Impacts of Corporate Governance Reforms on Firms in Sierra Leone: A Review of Evidence and Future Directions

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Abstract

This article analyses the effects of corporate governance reforms on companies in Sierra Leone, emphasizing the efficacy of these reforms in improving transparency, accountability, and overall company performance. After years of civil strife and economic volatility, Sierra Leone has established many corporate governance frameworks to rebuild investor confidence and promote sustainable economic development. This review consolidates evidence from literature reviews, case analyses, and policy assessments to evaluate the effects of these reforms on corporate conduct and performance indicators. The study also utilized theoretical and empirical insights to guide future research approaches to understanding corporate governance in Sierra Leone. Findings from the study indicate that effectively designed corporate governance reforms can significantly enhance business performance by reducing agency costs, augmenting managerial accountability, and facilitating capital access (Jensen &Meckling, 1976; Gompers et al., 2003). It further highlights the challenges affecting effective corporate governance in Sierra Leone. The paper concludes with recommendations for future research directions, emphasizing the need for more robust empirical studies to explore the long-term effects of corporate governance reforms on firm performance and broader economic development in Sierra Leone. By addressing these gaps, policymakers and business leaders can better navigate the country's evolving landscape of corporate governance.

Keywords: Corporate Governance, Reforms, Institutional Frameworks, Firms, Small and Medium-sized Enterprises

1. Introduction

Corporate governance is critical in enhancing firm performance, particularly in emerging economies where institutional frameworks are often underdeveloped, and market inefficiencies pose significant shortcomings in running business sustainably (Claessens&Yurtoglu, 2013).Sound corporate governance practices, which emphasize accountability, and effective decision-making, are essential for fostering investor confidence, ensuring the efficient allocation of resources, and promoting long-termorganizational success (Shleifer & Vishny, 1997).

In many emerging economies, corporate governance reforms have been introduced to strengthen these principles, aiming to improve firms' performance and, by extension, support national economic development (OECD, 2015). Sierra Leone, a nation still recovering from the socio-economic disruptions caused by its civil war and the Ebola outbreak, has embraced corporate governance reforms as a key strategy to improve the performance of its business sector. However, the impact of these reforms on firms' performance has yet to be comprehensively examined.

The business environment in Sierra Leone has a wide range of business entities including small to medium-sized enterprises (SMEs), state-owned subsidiaries, and an increasing number of multinational firms. For many, these interfaces within a regulatory and institutional landscape have been dramatically redefined in recent years. Efforts have been concentrated on reforming board structures, increasing ownership transparency and audit mechanisms, and implementing laws regarding corporate accountability (World

Bank, 2020). These reforms are aimed mainly at addressing the governance problems that have been draining productivity such as conflicts of interest, low internal control, and secret decision-making (Afolabi 2015).While these efforts have helped, a gap remains in exploring the extent to which these reforms have contributed towards actual improvements in operational efficiency, profit margins, and market competitiveness among businesses operating within Sierra Leone.

The objective of this paper is to review evidence on the impact that corporate governance reforms have (and will) made in Sierra Leone by drawing theoretical and empirical lines of insightto provide directions for future research. Research has found that properly structured corporate governance reform can have a measurable impact on firm performance by decreasing agency costs and increasing managerial responsibility, as well as easing access to capital (Jensen & Meckling, 1976; Gompers et al., 2003). Nonetheless, in emerging economies like Sierra Leone, the efficiency of such reforms is limited by institutional deficiencies and inadequate compliance with governance standards (Okpara 2011). This review, based on data generated from Sierra Leonean firms and parallel case studies available, evaluates the extent corporate governance reforms have been effective in improving the level of good corporate governance practices resulting thereof in improved firm performance.

The paper further examines the practical difficulties encountered in implementing governance reforms within Sierra Leone. In emerging markets, typical challenges include regulatory capture such as corruption and profiteering at the expense of public welfare (as exemplified by endemic petty bribery), poor institutional capacity, and path dependence within established networks that make change costly or difficult to achieve on a large scale. These obstacles in turn constrain the extent to which governance reforms can enable firms to capture their financial and market potential fully. In addition to these, the article suggests possible next steps for policymakers and business leaders in Sierra Leone towards improving its corporate governance architecture along with global best practices considering experiences from other Sub-Saharan African countries that have enacted such reforms.

This research seeks to add to the increasing amount of information on corporate governance in Africa by providing a closer look at the situation in Sierra Leone. Since corporate governance is very important for economic stability and growth, it's crucial to understand how these changes affect company performance. This is important for both researchers and people who work in the field. Additionally, this study will offer practical suggestions to improve corporate governance in Sierra Leone, aiming to create a more open, responsible, and competitive business environment.

2. Literature Review

Global Perspectives on Corporate Governance Reforms and Firm Performance

Corporate governance reforms have become more important for improving company performance and ensuring long-term success worldwide. These reforms are mainly needed to increase transparency, accountability, and better management of resources, especially after global financial crisis and corporate scandals (Claessens&Yurtoglu, 2013). Corporate governance systems, which set rules, practices, and processes for guiding and managing organizations, are crucial for reducing risks from poor management and protecting the interests of different groups, such as shareholders, employees, and creditors (Shleifer&Vishny, 1997).

Around the world, changes in how companies are managed have been connected to better business results. Many studies show that strong management systems can lead to higher profits, higher company value, and more efficient operations (Klapper & Love, 2004). For example, in countries like the United States and the United Kingdom, improvements in corporate management have led to better stock market results, boosting investors' confidence (La Porta, Lopez-de-Silanes, Shleifer, &Vishny, 2002). In countries that are still developing, these changes are also very important, even though they can be harder to put into practice. Research by Love and Rachinsky (2015) on corporate management in Russia and Ukraine shows that these changes not only improve business performance but also help companies get more funding by making investors trust them more.

Several global studies highlight the significance of independent boards, clear financial reporting, and protecting shareholders as crucial elements affecting company performance (Jensen & Meckling, 1976). Good corporate governance practices are important not just for resolving issues between owners and managers, but also for encouraging wise decision-making that supports overall economic goals like growth and development. As global markets become more connected, improving corporate governance is seen as a vital step to ensure companies can work effectively in both local and international markets (OECD, 2015).

Corporate Governance in Africa

In Africa, efforts to improve corporate governance have become more important in recent years as countries aim to boost economic stability and draw in foreign investment. African nations have realized the importance of strong governance systems to tackle common problems like corruption, poor management, and inefficiency in both private and public sectors (Mensah, Aboagye, Addo, &Buatsi, 2003). However, putting these governance improvements into practice in Africa faces several obstacles, such as weak institutions, lack of policy and law enforcement, and limited resources in regulatory agencies (Okeahalam&Akinboade, 2003). The focus of corporate governance reforms in Africa is usually on making legal and regulatory environments stronger, increasing financial transparency, and ensuring that boards of directors are independent.

A study by Abor and Adjasi (2007) highlights how important good management is for businesses, especially small and medium-sized enterprises (SMEs), which are very important in many African countries. Good management helps companies get more money, work better, and make smarter decisions (Abor&Biekpe, 2006). Also, strong management can help protect businesses from the ups and downs of the market and the economy, which are common in Africa.

Despite these improvements, changes in how companies are managed in Africa have been applied inconsistently across the continent. South Africa is often seen as a leader in this area, mainly because of the King Reports, which have set high standards for managing companies in both public and private sectors (King, 2006). On the other hand, other African countries, especially in West and Central Africa, still face challenges with poor management practices, which slow down business growth and economic progress (Ntim, 2015). The World Bank (2020) notes that many African countries still don't have the necessary systems to enforce these management changes effectively, which limits their positive effect on business performance.

Corporate Governance in Sierra Leone

In Sierra Leone, improving how companies are run has become very important for the country's economic recovery after the civil war ended in 2002. Sierra Leone wants to make its systems stronger to support long-term economic growth, bring in more foreign money, and make both government and private businesses work better. The changes in how companies are managed in Sierra Leone aim to fix problems with openness, responsibility, and poor management that have been issues in the country's business environment (Mensah et al., 2003).

Even with these efforts, Sierra Leone still has major challenges in using good business management practices. Research from Abor and Quartey (2010) shows that many companies in Sierra Leone, especially small and medium-sized ones, still have weak management structures. These structures often involve informal decision-making and little accountability. These management problems cause inefficiencies in business operations and make it hard for companies to get outside funding, which is important for business growth and expansion (Beck &Demirguc-Kunt, 2006). Additionally, many businesses in Sierra Leone are family-owned, which makes it harder to improve management. In these family businesses, decision-making is often controlled by family members, leading to conflicts of interest and poor strategic decisions (Chrisman, Chua, & Litz, 2004).

Sierra Leone's efforts to improve how companies are run also show a larger pattern in Africa. Here, weak government systems and enforcement of rules have made it hard for changes in governance to improve business performance. But, recent steps, like creating the Corporate Affairs Commission (CAC), are trying to encourage better governance by making sure companies follow rules and improve their financial reporting. The effectiveness of these steps will mostly depend on whether Sierra Leonean businesses can use governance methods that are not only open and responsible but also suited to the specific challenges faced by small and medium-sized enterprises (SMEs) in the country.

As Sierra Leone works to match its corporate governance rules with global standards, it needs to consider the special cultural, economic, and political factors that influence efforts to improve governance. For example, many companies in Sierra Leone rely on informal ways of managing, which makes it hard to create formal governance systems. Abor and Biekpe (2006) point out that changes in governance in African countries need to fit the local situation to work well. This means thinking about things like family-owned businesses, the informal economy, and the lack of trained governance experts in Sierra Leone.

Corporate governance changes have a big impact on how well companies do around the world. Better governance helps companies work more efficiently, get more money, and make better decisions. In Africa, improving governance is very important because it can help fix problems that stop companies from doing well, like unclear rules and lack of openness. In Sierra Leone, there are some improvements in corporate governance, but there are still big challenges, like weak organizations, informal ways of managing, and many businesses being owned by families. More research and better policies should focus on making governance systems stronger, especially for small and medium-sized enterprises in places like Sierra Leone.

3. Purpose and Scope of the Review

This paper reviews existing evidence on the impact of corporate governance reforms on firms in a developing country context, with particular reference to Sierra Leone. In the context of the corporate sector being generally weak, the paper outlines some evidence and findings emanating from research conducted in this regard. Much of the review draws on the comprehensive sampling of empirical studies centered exclusively on developing countries. In terms of scope, the review focuses on six areas of emphasis: firm performance, expanding the performance metrics, enhancing corporate governance monitoring mechanisms, compliance with good corporate regulations, and firm and bank relationships as well as management structures. Overall, the main objective of this review is to identify the current status of corporate governance practices in Sierra Leone and any possible gaps to pave the way for future academic or policy-relevant research.

There are many possibilities for examining whether corporate governance regimes function as intended in developing countries. We emphasize five areas of emphasis as illustrated above. The data used for this review were gathered through a literature search. The paper is drafted based on the LD hypothesis, which argues that good corporate governance practices contribute to enhanced entities' value. The target audience for the piece includes academics, practitioners, and policymakers. There is limited published or grey evidence on this topic in the context of a weak corporate sector in Sierra Leone. It is anticipated that the empirical evidence offered, informing specific changes by Sierra Leone's corporate sector and policymakers, would influence the stakeholders of the Sierra Leone Corporate Governance Reforms to work on initiatives to improve the sector.

4. Theoretical Framework

Corporate governance reforms have been the subject of extensive research across various theoretical models. Scholars have examined corporate governance through different frameworks, including the principal-agent model, stakeholder model, stewardship theory, and transaction costs theory(Jensen & Meckling, 1976; Freeman, 1984; Donaldson & Preston, 1995; Davis, Schoorman & Donaldson 1997; Williamson, 1985). Principal-agent models, commonly employed to study governance arebased on the assumption that there is a need to reduce conflicts between the owners and managers of a firm (Jensen & Meckling, 1976). While the principal-agent approach remains dominant, the stakeholder model, stewardship theory, and transaction costs theory also provide essential perspectives (Davis et al,1997; Freeman, 1984).

The stakeholder model, for instance, emphasizes that cooperate governance should account for the interests of all stakeholders associated with the firm, but only the shareholders (Freeman, 1984). The stewardship theory, on the other hand, assumes that the owners and managers of firms share similar values and objectives and that managers contribute to maximizing shareholders' wealth. It defines the firm as a coalition of several interest groups, the dominant among them being shareholders (Davis et al,1997). Finally, the transaction costs theory, like the principal-agent model, argues that the separationof ownership and control leads to governance mechanisms aimed at protecting shareholders'interests by mitigating transaction risk and reducing agency costs (Williamson,1985; Shleifer&Vishny,1997). These theories suggest underpinning the performance of a firm to be theoretically affirmed.

Corporate governance mechanisms are generally implemented to enhance accountability among corporate managers, non-managerial parties, and stakeholders. Effective governance includes the principles of transparency, participation, effectiveness, and equity (Shleifer & Vishny,1997; (Healy & Palepu, 2001). Participation or stakeholder engagement is the process and mechanism for people to connect, contribute, and make a difference in an organization or decision that matters to them (Harrison & Wicks, 2013). Participation involves ensuring that people have access to opportunities and information. Effectiveness is the ability of people and organizations to accomplish their goals(Healy & Palepu, 2001). These theoretical foundations provide a framework for understanding the significance and impact of corporate governance reforms.

5. Corporate Governance Reforms in Sierra Leone

The reforms in corporate governance within Sierra Leone represent a crucial element of the nation's overarching initiatives aimed at fortifying its economic and institutional structures. The objective of these reforms is to enhance transparency, accountability, and efficiency across both public and private sectors. They play a pivotal role in drawing foreign investment, stimulating economic development, and enhancing the overall business environment within the nation.

Historical Background of Corporate Governance Problems in Sierra Leone

Sierra Leone's corporate governance has long been affected by weak institutions, insufficient regulations, and a lack of transparency in both the public and private sectors. These problems date back to the country's time after gaining independence, when governance systems were not well-developed, and many organizations functioned with little supervision or responsibility. The situation worsened due to the destructive civil war from 1991 to 2002, which disrupted economic operations and further weakened the ability of institutions to govern effectively (Abor & Quartey, 2010).

After the conflict ended, Sierra Leone started trying to improve its government systems. But problems like corruption, weak law enforcement, and limited ability of regulatory bodies have made it hard to have good corporate governance. This means many companies, especially small ones, face issues like poor management, lack of openness, and informal decision-making, which hurt their performance (Beck &Demirguc-Kunt, 2006).

The corporate governance issues in Sierra Leone are not unique; they show bigger problems common in many African emerging economies. Like other countries on the continent, Sierra Leone has to deal with family-owned businesses controlling the private sector, informal governance practices, and the need for better legal and institutional frameworks to protect investors and promote responsibility (Mensah et al., 2003).

Important Changes in Corporate Rules in Sierra Leone

In the past few years, Sierra Leone has made some important changes to make how companies are run better. These changes were needed because people both inside and outside the country wanted more honesty, responsibility, and better results in both public and private businesses. The government, with help from groups like the World Bank and the International Monetary Fund (IMF), has started several projects to make the rules for how companies are run stronger. Here are some of the main changes that have been made:

Reform	Description	Year
Establishment of the Corporate Affairs Commission (CAC)	The CAC was established to regulate and promote good corporate governance practices in Sierra Leone. It is responsible for overseeing the registration of companies and ensuring compliance with corporate governance standards.	2009
Companies Act of 2009	This law introduced modern corporate governance principles, mandating transparency in financial reporting and accountability in corporate management. It also established guidelines for the responsibilities of company directors and the rights of shareholders.	2009
Public Financial Management Act	This act aimed at improving financial management in public institutions by enforcing accountability and transparency. It addresses the mismanagement of public resources and enhances financial oversight in government-owned entities.	2016
National Corporate Governance Code	Introduced to guide companies, particularly in the private sector, in implementing sound corporate governance practices. It covers areas such as board composition, roles of directors, and transparency in financial dealings.	2018
Anti-Corruption Commission (Amendment Act)	This amendment strengthened the powers of the Anti-Corruption Commission to investigate and prosecute cases of corporate corruption and mismanagement. The amendment also introduced stiffer penalties for non-compliance with corporate governance rules.	2019
Government Budgeting and Accountability Act	The act aim at improving public financial management & accountability in Sierra Leone.	2005
Public Procurement Act		2004

Corporate Affairs Commission (CAC)

In 2009, a major change was made with the creation of the Corporate Affairs Commission (CAC). The CAC is responsible for making sure companies follow rules about how they are run, such as correctly registering businesses, being honest in their financial reports, and obeying the laws in the Companies Act. The CAC has been very important in helping companies follow these rules by making sure they are enforced and by keeping an eye on them to stop any bad behavior (World Bank, 2020).

The creation of the CAC was a significant move towards fixing the long-standing issue of accountability in Sierra Leonean businesses. Before the CAC was formed, many companies had informal ways of managing themselves, which made it hard to follow international standards. By setting rules for business practices and encouraging openness, the CAC hopes to build a more secure and attractive business climate for investors (Abor&Adjasi, 2007).

Companies Act of 2009

The Companies Act of 2009 is an important law that helps improve how businesses are managed in Sierra Leone. This law was created to update the country's business rules, replacing old laws with new ones that meet international standards. It requires companies to be open, and responsible, and to report their finances correctly. The Act also explains the duties of company leaders, the rights of investors, and how to handle situations where people might act in their interest instead of the company's (Mensah et al., 2003).

The Companies Act aims to reduce issues related to company management in Sierra Leone by clearly defining the responsibilities of directors and improving protection for shareholders. It also tackles the problem of having a few people owning most of the company, which is common in many businesses, especially family-run ones. The Act mandates that directors must always act in the best interest of the company and its shareholders, which is essential for ensuring the company's long-term success and effectiveness (Chrisman, Chua, & Litz, 2004).

National Corporate Governance Code

In 2018, the government created the National Corporate Governance Code to address the increasing demand for consistent corporate governance practices. This code offers a collection of guidelines and best practices that companies should follow, focusing on important areas like board structure, director duties, financial openness, and ethical business conduct (Ntim, 2015). The code's goal is to give businesses, particularly small and medium-sized enterprises (SMEs), a structure to follow good governance practices. These practices are essential for enhancing their performance and competitiveness.

The National Corporate Governance Code highlights the significance of having independent directors on company boards to minimize conflicts of interest and guarantee fair decision-making. Moreover, the code recommends regular financial information disclosure and the implementation of ethical business practices, which are crucial for gaining the trust of investors and stakeholders (Abor&Biekpe, 2006).

Anti-Corruption Commission (Amendment Act, 2019)

Sierra Leone has made significant efforts to improve its business practices by focusing on reducing corruption. In 2019, the government amended the Anti-Corruption Commission Act, giving the commission more authority to look into and handle cases of corruption in businesses. The amendment also increased the consequences of not following rules, especially in government-owned companies and private businesses that are important to the public (World Bank, 2020).

The Anti-Corruption Commission (ACC) has played a key role in making sure that both public and private organizations follow the rules for how they are run. They have also made sure that companies follow the guidelines for good management that are in the Companies Act and the National Corporate Governance Code. By doing this, the ACC aims to encourage honesty and fair behavior in businesses in Sierra Leone.

6. Challenges and Future Steps

Even though there has been some improvement in how companies are managed, there are still many problems. Many small and medium-sized businesses still use simple, unofficial ways to manage themselves, which makes the changes less effective. Also, making sure these rules are followed is hard because there aren't enough people to check and some people might be dishonest. To make these changes work for a long time, there's a need to make sure everyone follows the rules and help people learn how to do their jobs better (Ntim, 2015).

In the future, the focus should be on improving the abilities of organizations like the CAC and the ACC. Companies must adhere to the National Corporate Governance Code to enhance a fair business oriented environment. Additionally, helping small and medium-sized businesses (SMEs) use good governance practices will be important to make sure these changes help the whole economy.

Impact of Corporate Governance Reforms on Firm Performance

Changes in how companies are run in Sierra Leone have made a big difference in how well businesses do, especially when it comes to being open about money, taking responsibility, and working well as a team. This part looks at how these changes have affected businesses in different fields, using real stories and examples from certain industries. The study shows that while some things have gotten better, there are still problems, especially with making sure everyone follows the new rules, which can affect how well businesses do overall.

Financial Transparency and Accountability

One of the main goals of the changes in how companies are run in Sierra Leone is to make finances more open and responsible. The new Companies Act from 2009 and the creation of the Corporate Affairs Commission (CAC) have been very important in making companies report their finances better. A report from the World Bank (2020) says that companies, especially in banking and telecoms, have done better financially because people trust them more and they can get more money.

For instance, Sierra Leone Commercial Bank (SLCB), which is owned by the government, made big changes in how it was run after some upgrades. They started having independent directors and followed better rules for their financial reporting. This helped the bank get back on track and make more money after having problems for a long time (World Bank, 2020). Because SLCB's new way of running things made everything clearer, it brought in more local and foreign investors, which made the bank do better overall.

In the same way, companies in the telecommunications industry, like Orange Sierra Leone, have seen advantages from changes in how they are managed, especially in how they report their finances and how their boards are made up. After following the National Corporate Governance Code, Orange Sierra Leone has shown big improvements in how well it does financially, mostly because of better internal controls and smarter decision-making (Ntim, 2015). This shows how changes in governance that make things more open can help a company do better by making investors and customers trust it more.

Board Structure and Company Performance

In Sierra Leone, efforts to improve corporate governance have centered on making company boards more effective. The National Corporate Governance Code highlights the importance of having independent directors, a mix of genders, and keeping the roles of CEO and board chair separate. These changes are believed to make companies more efficient (Ntim, 2015). Studies show that companies with well-organized boards often make smarter decisions, which helps them perform better.

For example, Rokel Commercial Bank (RCB), one of Sierra Leone's biggest banks, saw major improvements in how well it worked after changing its board to follow new rules about how companies should be run. Adding independent directors and clearly separating the roles of managers helped with better supervision and fewer problems between different interests, making decisions quicker and better (Abor&Biekpe, 2006). Because of these changes, RCB made more money and was able to grow its part of the market in the competitive banking industry.

In the same way, smaller companies in farming, especially those in the cacao business, have made their management better, which helps them do better. Yakineh Farmer Cooperative, a big cacao grower in Kenema District, made modifications to how it is run by changing its leaders and being more open about money. These changes helped the cooperative get more people to invest and get extra money, which made them more productive and made more money (Beck &Demirguc-Kunt, 2006).

Corporate Governance Reforms and SME Performance

In Sierra Leone, the performance of small and medium-sized enterprises (SMEs) has been a major focus for changes in how companies are managed. SMEs are very important for the country's economy, helping create jobs and grow the economy. But, in the past, many SMEs had problems with how they were managed, like not having clear rules, not being responsible enough, and not having enough money. To fix these problems, new rules were made, especially the National Corporate Governance Code, to make things more clear, organize how businesses are run, and help them get more money.

Also, improving the performance of small and medium-sized businesses (SMEs) in Sierra Leone has been a major goal of corporate governance changes. SMEs are very important to the country's economy, providing many jobs and contributing to the total value of goods and services produced. However, many SMEs have faced problems with how they are managed, such as unclear leadership, lack of responsibility, and difficulty getting money. The introduction of the National Corporate Governance Code, which encourages openness, better management practices, and easier access to funds has contributed immensely in addressing these challenges.

Research by Abor and Quartey (2010) shows that SMEs that follow these new governance rules have done better. For instance, businesses in manufacturing, like those making clothes, have seen their finances improve because they can get money more easily. A significant example is Africell, a big company in the telecom business. Even though it's not a small or medium-sized business (SME), Africell has made changes in how it's run, and these changes have helped many smaller companies in their business endeavors.Africell has put in place strong rules for managing the company, like having a board of directors and being open about its finances. This has made Africell work better and more efficiently, showing other smaller companies in the industry what they can do (World Bank, 2020). Africell's success shows how changes in a company can help SMEs when they work together in a supply chain.

Sector-Specific Performance in the Public and Private Sectors

Corporate governance changes have affected different parts of Sierra Leone in different ways. In the government sector, changes have aimed to make state-owned companies (SOEs) work better and be less corrupt. Enactments like the Public Financial Management Act (2016) and the Anti-Corruption Commission (Amendment Act, 2019) are trying to make SOEs more responsible and open. For instance, the Sierra Leone Port Authority (SLPA), a big state-owned company, saw big improvements in how it worked after making changes to how it was run. They added independent board members, made their financial reports better, and set up stricter rules for watching over things. This helped the SLPA work more smoothly, cut down on dishonest behavior, and make more money (Ntim, 2015). The SLPA's story shows how changes can impact the operational effectiveness of companies working in the public sector by cutting down on waste and making sure public money is managed well.

In the private sector, changes in how companies are managed have had a bigger impact on financial services, telecommunications, and manufacturing. Companies that have adopted these changes usually show better financial results, more trust from investors, and improved operations. But there are still problems, especially in areas like agriculture and mining where companies follow these rules less often. These areas struggle with informal management practices and weak enforcement of rules for how companies should be run (Abor & Quartey, 2010).

7. Challenges and Limitations

Putting corporate governance changes into practice in Sierra Leone has faced big challenges that have stopped the full benefits from being seen, especially for company performance. These challenges are mostly about structure, rules, and culture, making the change process difficult. This part talks about the main issues during the implementation of governance changes, and the difficulties in measuring how these changes affect company performance.

Challenges in Implementing Corporate Governance Reforms

Weak Institutional Structures

A major issue in carrying out corporate governance reforms in Sierra Leone is the lack of strong institutions to enforce these reforms. Organizations like the Corporate Affairs Commission (CAC) and the Anti-Corruption Commission (ACC) struggle with limited funds, staff, and technical skills to effectively enforce corporate governance rules everywhere (Abor&Biekpe, 2006). This means that many companies—especially small and medium-sized businesses (SMEs) and those in the informal sector—don't follow corporate governance rules. Moreover, corruption in regulatory bodies weakens attempts to enhance governance because rules are frequently ignored or tampered with. Research by Beck and Demirguc-Kunt (2006) highlights that without strong institutional structures, governance improvements are less effective. This is because companies may not face serious consequences for breaking the rules, which then impacts their performance and responsibility.

Cultural Resistance to Governance Changes

Another big issue is that people don't like reforms to how businesses are run. In Sierra Leone, many companies, especially family-owned, and small businesses, are used to a way of doing things that isn't very organized. Decisions are made by just a few people, and it's not always clear how things are done or who is responsible (Ntim, 2015). When new rules are suggested that need more organized ways of running things—like having separate leaders, clear financial reports, and ways to check what's happening inside the company—smaller businesses often don't like it. This dislike for more formal ways of managing often means that only some of the new rules are followed, which makes them less effective.

For instance, many small and medium-sized enterprises (SMEs) continue to depend on informal connections and personal relationships to manage their business, and they don't feel much need to use more formal management practices. Studies by Abor and Quartey (2010) show that cultural beliefs, like giving family members priority over qualified people for board positions, slow down improvements in management practices across many parts of the economy.

Limited Access to Expertise and Resources

Another problem is that smaller businesses often don't have the same access to important knowledge and tools for good management, especially when compared to bigger companies. Larger firms, like those in banking and telecoms, can afford to hire experts and qualified leaders to help with their management, but smaller firms usually don't have the resources to do that. Many small and medium-sized enterprises in Sierra Leone find it hard to follow new rules and improve their management because they don't have the right skills or understanding (World Bank, 2020). This lack of access to management knowledge makes it much harder for smaller firms to benefit from changes in how businesses are run, compared to larger firms. Moreover, the expense of making changes to how a company is run can be too high for small and medium-sized enterprises, which usually have limited funds. The money needed to follow rules, hire outside leaders, or do regular financial checks can stop smaller companies from completely following good business practices.

Compliance and Enforcement Challenges

In Sierra Leone, companies in different industries find it challenging to follow new rules about how they should be run. Bigger companies usually follow these rules better because they are more well-known and sell their products in other countries. But smaller companies, especially those in farming and mining, often don't follow these rules. This happens because the people who are to enforce compliance most often compromise their work functions. As a result, compliance with these rules is inconsistent as some ignore their adherence, while others are forced to do so (Ntim, 2015).

This inconsistent adherence to reforms makes it hard to evaluate how much governance policies are helping companies perform better. When reforms are not applied the same way in all industries, it's tough to tell if better governance is really making a difference or if the improvements are only seen in a small number of companies that follow the rules closely.

Limitations in Measuring the Impact of Corporate Governance Reforms on Firm Performance

Lack of Comprehensive Data

One major issue in evaluating how corporate governance reforms affect company success in Sierra Leone is the shortage of complete and trustworthy data. Many companies, especially small and medium-sized enterprises (SMEs) and those in the informal sector do not keep precise financial records or report their performance to authorities. This lack of data makes it difficult for researchers to determine if governance reforms are helping companies perform better (Abor & Quartey, 2010). Additionally, governance improvements, like setting up independent boards and improving financial transparency, are usually done step by step. This means that the complete benefits of these changes might not be seen right away, making it hard to judge their immediate impact on company success. The lack of long-term studies or regular data gathering makes it difficult to firmly establish the connection between governance reforms and performance results.

Attribution Issues

Another challenge in evaluating how corporate governance reforms affect company performance is figuring out which reforms caused which results. Company performance is affected by many things, like market conditions, access to money, how good the managers are, and how stable the economy is. It's hard to tell how much of the performance improvement is because of better governance and how much is because of other things, especially in a place like Sierra Leone where the economy is always fluctuating (Beck &Demirguc-Kunt, 2006). For instance, companies that do better after making governance changes might also be getting help from good market conditions or more foreign investment, so it's hard to say if the changes alone made them better. On the other hand, companies that don't improve even after making changes might be hurt by outside problems, like a bad economy or political trouble, which makes it look like the changes didn't help.

8. Future Directions

Reforms in how companies are managed in Sierra Leone have set a strong base for better business performance, responsibility, and openness. But to get the most out of these reforms, more work is needed to fix the remaining issues. This part talks about the areas that still need improvement, suggests ways to make corporate governance stronger, and points out possible topics for future studies.

Areas Requiring Additional Reforms

Despite notable progress, there are several important areas in Sierra Leone's corporate governance landscape that need more attention and reform. The table below outlines these key areas and the related issues that still need to be resolved:

Area Needing Reform	Key Issues
Institutional Capacity	Weak enforcement mechanisms and insufficient resources for regulatory bodies (e.g., CAC, ACC).
Board Independence	Limited enforcement of independent board requirements, particularly in SMEs and family-owned firms.
Transparency & Disclosure	Inconsistent financial reporting and disclosure practices across industries.
SME Governance Support	Lack of targeted governance frameworks for SMEs, which operate differently from larger corporations.
Gender and Ethnic Diversity	Lack of diversity in corporate boards and leadership positions, limiting broader perspectives.

Area Needing Reform	Key Issues
Corruption Control	Endemic corruption in business practices and regulatory institutions, affecting reform effectiveness.
Technology Adoption	Slow integration of digital governance tools to enhance transparency and accountability.

Areas Requiring Reform: A Closer Look

Institutional Strength

The success of corporate governance changes in Sierra Leone is hindered by the weak ability of key organizations like the Corporate Affairs Commission (CAC) and the Anti-Corruption Commission (ACC). These groups often don't have enough resources or staff to enforce rules, check for mistakes, and make sure everyone follows the rules in different industries (Beck &Demirguc-Kunt, 2006). This weakness allows companies to avoid following governance rules without facing any problems. Improving the skills of these groups, giving them more funds, and using better tools for enforcement would greatly help them do their jobs better.

Board Independence

Board independence is very important for good business management. It helps make sure that decisions are fair and that leaders act in the company's best interest, not just for certain people. But in Sierra Leone, many small and family-run businesses have trouble following the rules about board independence. This happens because of the strong family connections and business ownership culture, which makes it hard to find leaders who are not related to the owners (Abor & Quartey, 2010). Making the laws stronger and encouraging companies to have independent leaders would improve how these businesses are managed.

Transparency and Disclosure

Openness and timely sharing of financial details are very important for keeping investors' trust and making sure everyone is responsible. Even though some reforms have been made to how companies are run, many businesses in Sierra Leone, especially those that are not part of the formal system, don't always follow the best ways to report their finances. This makes it hard for people who care about the company to understand how well it is doing financially (Ntim, 2015). Making the rules for reporting more consistent and having consequences for not following them can help make things more open. Also, using computer systems to file reports can make the process easier and help with keeping an eye on things, and track records of activities.

SME Governance Support

Small and medium-sized enterprises (SMEs) make up most of the companies in Sierra Leone, but most changes to how businesses are run have been made for bigger companies. SMEs work differently, often with simpler ways of managing, fewer resources, and less focus on being open and honest (Abor&Biekpe, 2006). To fix this, we need to create special rules for how SMEs should be run. These rules should think about the special problems SMEs have, like not having much money, weak ways of organizing, and not knowing much about managing a business.

Gender and Ethnic Diversity

Corporate boards in Sierra Leone still don't have enough variety, when it comes to both gender and ethnicity. A board with more variety can bring different ideas to decision-making, which can help the company do better. But many boards in Sierra Leone are mostly made up of men and people from just a few ethnic groups, which limits the different kinds of ideas and leadership. To fix this, there should be rules that help and encourage women and people from diverse groups that aren't well-represented to join corporate leadership roles.

Corruption Control

Corruption is a major problem for good business management in Sierra Leone. It affects both government and private companies, making it harder to enforce rules and making investors less confident (World Bank, 2020). Corruption in government agencies makes it difficult to follow rules, and dishonest actions like bribery and fraud in companies reduce transparency and accountability. To fight corruption in Sierra Leone, it's important to improve anti-corruption laws, give more independence to agencies like the ACC, and better protect people who report corruption.

Technology Adoption

Using digital tools for managing government tasks, like online systems for financial reports and blockchain for making transactions more transparent, is not very common in Sierra Leone. The slow use of these technologies makes it harder to increase transparency and accountability (World Bank, 2020). Companies often don't want to use new technologies because they worry about costs, don't have enough technical knowledge, and the digital systems are not well developed. If more business leaders learned about digital tools and if the country invested in better digital systems, it could help solve these problems and improve how different industries are managed.

9. Recommendations for Improving Corporate Governance in Sierra Leone

Strengthening Regulatory Oversight and Enforcement

Regulatory agencies need to be stronger so they can make sure that changes in how companies are run are followed properly. This means giving them more money for checking things, hiring more people, and using better technology to watch for rules being followed. A stronger system of watching over companies will help everyone follow the rules, cut down on cheating, and make things clearer and more honest.

Improving Board Independence and Diversity

To make boards more independent, changes should focus on setting stricter rules for having independent directors. The government can help by offering benefits like tax reductions or easier access to money, which can motivate small and family-owned businesses to follow these rules. Also, new policies should be made to increase diversity in company boards, especially by encouraging more women and people from different cultural backgrounds to join.

10. Conclusion

In this paper, we reviewed academic studies, corporate disclosures, and some policy documents that focus on the influence of reforming corporate governance on a variety of important outcome variables, including financial performance and disclosure practices, in the context of Sierra Leone. While we did not aim to appraise the quality of evidence here, given the limitations of individual studies in terms of their sampling and research design, among others, the review documents that evidence from all of these sources suggests that corporate governance reforms to date in Sierra Leone are having some impact – particularly on those changes that have made corporate governance incremental and continuously improving in the country. More could be achieved, however, if more effort was expended and some of the biggest challenges to effective governance were fundamentally addressed. The literature and other sources reviewed here confirm that none of the problems that good corporate governance is ostensibly designed to overcome have gone away and there is much to be done. The best-performing firms in Sierra Leone in respect of provisions such as the publication of annual reports, appointment of auditors, and application of codes of governance, etc. account for a small proportion of the overall population of medium to large firms, with firms not meeting the provisions making up the majority. Furthermore, the most numerous observations in terms of size are small firms, and the survey and firm informants alike appeared especially inclined to convey an understanding of corporate governance at this level. On the other hand, the above review suggests some reasons to celebrate, not least that in addition to providing a more incremental approach to reform for a developing context after years of ineffective laws and policies merely imposed on Africa, there seems to be a genuine appreciation of the complex factors such as culture, ownership, and regulation that substantially influence corporate governance performance in Sierra Leone. We discuss some implications for policy and practice in this concluding section and some priorities for the research arena in the short to medium term. To chart the way forward, however, some particular evidence gaps, particularly as they relate to the long-term journey toward real reform, are flagged for specific attention. Consistent evidence and opinions from studies reviewed here suggest a number of important lessons for any organization working with companies in Sierra Leone, as well as those planning and evaluating the potential for reform. It is often said that it takes a multitude of small reforms to bring about a large one. In the short to medium term, a priority for future research in the country should involve paying sufficient attention to the role of culture in fueling change in governance frameworks, structures, and procedures. But the policy implication is clear: the longer it seems to take to make a real improvement in corporate governance practice and rewards, the greater the need for building capacity in the area of trust, confidence, ownership, and engagement by external actors. Personal relationships with the government, owners, and society are critical to maintaining and sustaining a process that can improve the governance of corporate entities in Sierra Leone.

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