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An examination of the link between corporate governance and organizational performance in the Nigerian banking sector

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ABSTRACT

This paper examined the link between corporate governance and organisational performance in the banking industry. The objectives of this study were to investigate the significant difference between corporate governance practices and organisational performance and also to examine whether corporate governance variables used in this study were predictors of or were associated with organisational performance in the banking sector in Nigeria. The study employed survey research design. The subjects were employees of five banks in Oyo, Oyo State, Nigeria. Primary data was obtained through questionnaires to get opinions of employees in the five banks. Five hypotheses were formulated and tested using Correlation Analysis, Regression Analysis, and T-test. The findings showed that there was a significant difference between Corporate Governance practices and Organizational Performance. It was also shown that corporate governance policies, and Shareholder Right and responsibilities jointly predicted Organizational Performance. In addition, it was shown that there was significant relationship between Shareholder right and responsibilities and Organizational performance. Lastly, research found that corporate governance policies and corporate governance practices jointly predicted Organizational Performance. Based on the findings, it was recommended that the management and staff of the banks should make it a point of duty to understand the concept of corporate governance and carry along the various stakeholders with a view to improving organizational performance.

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Introduction

Corporate governance is a multi-faceted subject. An important theme of corporate governance is to ensure the accountability of certain individuals in an organization through mechanisms that try to reduce or eliminate the principal-agent problem. A related but separate thread of discussions focuses on the impact of a corporate governance system in the company's efficiency, with a strong emphasis on shareholders' welfare, employee commitment and organisational performance. There are yet other aspects to the corporate governance subject, such as the stakeholder view and the corporate governance models around the world.

In Nigeria, the concept of the corporation is foreign to the indigenous customary business practices of pre-colonial Nigeria. The first corporations to operate in Nigeria, British companies chartered in England, arrived in the second half of the 19th century. One of the first and most influential of these was the National African Company (later renamed the Royal Niger Company), which was chartered in 1886 (Ukpabi, 1987). Between 1862 (when colonial rule was formally established in Nigeria) and 1912, all of the corporations that operated in Nigeria were foreign companies registered in England and subject to the law and ideology of the British corporate governance system (Orojo, 1992). However, corporate governance in Nigeria during the period of colonial rule remained a part of the British system of corporate governance. It is only in the post-colonial period that we can begin to speak of "Nigeria" corporate governance.

Corporate failures in recent times in both developed and developing countries have kindled interest in corporate governance. Such well publicised corporate failures and scandals as: East Asian crisis of 1997/98- for example, Daewoo in South Korea (1998) involving accounting fraud and embezzlement by former CEO; in America the collapse of Enron (2001) involving bankruptcy due to accounting fraud and WorldCom (2002) where the company collapses with US\$41 bn debt due to fraudulent accounting; in the United kingdom, the collapse of Marconi (2001) involving bankruptcy due to overprice acquisition and neglecting of controls; HIH Insurance in Australia (2001) involving stock market manipulations; and Parmalat in Italy (2003) due to undisclosed debts of 14.3bn; Volkswagen in Germany (2005) due to the abuse of corporate funds to provide inappropriate benefits (Subramanaya, 2007). In Nigeria, we have major cases involving the collapse of the banking sector with 26 banks liquidated in 1997 and the recent financial scandals involving the falsification of the company financial statements in Cadbury Nigeria Plc in 2006 (Olusa, 2007; Amao & Amaeshi, 2007). All these corporate scandals further raise the interest in developing international and national standards on corporate governance, which organisations must adhere to. It is essentially "a system by which the organisation or company directs, manages and controls the business of the company to enhance corporate responsiveness to shareholders and other stakeholders" (Iyang, 2004)

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Statement of the problem

Corporate failure stemming from weak corporate governance, especially the internal mechanism, has been experienced in Nigeria in both manufacturing and services sectors. In response to the need for better corporate governance practices in Nigeria, the Securities and Exchange Commission (SEC) and Corporate Affairs Commission (CAC) aligned corporate governance in Nigeria with international corporate governance best practices, spelt out the code of best practices on corporate governance in Nigeria in 2003 for firms that are incorporated and or listed in Nigeria, and underscored the importance of board structure and compositions. However, despite the efforts made at ensuring good corporate governance practices among organizations both private and public, bad corporate governance practices still persists. Board changes is one of the most important and beneficial internal mechanisms of Corporate controls. However, there has been conflicting results about the possible benefits of this internal control mechanism as a result of the internal wrangling associated with board changes and the instability it causes to companies. This is also known to affect stock performance due to the frequency of management turnovers; this does not guarantee excess returns to shareholders, hence this research.

There is also the financial implication arising from poor and ineffective corporate governance controls such as the failure or bankruptcy of the organisation, this can be seen from the spectacular collapse of Enron, WorldCom and Parmalat etc.

Literature review and conceptual framework

ICSI definition of Corporate Governance is given thus "Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders."

Corporate governance is "the process of facilitating and stimulating the performance of corporations by creating and maintaining incentives that motivates insiders to maximize the firm's operating efficiency and at the same time enabling the limiting of insiders' abuse of power over corporate, resources, as well as providing the means of monitoring managers' behaviour in other to ensure corporate accountability" (Ogbechie and Koufopoulos, 2007).

Report of SEBI committee (India) on Corporate Governance defines corporate governance as the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal & corporate funds in the management of a company." The definition is drawn from the Gandhian principle of trusteeship and the Directive Principles of the Indian Constitution. Corporate Governance is viewed as business ethics and a moral duty

A generally accepted definition of corporate governance has not yet evolved, however, the most widely accepted definition of corporate governance is embodied in the OECD (organisation for economic co-operation and development) principles of corporate governance and is thus "corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders."

Corporate governance, as a concept, can be viewed from at least two perspectives: a narrow one in which it is viewed merely as being concerned with the structures within which a corporate entity or enterprise receives its basic orientation and direction (Rwegasira, 2000); and a broad perspective in which it

is regarded as being the heart of both a market economy and a democratic society (Sullivan, 2000). We are concerned with the narrow perspective of corporate governance.

Concept of performance

Performance means focus on strategy, value creation, and resource utilization, which should include wealth maximization, sustainable stakeholder value creation optimization and should emphasize the longer term interests of existing and future stakeholders.

Performance in its simplest form are policies and procedures that (a) focus on opportunities and risks, strategy, value creation, and resource utilization, and (b) guide an organization's decision-making.

In its 'Global Investor Opinion Survey' of over 200 institutional investors first undertaken in 2000 and updated in 2002, McKinsey found that 80% of the respondents would pay a premium for well-governed companies. They defined a well-governed company as one that had mostly out-side directors, who had no management ties, undertook formal evaluation of its directors, and was responsive to investors' requests for information on governance issues. The size of the premium varied by market, from 11% for Canadian companies to around 40% for companies where the regulatory backdrop was least certain (those in Morocco, Egypt and Russia).

Other studies have linked broad perceptions of the quality of companies to superior share price performance. In a study of five year cumulative returns of Fortune Magazine's survey of 'most admired firms', Antunovich et al. found that those "most admired" had an average return of 125%, whilst the 'least admired' firms returned 80%. In a separate study Business Week enlisted institutional investors and 'experts' to assist in differentiating between boards with good and bad governance and found that companies with the highest rankings had the highest financial returns. Performance does not necessarily mean increase in financial returns of companies.

There is strong relationship between corporate governance and organisational performance. Adenikinju (2005) while examining the governance structure of Nigerian firms and managerial characteristics and also investigating the extent to which the governance structure and managerial characteristics influence performance, noticed that managerial characteristics and corporate governance have implications for organisational performance.

Evolution of corporate governance in nigeria

The provenance of corporate governance system in Nigeria which, involves issues relating to the regulation, control and governance of enterprises can be traced, essentially to the companies and Allied Matters Act (CAMA) 1990, which replaced the Companies Act 1968. This legal framework has its roots in the British colonial legislation. In effect, the Nigerian Legal system and corporate governance practices mirrored the United Kingdom (UK) pattern (Okika, 2007).

The UK legislations were reviewed when Nigeria attained political independence from Britain in 1960. The Companies Ordinance of 1922 was repealed and replaced by the Companies Act of 1968 (CA). The CA of 1968 was, of course, a replica of UK Companies Act of 1948. The reason for these developments was because before the introduction of the indigenisation programme of the government in 1972, the British nationals controlled the major business enterprises in the country, and to protect their economic interests, they had to bring in their company legislation. This mimicking of the UK's Companies Act in Nigeria failed to accommodate the economic interests and development aspirations of the country. The government in 1972 promulgated the Nigeria Enterprises Promotion Decree, No. 4 of

1972, generally referred to as the indigenisation decree to promote indigenous ownership of business. The decree restricted foreign ownership by creating three schedules of enterprises: (i) enterprises exclusively reserved for Nigerians; (ii) enterprises in respect of which foreigners cannot hold more than 40% of the shares and (iii) enterprises in respect of which foreigners cannot hold more than 60%. This classification was based on the perceived financial managerial needs of the country at the time. The second schedule comprised manufacturing companies where foreign participation was expected to bring foreign capital and managerial expertise. The third schedule included capital-intensive enterprises (Ahunwan, 2002).

Presently, the Nigerian Enterprise Promotion Act No. 7 of 1995 has been repealed, thus abolishing any restriction with respect to the limits of shareholding. A foreigner can now fully own a business in Nigeria outside the production of arms and ammunition, drugs and psychotropic substances and such a company must be incorporated under CAMA 1990, which is the main legal framework for corporate governance in Nigeria (CAMA 1990).

The impetus for the development of corporate governance system in Nigeria also came through the activities of the Nigeria Securities and Exchange Commission (SEC). In 2001, the SEC set up the Atedo Peterside committee to identify weaknesses in the current corporate governance practices in Nigeria with respect to public companies and make recommendations on the necessary changes therein. A Code of Best Practices for Public companies in Nigeria was adopted (SEC, 2003). The code is voluntary and is designed to entrench good business practices and standards for boards and directors, CEOs, auditors, etc, of listed companies, including banks.

A major development in the history of corporate governance in Nigeria is the recent intervention by the Central Bank of Nigeria (CBN). The incessant collapse experienced in the banking sector due to poor corporate governance and the recent bank consolidation exercise forced the CBN to issue new corporate governance outlines to all banks operating in the country in February 2006. Known as the Central Bank of Nigeria Code for Corporate Governance for Banks in Nigeria Post Consolidation (CBN, 2006), the code seeks to address the issue of poor corporate governance and create a sound banking system in Nigeria. The code introduced more stringent requirements in the area of industry transparency, equity ownership, criteria for the appointment of directors, board structure and composition, accounting and auditing, risk management and financial reporting. The new code according to CBN was developed to complement existing codes in the country, and compliance to it is mandatory for all banks.

In Nigeria, a survey by the SEC reported in a publication in April 2003, showed that corporate governance was at a rudimentary stage, as only 40% of quoted companies, including banks had recognized codes of corporate governance in place. Specifically for the financial sector, poor corporate governance was identified as one of the major factors in virtually all known instances of financial institutions distress in the country (CBN, 2006). The Society for Corporate Governance Nigeria (SCGN) established on March 31, 2005 is equally making significant contributions to the evolving corporate governance systems in Nigeria. The SCGN's major objective is to promote the practice of corporate governance by directors and officers of companies with a view to optimizing shareholder value (SCGN, 2005).

Corporate governance and the agency concept

Agency relationship arises in any situation involving cooperative effort by two or more people. The relationship between the stakeholders, who are the owners of the company,

and the management and board of directors, is a pure agency relationship. Separation between ownership and control is intimately associated with the general agency problem. The problem of inducing an "agent" to behave as if he is maximizing the "principal's" welfare exists in all organizations (Jensen and Meckling, 1976). The main contributions to agency theory are given by Hart (1995), Fama and Miller (1972), Jensen and Meckling (1976), and Harris and Raviv (1991). According to Jensen and Meckling, if both parties are utility maximizers, the agent may not always act in the best interests of the principal. The principal can therefore limit divergences from own interest by establishing appropriate incentives for the agent and by incurring monitoring costs designed to limit the aberrant activities of the agent. Moreover, Jensen and Meckling assert that in some situations, it would pay agents to expend resources in the form of bonding costs, to guarantee that they will not take certain actions that would harm the principal, or to ensure that the principal will be compensated in the event of such actions being taken. It is believed that it is generally impossible for the principal or the agent to ensure that the agent will make optimal decisions from the viewpoint of the principal at zero cost. In most principal-agent relationships, the principal and the agent will incur positive monitoring and bonding costs, which may be pecuniary or non-pecuniary. In addition, there will still be some divergence between the agent's decisions and those decisions that could maximize the welfare of the principal. The monetary equivalent of the reduction in the welfare of the principal resulting from this divergence is the residual cost, which is also a cost to the agency relationship. Agency cost is the sum of the monitoring costs by the principal, the bonding expenditure by the agent and the residual loss. The existence of agency problems will affect macroeconomic growth and securities market performance in general and valuation of firms at the micro level. A firm can be viewed as a nexus of contracts, implicit and explicit, among various parties or stakeholders, such as shareholders, bondholders, employees and the society at large (Jensen and Meckling, 1976; John and Senbet, 1998). The payoff structure of the claims of different classes is different. The degree of alignment of interests with those of the agents in the firm who control the major decisions in the firm are also different. This gives rise to potential conflicts among the stakeholders, which is the principal-agent problem. If left alone, each class of stakeholders pursues its own interest which may be at the expense of other stakeholders (Jensen and Meckling, 1976). John and Senbet, 1998 focus on the private agency perspective of corporate governance of managerialism. Managerialism refers to self-serving behaviour of managers. Ownership of modern corporations is widely diffused, with most large companies being owned by shareholders. Under separation of ownership from control, the actual operations of the firm are conducted by managers who typically lack ownership positions of stock.

The potential conflict arising from managers and stockholders manifests itself in many ways. The management-stockholder conflict leads to managerial propensity for expanding a span of control in the form of empire building at the expense of capital contributors or owners, and for unduly conservative investments in the form of safe but inferior projects to maintain the safety of wage compensation and their own tenure (John and Senbet, 1998). Thus the existence of agency problems is potentially harmful to the owners of the firm and may lead to inefficiency and wealth destruction in an economy. It is in the best interest of owners to resort to control mechanisms that move the operation of the firm toward full efficiency of the Fisherian separation principle (Fisher, 1966).

The channels for efficiency gain are improved managerial performance and reduced cost of external capital resulting from appropriate control mechanism. These controls should be built into the corporate governance system, contractual mechanisms, and market for corporate control and takeovers. The board of directors is an internal mechanism of corporate governance. It is viewed as the primary means through which the shareholders exercise control on top management.

Anglo-American Model

There are many different models of corporate governance around the world. They differ according to the variety of capitalism in which they are embedded. The liberal model that is common in Anglo-American countries tends to give priority to the interests of shareholders. The coordinated model that one finds in Continental Europe and Japan also recognizes the interests of workers, managers, suppliers, customers, and the community. Each model has its own distinct competitive advantage. The liberal model of corporate governance encourages radical innovation and cost competition, whereas the coordinated model of corporate governance facilitates incremental innovation and quality competition. However, there are important differences between the U.S. recent approach to governance issues and what has happened in the UK. In the United States, a corporation is governed by a board of directors, which has the power to choose an executive officer, usually known as the chief executive officer. The CEO has broad power to manage the corporation on a daily basis, but needs to get board approval for certain major actions, such as hiring his/her immediate subordinates, raising money, acquiring another company, major capital expansions, or other expensive projects. Other duties of the board may include policy setting, decision making, monitoring management's performance, or corporate control.

The board of directors is nominally selected by and responsible to the shareholders, but the bylaws of many companies make it difficult for all but the largest shareholders to have any influence over the makeup of the board; normally, individual shareholders are not offered a choice of board nominees among which to choose, but are merely asked to rubberstamp the nominees of the sitting board. Perverse incentives have pervaded many corporate boards in the developed world, with board members beholden to the chief executive whose actions they are intended to oversee. Frequently, members of the boards of directors are CEOs of other corporations, which some see as a conflict of interest.

Principles of corporate governance

Corporate governance initiative is based on two core principles. These are:

- Management must have the executive freedom to drive the enterprise forward without undue restraints; and
- This freedom of management should be exercised within a framework of effective accountability.

However, the work undertaken by the OECD, World Bank, CACG and the Basel Committee on Banking Supervision, identified a number of generic corporate governance principles which include the following:

- ❖ Directors should have the skills and experience necessary to perform their role effectively, and should have a sound understanding of the nature of the company's business and its risks.
- ❖ Directors should not accept a position on the board if they have conflicts of interest that would significantly compromise their ability to perform their duties.

- ❖ There should be a clear specification of rights for company shareholders, including rights relating to access to information, participation in general meetings, and the election of directors.

- ❖ There should be a clear specification of the powers, duties and obligation of directors, including the need for directors to act in good faith, with due diligence and skill, and in the best interests of the company.

- ❖ The board should receive all the information they need in order to satisfy themselves that the company's affairs are being conducted in a manner consistent with the business objectives of the company and that all risks are being effectively managed.

- ❖ The board should set key performance indicators for the chief executive and senior management team and establish a system for effectively monitoring performance.

- ❖ There should be robust financial disclosure and external auditing arrangements. In the context of banking, disclosure requirements need to be relatively specific, requiring regular public disclosure of a bank's financial performance, capital position, asset quality, risk exposures and risk management systems. Directors should be held to account for the veracity of disclosures.

- ❖ There should be structures in place to ensure that the company complies with all statutory and regulatory requirements.

Cornerstones of corporate governance

From the definitions and core principles of corporate governance, there emerge the three cornerstones of governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship.

Trusteeship

Large corporations themselves have both a social and economic purpose. They represent a coalition of interests, namely those of the shareholders, other providers of capital, business associates and employees. This belief therefore casts a responsibility of trusteeship on the Company's Board of Directors. They are to act as trustees to protect and enhance shareholders value, as well as to ensure that the Company fulfil its obligations and responsibilities to its other stakeholders. Inherent in the concept of trusteeship is the responsibility to ensure equity, namely, that the rights of all shareholders, large or small are protected.

Transparency

Transparency means explaining company's policies and actions to those to whom it has responsibilities. Therefore, transparency must lead to maximum appropriate disclosures without jeopardising the Company's strategic interests. Internally, transparency means openness in Company's relationship with employees, as well as, the conduct of its business in a manner that will bear scrutiny. Transparency enhances accountability.

Empowerment and Accountability

Empowerment is an essential concomitant of first core principles of governance that management must have the freedom to drive the enterprise forward. Empowerment is the process of actualizing the potential of its employees. Empowerment unleashes creativity and innovation throughout the organization by truly vesting decision making powers at the most appropriate levels in the organizational hierarchy.

The board of directors are accountable to the shareholders, and the management is accountable to the Board of Directors. Empowerment, combined with accountability, provides an impetus to performance and improves effectiveness, thereby enhancing shareholders value.

Control

Control is a necessary concomitant of its second core principle of governance that the freedom of management should

be exercised within a framework of appropriate checks and balances. Control should prevent misuse of power, facilitate timely management response to change, and ensure that business risks are pre-emptively and effectively managed.

Ethical Corporate Citizenship

Corporations itself have a responsibility to set exemplary standards of ethical behaviour, both internally i.e., within the organization, as well as in their external relationships. Unethical behaviour corrupts organization culture and undermines stakeholders' value.

Challenges facing corporate governance in Nigeria

The challenges of corporate governance in Nigeria are quite enormous especially considering the development in the banking industry. Before the consolidation exercise in 2006, the Nigerian banks were very weak with poor corporate governance, and this affected customers' confidence in banking operations. The consolidation exercise helped to reduce the total number of banks from 89 to 25 mega banks- through mergers and acquisitions and consolidations. This development posed serious challenges which the CBN has acknowledged in its code of Corporate Governance (CBN, 2006).

These challenges include.

- Technical incompetence of board and management,
- Boardroom squabbles among directors;
- Squabbles among staff and management;
- Very few banks have a robust risk management system;
- Malpractices and sharp practices;
- Insider abuses;
- Rendering false returns and concealment of information from examiners;
- Ineffectiveness of board/ statutory committees;
- Inadequate operational and financial controls, etc.

Deliberate accounting fraud is another serious problem of corporate governance in the Country. Cases of "inaccurate reporting and non-compliance with regulatory requirements" (Ibru, 2008) and the "prevailing incidences of false and misleading financial reporting" (Al-Faki, 2007) by some corporate organizations lead to corporate failures. A current case point is that of Cadbury Nigeria PLC, when in 2006 the company falsified its audited financial statements. The CEO and the directors of the company who were found guilty by SEC were accordingly sanctioned (Onwuamaeze, 2008).

An emerging and interesting development in the Nigerian corporate governance is shareholder activism. The shareholders are becoming more proactive in the push for effective corporate governance. "The bounding together of shareholders in Nigeria has come both through private initiatives and government intervention. In a bid to shore up public participation in the ownership of corporation, the Nigerian government encouraged and facilitated the establishment of a network of shareholders associations", according to (Amoa and Ameshi, 2007). The different shareholder associations are registered with CAC. According to Etukudo (2000), the shareholder association serve the interests of the investing public as shareholders who have the opportunity to contribute to the formulation of broad corporate policies, thereby enhancing management accountability. The challenge is for the corporate governance institutions to strengthen shareholder activism as a prerequisite for effective corporate governance and accountability in Nigeria.

Corporate governance discourse in Nigeria has apparently not been directed at state-owned enterprises (SOEs) despite the fact that there is abundant evidence that these enterprises have the worst abusers of corporate governance principles. Wong (2004) notes in his extensive research of SOEs, that poor corporate governance lies in the heart of the performance of the

SOEs throughout the world. In Nigeria, there is the general weakness of public institutions, high level of corruption, poor managerial capacity and total absence of market discipline for transparency and accountability, which combine to create a seeming lack of demand for corporate governance in state-owned enterprises (Ahmed, 2007). A major challenge now, is for corporate governance institutions to extend their activities to state-owned enterprises to help entrench the principles of good corporate governance.

Method

Research Design

The design for the study is a survey design which measured two variables, independent variable and dependent variable. The independent variable is corporate governance which was measured by four sub variables (corporate governance policies, shareholders right and responsibility, corporate governance practices, firm's disclosure policies and practices) and the dependent variable is organizational performance.

Sample

The sample of this study consisted of employees of the five selected banks made up of the Senior staffs and Junior staffs of these banks. This study was limited to Oceanic Bank plc, First bank of Nigeria plc, Guarantee Trust Bank plc, Union Bank of Nigeria, and Skye Bank plc in Oyo, Oyo state, Nigeria. The samples were purposively selected across the banks in Oyo. A total of two hundred and fifty questionnaires were distributed, with a number of two hundred and twenty six found usable and were analysed. The subjects comprised eighty eight males and one hundred and thirty eight females with age ranged between below 18 and below 65.

Data Analyses

The demographic information was analysed using frequency counts and simple percentage. Also, the hypotheses for this study were analysed using correlation analysis, regression analysis, T-test and analysis of variance. Hypothesis 1 was tested with T-tests, hypotheses 4 and 5 were tested with multiple regression, and hypotheses 2 and 3 were tested with Pearson correlation.

Instruments

The study made use of questionnaire and the questionnaire was divided into six sections. Section A measured the bio data, Shareholders right and responsibility was measured in section B which is an eight (8) item questionnaire that used a Likert scale scoring format ranging from strongly agree =5 to strongly disagree =1. Corporate governance policies was measured in section C which is a six (6) item questionnaire that used a Likert scale scoring format ranging from strongly agree =5 to strongly disagree =1. Corporate governance practices was measured in section D which is a fourteen (14) item questionnaire that used a Likert scale scoring format ranging from strongly agree =5 to strongly disagree =1 and firm's Disclosure policies and practices was measured in section E which is a seven (7) item questionnaire that used a Likert scale scoring format ranging from strongly agree =5 to strongly disagree =1. The four dimensions or measurements of corporate governance used in this study were adapted from the scales developed by Eduardus, T. et. al. (2007) with reliability coefficients of 0.89 for shareholders rights and responsibilities, 0.86 for corporate governance policies, 0.89 for corporate governance practices and 0.88 for firms disclosure policies and practices.

Organizational performance was measured in section F which is a six(6) item questionnaire. The organizational performance scale was adapted from a scale developed by Khandwalla (1977) and David Wan et. al (2002) which is an eighth item scale collapsed into six items with a Likert scoring

format ranging from very high (6) to very low (1). The instruments were revalidated, and the cronbach alpha reliability coefficients gave the following results: corporate governance policies-.92, corporate governance practices .90, shareholder rights and responsibilities-.84, firm's disclosure policies and practices-.98.

Hypotheses

1. There will be a significant difference between corporate governance practices and organizational performance.
2. There will be a significant relationship between a firm's disclosure policies and practices and organizational performance.
3. There will be a significant relationship between shareholder right and responsibility and organizational performance.
4. Corporate governance policies, firm's disclosure policies and practices and shareholder right and responsibility will jointly and independently predict organizational performance.
5. Corporate governance practices and corporate governance policies will jointly and independently predict organizational performance.

Data Presentation and Analyses

In the table above, the Male respondents were 88(38.9%) while their Female counterparts were 138(61.1%) respectively. The Table also showed that 82(36.3%) were within the Age range of 18-25, 122(54.0%) were within 26-35 years, 19(8.4%) were within 36-45 years, 3(1.3%) were within the age range of 46-65 respectively. 115(50.9%) of the respondents were Single, 108(47.8%) were Married, 3(1.3%) were Divorced.

The educational background of respondents indicated that 3(1.3%) respondents possessed Post Graduate certificate e.g M.sc, 187(82.7%) had B.sc, HND, 10(4.4%) had OND, NCE certificate, 22(9.7%) had Secondary school leaving certificate while 4(1.8%) were Primary school leaver.

The Cadre of respondents showed that 171(75.7%) respondents were Senior staff, 55(24.3%) were Junior staff respectively.

The respondents were also distributed by departments, In the table, 34(15.0%) were in Auditing department, 59(26.1%) were in Marketing, 24(10.6%) were in Communications, 30(13.3%) were in Legal department, 41(18.1%) were in Corporate, while 38(16.8%) were in Retail department respectively.

Hypotheses Testing

Hypothesis 1

H1: There will be a significant difference between Corporate Governance practices and Organizational Performance.

Hypothesis 2

H2: Corporate governance policies and shareholders right and responsibility will jointly and independently predict organizational performance.

H3: There will be a significant relationship between firm's disclosure policies and practices and organisational performance.

Hypothesis 4

H4: There will be a significant relationship between shareholders right and responsibility and organisational performance.

Hypothesis 5

H5: Corporate governance policies, firm's disclosure policies and practices and shareholder right and responsibility will jointly and independently predict organisational performance.

Hypothesis 6

Ho: Corporate governance practices and corporate governance policies will not jointly and independently predict organizational performance.

Hi: Corporate governance practices and corporate governance policies will jointly and independently predict organizational performance.

Conclusion

With all facts and indications from the empirical analysis, it is concluded that there is a significant difference between Corporate Governance practices and Organizational Performance. Furthermore, the result of the research findings showed the relative contribution of each of the independent variables on the dependent: Corporate government policies and Shareholder right and responsibilities, respectively, Hence, only Shareholder right and responsibilities are found significant. It can be concluded that there was a significant relationship between Organizational performance and Shareholder right and responsibilities and the hypothesis is therefore accepted.

It was also shown that there was significant relationship between Organizational performance and Shareholder right and responsibilities. The hypothesis is accepted.

The result of the research showed the relative contribution of each of the independent variables on the dependent: Corporate governance policies, Disclosure policies and practices, and Shareholder right and responsibilities, respectively, hence, only Disclosure policies and practices were found significant.

The study revealed the relative contribution of each of the independent variables on the dependent: Corporate government policies, corporate government practices respectively, hence, the two independent variables were found significant.

Therefore, corporate governance is a significant tool for measuring the organizational performance and there is a positive relationship between corporate governance and organizational performance.

Recommendations

The following are recommended based on the findings from this study.

The management and staffs of the company should make it a point of duty to understand the concept of corporate governance by sustainable and enlightenment scheme courses which should be organized, whereby staffs will have their views and knowledge about corporate governance broadened.

There is also the need for training and re-training of all levels of staffs on the importance, effect of corporate governance on firm's performance. This will enhance staff performance especially at lower levels so that it will express a greater view of the objective and aspiration of the entire organization like organizing seminar and workshops on corporate governance.

It is also important that the code of corporate governance policies, ethics and all relevant information needed to guide decision making be made understandable, available and where possible presented in a manner which suits the organization and also the manager.

The company should try as much as possible to introduce corporate planning unit in order to enhance its performance evaluation and financial appraisal.

Conclusively, the accounts of big organizations and companies should be monitored to ensure transparency and also avoid corporate failures, fraud and scandals such as the well publicized collapse of Enron (2001) in America, Marconi (2001) in the United Kingdom and in Nigeria, the collapse of the banking sector with 26 banks liquidated in 1997.

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Table 4.1: Descriptive Statistics of demographics

Sex	Frequency	Percentage
Male	88	38.9
Female	138	61.1
Total	226	100.0
Age	Frequency	Percentage
18-25	82	36.3
26-35	122	54.0
36-45	19	8.4
46-65	3	1.3
Total	226	100.0
Marital status	Frequency	Percentage
Single	115	50.9
Married	108	47.8
Divorced	3	1.3
Total	226	100.0
Educational background	Frequency	Percentage
Post graduate	3	1.3
B.sc, HND	187	82.7
OND,NCE	10	4.4
SSCE	22	9.7
Primary school	4	1.8
Total	226	100.0
Cadre	Frequency	Percentage
Senior staff	171	75.7
Junior staff	55	24.3
Total	226	100.0
Department	Frequency	Percentage
Audit	34	15.0
Marketing	59	26.1
Communications	24	10.6
Legal	30	13.3
Corporate	41	18.1
Retail	38	16.8
Total	226	100.0

Source: field survey (2011)

Table 4.2.1: Table Showing T-test between corporate governance practices and organizational performance

Corporate Governance	N	Mean	Std. Dev.	Crit-t	Cal-t.	DF	P
Poor	47	30.3404	6.7960				
Good	175	35.0400	3.9485	1.96	6.100	220	.000

The above table showed that there was a significant difference between Corporate Governance Practices and Organizational Performance (Crit-t = 1.96, Cal.t = 6.1000, df = 220, P < .05 level of significance). The hypothesis is therefore accepted.

Table 4.2.2a: Table Showing Multiple Regression between Corporate governance policies, shareholders right and responsibility and organizational performance.

Model	Sum of Squares	DF	Mean Square	F	Sig.
Regression	1424.112	2	712.056	36.862	.000
Residual	4307.605	223	19.317		
Total	5731.717	225			

$$R = .498 \quad R^2 = .248 \quad \text{Adj } R^2 = .242$$

It was shown in the table above that Corporate governance policies, and Shareholders right and responsibilities jointly predicted Organizational Performance. The result was significant ($F(2,223) = 36.862$; $R = .498$, $R^2 = .248$, $\text{Adj. } R^2 = 0.242$; $P < .05$). About 24% of the variation was accounted for by the independent variables. The hypothesis is accepted.

H2b: Corporate government policies, and Shareholders right and responsibilities will relatively predict Organizational Performance

Model	Unstandardized Coefficient		Standardized Coefficient	T	Sig.
	B	Std. Error			
(Constant)	12.281	2.710		4.532	.000
Corporate government policies	9.225E-02	.064	.132	1.452	.148
Shareholder right and responsibilities	.228	.067	.390	4.281	.000

The result above showed the relative contribution of each of the independent variables on the dependent variable:

Corporate government policies ($\beta = .132$, $P > .05$), and Shareholder right and responsibilities ($\beta = .390$, $P < .05$), respectively. Hence, only Shareholders right and responsibilities is found significant.

Table 4.2.3: Table Showing the significant relationship between a firm's disclosure policies and practices on organizational performance

Variable	Mean	Std. Dev.	N	R	P	Remark
Organizational performance	34.0354	5.0472	226	.574**	.000	Sig.
Firm Disclosure Policies	6726.99	10.1894				

Sig. at .01 levels

It is shown in the above table that there was a significant relationship between firm's disclosure policies and practices and Organizational performance ($r = .574^{**}$, $N = 226$, $P < .01$). The hypothesis is accepted.

Table 4.2.4: Table Showing Pearson correlation between shareholder right and responsibility and organizational performance

Variable	Mean	Std. Dev.	N	R	P	Remark
Organizational performance	34.0354	5.0472	226	.491**	.000	Sig.
Shareholder right and responsibilities	54.5575	6.8247				

Sig. at .01 level

It is shown in the above table that there was a significant relationship between Shareholders right and responsibilities and Organizational performance ($r = .491^{**}$, $N = 226$, $P < .01$). The alternative hypothesis is accepted

Table 4.2.5a: Table Showing Multiple Regression between firm's disclosure policies and practices, shareholder right and responsibility and organizational performance

Model	Sum of Squares	DF	Mean Square	F	Sig.
Regression	1923.273	3	641.091	37.370	.000
Residual	3808.444	222	17.155		
Total	5731.717	225			

$R = .579$ $R^2 = .336$ $Adj R^2 = .327$

It was shown in the table above that Corporate governance policies, Disclosure policies and practices, and Shareholders right and responsibilities jointly predicted Organizational Performance was significant ($F(3,222) = 37.370$; $R = .579$, $R^2 = .336$, $Adj. R^2 = 0.327$; $P < .05$). About 34% of the variation was accounted for by the independent variables. The hypothesis is accepted. Therefore, Corporate governance policies, Disclosure policies and practices, and Shareholders right and responsibilities jointly predicted Organizational Performance.

Ho5b: Corporate government policies, Disclosure policies and practices and Shareholder right and responsibilities will relatively predict Organizational Performance

Model	Unstandardized Coefficient		Standardized Coefficient	T	Sig.
	B	Std. Error			
(Constant)	13.151	2.559		5.140	.000
Corporate government policies	-1.292E-03	.062	-.002	-.021	.983
Disclosure policies and practices	.238	.044	.481	5.394	.000
Shareholder right and responsibilities	9.038E-02	.073	.122	1.234	.219

The result above showed the relative contribution of each of the independent variables on the dependent:

Corporate government policies ($\beta = -.002$, $P > .05$), Disclosure policies and practices ($\beta = .481$, $P < .05$) and Shareholder right and responsibilities ($\beta = .122$, $P > .05$), respectively

Hence, only Disclosure policies and practices was found significant.

Table 4.2.6a: Table Showing Multiple Regression between Corporate governance practices, corporate governance policies and organizational performance

Model	Sum of Squares	DF	Mean Square	F	Sig.
Regression	1165.036	2	582.518	28.446	.000
Residual	4566.680	223	20.478		
Total	5731.717	225			

$R = .451$ $R^2 = .203$ $Adj R^2 = .196$

It was shown in the table above that Corporate government policies, and Corporate government practices jointly predicted Organizational Performance was significant ($F(2,223) = 28.446$; $R = .451$, $R^2 = .203$, $Adj. R^2 = 0.196$; $P < .05$).

About 20% of the variation was accounted for by the independent variables.

H6b: Corporate government policies, and Corporate government practices will independently predict Organizational Performance

Model	Unstandardized Coefficient		Standardized Coefficient	T	Sig.
	B	Std. Error			
(Constant)	13.585	2.767		4.909	.000
Corporate government policies	.178	.071	.256	2.520	.012
Corporate government practices	8.979E-02	.042	.218	2.153	.032

The result above shows the relative contribution of each of the independent variables on the dependent:

Corporate government policies ($\beta = .256$, $P < .05$), Corporate government practices ($\beta = .218$, $P < .05$), respectively. Hence, the two independent variables were found significant. The hypothesis is therefore accepted. Therefore, corporate government policies, and corporate government practices jointly predicted Organizational Performance