study are given as follows:

$$roce = f(bma) \qquad eq.\ 1$$

$$roce = f(bmto) \qquad eq.\ 2$$

Equations 1-2 are shown in their implicit forms; thus, equations 3-4 are estimated in their explicit forms:

$$roce_{it} = \alpha_0 + ß_1 bma_{it} + €_{it} \qquad eq.\ 3$$

$$roce_{it} = \alpha_0 + ß_1 bmto_{it} + €_{it} \qquad eq.\ 4$$

Where: *roce* = return on capital employed; *bma* = board member age; *bmto* = board member tenure of office; $€_{it}$ = error term; $\alpha \& \beta$ =regression coefficients of the variables. The measurements of the variables are shown in Table 1:

Table 1: Variables Measurements

S/N	Variables	Measurement
1	Board member tenure of office	The number of years executive officers have spent or existed on the board
2.	Board member age	The average age or average number of years of the executive officers on the board
3.	Return on capital employed	Earnings before interest and tax divided by total asset minus current liabilities (percentage)

Source: Researchers' Compilation (2023)

Results

Table 2: Results of Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Dev.	Kurtosis	Skewness
ROCE	-57.28	48.09	6.15	0.78	14.3	-1.37
BMA	31.00	64.00	9.62	1.02	2.30	-0.65
BMTO	2.00	9.00	4.66	0.92	4.33	0.91
Observations	160	160	160	160	160	160

Source: Researchers Compilation (2023)

Table 2 showed the mean for the dependent and independent variables and their standard deviation. Board member age (*bma*) shows the highest average with a value of 49.625. The highest average value for *bma* is expected because it was reported in numbers. Board member tenure of office (*bmto*)shows the least dispersion with a standard deviation of 1.03. The dispersion of the variables showed that the sampled companies in sub-Saharan Africa are not too dispersed from each other and most probable they used similar corporate governance attributes disclosure.

The maximum and minimum values *roce* are 48.09 and -57.30; *bma* 64 and 31 and *bmto* 9 and 2 respectively, suggesting among others that board member age range from 31-64years and have existed or remained in the board from 2-9years. The skewness result revealed that *bma* is skewed to the left with *roce* while *bmto* was skewed to the right. More so, the kurtosis result showed that the variables are closer to three (3); an indication of platykurtic curves and suggesting that the variables are normally distributed.

Table 3: Results of Pearson Correlation

Variables	ROCE	BMA	BMTO
ROCE	1.0000		
BMA	0.1358	1.0000	
BMTO	-0.0070	0.1851	1.0000

Source: Researchers Compilation (2023)

In Table 3, the result showed that board member age(*bma)* is positively linked to organizational performance (return on capital employed – *roce)* while board member tenure of office *(bmto)* is negatively link to organizational performance (*roce)*. Interestingly, none of the Pearson correlation coefficients were perfectly correlated, given that none of the Pearson correlation coefficients exceeded 0.8 (Gujarati, 2003) as cited in Okoro & Ekwueme (2021).

Table 4: Result of Variance Inflation Factor (VIF)

Variables	VIF	I/VIF
BMA	1.10	0.906717
BMTO	1.02	0.981669
Mean VIF	1.06	

Source: Researchers Compilation (2023)

The result in Table 4 showed that the VIF=1.06 and is less than the conventional VIF value of 10.0, indicating the nonexistence of multicollinearity problem in the models of board member tenure and age and organizational performance.

Table 5: Result of Factor Analysis

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor 1 (BMA)	0.01722	0.32699	0.0550	1.9894
Factor 2 (BMTO)	-0.30977	-	-0.9894	1.0000

Source: Researchers Compilation (2023); Unexplained Variance=86.2; LR test: independent vs. saturated: chi2(6) = 19.41; Prob>chi2 = 0.0005

In Table 5, two (2) factors were found with eigenvalues; factor 1 had a factor loading of 0.9 and above has been selected since factor loading above 0.5 are very significant to establish minimum loading required constituting an item. The unexplained variance is 86.2% of the total variance. Thus, there is the need for management of companies to increase board member tenure and board member age so as to promote organizational performance in sub-Saharan Africa.

Table 6: Result of Factor Loadings and Unique Variances

Factor	Factor 1	Factor 2	Uniqueness	Commonality Σ(loading)2
BMA	0.0954	0.4183	0.8147	18.53%
BMTO	0.1548	0.1209	0.9599	4.01%

Source: Researchers Compilation (2022)

Presented in Table 6 is the factor loading estimates; it was found that the two (2) variables are strongly related with some specific factors. The unique variances showed that *bma* had the highest commonality while *bmto* (4.01%) had the lowest commonality. Thus, board member age predicts organizational performance the most. Impliedly, board member age is the corporate governance attribute disclosure that predicts organizational performance the most in sub-Saharan Africa.

Table 7: Result of Board Member Tenure and Organizational Performance

Dependent Variable: Organizational Performance (ROCE)				
Estimator	FE (Obs.=160)		RE (Obs. =160)	
Variable	Coef.	Prob.	Coef.	Prob.
Board Member Tenure (BMTO)	-0.1101	0.891	-0.0831	0.916
	(-0.14)		(-0.11)	
R-Squared (within)	0.0001		0.0001	
R-Squared (between)	0.0038		0.0038	
R-Squared (overall)	0.0000		0.0000	
Wald Ch2			0.01	
Prob. Ch2			0.9163	
Hausman Test	Chi2(2) = 0.03		Prob>Chi2= 0.8589	

Source: Researchers Computation (2022)

Table 7 presented the results of the Fixed Effect (FE) and Random Effect (RE) for board member tenure of office (BMTO) and organizational performance (ROCE) of the entire panel data. We found that BMTO is insignificant at 5% level in explaining ROCE. The result of Hausman specification tests are: Chi2(2)=0.03 and p-value= 0.8589; this implies that fixed effect (FE) is more efficient than random effect (RE). The result of FE showed that the subjects from which measurement are drawn from are fixed and that the variation between companies in sub-Saharan Africa are not of interest, thus the subjects and their variances are identical.

Using the FE and RE results, the coefficient of BMTO is -0.1101 and -0.0831 respectively; implying that when companies in sub-Saharan Africa have a specified board member tenure of office, it will lead to approximately -11.01% and 8.31% decrease in their level of return on capital employed. The t-tests of BMTO are -0.14 (FE) and -0.11 (RE) respectively. The t-test further confirms that board member tenure of office (BMTO) is insignificant in explaining return on capital employed. More so, R^2 is 0.0001, indicating that board member tenure of office explains about 0.01% of the systematic variation in return on capital employed.

The Wald Ch2-statistics is 0.01 with a probability value (p-value) of 0.9163 showing that it is insignificant, it thus means that there is no significant link between board member tenure of office and organizational performance in sub-Saharan Africa and the relationship is negative.

Table 8: Result of Board Member Age and Organizational Performance

Dependent Variable: Organizational Performance (ROCE)				
Estimator	FE (Obs.=160)		RE (Obs. =160)	
Variable	Coef.	Prob.	Coef.	Prob.
Board Member Age	0.1943	0.050	0.1722	0.082
(BMA)	(1.97)		(1.74)	
R-Squared (within)	0.0255		0.0255	
R-Squared (between)	0.3115		0.3115	
R-Squared (overall)	0.0184		0.0184	
Wald Ch2			3.03	
Prob. Ch2			0.0817	
Hausman Test	Chi2(2) = 5.02		Prob>Chi2= 0.0250	

Source: Researchers Computation (2020)

Table 8 presented the results of the Fixed Effect (FE) and Random Effect (RE) for board member age (BMA) and organizational performance (ROCE) of the entire panel data. We found that BMA

is insignificant at 5% level in explaining ROCE. The result of Hausman specification tests are: Chi2(2) = 5.02 and p-value= 0.0250; this implies that fixed effect (FE) is more efficient than random effect (RE). Using the FE and RE results, the coefficient of BMA is 0.1943 and 0.1722 respectively; implying that when companies in sub-Saharan Africa have a specified board member age, it will lead to approximately 19.43% and 17.22% increase in their level of return on capital employed.

The t-tests of BMA are 1.97 (FE) and 1.74 (RE) respectively. The t-test further confirms that board member age (BMA) is insignificant in explaining return on capital employed. More so, R^2 is 0.0184, indicating that board member age explains about 1.84% of the systematic variation in return on capital employed.

The Wald Ch2-statistics is 3.03 with a probability value (p-value) of 0.0817 showing that it is insignificant. Thus, there is insignificant link between board member age and organizational performance in sub-Saharan Africa and the relationship is positive.

Discussion

The board tenure of office in the governance of modern corporations is vital to ensuring that a board member do not stay or remain in the board more than expected. Thus, board member tenure of office is observed as helpful and an effective dynamic in decision-making and in enhancing organizational performance. In the literature, there is dearth of studies on the link between board member tenure of office and organizational performance, particularly as it concerns consumer and industrial goods companies in sub-Saharan Africa.

Prior studies (see Osazevbaru & Yahaya, 2021; Samuel, 2021; Nurul, Nor, Fazrul & Zuraidah, 2020) support the standpoint of long-board member tenure emphasizing that long-term board membership might permit a member to obtain more knowledge on the functions of the board and consequently allow them to be extra competent, and improve the capacity of the board member to uncover financial misdemeanor. The few studies on board tenure and organizational performance are mixed. For instance, while Sobhan (2021) found that board member tenure of office negatively affects organizational performance, Nurul *et al* (2020); Osazevbaru and Yahaya (2021); and Samuel (2021) found that board member tenure positively affects organizational performance.

Particularly, this study finding negated the results of Nurul *et al* (2020); Osazevbaru and Yahaya (2021); and Samuel (2021) who found positive effect of board member tenure of office and organizational performance. However, our result supported the findings of Sobhan (2021) who argued that board member tenure of office negatively and insignificantly affects the performance of organizations. The result was evident from variable of board member tenure of office with coefficient = -0.1101, z_statistics = -0.14 and Probability z = 0.891.

Furthermore, the board member age of a corporation is seen as a vital dynamic affecting organizational performance (Kikhia, 2015). Board member age has been extensively used by numerous researches (Ahmad, Sadiqa & Khan, 2021; Akinwole & Ajide, 2020; Brahma, Nwafor & Boateng, 2019; Biobele, Igbo & John, 2013); however, while Ahmad *et al* (2021); and Brahma, *et al* (2019) found that board member age positively affects organizational performance, the studies of Akinwole and Ajide (2020); and Biobele *et al*, (2013) showed that board member age negatively affect organizational performance. Hence, there is mixed findings on the link between board member age and organizational performance.

The results of board member age with coefficient = 0.1943, z_ value = 1.97 and Probability z = 0.082 were inconsistent with the findings of Ahmad, *et al* (2021); and Brahma, *et al* (2019) found that board member age positively affects organizational performance; however, the results agree with the findings of Akinwole and Ajide (2020); and Biobele, *et al,* (2013) who found that board member age negatively affect organizational performance.

Conclusion

The arguments that a good and efficient corporate governance mechanism would yield higher performance seem to be more prevalent in the literature; however, corporate governance disclosure attributes and organizational performance relationship of consumer and industrial goods companies in sub-Saharan Africa have not been researched in a single study.

In view of the above, this study investigated whether board member tenure and age affect organizational performance in sub-Saharan Africa. The study showed insignificant and negative relationships between board member tenure of office and board age and organizational performance in sub-Saharan Africa. The findings of the study are slightly different from other extant literature carried out in several parts of the world due to differences in corporate governance culture and practices

Recommendations

The study proferred recommendations that could guide stakeholders in the consumer and industrial goods subsector in sub-Saharan Africa as can be seen below:

i. *First,* the study recommended a rethink of having a 'short-tenured board' which should not be more than nine (9) years. However, the study made this recommendation with caution noting that if organizations are to carefully monitor the activiteis of the board in order to improve their performance, then an elongated tenure of a board member should be discouraged.

ii. In addition, the study recommended a rethink of having a young and vibrant board, since the results of the study showed that board member age positively affects organizational performance. Though, the study made this recommendation with caution noting that if organizations are to ensure enhanced performance, then young members occuping key positions in the baord, should be encouraged.

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