AN ASSESSMENT OF INSTITUTIONAL INFLUENCES ON CORPORATE GOVERNANCE IN NIGERIA: A MULTI-STAKEHOLDER PERSPECTIVE

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An assessment of institutional influences on corporate governance in Nigeria: A multi-stakeholder perspective

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An Abstract of the Thesis

Purpose: This study aims to achieve two objectives. First, to explore the main concerns of corporate governance stakeholders in Nigeria, focusing on three broad fields of institutionalisation: political, social and economic. Second, to examine the coverage accorded to the main institutional influences in the primary code of corporate governance in Nigeria.

Design/methodology/approach: Employing an intrepretivist research philosophy, the study adopts a qualitative research strategy. Data was collected using semi-structured, face-to-face interviews from three groups of stakeholders (executives, regulators and corporate governance consultants). Their responses and views were analysed using a qualitative content analysis (QCA) technique.

Findings: In highlighting the main institutional elements driving corporate governance in Nigeria, this study revealed that individuals wield the power to influence existing institutions in developing countries. This contradicts the position in developed economies where the robustness of institutional frameworks acts as a constraint on the behaviour of economic agents. This thesis also show that the recognition accorded to the main institutional frames in the primary code of corporate governance is inadequate. Based on these findings, a bottom-up approach to corporate governance is proposed where the concerns of economic agents are prioritised, as a strategy for building sustainable institutional frameworks.

Originality/value: The study reinforced the need to re-examine the basis of agency and institutional theories in the context of developing economies. The study also made a case for the re-evaluation of the significance of executives in agency theory literature regarding developing economies, relying on the level of economic sophistication and the general lack of knowledge by shareholders with respect to their rights. This observation will enrich the scholarship on agency and institutional theories as this study draws attention to alternative strategies for understanding agency (human institutionalism) and institutional (bottom-up approach) theories.

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Declaration

I declare that the work contained in this thesis has not been submitted for any other award and that it is all my own work. I also confirm that this work fully acknowledges opinions, ideas and contributions from the work of others.

Any ethical clearance for the research presented in this thesis has been approved. Approval has been sought and granted by the School Ethics Committee on April 28, 2013.

I declare that the Word Count of this Thesis is 74,657 words

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Date: June 29, 2015

Chapter One

Introduction

1.1 Background and Rationale for Research

> *In November 2008, Richard Fuld was called to testify before a US congressional committee investigating the sudden collapse of Lehman Brothers, the investment bank he had headed for many years. Its deep involvement in the markets for asset-backed securities… had brought the bank to a crisis two months before. When the US government refused to bail it out, credit markets around the world seized up, accelerating the growing slump of the world economy (Extract from Nordberg, 2011, p. 1).*

Across the globe, incidences of corporate scandals as witnessed with the collapse of Lehman Brothers (McDonald & Robinson, 2010), amongst several other organisations, have reiterated the value of good governance practices in corporations (Claessens & Yurtoglu, 2013). Filatotchev, Strange, Piesse, and Lien (2007) also noted that good corporate governance is a prerequisite for attracting foreign investments. The preceding views are reinforced by findings in the literature (Gompers, Ishii, & Metrick, 2003; Bhagat & Bolton, 2008) which suggests that good governance contributes to superior corporate performance. Following these evidences, corporate governance discourse has emerged as a major area for scholarly engagement, particularly since the turn of the 1990s.

The concept of corporate governance, according to Tricker (2015), is not new. Around three centuries ago, Smith (1776) identified the central corporate governance challenge, indicating that agents managing other people's funds may not be expected to manage such funds as efficiently as they would manage their own. Accordingly, governance issues arise when a principal has to rely on an agent to manage their (principal) business. This is the basis of agency theory (Jensen & Meckling, 1976) which has been identified as the supra-national lens for evaluating all corporate governance issues (Shleifer & Vishny, 1997). Indeed, Hart (1995) argues that corporate governance is irrelevant in the absence of agency concerns. Consequently, Huse (2005) informed that there is an increased focus towards exploring how shareholders can monitor and control potential managerial misbehaviour.

However, despite a variety of innovations aimed at addressing agency concerns, recent incidents in Tesco (see Warner, 2014) and Volkswagen (see Milne, 2015) continue to indicate that cases of governance abuses are still evident. Similar incidents have been widely reported in both developed (Enriques & Volpin, 2007) and developing (Berglöf & Claessens, 2006) economies. These concerns have ensured the emergence of a body of literature (Eisenhardt, 1989; Shapiro, 2005; Letza, Kirkbride, Sun, & Smallman, 2008) questioning the relevance of agency theory. For example, Dharwadkar, George, and Brandes (2000) and Young, Peng, Ahlstrom, Bruton, and Jiang (2008) argue that the unique agency problems in less-developed economies result from principal-principal goal incongruence, *i.e.* the expropriation of minority shareholders by the controlling shareholders (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000). Thus, in acknowledging that agency theory lacks the robustness to independently explain corporate governance challenges, Lubatkin, Lane, Collin, and Very (2007) noted that this development has contributed to the growth of other theoretical perspectives, such as institutional theory.

Scott (1987) explained that institutional theory examines the institutional environment and its influence on societal beliefs and practices which, in turn, influence societal 'actors.' As Scott (1987) indicates, the institutional environment provides the basis for institutional theorising, promoting an understanding of the influence of non-economic elements on corporate governance (Aguilera & Jackson, 2003). Judge, Douglas, and Kutan (2008) argue that variations in institutional environments across countries account for the differences in global corporate governance practice. Consequently, attempts at corporate governance convergence are affected by the peculiarities evident in different institutional environments. This understanding has become the dominant perspective central to institutional theorising.

Another school of thought has however questioned the relevance of institutions in the accomplishment of economic objectives (Sachs, 2003; Glaeser, La Porta, Lopez-de-Silanes, & Shleifer, 2004; Przeworski, 2004). While some opponents of institutional relevance argue that institutions are not relevant in an absolute sense, others posit that there is a need to understand the functionality of an institution by examining the conditions that embed such institutions. In other words, the latter scholars are particular about which element (institutions or conditions) should take priority in the economic policy ladder. An observation from literature indicates that the diversity in the context of studies may have contributed to variations in findings. For instance, the majority of the studies associated with institutional relevance are often substantially based on developed economies whereas opponents of institutional relevance tend to focus considerably on developing countries.

The desire to examine these concerns with a view to contributing to the debate, drawing from a theoretical perspective, is fundamental to embarking on this research. The achievement of this objective would be enhanced by defining a context for this study. Bebchuk and Weisbach (2010) observed that the majority of corporate governance research has focused on US firms. While La Porta, Lopez-de-Silanes, and Shleifer (1999) attempted to expand corporate governance scholarship, these studies nonetheless focused on developed economies such as those of the UK and the US, amongst others (Goergen, Martynova, & Renneboog, 2005). As a result, corporate governance literature in developing economies remains limited (Berglöf & Claessens, 2006; Mangena & Tauringana, 2007; Adegbite, Amaeshi, & Nakajima, 2013).

Despite the scholarly overlook, Fan, Wei, and Xu (2011) note that the world is dominated by less-developed economies in terms of population and geographic size, but these economies have historically trailed behind their developed counterparts in terms of economic significance. Whilst Allen (2005) suggested that the problem could be due to the imperfect and incomplete nature of markets in less-developed economies, increasing globalisation means that governance issues in developing markets is beginning to attract some increased interest. This has led to the emergence of corporate governance scholarship in less-developed economies such as Brazil (Black, De Carvalho, & Gorga, 2010), Russia (McCarthy & Puffer, 2003), India (Chakrabarti, Megginson, & Yadav, 2008), China (Morck & Yeung, 2014) and South Africa (Rossouw, Van der Watt, & Rossouw, 2002), amongst many other similar economies.

Nonetheless, various issues continue to challenge corporate governance in developing economies (Berglöf & Claessens, 2006) which includes weak institutional frameworks (Aguilera, 2005; Adegbite & Nakajima, 2012), wide variations in firm-level governance (Klapper & Love, 2004; Okike, 2007), inefficient imitation of the Anglo-American model (West, 2006) and principal-principal concerns (Young *et al.*, 2008), amongst others. Okpara (2011) posited that the quality of the institutional environment in these economies could explain the development of governance challenges. This reinforces Rwegasira's (2000) conclusions that differences in the institutional environment must be accounted for prior to and during the establishment of corporate governance systems in developing economies. Findings in Mangena, Tauringana, and Chamisa (2012) also demonstrate that the effectiveness of a board is dependent on the firm's institutional environment. Thus, in the context of developing economies, governance theories may require enhancements or modifications to support the achievement of a robust corporate governance system.

These concerns, notwithstanding, a World Bank (2013) report suggests that developing market firms are becoming a potent force in reshaping the global industrialisation process. As a result, it has become crucial to establish effective mechanisms for corporate governance in these economies, as weak governance systems in these regions could have global implications. This study therefore specifically contributes to the corporate governance literature in developing economies, drawing substantially on institutional theory (Zucker, 1987; North, 1990; Scott, 2014). Indeed, the usefulness of institutional theory in explaining corporate governance in Nigeria has become evident from the leading literature on the subject in the country (Adegbite & Nakajima, 2012; Adegbite, 2015). Therefore, as this study engages with the Nigerian corporate governance environment, it is appropriate to highlight the theoretical rationale for a Nigerian corporate governance research.

1.2 Theoretical Implication of a Nigerian Corporate Governance Case

What theoretical value does this thesis offer? To address this question, it is appropriate to highlight some information about Nigeria. Nigeria, located on the west coast, is the largest economy in Africa (Adegbite, 2015). This substantiation followed a rebasing exercise, with the country surpassing South Africa. The rebasing process also meant that Nigeria is ranked as the 24th largest economy in the world (Provost, 2014). Its economic potential is enhanced by its vast natural resources. Sala-i-Martin and Subramanian (2013) concurred that Nigeria is one of the most richly endowed countries in the world. Furthermore, with a population of approximately 173.6 million as at 2013 (World Bank, 2014), Nigeria is ranked among the top 10 most populated countries in the world. From this evidence, it is the most populated country in Africa and widely acclaimed as one of the world's most ethnically-diverse countries (Ukiwo, 2005) with about 374 ethnic groups (Mustapha, 2006).

Before its emergence as the largest economy in Africa, Nigeria's rising economic profile had been recognised. In a research by Goldman Sachs (2007), Nigeria was identified as a 'Next 11'[1] (or N-11) country. These countries, which are deemed to be the next set of economically buoyant countries after BRICs,[2] are considered to have a high potential of becoming the world's largest economies of the 21st century. Furthermore, new evidence of the growing economic status of the country was reinforced when Jim O'Neill (who popularised the term 'BRICs') presented new potential investment destinations, which he termed the 'MINT'[3] countries (O'Neill, 2013). In recognition of its increasing economic potential, PwC Economics (2013) also estimates that Nigeria will rank among the top 20 economies of the world, based on GDP, by 2050. The effect of the rising economic profile of the country is that, following increasing economic globalisation, existing weak corporate governance practices in Nigeria might manifest in other economies, with implications for global economic health.

In view of the aforementioned, it is crucial that the establishment of a credible corporate governance framework is pursued by stakeholders. UNCTAD[4] (2014) reports that Nigeria has remained a major attraction in Africa for Foreign Direct Investments (FDI) over recent years. Its ability to continually attract these foreign investments could be weakened by the state of its corporate governance. A survey by Khanna and Zyla (2012) reveals that while investors are willing to pay a premium for better-governed firms in less-developed markets, these investors are often not interested in investing in firms in environments with poor governance systems.

Following from the foregoing, there is little doubt that corporate governance in Nigeria enables an exploration of the relevance, robustness and applicability of

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[1] Other N-11 countries are Bangladesh, Egypt, Indonesia, Iran, Mexico, Pakistan, Turkey, South Korea, Vietnam and the Philippines.
[2] An acronym for emerging economies namely Brazil, Russia, India and China.
[3] The MINT countries are Mexico, Indonesia, Nigeria and Turkey.
[4] UNCTAD is an acronym for United Nations Conference on Trade and Development.

theories underpinning corporate governance. For instance, convergence proponents (Goergen *et al.*, 2005; Yoshikawa & Rasheed, 2009) have examined the possibility of some form of globalisation dictating whether countries will ultimately adopt a similar corporate governance system (Khanna & Palepu, 2004). Aguilera, Filatotchev, Gospel, and Jackson (2008) explains that evaluating corporate governance in one country, drawing upon the practices of another country, is the basis of comparative corporate governance. Nigeria offers a strong case to examine external influences on its institutional and regulatory environment, to enhance the understanding of the evolution, practice and expression of corporate governance (Adegbite *et al.*, 2013).

In addition, the institutional environment in Nigeria presents a good case to examine the challenges of corporate governance, especially amongst the Anglophone countries of Africa in view of their economic and political power which informs why it is, in some quarters, regarded as the 'Giant of Africa.' Most Anglophone countries share similarities in respect of their institutional environment (Tsamenyi & Uddin, 2009), therefore the study's findings can be engaged to tackle governance concerns in these countries. These discussions entail considerable scholarly exploration, not only of the dominant Anglo-American paradigm, but also the domain of institutional theory and comparative corporate governance research.

This research challenges the dominance and applicability of the Anglo-American model in Nigeria, highlighting concerns that could undermine its application, not only in the country, but also amongst developing countries. It also offers further insights regarding the relevance of institutions as key components of institutional theory. For instance, whereas it might be difficult to define institutions in Nigeria in the same context as institutions in the UK, it is appropriate to question whether it is only the differences in the institutional environment that informs the variations in the application of the Anglo-American governance model. Further insights emerged from an appraisal of institutional isomorphism with respect to the role of government in building a robust institutional environment. As the Nigerian economy (and those of many developing countries) is driven by government interventions, institutional theory can benefit from an investigation of government involvement in the institutional environment. The concerns identified in Sections 1.1 and 1.2 is central to the development of the research objectives (Section 1.3) and the research question (Section 1.4) of this study.

1.3 Research Objectives

The homogeneity and convergence prospects of corporate governance regulations and codes has been subjected to constant scrutiny (Khanna & Palepu, 2004; Yoshikawa & Rasheed, 2009). Doidge, Karolyi, and Stulz (2007) reported that corporate governance research has shown that data sourced with respect to a country tend to influence governance practice much more than firm or industry level data. This statement corresponds with the outcome in Davis (2005) which contend that the most relevant and promising corporate governance research are those which aim to evaluate the institutional contexts in which it occurs. This contradicts the disproportionate focus on traditional agency or transaction cost theory (Judge *et al.*, 2008). Concisely, the preceding views advocate that the functionality of corporate governance may be influenced by country fundamentals, integrating elements of the dominant shareholder (Sarkar & Sarkar, 2000) and stakeholder (Letza, Sun, & Kirkbride, 2004; Jackson, 2005) models of corporate governance.

Therefore, in acknowledging peculiarities in institutional environments, the objectives of this study are designed to engage the Nigerian institutional environment in generating additional insights to extant corporate governance literature. Thus, as indicated in Table 1, the main research objective of this study is to determine the main institutional factors that shape corporate governance in Nigeria. Various strands of institutional factors have continued to emerge in the corporate governance literature but, in view of the peculiarity of its institutional environment, it is posited that the establishment of a sound corporate governance system will be enhanced by the identification of relevant institutional frames. This view was alluded to in Adegbite and Nakajima (2012).

In relation to the main research objective identified above, generating knowledge regarding the secondary research objective of this study will complement the attainment of the main research objective. Consequently, the secondary research objective of this study, as shown in Table 1, is ‘to review corporate governance regulations in Nigeria with a view to examining the coverage accorded to institutional influences in the SEC (2011) code.' While these objectives drive this research, there are other areas of understanding which support the realisation of these objectives. These include an understanding of evidences of institutional isomorphism in the Nigerian business environment, and the crafting of a reform strategy for good corporate governance, relying on key institutional factors identified with respect to the main research objective.

Table 1 - Research Objectives[5]

No	Research Objectives	Key Literature	Relevant Theory
1	To determine the main institutional factors that shape corporate governance in Nigeria (RO1).	Judge *et al.* (2008); Aguilera and Jackson (2003); Adegbite and Nakajima (2011b).	Institutional Theory
2	To review corporate governance regulations in Nigeria with a view to examining the coverage accorded to institutional influences in the SEC (2011) Code (RO2).	Shleifer and Vishny (1997); Adegbite (2012); Ellis (2003); Polinsky and Shavell (2000).	Institutional Theory and Economic Theory of Regulation

1.4 Research Questions

Following the objectives presented above, the focus of this research is to generate knowledge to address some of the concerns which have restricted the effectiveness of corporate governance and its regulation in Nigeria. Although it is imperative to state that the country presently operates a multiple-code regime (see Osemeke & Adegbite, 2016), the impact of these codes on corporate governance practices cannot be deemed satisfactory (Okpara, 2011).

Many of the challenges impeding good governance have been traced to ineffective regulatory systems (Adegbite, 2012). Okike (2007), Inyang (2009) and Adekoya (2011) proposed that several challenges have contrived to ensure that the regulatory machinery of corporate governance remains ineffective. To expand this proposition, Adegbite and Nakajima (2011b) argued that the majority of governance challenges in Nigeria are inspired by deficiencies in both the macro and micro institutional environments. Further evidence of the undesirable effects of a weak institutional environment was noted in Adegbite *et al.* (2013). In the study, the local institutional

[5] The source of all tables in this thesis is the researcher, unless otherwise stated.

arrangement was identified as one of three key agents militating against good corporate governance.[6] These concerns call for an examination of the relationship between corporate governance regulation and the institutional environment to offer insights into the present state of corporate governance in Nigeria.

Solomon (2013) clarifies why an examination of the relationship is necessary. She argues that, from an institutional theory perspective, compliance with a code could be resisted, especially where the code originates from a foreign country with a different culture and environment. This resistance can result in 'decoupling.'[7] A code may not necessarily lack the robustness to address corporate governance concerns but institutional factors such as culture could undermine the functionality of the code. Thus, the main premise of this research is to address the question;

> *Whilst acknowledging institutional influences, how should corporate governance be regulated in Nigeria to promote good practices?*

In view of the focus on regulation, it is necessary to state that corporate governance regulation has been implemented globally using two regulatory approaches, namely rules-based and principles-based systems. However, as noted in Sama and Shoaf (2005), variations in institutional environments could produce different outcomes for these regulatory approaches. Therefore, in addressing the above question, it is necessary to examine which of the rules-based or principles-based regulatory systems will promote the emergence of a robust corporate governance system in Nigeria, taking into account the peculiarities of its institutional environment.

While research questions and objectives help to focus a study, the attainment of the goals earmarked is enhanced by the ability to identify an appropriate methodology for the research. It is therefore deemed necessary to briefly summarise the methodology for this research.

[6] The two other agents are international organisations and rating agencies.
[7] Where actual behaviour of members of an organisation frequently does not reflect official accounts (Scott, 2014). There is apparent compliance with codes, but there is no genuine organisational change in practice (Solomon, 2013). A participant described this development as 'technical compliance'.

1.5 Methodological Outline for Addressing Research Objectives

The appropriate methodology for research is significantly influenced by the research objectives (Holden & Lynch, 2004) and the researcher's ontological and epistemological stance (Lincoln, Lynham, & Guba, 2011). Engagement with these two research influences (discussed extensively in Chapter Three) guided the researcher's preference in employing a qualitative research methodology. However, the varieties of qualitative research techniques (see Creswell, 2013a) demand that the features of these techniques are evaluated to identify a suitable qualitative research tool. Consequently, upon a review of alternative qualitative research philosophies, the social constructionism qualitative methodology was adopted to address the research objectives. The adoption of this methodology was considerably informed by its underlying argument which states that bodies of knowledge are 'socially constructed' (Burr, 2003). Whereas the position is broadly examined in Chapter Three, it is imperative to appreciate that the actions of stakeholders towards concepts such as governance could be influenced by how the term has been 'socially constructed.' This connects with the institutional focus of this study, hence its appropriateness.

It is also necessary to state how data were sourced and analysed. Social constructionism accommodates various data collection and analysis techniques. Following philosophical considerations, data were sourced using semi-structured interviews. The interview transcripts were analysed using qualitative content analysis (QCA), in view of its extensive use in social constructionist studies, and its usefulness for data reduction. Additionally, the QCA technique allows for flexibility in dealing with data which was vital in consideration of the unstructured nature of the data collected.

It is apparent that the decision to engage a social constructionist philosophy in this thesis represents an acknowledgement of its linkage with sociological and, in particular, institutional scholarship. An evaluation of the research objectives and the preferred methodology highlights the centrality of institutional theory and the institutional environment in theorising corporate governance. This is important in the context of developing economies, and pertinent to the main institutional factors influencing corporate governance practices in Nigeria. A summary of findings informed by key institutional variables in Nigeria, is presented in the next section.

1.6 A Summary of Thesis Outcomes

The concept of corporate governance has benefitted from the increasing awareness of stakeholders regarding the impact of institutional frameworks (Aguilera & Jackson, 2003). However, this development has created a stream of themes and categories (see Giddens, 1984; Hall & Taylor, 1996) aimed at addressing fundamental institutional concerns. Having identified a methodological platform for this study, it became essential to analyse information generated from participants. Whilst these responses are extensively analysed in Chapter Four, the coding frame used in this study (see Elo & Kyngäs, 2008) generated three distinct institutional perspectives which could sufficiently explain the current state of corporate governance in Nigeria.

These institutional elements (political, social and economic), which are consistent with Aron's (1998) institutional classification, reflect the institutional environment for corporate governance in Nigeria. Some elements of these classifications featured as part of the institutional framework employed in Adegbite and Nakajima (2011b) to identify the institutional determinants of corporate governance in Nigeria. It must however be noted that this thesis represents the first attempt where sub categories such as political immunity, exit via protection and connection, ethnicity and federal character, and religious herding have been engaged to examine the institutional environment for corporate governance in Nigeria. Indeed, this study reveals that corporate governance in Nigeria responds significantly to influences bordering on religion, culture, ethnicity and politics.

In addition to the above, this study also reflects upon the role of institutions in creating an institutional environment conducive for good corporate governance practices. Contrary to the generality of literature (Aguilera & Jackson, 2003; Acemoglu, Johnson, & Robinson, 2005; Filatotchev, Jackson, & Nakajima, 2013) which argue that corporate governance thrives on the robustness of institutions in an environment, there is a paucity of literature addressing the role of institutions in weak institutional environments with respect to corporate governance practice. This study, whilst acknowledging the weakness of institutions in controlling the rent-seeking behaviour of economic agents, shows that individual economic actors, rather than existing institutions, influence the present direction of corporate governance in Nigeria. Jizi, Salama, Dixon, and Stratling (2014) highlight the danger posed by a powerful CEO, suggesting that they (powerful CEOs) may provide higher degrees of CSR disclosure and promote transparency of an organisation's CSR activities, with the objective of enhancing their private benefits. As a consequence, this study, while contending that addressing concerns emanating from the behaviour of individual economic agents must take priority over attempts to improve existing institutions, employed 'human institutionalism' to explain the interventions of economic elites (key stakeholders) in the institutional environment for corporate governance in Nigeria.

In addition to the foregoing, this thesis offers insights to the institutional and agency theory. Owing to factors such as institutional sophistication, literacy levels, weak market structure, and information asymmetry issues, which have remained a concern amongst developing economies, a principal-principal mechanism for managing the relationship between shareholders and management was proposed. Similarly, arguments were also expounded to enhance institutional isomorphism scholarship. Whereas, the literature on institutional isomorphism has suggested that the transmission and exchange of isomorphic tendencies is mainly provoked by private organisations in business environments, the possibility of governments and their agencies acting as drivers of isomorphism has not attracted due attention. In addressing this neglect, this thesis extends the scholarship of institutional isomorphism by making a case for the recognition of governments as agents of institutional isomorphism.

1.7 Structure of Thesis

The remainder of this thesis is organised as follows;

In Chapter Two, the researcher engages in a review of the corporate governance literature. This chapter is structured in three sections. The first section explores corporate governance issues globally. Whereas the generality of the issues examined in this section is peculiar to developed economies, the second section examines the 'emerging model of corporate governance.' The third section focuses on corporate governance in Nigeria. Issues relating to the challenges and regulation of corporate governance and the implications of weak governance structures are discussed. To conclude this chapter, the author situates the perspective of this thesis with regard to relevant literature by acknowledging gaps in the literature. The need to address this gap was crucial to the identification of the methodology adopted in this research.

Undertaking a research activity requires a rigorous methodological procedure to enhance its success (Bryman, 2015). This is the focus of Chapter Three. An outline of the research methodology employed in this study and the justifications for the chosen strategy is presented. This is necessary to facilitate the operationalisation of the theoretical constructs discussed in Chapter Two. Chapter Three also presents the rationale for the ontology, epistemology and methodology adopted in the study. This subsequently informed the use of the social constructionist philosophy to underpin the qualitative research approach adopted in this study. The chapter also presents the data collection and analysis techniques engaged. The chapter concludes by outlining the ethical issues inherent in the study with an explanation of how these ethical issues are mitigated.

In Chapter Four, the analyses of interview findings are undertaken. The QCA technique is deployed to examine relationships and linkages evident in the responses offered by participants. The analysis indicates that the problems besetting corporate governance in Nigeria can be codified into three institutional strands, namely political, social and economic institutions. Thus, it is posited that any reform measure must possess the necessary robustness to acknowledge and address the identified institutional concerns.

Chapter Five discusses the main institutional categories emerging from the analysis in the previous chapter. The discussion also addressed the extent of the recognition accorded identified institutional influences on Nigeria's main corporate governance regulation, *i.e.* the Securities and Exchange Commission (hereafter referred to as SEC) Code (2011). The chapter also highlighted the contribution of the thesis to the scholarship of institutional theory and agency theory. It extends knowledge regarding institutional theory, relying on governance practices in the Nigerian business environment, and also contributes to the debate calling for a principal-principal alternative to agency theory. The chapter concludes by presenting a proposal for reforming corporate governance in Nigeria. These reforms are presented in two categories, namely awareness-related reforms (AR) and regulation-related (RR) reforms.

Chapter Six summarises and concludes the thesis. This chapter commences by providing a summary of the main thrust of the thesis and proceeds to present the contributions of the thesis to the body of literature. Contributions are made to theory, practice, methodology and empirical literature. The chapter thereafter offers some recommendations for good corporate governance in Nigeria. The limitations of the thesis are discussed and, finally, directions for future research are noted.

With the structure of the entire thesis explained, the thesis proceeds by reviewing the relevant literature in the field of corporate governance. This is the focus of the next chapter.

Chapter Two

Literature Review

2.1 Introduction

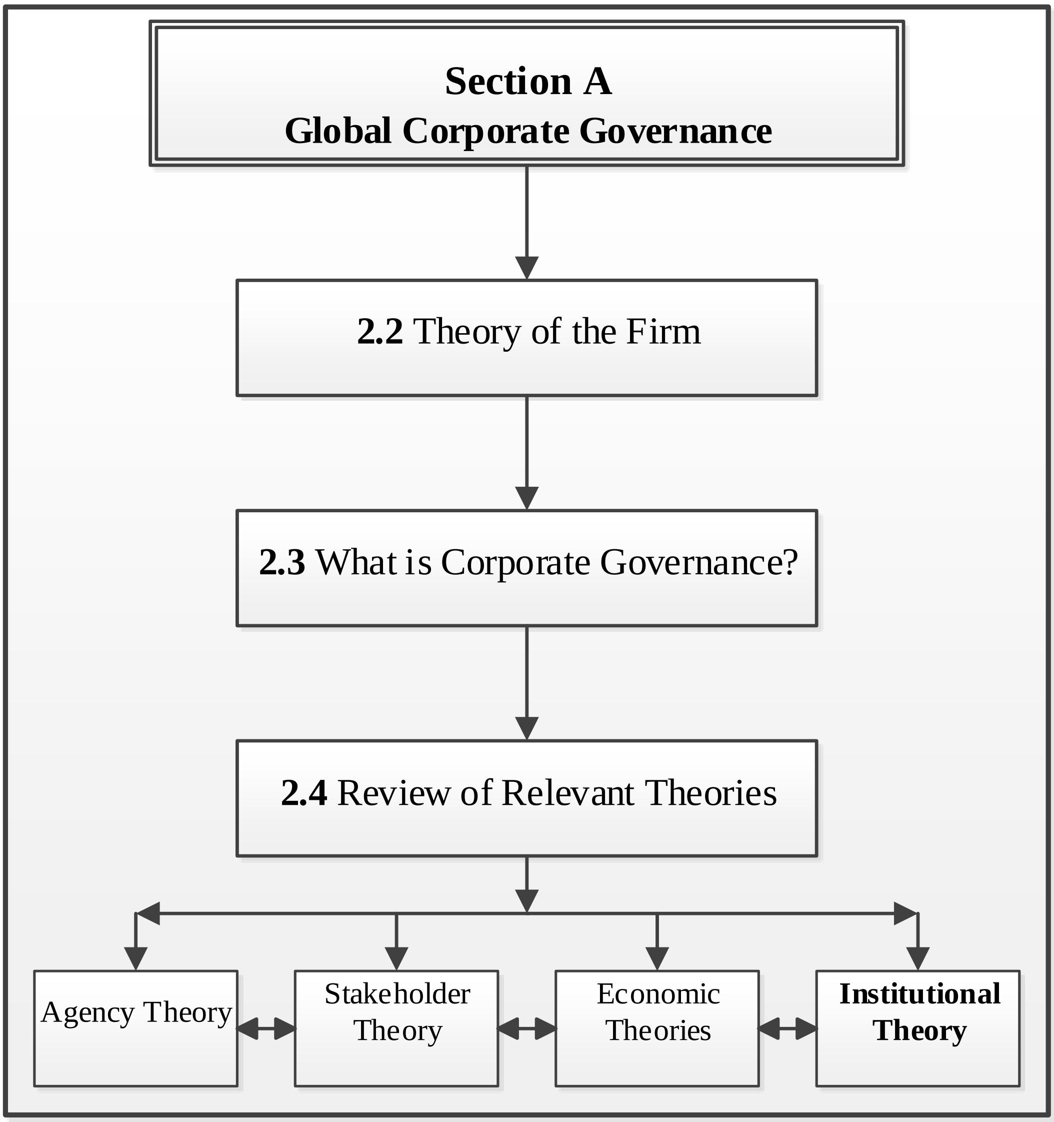
In the previous chapter, the research questions and research objectives offered as the motivations for embarking on this study were presented. However, in addressing the study objectives, it is necessary to build upon credible evidence, drawing from a review of previous relevant research. This is the focus of this chapter.

The review is split into three parts. Part A (Sections 2.2, 2.3, 2.4 and 2.5) presents a review of relevant issues in corporate governance across the globe. Part B (Sections 2.6, 2.7 and 2.8) focuses on corporate governance in developing economies, while Part C (Sections 2.9, 2.10 and 2.11) narrows the review to key corporate governance issues in Nigeria. In each part, relevant conceptual and empirical literature is considered. Issues emerging from the aforementioned reviews provided the basis for identifying gaps in the literature (Section 2.12). This thesis seeks to address these gaps in conjunction with the study objectives.

Part A: Global Corporate Governance

Figure 1 reveals the structure used in undertaking the review of global corporate governance. The review commences by examining the theory of the firm, highlighting the relevance of corporate governance in the functionality of the theory. It proceeds by reviewing various definitions and perspectives of corporate governance. This is intended to aid the emergence of a working definition of corporate governance for this thesis. The review then concludes with a discussion of corporate governance theories deemed relevant to this study, with significant attention devoted to institutional theory (hence shown in bold in Figure 1), in acknowledgement of its engagement as the core theoretical perspective of this thesis.

Figure 1 - Structure for Reviewing Global Corporate Governance[8]



2.2 Theory of the Firm

Coase (1937) informs that a firm offers a system of relationships where an entrepreneur assumes responsibility for the control of resources. Jensen and Meckling (1976) posit that firms serve as a nexus for a set of contracting relationships amongst individuals. These views suggest that firms offer a platform where economic actors seeking different objectives are brought together for the primary purpose of achieving predetermined (firm and individual) objectives. Therefore, it is crucial that the relationships are formalised, via contracts, to minimise possible agency complications.

[8] The source of all figures in this thesis is the researcher, unless otherwise stated.

A firm facilitates the production of goods and services (Alchian & Demsetz, 1972). The emergence of the ‘firm’ concept was driven by the rise of the industrial age at the beginning of the 20th century, which placed emphasis on manufacturing capabilities. Despite this development, the unfolding industrial era brought about issues requiring attention and resolution. As a result, corporate literature became overwhelmed with studies (Berle & Means, 1932; Coase, 1937; Jensen & Meckling, 1976; Fama & Jensen, 1983; Spulber, 2009) focusing on theory of the firm. These efforts gave rise to various economic theories aimed at expressing the nature, behaviour and structure of firms. For instance, the transaction cost theory (Coase, 1937), reinforced in Alchian and Demsetz (1972) and Williamson (1979, 1981), was established on the premise that the transaction cost involved in coordinating manufacturing through market exchange is greater than organised productive activities within a firm. This suggests that the ‘firm’ notion can offer a viable cost management strategy.

To extend knowledge regarding theory of the firm, Kantarelis (2010) observed that the theory is built on various economic concepts, aimed at supporting the description, explanation and prediction of the nature of the firm. The theory explores how firms are able to combine labour and capital in order to minimise the average cost of output (Holmstrom & Tirole, 1998). Thus, the main theme motivating studies on theory of the firm is that firms exist and make decisions for profit maximisation (Alchian & Demsetz, 1972; Holmstrom & Milgrom, 1991). Some of the definitions and views identified above tend to offer credence to the latter proposition as terms such as resources, profit and wealth creation, ownership, management, contractual relationships, and production mechanism often dominate discourse on theory of the firm (McWilliams & Siegel, 2001).

Following the aforementioned, theory of the firm revolves around the pursuance of effective control of resources available to an organisation (Coase, 1937). This is aimed at enhancing the attainment of set objectives which ensures the availability of resources in the first place. This is the construct upon which Holmstrom and Milgrom (1991) reasoned that theory of the firm is essentially an incentive system, that compensation systems dictate the function of risk allocation and reward for productive work. This view is consistent with Kantarelis (2010) wherein a firm is described as a need-satisfying mechanism. While theory of the firm has attracted its own share of criticism (see Granovetter, 1985; Foss & Klein, 2005), ‘one’ actor is predominantly considered as the main beneficiary at the conclusion of a firm’s operations, *i.e.* shareholders, who provide the resources (Ireland, 2005).

However, evidence has shown that there is a tendency for another actor (management) to undermine the expectations of shareholders by engaging in activities which maximise their (management) utility and reward (Fama & Jensen, 1983). Unfortunately, despite the attention drawn to this concern by Adam Smith, (Arun & Turner, 2004), this problem has intensified, particularly in Anglo-American economies, stimulated by the emergence of the modern firm concept. The need to address this challenge, widely termed as an agency problem (see Jensen & Meckling, 1976), has provoked the development of corporate governance.

Nonetheless, whilst the concept of corporate governance continues to attract attention, incidences of corporate misgovernance are still reported. It has been suggested that the failure to acknowledge peculiarities in the institutional environment accounts for the state of corporate governance worldwide (Aguilera & Jackson, 2003; Judge *et al.*, 2008). Furthermore, this position has been relevant to corporate governance discourse in developing economies. Therefore, whilst it is expected that examining the literature will enable an understanding of the key issues involved, it is important to understand the concept of corporate governance.

2.3 What is Corporate Governance?

The preceding discussion indicates that it is crucial that the expectations of shareholders and the activities of the Board and management are managed in a manner that enhances the potential of firms to achieve their corporate objective, *i.e.* shareholder wealth maximisation (Friedman, 1970). Despite the criticisms against this objective (see McSweeney, 2008; Jones & Felps, 2013), maximising shareholder wealth nonetheless require the creation of appropriate processes, structures and relationships through which the board of directors can effectively oversee and monitor executive action. Therefore, firms are expected to develop a system that ensures that managers execute their functions within a framework of accountability and transparency. This informs the need for corporate governance.

Corporate governance represents a fundamental prerequisite underlying the operation and eventual success (or failure) of businesses. Most conceptions of corporate governance tend to focus on shareholders, management and board members as the key players (see Shleifer & Vishny, 1997), whilst neglecting or paying little attention to other stakeholders (Davis, 2005; Huse, 2005).[9] In view of Huse's (2005) observation, this study opines that a robust review of corporate governance should embrace a wider stakeholder standpoint.

Following the above, corporate governance can be explained from two distinct perspectives; the narrow view and the broad view (Solomon, 2013). The narrow view focuses on corporate accountability to shareholders. Arun and Turner (2004) added that this approach to corporate governance examines the concept as a mechanism by which shareholders are assured that managers will act in their (shareholders') interests. Summarily, the narrow view focuses on management and shareholders. The broader view, according to Letza *et al.* (2004), emphasises accountability in meeting the interests of various stakeholders. The broader view reflects a pluralistic approach, indicating that corporate governance is not limited in economic rationality and efficiency, but is influenced by ideologies, philosophies, legal systems, social bonds and cultures, amongst others. It is also worth noting that the broader view challenges shareholder wealth maximisation as the main objective of organisations.

A chronological review of corporate governance definitions could also explain the emergence of the narrow and the broad views of the concept. Table 2 provides some corporate governance definitions. In the table (Table 2), the first four definitions appear to focus on shareholders and management (the narrow view). For instance, whilst the boundary between management and shareholders is blurred in Cadbury's (1992) definition, it is apparent that the Shleifer and Vishny (1997) adopts the narrow view. However, subsequent definitions recognised more stakeholder groups. Thus, it could be suggested that initial descriptions of corporate governance were fundamentally informed by the need to address agency conflicts which existed between managers and shareholders. However, the increasing incidences of

[9] Remarkably, the crises in Enron, WorldCom and Tyco served to show the significance of stakeholders other than the shareholders. In the aftermath of the crises which engulfed these companies, employees, customers, suppliers and local societies suffered substantial losses due to the management of these organisations (Davis, 2005).

corporate complications and their impact on a wider set of stakeholder groups informed a rethinking of corporate governance, particularly from 1999 onwards, with the original OECD[10] (OECD, 1999) definition (similar to its 2004 version). These definitions (from 1999) integrated other stakeholders, thereby establishing the broader conceptualisation of corporate governance.

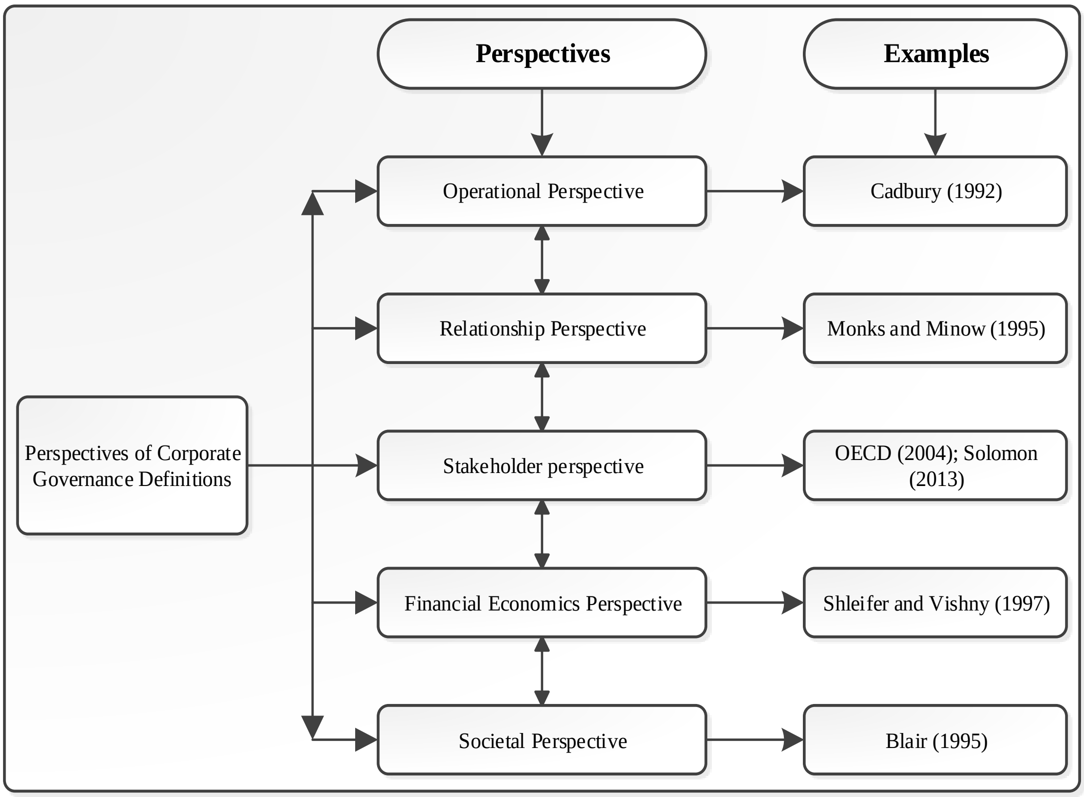
Table 2 - Compendium of Corporate Governance Definitions

S/N	Author/Source	Corporate Governance Definitions
1	Cadbury (1992)	A system by which companies are directed and controlled.
2	Blair (1995)	A set of legal, cultural and institutional activities which influences the actions of companies, how control is exercised and how operational risks and return are allocated.
3	Turnbull (1997, p. 181)	"describes all the influences affecting the institutional processes, including those for appointing the controllers and/or organizing the production and sale of goods and services"
4	Shleifer and Vishny (1997, p. 737)	"deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investments"
5	Gillan and Starks (1998)	A system of laws, rules and factors that control operations at a company.
6	Berglof and von Thadden (1999)	A set of mechanisms that translate signals from product markets and input markets into firm behaviour.
7	Becht, Bolton, and Röell (2003)	It is concerned with the resolution of collective action problems among dispersed investors and the reconciliation of conflicts of interests between various corporate claimholders.
8	OECD Principles of Corporate Governance (2004)	It involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.
9	Davis (2005, p. 143)	"describes the structures, processes and institutions within and around organisations that allocate power and resource control among participants"
10	Solomon (2013, p. 7)	"is the system of checks and balances, both internal and external to companies, which ensure that companies discharge their accountability to all stakeholders and act in a socially responsible way in all areas of their business activity"

[10] OECD is an acronym for The Organization for Economic Cooperation and Development.

The descriptions which inform the narrow and broad perspectives have ensured the lack of a single, globally accepted definition of corporate governance (Solomon, 2013). This challenge is buttressed by Tricker's (2015) proposal of five perspectives of corporate governance definitions (Figure 2), aimed at facilitating an understanding of the boundaries, levels and processes of corporate governance. These perspectives, developed from and based upon the works of various stakeholders, identify the fundamental variables that should feature in any description of corporate governance. These variables include business ethics, strategic and corporate goals, principal-agent relationships, recognition of stakeholder activity, societal influences and lastly, compliance with regulations.

Figure 2 - Perspectives of Corporate Governance Definitions



Source: Adapted from Tricker (2015)

These perspectives can be influenced by dominant practices or objectives of a firm or country. It is therefore necessary that, considering the focus of this research, an appropriate perspective is identified. From the research question noted in Chapter One, it is envisaged that the institutional environment is critical to the emergence of a robust corporate governance regulatory framework that promotes good practices. By its nature, the institutional environment compels an expansion of the boundaries of corporate governance to acknowledge the influence of key institutional elements and more stakeholder groups (Doidge *et al.*, 2007). Whilst this position is consistent with the broad view, perspectives such as operational, relationship and financial economics are consistent with the narrow understanding of corporate governance (Arun & Turner, 2004; Allen, 2005).

Consequently, whilst recognising that corporate governance is informed by the nature of the relationship between companies and key corporate constituencies (Okpara, 2011), this study accommodates the societal and stakeholder view in framing a definition of corporate governance. As a result, corporate governance, in the context of this study, is defined as a framework which seeks the attainment of corporate objectives by efficient direction and control, taking into account the needs of a wider stakeholder group. This links with the corporate governance goal noted in Cadbury (1992) which is to align the interests of individuals, corporations and society. The definition, informed by the research context, is consistent with the views in Rwegasira (2000) and Okpara (2011), which focused on corporate governance in Africa.

However, it is apparent from the definitions examined that management and shareholder issues remain the most dominant concerns in corporate governance (Jensen & Meckling, 1976). Indeed, this challenge has been acknowledged amongst scholars, provoking the emergence of a variety of theoretical perspectives designed to address the principal-agency concern. But in view of the objectives of this study noted in Sections 1.3 and 1.4, agency, stakeholder, economic and institutional theories are reviewed to provide the theoretical foundation for this research.

2.4 Discussion of Relevant Theoretical Perspectives

Corporate governance has been influenced by the emergence of theories seeking to extend its understanding. In line with the research questions and objectives of this study, the following subsections (2.4.1, 2.4.2 and 2.4.3) examine some corporate governance theories relevant to this research.

2.4.1 Agency Theory

To proceed with the evaluation, it is essential to explain why agency theory is examined in this study. Hart (1995) theorised that corporate governance concerns develop when two conditions exist. The first condition is the existence of an agency problem.[11] Indeed, Hart (1995) remarked that corporate governance is irrelevant in the absence of agency concerns. It could therefore be rationalised that the existence of agency problems provides the platform for corporate governance scholarship. On this basis, this research engages in a brief discussion of agency theory.

Agency theory, exposited by Alchian and Demsetz (1972), has attracted considerable awareness and recognition of its capability to illuminate shareholder-manager problems (Jensen & Meckling, 1976) and its subsequent impact on firm performance (Fama, 1980). Whilst Jensen (1983) identifies two branches of agency theory,[12] Eisenhardt (1989) provided an insight into the extensive application of the theory.[13] Relying on Eisenhardt's (1989) account, agency theory has provided the supra-national lens for assessing all corporate governance issues (Jensen & Meckling, 1976; Shleifer & Vishny, 1997). The theory assumes that the ability of a firm to maximise its wealth is advanced by minimising possible conflicts between its main actors (Fama & Jensen, 1983).

Figure 3 shows the relationship between shareholders and managers in achieving corporate objectives. While shareholders desire to maximise their wealth, management also has a fiduciary duty (La Porta *et al.*, 2000) to support the achievement of that objective. The challenge, however, as noted in Jensen and Meckling (1976), is the divergences in what constitutes the 'firm objective' for both parties. Figure 3 suggests that management tends to pursue objectives different to those of its shareholders. Incidences of corporate scandals reinforce the view that what constitutes the 'firm objective' for agents may be inconsistent with that of their principals (Eisenhardt, 1989).

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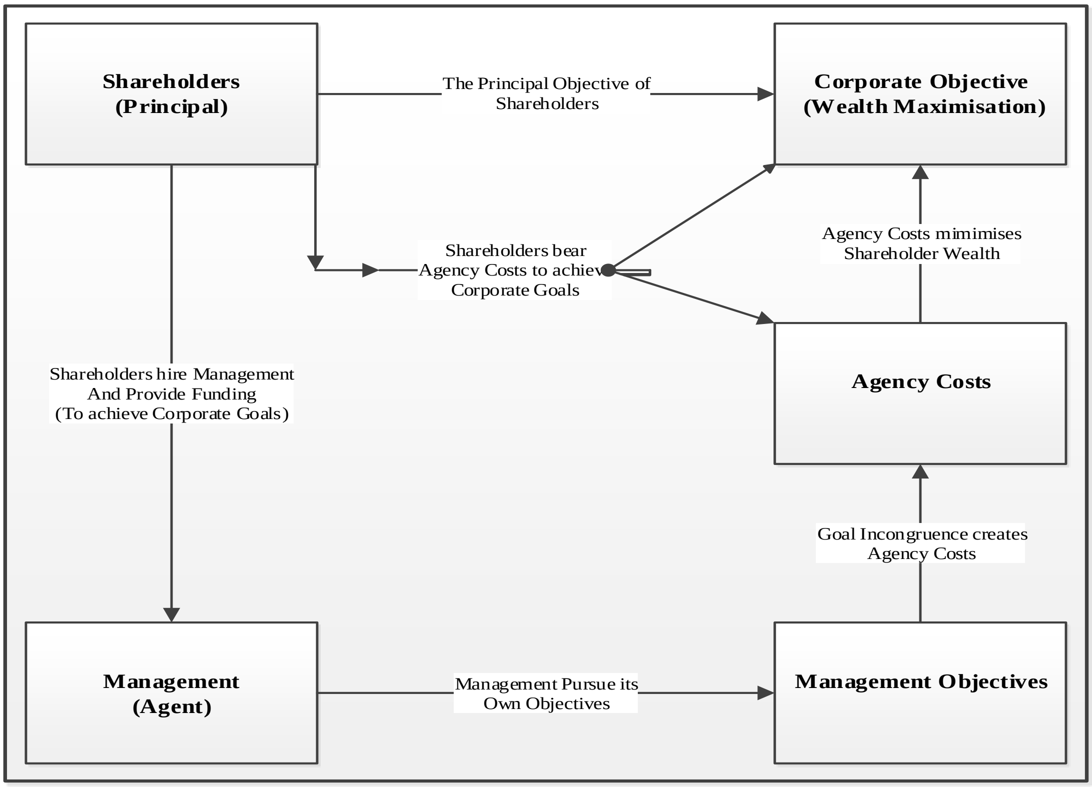
[11] The second concern is activated when transaction costs are such that the agency problem cannot be resolved using the contract mechanism.

[12] The analysis of contracting problems between self-interested parties with conflicting interests and; the minimisation of the costs created by the contracting problems.

[13] In the field of Accounting (Demski & Feltham, 1978); Economics (Spence & Zeckhauser, 1971); Finance (Fama, 1980); Marketing (Basu, Lal, Srinivasan, & Staelin, 1985); Political Science (Mitnick, 1992), Organisational Behaviour (Ross, 1973; Eisenhardt, 1985) and Sociology (Shapiro, 2005).

Figure 3 - Agency Framework



Source: Adapted from Jensen and Meckling (1976) and Eisenhardt (1989).

Jensen and Meckling (1976) argue that this challenge is heightened as both parties are utility maximisers, aiming to maximise their individual objectives (Figure 3). Against this backdrop, shareholders seek to implement measures which align their objectives with those of their managers. These measures are often examined in the context of agency costs.[14] However, with agency costs, the shareholder wealth objective is impacted. Despite the volume of literature evaluating this challenge, instances of management infractions persist. This reinforces the debate surrounding the notion that while agency theory remains the supra-national lens for evaluating corporate governance issues (Shleifer & Vishny, 1997), it still lacks the robustness to comprehensively address governance problems. Thus, Eisenhardt (1989) posits that agency theory is an empirically valid proposition, as long as it is supported by complementary perspectives.

Eisenhardt's (1989) preceding view serves as the basis of criticism against agency theory. In addition, the conflicting opinions from the literature appear to undermine the presumed overriding influence and practical relevance of the theory (Letza *et al.*,

[14] Jensen and Meckling (1976) defines agency costs as the sum of three costs: monitoring expenditures by the principal; bonding expenditures by the agent; and residual loss.

2008). For instance, while Ross (1973) advocates that agency applications are universal, Hirsch and Friedman (1986) disagree, suggesting that the theory is narrow with a restrictive lens. Further contribution by Perrow (1986) indicates that agency theory does not actually address any well-defined problem. These views have elicited opinions regarding its vagueness (Shapiro, 2005), thereby raising doubts around its practical relevance (Padilla, 2002).

Recognising the preceding criticisms, Letza *et al.* (2008) propose a move away from the duality viewpoint, which focuses on shareholders and stakeholders, to a pluralistic perspective. Letza *et al.* (2008) argue that changes in internal processes and the external environment invalidate conventional dualistic approaches, and called for the integration of social and other non-economic factors (power, legislation, culture, social relations) into corporate governance theorising, thus making a case for integrating other theories in this study.

The observations in Letza *et al.* (2008) indicate that, whereas some concerns underlie agency theory, its application in developing economies calls for a broader evaluation. In particular, concerns bordering on information asymmetry (see Eisenhardt, 1989) and the principal-principal conceptualisation (see Young *et al.*, 2008) demand attention. Eisenhardt (1989) suggested that agency theory offers unique insight into information systems, with information distributed asymmetrically throughout an organisation. However, the challenges relating to information in developing economies are well noted (see Ernst & Lundvall, 2004; Avgerou, 2008). This concern restricts the engagement of agency theory in addressing principal-agency issues in developing economies where the degree of information asymmetry is weak (Levine, 1997; Healy & Palepu, 2001). This challenge provides the basis for principal-principal conception noted in Dharwadkar *et al.* (2000) and Young *et al.* (2008). Therefore, rather than adopting the dominant agency theory, the weaknesses in an institutional environment (occasioned by illiteracy, increasing moral decadence and corruption) necessitate a reassessment of the continued engagement of agency principles in developing economies.

To conclude the discussion on agency theory, it is pertinent to note that while the theory provides the basis for corporate governance discourse, Hart (1995) reiterates that concerns created by suboptimal agency relationships do not alone provide a rationale for corporate governance scholarship. Furthermore, Lubatkin *et al.* (2007) posit that agency theory is built upon assumptions, which reduces the complexities associated with the governance phenomenon. These assumptions have subsequently developed as alternative theories. For instance, taking into account the multi-stakeholder nature of this study, agency theory lacks the comprehensiveness to integrate the concerns of a wider stakeholder group.

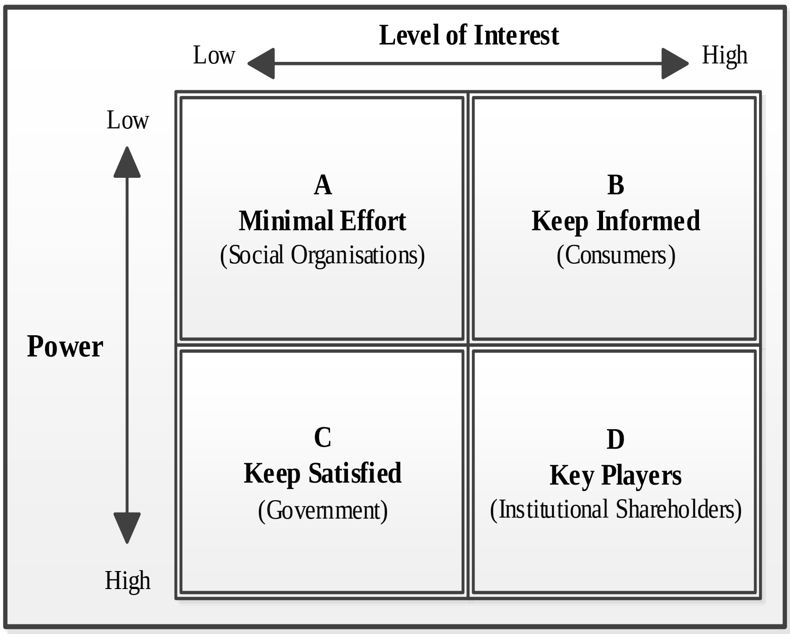
2.4.2 Stakeholder Theory

As opposed to shareholder theory, stakeholder theory is established on the principle that wealth is created, captured and distributed by various stakeholders (Johnson, Whittington, Angwin, Regner, & Scholes, 2014). Agency theory identifies two core elements upon which the firm concept is established, *i.e.* the shareholders and management. However, other literature (Freeman & Evan, 1990; Donaldson & Preston, 1995) sought to offer a rationale for expanding the frontiers of the firm concept. As a result, Mallin (2013) explains that stakeholder theory takes into context a wider group of constituents rather than focusing on shareholders. The theory seeks to develop the shareholder view by recognising other parties whose actions or inactions can affect a firm (Freeman, 2010; Solomon, 2013).

The challenge for firms adopting a stakeholder agenda is that both shareholders and other stakeholders may favour different corporate governance models, hence firms must establish an agreed strategy if conflicts are to be minimised. To facilitate this, Mendelow (1991) proposed a framework for analysing stakeholders based on power and level of interest (Figure 4). This analysis identified ways in which stakeholders may influence an organisation's activities and *vice versa* (Freeman, 2010). This analysis generated four sets of stakeholders.

Figure 4 identifies four quadrants of stakeholders based on a mix of interest and power. At the extreme ends of the quadrant there are key players and those who require minimal effort. The key players are deemed to be the most important stakeholders in view of the strong influence and power they wield *e.g.* institutional investors. Epstein (1986) stated that failure to satisfy these shareholders in favour of the entire stakeholders may force these key players to sell their shares and 'vote with their feet' (see Hirschman, 1970)[15]. Furthermore, in the Mendelow (1991) framework, there are stakeholders that must either be kept informed (*e.g.* government), in view of their high interest, or kept satisfied (*e.g.* management), in recognition of their high power. In effect, stakeholder theory seeks to align the interests of critical stakeholders with the interests of external, passive stakeholders (Blair, 1995).

<u>Figure 4 - Stakeholder Mapping (Mendelow Matrix)</u>



Source: Adapted from Johnson *et al.* (2014, p. 142)

Notwithstanding its relevance, stakeholder theory has been exposed to varying levels of criticism. Key (1999) suggests that there is an incomplete linkage between the theory's internal and external variables, as an actor can be a member of various stakeholder groups. Whereas Freeman (2010) contends that stakeholder groups can be clearly identified as separable entities, this view can also be contested on the basis that stakeholder groups cannot be clearly identified but the interests that groups represent (internal v external) can be recognised. For instance, shareholders and managers can be deemed as key players in an organisation for corporate governance purposes. However, in an environment where government is the major player, the

[15]Hirschman (1970) explained that 'exit,' which represents impersonation of economics, can occur in different ways such as customers deciding against buying goods, resignation of employees, suppliers refusing to provide goods and shareholders selling their shares, while 'voice,' which represents impersonation of politics, is the active expression of dissatisfaction, either individually or collectively or, as described by Konstant (1999), any attempt to change rather than escape from an unsatisfactory situation.

role of government can change from being ‘kept informed’ to being a ‘key player.’ Thus, the focus should not be necessarily centred on stakeholder groups, but, as Donaldson and Preston (1995) proposed, stakeholders should be identified by the ‘interests’ that they represent.

Corporate governance thrives on the concept of accountability *i.e.* accountability to all parties connected to an organisation (see Rossouw *et al.*, 2002; Solomon, 2013). This expectation is likely to result in multiple accountability, which is possible when the purpose of an organisation is unambiguous to every stakeholder connected to the firm (see Sternberg, 1997). According to the accounts of the King Report (2002), when a company seeks to be accountable to all parties it is ultimately not accountable to any stakeholder. This undermines the notion of accountability, which is a core prerequisite for stakeholder theory.

Another major criticism of stakeholder theory lies in the view that the theory is incompatible with the concept of business (Sternberg, 1997; Letza *et al.*, 2004). The theory stipulates that organisations must aim to achieve fairness in the distribution of corporate benefits to different stakeholders (Jensen, 2001). This position, however, does not link with the main ideology of business which involves an investment of funds with a view to maximising investment or returns in the future (Shleifer & Vishny, 1997; Letza *et al.*, 2004). Where a corporation neglects the maximisation of its owner’s wealth there could be implications for the continued long term survival of the business (Jensen, 2001).

Drawing from the above criticisms, Jensen (2001) identifies the difficulty of establishing ‘trade-offs’ among the interests of each stakeholder group, hence managers become unaccountable for their actions as there are usually no defined measurable objectives for all stakeholders. The Mendelow (1991) matrix (Figure 4) highlights that Jensen’s (2001) position, as the basis for classifying stakeholders, is weak. For instance, should management be considered a ‘key player’ or should it be ‘kept satisfied?’ It is relatively difficult to appropriately contextualise management’s level of interest or power at all times. Consequently, acknowledging the divergences amongst stakeholders would be crucial to addressing the objectives of this study. This motivated the decision to engage various stakeholder groups in this study.

However, in addition, it is necessary that stakeholder theory be examined in the context of developing economies. Reed (2002) concludes that two sets of influences converge to increase the responsibilities of companies operating in developing economies to a full range of stakeholder groups. The first is the circumstances (such as economic, political and sociocultural) under which companies operate in developing countries, whilst the second factor relates to the existence of several important normative principles, which are often neglected in developing economies. These influences have brought implications for stakeholder theorising in developing economies, evident in challenges such as weak shareholder activism (Adegbite, Amaeshi, & Amao, 2012), incompatibility with the concept of business (Letza *et al.*, 2004) and challenges around accountability (Sternberg, 1997).

In view of the above criticisms and notwithstanding probable inconsistencies amongst stakeholders, an assessment of the influences motivating stakeholders' behavioural patterns could help clarify the differences observed or, as Monks and Minow (2004) posit; balance the interests of stakeholders. While this informs the desire to engage stakeholders from different backgrounds in this study, it also provides an opportunity to consider what effect concepts such as regulation, rational choice and motivation, and deterrence have had on economic actors.

2.4.3 Economic Theories

Following on from the previous section, the decisions of stakeholders are typically influenced by their economic preferences. Varian (1990) explained that economic theory is helpful in understanding economic policies and agents' choices, and necessary for effective policy-making. While the field of economic theories is broad, this review focuses on three economic theories which are crucial to the emergence of a good corporate governance system.

The first theory is the economic theory of regulation. Despite the increasing global trend encouraging minimal government intervention in the marketplace, Sutinen and Kuperan (1999) state that the regulation of economic activities remains a fact of life. Polinsky and Shavell (2000) examined regulation in the context of public enforcement of law *i.e.* the use of public agents to detect and sanction violators of legal rules. Whilst regulation levels differ across industries and countries, factors such as public safety and security and economic impact, amongst others, necessitate regulatory interventions.

Two economic theories of regulation are identified by den Hertog (2010): First, public interest theory which assumes that regulators have sufficient information and enforcement powers to promote public interest. An example is the formation of an anti-corruption agency to minimise corruption in an economy. Second, private interest theory, which assumes that regulators do not have sufficient information in relation to cost, demand and other dimensions of firm behaviour. Thus, the ability to promote public interest depends upon how regulators are able to manage other economic agents who are desirous of pursuing their own interests (possibly at the expense of public interest).

However, these two propositions did not sufficiently account for institutional effectiveness. Where institutions are effective, both public and private interest theories can yield good outcomes. For instance, the market can react to the problem created by private interest theory. Indeed, where institutions are ineffective, both theories can be ineffectual. In many developing countries, the possession of sufficient information does not guarantee effective enforcement (Adegbite, 2012).

For both public and private interest theories, the main issues emphasise violations (crime) and appropriate punishment. While Becker (1974) suggests that the effectiveness of regulations could be aided by accompanying sanction (in terms of size and form), factors such as environment and history do influence sanction regimes. An example is the rules-based and the principles-based systems in the US and the UK respectively. Despite positives advanced for both, there are still reported incidences of governance abuses in the US and the UK. This raises two concerns: Are the measures not punitive enough to discourage continued infraction (cost-benefit) (Brown, 2004) or does the responsible institution lack the capacity to enforce punishment (certainty of enforcement) (see Polinsky and Shavell (2000)?[16] With the former, individuals can seek to rationalise their actions, but with the latter, could find motivation for engaging in illegal acts.

[16] An individual will commit an illegal act if, and only if, his expected utility from doing so, taking into consideration the benefit to him and the possibility of being caught and punished, exceeds his utility if he does the act (assuming no value is attached to his or her moral compass).

The second economic theory discussed in this section is the economic theory of rational choice and motivation. Rationality describes a state of being reasonable, based on facts or reason. Max Weber was one of the earliest rationality researchers, identifying increasing rationalisation and citing bureaucracy as an example. Human beings are expected to be rational in their actions because there is an expectation that their decisions will be the outcome of available facts or reason. It may therefore be assumed that, as Marxian analysis suggests, human beings are motivated by selfishness or material gain (Becker, 1974). Indeed, Vriend (1996) notes that it is universally presumed that the principal characteristic of any individual is his rationality.

Rationality is also referred to in Smith's (1776) postulations regarding economic agents. Smith's argument focused on the fact that economic agents will act based on facts and reason, as reflected in his view on owner-manager complications. Vriend (1996) views this as 'self-interest.' As seen in the theories of regulation, both public and private agents aim to satisfy their self-interest. For instance, the desire of the government to compensate the public for their allegiance and support could explain public interest. Similarly, private interest theories are also driven by the desires of other economic agents (firms, individuals) to maximise their self-interest.

However, do 'fact' and 'reason' offer sufficient justification for rational-choice? Does 'reason' explain the connection between action and consequence, as noted in Gans (1996)? Reason could be influenced by ethics, environment, culture and ambition *etc*. For instance, when a manager engages in activities that do not maximise shareholder wealth, can 'reason' explain the motivation for such behaviour? Gans (1996) demonstrates that when restrictions (in terms of information) are imposed on an agent's knowledge of possible decision environments, a rational ordering over actions does not exist. This insight highlights the effect of incomplete information on rationality, which is consistent with Simon's (1972) bounded rationality concept.

Bounded rationality argues that when individuals make decisions, their rationality is restricted by the information they possess (Simon, 1972). However, Case (2012) informed that whilst possession of quality information could stimulate informed rational behaviour, the reverse could be the case where information is scant. In developing economies, the availability of sufficient information has continually constituted challenges (Akpan-Obong, 2009). As a result, decision-makers only seek a satisfactory solution as they lack the information (which could be knowledge, ability and resources) to arrive at an optimal alternative. Corporate governance is significantly an information mechanism (Armstrong, Guay, & Weber, 2010), thus questioning its usefulness in a system of poor quality information.

To conclude this section, it is also important to examine deterrence theory and its link with corporate governance practice. Akers (1990, p. 654) explains that deterrence theory seeks to suggest that the *"rational calculus of the pain of legal punishment offsets the motivation for the crime thereby deterring criminal activity."* In other words, individuals tend to choose either to obey or violate a particular legislation after considering the gains and likely consequences of that activity. Thus, individuals choose crime when it 'pays.' It might then be reasoned that the consequences of engaging in an activity must be greater than the associated gains if individuals are to be deterred from engaging in that activity. The solution, according to deterrence theorists, is that crime can be made less attractive by implementing policies that increase the costs of illegal conduct *i.e.* laws and penalties implying that crime 'does not pay' (Nagin, 1998). The theory thus explains the relationship between formal sanctions (and their effectiveness) and crime (Piliavin, Gartner, Thornton, & Matsueda, 1986). In summary, as noted in Ellis (2003), deterrence theory indicates that offenders could be punished to deter potential offenders. This view connects deterrence theory with rational choice theory as individuals will typically pursue that which would enhance their wealth (Piliavin *et al.*, 1986; Akers, 1990).

However, as Ellis (2003) observed, the foregoing notion has been rejected for two reasons. First, to what extent does punishing one person actually deter others? A study by Carlsmith, Darley, and Robinson (2002) shows insensitivity to factors associated with deterrence. Second, the theory also fails to determine limits for punishment. In addition to the above reasons, it is necessary to assess whether the excess of gain over consequences offers the sole motivation for engaging in illegal activities. For instance, in some cases individuals engage in activities not because of the gain, but for other reasons such as satisfying personal curiosity (Akers, 1990). An example was noted in Ahunwan (2002) which indicated that the typical Nigerian economic agent possesses a certain inbuilt stubbornness which manifests in a propensity to circumvent defined rules of economic behaviour and to resist control, aimed at maximising their economic gain.

In the foregoing case, it is apparent that the excess of gain over consequences is not the only factor motivating the actions of the typical Nigerian economic agent. It may be critical to comprehend other motivations. This has implications for corporate governance regulation, particularly in a country such as Nigeria where institutional weaknesses have been exploited to ensure ineffective regulation. In such environments, will a rules-based and/or a principles-based system warrant a reorientation towards regulatory issues? It is therefore necessary to explore alternative deterrence strategies rather than solely focusing on punishing offenders, as it is possible that the environmental and institutional factors could influence the perception of deterrence in a society.

To conclude discussions regarding the three strands of economic theories reviewed in this section, it is important to examine their extent of relevance in the context of developing economies. It is evident that economic theories of regulation, rational choice and deterrence are stimulated by certain characteristics. Included in these characteristics are the degree of awareness and education, the robustness of institutions, the level of economic development and the dominant culture, amongst others. Therefore it can be argued that, where there are challenges regarding the aforementioned characteristics, the usefulness of the economic theories discussed in this section is hampered. Consequently, this development would have implications for governance practices, especially when corporate governance is largely viewed as a regulatory mechanism (see La Porta, Lopez-de-Silanes, & Shleifer, 2002; Levine, 2004). In developing economies, the features of economic theories noted above have remained a concern (see North, 1994; Braithwaite, 2006; Estache & Wren-Lewis, 2009). Thus, in light of the focus of this study, the emergence of a good corporate governance system in developing economies must be preceded by a framework clarifying the need for improvements in the essential features of economic theories. Nonetheless, it is apparent that the institutional environment is crucial to the emergence of good corporate governance in developing economies (Estache & Wren-Lewis, 2009). This informs why institutional theory is identified as the main theoretical perspective of this thesis.

2.5 Core Theoretical Perspective – Institutional Theory

Whilst agency theory advocates that firms can be viewed as a nexus of contracts (Jensen & Meckling, 1976), Guiso, Sapienza, and Zingales (2009) posit that culture,[17] as a key determinant of economic exchange, is generally omitted when arranging contracts. Coase (1937) argues that economic theories (*e.g.* agency theory) have not yielded desired outcomes in view of the isolation of the underlying foundations of the theory. Institutional theory contributes to the understanding of the basic foundations of economic theories (Lubatkin *et al.*, 2007).

According to Suddaby (2010), institutional theory aims to understand why and how organisations attend to their institutional environments. Thus, it could be inferred that it is the task of institutional theory to strengthen knowledge and the application of other theoretical approaches. For instance, Judge *et al.* (2008) linked institutional theory with agency theory, proposing that institutional theory promotes understanding of agency issues, as it analyses the institutional contexts in which agency issues develop. Mitnick (2006) is also consistent with Judge *et al*.'s (2008) view, informing that institutional theory of corporate governance was necessitated by the lack of a framework to address underlying institutional elements of the agency model, hence its evolution as a reaction to the imperfections of the agency model.

Bearing in mind the growing concerns over agency theory, studies relating to institutions have attracted substantial discourse over the last few decades. For example, Adegbite and Nakajima (2011a) note that not only has the concern become topical among businesses, regulators and political leaders, but a body of academic literature (see Meyer & Rowan, 1977; Zucker, 1977; DiMaggio & Powell, 1983; Scott, 1987; Zucker, 1987) has emerged around it. Accordingly, significant academic efforts have been channelled towards assessing the relevance of institutions as a way of examining the behaviour and performance of firms and their agents. This course has been charted in view of its capacity to facilitate a rich and complex view of organisations (Zucker, 1987).

However, institutional theorising has been enriched by the positions pursued by proponents of deinstitutionalisation (Oliver, 1992; Maguire & Hardy, 2009).

[17] Scott (1987) observes that the resurgence of interest in culture benefited and contributed to the development of institutional theory.

Whereas institutional theory is fundamentally driven by suggestions that institutions are enduring entities (Maguire & Hardy, 2009) maintained over long periods of time and are highly resistant to change (see Zucker, 1987), deinstitutionalisation necessitates a review of the proposition underlying institutional theory. Deinstitutionalisation, according to Oliver (1992), refers to the erosion or discontinuation of an institutionalised organisational activity or practice. It entails the process wherein institutions become weak and subsequently disappear (Scott, 2004). The increasing attention towards deinstitutionalisation is evident in the variety of application of the concept: the electricity supply industry (Henisz, Holburn, & Zelner, 2005); the case of asbestos in France (Blanc & Peton, 2009); and the use of insecticide - DDT (Maguire & Hardy, 2009).

Contrary to views presenting institutions as enduring structures, deinstitutionalisation argues that widespread, taken-for-granted norms and practices can be eventually rejected and thereafter abandoned (Oliver, 1992; Dacin & Dacin, 2008). This possibility highlights the importance of acknowledging the broader context of institutional change, as the weakening and subsequent disappearance of a set of beliefs is likely to stimulate the arrival of new ones (Gilmore & Sillince, 2014). The foregoing issues raise a variety of questions. First, can and do economic agents determine or influence the process of institutionalisation and deinstitutionalisation in a society? Second, is the robustness of institutionalisation or deinstitutionalisation processes influenced by the peculiarities of an institutional environment? These questions demand that the dominant positions of institutional theorists regarding institutions and institutional theory are reconsidered. This necessitates an understanding of some elements of institutional theory.

2.5.1 What is an Institution?

An institution represents a structure of social order and cooperation which governs the behaviour of individuals in a community (Hodgson, 2006). As enduring features of social life (Giddens, 1984), institutions describe any collectively-accepted system of rules by which societies establish institutional beliefs (Searle, 2005). As a consequence, institutions can either constrain or enable behaviour (North, 1990).

Hodgson (2006) reasoned that institutions enable ordered thought, expectation and action by ensuring consistency in human actions and interactions within a society.

Various influences inform the emergence of institutions, but Hodgson (2006) contends that the role of individuals is crucial to the development of institutions. Hodgson's (2006) stance, however, contradicts Clemens and Cook's (1999) position. Clemens and Cook (1999, p. 442) argue that institutional elements are not driven by aggregation of individual actions, neither are they based on standardised interactions between individuals, but rather on *"institutions that structure action."* This suggests that institutions have the capacity to shape behaviour and actions, not *vice-versa*.

Clemens and Cook's (1999) view appears to focus on environments that possess a high level of institutional sophistication. But what happens in an institutional environment that lacks the requisite sophistication? In many developing countries, for instance, the power and interest wielded by certain individuals might permit a reassessment of institutional structures. The power and influence wielded by certain persons ensure that such individuals are able to influence institutional elements in order to optimise their personal objectives. The management of this concern is critical to the development of knowledge to improve corporate governance, particularly in developing countries. This was demonstrated in research by Mangena *et al.* (2012) which suggested that the nature of an institutional environment does influence board and ownership structures. Similar observations were noted in Filatotchev *et al.* (2013).

To extend the 'institution' review, it is appropriate to integrate the variants of institutions in this study. The vastness of types of 'institution' could create a misunderstanding in institutional theory scholarship, as there is a preponderance of literature evaluating the many façades of institutional theory. For instance, whilst Giddens (1984) identified political, economic and legal forms of institutions, Amenta and Ramsey (2010)[18] and Hall and Taylor (1996)[19] offered similar variants of institutionalism but distinct from Giddens (1984). Thus, it is necessary to examine these types of institutions with a view to identifying appropriate forms for this study.

[18] Historical Institutionalism, Political Institutionalism and Sociological Institutionalism.
[19] Historical Institutionalism, Rational Choice Institutionalism and Sociological Institutionalism.

Table 3 - Pillars of Institutions

	Pillars		
	Regulative	**Normative**	**Cultural-Cognitive**
Basis of Compliance	Expedience	Social Obligation	Taken-for-Grantedness Shared Understanding
Basis of Order	Regulative Rules	Binding Expectations	Constitutive Schema
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules Laws Sanctions	Certification Accreditation	Common Beliefs Shared Logics of Action Isomorphism
Affect	Fear Guilt/Innocence	Shame/Honour	Certainty/Confusion
Basis of Legitimacy	Legally Sanctioned	Morally Governed	Comprehensible Recognisable Culturally Supportive

Source: Scott (2014, p. 60)

Scott (2014) proposed three pillars of institutions, namely the regulative, the normative and the cultural-cognitive (Table 3). Whereas the regulative pillar focuses on regulations and associated processes (North, 1990), the normative pillar places emphasis on the prescriptive, evaluative and obligatory dimensions of social life (Scott, 2014). The cultural-cognitive system suggests that the shared conceptions which constitute the nature of social reality create the frames through which meaning is generated (Scott, 2014). These three pillars were conceptualised along three dimensions – obligation (the extent to which actors are bound to obey), precision (the degree to which rules specify required conduct) and delegation (the extent to which third parties have been granted authority to apply rules). The regulatory system is expected to exhibit high values in these dimensions while normative systems exhibit low values.

The engagement of regulatory and normative systems is consistent with the application of rules-based and principles-based approaches respectively. Thus it can be argued that adopting the regulatory or normative system is dependent on the effectiveness of institutional elements. This suggests that in weak institutional environments, applying either system could be challenging. This led to the conceptualisation of the cultural-cognitive system, which emphasises the role of culture in shaping cognitions related to institutions (Posthuma, 2009). This system recognises that institutions operate within different contexts in countries with diverse cultures. As a result, national culture could dictate how economic actors perceive and respond to institutions (Meyer & Rowan, 1977). While studies (Haniffa & Cooke, 2002; Li & Harrison, 2008) have shown that there is a relationship between culture and corporate governance, Rafiee and Sarabdeen (2012) show that the prevailing culture in less-developed markets contributes to weak corporate governance practices in those countries. This suggests that the adoption of a cultural-cognitive system, which harmonises key elements of regulatory and normative systems, may produce good governance in developing economies. This is because, as Scott (2014) posits, cultural-cognitive elements of institutions denote the shared conceptions that define the nature of social reality and creates the frameworks through which meanings are generated. However, the impact of culture on corporate governance institutions can be determined by the extent of legitimacy which that culture enjoys.

2.5.2 Institutional Legitimacy and Isomorphism

To survive, companies must understand and negotiate the many environmental influences (*e.g.* culture, politics) on their operations (Patel & Xavier, 2005). In other words, an organisation's legitimacy is critical to its survival. Gibson (1989) agrees that institutions thrive on legitimacy. Powell and DiMaggio (2012) explained that institutional theory accepts that corporate survival does not only depend on material resources and technical information but also on the organisation's perceived legitimacy. A comprehensive description was offered by Suchman (1995, p. 574) enlightening that *"legitimacy is a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions."*

Thus the legitimacy of a firm reflects its relationship with its environment. Pfeffer and Salancik (2003) note that organisational legitimacy is controlled by outside elements, relying on the firm maintaining a coalition of stakeholders who possess legitimacy-defining power. In countries where corporate governance has achieved relative success, institutional legitimacy (or macro-theory of legitimation) (see

Tilling, 2004) appears to be evident in such environments. In these contexts, Suchman (1995) suggests that institutions and legitimacy are almost identical, hence they are able to empower corporate activities as they appear natural and meaningful. Consequently, the political and social institutions are well-established in such a way that they are able to regulate the economic objectives of agents.

This indicates that, as corporations seek legitimacy, it is implied they equally aim to improve their governance practices. Sun, Salama, Hussainey, and Habbash (2010) explained that organisational legitimacy is reinforced by the strategic mechanism of corporate governance, therefore reinforcing the view of institutional theorists regarding the influence of society on corporate governance performance. This development, according to Coglianese (2007) has meant that corporations are moving their governance towards similar institutional arrangements exhibited by liberal, democratic governments.

However, it can be argued that the differences in institutional environment could have implications for institutional legitimacy. Where the power of institutions as a control mechanism is weak, economic actors have greater opportunity to allow their rational-choice to influence their perception of legitimacy. For instance, Suchman (1995) identified pragmatic legitimacy as a form of legitimacy wherein legitimacy assessments are made through direct exchanges. Pragmatic legitimacy is often based on self-interest of the actors involved and determination of practical consequences. Thus, the dominant normative worldview of actors could manifest such that the impact of institutional legitimacy is undermined. This was the basis of Patel and Xavier's (2005) criticisms. This concern can also influence the manifestation of isomorphic tendencies in an institutional environment.

Isomorphism is an institutional concept suggesting that firms are similar in a variety of areas such as structure and processes, among others (DiMaggio & Powell, 1983). Literally, a firm could replicate the operations or activities of another firm or firms such that all the firms in a particular environment become increasingly similar (Dacin, 1997). As firms become inherently similar, there are opportunities for competitors to identify unique characteristics of other firms and incorporate these features into their operations.

DiMaggio and Powell (1983) explained that institutional isomorphism can manifest in three forms: Mimetic, normative and coercive. Mimetic isomorphism entails a deliberate and planned attempt by an organisation to copy or imitate the practices of established competitors in highly uncertain markets for survival. Mimetic isomorphism differs from normative isomorphism in that in normative isomorphism, there is no initial, deliberate attempt to imitate competitors. Normative isomorphism develops, for instance, as an organisation engages managers and other operatives from its competitors. Steadily, isomorphic tendencies emerge as these new employees begin to exhibit attitudes and behaviours which were learned in their previous work environment. Over time, the new company begins to appear similar to its competitors. This will manifest as levels of professionalism increase the similarity across organisations.

Coercive isomorphism demands change occasioned by pressure from other organisations and societal culture. This strand of isomorphism emerges from both formal and informal pressures brought to bear on an organisation by other organisations upon which they depend (DiMaggio & Powell, 1983). The pressure exerted by these exogenous influences potentially provokes a systemic change in institutional frames. It is safe to conclude that the outcome generated in coercive isomorphism is determined by the extent of institutional effectiveness demonstrated by exogenous organisations.

Therefore, the centrality of institutional environment to corporate governance is acknowledged. Indeed, Knack and Keefer (1995) used the robustness of institutional environments to delineate countries as developed or emerging. Thus, countries such as the US with a relatively sound institutional framework should logically display strong corporate governance. However, Holmstrom and Kaplan (2003) document evidences which highlight some concerns for corporate governance in the US. A good example is Enron. As the largest energy firm in the US at the time it collapsed, it could use coercive pressures to infiltrate other firms in its sector, leading to isomorphic tendencies. This suggests that whilst the institutional environment is critical to governance discourse, key players in an industry could equally influence the emergence of (negative) isomorphic tendencies in a business environment.

In developing countries such as Nigeria, the various manifestations of isomorphism are worth evaluating. Specifically, the role of government as isomorphic agent and second, isomorphic tendencies compelled by exogenous elements necessitate some examination. In most developing countries, the government is a major player in those economies. For instance, with respect to government ownership of banks, La Porta *et al.* (2002) show that such ownership is large and higher in countries with low levels of per capita income, weak financial systems, inefficient governments and poor property rights protection. These are features of developing economies. The government in many of these countries is challenged by incompetence. Therefore, as corporations are forced to establish business relationships with the government for survival, the possibility to become increasingly similar to government agencies escalates. This is consistent with DiMaggio and Powell (1983, p. 155) Hypothesis B-1 which states that *"the greater the extent to which an organisational field is dependent upon a single (or several similar) source of support for vital resources, the higher the level of isomorphism."*

The second concern deals with the external pressures for good corporate governance. Khanna and Zyla's (2012) survey indicates that corporations from developed economies will at all times prefer to do business in countries and firms with good governance structures. As a result, there is evidence of coercive isomorphism. This form of isomorphism is also intensified by the pressure exerted on local firms when they (local firms) seek to attract capital from foreign investors or from international lenders such as the International Monetary Fund (IMF), where some conditions are stipulated before such funding can be accessed. In such a context, it can be argued that corporate governance is being imposed upon developing countries, regardless of whether the institutional environment in these economies can accommodate the dynamics of the dominant Anglo-American corporate governance system. This is consistent with Hypothesis A-3 in DiMaggio and Powell (1983). Whereas this demonstrates the relationship between isomorphism and legitimacy, the concern with the aforementioned development is that it undermines the legitimacy of the corporate governance concept which could lead to low compliance levels.

These concerns form the basis of criticisms directed at institutional isomorphism. Isomorphism implies that institutional change occurs over the long term. However, Dacin (1997) confirmed that the power with which institutional norms influence organisations can vary over time and rapidly. Isomorphism is also generally assumed to emerge from a single or few sources, but Lodge (2000) suggests that isomorphism has multiple sources and cannot be understood as a uniform process. The implication of this is that while organisational or societal culture has been identified as the driver of isomorphism, other factors could account for the emergence of isomorphic tendencies in an institutional environment. For instance, a study examining the managerial behaviour of Korean Chaebols[20] posited that isomorphism alone is insufficient to explain managerial behaviour. The study recommended that it is better to engage a combination of factors beyond culture to generate a robust explanation for isomorphic developments.

The foregoing reasonably serves as a base from which to expand the scholarship in relation to agents of isomorphism. Views examining the drivers of isomorphism in an institutional context tend to deliberately restrict their lens to corporations (see Dacin, 1997). This may be informed by the capitalist nature of many developed economies where market decisions are informed by the forces of demand and supply. In many developing economies, this is certainly not the case as other agents have considerable input into how isomorphism develops in the system (see Siddiqui, 2010).

The preceding discussion highlights the importance of building a sound institutional environment for corporate governance to thrive. However, questions remain as to the relevance of institutional mechanisms. Some factors have been identified which should be examined to appropriately contextualise the significance of institutions. It is therefore necessary to evaluate whether institutions actually matter.

2.5.3 Institutional Influence on Corporate Governance

It is important to commence this discussion by probing ‘what is the most important factor ensuring the occurrence of diverse corporate governance systems across the globe?’ Filatotchev *et al.* (2013), for instance, argue that understanding how corporate governance differ worldwide demands a rich and comparative insight into

[20] According to Kim, Lyn, Park, and Zychowicz (2005), the Korean economy is dominated by Chaebols, described as a business group of conglomerates which are owned and managed by a single family.

institutions. Findings in Acemoglu, Johnson, Robinson, and Thaicharoen (2003) equally suggest that institutional differences are crucial to classifying rich and poor countries. To deepen the understanding of the foregoing, it is imperative to review prior studies and theoretical frameworks relating to institutional influences on corporate governance. According to proponents of institutionalism in corporate governance (see Table 4), institutional features provide the rationale for explaining the differences in corporate governance systems worldwide. As indicated in Table 4, these studies have identified and examined varying institutional elements of corporate governance.

Table 4 - Prior Studies on Institutional Determinants of Corporate Governance

Relevant Literature	Focus/Contributions
Cuervo (2002)	Legal institutions
Aguilera and Jackson (2003)	‘Actor-centred’ institutional factor
Aguilera and Cuervo-Cazurra (2004)	Efficiency needs and legitimation pressures
Doidge *et al.* (2007)	Legal protections for minority investors and, the level of economic and financial development
Judge *et al.* (2008)	Extent of law and order, culture and corruption
Filatotchev *et al.* (2013)	Differences in nature and extent of Agency relationships

In Cuervo (2002) for example, the use of codes of governance was engaged in examining the deficiencies in shareholder protection in the legal structure of market-oriented (Anglo-Saxon) and shareholder-oriented (continental European) systems of corporate governance. It was however acknowledged that enforceability issues in continental Europe restrict the use of codes. The expansion of market control mechanism was therefore proposed to promote maximisation of firm value. This study suffers from two issues. First, the focus on legal institutions represents a narrow lens for examining the effectiveness of codes. There are evidences which demonstrate that prevailing culture (Haniffa & Cooke, 2002) and dominant religion (Coşgel & Miceli, 2009; Grullon, Kanatas, & Weston, 2009), for instance, are essential to code effectiveness. The legal institution can also be challenged by legitimacy concerns which may further undermine its effectiveness. Second, as shown in Judge *et al.* (2008), global corporate governance systems cannot be confined to the market-oriented or stakeholder-oriented (continental European) models. Thus, the outcomes in Cuervo (2002) may be inconsistent with studies examining the emerging models of corporate governance in other varieties of capitalism.

On their part, Aguilera and Jackson (2003) employed an 'actor-centred' model to identify social relations and institutional arrangements that determines who controls firms, who governs the allocation of rights and responsibilities among corporate stakeholders, and whose interests corporations serve. While the study only focused on advanced capitalist economies, the use of 'actor-centred' is ambiguous as no particular stakeholder was identified. The key actors in market-oriented and stakeholder-oriented institutional environments are different, ranging from shareholders to stakeholders (such as banks). The scholarship of corporate governance will be enriched when the preferences of clearly-identified drivers of the system are addressed.

Doidge *et al.* (2007) expanded the scope of institutional factors to include the level of economic and financial development, in addition to legal institutions previously acknowledged in Cuervo (2002). This study highlights the robustness of utilising country characteristics as an explanatory variable for variations in governance ratings, compared to the use of firm characteristics. While data used in the study (sourced from three agencies) purportedly include information from developing economies, the study outcome cannot be engaged in the African context as only data from South Africa featured in the analysis. Notably, the largest economy in Africa (Nigeria) is excluded from the study. In view of the widely-reported issues regarding legal protection for minority shareholders in many emerging and developing countries (La Porta *et al.*, 2000; Klapper & Love, 2004) which raises questions with regard to role of institutions (legal), there are sufficient grounds to argue that the outcome in Doidge *et al.* (2007) does not reflect developments in Africa.

The elements of culture, legal institutions and notably, corruption were specifically identified as the three pillars of institutionalisation influencing the perceptions of corporate governance at the country level in Judge *et al.* (2008). The study which involved 50 countries (identified as either developed or emerging) classified all the countries using three governance systems namely Anglo-American, communitarian and emerging. Every country classed as developed embraces either the Anglo-American or the communitarian governance system, whereas every country labelled as emerging engages the emerging governance model. In addressing hypothesis 3,[21] the study demonstrated that the less the prevalence of corruption in an institutional environment, the higher the legitimacy associated to corporate governance in such environments. However, relying on the insights provided in Pfeffer and Salancik (2003) and Patel and Xavier (2005), organisational legitimacy is shaped by external elements. In many weak institutional contexts, where corruption is significantly associated with societal elites, an organisation's survival is often linked to its ability to understand and negotiate with these elites. Furthermore, there are reported incidences of institutionalised corruption which may suggests that attempts by organisations to isolate themselves from that 'institution' may hamper their survival.

Notwithstanding the preceding criticisms, the relevance of institutional elements in corporate governance scholarship has continued to attract substantial scholarly followership. The generality of these studies have reported the influence of various strands of institutionalism on corporate systems. But despite the positive perception regarding the importance of institutional frameworks, a growing body of literature (Sachs, 2003; Przeworski, 2004; Fukuyama, 2006) have questioned the validity of the assumed applicability and significance of institutional frameworks in creating a robust corporate governance system. Przeworski (2004) identified two contrasting themes that have stimulated increased focus on institutional discourse. The first is that institution matters. This is because it influences norms, beliefs and actions, and consequently shapes actions. This connects with the definition of economic institutions provided in North (1990) and Acemoglu *et al.* (2005). The second argument proposes that institutions are endogenous (see Besley & Case, 2000), with their form and functionality dependent on the conditions under which they emerge and endure.

The first proposition links with the widely-held position postulated by proponents of institutionalism such as Acemoglu *et al.* (2005), Knack and Keefer (1995) and Kaufmann, Kraay, and Mastruzzi (2009), and those identified in Table 4. Nevertheless, the second proposition portrays institutions as an endogenous variable.

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[21] Hypothesis 3 in Judge *et al.* (2008) states that 'the extent to which corruption is embraced within a nation will be negatively associated with corporate governance legitimacy.'

Variables are deemed to be endogenous when they are influenced by certain conditions. Thus, the second proposition presumes that existing conditions can influence the functionality of an institution (Przeworski, 2004). This, in turn, suggests that institutions will manifest only the causal effects of these existing conditions.

Przeworski's (2004) propositions were also noted in Glaeser *et al.* (2004). They (Glaeser *et al.*, 2004) also identified two approaches to economic development, informed considerably by institutions and conditions. The salient feature of these approaches lies in their prioritisation. Glaeser *et al.* (2004) informs that the first approach emphasises the need to initially engage institutions as a mechanism for securing property rights, whilst the second approach emphasises the need for human and physical accumulation of capital (possible conditionalities) to initiate the process. Therefore, as indicated in Przeworski's (2004) second proposition, Glaeser *et al*.'s (2004) second approach suggests that institutional improvements, particularly in the context of poor countries, could be the consequences of increased education and wealth, but not the cause.

In view of the second propositions offered by Przeworski (2004) and Glaeser *et al.* (2004), Sachs (2003) argued that institutions may matter, but they do not matter absolutely. Indeed, determining whether institutions matter must require the isolation of their (institution) effect from those of the condition under which they function. Whilst this represents a difficulty faced by scholars (Przeworski, 2004), the preceding view by Sachs (2003) compels an examination of circumstances, particularly in contexts where institutions are weak. Assuming that institutions are humanly devised constraints that shape human interaction, North (1990) suggests that institutions have the capacity to prevent individuals taking certain actions or, alternatively, to induce them to act in a way they would otherwise not. But as Przeworski (2004) queries, how could what people would or would not do be determined if institutions are not present? Thus, it is probably difficult to relate the behaviour of economic agents to the existence of institutions.

As noted earlier, the widely-held consensus indicates that institutions determine behaviour, virtually in an absolute sense. To demonstrate the depth of this perception, it can be advocated that when an institution is replicated in another economic environment, it is literally assumed that it will function in the same way as it has functioned elsewhere (Przeworski, 2004). In contrast, Johanson and Østergren (2010) demonstrate that a global norm would be misplaced and dysfunctional if applied universally. Findings in Adu-Amoah, Tsamenyi, and Onumah (2009) also affirm Johanson and Østergren's (2010) position. Adu-Amoah *et al.* (2009) suggest that an attempt to design corporate governance systems without taking local social and political factors into account is likely to lead to failure.

This view connects with the endogenous claim, which indicates that institutions can function but only under certain conditions; or that the impact of particular institutions is dependent on certain underlying conditions (Przeworski, 2004). To offer an example, institutions, represented by concepts such as property rights, credible enforcement of contracts and the rule of law, among others (Fukuyama, 2006), may have achieved relative success in developed countries, but many developing countries, who have certainly established their institutions on similar models, have not achieved comparable outcomes. This presupposes that perhaps existing conditions in a particular domain bear more influence on economic activities such as corporate governance performance than existing institutions.

To corroborate this, an example was cited in Gilson (1996) reiterating the importance of conditions. Gilson (1996) reported that at a meeting on comparative corporate governance, a non-Japanese speaker emphasised the importance of Keiretsu[22] to Japan's economic development. However, after listening to the speaker, a Japanese economist disagreed with the notion that Japan's competitiveness was based on a corporate governance strategy. Instead, the Japanese economist argued that Japan's economic revival resulted from both the character of the Japanese people and the situation in which Japan found itself. The character of the Japanese people and the situation of the country connote conditionalities, which helped reinforce Japanese institutional structures.

The preceding issues have raised concerns about the validity of the widely-held view that institutions matter. Given these perceptions, it is appropriate to contemplate that 'good' institutions, as noted in Sachs (2003), certainly matter, but their significance

[22] Keiretsu is a form of institution incorporating a set of companies with interlocking business relationships and shareholdings.

is determined by existing conditionalities. This is consistent with the positions expressed in Sachs (2003), Gilson (1996), Glaeser *et al.* (2004) and Przeworski (2004) which agree that institutions do not matter exclusively. Therefore, the consideration of institutional frameworks as a single-factor explanation (Sachs, 2003) for entrenching good corporate governance practices may be flawed. This view of institutional theorists such as Acemoglu *et al.* (2005) demands a reassessment especially when institutions are examined in the context of developing economies.

Part B: Corporate Governance in Developing Economies

In this part, corporate governance issues relating to developing economies are reviewed. The review commences by examining institutional relevance in developing economies. This facilitated the evaluation of the emerging model of corporate governance, which has been used to describe corporate governance in less-developed economies. The section concludes by considering key corporate governance concerns in developing economies.

2.6 Institutional Significance in Developing Economies

Gilson (1996) explained that the institutional characteristics of national corporate governance systems are path-dependent,[23] which are defined by the historical and political contingencies of particular national systems. North (1993) also agrees that institutions are often predetermined or given by history. This suggests that institutional characteristics could be shaped by distinct national systems. Thus, as Gilson (1996) observes, economic success is dependent upon how governance institutions, created by history and politics, 'fit' with the particular economy in which its firms are expected to compete. While this view is appropriate, there is little doubt that the institutional elements in developed and developing countries show varying levels of efficiency. Indeed, it can be debated that existing conditionalities rather than institutions account for these differences. Some studies have illustrated this view. In Sorour and Howell (2012) for example, it was observed that powerful

[23] The idea that events occurring at an earlier point in time will affect events occurring at a later point in time (Djelic & Quack, 2007).

agents (such as regulators) drive the political process of corporate governance amongst Egyptian banks. Similarly, in Jizi *et al.* (2014), it was suggested that a powerful CEO enjoys some liberty in taking decisions which may or may not maximise corporate objectives. In both studies, it could be suggested that economic actors rather than institutional elements appear to bear more influence on the direction of corporate governance.

Taking into context North's (1990) definition of institutions as a constraint on individual behaviour, Glaeser *et al.* (2004) note that these constraints must be reasonably permanent or durable. This was the basis of the American institutional structure which as Gilson (1996) informs, is thought to represent the evolutionary pinnacle of corporate governance. The American model and other similar variants are widely engaged in the western world. However, Fukuyama (2006) examined the permanency or durability of institutions in Latin America (which can be regarded mostly as developing economies) and concluded that even formal institutions can be established, abolished or changed literally 'with the stroke of a pen.'

Fukuyama (2006) suggests that a lack of institutional permanency is enabled by conditions driving institutions in those countries. Furthermore, work by Hall and Jones (1999) revealed three proximate causes for the differences in prosperity across countries. These differences include physical capital differences (poor countries do not save enough), human capital differences (poor countries do not invest enough in education) and technology differences (poor countries do not invest enough in research and development).

Linking with the above, Glaeser *et al.* (2004) examined the effect of low education on political institutions. They suggest that low-education countries are never stable democracies while high-education countries generally produce stable democracies. They note that this is consistent with Lipset (1960) who agreed that political institutions are more relevant in well-educated countries than in poorly-educated countries. They extend the scope of their study by attempting to understand the timing regarding whether education or institutional outcomes should take priority. Similar research was undertaken by Barro (1999). Glaeser *et al.* (2004) results indicate that education produces a large and positive effect in developing economic institutions, whilst there is no effect on human capital growth when political institutions are engaged first. Barro (1999) reported similar outcomes, thus affirming that conditions, rather than institutions, should be prioritised.

Another condition reported in Przeworski (2004) is the effect of income levels on political institutions. In the study, Przeworski (2004) demonstrated that the acceptance of election results varies among countries in view of the income gap which exists in those countries. Whilst Glaeser *et al.* (2004) used the term ‘poverty’ to communicate similar views, Przeworski (2004) concluded by stating that the institution of choosing governments by election is endogenous with regards to underlying conditions.

In a study on institutional relevance, Acemoglu *et al.* (2005) identified an approach to institutional differences which rests on three premises. The first can be linked to history, which suggests that different forms of colonisation policies created different sets of institutions. For example, they explained that these gave rise to ‘extractive states’ such as Congo and Nigeria, and the Neo-Europes such as the US and New Zealand *etc*. They report that while the extractive states are characterised by a lack of protection of private property and an absence of checks and balances against the government, the Neo-Europes provide protection of private property and efficient law and order systems. The second factor relates to the feasibility of settlements which affected the probability of a different set of institutions. The third, which relates to path dependence, is the view that early institutions affect current institutions.

In summary, it can be argued that institutions play a significant role in establishing good corporate governance but that this is determined by the degree of institutional sophistication. Institutional sophistication could however be shaped by conditionalities inherent in a particular system. The criticality of these conditions is, in turn, affected by the level of economic development. For instance, in developed countries, these conditions are overwhelmed by the robustness of existing institutions, whereas this is not the case in developing economies. Indeed, whilst conditions determine how institutions function in developing economies, existing institutions and underlying conditionalities could influence the model of corporate governance adopted in a system.

2.7 The Emerging Model of Corporate Governance

Whilst a discussion of corporate governance theories was undertaken in the last two sections, concerns regarding corporate governance cannot be narrowed entirely to theoretical imbalances. Indeed, issues surrounding corporate governance convergence have played a significant part in the present state of corporate governance globally. Since the early 1990s, when consciousness towards corporate governance intensified, countries have sought to implement corporate governance systems to address corporate malfeasance. However, Roe (2003) observes that the structure and implementation of corporate governance vary across countries. In fact, Filatotchev and Nakajima (2010) contend that interdependences between organisations and their diverse environments account for variations in the effectiveness of different corporate governance systems.

Whilst convergence theorists (Coffee Jr, 1999; Guillén, 2000) have examined the possibilities and implications of corporate governance convergence, factors such as political forces (Roe, 2003) and institutional elements (Aguilera & Jackson, 2003) inform the diversity in corporate governance approaches. The country-specific nature of this study obliges the examination of the dominant corporate governance models in developing economies. Judge *et al.* (2008) identified three main models of corporate governance across the globe: The Anglo-American; the Communitarian; and, particularly, the Emerging model, adopted in most developing economies.

The Anglo-American model is arguably the most popular model of corporate governance globally. Tricker (2015) agreed that the model is the foundation for many governance structures worldwide. This is traceable to the use of the model in many developed economies such as the US and the UK amongst others. The model is established on the principle of separation of ownership from control, with a dispersed shareholding structure (Demb & Neubauer, 1992). On the other hand, the Communitarian model appears as the leading model in continental European countries, especially in countries such as Germany and France. This model, often characterised by a high concentration of ownership equity with dominant family shareholdings (Tricker, 2015), focuses on addressing the expectations of a wider spectrum of interests, hence Aguilera (2005) described it as a stakeholder-oriented system.

Whilst the two models described above tend to inform corporate governance models in developed economies, the increasing rate of globalisation, coupled with the focus of this study, prompts an examination of governance concerns in other countries *i.e.* the emerging and developing world. This is the basis of the Emerging model of corporate governance.

Emerging economies, according to Judge *et al.* (2008), are relatively poor economies that have shown rapid development potential, such as China. These economies are often characterised by a low economic wealth per capita, a civil law legal structure, weak and restricted institutions, but with a rapidly-growing economy driven by a vast population and entrepreneurial competences (Judge *et al.,* 2008). Judge *et al.* (2008) also demonstrate a correlation between economic development and governance systems, as 21 countries, whose stage of economic development was classed as 'emerging,' all embrace the emerging corporate governance model.

Considering the economic concerns in emerging economies, an efficient governance system is critical to these economies. Claessens and Yurtoglu (2013) demonstrate that a good corporate governance structure will benefit firms in emerging markets by ensuring greater access to financing, lower cost of capital, better performance and equitable treatment of all stakeholders.

However, in view of the challenges in these economies, the development and practice of corporate governance has been severely weakened. For instance, many of these countries lack a convincing regulatory mechanism for implementing corporate governance, with some embracing both the principles-based and the rules-based mechanism (see Berglof & von Thadden, 1999). The level of economic development has also meant that the engagement of corporate governance to deal with infractions has remained unpopular. Governance has been further hampered in these economies by the lack of a sound institutional framework. In a study involving 14 emerging markets, Klapper and Love (2004) note that firm-level governance is lower in economies with weak legal institutions. These concerns have hindered the general endorsement of corporate governance ideals.

It is also deemed necessary to examine the main issues in developing economies to facilitate a rigorous comprehension of the problems undermining the practice of corporate governance in these environments. Three main issues are examined in the next section.

2.8 Corporate Governance in Developing Economies: Matters Arising

Corporate governance scholarship has predominantly evolved in the context of developed economies. Significant interest has nonetheless intensified in developing economies (Denis & McConnell, 2003). Whilst there are apparent variations in the extent of growth and diffusion of corporate governance ideals, there continues to be a growing desire amongst developing economies to embrace good governance principles (Arun & Turner, 2004; Claessens, 2006).

Despite Denis and McConnell's (2003) observation noted above, the economic and social structures in many developing economies appear to have converged, and consequently influence the corporate governance practices in these economies. For example, Vasilescu (2008) observed that corporate governance in developing economies is constantly challenged by issues such as lack of property rights, abuse of minority rights and contract violations, among many others. This development tends to create concerns which have influenced governance practices amongst corporations in these economies. As a result, attempts to enhance governance practices in these economies necessitate that relevant matters be reviewed. Thus, the focus of this section is to discuss three concerns deemed central to corporate governance in developing economies. These issues are summarised from relevant literature (Haniffa & Cooke, 2002; Arun & Turner, 2004; Mangena *et al.*, 2012; Sorour, 2014).

2.8.1 Economic Development: A Determinant of Governance Practice?

Evidently, a country's degree of economic development poses considerable implications for its corporate governance practice (see Shleifer & Vishny, 1997; La Porta *et al.*, 2000; Claessens, 2006). It is essential to note that countries that have recorded relative success with regard to the implementation of corporate governance principles are mostly developed economies. Judge *et al.* (2008), in a survey involving 50 countries, categorised all the countries either as developed or emerging. From the survey's outcome, corporate governance in the developed countries was deemed to be 'developed' whilst in the emerging economies, corporate governance was classed as 'emerging.' This survey potentially suggests that there could be a relationship between economic development and corporate governance practice (see Paredes, 2005). It also reinforces the view that poor countries tend to manifest weak governance regimes.

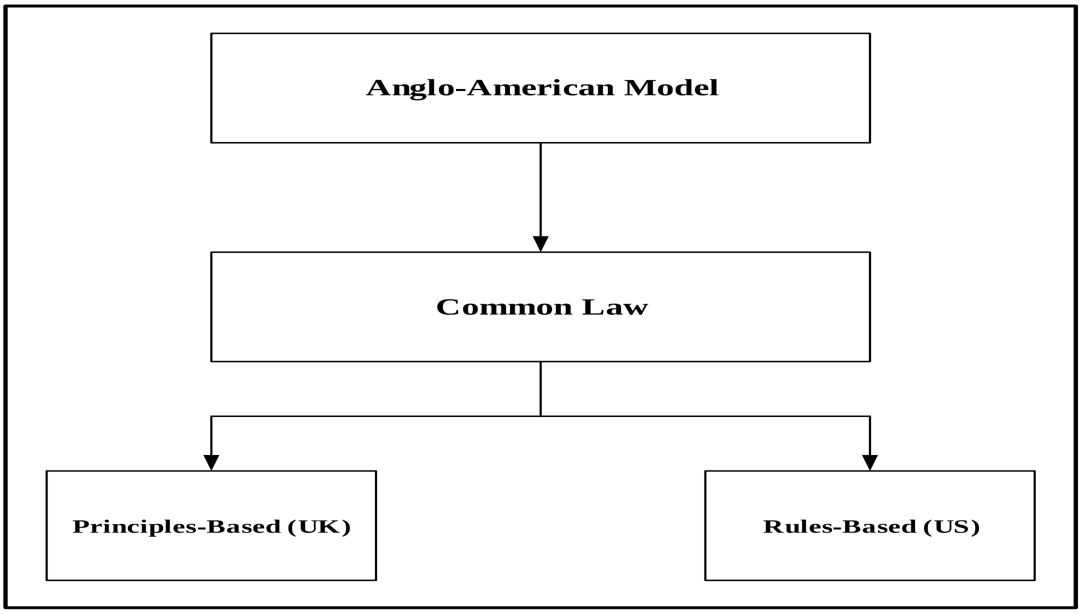
Whilst a variety of reasons has been offered to explain the variation between corporate governance practices in developed and developing economies, the difference in institutional frameworks is central to poor governance practices in developing economies (Berglof & von Thadden, 1999; Adegbite & Nakajima, 2011b). Aguilera and Jackson (2003) and Filatotchev *et al.* (2013) agree that disparities in the effectiveness of institutional elements inform the unpredictable level of corporate governance practices and its effectiveness across the globe. Therefore, in view of the institutional disposition of this study, there is no doubt that entrenching robust institutional frameworks is critical to good corporate governance practices in developing economies.

The development of institutional frameworks, in addition to the benefits inherent in good corporate governance, compels every country, be it developed, emerging or developing, to embrace good governance principles in view of its impact on economic growth. To foster economic growth, Paredes (2005) recommends that developing countries should adopt more stringent mandatory law regimes to enhance shareholder rights. The desire to protect shareholder rights will encourage investment, the development of the capital markets and, ultimately, will stimulate economic growth. This process reaffirms the relationship between corporate governance and economic growth.

2.8.2 Corporate Governance Regulation: By Rule or By Principle?

As a predominantly regulatory mechanism, the success of corporate governance is enhanced by levels of compliance, which is influenced by the effectiveness of its enforcement strategy. To enforce corporate governance, countries engage the principles-based or the rules-based approach. Some countries embrace both. The rules-based approach, which provides the operating basis for Sarbanes-Oxley (2002) in the US, directs that compliance is mandatory for operators. Thus, stakeholders are expected to obey the legal requirements or risk a penalty (Tricker, 2015). Alternatively, the principles-based approach assumes that compliance is voluntary. While the principles-based approach can be likened to a code of ethics, practitioners are still expected to justify the basis for actions taken to avoid a reaction from the market. As noted in Shrives and Brennan (2015), companies that fail to comply with the UK corporate governance code are expected to provide reasons for non-compliance. Whilst this represents the capstone of the 'comply-or-explain' system, the problem for shareholders is that explanations are not good enough as too much emphasis is placed on compliance with the requirement, thus requiring stakeholders to ascertain their appropriateness. Furthermore, Sun *et al.* (2010) reported that corporate managers in the UK are engaging disclosure techniques to reduce the probability that public policy actions will be taken against their organisations.

Figure 5 - Origin of Principles-Based and Rules-Based Governance Systems



The application of rules-based or principles-based governance systems presents two fundamental concerns for developing economies. The first concern is illustrated in Figure 5. As cited in Judge *et al*.'s (2008) proposition, both approaches are features of common law[24] ideologies of the Anglo-American mechanism. This raises a

[24] 'Common law' refers to laws that are derived from custom and judicial precedent rather than statutes.

pertinent question: Can both principles of corporate governance, which are significantly different, be applied in other law contexts? Addressing this question, particularly in the context of developing economies where there exists a preference for civil law regimes, could provide an interesting proposition. Even in common law environments which are based on case laws defined by precedents, can these case laws be relied upon in a weak legal environment? Alternatively, can the use of both systems, if possible, compensate for the shortcomings of a weak legal institution?

The preceding statement informs the second concern. What are the challenges in embracing both approaches to take advantage of the benefits inherent in these models? For instance, Ofo (2011) and Adegbite (2012) highlighted the confusion created by the disguised use of both approaches in corporate governance regulation in Nigeria. Providing answers to these questions is expected to enhance knowledge regarding how corporate governance practices could be improved. However, addressing the foregoing question one must take into account the role of culture which underpins economic transactions in many developing economies (Haniffa & Cooke, 2002; Licht, Goldschmidt, & Schwartz, 2005).

2.8.3 Culture and Corporate Governance

Whilst it is appropriate to suggest that corporate governance has been influenced by a variety of elements, the non-recognition of cultural specifics of developing countries has been identified as a significant challenge for corporate governance implementation in these countries (Adegbite & Nakajima, 2011b). One of the most important factors shaping corporate governance practices in developing economies is culture (Haniffa & Cooke, 2002). As a result, Licht (2014) posited that understanding the role of culture in corporate governance has become an issue of increasing importance. Whereas evidence of the relationship between culture and corporate governance was noted in Haniffa and Cooke (2002), Li and Harrison (2008) empirically demonstrated that national culture has a dominant influence on the practice of corporate governance.

Culture, as defined by the pioneering scholar Geert Hofstede, is *"the collective programming of the mind that distinguishes the members of one group or category of people from others"* (Hofstede, Hofstede, & Minkov, 2010, p. 6). In the view of Kar

(2011), the structures, institutions and legal frameworks of corporate governance are developed and managed by people whose behaviours are determined and influenced by cultural and social ethos. Accordingly, the effectiveness of corporate governance can be substantially determined by an individual managing the corporate governance responsibility. These individuals are, however, expected to behave in response to their individual cultural affiliations.

This therefore indicates that how a particular culture deals with concepts such as ambition, greed, fear and uncertainty may determine how an individual perceives and responds to corporate governance matters. This could also be reinforced by how the dominant culture in an environment has evolved. Importantly, these culture-related concepts could also determine the extent of compliance with the regulatory prescriptions of corporate governance.

From the preceding discussion it is apparent that the dominant perspectives in the cultural domain of a society could have significant implications for corporate governance. A curious development emerging from the review of literature is the variations in the degree of cultural impact on corporate governance between developed and developing countries. These studies have employed various frameworks, in particular the Hofstede model, to present their outcomes. Studies such as Griffin, Guedhami, Kwok, Li, and Shao (2014) sought to investigate the country-level factors that explain the cross-country variation in firm-level corporate governance. Relying on the individualism element of Hofstede (1980), they find that national culture explains the cross-country diversity in firm-level corporate governance better than traditionally identified factors.

Furthermore, an interesting outcome of Griffin *et al*.'s (2014) study is the view that individualism could effectively act as a proxy for the type of corporate governance system in a society. This view links with the outcome of an earlier study by Ringov and Zollo (2007). The study suggests that firms located in economies manifesting high levels of power distance, individualism, masculinity and uncertainty avoidance tend to display lower levels of social and environmental performance. Whilst a variety of reasons for this problem have been adduced, the failure to identify the core elements of a local institution and integrate these into corporate governance structures still appears to offer a plausible rationale for the challenges undermining corporate governance in the developing world (Adegbite & Nakajima, 2011b).

In light of the institutions-based reasoning of this research, Licht (2014) posits that no institutional analysis of corporate governance systems will be complete without examining the cultural environment in which such systems are embedded. This informs as to why this study examined the cultural concerns (as a subset of social institutions).

The three issues examined above represent some elements that have shaped the practice of corporate governance worldwide but, more profoundly, developing economies. In view of the review undertaken so far, it is necessary to examine corporate governance practices in the study context *i.e.* Nigeria, acknowledging the effects of the three issues examined previously. Primarily, challenges and implications of weak governance and corporate governance regulation in Nigeria are reviewed in the next section.

Part C: Corporate Governance in Nigeria

In Chapter One, the growing economic profile of Nigeria and the theoretical implications of corporate governance scholarship in Nigeria were discussed. To enrich that discourse, this section focuses on three main areas of corporate governance in Nigeria. These are the challenges hindering corporate governance, the implications of identified challenges, and the regulatory mechanism for establishing good corporate governance.

2.9 Corporate Governance Challenges in Nigeria

In Nigeria, the effectiveness of corporate governance has been restricted by various challenges (Yakasai, 2001; Okike, 2007). A review of these challenges however indicates that many of these concerns are context-specific, created by the economic and social systems dominant in the country. From a review of the literature on corporate governance in Nigeria, seven problems, discussed subsequently, are considered central to corporate governance discourse in Nigeria.

Weak Corporate Regulation: The success of corporate governance is hinged upon the effectiveness of the regulation(s) established to induce compliance. Berglöf and Claessens (2006) contend that enforcement, more than regulations or voluntary codes, is fundamental to creating an effective business environment and good corporate governance in developing economies. However, with regard to Nigeria, Nmehielle and Nwauche (2004) posit that the principal problem of corporate governance is the gulf between the precepts of the law and its implementation.

Nigeria has not lacked the codes to entrench good corporate governance but criticisms have hampered their effectiveness. Yakasai (2001) and Adekoya (2011) bemoaned the enforcement and compliance mechanisms established by the existing codes. Okpara (2011) agrees that enforcement of existing laws constitutes a major challenge to corporate governance in Nigeria. The laws of the land (including corporate governance codes) are constantly contravened by the ruling political elites and their cronies in the corporate world with no serious consequences. These individuals are treated as 'untouchables' and 'above the law' (Adekoya, 2011). Thus, evidence of abuse of laws is rampant in firms, creating a situation where disregard for regulations is not frowned upon but treated with indifference (Oyejide & Soyibo, 2001).

Thus it can be argued that regulatory enforcement is the primary concern of corporate regulation. The inability to enforce is an indication of the disequilibrium that exists between the authority of regulators and the power of operators. Weak enforcement suggests that the power of operators overwhelms the authority of regulators. Indeed, Okaro and Tauringana (2012) affirmed that Nigerian regulators lack the requisite capacity to perform their assigned responsibilities. Thus, addressing this problem requires that the authority of regulators be strengthened, albeit by the political leadership. But, as demonstrated in Ahunwan (2002), the political leadership, sometimes via proxies, substantially controls Nigerian corporations, hence they (political leaders) could be viewed as the operators. Resolving corporate governance concerns in Nigeria therefore demands an enforcement framework wherein the power of operators is subject to the regulator's authority. This is critical to addressing the problem of corporate governance in Nigeria.

Corporate Corruption: Previous literature emphasises a negative relationship between governance and corruption (Jain, 2001). Evidence indicates that in countries with high levels of corruption, good corporate governance practices are affected in firms resident in those countries (Caron, Ficici, & Richter, 2012).

Even as corruption remains a global concern, it has been severally identified as the bane of the Nigerian economy (Akindele, 2005; Lawal, 2007). It is endemic (Okike, 2007) and has literally seeped into every facet of the country's economic horizon. It has become rooted in the sociocultural, political and economic domains of the country (Shehu, 2005). As a consequence, the practice of corporate governance has not been spared the destructive effects of corruption. Adekoya (2011) opined that, as corporations cannot be isolated from the corruption that exists in their operational domain, corruption has infiltrated every stratum of Nigerian corporations. This concern, as noted by Ahunwan (2002), has severely restricted the capacity of Nigerian entrepreneurs to entrench sound ethical practices. In view of the extent of corruption, some literature (Aluko, 2002; Lawal, 2007) posits that corporate governance will continually be exposed to challenges until corruption is managed to the barest minimum possible.

In view of the negative effects of corruption, attempts have been made to examine the motivations underpinning it. Relying on a definition of corruption provided in Jain (2001),[25] Aidt (2003) acknowledged three conditions which must be present for corruption to arise and persist. These conditions are the possession of discretionary power, the extraction of economic rents and the existence of weak institutions. In Nigeria, these conditions, in cooperation, explain the magnitude of corruption in the country. Ogbeidi (2012) (Discretionary power), Tignor (1993) and Osoba (1996) (Economic rents) and Adegbite and Nakajima (2011a) (Weak institutions) have demonstrated that these conditions are the core drivers of corruption in Nigeria. These elements combine to strengthen each other. Regrettably, these conditions tend

[25] Corruption is an act in which the power of public office is used for personal gain in a manner that contravenes the rules of the game *i.e.* where public resources are illegally applied, deviating from standard procedures.

to undermine good corporate governance. It is appropriate to suggest that the pursuit of good corporate governance demands an efficient management of these conditions.

Passive Attitude of the Political Leadership: Following the preceding concern, Aidt (2003) recognised the effect of discretionary power on corruption. Ogbeidi (2012) suggested that this power is often exercised by members of the political class. However, as Osoba (1996) observed, the exercise of this power has often been channelled towards achieving personal gain. These actions connote severe negative implications for corporate governance.

The success of any corporate governance system is built upon the support offered by key stakeholders. In many parts of the world where corporate governance has recorded relative success, Albareda, Tencati, Lozano, and Perrini (2006) stated that the intervention of government has been crucial to those achievements. The role of government is particularly visible in the two most important stages of corporate governance regulation, *i.e.* the development and the enforcement of relevant codes.

In Nigeria, the government has been moderately involved in corporate governance. Inyang (2009) outlined some roles played by the government. However, Okike (2007) noted that the government's intervention has, at best, been passive. In fact, Ogbeidi (2012) argues that the political leadership class cannot exonerate itself from the current travails in many sectors of the country's economy. Corporate governance has suffered from government indifference and failure to act decisively. In addition, given that the economy of the country is substantially public-sector dominated, government unresponsiveness to corporate governance issues has further exposed economic activities to corporate governance abuses, which often go unpunished or unreported.

Weak Institutional Arrangements: Aidt (2003) also identified weak institutions as another key driver of corruption. Substantial attention has been paid in the literature to the importance of institutional arrangements for effective corporate governance (Aguilera & Jackson, 2003; Judge *et al.*, 2008). However, the legitimacy accorded to these institutions has proven to be the basis for sound governance practices. This therefore suggests that governance can be enhanced when institutions are robust and resilient enough to stimulate good governance.

With respect to Nigeria, Adegbite and Nakajima (2011a) remarked that the institutionalisation frameworks are weak. They note that the 'regulative'[26] pillar of institutionalisation (see Scott, 2014) is weak, hence the basis of its legitimacy is challenged. Furthermore, Adegbite (2012) argues that a country's institutional arrangement influences its model of corporate governance regulation. Thus it could be articulated that the weak institutional structures in the country have contributed to its governance challenges and legitimacy concerns. This problem provides the foundation for the emergence of the next corporate governance concern.

Resistance to Control and Regulation: Given that instituting corporate governance is reliant on the establishment of appropriate regulations and the level of compliance towards that regulation, it can be assumed that adherence to rules and laws is central to effective corporate governance. Wilson (2006) explained that, in Nigeria, as in many other countries, the observance of the principles of corporate governance has been secured through a combination of voluntary and mandatory legal machineries.

However, Nigeria presents an interesting case. Ahunwan (2002), citing Ahmed (1996), stated that the typical Nigerian displays a strong propensity to circumvent defined rules of economic behaviour whilst exhibiting strong resistance to control and regulation. The disregard for regulation was also alluded to in Adegbite and Nakajima (2011a). Adekoya (2011) suggested that these behaviours manifest themselves in areas such as lack of transparency and accountability and disregard for the law. These behaviours are compounded by the collapse of societal values, widespread poverty, falling standards of education and, most importantly, the weak regulatory institution which lacks the capacity to punish offenders. These institutional deficiencies have therefore given rise to a growing number of Nigerians who are able to ignore the provisions of the country's laws to achieve their personal inordinate ambitions (Adeyeri, 2013).

While the foregoing perception suggests that Nigerians display apathy to regulations, Adegbite (2012) contends that the weaknesses in regulatory institutions have been exploited to create this attitude. Okpara (2011) agreed that a strict enforcement regime is likely to force compliance. Thus, whilst the use of regulations has appeared

[26] Scott (2014) describes the regulative pillar of institution as the explicit regulatory processes – rule-setting, monitoring and sanctioning activities.

ineffective, it is possible that a robust regulatory regime, strengthened with commensurate enforcement strategies, could change the attitude of Nigerians towards regulatory policies.

Multiplicity of Corporate Governance Codes: In Nigeria, corporate governance is regulated using various legislations (Osemeke & Adegbite, 2016). This has been identified as posing a challenge to the practice of the concept in the country (Wilson, 2006; Inyang, 2009). In nations such as the UK and the US, the UK Corporate Governance Code (2014) and the Sarbanes Oxley Act (2002) respectively represent the main legislation for entrenching good governance. However, whilst in Nigeria there is the SEC code (2011) which represents the main legislation for publicly-listed companies, there is also, for instance, the Central Bank of Nigeria (hereafter referred to as CBN) code (2006) with some of its provisions taking priority over similar provisions in the SEC code (Ofo, 2011). Furthermore, the operating mechanisms of the codes are different. For instance, whilst the SEC code (2011) considerably reflects the features of a principles-based approach (see Section 1.3 of the code), the CBN code (2006) is wholly rules-based.

This development tends to create confusion for stakeholders (especially regulators) as efforts to manage these differences potentially allow scope for manipulation. Ofo (2011) noted that this problem has allowed operators to seek to avoid tougher legal provisions by embracing the relatively lenient provision. Multiple codes also facilitate a variety of interpretations which result in variations in implementation. Osemeke and Adegbite (2016) further observed that the presence of conflicting provisions among the various codes potentially accounts for two concerns; reduced compliance by firms and ineffective enforceability by regulators.

It must, however, be noted that the Nigerian government has taken steps to address this concern by establishing a committee which has been given the responsibility to harmonise the existing governance codes with a view to producing a single code for Nigerian organisations. It is, however, crucial that the development of a single code must sufficiently address problems relating to ‘one size fits all’ (see Filatotchev, Jackson, Gospel, & Allcock, 2007) to enhance its effectiveness during implementation.

Weak Shareholder Democracy and Activism: A major feature of a sound corporate governance system is the involvement of a majority of the shareholders in the organisation's decision-making process. Shareholder activism describes a situation whereby shareholders, as activist owners, can halt managerial opportunistic tendencies in order to promote good governance (Adegbite *et al.*, 2012). Shareholder activism has become a force for good corporate governance worldwide.

However, Amao and Amaeshi (2008) suggest that the case in Nigeria is different. They identified several factors which impact shareholder activism in Nigeria. First, they explained that problems in reaching many shareholders restrict their participation in the corporation's decision-making process. These problems include the weak postal system, which ensures that notices of meetings are not delivered when due and, consequently, eligible voters are unable to vote. It is however interesting to note that some of these challenges are 'created' by key figures in the firm. There have been instances where Annual General Meetings (AGMs) are held in remote locations which inevitably restrict the involvement of shareholders in decision-making.

The low literacy level is also an issue as many shareholders are generally ignorant of their rights and would prefer to remain passive (Adegbite *et al.*, 2012). Nmehielle and Nwauche (2004) also explained that many organisations in Nigeria are characterised by the concentrated form of shareholding rather than the dispersed form canvassed in Berle and Means (1932). This particularly manifests in family-owned businesses (Ahunwan, 2002) and foreign businesses (Amao & Amaeshi, 2008) where the views of the minority shareholders are usually insignificant. This ensures that decision-making is vested in the hands of a minority of shareholders but with significant shareholding. Nonetheless, Adegbite (2015) informed that Nigeria is witnessing the rise of two types of shareholder activists termed as 'sophisticated shareholders' (comprising the emerging middle class) and 'reputable shareholders' (high-calibre individuals with a track record of excellent behaviour). This development is necessary for the emergence of genuine shareholder activism in the country.

The preceding view is crucial considering that the country, by most accounts, reflects an Anglo-American disposition (Okike, 2007). The consequence of this development was noted in Klapper and Love (2004) who noted that block shareholders are more likely to exploit minority shareholders, particularly in societies where protection for minority shareholders is weak. The establishment of a robust and sound governance structure therefore necessitates the effective management of any framework which isolates minority shareholders from organisational decision-making.

Following the review of challenges hindering corporate governance in Nigeria it is essential that in achieving the objectives of this study, the implications of the above challenges are documented. These implications are presented in the next section.

2.10 Implications of Weak Governance Systems

The essence of pursuing good governance is to ensure that an organisation is properly managed and controlled (Cadbury, 1992) to enhance the value-creation and wealth maximisation objectives of the firm. This, in turn, will enhance the possibility of investors earning commensurate returns on their investments (Shleifer & Vishny, 1997). In addition, studies (Gompers *et al.*, 2003; Bhagat & Bolton, 2008) have demonstrated that good corporate governance can positively impact organisational performance. In view of this underlying argument, it could be acknowledged that failure to establish good governance practices can result in dire consequences for firms in particular, and even an entire economy.

Considering the variety of concerns facing corporate governance in Nigeria it is critical that the implications of such challenges be examined to facilitate the development of appropriate reform strategies. Joseph Sanusi,[27] a former governor of the CBN, stated that *"economic performance of any country is shaped by the quality and effectiveness of the nation's corporate governance."* Furthermore, a cross-country study by Kaufmann *et al.* (2009) demonstrates that the quality of governance and per capita incomes are strongly positively consistent across countries. Thus it can be assumed that poor governance quality can prohibit positive growth in income per head.

[27] Joseph Sanusi served as the Governor of the Central Bank of Nigeria (CBN) between May 1999 and May 2004.

The implications of weak corporate governance are widespread; this review focused on the contribution of poor governance to corporate failures, especially in the banking sector, low foreign direct investments (FDI) and increasing rates of corruption. In an effort to rejuvenate the Nigerian banking sector, Soludo (2004) noted that the systemic weak governance structure made its restructure inevitable. This exercise, however generated consequences for the banks and the economy, considering that the economic development of any country is directly linked to its banking sector (Oghojafor, Olayemi, Okonji, & Okolie, 2010). For example, the reduction in the number of banks in the sector from 89 to 25 at the conclusion of the exercise, occasioned by their inability to fulfil requirements for the new banking licence, meant that there was a severe job loss thus worsening the unemployment issue in the economy (Okafor, 2009).

However, despite the CBN's attempt to sanitise the banking system, the system witnessed another round of intervention in 2009. Sanusi Lamido Sanusi, a former governor of the CBN (between 2009 and 2014), announced the dismissal of the CEOs and Board Directors of five banks. Precisely 48 days later, on October 2, 2009, he announced the additional dismissal of three bank CEOs and their Board members, thus bringing the total number of banks whose CEOs and Board Directors were fired to eight.[28] Sanusi Lamido Sanusi stated that it had become necessary to resort to this action in view of the high level of non-performing loans in these banks, which were attributed to poor corporate governance practices, among others (Vanguard, 2009a). This challenge is not only prevalent in the banking sector but features prominently across many other sectors in the country.

Furthermore, Nigeria, as a developing country, requires a healthy inflow of FDI to revitalise its economy. UNCTAD (2013) informed that developing economies account for more than 50% of global FDI. The report further noted that a significant proportion of these investments originate from three major developed-economy investor blocks *i.e.* the European Union, North America and Japan, where having good corporate governance practices is a prerequisite for corporate behaviour and decision-making. However, Khanna and Zyla (2012) reveal that while investors are willing to pay a premium for better-governed firms in emerging markets, these

[28] The affected banks were Afribank, Bank PHB, Equatorial Trust Bank, Finbank, Intercontinental Bank, Oceanic bank, Spring Bank and Union Bank (Vanguard, 2009a, 2009b).

investors do not often seek investments in markets with poor governance. An earlier study by Mangena and Tauringana (2007) also suggested that foreign investors have a preference for firms with effective corporate governance structures. (Mangena & Tauringana, 2007) explained that foreign firms avoid companies in developing countries due to weak corporate governance structures and low disclosure. This indicates that a country with a perceived weak governance mechanism may be unattractive to foreign investment inflow thus impacting economic development of such countries.

The literature has further examined the effects of weak corporate governance structures in organisations to uncover disagreements between board and management giving rise to board squabbles (Wilson, 2006; Inyang, 2009), fraudulent and self-serving practices among board members, management and staff (Okeahalam & Akinboade, 2003), an overbearing influence of the chairman or MD/CEO, especially in family-controlled firms (Oyejide & Soyibo, 2001; Ahunwan, 2002), weak internal controls and poor risk management practices (Nmehielle & Nwauche, 2004; Okike, 2007), unethical collusion between board members/management and their accomplices to defraud the company (Adegbite & Nakajima, 2011b), ignorance of and non-compliance with rules, laws and regulations (Adekoya, 2011; Adegbite, 2012) and unhealthy and misplaced interference by the government/public sector (Somoye, 2008) among many others. The need to control the manifestations of weak corporate governance has led to governments in various countries, including Nigeria, engaging regulatory and legal instruments, hence the need to review the regulatory framework for corporate governance in Nigeria.

2.11 The Regulatory Framework for Corporate Governance in Nigeria

The need to address the challenges identified in Section 2.8.1 have been identified as the force driving the codification of corporate regulations in Nigeria (Adegbite, 2012). This development facilitated the enactment of the first companies statute in Nigeria; the Companies Ordinance of 1912, which was fundamentally a Nigerian adaptation of the Companies (Consolidation) Act 1908 of England. The Act was subsequently subjected to several amendments to update and align it with emerging developments. However despite the introduction of these regulations, the fundamental corporate governance problem *i.e.* principal-agency conflicts was still rampant in the system (Amao & Amaeshi, 2008). These problems persisted until 1990 when there was a renewed drive to minimise corporate infractions.

The year 1990 witnessed the commencement of a new regulatory regime which recognised the increasing value of corporate governance. The year (1990) is considered to be the period when the need to critically address governance challenges among Nigerian firms was genuinely recognised. Inyang (2009) notes that the desire to check the growing unwholesome practices among corporations obliged the enactment of the Companies and Allied Matters Act (CAMA) of 1990, followed by the SEC code in 2003 (updated in 2011). However, between 2003 and 2011, three industry-specific codes of corporate governance were launched. They are the CBN Code (2006); the code for licensed pension operators (PenCom Code, 2008) and the National Insurance Commission (NAICOM) Code (2009).

Inyang (2009) reflected that the introduction of CAMA (1990) was born out of the desire to create a competitive business environment in the country, in reaction to developments on the international horizon. CAMA (1990) represents a comprehensive attempt at addressing various critical areas of corporate management in the country. It is divided into four parts, however Part A accounts for a considerable amount of the regulation, addressing issues such as company directors, protection of minority interests, incorporation and company meetings. It should be noted that, during this period, no regulation was dedicated to corporate governance, hence CAMA was considered as the basic regulation for corporate governance in Nigeria (Ogbuozobe, 2009). However, despite its comprehensiveness, CAMA (1990) has been criticised for its weak enforcement mechanism (Okpala, 2012) which has ensured that corporate infractions remain widespread.

These issues, amongst others, accounted for the unprecedented incidences of corporate failures in the banking sector (Nworji, Olagunju, & Adeyanju, 2011). This problem, coupled with global developments, in particular the collapse of corporate entities such as Barings Bank, Enron and WorldCom *etc*. heightened calls for a dedicated corporate governance regulation. Realising the importance of corporate governance as a positive link to national growth and development (SEC, 2003), the

Securities and Exchange Commission (SEC), in conjunction with the Corporate Affairs Commission (CAC) created a 17-member committee headed by Atedo Peterside in June 2000 to identify weaknesses in existing corporate governance practices in the country and to formulate necessary interventions to improve these practices. The committee, at the end of its assignment, produced the SEC Code of Corporate Governance (2003).

The SEC Code (2003), which is the first code solely dedicated to corporate governance in Nigeria, was grouped in five parts. Parts A (The Board of Directors), B (The Shareholders) and C (The Audit Committee) were devoted to addressing core corporate governance matters whereas Parts D (Interpretation) and E (Schedules) are basic requirements for such policy documents. Primarily, the SEC Code recognised the fundamental roles of directors and shareholders in establishing a sound corporate governance structure, hence a significant part of the code was devoted to addressing issues relating to these key players. It is worthy of note that the code was the first attempt by any corporate regulation in Nigeria to recognise the crucial roles of non-executive directors. In addition, the code provided for an audit committee explaining its composition, qualifications and experience of members and terms of reference. The committee is specifically expected to raise the standard of corporate reporting.

However, despite the positives established by the Code, the implementation and enforcement, in particular, of the provisions were not sufficiently provided for (Ofo, 2010). Adegbite (2012) also observed that the Code relied on numerous inputs from the codes of other countries. As Okike (2007) argued, adopting corporate governance guidelines which are best suited to western and less 'corrupt' countries can constitute significant challenges during implementation. This probably explains why businesses continue to experience failures as a result of the ineffectiveness of the implementation mechanism for the code (Soludo, 2006).

The concern noted above coupled with global developments and issues encountered with the SEC Code (2003) resulted in calls for a review of the code. A revised version of the code was released in 2011. However, in the intervening period (between 2003 and 2011), some sectors, notably the banking sector, had developed codes which sought to address the peculiarities of that industry. The first of such codes was the CBN Code (2006). The code ushered in a new era of banking regulation following a consolidation programme in the financial sector. A key feature of the code was that compliance with its provisions was mandatory. This was not the case with the SEC Code (2003). The departure from the voluntary mechanism of the SEC Code (2003) to the mandatory approach adopted in the CBN Code (2006) signals the potentiality of a voluntary code in Nigeria.

Following the CBN Code (2006), another industry-specific code is the Code of Corporate Governance for licensed pension operators, introduced by the National Pension Commission (PenCom) in 2008. The code sets out the rules to guide Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) regarding the structures and processes to be adopted in achieving optimal governance systems. The code also aims to promote transparent and efficient implementation of pension schemes by all operators. It is intended to encourage self-regulation by offering a common values system among the operators (PenCom Code, 2008).

The third and final industry-specific code of corporate governance is the National Insurance Commission (NAICOM) Code introduced in 2009. The code, which applies to all insurance and re-insurance companies operating in Nigeria, was expected to motivate companies in the Nigerian insurance industry to operate within a sound corporate governance framework. This is intended to promote transparent and efficient markets, which articulates the division of responsibilities among different stakeholders in the industry (NAICOM, 2009). NAICOM opines that low public confidence and trust in the industry necessitated a regulatory mechanism to improve practices across the industry.

The emergence of industry-specific codes notwithstanding, it is still important to have a code which deals with corporate governance issues in all industries, similar to developed nations such as the UK and Australia. While this was the basis for the SEC Code (2003), the development of the SEC Code (2011) was informed by the necessity to address the weaknesses in the enforcement mechanism of the SEC Code (2003). In addition, regulators were concerned about addressing the constraints to good corporate governance, and identifying techniques for ensuring greater compliance.

Moreover, as Okike (2007) reiterates, the government’s effort towards attracting foreign investors further necessitated calls for an improved governance structure, especially in view of the country's poor corruption perception index (CPI) rating by Transparency International (2014) (Appendix 1). These developments, amidst several calls for a review of the 2003 SEC Code, was the basis for the introduction of the updated version of the SEC Code (2003) *i.e.* the SEC Code (2011). The updated code, which has been rated as the most comprehensive regulation on corporate governance in Nigeria (Ofo, 2011), expanded the frontiers of issues not sufficiently addressed in the SEC Code (2003). Indeed, a comparison with globally acclaimed corporate governance codes such as the UK code (2012) show that the SEC code (2011) addresses as many issues as the UK code. The code (SEC Code, 2011) has nine parts addressing issues concerning application of the code: (Part A), Board of Directors; (Part B), relationship with shareholders; (Part C), relationship with other stakeholders; (Part D), risk management and audit; (Part E), accountability and reporting; (Part F), accountability and reporting; (Part G), communication; (Part H), code of ethics; and (Part I), interpretation.

However, despite the comprehensiveness of the code, there has been mounting criticism against some of its provisions. Adegbite (2012), for instance, noted that there is no clarity as to whether the code should be enforced as a rules-based or a principles-based code. He also highlighted the issue of multiple directorships, arguing that it is unclear whether an independent director in one company can act as an independent director in another company, especially if both companies share a link with each other. Ofo (2011) also identified several shortcomings regarding the code, agreeing with Adegbite (2012) that the enforcement mechanism (rules-based or principles-based) is ambiguous, thereby leading to some confusion.

Ofo (2011) also explained that the resolution of conflicts mechanism is weak. The code states that where there is a conflict between the SEC code and other corporate governance codes, the *"code that makes a stricter provision shall apply"* (SEC Code, 2011; Section 1.3G). This can be susceptible to misinterpretation as the meaning of 'stricter' can be context-defined. The code also fused the roles of nomination and remuneration committees, replacing them with one governance/remuneration committee (Section 11). The probability that the discharge of the functions of either the remuneration committee or the nominations committee or both will be stifled is high. These issues, among others, have dominated public discourse regarding the worth and value of the SEC (2011) code.

Regardless of these issues, it can be argued that the proliferation of corporate governance codes has served to increase awareness of the concept. Adegbite (2012) indicated that the development of these codes has served to awaken stakeholders' consciousness to adopt good governance practices. Following this intervention, a CBN (2012) report indicates that corporate governance practices in the sector are experiencing some improvement. Nonetheless, Adegbite *et al.* (2013) report that corporate abuses are still evident in the system. This raises a variety of problems, which were crucial to the study objectives. For instance, it can be argued that the Nigerian regulatory authorities are still experimenting in their bid to implement a feasible regulatory regime for corporate governance. It is also assumed that recommending an appropriate regulatory approach may not sufficiently address identified corporate governance challenges in Nigeria as it may lack the necessary comprehensiveness. Therefore, the development of a robust governance structure demands that other suitable reform strategies are identified and implemented towards building a sustainable corporate governance framework for Nigeria.

To conclude this discussion, it is worthwhile to note that this section has identified and stated the main corporate governance codes in the country and their salient features. But the multiplicity of these codes has been continuously acknowledged as contributing to the weak governance practices among Nigerian corporations (Wilson, 2006; Osemeke & Adegbite, 2016). It was therefore perhaps a step in the right direction when the Federal Government, in 2012, commissioned the Financial Reporting Council (FRC)[29] to develop a harmonised code to regulate corporate governance in the country. It is hoped that the harmonisation of these codes will facilitate the establishment of a robust system of corporate governance in Nigeria.

2.12 Gaps in the Literature

From the review undertaken in this chapter, there are two specific areas which deserve more attention in corporate governance scholarship. The first deals with the relevance of institutions whereas the second relates to the institutional isomorphism

[29] On April 15, 2015, the Financial Reporting Council (FRC) exposed a draft of the new harmonised code for corporate governance in Nigeria (FRC, 2015). The release is intended to enable stakeholders to review the document and offer comments as deemed necessary. The new code is yet to be officially released at the time of writing.

discourse of DiMaggio and Powell (1983). The majority of the studies in Table 4 which support the relevance of institutions have focused considerably on developed economies. This point was noted in Salama (2009), Okpara (2011) and Adegbite and Nakajima (2011b). In contrast, there is also a body of literature which questioned the relevance of institutional elements (Glaeser *et al.*, 2004; Przeworski, 2004; Fukuyama, 2006). Proponents of the latter position (institutional relevance) have sought to clarify that conditions which embed institutions, rather than the institutions themselves, could offer richer insights into corporate governance practices in developing regions. Whilst empathising with the opponents of the institutional relevance, this study takes a different perspective regarding the conditions which impact corporate governance in Nigeria. Are conditions such as income levels (Przeworski, 2004) and poverty levels (Glaeser *et al.*, 2004) the main influences on the effectiveness of institutional artefacts in Nigeria? Notably, the literature examining the contributions of some institutional artefacts such as religion, ethnicity, among others is very limited.

With respect to the second gap, DiMaggio and Powell's (1983) isomorphic framework reveals the impact an existing key player in an industry can have on new entrants in the same industry, both in the short and long term. As a result, the diffusion of a particular corporate behaviour in an environment is aided by isomorphic processes. Issues relating to agents of isomorphism have been attracting attention. These agents act to expedite the emergence of a particular trait or behaviour in a business environment. These agents are themselves inherently influenced by dominant cultural tendencies within a society. The horizon of isomorphic agents has, however, been restricted to corporations (see Kwok & Tadesse, 2006). In free trade economies which possess a sophisticated market infrastructure, corporate organisations are empowered to dictate the economic direction of a country, hence they are viewed as key players in that economy. The foregoing applies largely to developed economies, whereas DiMaggio and Powell (1983) noted that highly structured organisational fields provide a context wherein individual efforts to rationally deal with uncertainty and constraints often result in homogeneity in structure, culture and output. Whilst these traits are not necessarily restricted to developed economies, scholarship regarding the agents of isomorphism in developing economies is restricted.

In many developing economies such as Nigeria, the role of corporations in economic development is important, but the increasing intervention of government overwhelms those of corporations (Nurudeen & Usman, 2010). Indeed, it can be argued that in most developing countries, organisations tend to reflect the practices observed in government organisations. Yet institutional isomorphism scholarship has consistently isolated governments as key isomorphic agents. Consequently, this study also examines this under-investigated phenomenon and provides insights into the role of government as agents of isomorphism.

2.13 Chapter Summary

In contemporary global business environments, the need for good governance systems among corporations cannot be overemphasised. In many countries, particularly in developing economies like Nigeria, poor governance structures have accounted for the demise of many corporations. Therefore, it is crucial to continually explore how good governance could be implemented in these developing economies to act as a basis for its economic development. In view of this objective, this chapter reviewed relevant studies regarding the research area. The concept of corporate governance was clearly defined to remove any ambiguity regarding the research focus.

The field of corporate governance has also been enriched by the development of various theoretical constructs to enhance understanding of the concept. In view of the nature of the research objectives, this review is self-limited to four theories (agency, stakeholder, institutional and economic) deemed essential to this study. Some objectives of this study also dictated that dominant models of corporate governance (Anglo-American, Communitarian and Emerging) be reviewed.

Whereas corporate governance has been extensively studied in the context of developed countries, there is a growing interest regarding the practice of corporate governance in developing economies. Consequently, a discussion focusing on three key concerns of corporate governance in developing economies was presented. These concerns, which include the degree of economic development, the use of a principles-based or rules-based regulatory approach, and the relationship between culture and corporate governance, were identified as crucial to the study.

The review also examined the concept of corporate governance in Nigeria. In this section, a review of the main challenges of corporate governance and the implications of these challenges on firms and the Nigerian economy were evaluated. This was followed by a description of the regulatory environment highlighting the main corporate governance regulations existing in Nigeria. A review of this nature also requires the identification of the gap(s) which a study is designed to address. Section 2.11 discussed observed shortcomings from a theoretical perspective in relation to this study.

Finally, in order to effectively address the identified gaps in research, it is important that an appropriate methodology for undertaking the study is identified and implemented such that it maximises the researcher's potential to undertake the study (Holden & Lynch, 2004). Thus, in the next chapter, the methodology adopted for this study is presented.

Chapter Three

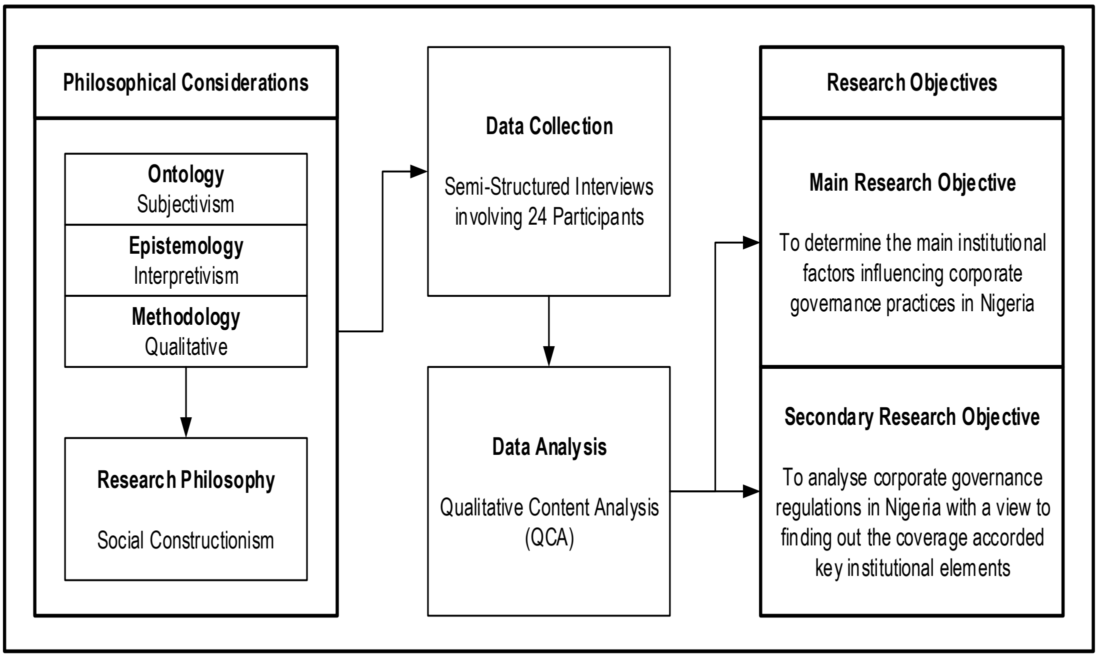
Research Methodology

3.1 Introduction

The previous chapter examined corporate governance literature. It identified the main theoretical frameworks underpinning this study and offered some insights into the practice of corporate governance across the globe and, in particular, Nigeria. From the review, gaps in the literature were identified. The analysis of the gap requires a robust and well-defined research procedure.

This chapter, therefore, presents and justifies the research philosophy and methodology employed in this study to address the research gaps. Figure 6 shows the methodological framework employed in this study. The chapter commences by presenting the philosophy underpinning this research (Section 3.2). Sections 3.3 and 3.4 are complementary in that the technique for collecting data (Section 3.3) and the procedure for analysing the data (Section 3.4) are explained. A reflection discussing the strengths and limitations of the methodology adopted is noted in Section 3.5, whilst issues relating to ethical concerns and the mechanisms for addressing these concerns are specified in Section 3.6.

Figure 6: Methodological Framework



3.2 Philosophy Underpinning Research

The need to establish an appropriate research agenda necessitates that researchers are expected to identify an appropriate paradigm which not only connects with the researcher's beliefs, but also enhances the attainment of research objectives (Holden & Lynch, 2004). Holden and Lynch (2004) posit that research should not be methodologically led, but the ideal methodology should be informed by the researcher's philosophical stance and the phenomenon being investigated (research objectives). Whereas the research objectives have been presented in Chapter One, this section aims to clarify the researcher's philosophical position. The following sessions describes the influences on selection of appropriate philosophy (Section 3.2.1) and the engagement of social constructionism as the study philosophy (Section 3.2.2).

3.2.1 Influences on Selection of Appropriate Philosophy

Guba and Lincoln (1994), reaffirmed in Lincoln *et al.* (2011), offered a three-pronged axiomatic structure to provide researchers with a methodological framework for undertaking research activity. These axioms are ontology, epistemology and methodology. These three axioms were also noted in Kuhn's (1970) description of 'paradigm.' Kuhn (1970) views paradigm as a theoretical perspective that directs research through the specification and choice of what to study (ontology), the formulation of hypothesis to explain the phenomenon observed (epistemology) and the identification of the most suitable empirical research techniques (methodology). These axioms are also evident in Grix (2010, p. 67) which insists that research is best undertaken by *"setting out clearly the interrelationship between what a researcher thinks can be researched (her ontological position), linking it to what we can know about it (her epistemological position) and how to go about acquiring it (her methodological approach)."* It is therefore necessary to examine these axioms, taking into account the researcher's philosophical preferences (Johnson & Onwuegbuzie, 2004).

Ontology

Ontology is the science or theory of being; offering a framework for addressing issues relating to reality. According to Creswell (2013a), ontology relates to the nature of reality and its characteristics; concerned with assessing questions regarding how the world is 'built.' Ontology questions whether the world of social phenomena is real and objective, endowed with an autonomous existence outside the human mind and independent from the interpretation given to it by the subject (Corbetta, 2003). It asks whether social phenomena are 'things in their own right' or 'representations of things.' 'Things in their own right' implies a single reality whilst 'representations of things' infer multiple realities.

The distinction between single reality (objectivism) and multiple reality (subjectivism) is crucial to ontological discourse. Ontology raises two fundamental views for a researcher *i.e.* the belief in fundamental truths waiting to be discovered and the belief that all knowledge is created in multiple interactions (Bryman, 2015). In relation to the main research objective of this study, addressing corporate governance concerns require that data is created from multiple interactions with stakeholders. Whereas the foregoing is inconsistent with the assertion that social phenomena and their meanings exist independent of social actors (Bryman, 2015) (which implies single reality), subjectivism (or constructionism) takes the view that social phenomena and 'things' do not exist independently, rather human beings construct the meanings (Bryman, 2015). While the foregoing links with the study objectives, it implies that social phenomena are not only produced through social interaction but that they are in a constant state of revision. Thus, in subjectivism, it is impossible to have single reality, as changes in the social environment create a different 'reality' *i.e.* multiple realities.

Epistemology

Epistemology entails the process of thinking and examines the relationship between what we know and what we see (Lincoln *et al.*, 2011). It refers to the theory of knowledge (Bryman, 2015), and how we can come to know things (Thomas, 2013). A well-defined epistemology promotes the researcher's ability to identify linkages between the research's epistemological underpinning and the methods employed in conducting the research (Darlaston-Jones, 2007). This view compels researchers to set out the philosophical foundation for determining what types of knowledge are possible, and thereafter identify a process which ensures that knowledge acquired is both adequate and legitimate (Golafshani, 2003).

From Lincoln *et al.* (2011) and Creswell (2013b), it can be argued that there are two main epistemological positions namely positivism and interpretivism (constructivism). The selection of an appropriate epistemology must not only be consistent with the preferred ontological position, but must also enhance the attainment of research goals (Lincoln *et al.*, 2011). Therefore, having identified subjectivism as the researcher's ontological preference, Lincoln *et al.* (2011) agrees that interpretivism is the dominant epistemology amongst researchers adopting a subjective ontological stance. While this contributes to the use of interpretivism in this study, Interpretivism accepts that the world is constantly changing and that meanings are shifting and contested depending on the social actor involved (Bryman & Bell, 2015). The preceding view is consistent with the multi-stakeholder approach of this study.

Methodology

Mackenzie and Knipe (2006) explain that methodology provides the rationale for research by outlining how the research is approached and guided. Methodology, according to Schwandt (2007), describes the process of how new knowledge is sought, defining the principles of inquiry and how the inquiry should be undertaken. It emphasises how research should proceed and, according to Gale (1998), is influenced by the researcher's worldview. Creswell (2013a) posits that methodology must emerge from the researcher's ontological and epistemological positions. Therefore, based on this background, this study adopts a qualitative methodology, which is consistent with the subjective ontology and interpretive epistemology preferred by the researcher.

3.2.2 Research Philosophy: Social Constructionism

A review of the objectives of this study (see Chapter One) and the ontological, epistemological and methodological position of the researcher indicate sufficient linkage with the fundamentals of social constructionism. Regarding the study objectives, it is essential to consider how social phenomena or objects of consciousness develop in social contexts. Indeed, employing social constructionism principles enables the researcher to 'see the world through the eyes of' the research participants as a mechanism for generating knowledge. Social constructionism maintains that people construct knowledge between themselves, through daily interactions in the course of social life (Burr, 2003).

According to Gergen (1985), social constructionism represents a perspective which assumes that a great deal of human life exists as a reaction to social and interpersonal influences. It represents an ontological position which asserts that social phenomena and their meanings are continually accomplished by social actors (Bryman, 2015). The fundamental principle of social constructionism advocates that all knowledge is contingent upon human practices, constructed during interactions between human beings (subjects) and their world (objects) within a social context (Crotty, 1998). In the search for understanding, social constructionism has been engaged as a vital conceptual tool in various academic disciplines such as social science, politics, identity, and geography, amongst others. As a result, social constructionism offers a 'good fit' for undertaking studies which explore issues in corporate governance. This is consistent with Chandler (2007) which noted that the main contention of social constructionism is that any phenomenon emanating from human interactions does not occur naturally, but is defined by social, historical and cultural contexts. Thus reality is not fixed, but could be influenced by these (social, historical and cultural) elements.

In relation to corporate governance in Nigeria, it is appropriate to suggest that key societal elements have influenced the ways in which stakeholders engage with the corporate governance concept. From this view, two elements which are central to this research *i.e.* stakeholders (individuals) and society (the institutional environment) are identified. To extend the preceding view, Owen (1995) explained that social constructionism addresses two subjects; anthropology (culture) and sociology (society) and regards human beings as central to cultural, political and historical evolution. This view is critical to this study. In considering the particular institutions embedding corporate governance in Nigeria and its regulatory processes, it is necessary to analyse the knowledge of stakeholders as constructed or influenced by social/societal circumstances.

To generate knowledge regarding how good corporate governance practice can be advanced, it is important to acknowledge that there is no one reality. Reality emerges as a mediated phenomenon. In this context, individuals act simultaneously, as both the mediating subject and a part of the reality of things (objects) are mediated through them. Thus, as Pandey (1988) suggests, perspectives emerge and are subsequently altered, as there are changes in human activities and social circumstances. The variations in human behaviour and social environments link with the institutional underpinning of this study, as reflected in the research objectives.

Having clarified the basis for identifying an appropriate philosophy for this research, It must however be noted that in selecting a philosophical position which facilitates the attainment of research objectives, it is equally crucial to engage a data collection strategy which is consistent with social constructionist philosophy. This is presented in the next section.

3.3 Data Collection

An important element in the methodology process is that which Crotty (1998) referred to as 'methods.' Crotty (1998, p. 3) defined methods as *"the techniques or procedures used to gather or analyse data related to some research question or hypothesis."* It is necessary to identify possible data collection instruments which maximise the benefits associated with the selected approach and philosophy. In ascertaining a suitable data collection technique, effort was undertaken to identify the instrument prevalent among interpretivists and, particularly, social constructionists. Onwuegbuzie, Leech, and Collins (2010) and Bryman (2015) noted that interviews, focus groups and observations and documents are the main sources of data collection for qualitative studies. Similar data collection techniques are engaged in selected social construction studies (Tywoniak & Bartlett, 2008; Othman & Rahman, 2011).

The plethora of data collection techniques for qualitative research notwithstanding, Bryman (2015) indicated that interviews are probably the most widely-employed technique for sourcing data. Kvale (1996) and Gray (2013) affirm that the use of interviews is the main technique for collecting data in qualitative research. Equally, interviews have been widely-used by social constructionists (see Tywoniak & Bartlett, 2008; Othman & Rahman, 2011). Consequently, the prevalence of interviews as a data collection tool in social construction studies influenced the decision to employ a similar technique. In particular, the economic actor and institutionalism focus of this study concedes that the use of interviews will enhance the generation of rich data required to address the study objectives. The benefits and challenges of using interviews are discussed in the next section.

3.3.1 Interviews

Patton (2002, p. 89) observed that *"there is a very practical side to qualitative (research) methods that simply involves asking open-ended questions of people …in real-world settings in order to solve problems."* This highlights the relationship between interpretive research and the use of interviews in data collection. Interviews involve asking research participants (Denscombe, 2010) a series of questions in order to generate in-depth qualitative data (Easterby-Smith, Thorpe, & Jackson, 2012). This typifies a personal form of research (Creswell, 2013a) which is appropriate for the aims of this study. Kvale (1996) clarifies that an interview is literally an 'Inter View' *i.e.* an interchange of views between two persons conversing about a theme of mutual interest. Kvale and Brinkmann (2009, p. 1) further explained that, during this process, the researcher attempts to *"understand the world from the subject's point of view, to unfold meaning of peoples' experiences."* Interviews can be conducted using a variety of media (Bryman, 2015) such as telephone, email and the internet or, most commonly, face-to-face.

To enhance the attainment of research objectives, it is also important to identify an appropriate form of interview technique for a study. For qualitative studies, Bryman and Bell (2015) stated that interviews range from structured through semi-structured to unstructured. Edwards and Holland (2013) explained that the structured interview, usually based on a questionnaire, is at the quantitative end of the scale and frequently employed in survey research. Semi-structured and unstructured interviews are those used by qualitative researchers and are often characterised by increasing levels of flexibility, but with a lack of structure. Thus, the permissible level of flexibility expected for a study influences the use of either semi-structured or unstructured interviews in a study.

Gall, Gall, and Borg (2003) also discussed three qualitative research interview formats *i.e.* the informal conversational interview, the general interview guide approach and the standardised open-ended interview. The general interview guide approach presents the most feasible option for this study. This approach ensures that information relating to the same general areas is collected from each interviewee whilst allowing for a degree of freedom and adaptability in sourcing information from interviewees (Turner, 2010). The general interview guide approach is consistent with the description of the semi-structured interview in Edwards and Holland (2013), and also connects with the definition of semi-structured interviews in Bryman (2015). Therefore, the semi-structured interview is used to collect data for this study.

The semi-structured interview, according to Bryman (2015), refers to a context wherein the interviewer has a series of questions that are in the general form of an 'interview guide,' however the interviewer is able to vary the sequence of the questions. This approach, whilst encouraging two-way communication, offers the researcher latitude to ask further questions as a reaction to what is considered a significant response. Thus information generated from semi-structured interviews will not only provide answers, but also the reasons for those answers (Flick, 2014). To facilitate this process, an interview guide (see Appendix 2) was designed to enable the collection of data addressing the objectives of this study.

Table 5 - Synchronous/Asynchronous Dimensions of Place and Time

	Time	**Place**
Synchronous Communication	Face-to-Face Messenger Telephone	Face-to-Face
Asynchronous Communication	Email	Email Telephone Messenger

Source: Adapted from Opdenakker (2006)

In conducting the interviews, a number of advantages and issues were observed. For instance, the study relied solely on the face-to-face interview technique which is characterised by synchronous communication in time and place (see Opdenakker, 2006), as shown in Table 5, hence providing opportunities to explore social cues such as voice, intonation and body language. Notably, the reactions of participants to some questions revealed the degree of sensitivity to particular questions. As a result, synchronous communications ensure instantaneous generation of different forms of data. This is crucial to studies aimed at exploring institutional influences on specific phenomena. Interviews also allow flexibility in the range and depth of questions asked. Thus clearer responses to questions were obtained. Another benefit of this exercise was the opportunity to digitally record a majority of the interviews which meant that the researcher was able to listen more actively during the interview and also had the opportunity to listen to and transcribe the interview. Consequently, the researcher was able to read the interview manuscripts as many times as necessary, thereby ensuring familiarity with data.

However, despite the apparent benefits of conducting semi-structured face-to-face interviews, some challenges were encountered. For example, organising the interviews was time-consuming, though this could be traced to the need to engage appropriate interviewees. The nature of the study also demanded that participants could only be drawn from a defined pool of stakeholders. This meant that the exercise was costly hence some interviews were postponed more than once. Some were also cancelled. Another concern was that despite testing and reframing the interview questions after conducting a pilot, it was apparent that some participants interpreted the questions differently and thus offered different responses. This meant that the questions had to be explained to ensure that all interviewees provided their responses based on a similar understanding of the questions. Lastly, some issues were encountered during the post-interview stage. For instance, interview transcription was not possible using transcription software (Dragon) as the programme could not read or recognise participants accents (see Oliver, Serovich, & Mason, 2005). Consequently, the interviews were transcribed manually which required a considerable amount of time (see Appendix 3 for a sample of a manually-transcribed interview).

3.3.2 Research Participants

A key objective of research is to collect data from a sample which sufficiently represents a field of study (Bartlett, Kotrlik, & Higgins, 2001). Identifying suitable participants for research and the determination of an appropriate sample size enhances a study's validity and reliability (Marshall, 1996). However, sample size issues in qualitative research have been influenced by 'saturation'[30] concerns. The literature in qualitative research suggests that 'how many' is not necessarily the issue. A researcher should satisfy himself that he has learned, and understands the phenomenon, enough to enable knowledge generation. This is the basis for determining sample size in, for example, grounded theory (Glaser & Strauss, 1967).

In determining appropriate number of research participants, Mason (2010) offered a definitive proposition, informing that a sample of 560 PhD studies which used qualitative approaches and interviews as data collection instrument, revealed a mean sample size of 31 participants. Nonetheless, there is no consensus regarding an appropriate number of participants. Baker and Edwards (2012) advised the use of a broad range of between 12 and 60 participants. A consensus theory developed by Romney, Weller, and Batchelder (1986) argues that experts tend to agree more with each other. They observe that small samples from experts can be sufficient in providing accurate information as long as they possess a high degree of expertise and competence in the domain of inquiry. This view was critical in determining a sample size for this study as it engaged various categories of governance experts. Consequently, albeit the sample size was agreed to range between 20 and 30 participants, interviews were eventually held with 24 participants. The number of interviewees is consistent with related studies. For example, Adegbite *et al.* (2013) conducted 26 in-depth interviews, Ogbechie and Koufopoulos (2007) and Okpara (2011) interviewed 20 respondents, while Uys (2008) conducted 18 interviews to generate their findings.

Having clarified the number of interviews, it was essential to consider the suitability of participants for this study, and define acceptable criteria for participants. Issues relating to corporate governance are usually vested amongst senior executives in

[30] Saturation is achieved when the collection of new data does not shed any further light on the object being studied (Glaser & Strauss, 1967). Saturation is fundamentally a grounded theory construct, however Mason (2010) suggested it can be adopted as a guiding principle during data collection.

organisations. In addition, the definitions of corporate governance provided in Chapter Two[31] indicate that shareholders and management are directly responsible for managing governance matters. Therefore, using the snowballing technique, the researcher established contacts with executives in organisations who were able and willing to comment on corporate governance issues not only in their organisations but also in their industry and country as a whole. In addition, some objectives of this study which relate to effective regulation of corporate governance necessitate that relevant regulators were integrated into the participants' framework. Therefore, apart from previously identified participants (executives), the views of regulators, governance consultants and members of academia (who are active in corporate governance scholarship) provided the data for this study. These criteria were central to the selection of interviewees.

Flick (2014) informed that in an interview study, sampling is connected to the decision regarding who to interview (case sampling) and from which group they should be selected (sampling groups of cases). As the study focused on corporate governance practices amongst public companies listed on the Main Board[32] of the Nigerian Stock Exchange (NSE), interviewees were selected to considerably reflect firms (substantially based on industrial sectors) listed on the Exchange. This was the basis for selecting participants. Sampling was undertaken using the judgement technique (see Marshall, 1996). This procedure is based on pre-determined characteristics (Corbetta, 2003) discussed earlier in this section. However, the initial selection process relied on a stratified[33] sampling technique (a probability-based technique) which facilitated the categorisation of the population using industrial sectors. Following this process, 12 participants are associated with the stock exchange. These interviewees were drawn from eight of the 12 industrial sectors[34] on the exchange. These 12 interviewees are all executives (CEO, senior management or board members) in their respective organisations. Other interviewees (12) were drawn from governance regulators, governance consultants and academics, relevant within the industry. A breakdown of these participants is provided in Section 3.3.3.

[31] Cadbury (1992), Shleifer and Vishny (1997) and OECD (1999).
[32] This primarily features the equities of large, blue-chip companies.
[33] This technique allows a sample to be randomly selected from a population that has been stratified (Bryman & Bell, 2011).
[34] Agriculture, Construction/Real Estate, Consumer Goods, Financial Services, Healthcare, Industrial Goods, Information and Communications Technology (ICT), Natural Resources, Oil and Gas, Services, Utilities and Conglomerates.

Enlisting identified suitable participants was initially challenging, hence it is vital to discuss how data access was negotiated.

Prior to data collection, establishing contact with senior executives was challenging. This issue is prominent in countries like Nigeria, where cultural concerns such as power distance (see Hofstede *et al.*, 2010) and other institutional influences define (and/or restrict) relationships. As a result, the achievement of the research objectives was significantly dependent on the author's ability to access participants deemed suitable for this study. Mainly, the researcher used 'personal contacts' to reach participants. Nigeria, according to Hofstede *et al.* (2010), is a collectivist society. Collectivism describes a society that embodies a tightly-knit framework where individuals can expect their relatives or group members to provide for them in exchange for absolute loyalty. Thus the first set of participants identified, taking into account agreed selection criteria, emerged from the researcher's personal contacts. As the researcher has around a decade of work experience in Nigeria, these participants were drawn from a pool of executives with whom the researcher has interacted previously.

The second set of participants was engaged following recommendations from the researcher's associates, and from the researcher's networks of academic colleagues, including supervisors, to reach potential respondents. Furthermore, a significant number of these participants were identified using the snowballing technique. Snowballing, according to Denscombe (2010), is a procedure whereby participants refer the researcher to other potential participants whom they think fulfil the criteria defined by the researcher. This technique has proven to offer a useful data collection technique in research (Chang, Hung, & Hsieh, 2012; Stigliani & Ravasi, 2012). This technique increases efficiency, identification and inclusion of hidden populations, as members of the target population recruit other members (Kendall *et al.*, 2008). This technique was applied to the first and second set of identified participants to access other participants. It must be noted that a vital part of engagement with participants involved approaching them by letter (see Appendix 4).

3.3.3 Profiling Research Participants

The first category of participants in this study is the executives. As previously noted, compliance with corporate governance codes is a basic requirement for publicly-listed companies in Nigeria. To ensure that individuals who possess the requisite knowledge to address questions in the interview schedule were engaged, the first categories of respondents were drawn from these publicly-listed firms. Table 6 presents information regarding category 'A' participants that were interviewed during data collection.

Table 6 - Category 'A' (Executives) Participants

No	Participants	Sector
1	A1	Oil and Gas
2	A2	Construction
3	A3	Financial Services
4	A4	Financial Services
5	A5	Utilities and Conglomerates
6	A6	Consumer Goods
7	A7	Industrial Goods
8	A8	Financial Services
9	A9	Healthcare
10	A10	Oil and Gas
11	A11	Financial Services
12	A12	Information and Communication Technology

To effectively address the research objectives, it was also necessary to engage with other stakeholder groups. Thus, the second category (Category B) of participants is the regulators. Eight regulators were interviewed. Table 7 provides their organisational affiliations.

Table 7 - Category 'B' (Regulators) Participants

No	Participants	Regulatory Organisation
1	B1	Securities and Exchange Commission (SEC)
2	B2	Nigerian Deposit Insurance Commission (NDIC)
3	B3	Nigerian Deposit Insurance Commission (NDIC)
4	B4	Central Bank of Nigeria (CBN)
5	B5	Nigerian Stock Exchange (NSE)
6	B6	Corporate Affairs Commission
7	B7	Institute of Corporate Governance Nigeria
8	B8	Securities and Exchange Commission (SEC)

The final category of participants (Category C) is corporate governance consultants and academics. These participants were integrated into this study to enable the research to benefit from their knowledge and wealth of experience in consulting and research and teaching, towards promoting good corporate governance in the country. Table 8 identifies four participants who were interviewed during data collection process.

Table 8 - Category 'C' (Consultants and Academics) Participants

No	Participants	Expertise
1	C1	Academic
2	C2	Academic/Consultant
3	C3	Academic
4	C4	Academic/Consultant

The professional backgrounds of participants were also taken into consideration. Table 9 provides their background and/or research field. This is relevant to further indicate their suitability to address the interview questions.

Table 9 - Backgrounds of Participants

No	Career Background/Research Field	Number of Experts
1	Law	4
2	Finance and Accounting	7
3	Economics	3
4	Business and Management	8
5	Other Areas (Engineering, IT)	2
	Total Participants	**24**

As shown in Table 9, approximately 63% of participants are from finance and accounting and business and management backgrounds. This is auspicious for the research considering the relationship between these research fields and corporate governance. It must also be noted that four participants are legal practitioners. Considering that addressing regulatory concerns represents an important objective of this study, their comments and suggestions were invaluable in proposing a reform strategy for good corporate governance. The other participants included three economists, an engineer and an IT professional. The engineer and IT professional are executives of publicly-listed companies. In total, twenty-four participants were involved in this study. All respondents play a significant role in corporate governance.

3.4 Procedure for Analysing Data

Unlike quantitative data, qualitative data consists of words and observations, hence its analysis and interpretation is necessary to bring order and generate understanding (Taylor-Powell & Renner, 2003). Boeije (2009) explains that, in the context of research, analysis describes the processing of data in order to answer the research questions. It involves an extensive array of procedures aimed at systematically addressing research questions. In social constructionism, the flexibility associated with the methodology permits the use of various data analysis techniques. For instance, whilst Dahlsrud (2008) engaged a content analysis technique to analyse data, White (2004) advocated the use of discourse analysis. Despite these choices, Hsieh and Shannon (2005), Elo and Kyngäs (2008) and Elo *et al.* (2014) opine that content analysis is one of the most commonly-used technique for analysing data in qualitative studies. Thus, content analysis is used in this study.

Berelson (1952, p. 18) defined content analysis as *"a research technique for the objective, systematic and quantitative description of the manifest content of communication."* However, Schreier (2012) observed that other versions of content analysis indicate a significant movement away from Berelson's (1952) quantitative disposition. For instance, Neuman (2011) presented content analysis as a tool for gathering and analysing the content of a text. The 'content' refers to words, meanings, pictures, ideas and themes *etc*. while the 'text' could be anything written, visual or spoken, serving as a communication medium. Evidently, there are fundamental differences between Berelson (1952) and Neuman's (2011) accounts. This difference is the basis of the types of content analysis, discussed next two sections. It is however imperative to provide a rationale for engaging content analysis in relation to the study objectives.

3.4.1 Why Content Analysis?

The nature of study and a researcher's paradigm disposition bear significant influence on the technique employed to analyse the data (Miles & Huberman, 1994). Taking the researcher's ontological and epistemological position into consideration, the study engages content analysis in view of its alignment with the researcher's philosophical preference and study objectives. Elo and Kyngäs (2008) agreed that content analysis is particularly apt in analysing a phenomenon with multifaceted characteristics. This study posits that addressing corporate governance concerns requires an investigation into the various institutional elements affecting corporate governance. Content analysis, as engaged in Salama (2009) and Beck, Campbell, and Shrives (2010), provides a framework which seamlessly integrates these differing perspectives in a systematic manner.

Content analysis is also acknowledged for its ability to manage large volumes of textual data from different textual sources (Stemler, 2001). Schreier (2012) noted that it facilitates data reduction thereby assisting the researcher to narrow the study to specifics. This is crucial in this study considering the large volume of themes and codes emerging from this research. This offers the most feasible strategy for analysing approximately 210 pages of transcribed data generated from the interviews. The ability to reduce data to specific factors, prompted by social and institutional elements, is consistent with the objectives of this study. It is also necessary to add that content analysis represents a well-established data analysis technique in social constructionist studies (Welch, Fenwick, & Roberts, 1997; Dahlsrud, 2008). As previously noted, social constructionism focuses on two key aspects *i.e.* individual interactions and social/societal interfaces (Owen, 1995). Thus data generated must reflect these two elements which compel the collection of a large, but unstructured, amount of data.

Furthermore, as data was collected via interviews, the analysis tool adopted must allow for flexibility in dealing with emerging themes. Cavanagh (1997) concurs that content analysis offers a flexible method for analysing textual data. Boyatzis (1998) indicates that this advantage enables researchers to tailor the coding frame to the research material, enabling the researcher to integrate new themes as they emerge. This benefit was crucial in the decision to adopt the directed content analysis strategy in this study.

To further this discussion, it is necessary to acknowledge that there are two types of content analysis. Elo and Kyngäs (2008) inform that content analysis is a method that may be used with either quantitative or qualitative data. Whereas the origin of content analysis can be traced to Berelson (1952), his (Berelson, 1952) definition denotes quantitativeness. This view has served as the basis for a substantial volume of definitions of content analysis (see Beattie, McInnes, & Fearnley, 2004; Krippendorff, 2012; Bryman, 2015).

However, Kracauer (1952) contested Berelson's (1952) description of content analysis on three grounds. Kracauer (1952) suggested that meaning is often complex, holistic and context-dependent; meaning is not always clear at first sight and the appearance of some meaning only once in a text does not necessarily suggest that such aspects are less important compared to aspects frequently mentioned. Berger and Luckmann (1966) also disputed the 'objectivity' proposition of Berelson (1952), pointing out that even the most scientific methods of social research cannot generate totally objective outcomes. These arguments are considered to provide a foundation for the development of qualitative content analysis (QCA).

3.4.2 Qualitative Content Analysis (QCA)

QCA, as noted in Schreier (2012), emerged from quantitative content analysis. Fundamentally, Schreier (2012) suggested that there is no distinct difference between both forms of content analysis (see Table 10) except that QCA possesses some characteristics which feature in qualitative research. While Flick (2014) identified some features of qualitative research to include interpretive, naturalistic, situational, reflexive, inductive and emergent flexibility, amongst others, Schreier (2012) contends that these features distinguish QCA from quantitative content analysis (Table 10).

Table 10 - Differences between Quantitative Content Analysis and QCA

	Content Analysis	
	Quantitative	**Qualitative**
1	Works deductively	Works inductively
2	Measures quantitatively	Summarises and classifies elements
3	Focuses on manifest meaning	Focuses on latent meaning
4	Little context needed	Much context required
5	At least partly concept-driven	At least partly data-driven
6	Strict sequence of steps	More variability in sequence of steps
7	Fewer inferences to context, author, recipients	More inferences to context, author, recipients

Source: Adapted from Mayring (2000) and Schreier (2012)

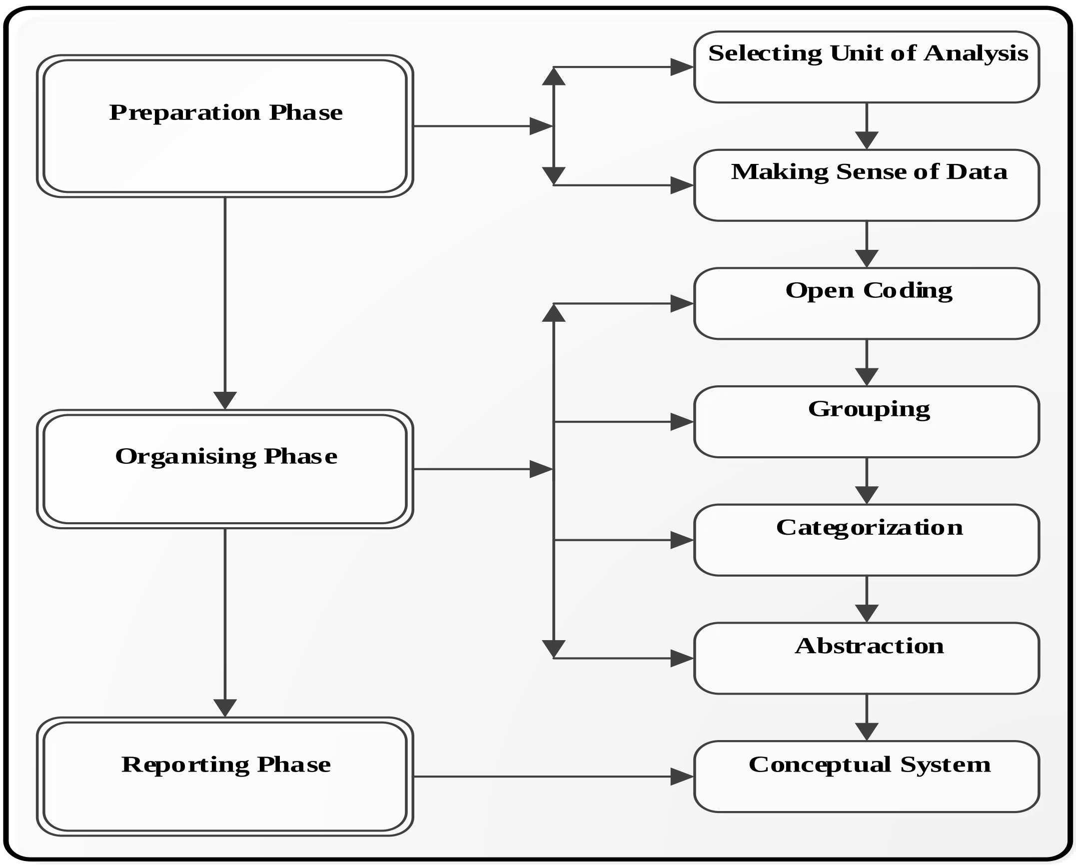
Therefore, building on Kracauer's (1952) suggestion, Hsieh and Shannon (2005) explained that QCA allows for the subjective interpretation of the content of text data through a systematic classification process of coding and identifying themes or patterns. Unlike quantitative content analysis, Schreier (2012) explains that QCA is not restricted to frequency counts. Rather, as Mayring (2000) suggests, QCA provides a medium for exploring core themes. These features, in addition to its considerable link with interpretivist features (see Flick, 2014) and social constructionism informed its preference for this study. The use of content analysis, whether quantitative or qualitative, has also been aided by the availability of computer programmes to automate many of its procedures. This also offered an added incentive to employ QCA.

3.4.3 QCA Process: NVivo as an Aid

Undertaking analysis of qualitative data, irrespective of the strategy employed, could be done either manually or by utilising computer-assisted qualitative data analysis software (CAQDAS) programme. Mayring (2000) noted that the use of software in data analysis has been extended into the qualitative research domain with the emergence of CADQAS. However in this study, CADQAS, as recommended by Mayring (2000), was used to support, and not replace, the stages of text interpretation. Accordingly, data analysis in this study was significantly informed by the researcher's knowledge and ability to design a systematic analysis process.

However, in view of the benefits of employing computer programmes for qualitative data analysis (Leech & Onwuegbuzie, 2011), Bazeley and Jackson (2013) observe that there are numerous software packages which qualitative researchers can utilise to work with textual data. Some of the widely-used qualitative data analysis programmes include NVivo, ATLAS/ti and MAXQda. However, in view of the benefits inherent in the use of NVivo[35] (Leech & Onwuegbuzie, 2011; Bazeley & Jackson, 2013), this study used this particular software to support its data analysis process.

Figure 6 - Stages in Data Analysis



Source: Adapted from Elo and Kyngäs (2008)

[35] Benefits of using NVivo include facilitation of open coding, visual exploration of ideas, access to original transcribed data and the ability to attach memos to coded data and search key texts.

Following recommendations in Elo and Kyngäs (2008), analysis of the transcribed data involved three stages *i.e.* preparation, organising and reporting (Figure 6). In the preparation stage, units of analysis were identified to enable the researcher to make sense of the data. Unit of analysis, according to Zhang and Wildemuth (2009), refers to the basic unit of text to be classified during content analysis. This stage required data immersion (Polit & Beck, 2012); the interviews were listened to and transcribed materials were read several times. The use of NVivo was minimal at this stage.

The second stage of analysis is the organising stage. This stage, relying on the recommendation in Elo and Kyngäs (2008), involved open coding,[36] grouping identified codes, creating categories from identified codes and engaging in abstraction. Abstraction involves articulating a general description of the research concerns by generating categories (Polit & Beck, 2012). Hsieh and Shannon (2005) suggested the use of one of three approaches *i.e.* conventional content analysis, directed content analysis and summative content analysis (Table 11) for interpreting meaning from text data. In this study, the directed approach was employed. As Hsieh and Shannon (2005) suggest, this approach was employed following Adegbite's (2015) observation that available scholarship bordering on corporate governance in Nigeria is inadequate, hence the research area would benefit from further insights.

Table 11 - Three Approaches to Content Analysis

Type of Content Analysis	Study Starts With:	Timing of Defining Codes or Keywords	Source of Codes or Keywords
Conventional Content Analysis	Observation	Codes are defined during data analysis	Codes are derived from data
Directed Content Analysis	Theory	Codes are defined before and during data analysis	Codes are derived from theory or relevant research findings
Summative Content Analysis	Keywords	Keywords are identified before and during data analysis	Keywords are derived from interest of researchers or review of literature

Source: Hsieh and Shannon (2005)

[36] Open coding means that notes and headings are generated to describe all aspects of the interview transcript (Burnard, 1991).

The directed approach offered a structure which facilitated the identification of concepts as the initial coding categories from existing theory (Potter & Levine-Donnerstein, 1999) *i.e. a priori* code,[37] and concurrently, assisted the identification of emerging themes from the data. This approach links with the flexibility often associated with QCA. From Figure 6, the first activity in the organising stage was coding. Miles and Huberman (1994) explained that coding represents the starting point in investigating patterns in the research material. Other activities undertaken with respect to the organising phase are explained in Section 3.7.5.

The final stage *i.e.* reporting (see Figure 6) is based on an abstraction procedure whereby inferences were drawn by identifying subcategories with related characteristics, grouping them as generic categories and establishing a main category from these linkages. The outcomes of these grouping and categorisation processes are analysed and discussed in the next two chapters.

To conclude this section, it is necessary to emphasise that the use of computer software offered a key support for analysing data. NVivo 10 was extensively used in the analysis process for this research. This aided in managing data and examining relationships between categories. The systematisation of this process is expected to enhance the validity of the research outcomes.

3.4.4 Development of the Coding Frame

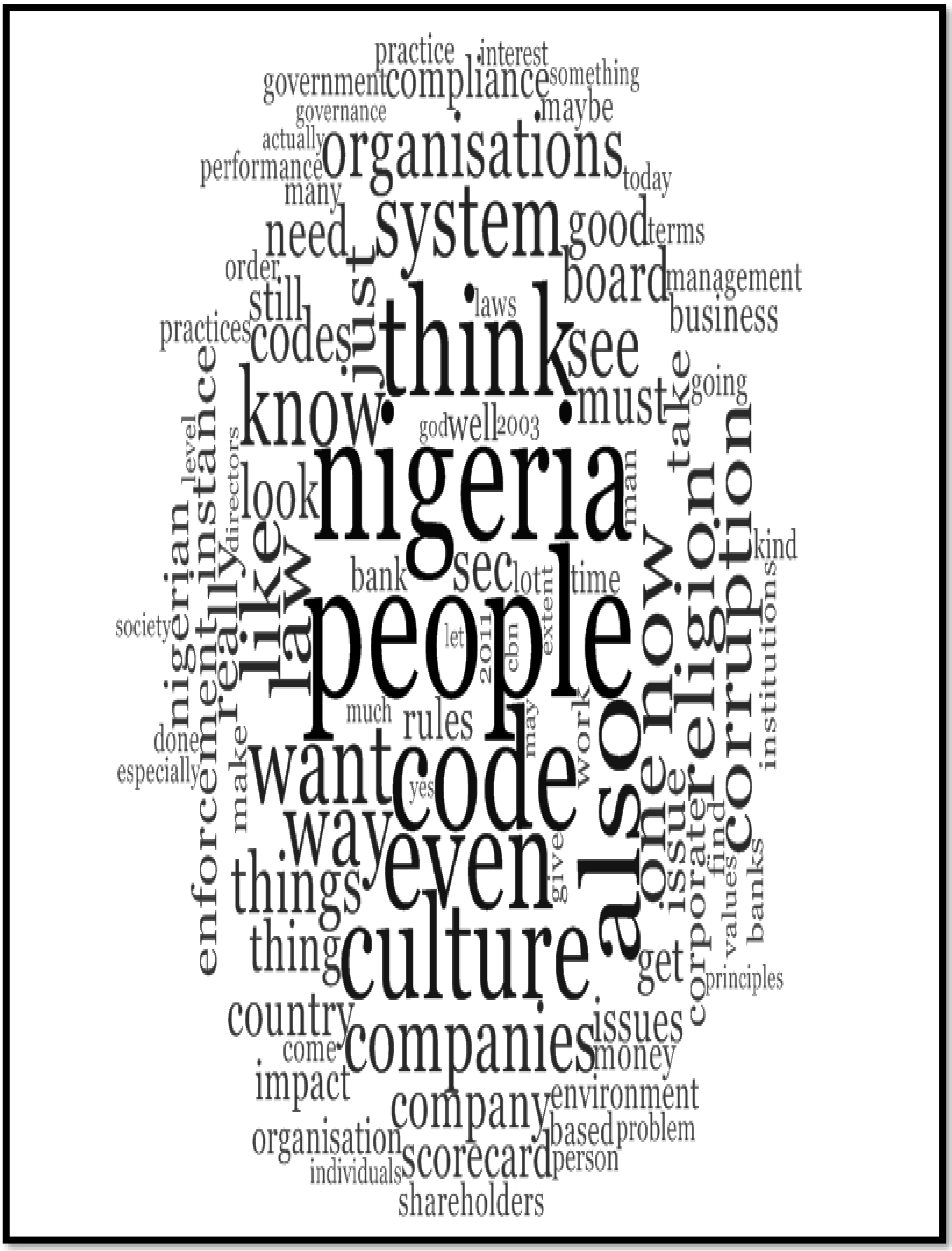
Content analysis is typically undertaken with the use of a coding frame (Schreier, 2012). As reflected in Figure 6, the organising stage describes the process of exploring data in order to eventually achieve abstraction from data collected. However, considering the large volume of data generated by the study, which enhances the possibility of *"getting lost in the data"* (Schreier, 2012, p. 58), it is crucial that the researcher maintains focus.

[37] Codes that are developed before engaging with data *i.e.* from literature (Stemler, 2001).

Figure 7 - Main Themes in Relevant Literature (NVivo Extract)

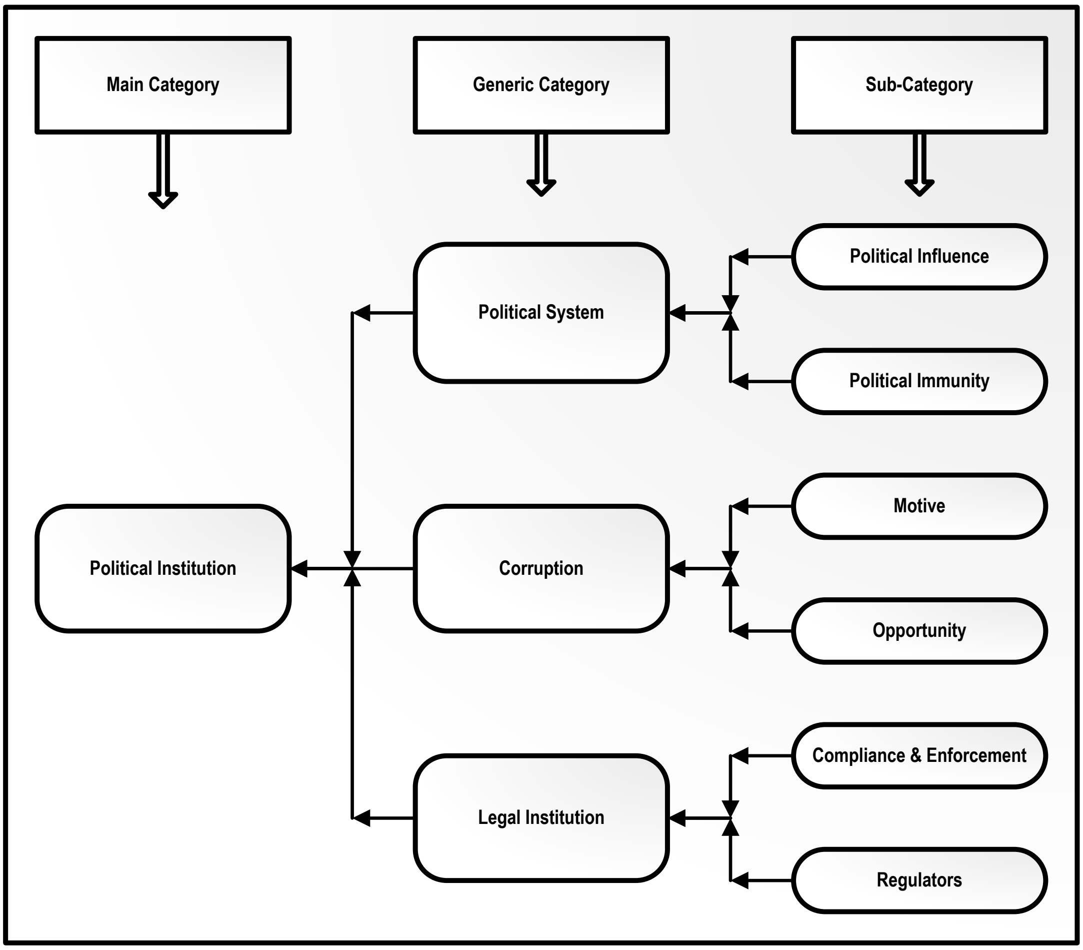
Thus, the coding frame enables the researcher to identify and select certain key aspects of theory and transcribed material and consequently focus on those aspects. In line with the directed content analysis approach (Hsieh & Shannon, 2005), themes were initially generated from literature (*a priori*), and subsequently reinforced with additional themes from the data.

<u>Figure 8 - Main Themes from Data (NVivo Extract)</u>



The initial coding emerged from themes and concepts identified in the literature. In line with the study’s research questions and objectives, literature which examined issues relating to the research objectives was identified. These journal articles examining specific corporate governance issues found globally and in Nigeria were uploaded onto NVivo (as PDF files). The ‘query’ and ‘word frequency’ tools were initially used to generate themes. This process produced a mass of themes (see Figure 7). The font size of these themes is an indication of their relevance in transcribed text. QCA uses individual themes as the unit of analysis, and these themes may be expressed as a single word, a phrase, a sentence, a paragraph or an entire document (Zhang & Wildemuth, 2009). However, whilst some of these terms were considered relevant, some were not. For instance, terms such as ‘want,’ ‘think,’ ‘even,’ *etc*., which featured prominently, were deemed irrelevant. These terms were subsequently isolated using the ‘stop word’ function in NVivo. Figure 7 shows a word cloud of the most-commonly cited themes in literature relating to the study area.

Figure 9 - Illustration of Abstraction Process (Coding Frame)



Source: Adapted from Elo and Kyngäs (2008)

The second stage of coding involved extracting themes from the data. Whilst a similar process employed in determining themes from the literature was adopted, some initial steps were taken. The interviews were transcribed manually and the manuscripts uploaded onto NVivo. The main themes emerging from the data (Figure 8) are Nigeria, people, culture, enforcement, corruption, institutions, government, codes, religion and SEC, amongst others.

From the procedures performed on the literature and data, two coding strands emerged. First, some themes generated from the literature were reinforced with similar themes from the data, and secondly, the data produced several new sets of relevant themes. These themes were subsequently subjected to a process of successive sorting to generate the subcategories for the coding frame.

The next stage was 'grouping' *i.e.* identifying similar or related themes and examining the variations and reasons for these variations. This procedure helped to condense the array of themes identified from Figures 7 and 8. Using the grouping approach proposed in Elo and Kyngäs (2008) (see Figure 9),[38] three levels of groupings emerged. The first grouping recognised similarities in themes and grouped them accordingly. These groups are the subcategories. It is important to note that there are instances where some themes were deemed good enough to be recognised as properties or elements of other themes.

From this process, the next category of grouping emerged. These new, higher order groups (Burnard, 1991) represent the generic categories (Elo & Kyngäs, 2008) (see Figure 9). This process ensured further consolidation of subcategories and facilitated effective comparison of research outcomes across the generic categories. The grouping and categorisation of data embodies the abstraction stage of analysis. The abstraction stage, however, requires that another category is generated (see Figure 9). This category *i.e.* the main category, presents the basis of the formulation of a general description of the research concerns (Elo & Kyngäs, 2008).

The structure described in Figure 9 facilitated the development of a coding frame for this study. Consequently, the data analysis and discussion for this study, presented in the next two chapters, were structured based on this process. However, prior to presenting the analysis the next section attempts to proffer the strategy for addressing ethical concerns, particularly in view of the qualitative nature of this study.

[38] Figure 9 provides a hypothetical example of an abstraction process using data from this study.

3.5 Issues during Data Collection

Qualitative research demands much of the researcher (O'Dwyer, 2004). In essence, the researcher's ability to effectively coordinate and manage all aspects of the research is critical to the attainment of the study objectives. Prior to data collection, approval from the Supervision team and the University's Ethics Committee (Appendix 5) was obtained. Appointments were also initially arranged with seven participants. Participants for the study were strategically drawn from the cities of Lagos and Abuja. Lagos is the commercial centre of Nigeria, thus many corporations in the country are located in this city. As a result, there is a significant pool of CEOs, board members and governance consultants in Lagos. In addition, the Nigerian Stock Exchange is based in Lagos. Abuja is Nigeria's administrative capital hence the majority of regulatory agencies are based in the city.

An initial challenge was encountered during data collection as five of the previously-confirmed participants postponed or cancelled their scheduled appointment. In fact, three potential participants postponed their appointment whilst the others cancelled, all stating that they were travelling outside the country for an extended length of time. As a result, interviews could not be conducted in the first two weeks scheduled for data collection. However, within this period, the researcher identified other participants mainly in Abuja, using the snowballing technique. Via snowballing the researcher realised it was easier for identified participants to enlist their friends and associates with similar profiles to participate in this study. A similar approach was employed in Adegbite *et al.* (2013).

At the end of the period assigned for data collection, 24 interviews had been conducted with 21 digitally recorded. Three interviewees refused to be recorded. This is expected in a society such as Nigeria, where issues of power distance (Hofstede *et al.*, 2010) pose a significant concern. Previous studies such as Adegbite (2012) also reported a lack of permission to tape-record some interviews. With respect to these three interviewees, detailed notes were taken during the interviews to ensure that key points were safely recorded.

Various issues were evident whilst conducting the interviews. The first issue was the extent of 'red-tape' and corruption. Most executives usually have a Personal Assistant (PA) through whom appointments are booked. Gaining access to some PAs required the use of a third party. These third parties often insist on being offered inducements before contact can be established with the PA, but the researcher did not offer any bribes to such PAs. In addition, cultural issues also affected contact with high net-worth individuals. Power distance is widely acknowledged in the Nigerian society hence considerable effort is required to gain access to these individuals.

It was also observed that distrust was widespread in the Nigerian business environment. Despite informing potential participants of the interview purpose and presenting comprehensive documents they were unwilling to share information; unsure of the implications of the interview on their career. This indicates how corporate governance is perceived in the country. An encounter with a regulator typified this problem. After various attempts to secure a meeting by explaining the purpose of the interview, the regulator requested that the interview be conducted in his car in a car park rather than in his office. The regulator confided that this was the only way he could share information, as, in his words, “walls have ears.”

Transparency concerns also link with the next challenge *i.e.* the use of recording equipment. Four potential participants withdrew from the process immediately the researcher requested permission to record the interview (Table 12). Appeals that handwritten notes could be taken if they (participants) were not comfortable with the recording of the interview did not persuade them. It is worth mentioning that these individuals were already conversing with the researcher on general matters, but cancelled the interview once the researcher requested their permission to record. This not only highlights how corporate governance is generally perceived in the country but indicates the fear and distrust regarding information sharing. However, three participants agreed to proceed with the interview, but with no recording (see Table 12).

Table 12 - Reconciling the Number of Interviewees

Participants Initially Contacted		**35**
Postponed and Subsequently Cancelled		(7)
Cancelled by Participants due to Recording		(4)
		24
Actual Interviewees	Recorded	21
	Not Recorded	3
		24

3.5.1 Strengths of the Study Methodology

Despite the issues identified above, some strengths are acknowledged in the methodology adopted for this research, particularly in view of its qualitative nature (Bogdan & Biklen, 2007). Notably, the methodological framework emerged as the outcome of a rigorous process. Koch (2006) maintained that trustworthiness or rigour may be ascertained when the reader is able to audit the events, influences and actions of the researcher. This is important given the context of this study as the generality of the limited literature on corporate governance in Nigeria lacks the necessary rigour. Hence, in addition to improving the corporate governance literature in Nigeria, the rigour engaged in generating its findings will contribute to better corporate governance discourse. Elo *et al.* (2014) added that in QCA, trustworthiness is enhanced when it is evident from the data collection phase to the reporting of results. This underpinned the procedures adopted in this study, beginning with a clear identification of the philosophical underpinning of the study methodology. This subsequently informed the identification of appropriate data collection and analysis techniques. Twenty-four interviews were conducted which is consistent with related studies. Participants were carefully identified to ensure data richness.

The range of participants is consistent with the multi-stakeholder perspective of this study. An objective of this study is to propose a reform strategy for good governance in Nigeria (RO5). Restricting the selection of participants might not adequately support the framing of proposals that can address the broad challenges hindering corporate governance in the Nigerian business environment, hence this research engaged with participants representing different industrial sectors, governance consultants and members of academia.

Interviews were thoroughly analysed using QCA with the aid of NVivo. The use of NVivo as a software programme to support data analysis simplifies data interrogation (Lewins & Silver, 2007); facilitates an audit of the data analysis process as whole (Welsh, 2002), shortens analysis timeframes as well as enhancing data management (Jones, 2007) and promotes the generation of evidence-based findings (Bazeley & Jackson, 2013).

3.5.2 Limitations of the Study Methodology

Notwithstanding the strengths noted above, Patton (2002) accepts that there are no perfect research designs. It is therefore necessary to discuss some limitations of the study methodology and how these limitations were managed. A major limitation, noted earlier, is the perceived level of distrust in Nigeria (see Diamond, 2007) which could indicate that data provided may not reflect actual practices. It was therefore important for the researcher to devise a method of eliminating or minimising this possibility. The use of semi-structured interviews enabled the inquirer to probe responses further. This yielded some valuable information. Furthermore, the researcher made substantial efforts to assure participants that they would suffer no harm as a result of partaking in the research.

It is also worth noting that the volume of data generated made the transcription, analysis and interpretation of data time-consuming. The use of NVivo to organise the data helped in minimising the time taken to undertake these activities. Furthermore, as data was collected using interviews, research quality is dependent on the individual skills of the researcher (Kvale & Brinkmann, 2009). It must be admitted that this study was the researcher’s first attempt at conducting interviews. However, whilst some learning was gained during piloting, the researcher would like to impart that interviewing skills improved with every subsequent interview.

The final limitation is consistent with Flick’s (2014) observation that qualitative studies can be influenced by the researcher’s personal biases and idiosyncrasies. This could create situations whereby the interpretation of a participant's data is 'invented' by the inquirer which consequently impedes confirmability of findings (Polit & Beck, 2012). This concern is significant in view of the researcher's professional background and knowledge. To address this concern the researcher embraced 'bracketing' which involves setting aside prior knowledge and assumptions about a phenomenon, with the objective of examining participants' responses with an 'open mind' (Gearing, 2004).

3.6 Addressing Ethical Concerns

'Ethics' refers to what should and should not be done. It observes the rules of conduct which dictate what is right and proper (Grix, 2010). Mullins (2011) relates ethics to the study of morality, focusing on practices that are right or wrong, in conjunction with the rules which govern those activities and the values to which those activities relate.

Table 13 - Possible Ethical Challenges

Source	Ethical Issues/Principles
Diener and Crandall (1978), Bryman (2015)	Harm to Participants, Lack of Informed Consent, Invasion of Privacy and Deception
Murphy and Dingwall (2001)	Non-Maleficence, Beneficence, Autonomy and Justice
Ryen (2011)	Codes and Consent, Confidentiality and Trust.
Halai (2006)	Informed and Voluntary Consent, Confidentiality, Participants' Anonymity, Beneficence (no harm) and Reciprocity
Orb, Eisenhauer, and Wynaden (2001)	Autonomy, Beneficence and Justice

Rationally, the nature of research involves collecting data from people, about people (Punch, 2014). The ethical implications of research have meant that research processes are subjected to ethical considerations and reflections in recognition of its possible effects on participants (Blumberg, Cooper, & Schindler, 2014). This compels researchers to anticipate the ethical issues in their studies. In view of these concerns, it is crucial that mechanisms to deal with ethical issues are agreed.

However, to develop an ethics management strategy, possible ethical concerns must be identified. Literature has attempted to identify a variety of ethical issues to which a researcher may be vulnerable (Table 13). The potential for the identified issues to manifest during the course of data collection for this study was somewhat significant, considering the qualitative nature of the study and the use of interviews as the primary data collection tool. As a consequence, the researcher relied on proven strategies to minimise (or eliminate, where possible) the emergence of any ethical problems. These strategies, based on a procedure recommended in Flick (2014), are presented as follows;

Informed Consent Prior to Data Collection: This was a precondition for participation in the research. Consent was sought from potential interviewees (see Appendix 6). In addition, the person giving the consent was adequately informed of the purpose of the interview (and the research), after which the researcher was satisfied that the consent was being given voluntarily. Participants were also informed as to how the data gathered from them would be analysed and the information disseminated. These consents were sought prior to the interview. This strategy guides against claims of uninformed consent (Diener & Crandall, 1978) or trust (Ryen, 2011).

Avoid Harm to Interviewees during Data Collection: The collection of data was undertaken to ensure no harm was brought upon interviewees. Interview questions (Appendix 2) were sent to respondents before the actual interview to enable them to familiarise themselves with the questions. They (participants) were also informed of their right to discontinue the interview if they so wished, at any time. Participants were also advised of the risks and benefits relating to them (interviewees) and the willingness of the researcher to address any concerns they may have. This ensures beneficence (Murphy & Dingwall, 2001).

Doing Justice to Participants during Data Analysis: Justice, according to Orb *et al.* (2001), implies equal share and fairness. There was a conscious effort to avoid exploitation and abuse of participants. The interpretations presented in subsequent chapters reflect data generated rather than the researcher's personal judgements. This is crucial in a qualitative study.

Confidentiality in Writing the Research: There is a reasonable expectation by interviewees that information provided will be treated in a confidential manner (Halai, 2006). Since this study is aimed at evaluating governance practices amongst Nigerian firms, it is crucial to offer protection to participants. The calibre of participants in this study further obliges the researcher to ensure anonymity and confidentiality. Violation of this duty could lead to severe reputational damage to participants and their organisation. As a result, anonymity was maintained using pseudonyms to represent participants.

Finally, it is important to state that Northumbria University has an ethics approval system with which students must comply. Necessary approvals (Appendix 5) were obtained from the University's Research Committee prior to data collection. This rigorous requirement further ensured that potential ethical challenges were identified, and strategies for managing them were established. It is fair to inform that these measures served to encourage some participants to partake in the study. It is also necessary to state that prior to actual data collection, a pilot study was undertaken to test how potential ethical issues could be addressed.

3.7 Chapter Summary

Research entails the systematic process of obtaining information and interpreting it with the prospect of enriching knowledge and improving practice. However, the achievement of research goals is dependent on a clearly-defined methodology for conducting the research (Easterby-Smith *et al.*, 2012). This chapter was devoted to presenting the methodology for undertaking this research. It recognised the ontological and epistemological underpinning and proceeded to identify and justify the preferred methodological perspective. The ontological, epistemological and methodological considerations of the researcher facilitate the use of social constructionism as the study philosophy. The clarification of the researcher's philosophical position subsequently informed adoption of semi-structured interviews as the data collection technique employed in this study.

This chapter also defined the criteria used in selecting research participants and outlined the procedures employed in analysing data generated from the interviews.

Research of this nature is inevitably exposed to ethical concerns. These concerns were identified and the mechanisms for minimising their impact on the study were articulated.

Having provided the methodology for undertaking this study, the next chapter presents the analysis of findings which emerged from the data collected and their implications/relevance for the extant literature.

Chapter Four

Analysis of Interview Findings

4.1 Introduction

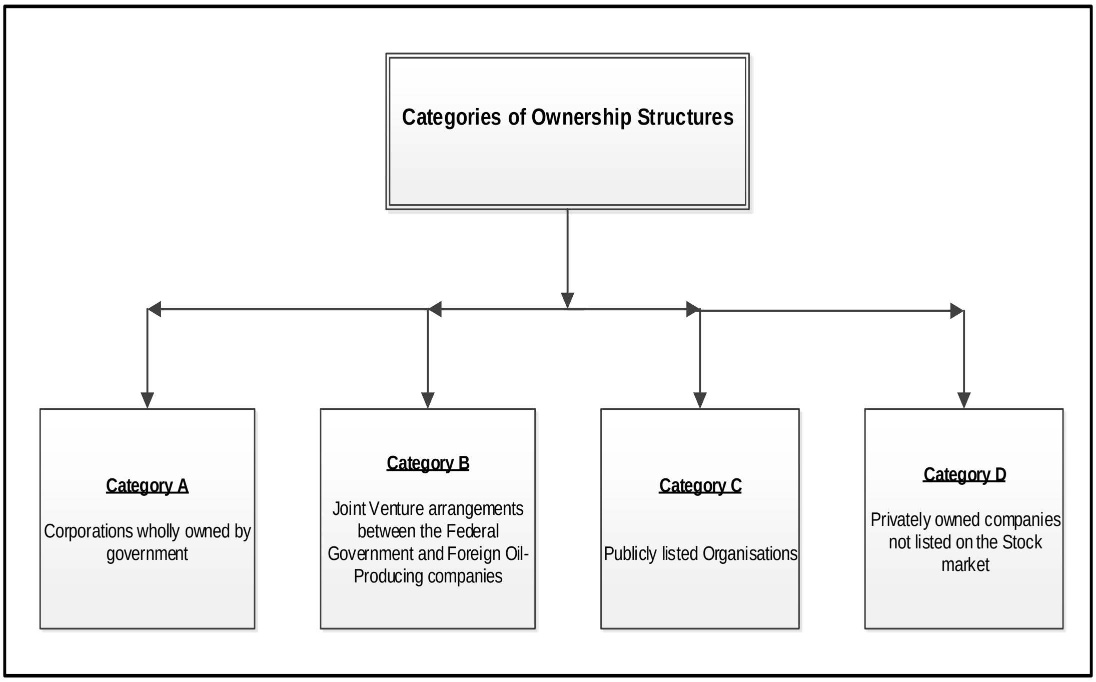
To address the research objectives, it is necessary to analyse the findings emerging from the data. Thus, this chapter analyses research findings, focusing on the concerns around the practice of corporate governance in Nigeria, from an institutional perspective. This analysis is undertaken relying on research participants' responses. Sections 4.2, 4.3 and 4.4 identify the main institutional classifications which emerged from the data analysis process. These three sections examine the political, social and economic institutions of corporate governance in Nigeria.

4.2 Political Institutions

In defining political institutions, Moe (2005) identified two views. First, political institutions represent structures of voluntary cooperation aimed at resolving collective action problems. Second, political institutions are structures of power, thus potentially 'good' for some people and 'bad' for others, depending on who (politicians or the people) has the power to enforce their will on the other party. Goergen (2012) posits that these elements are features of modern government, therefore as a prime political institution, government is empowered to dictate economic activities.

In many developing markets, Goergen (2012) notes that government ownership of large corporations is significant. In Nigeria, for example, the government commands significant shareholdings in many corporations. Figure 10 shows Ahunwan's (2002) classification of ownership amongst Nigerian firms. In fact, in sectors such as energy and transport (rail), there are very limited opportunities for private investment. A consequence of this development is that the Nigerian economy is substantially government-driven. An interviewee (A8) suggested that *"government is the biggest player in the (Nigerian) economy,"* indicating that establishing good corporate governance requires government and its agencies to provide necessary leadership and structure (Roe, 2003).

Figure 10 - Ownership Classifications of Nigerian Businesses



Source: Adapted from Ahunwan (2002)

As can be seen in Figure 10, government is actively involved in organisations identified in categories A, B and C. Zayyad (1991) informs that there are an estimated 1500 public enterprises in Nigeria, which account for between 30-40% of fixed capital investments in the country. However, Adeyemo (2005) explained that the poor performance of these enterprises has compelled the government to move away from ownership or control of these enterprises towards free enterprise, using the instrumentality of privatisation and commercialisation. As a result, some sectors, notably banking, telecommunications and energy (electricity), have been substantially privatised, whilst sectors such as oil and gas and transport (rail) are still largely controlled by the government (Adeyemo & Salami, 2008).

The foregoing stresses the importance of modifying the role of government and its agencies in corporate governance and the system through which it is implemented. In addition, it is crucial that leadership must be supported with a consistent display of good corporate governance ethos in government establishments. The reality, however, as noted by participants, transcends beyond engagement, as the level of government commitment towards the establishment of sound corporate governance is questionable. B2 contended that;

> *...what corporate governance do you think we will have when those that produce the laws are not abiding by its requirements? Do you think ... (name withheld) believes in corporate governance? Even the ... (a major regulatory agency), what evidence of corporate governance do you see in their Board?*

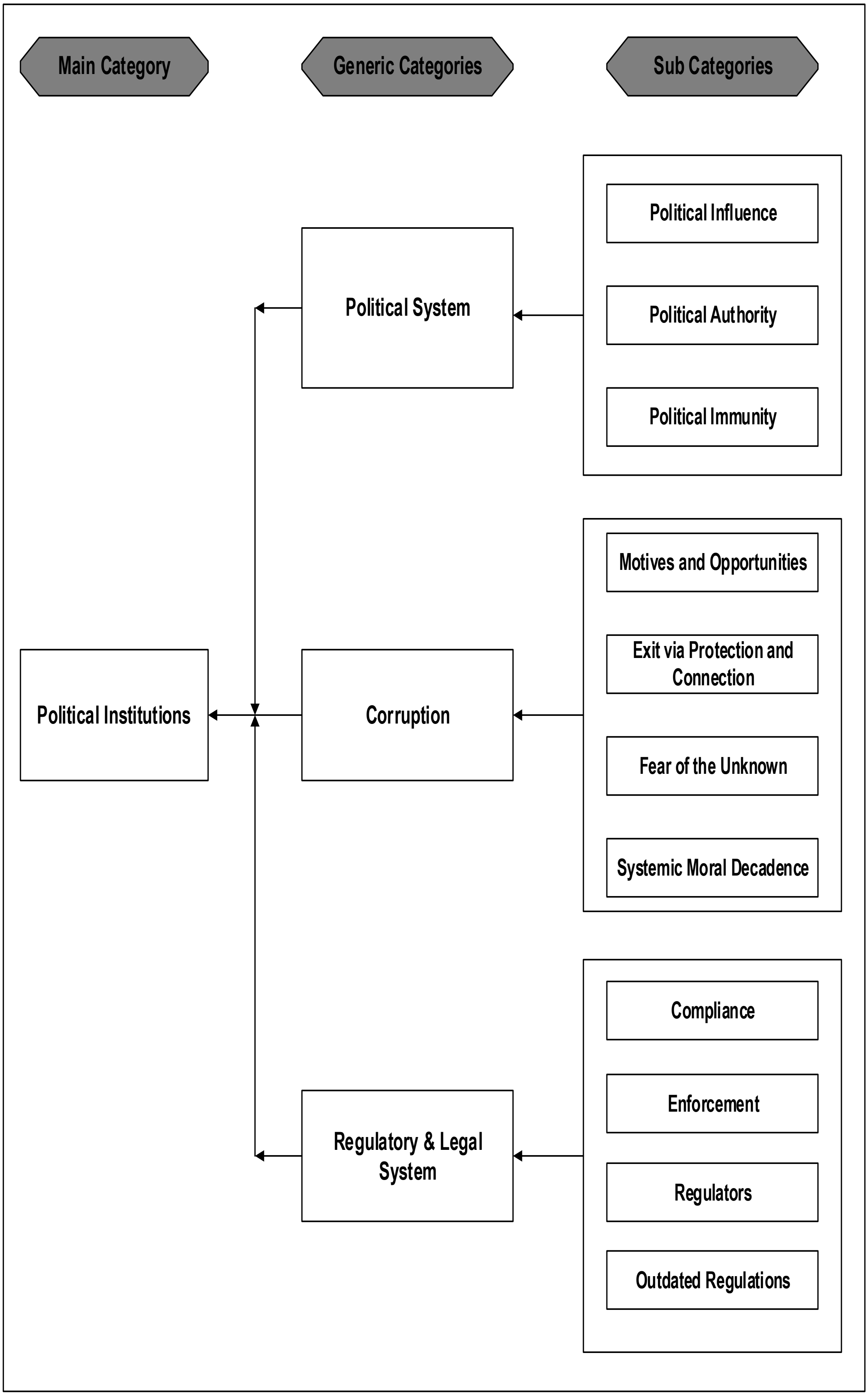
Consistent with the above, Okpara (2010) identified the lack of government commitment as a major barrier hindering the implementation of effective corporate governance in the country. The entrenchment of corporate governance principles is enhanced when stakeholders are committed to its implementation. The negative effects could be amplified when the commitment from government is lacking. As observed during data collection, these issues were consistently noted by participants.

The preceding challenges inform the emergence of 'political institutions' as a core category, accommodating three generic categories (political system, corruption and legal institutions) that emerged after a codification process (see Figure 11). These generic categories contain subcategories, which typify some of the concerns related to political institutions. Figure 11 reveals the subcategories which, after codification, produced generic categories and subsequently, the main category. To analyse these political institution-related concerns, the next three subsections are devoted to analysing the three generic categories identified in the coding frame.

4.2.1 Political System

The quality of a political system could have implications for the effectiveness of the political institution and, by extension, for corporate governance (Doidge *et al.*, 2007). Indeed, some participants (A8, A6 and C3) contend that the present state of corporate governance in Nigeria is a reflection of its political system. This is consistent with Adegbite *et al.* (2013). Consequently, these participants suggested that there is a link between corporate governance and the political system. A6, for instance, suggested that the Nigerian political system had done more damage to the country, with implications for corporate governance. To explore this position, three subcategories (see Figure 11), which reflect concerns underpinning related generic categories, emerged from coding themes relevant to the political system.

Figure 11 - Thematic Frameworks for Political Institutions



Political Influence

Political influence processes, according to Aplin and Hegarty (1980), involve the interactions of various stakeholders possessing limited control over the rewards of political actors. Whilst this view indicates that political influence entails altering political decisions, it could be deduced from Adegbite (2012) that political influence could also manifest in a business environment. Remarks from the data support this assertion. For instance, A4 informed that;

> *…from my experience in the industry, the sort of influence that political office holders display in publicly-listed companies is not healthy for the business or economic environment. Most times, these influences are used to the disadvantage of less privileged members of society.*

While A4's view is consistent with the view that political influence is evident in the business environment, it is the discharge of the influence of the political class that has provided a source of concern. A11 note that;

> *…our political system in this country is the driver of many of our problems. Take political office holders, for instance, how do you explain how they are able to claim so much power for themselves …these powers are usually manipulated to enhance their personal bottom-line.*

Evidence from the majority of respondents indicates that the concern noted by A4 and A11 above is prevalent amongst members of the political class. As Nahavandi (2006) observed, leaders' ability to influence their followers' choices is based on the control they hold over the vision and mission of an organisation. However, in an environment where knowledge of management is low, leaders' actions may be inconsistent with organisational objectives. The implication for corporate governance is that, as a checks and balance mechanism (see Lessing, 2009), the possession of such powers undermines the capacity of existing corporate mechanisms to effectively monitor behaviour. Further interrogation to explore why politicians wield such political influence revealed a variety of reasons[39] but notable among these is the desire to create or maintain their public status. B5 opined that:

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[39] Some of these reasons include weak legal institutions, unrestricted power, greed, societal expectations, poor upbringing/background and illiteracy, amongst others.

Politicians must live up to the expectations of friends and cronies. Once you are a top politician, some kind of public status is bestowed on you. The next thing is to do whatever you can to preserve that status…. preserving that status often times involves engaging in unethical activities.

Whereas the attainment of public status might not necessarily constitute a problem, how the status is achieved and/or maintained requires some attention. From B5's comment, there are indications that politicians engage in unethical practices to enhance their public status. The fact that members of the public are unable to question the rewards of these politicians (see Aplin & Hegarty, 1980) accelerates illegal wealth accumulation. Accumulating illegitimate wealth helps enhance their public status due to two main factors. First, the weakness in legal institutions means that that they can avoid prosecution and, second, the lack of systemic accountability (see Iyoha & Oyerinde, 2010) means that offenders can freely use their illegal wealth. These factors subsequently inform the political relevance and influence of such individuals. Whilst it can be argued that the link between public status and political influence is prevalent in developing economies, it raises questions regarding the influence of institutional elements and the power of economic actors, highlighted in Chapter Two. This concern will be further explored as a cultural issue in Section 4.4.1.

The ineffectiveness of existing checks and balances mechanisms in the political domain has been sustained by the 'unethical relationships' which corporate leaders such as CEOs build with politicians. These relationships ensure that the whims of politicians are satisfied as a way of gaining government patronage. This represents a major concern because as government stimulates investments (such as in providing infrastructure), it makes funds available to the system which the private sector seeks to access. The ability of the private sector to do the same with individuals in the country is very restricted due to high level of poverty, hence 'doing business' continues to remain attractive. The potential effect of this relationship was highlighted in Shleifer and Vishny (1994). This concern is not only restricted to corporate (private sector) Boards, but widespread in government-owned establishments. B7 stated that;

…when political office holders violate the rules in their ministries, there are varieties of ways which they employ to avoid any repercussion. Of course,

> *you know …that the mechanism which they use …is to use their "connections" with people at the top to get off the hook. …. they will always get away with their corporate governance infractions.*

The implication of government as the biggest economic agent makes the pursuit of government patronage a goal for corporations. However as Dike (2005) observed, these relationships are not premised on sound business ethics. Thus situations exist where CEOs and their political associates act in a way that undermines governance principles. Okpara (2009) also noted that many executive appointments are not based on expertise or knowledge but on political affiliations. This links with B4's view;

> *You see, because of the power and influence which these (politicians) enjoy, they appoint and sack people (on the Board) as they please …these (appointees) are then expected to help (politicians) achieve their illegal aims.*

Whilst these acts create and sustain the influence of politicians in the economy, they have implications for corporate governance implementation and compliance mechanisms. It may be unlikely for an offender to face the wrath of the law in view of their connections with relevant politicians. On the basis of the preceding analysis, it can be suggested that issues such as relationship, public status, position and power have been manipulated, such that political influence tends to connote a negative variable on the country's corporate governance environment.

Political Authority

In relation to the preceding subcategory, the political influence exerted by members of the political class has produced unrestricted political authority.[40] Cassinelli (1961) explained that political authority relates to the ordering, regulating, shaping, or determining the behaviour, of human beings. The feature of political authority, as acknowledged in the above definition, connotes control of individuals. Indeed, whilst words such as 'shaping' or 'determining' can be viewed positively, words such as 'ordering' and, to some extent, 'regulating' suggest a desire to compel performance.

[40] A reminder of the collapse in political institutions, as such institutional frameworks are normally expected to guide against the emergence of this type of problem.

Hence, the objective of political authority remains a major concern in political domains.

With respect to Nigeria, Ogbeidi (2012) noted that political authority is usually exercised not necessarily for the country's benefit, but for the personal financial benefit of the politicians. This is consistent with A1's view;

> *In this country, possession of political authority comes with a lot of benefits to the holder. As you can see, they are so rich but unfortunately, you can't verify their source of wealth.*

In relation to the above, B3 (a regulator) also noted that;

> *Our politicians enjoy an unrestricted capacity to impose obligations on the people. There are virtually no opportunities for the citizens to question the authority of these politicians, especially infractions in the area of governance.*

The above comment from a regulator further highlights the challenges that could be encountered by regulators when investigating politicians. The political system limits the capacity of regulators to prosecute offenders, especially when they are prominent politicians. That it is possible to avoid such prosecution promotes the pursuit of political authority. Whilst the continued display of unwarranted influence and authority is aided by weaknesses in legal and political institutions (Adegbite, 2012), as offenders are able to avoid penalties (Akers, 1990), there have been significant implications for the legitimacy of political institutions in the country. A9 stated that:

> *You see the way political leaders parade themselves and show off their wealth. They do this to oppress the people and remind us of their public status. That is why these politicians and even the entire political system that brought them to power are not respected by the people.*

Legitimacy is affected when leaders appear to violate the expectations of citizens via inappropriate behaviour. As noted in A9's comments, there is a misuse, by politicians, of the authority which their positions confer upon them. The implication for corporate governance is that policies emanating from the government also lack legitimacy. Interestingly, Coglianese (2007) observed that corporate governance is becoming structured more akin to governments in certain ways. This clearly suggests that, whereas a well-run government might produce a good governance system, governments lacking legitimacy may hinder the emergence of a sound governance structure. In fact, an outcome of this challenge is that those operators tend to abandon their principles. B2 (a regulator) explained that;

> *I have seen instances amongst my colleagues where they are even afraid to ask questions …because of the authority that person has. You know, such politicians can make sure you lose your job or you suffer heavily for it.*

Problems created by political authority have intensified because government support for regulators is restricted, and the existing institutional structure is simply unable to support regulatory compliance. There is evidence which indicates that the activities of politicians cannot be regulated by existing governance codes. Therefore, in a weak institutional context, corporate governance regulations must be designed such that it is able to address political influences. This explains why acknowledging institutional peculiarities is crucial to developing corporate governance codes (Rwegasira, 2000; Adegbite & Nakajima, 2012; Mangena *et al.*, 2012). Furthermore, it is important to note that while several factors have helped to build the authority enjoyed by politicians, the immunity clause provided in the Nigerian Constitution represents a key contributor to the unhealthy political authority of politicians.

Political Immunity

Some interviewees identified political immunity as another area which politicians have succeeded in manipulating to their advantage. Corporate governance challenges, they claim, have been heightened by the 'immunity' which politicians are able to access. The immunity clause, Section 308 (Subsection 1) of the 1999 Nigerian Constitutions provides that;

Notwithstanding anything to the contrary in this Constitution, but subject to Subsection 2 of this section:

a) No civil or criminal proceedings shall be instituted or continued against a person to whom this section applies during his period of office;

b) A person to whom this section applies shall not be arrested or imprisoned during that period either in pursuance of the process of any court or otherwise; and

c) No process of any court requiring or compelling the appearance of a person to whom this section applies, shall be applied for or issued.

In essence, some political office holders[41] cannot be held accountable to the law whilst they are in office, irrespective of the offence committed. The use of immunity is not necessarily restricted to political office holders, their cronies, representatives, relations and those who do their bidding can be immune from prosecution, using their relationship with political office holders. In view of this C1 asked;

> *What kind of corporate governance do you expect when some people cannot be held accountable for their illegal acts because of the position they hold? As far as I am concerned, political immunity does not connect with corporate governance. Unfortunately, immunity is enjoyed by top politicians who should be at the forefront of promoting good corporate governance.*

Thus the use (and abuse) of the immunity clause is widespread. Conversely, corporate governance thrives on equity; hence the absence of this requirement undermines its functionality. Immunity 'powers' have meant that some politicians are not accountable for their actions as they can circumvent the legal system to achieve their objectives. On paper, political office holders can be brought to account at the expiration of their tenure of office, but as Markovska and Adams (2015) observed, the immunity clause gives political office holders enough time to 'clean up their acts' while in office. This system of protectionism (Markovska & Adams, 2015) facilitates the appointment of individuals who gratify political leaders, who subsequently work for them and conceal their acts. An example is the James Ibori[42] (a former governor of a state in Nigeria) case. He (Ibori) was discharged and acquitted by the Federal High Court in Delta State, Nigeria, but was sentenced to jail when tried in London in the UK for similar offences. The concern relating to impunity was summed up by A12;

> *…you can imagine when a (politician) has the powers to do anything and is not questioned because he is holding a certain position. What would you expect from such a person? …Do you expect such person …to observe corporate governance principles?*

[41] Section 308 (Subsection 2) of the 1999 Federal Constitution clarifies that the immunity clause applies to the President, Vice-President, Governors and Deputy Governors.
[42] A former governor of Delta State in Nigeria, between May 1999 and May 2007.

The above quotation demonstrates how the immunity accessible by politicians could hinder good corporate governance. The extent of immunity in Nigeria was noted in Markovska and Adams (2015). They explained that there are 'two faces of power' wielded by Nigerian politicians: Formal power, described as the power in the routine legitimate business of politics; and informal power in the routine illegal business of politics. They add that the existing immunity clause covers both levels of power. As the distinction between both levels of power is blurred, politicians can engage formal power to reinforce informal power, aided by existing weak institutions which undermine the accountability of politicians.

Shleifer and Vishny (1997) and Solomon (2013) note that corporate governance aims to ensure that agents act in a way which is consistent with stakeholders' wealth maximisation goals. However, when there is a lack of state support to punish corporate governance offenders, the progress of corporate governance is constrained. Further indication of the dangers posed by immunity clauses can be assessed in the context of Ellis' (2003) deterrence proposition. Ellis (2003) argues that rules are intended to serve as deterrents but could also produce contradictory outcomes when legal frameworks are weak. This vulnerability has been exploited by politicians thus creating many other problems, particularly corruption. This is explained next.

4.2.2 Corruption

In the previous section, corruption-related issues were evident. The scale of corruption in Nigeria based on 2014 Transparency International figures and comments from participants suggests that it should be examined as a separate concern. Whilst engaging with participants, the influence, form and magnitude of corruption in the country's political structure was worrisome. As Ojukwu and Shopeju (2010) claimed, Nigeria is now regarded as a nation where corruption is extolled as a national culture. To support this assertion, A10 states that;

> *…corruption is embedded in our system and it has massive negative implications for the performance of corporate governance in the country. …while the level of corruption in the organised private sector is high, it is nothing compared to what happens with our government officials.*

As a generic category, the subcategories of corruption (see Figure 11) were quite extensive, further indicating the degree to which corruption has permeated the Nigerian political and economic environment. In view of the negative effects of corruption (Jain, 2001; Caron *et al.*, 2012), Shleifer and Vishny (1993) show that the level of corruption is considerably influenced by government institutions and political processes. This informs as to why corruption is classed as a generic category of political institution in this study. Shleifer and Vishny (1993) explained that weak governments, which are unable to monitor the activities of their agencies, produce ultra-high corruption levels. The following subcategories (motives and opportunities; exit via 'protection' and 'connections;' fear of the unknown; and systemic moral decadence) are analysed to evaluate the contributions of research participants.

<u>Motive and Opportunities</u>

Motive represents the incentive to engage in certain activity. B4 stated that the motive for engaging in the political system by some politicians is driven by greed and the unlimited opportunities for perpetrating fraud. A6 agreed with B4's position, noting that;

> *Some people want to participate in the country's politics not because of what they can offer but because of what they can get from the system.*

These views are supported in the literature on politics in Nigeria (see Osoba, 1996; Ogbeidi, 2012). The effect of this development is critical to corporate governance as such officers are unable to offer support to programmes or policies that may undermine the attainment of their ulterior motives. Nwabuzor (2005) informed that this behaviour is also evident in many other areas of human endeavour in the country's business environment.

C2 however suggests that the unethical motives of some politicians are fuelled by the opportunities which the political system offers for corruption to thrive. These opportunities are activated by the weak institutional frameworks in the country. This view connects with A7's position;

> *In my view, what has made (corruption) possible are the very weak institutional frameworks we have in the country which encourage the exploitation of opportunities for corruption.*

The effect of weak institutions as the basis for corruption was also noted in Levin and Satarov (2000). In their study, they demonstrated how, in Russia, the state facilitates rather than hinders corrupt tendencies, thereby enhancing opportunities for perpetrating the corrupt act. This problem connects with the views discussed in the literature review chapter regarding the relationship between weak institutions and corruption (Aidt, 2003; Okike, 2007; Adegbite & Nakajima, 2011a).

Exit via 'Protection' and 'Connections'

Opportunities which encourage corruption are also aided by an offender's ability to exit an offence without sanctions. This is also possible owing to weaknesses in institutional frameworks, particularly the legal institution. Two themes were variously used by research participants to explain 'exit.' The first is protection. Protection can be from the state (via immunity clauses) which disallows the state prosecuting an offender whilst in office. Whilst C1 believes that this government instrument is a reflection of how the state potentially protects offenders, A2 suggests that;

> *The country should demonstrate its seriousness towards curbing corruption. Any effort in this direction must start with the politicians. I believe that when politicians can be held accountable for their corruption, regulations like corporate governance will witness a substantial degree of compliance.*

Evidently, making politicians accountable for their actions will help address the 'exit' possibilities which encourage corruption. More importantly, as indicated by A2, it will bear a positive impact on corporate governance compliance. Based on the foregoing, it could then be rationalised that poor compliance levels in the system are a response to increasing corruption in government. Whilst similar observations were made in Adegbite (2012), it is necessary to examine how to address this problem. Two strategies are identified *i.e.* eliminate the immunity clause from the constitution or apply state prosecution. It may be appropriate to consider both alternatives as an instrument to 'prevent' or 'cure' the identified challenge. Corporate governance is certainly a 'prevent' instrument as it aims to communicate what constitutes anti-governance practices, in order to discourage infractions. In this way, eliminating immunity clauses will promote a 'prevent' strategy as benefactors will understand that their actions are subject to increased scrutiny. In addition, the weak legal frameworks in developing economies undermine the use of state prosecution.

The second property of 'exit' is 'connections.' As previously argued under the heading of political influence, connections (which can be related to relationships) have been variously used by operators to avoid sanctions. Political actors use their influence and authority to induce other stakeholders in order to avoid legal sanctions. This tool is commonly used in the Nigerian business environment. Indeed, the use of 'connections' can be applied to other economic ventures. B3 indicated that;

> *…the success of your business in this country can be linked to 'connections.' If you have strong connections, you can almost get away with anything. You can get juicy contracts from the government; you can even avoid fines and penalties from regulators, and so on.*

It is worth mentioning that the above comment was offered by a regulator, indicating that the authority of regulators could be undermined when the offender has influential 'connections' (or contacts) within society. The implication is that regulators are unable to perform their assigned responsibilities (see Okaro & Tauringana, 2012) which increases the laxity in corporate governance enforcement.

Fear of the Unknown

The concepts of motive, opportunity and exit have been identified as crucial to the present state of corruption in Nigeria, and are supported by what A4 referred to as 'fear of the unknown.' Economic uncertainties appear to have provoked the increased pursuit of financial freedom, which is sometimes achieved by engaging in corruption. This view was reinforced by A5's comments. In providing reasons for this development, A5 explained that;

> *…the military intervention, especially from 1975, destroyed the confidence of many people, as working and waiting on pensions was just not worth it. Thus, people started preparing for tomorrow, from today. And that meant a lot of corruption in the system. The values in the system changed.*

From A5's account, two factors are identified, namely military intervention and the discovery of petroleum. The takeover of the government by the military regime of Gen Muritala Mohammed in July 1975 culminated in the dismissal, without benefits, of more than 10,000 public officials and employees on account of age, health, incompetence or malpractice. The regime also sanctioned the demobilisation of approximately 100,000 troops from the armed forces. These policies came as a shock to many who had always assumed they had job security and pensions on retirement from public service. As a result, in the words of A5, Nigerians started *"preparing for tomorrow, from today"* which led to an unprecedented spate of corruption, particularly in government establishments.

The 'fear of the unknown' meant that there was an increased scramble for the country's resources, referred to as 'national cake' (Ogundiya, 2009). A5 concurs that;

> *…the discovery of oil has also contributed to the present state of corruption in the economy.*

The discovery of petroleum increased opportunities to engage in corruption due to the increased but poorly-managed wealth of the country, as more people sought to benefit from the oil windfall. This windfall increased the desire to make money "easily" among the citizenry (Smith, 2010) as this was the message being communicated by those in charge of petroleum-related activities in the country at the time. B4 informs that;

> *Because the institutions are weak and very porous, everybody is trying to get whatever they can get from the system. The impact of this on the economy cannot be downplayed.*

This view was also noted in Hofstede, Hofstede and Minkov's (2010) framework where Nigeria scored low for pragmatism. One of the criteria for this score is the desire to 'get rich quick,' an attitude which is prevalent among Nigerians. Whilst Sala-i-Martin and Subramanian (2013) demonstrate the effects of mismanaged resources on an economy, Watts (2004) reported the negative effects on societal culture when natural resources are mismanaged. One of its outcomes is moral decadence.

Systemic Moral Decadence

The two issues discussed above *i.e.* the military intervention in the civil service and the discovery/mismanagement of oil contributed to a considerable erosion of societal and moral values (Ogundiya, 2009), substituted with the aggressive pursuit of financial resources, mostly via illegal and corrupt channels (Smith, 2010). This presents a major concern as some studies show that in terms of moral integrity Nigeria is worse today than during the pre-colonial era (Adeoye, 2010; Omonijo & Nnedum, 2012). Thus, as A8 enlightens *"our values system …changed completely for the worse."* The concern around A8's observation is that the illegal pursuit of wealth through corruption engenders, as Aluko (2002) and Lawal (2007) posit, a continuous decline in morals and a subsequent erosion in values across society. Themes such as low integrity, morals and character were frequently offered by respondents as possible explanations for the degree of corruption in Nigeria.

In the Nigerian business environment, corruption has thrived as a result of growing insensitivity towards issues of integrity, morals and character (Ojukwu & Shopeju, 2010). This development is of such significant systemic proportion that it is gradually being perceived as the norm in some areas of the Nigerian society. The accumulation of wealth is considered paramount whilst issues relating to integrity and character are deemed secondary. This perception has affected the ability of some citizens to question individuals whose means of wealth accumulation are suspicious. B5 offers an example;

> *…somebody doesn't have a single kobo (local currency) …becomes a (government appointee) and after (few months of appointment), he starts buying (properties all over the world). Nobody asks him how (he came about the money) Rather …he becomes a rallying point.*

Whilst this shows the extent of societal moral decadence, it further highlights the degree to which corruption has infiltrated government establishments. Aliyu and Elijah (2008) discovered that approximately 20% of the increase in government capital expenditure is eventually found to be 'in personal pockets.' Considering the leadership role expected of government in entrenching corporate governance, it is quite disturbing to note the destabilising effects of corruption in government on the behaviour of the citizenry.

Hence, whilst this indicates that the behaviour of economic agents in relation to corporate governance has developed considerably from the actions or inactions of the government and politicians, it could also be rationalised that a change in the attitude of government could potentially prompt a renewed way of thinking among the citizenry. This reinforces Goergen's (2012) opinion that government can deploy corporate governance as a tool for economic development. Therefore, as suggested by B3:

> *…until Nigeria is able to elect those with integrity into government and other high calibre positions, corruption will remain an impediment to national development and the development of resilient regulations such as corporate governance.*

The foregoing view reinforces the role of a good democratic system in promoting corporate governance. A good democracy will emerge where institutional elements are robust. However, from the accounts of participants, issues relating to these two generic categories (political system and corruption) do not completely explain the main category of political institution. Shleifer and Vishny (1997) posit that in many developed countries the legal instrument has often been applied to strengthen institutions of corporate governance. It is therefore unsurprising to note that regulatory and legal system-related themes were equally dominant during data collection, which explains its (regulatory and legal system) subsequent emergence as a subset of political institutions.

4.2.3 Regulatory and Legal System

Corporate governance principles are implemented using regulations promulgated by government and/or its agencies. Successive Nigerian governments, particularly in the last two decades, have been involved in publishing regulations to address corporate governance issues. However, despite governments' regulatory intervention, various problems have constrained the effectiveness of these regulations. A critical factor underlying this challenge remains the indifferent attitude of the typical Nigerian towards laws and regulations (Ahunwan, 2002). This perception was evident in the responses offered by participants. Relying on the use of QCA techniques, the subcategories generated for the regulatory and legal system generic category are noted in Figure 11.

Compliance

Globally, as most countries adopt the mechanism of law to establish their corporate governance system (La Porta *et al.*, 2000), poor compliance with these regulations can undermine the achievement of corporate governance objectives. Berglöf and Claessens (2006) and Okpara (2011) identified this issue as a barrier to good corporate governance in many developing economies. The poor perception towards regulation has meant that stakeholders (especially governments) continually explore avenues to circumvent laws, presenting sizeable implications for the economy (Ake, 1991).

This challenge had been partly traced to the view that governance codes fail to take into account local specificities (Aguilera & Jackson, 2003; Judge *et al.*, 2008; Adegbite & Nakajima, 2011b). Consequently, the motivation and desire to comply with the 'imported' governance codes are impaired (Adegbite & Nakajima, 2012). Interestingly, this position was expressed by participants. For instance, whilst explaining the reason for low compliance, A2 informed that;

> *…to a large extent, the average Nigerian is not inclined to abide by …law compared to an average Westerner. I think many people feel that it (the laws) is not really made for us.*

This informs of a major problem with the Nigerian corporate governance codes as presently constituted. Adekoya (2011) remarked that the perception by stakeholders that corporate governance codes are imported and do not address national peculiarities has been engaged as a rationale for non-compliance. This raises concerns regarding the application, in developing countries, of concepts developed in the Western world (see Rwegasira, 2000; Adu-Amoah *et al.*, 2009). For instance, it could be reasoned that the compliance mechanisms in advanced economies could have been influenced by the robustness of their institutional frameworks. However, replicating similar strategies in Nigeria might not yield the same results in view of weaknesses in institutional elements. The effect of contextual variations is also observable in the approach towards the implementation of corporate governance regulations. As noted in Chapter Two, the SEC Code (2011) is primarily implemented as a voluntary (principles-based) regulation. This is not consistent with Ahunwan's (2002) evaluation of the typical Nigerian attitude towards regulation.

The use of this approach has been subjected to extensive criticisms by scholars (see Ofo, 2011; Adegbite, 2012). Whilst it could be rationalised that this approach was adopted in view of the country's colonial affiliation with Britain, a majority of respondents opine that it does not offer 'a good fit' for the Nigerian business environment. B1 notes that;

> *If we desire better corporate governance in this country, operators must be compelled to comply. When you ask them (operators) to comply voluntarily, you give room for manipulation. We are not ready for that. I can assure you that mandatory codes will offer better results. This is why the banking sector has witnessed some relative improvement in terms of corporate governance.*

It is worth mentioning that the above comment is offered by a regulator. This view is crucial to resolving corporate governance issues in Nigeria as regulators, by virtue of their responsibilities, engage constantly with organisations and their executives. Leveraging on the relative success achieved in the banking sector in terms of corporate governance further validates the position of B1. In addition, the use of a principles-based approach to corporate governance regulation is reliant on the robustness of institutional frameworks. The Nigerian business environment cannot be deemed to possess that level of institutional strength to warrant the adoption of a principles-based approach to its corporate governance regulation. It must however be stated that the success of a rules-based approach to corporate governance is facilitated by the enforcement strategy in operation. In many developing economies, the problems of enforcement are well-documented (Berglöf & Claessens, 2006; Okpara, 2011). This is discussed next.

Enforcement

Berglöf and Claessens (2006) explain that enforcement is crucial in creating an effective business environment and good corporate governance, particularly in developing countries. Enforcement has remained contentious owing to many factors such as corruption and weak legal institutions, amongst others. Indeed, Wilson (2006) argued that enforcement has probably emerged as the main impediment to good corporate governance in Nigeria, with Inyang (2009) suggesting that the attainment of good corporate governance will remain elusive if enforcement procedures are not strengthened.

The foregoing could be examined in conjunction with the postulation of deterrence theorists (Akers, 1990; Ellis, 2003). It is widely acknowledged that deterrence would be effective only when an approximate control instrument *e.g.* an effective enforcement mechanism, is in operation. What constitutes a control instrument may vary between countries. Whilst institutions could act as a restraint in developed economies, social disequilibrium variables (*e.g.* poverty) could be manipulated as a control mechanism in developing countries. The effect of this is reflected in a variety of areas such as uncertainty around the supremacy of, or equality before, the law.

Despite the fact that it is common knowledge that enforcement issues are central to corporate governance challenges in Nigeria, it has been indicated that the use of conventional courts has undermined the enforcement of corporate governance (see A8's comment below). Shleifer (2010) argues that one concern for regulation relates to the failure of courts to address legal disputes inexpensively, predictably and impartially. As A8 noted, the concerns expressed by Shleifer (2010) appear evident in Nigerian courts;

> *The enforcement of corporate governance has been weakened by the role which the judges play in their various courts. ...many of the culprits are not handed appropriate sanctions for their infractions while some are discharged for, supposedly, a lack of evidence. In some of these judgements, you could (sense a corruption-induced judgement).*

The reason for this is traced to a weakened judiciary whose authority appears to have been challenged by the powerful political class. Furthermore, prevalent corrupt practices across society seem to have infiltrated the ranks of judicial officers. Abdulkarim (2012) agreed that discrepancies in the distribution of justice in Nigeria are responsible for the pervasiveness of corruption. In recent times, politicians, public officers and corporate executives have been convicted of governance-related infractions,[43] [44] [45] however the punishments have been deemed to be very lenient. Another problem identified with the use of conventional courts is the length of time taken to conclude court proceedings. This affords the accused time to explore opportunities for eventual acquittal or at best, minor sentences.

The leniency of sentences, which highlights a concern among deterrence theorists, accounts for another problem discussed by participants with sentences not appearing to be commensurate with the offences committed. While issues relating to corruption have been identified as responsible for this development, the extensive use of 'connections' and political influence also accounts significantly for poor judicial enforcement. A1 sought to establish a connection between enforcement and deterrence;

> *…you know, we have what I call a jo-jo (begging) culture, so a guy commits an infraction but he is not sent to jail. He begs to resign (from his job) and he is let off the hook. Thus, there is no deterrence for the next person but we forget that that is why people are sent to jail, so that other people will know the consequences of committing a fraud.*

While compliance and enforcement issues continue to dominate discourse regarding the establishment of a robust corporate governance system, other issues have also attracted attention in view of their relevance and contribution to the present state of corporate governance in the country. Thus, participants discussed the role of regulators and concerns which inhibit the professional and ethical discharge of their responsibilities.

Whilst a variety of issues has been highlighted which impacts enforcement, the 'comply or explain' nature of corporate governance regulation presents additional challenges. This system, which expects the market to react to governance practices in an organisation (Arcot, Bruno, & Faure-Grimaud, 2010), is driven by the existence of a sophisticated information infrastructure (Black, Hopper, & Band, 2007). This is not the case in Nigeria however, thus questioning the rationale for adopting such a

[43] Cecelia Ibru, a former CEO of one of the top banks in Nigeria was sentenced to six months' imprisonment and ordered to hand over approximately £786m in cash and assets http://www.bbc.co.uk/news/world-africa-11506421

[44] Tafa Balogun, a former Inspector General of Police was jailed for six months for corruption http://news.bbc.co.uk/1/hi/world/africa/4460740.stm

[45] James Ibori, a former governor of Delta State was jailed for 13 years for fraud totalling nearly £50m http://www.bbc.co.uk/news/world-africa-17739388

governance system. This point will be further explored in a subsequent chapter of this thesis.

Regulators

As noted previously, regulation is central to the entrenchment of a sound corporate governance system but equally important are the regulators whose responsibility is to ensure that the provisions of the regulation are complied with. In Nigeria, it is suggested that the problems of weak enforcement are influenced by the unprofessional conduct of corporate governance regulators. Kajola (2008) agrees that corporate governance continues to experience challenges in Nigeria as regulators lack the necessary empowerment to compel compliance or enforcement. Views from respondents are consistent with the preceding positions. A variety of issues was identified which impacts the conduct of regulators. The first issue relates to remuneration packages for regulators. A7 remarks that;

> *…what do you expect from a regulator whose remuneration is so poor. These guys are constantly under pressure to accept bribes which would alter their decisions. Even those that initially refuse... You realise that eventually, they cave in. They start collecting bribes.*

The above account highlights an important issue. Poor financial conditions could induce regulators to engage in unscrupulous corporate governance activities. Some regulators who participated in this study also lamented the remuneration system for regulators which is based on the civil service remuneration structure. As a result, these regulators agree that they are constantly under pressure to refuse financial inducements from operators. The danger, as highlighted by A7 above, is the eventuality of such regulators accepting bribes. This practice has subsequently grown amongst regulators, creating a systemic challenge.

It is also imperative to state that apart from pressure occasioned by financial inducements, exogenous influences tend to create further degrees of pressure for regulators. Owing to the power wielded by politicians, executives, family members and colleagues, amongst others, regulators are pressurised to engage in unethical practices, sometimes jeopardising their jobs. C2 established a relationship between external pressure, job security and financial inducements. C2 commented that;

> *…sometimes, the pressure that regulators are exposed to obliges them to act unethically. If they insist on acting professionally, it is usually at the expense of their jobs. You know, that could have serious implications for their future sustenance. So, some will 'play ball' and accept whatever financial enticement comes with that.*

Another issue that was observed relates to the capacity of regulators to discharge their responsibilities. Effective regulation demands that regulators must possess the necessary power and authority to compel compliance and enforce regulatory provisions. However, participants are of the view that this is lacking. A6 comments that;

> *In my view, the regulation of corporate governance is the primary challenge facing corporate governance in this country. Regulators do not have the power to regulate. And if they can't regulate, who will? So, there can be no sound corporate governance system without effective regulators.*

The lack of power and authority is inconsistent with the public interest theory assumptions of den Hertog (2010) who argues that regulators have sufficient information and enforcement powers to promote the public interest. In many developing countries such as Nigeria regulators do not only suffer from a lack of necessary enforcement powers, they also have their access to sufficient information inhibited by weak political and social institutions. Poor disclosure of key information and a lack of transparency restricts the ability of regulators to make informed decisions, hence the quality of their output is inadequate. Despite the prevalence of issues which have affected the discharge of the functions of regulators, there is still an explicit and implied responsibility by regulators to uphold their professional canons. It is therefore important to understand other possible motivations which explain why regulators act unprofessionally. The comments from A7 offer some indication, suggesting that it is a systemic issue:

> *I really think our system is to blame for this, because nobody cares about good name, about reputation, about values anymore. Everybody wants to make more money.*

As values erode in a society, economic actors become increasingly open to undesirable societal developments. When A5 was asked to explain the cause of this problem, their response was simply *"greed."* Solomon (2013) notes that, on the negative side, capitalist economies are often associated with greed. Nonetheless, capitalist economies such as the US have, to a considerable extent, controlled the manifestation of 'greed' in its system using regulatory machinery and related institutional mechanisms. It could be reasoned that a consistently robust institutional framework has had a positive impact on the personal norms and belief systems of stakeholders in the US. This re-emphasises the need to entrench functional institutions, particularly a legal system, to build and maintain values and ethics in a society.

<u>Outdated Regulations</u>

Interviewees observed that a concern which requires immediate attention is the review of corporate governance codes and regulations in Nigeria (Okike, 2007). Some interviewees opined that regulators have failed to acknowledge the dynamism of and changes in the international corporate governance environment by their failure to respond promptly with appropriate regulations. These interviewees claim that many corporate regulations in Nigeria have suffered from 'neglect.' With respect to corporate governance, B8 acknowledged the lack of regular review of existing codes, hence the codes become obsolete and outdated. A4 explained why the codes are obsolete:

> *…a lot of their sanctions are outdated because a sanction becomes outdated when it is easily affordable.*

The relative affordability of the codes highlights the need for an effective deterrence strategy. The main corporate governance regulations in Nigeria are usually not reviewed appropriately to reflect emerging trends. As a consequence, they fail to recognise contemporary developments. For example, the first corporate governance code in Nigeria (the SEC Code) was issued in 2003. It was not updated until 2011. As a result, concepts such as the role and appointment of Independent Directors which were not addressed in the 2003 code were recently recognised in the 2011 update. Similar countries, such as India, implemented these procedures (relating to Independent Directors) as early as 2004.

The same scenario is evident with the foremost corporate law in Nigeria, the Nigerian Companies and Allied Matters Act (CAMA) which was promulgated in 1990. This Act, intended to regulate all aspects of operations of registered companies in the country, has not been updated since its release. The problem with time passage is that sanctions and penalties become affordable. For example, Section 55 of CAMA stipulates a fine of N2500 (less than £10 at the prevailing exchange rate of N286:£1) when a foreign company violates the requirements of Section 54. This does not reflect the realities of the present day in terms of affordability. It is therefore impossible for such penalties to act as a deterrent (Becker, 1974; Sutinen & Kuperan, 1999) to governance infractions.

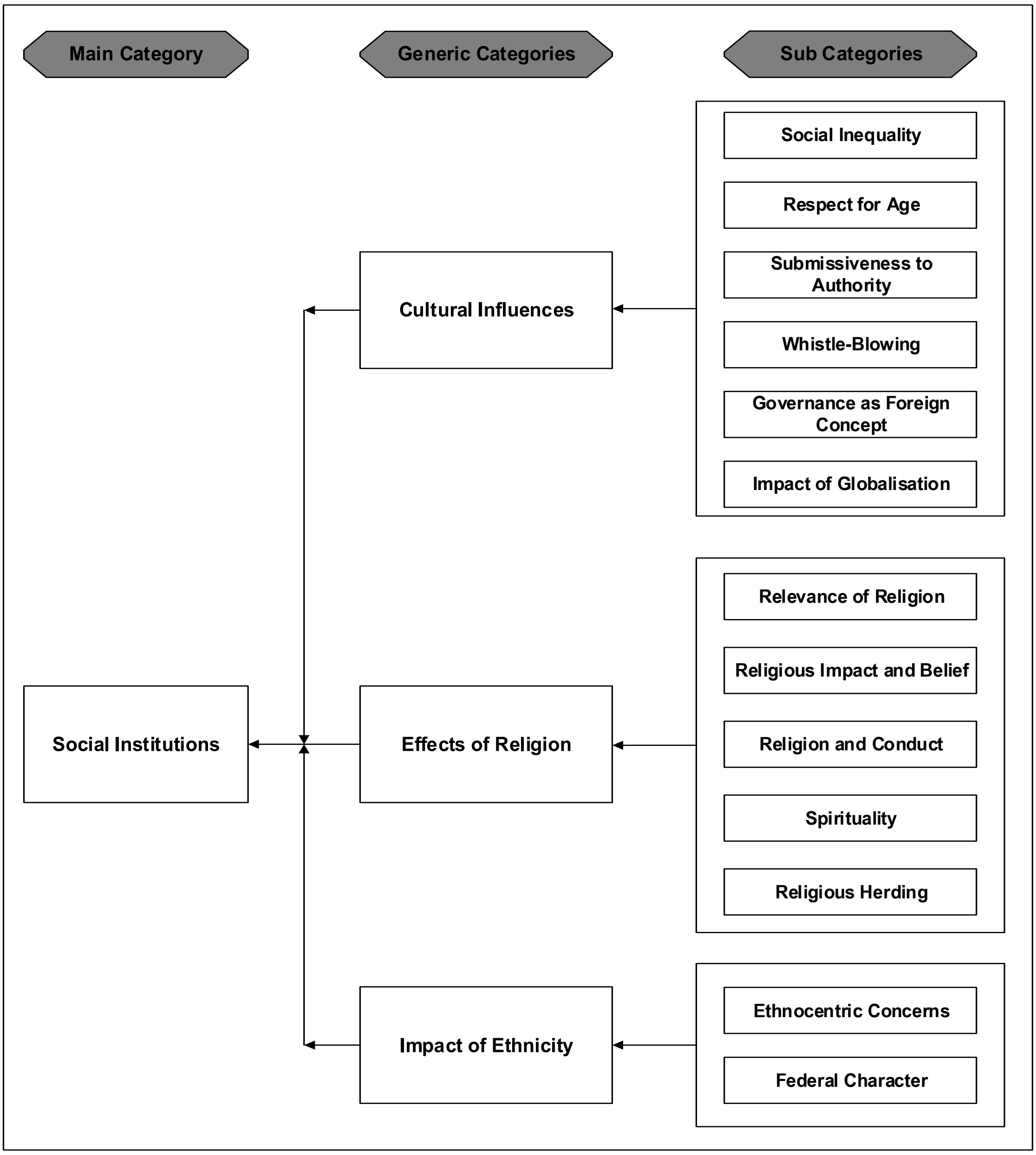
4.2.4 Summary of Political Institutions

Section 4.2 identifies the influences (subcategories and generic categories) which impact the political institutional environment of corporate governance in Nigeria. From subcategories such as ‘fear of the unknown,’ ‘exit via protection and connection’ and ‘political immunity,’ the political domain of institutional theorising is enriched, as the examination of these concerns has been considerably limited in the literature. The generic categories of political system and the regulatory and legal system also indicate the degree of influence exerted upon the system by influential economic actors, which is inconsistent with the fundamentals of ‘institutions’ in institutionalism discourse. It would appear that the robustness of institutional theory could benefit from activities channelled towards addressing the influence of economic agents, compared against institutional elements, in economies where the institutional framework is weak. Concerns identified with respect to economic agents can also have implications for the social domain of institutional theory. This is evaluated in the next section.

4.3 Social Institutions

According to Turner (1997), it could be inferred that social institutions represent a complex, integrated set of social standards intended to preserve basic societal values; designed to support society's survival. The field of corporate governance has acknowledged the influence of social institutions towards building a robust governance system (Aguilera & Jackson, 2003; Davis, 2005). In particular, studies (Fiss, 2008; Filatotchev *et al.*, 2013) have demonstrated that differences in social institutions could explain variations in governance practices, thus informing the need to analyse this variant of institution.

Figure 12 - Thematic Frameworks for Social Institution



Findings from participants produced themes which subsequently generated three generic categories (culture, religion and ethnicity) (see Figure 12). This produced social institutions as a main category. Thus, this analysis focuses on these three areas of social institutions. Cornelius and Esheya (2013) explained that these three elements explain the peculiarity of the Nigerian social structure. Indeed, these categories have featured consistently in various analyses of social structures in Nigeria (see Ukiwo, 2003, 2005; Adegbite & Nakajima, 2011a). The first subsection (Section 4.4.1) examines themes related to culture and their implications for corporate governance. Considering the strong religious affiliations of Nigerians, Section 4.4.2 evaluates the possible effects of religion on corporate governance. Finally, Section 4.4.3 examines the impact of multi-ethnic groups on corporate governance in Nigeria.

4.3.1 Cultural Influences on Corporate Governance

In corporate governance discourse, there is evidence (Haniffa & Cooke, 2002; Licht *et al.*, 2005) to suggest that corporate governance has been influenced by a dominant culture. Similar conclusions have been reported in Nigeria. Oghojafor, George, and Owoyemi (2012), whilst describing the relationship between corporate governance and national culture as *"Siamese twins,"* posited that national culture plays a crucial role in the efficacy of corporate governance.

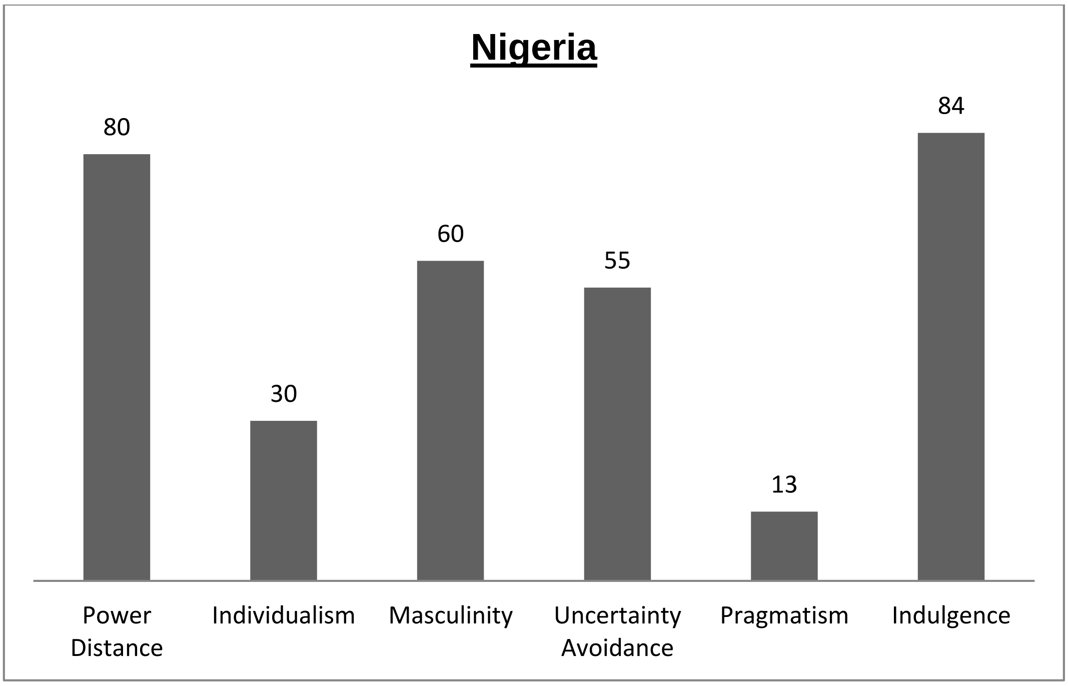
Some other work (Ite, 2004; Amaeshi, Adi, Ogbechie, & Amao, 2006) suggests that the implication of culture upon corporate governance practices in Nigeria is substantial. This view was alluded to by a majority of the participants, as they agreed that culture has implications for corporate governance in Nigeria. For instance, while C3 stated that *"you cannot separate people from their culture,"* B1 commented that *"culture ...plays a very significant role in all that we (Nigerians) do."*

According to Licht *et al.* (2005), the effect of culture on corporate governance practices across the world varies as it is dependent on a wide range of factors. This stance is expressed in the work of Hofstede (1980); Hofstede *et al.* (2010), Trompenaars and Hampden-Turner (2004) and Hall (1976). These studies identified various factors which define culture across the globe, and their impact on behaviour. Similar views were noted whilst engaging with interviewees. Initial responses suggested that the cultural beliefs of many Nigerians should ordinarily serve corporate governance positively. For instance, A6 noted that;

> *…culturally, as Africans, we are a set of people who take pride in working and achieving great success. A typical African man will want to be identified with a specific productivity record and achievement. I think this conform(s) with some principles of corporate governance such as performance, accountability, transparency, and so on.*

As shown in Figure 13, Nigerians display a relatively masculine disposition which indicates that *"people live in order to work"* (Hofstede *et al.*, 2010) hence there is emphasis on competition and performance. This is consistent with the statement of A6 above.

Figure 13 - Hofstede's Cultural Outcomes - Nigeria



Source: Adapted from Hofstede Website[46]

To facilitate a comprehensive analysis of cultural influences on corporate governance in Nigeria, Figure 12 shows the subcategories emerging from the comments and findings from research participants. These subcategories form the basis of subsequent analysis.

[46] http://geert-hofstede.com/nigeria.html

Social Inequality

The view expressed by A6 (see above) suggests that individuals take pride in engaging in legal and ethical activities to perhaps preserve their social status. The preservation of social status is crucial to Nigerians. This is reflected in the high score for power distance (Figure 13). The society and its organisations assume that individuals are not equal hence subordinates expect to be 'told what to do,' whereas the boss is permitted to display some autocratic tendencies. Trompennars and Hampden-Turner (2004) cultural framework describes this variable as 'ascription.' It explains that in such societies, power, title and position matter, and these 'privileges' define behaviour. Those that possess these privileges can act with less restraint compared to those without such privileges. As a result, social status is enhanced by the possession of these rights. A3 acknowledges this concern;

> *…when some people tell you that fingers are not equal, you can see that they believe everything, including human beings are not equal. Unfortunately, that perception influences most of their action: be it in private, public, (for example). …why would some people drive against traffic when others are not supposed to?*

The above reflects social inequality. In contrast, the concept of corporate governance as a regulatory instrument assumes that stakeholders should be treated fairly. However, the problem with this assumption, according to Omololu (2007), is that legal concepts such as the rule of law may be redefined to accommodate the excesses of the privileged few, with implications for corporate governance functionality. The concern of social inequality is also deepened with respect to age, which is subsequently addressed.

Respect for Age

There is also the view that culture's negative impact on corporate governance practices stems from the respect accorded to elders and notable members of society on the basis of age. Consequently, their actions and/or inactions are usually not questioned, in observance of implied cultural expectations. This view was highlighted in A9's response;

> *…in (earlier times), there is respect for leaders but the leaders of those eras were very powerful. Do you know that you can actually be (driven away) from your community if you question their authority or even ask basic questions? Even your family members can disown you just to show allegiance to the leader…. respect for age and authority undermine good corporate governance.*

Despite increasing westernisation, this belief system is still evident in the Nigerian society, even in public and private entities. B1 agrees that *"our culture requires that we respect elders,"* hence questioning a CEO, for instance, might be unacceptable in an organisation. Whilst this development also indicates power distance, as noted in Hofstede *et al.* (2010), Conton (1964) observed that Africans value and have much respect for old age, such that, the older you are, the more respect you earn. This attitude towards age is manipulated such that the aged are exempt from liabilities and even penalties. To further highlight the relevance of age in Nigeria, an Ibo[47] adage proclaims that *"paying attention and listening to an elderly person is like consulting an oracle."*[48] Whilst this simply equates an elderly person to an oracle, it highlights the innate challenges in confronting the activities of an elderly person even when infractions are apparent. This concern can be further extended to discuss the next cultural problem of submissiveness to power and authority.

Submissiveness to Power and Authority

In view of the respect for age prevalent in the Nigerian society, similar respect is preserved for those with power and authority. A8 remarked that;

> *…We defer to authority. For instance, if you have a traditional ruler as the chairman of a Board, would you argue with him?*

The connection which A8 sought to establish between a corporate executive and a traditional ruler offers a stimulating proposition. Whilst traditional rulers have been engaged to oversee activities in their local domain, their engagement by the British during the colonial era reinforced their relevance. British colonialists introduced the

[47] The Ibos are one of the three largest ethnic groups in Nigeria occupying the South-Eastern geographical location in the country.
[48] According to the Oxford Advanced Learner's Dictionary, an oracle, among others, is a "person or thing regarded as an infallible authority on something."

indirect rule system, which had traditional rulers at its foundation. Traditional rulers acquire their status through succession, hence their authority is often rooted in traditions and customs.

A3 observed that the traditional rulers are viewed as gods in their domain, hence their decisions or authority are unquestionable. The respect accorded to traditional rulers has meant that they are widely-engaged across different spheres. For instance, some serve as board chairmen of corporate organisations, whilst virtually all universities in Nigeria appoint traditional rulers as chancellors. However, regardless of these assignments, their status as traditional rulers appear to attract reverence, even when they err. A3 illustrates the possible effect on corporate governance;

> *…when that mentality is brought into a corporate setting, you find that the chairman or the CEO can have a superiority complex or even a god-complex, such that the person is unable to …obey corporate governance codes because culturally, he, as the CEO or he as the chairman, sees himself as a god.*

This further highlights the inequality which pervades the system. The effect of this development was noted in Warren (1996). Whilst examining a common conception of authority, Warren (1996) noted that authority compels a surrender of judgement by those subject to that authority. However, when Solomon's (2013) description of corporate governance (as a system of checks and balance) is taken into context, the effect of the misapplication of authority in the Nigerian business environment is understood. Submissiveness to power and authority has literally created two operators in the system; those who are denied the opportunity of expressing their observations and secondly, those whose actions are not expected to be scrutinised.

Whilst the preceding concern connotes social inequality, it also implies that measures such as whistle-blowing become difficult to entrench in organisations as employees and other stakeholders who possess sensitive information are constrained from divulging or reporting the unwholesome activities of the executives of the organisation.

Whistle-Blowing

Indeed, whistle-blowing initiatives represent one of the areas that have been weakened by the cultural challenges in the Nigerian society. The prevailing culture in Nigeria does not appear to support whistle-blowing. In line with Hofstede *et al.* (2010) and Trompenaars and Hampden-Turner (2004) classification of Nigeria as a collectivist and communitarian society respectively, individuals tend to pursue group interests. It is assumed that reporting the infractions of a group member could affect group dynamics or weaken the group in relation to other groups. As a result, individual infractions may be addressed in-house (within the group), but in most cases, the status of the culprit does influence the level of sanctions.

Whistle-blowing suffers from the cultural implications of age and status. The system lacks support and protection for subordinates who intend to whistle-blow. As Iwu-Egwuonwu (2010) reported, the Cadbury (Enron-like) debacle was exposed when the Chairman 'blew the whistle.' Iwu-Egwuonwu (2010) postulated that the infractions in the company may have been observed by some employees but the possible repercussion for exposing such unethical practices may have discouraged these employees from 'blowing the whistle.' C3 identified a likely explanation for the poor whistle-blowing culture;

> *…whistle-blowing is not encouraged in Nigeria …because whistle-blowing is often targeted at those at the top, either in government or private organisations. Remember that laws often originate from these people so would you expect them to call for the establishment of (regulation) that will disallow them from perpetrating their fraudulent activities?*

This account further reinforces the opinion that leadership is at the foundation of many corporate governance challenges facing the country. The absence of whistle-blowing provisions in the latest SEC code is indicative of poor leadership from both regulators and the government, and signals the government's attitude towards corporate governance. Notwithstanding the indifference of government to whistle-blowing, there are suggestions among participants that whistle-blowing is unfamiliar within the cultural context of Nigeria. This may have influenced the perception of corporate governance as a foreign concept.

Governance as a Foreign Concept

Whilst issues regarding regulatory codes for corporate governance have been considered, comments from participants indicate that some issues of governance in Nigeria border on the perception of corporate governance as a foreign concept (see Paredes, 2005). This concern emerges from the view that the codes are 'imported' from foreign countries, hence they lack the capacity to address, in particular, the cultural specificities of an ethnically-diverse country such as Nigeria. A7 admits that;

> *…maybe the problem of the code is that it failed to integrate our own culture because it was imported from abroad. So people will not identify with it. These codes do not address our local cultural peculiarities.*

However, B6 noted that the company concept, which informs corporate governance, is not indigenous to Nigeria. It could be argued that the case of Nigeria is not different from that expressed in Koutoupis (2012) regarding Greek corporate governance. As a country, Nigeria has experienced various levels of governance through its traditional rulers in the past. Hence, the governance concept cannot be deemed as alien. The concern, however, is that the governance of corporations (or corporate governance) is a relatively new concept, especially as the idea of corporations (or firms) is indeed alien.

B6 therefore reasoned that it is the country that must adapt to the 'imported' principles of corporate governance, adding that operators must understand that the codes are simply 'best practice,' designed to guide their actions. A similar view was noted by Koutoupis (2012). Despite adopting international corporate governance codes to establish good governance amongst Greek companies, findings indicate there is still a long way to go towards achieving best practice. However, Koutoupis (2012) did not hold the 'imported' codes responsible for the weak governance in the system, rather the application strategy was deemed to be faulty.

Therefore, whilst it is the prerogative of stakeholders to 'make corporate governance work,' B6 explained that deviation from regulation might be a reflection of the questionable intentions of the operators involved. Indeed, as Okike (2007) noted, the need to play an increasing role in the global market means that Nigeria cannot afford to isolate itself from global developments such as corporate governance. It is therefore imperative for the country to continually explore means of building a robust corporate governance system, even if, as Rwegasira (2000) advised, it has to rework the concept to efficiently incorporate local specificities.

<u>The Impact of Globalisation</u>

A considerable number of participants' responses attribute the country's corporate governance failures to the continuing decline in cultural values and other cultural-inspired factors. In turn, this development has had substantial impact on societal values. The declining cultural values, occasioned by culture change, can be traced to some exogenous factors.

A1 indicated that external factors, prompted by globalisation and the use of technology, could have had the greatest implications for cultural change in Nigeria. Trompenaars and Hampden-Turner (2004) explained that some cultures are significantly influenced by *"outer direction"* or external focus of control. In these societies, people believe that nature and their environment determines how they behave, hence they rely on the dictates of their environment. There is no doubt that external developments have redefined some elements of the Nigerian culture. The desire to gain financial success is a feature of capitalist economies. B3 went on to explain how this development has manifested itself in the cultural behaviour of Nigerians;

> *…Nigerians have chosen to behave like people in some very corrupt countries. We celebrate people with financial success without raising questions regarding how they became financially successful. We attach high value to financial success.*

The pursuit of financial success could necessitate deterioration in cultural values, as the desire to secure financial freedom may be achieved at the expense of other stakeholders. However, countries such as the US, which is regarded as the home of capitalism, have succeeded somewhat in managing the impact of globalisation on the governance system in its business environment. It can therefore be recommended that the Nigerian authorities must embrace the positives of globalisation to negotiate a better governance system.

As noted by B3 above, it can be argued that corruption in Nigeria has benefitted from increasing globalisation. For instance, whereas Markovska and Adams (2015) established a relationship between corruption and money laundering, Alldridge (2008) explains that money laundering, more than any other, is the crime that reflects and energises globalisation. This establishes a link between corruption and globalisation. Therefore, it might be necessary for the authorities to look inwards to resolve the governance issues in the country. In other words, addressing endogenous issues may initiate an enhanced governance framework for the country. Smith (2010) noted that Nigerians are ambivalent towards corruption. He reported that whilst Nigerians recognise that corruption undermines the country’s democratic institutions, they are also aware that wealth, power and prestige are often attained through corrupt practices. This behaviour, according to Nwabuzor (2005), is a reflection of the challenge posed by widespread systemic poverty. As a consequence, Dike (2005) proposed that the need to secure financial freedom has also contributed substantially to the deteriorating cultural values in Nigeria.

From participants’ responses, it is evident that social structure has not only been affected by culture, it has also been impacted by the increasing relevance of religion. Thus, to what extent does this impact the practice of corporate governance? What religious concerns were identified by participants as critical to the present state of corporate governance in Nigeria? These themes are examined in the next section.

4.3.2 The Effects of Religion on Corporate Governance

According to Barro and McCleary (2003) and McCleary (2008), religious belief matters for economic development, but literature regarding the impact of religion on the practice of corporate governance is limited. This possibly suggests that the influence of religion on corporate governance is negligible. However, the variation regarding the importance of religion across societies indicates that religion could be crucial to corporate practices in some countries (see Castles, 1994). This supports Kempf Jr.’s (2008) observation that factors pertaining to religion may contribute to the success or otherwise of corporate governance.

Indeed, countries with a dominant religion are likely to have many of their policies influenced by religion. Thus, when A2 posits that religion is crucial to societies, such assertions may have been informed by practices in the respondent's immediate environment. Nonetheless, the foregoing connects with Guiso, Sapienza and Zingales' (2003) position that much of the existing evidence regarding the impact of religion is based on cross-country studies in which the impact is overwhelmed by variances in institutional frameworks.

Contextualising Kempf Jr.'s (2008) position, however, requires that it is analysed with respect to research participants' views. The analysis commenced by evaluating the views of participants regarding the relevance of religion to good corporate governance. From their responses, some codes were developed which formed the foundation for the analysis.

The Relevance of Religion

It is essential to examine the relevance of religion to corporate governance discourse in the Nigerian business environment from participants' perspectives. In their responses, a majority of respondents agreed that religion is crucial to good corporate governance. They note that the doctrines of religion should typically connect positively with the practice of good corporate governance. A9 advances that;

> *…religion plays a significant role (in corporate governance). Religion preaches fairness, ethics and the need to consider others before oneself. Corporate governance is an offshoot of what religion is all about. I think religion affects corporate governance positively.*

In the context of A9's comment, it would be logically expected that the good values associated with religion should have a positive effect on corporate governance. Grullon *et al.* (2009) suggest that religious foundations provide a robust explanation for the developmental path of corporate governance witnessed in some developed economies. Furthermore, they (Grullon *et al.*, 2009) note that religiosity can deter undesirable corporate behaviour, they added that regulation could yield better outcomes in environments that display a high degree of religiosity. A similar position was noted in McCleary (2008), indicating that religious beliefs reinforce character traits such as hard work, honesty, spending time wisely *etc*. which ultimately motivate people to work and cultivate virtuous behaviours. From the preceding comment, which is consistent with the data, it is necessary to examine whether religion has promoted desirable corporate behaviour. This is evaluated subsequently.

Religious Impact and Belief

Having examined the view that religion is relevant to good corporate governance practice, how do the fundamentals of religion such as ethics and spirituality promote corporate governance in Nigeria? Adi (2005) observed that the belief in the supernatural or spiritual realities is core to the worldview of the average Nigerian. A quotation from Adamo (2001, p. 41) attests to this perception;

> *The richest and the most important heritage of Africa is religion. This heritage permeates the entire life of the African people. This heritage has dominated the thinking of African people to the extent that it shapes their cultural, social, political and economic activities.*

In connection with the above, it must be specified that the Nigerian society is dominated by Christians and Muslims. C1 provides a proper perspective;

> *…we are very religious in this country. Some of the churches and the mosques are very strong. They have a lot of impact on the people.*

This fact is reflected in the religious background of participants as all are either Christians or Muslims. However, despite the fact that the majority of participants suggest that religion is related to good corporate governance, these sentiments were not shared by a minority of the participants who argued that religion has no influence on corporate governance practice in the country. For instance, when B1 was asked if religion affects corporate governance, their response was;

> *I don't think so. Because the rules are clear. The code is explicitly clear so religion does not necessarily have any input in determining the extent of compliance with corporate governance codes.*

With respect to B1's opinion above, Kuran (2009) takes a similar view but acknowledges that country and geographical specificities could compel a different opinion, similar to the stance taken in Guiso *et al.* (2003) and Grullon *et al.* (2009). Considering that Adamo (2001) and Adi (2005) have emphasised the criticality of religion in the Nigerian and African context, it is fair to proceed this analysis on the basis that religion could be a factor in corporate governance practice in Nigeria.

Religion and Conduct

If the preceding notion is true, the nature of religion is such that it is intended to reform the behaviour of its devotees. As religions generally preach fairness and equity, it can be rationalised that a religious person should be able to imbibe the principles of corporate governance and live by that standard. Therefore, in view of the high degree of religiosity amongst Nigerians, corporate governance stakeholders would be expected to display a high level of compliance with corporate governance provisions. Coincidentally, Amaeshi *et al.* (2006) also reasoned that the strong inclination of Nigerians towards religion should influence their attitude towards corporate vices such as corruption and favouritism, among others. However, evidence from the literature (see Chapter Two) and from respondents (Section 4.2 of this chapter) indicates that the present state of corporate governance remains a source of concern.

Respondents provided information detailing how religion has been manipulated to rationalise corporate governance infractions. When A11, for example, was asked to assess the impact of religion on corporate governance in Nigeria, they responded;

> *…because Nigeria is a religious country, top executives use their religion as a cover to arrogate a lot of powers to themselves which will be used for their own selfish interests and most times, to the detriment of the organisation and stakeholders.*

In Section 4.3, issues of political influence and authority were analysed. Similar traits are observed from A11's statement above indicating how the instrument of religion is used to impose power and influence over other stakeholders. The implication of this development is that, in the Nigerian context, there seems to be a disconnection between religion and corporate governance practices. Indeed, it can be argued that the prevalence of religion in Nigeria has not contributed to the advancement of good corporate governance practice in Nigeria. The majority of respondents allude to this view. Certainly, it has had negative consequences. Some accounts of interviewees detailing why this is the case were noted. For instance, C1 states that;

> *I think the church itself in this country has a kind of subtle effect on making our systems not work effectively. Because, I found out that the more religious we become, the weaker our institutions are. …the behaviour (of these people) is the antithesis of what (religion) is about. So, I feel that in a way religion has a means of not allowing our institutions to work effectively.*

The above comment suggests that the church in Nigeria has contributed to the ineffectiveness of institutional elements in the country, which has consequences for good governance behaviour, considering the high level of religiosity among Nigerians. The view indicates that being religious may not necessarily promote good corporate governance practice. This concern obliges an assessment of spirituality as an alternative to religiosity. This is examined next.

Spirituality

The perception that religion has not positively impacted corporate governance practice in Nigeria can be traced to how stakeholders understand the concept of religion. In other words, religion appears to be confused with spirituality. The boundary of spirituality extends beyond religion. James Martineau described religion as the belief in an ever-living God. However, as Harrison (2006) observed, this view failed to take into account equally prominent religious emotions such as piety and faith. On its part, spirituality incorporates these elements, as it transcends beyond the scope of religion. It entails a process of personal transformation in accordance with religious ideals. In relation to Harrison’s (2006) view, spirituality can only be associated with religion when religious emotions are inculcated such that a positive transformation in human behaviour is created.

The foregoing provides a context for analysing corporate governance practices amongst Nigerian stakeholders, taking into account the degree of religiosity amongst

Nigerians. What has been the impact of the high degree of religiosity amongst Nigerians? A1 offered an opinion;

> *…we don't have the underlying real religious commitment; so much of our religious posturing is (shallow). I am not convinced that it has any substantive impact on our values.*

The above comment indicates that many Nigerians have not moved beyond the scope of religion, to spirituality. As a result, the inherent benefits of religion have not been exploited to facilitate the emergence of transformed economic agents who are able to recognise and apply the norms of corporate governance. This presents a crucial concern.

The inability to apply the basic religious teachings has not helped the advancement of good corporate governance principles. Issues of corruption and other related vices have crept into the religious consciousness of many stakeholders such that these vices have overwhelmed sound religious doctrines. Attempts at addressing this challenge would require redirecting stakeholders to embrace morals, good values and principles or, as Harrison (2006) posits, the *"transformation of operators,"* which integrates sound religious emotions. It is vital for stakeholders to understand that religious ideals could act as fundamental drivers of good corporate governance, especially in a country where religious consciousness is high. Although the outcome could be different when spirituality is taken into account, it can be argued that Nigerian governance stakeholders require a reorientation via education to increase their awareness of the relationship and limits of religion with respect to corporate governance.

Religious Herding

Following the preceding analysis, the manner in which many Nigerians perceive religion has probably not helped the corporate governance cause, owing mainly to lack of application of religious ideals. Despite this, religious consciousness is on the increase. This development has been traced to a variety of factors (see Falola, 1998; Ukiwo, 2003) but central to these is the role of religious leaders.

The influence and power of religious leaders appear to be significant factors that have stimulated the surge in religiosity among Nigerians. A BBC News survey revealed that 85% of Nigerians trust their religious leaders and would be willing to give them more power (Ferrett, 2005). As leaders, they have engaged various approaches to shape the consciousness of Nigerians, which has further ensured their growing relevance. However, B3 notes a problem;

> *… (Religion) is supposed to be a moderator or check on people's behaviour but it has not lived up to expectation. There have been many instances of unethical behaviours on the part of religious leaders in the country. Unfortunately, many of the followers have followed suit.*

The above quotation highlights an important concern; that of a herding mentality. Due to challenges linked to low economic power, high death rates, social inequalities and poverty, among others, religion has been embraced to provide succour to many citizens, in order to reduce despondency. C3 indicated that some religious leaders acknowledge that the desire of devotees to address these concerns was critical to their search for religious empowerment. Consequently, these leaders tend to take advantage of these opportunities. As Abioje (2005) observed, many Nigerians are conditioned by what they learn from those who act as their religious leaders. However, findings in Abioje (2005) show that many religious leaders impart a negative influence on their followers, as some of these leaders are not morally sound.

The effect of such negative influences is that, with the passage of time, devotees also begin to exhibit similar traits as their leaders. This creates a herding behaviour. This behaviour, which could be initially rational in an individual sense, subsequently produces a group behaviour that could be perceived as irrational. Whilst these individuals can be sufficiently classed as religious, the basic principles of religion are not manifest in their individual character. As a consequence, the expected positive influence on corporate governance practices remains unachievable. B2 provided a perception which aims to contextualise some Nigerians' religious beliefs;

> *People take God for granted. (They) believe in God but what they do is not the business of God. They do things according to their individual whims and caprices, and greed in most cases guides most of their (actions).*

The above statement reveals a gap between religious beliefs and the manifestation of such beliefs *i.e.* the gap between religion and spirituality. This reveals that the degree of religiosity cannot be relied upon as a determinant for good corporate governance. This contradicts the views expressed by many of the participants as noted in the 'relevance of religion' section, it is however consistent with the positions expressed by participants in the 'religious impact and belief' and 'religion and conduct' sections of this chapter. Consequently, it is worth noting that evidence regarding corporate governance practices in Nigeria does not support Grullon *et al.*'s (2009) assertion that in an environment with a high degree of religiosity, regulations yield better outcomes. Perhaps it is vital for stakeholders to examine whether the extent of spirituality will have a positive or negative influence on corporate governance behaviours amongst operators.

4.3.3 The Impact of Ethnicity on Corporate Governance

Whilst validation regarding the impact of ethnicity on corporate performance is limited, the fact that countries where corporate governance has achieved relative success (UK, US, Canada, Australia) tend to display a narrow and less heterogeneous ethnic structure may have restricted the examination of ethnicity. However, evidence from Cox, Lobel, and McLeod (1991) and Thomas and Bendixen (2000) offers indications regarding the potential influence of ethnicity on corporations and their performance. This view was shared by some participants as they discussed the implications of themes relating to ethnocentrism and tribal affiliations and federal character on corporate governance practice in Nigeria.

Ethnocentric Concerns

Based on the account of Ukiwo (2005), Nigeria was acknowledged as one of the most ethnically diverse countries in the world, hence there is some sensitivity around ethnicity issues in Nigeria. Nnoli (2003) maintained that in competitive and non-competitive settings, Nigerians are more likely to define themselves based on their ethnic affiliations rather than any other identity. The emergence of some ethnicity-related themes suggests that an assessment of corporate governance in Nigeria must take into account ethnocentric issues.

To commence the analysis, respondents' views were sought regarding the impact of ethnicity on corporate governance. A11 claimed that;

> *…the society is divided along ethnic lines …Positions held by individuals are usually not based on competence but rather on where you are from.*

This view links with Ukiwo (2005) position regarding the depth of ethnicity problems and their impact on the economic performance of the country. Ukiwo (2005) explained that securing a compromise in various activities in the country has proven problematic due to the desires of key individuals to seek the growth and development of their own ethnic group over others. Adegbite (2015) also informs that, although there is no regulatory requirement for this practice, the Boards of Nigerian firms, particularly those that operate nationally, should reflect the country's diverse cultural ethnicities in their composition. These perceptions have encouraged ethnocentrism, as members of one ethnic group assume that their ethnic group is superior to others (Cornelius & Esheya, 2013). Wrong (2009) highlighted the ethnicity mentality dominant in many developing economies using the Kenyan context;

> *In Kenya, as in so many African states (such as Nigeria), your entire life's chances are based on which ethnic group you belong to. And there is this mentality spread across Kenyan society that once your tribe gets into power then state assets are yours to do with as you wish. And since the previous tenant had exactly the same approach, then of course you are completely justified to be very greedy to compensate for how your group was treated in the past.*

The concern expressed by Wong (2009) stresses the problem which could emerge from ethnic affiliations. This challenge, as noted in A11's response, has seen the emergence of mediocrity and incompetence in numerous economic interests. With respect to corporate governance, a possible outcome of such a challenge was identified by A5;

> *…ethnicity impacts the way we practice corporate governance because I have seen a Board of a quoted company where all the members are from a particular ethnic block. In this organisation, the whistle-blowing mechanism was shut down because they now see themselves as a single body.*

The above indicates that the whistle-blowing mechanism could be weakened on the basis of ethnicity. People prefer not to report suspected offenders from the same ethnic block but will be willing to share such information regarding the activities of suspected offenders from other ethnic backgrounds. Similar practices translate to situations where ethnicity becomes engrained in the organisation. Several other issues emanate from this notion. For instance, there is an increased tendency for CEOs to engage more in business relationships with members of their ethnic groups. They also engage in policies which may not necessarily be in the organisation's interest, but intended to sympathise with individuals from the same ethnic group.

Ethnocentrism further manifests in the level of diversity in the belief systems of the various ethnic groupings. The potential implication of this issue on the practice of corporate governance is substantial. The participation of women in economic development is viewed differently in the northern and southern regions of the country. Okafor and Mordi (2010) examined women's involvement in economic development and agreed that environmental factors, informed largely by ethnic configurations, have meant that there is a significant diversity regarding the role of women in Nigeria's economic development. Furthermore, the low level of education, which is more pronounced among some ethnic groups in Nigeria, has also played a part in the problems generated by ethnic configurations.

Federal Character

The ethnicity challenge has also been worsened by the 'federal character' policy of the government. The federal character issue has dominated public discourse since the period of acquiring independence in 1960 to the present day. Federal character, according to Adamolekun, Erero, and Oshionebo (1991), aims to ensure that appointments to the civil service institutions sufficiently reflect the linguistic, ethnic, religious and geographic diversity of Nigeria. However, whilst the underlying basis for pursuing 'federal character' appears sensible in a country as ethnically diverse as Nigeria, views from participants suggests that it has not achieved its intended objectives. Indeed, it has worsened the country's socioeconomic challenges. Whilst A6 describes 'federal character' as the greatest disaster in the country, A4 notes that;

…because of federal character, we have been forced to share portfolios not on the basis of what people can offer but on the basis of where they are from. You see that some states termed 'disadvantaged' are now being spoon-fed instead of allowing them to compete with other states.

As previously indicated, the desire to promote national unity and ensure 'ethnic balancing' was crucial to the federal character policy (Cornelius & Esheya, 2013). However, the policy has been manipulated such that it has served as a vehicle for promoting mediocrity. As a result, rather than relying on a quota system or ethnic balancing, the pursuit of competence offers a nexus for successful and effective performance amongst public organisations. In fact, pursuing competence can ameliorate the various problems posed by ethnicity. The failure of 'federal character' also bears implications for good governance. A6 commented that;

…many Boards' appointments are influenced by federal character. …the danger is that people that are not qualified are considered for such significant positions. When you are appointed in this manner, there is (a chance) that appointees will have little or no regard for corporate governance principles, considering the system that brought such an individual on board.

C1 expanded the frontiers of the 'federal character' problem by highlighting its long term implications for individuals, firms and the country;

…federal character is damaging every facet of our economic life. …some people now claim they are from a 'disadvantaged' state (part of the country) just to bypass standard requirements for jobs, university admissions, etc. These people will eventually find their way to top positions on the strength of where they are from. Even though I am not aware of any study regarding the effect of this activity, I am very positive that this country will continue to be short-changed by its consequences. …federal character negates the principles of good corporate governance.

From the evaluation conducted in this section, it is evident that the implications of the continued elevation of ethnic-related issues such as ethnic affiliation and 'federal character' are not consistent with good governance practice. As Cornelius and Esheya (2013) proposed, the pursuit of value-orientation may help in redefining the behaviour of the typical Nigerian economic agent, particularly the elite who appear to have been benefactors of the opportunities created by 'federal character' and ethnicity. The pursuit of good moral values may promote fairness as opposed to sentimentalism and bias. The attainment of this objective requires an appropriate form of education and regulatory strategy. A strategy for proposed reforms in the area of education and regulatory intervention is presented in Chapter Five.

4.3.4 Summary of Social Institutions

The findings in this section (Section 4.3) reveal that the social environment, especially in developing economies, is challenged by unique concerns. In the cultural domain, concerns bordering specifically on social inequality, respect for age and the perception of governance as a foreign ideology, have meant that the practice of corporate governance is persistently weakened.

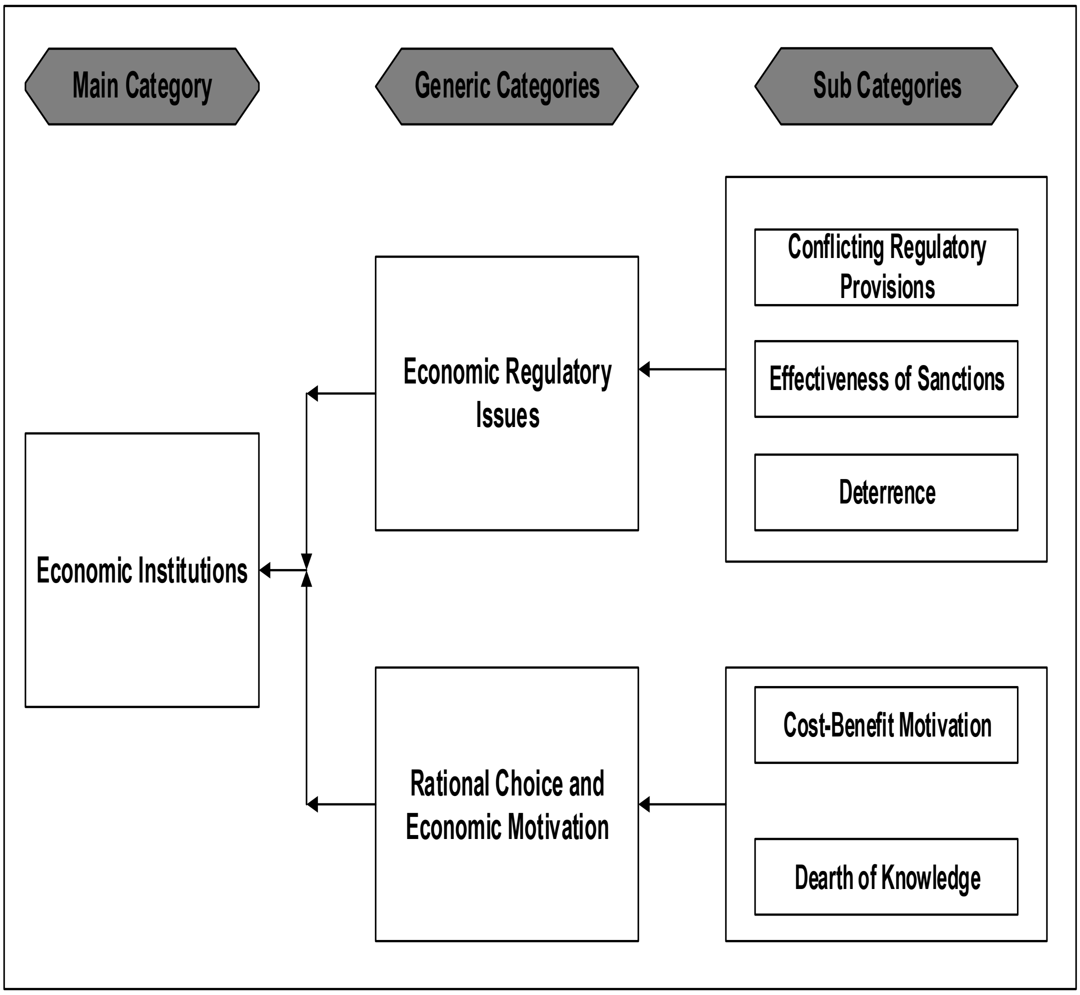
Similarly, findings from this section also reveal that the positive elements often associated with religion has not promoted the practice of good governance in the Nigerian business environment. Indeed, the variety of sub-categories which emerged from this analysis implies that religion, as presently engaged by stakeholders, is inconsistent with the development of a robust corporate governance system.

Finally, this section also identified the problems created by ethnocentrism and ‘federal character’, and its effects on the social institution for corporate governance. Therefore, in view of the multi-ethnic nature of the country, stakeholders must continually explore opportunities that would promote the emergence of a corporate governance system that acknowledges the problems associated with multiple ethnicities.

4.4 Economic Institutions

Economic institutions, according to Acemoglu *et al.* (2005), determine the incentives of and the constraints upon economic actors that shape economic outcomes. They constitute well-established arrangements and structures which are part of a culture or society. As indicated in Chapter Two, the behaviour of economic agents is typically influenced by their individual economic rationalisations. In addition, a variety of economic factors also informs individual reasoning and conduct. Whilst the literature has indicated that the state of corporate governance in Nigeria is weak, this section examines the role of the Nigerian economic institutions in governance challenges.

Figure 14 - Themes Relating to Economic Institutions



Themes generated from respondents' comments were coded, the outcome of which is presented in Figure 14. Themes such as conflicting regulations, effective sanction, deterrence, cost-benefit and dearth of knowledge were used by participants to discuss some of the issues challenging corporate governance. These themes are subsequently classified into two generic categories of economic regulatory issues; rational choice and economic motivation. The two generic groups produced economic institutions as a main category.

4.4.1 Economic Regulatory Issues

Regulation is central to good corporate governance. Corporate governance exists significantly within the scope of guidelines which are codified as regulations. Indeed, the decision to regulate every economic activity is a fact of life (Sutinen & Kuperan, 1999). It is therefore not surprising that many developing countries including Nigeria have engaged the instrument of regulation to promote corporate governance. B6 agreed thus;

> *…the key thing is that the laws (for corporate governance) are there. Having the laws (indicates) that the government wants the people to practice good corporate governance.*

The establishment of regulations could be seen as an intention by the government, through its regulatory agencies, to engage relevant stakeholders in good governance. However, could regulation be viewed as the first step in instituting sound governance practices? B3 appears to concur;

> *I don't really think there can be any good corporate governance if you don't have the laws. Do you think people will be willing to let you tell them to do corporate governance without pointing them to a document with the backing of the law which forces them to comply?*

While the above comment reinforces the view that regulation could serve as a foundation for the pursuit of good governance in the system, it also emphasises that the force of law is crucial to promoting the achievement of the economic objectives of corporations. Shleifer and Vishny (1997) affirm that codes have served to enhance the advancement of corporate governance in many parts of the world.

Regarding economic regulation, various factors have congregated to ensure that regulation levels across industries and countries differ (Polinsky & Shavell, 2000). Shleifer and Vishny (1997) recognised that differences in the effectiveness of regulation in countries have resulted in varying outcomes for corporate governance. Needless to say, whilst there are challenges plaguing corporate governance in Nigeria, this is not due to a lack of appropriate regulatory frameworks. Nigeria currently has three industry-specific corporate governance codes and one all-encompassing code (see Chapter Two). Therefore, considering the availability of these regulations, why has the state of corporate governance practice in Nigeria remained weak? Three key themes emerged from the data (see Figure 14).

Conflicting Regulatory Provisions

The first concern is the conflict inherent in these regulations. Ofo (2011) and Osemeke and Adegbite (2016) extensively examined this problem. The result of this issue is that operators identify with the provisions which would help them rationalise their economic benefits. This problem drew comments from participants. B2 (a regulator) informed that;

> *We complain that operators are not abiding by the principles of corporate governance. How can they (abide) when (other) existing provisions expect them to do different things on the same matter?*

The above quotation clearly highlights a major problem hindering the functionality of existing codes. In addition, it indicates the challenge faced by regulators in enforcing corporate governance. This concern reiterates the need for a harmonised code system. The multiplicity of codes creates opportunities for operators to take advantage of loopholes. For instance, a bank could be involved in making a decision when faced with conflicting provisions in the SEC Code (2011) and the CBN Code (2006). Adegbite (2012) agrees that this development potentially transfers the power to comply with a regulation to operators. As a result, operators tend to conform to the provision whose penalty is less punitive. This challenge is intensified by the different approaches (rules-based and principles-based) underlying the enforcement mechanisms of existing corporate governance codes in the country.

In view of the above, opinions were sought as to how this problem could be addressed. The majority of the research participants opined that harmonising the existing corporate governance codes could engender a robust corporate governance system. In particular, A9 suggests that;

> *I don't see the rationale in having multiple codes. In those countries where corporate governance was imported from, do they operate a multi-regulatory regime for corporate governance*?

The issue of harmonisation of existing codes has been previously noted in Chapter Two. However, it is important that this concern is evaluated in the light of emerging developments. This issue will be discussed in the next chapter (Chapter Five).

Effectiveness of Sanctions

In many developing countries, the effectiveness of existing sanctions continues to attract debate (Graham & Woods, 2006). In Chapter Two, one of the challenges of corporate governance in Nigeria was identified as weak corporate regulation. Many of the reasons for this development have been noted in Section 4.3 of this chapter to include outdated regulations, lack of capacity to enforce on the part of regulators and political influence, among others. These challenges were noted in B4's comments;

> *The real reason people behave the way they do in Nigeria is because there is no certainty of enforcement of our regulations. The result is that regulations can be easily set aside as there is no regard for it, which effectively destroys the sanction mechanism.*

The above quotation suggests that the weakness in the sanction strategy is informed by concerns around the legitimacy for such regulations. The regulations are not widely accepted by stakeholders. This development could be traced to some of the challenges identified in Section 4.3, particularly in concerns around political immunity and political authority, among others. This problem implies inequality before the law which, according to A7 (an executive), impacts the value accorded to such regulations by stakeholders. As a consequence, the lack of legitimacy means that its provisions, including its sanctions, are not respected.

Furthermore, the effectiveness of sanctions could also be linked to the dominant regulatory approach in Nigeria. By its nature, the principles-based model (implied in the SEC Code, 2011) is such that operators are expected to comply, and when they fail, they are expected to explain their reasons for non-compliance. The fact is that the market is expected to respond appropriately to actions taken by operators. This is only possible in a well-developed market *i.e.* a market where all stakeholders are aware of their rights and responsibilities and there is minimal information asymmetry. However, low literacy levels in Nigeria compound these problems. As a result, operators avoid penalties as the market fails to respond appropriately to their infractions. Consequently, regulations lack the capacity and legitimacy to act as deterrents against repeated infractions. The necessity for regulations to present effective deterrence mechanisms is examined next.

Deterrence

Another factor which relates to regulatory conflicts and effectiveness of sanctions is the impact of deterrence strategies. Regulatory effectiveness is enhanced where sanctions and penalties are serious enough to deter a recurrence of an infraction (Becker, 1974). Proponents of deterrence theory posit that economic actors choose to obey or violate the law after accounting for the gains and consequences of their actions. Therefore, as a matter of logic, the greater the consequences of an action over its gain, the likelier it is that economic actors will be deterred from engaging in infractions.

Following the above, the aim of regulation is to constrain individual behaviour or, alternatively, deter individuals from engaging in unlawful actions. Sanctions are included in regulations to achieve this objective. However, with respect to Nigeria, A5 opined that;

> *There is little or no regard for our laws. They (operators) know these laws exist but they also know they can use their contacts to manipulate these laws. So, at least for them, the law does not constitute deterrence.*

Whereas A5's sentiments were shared by the majority of interviewees, it is evident that issues acknowledged in Section 4.3.3 such as compliance, enforcement and updating of outdated regulations, must be reviewed if existing regulations are to act as deterrence to operators. While this examined what it would mean when proposing a reform agenda, it is reasonable to suggest that the attitude of operators towards these three subcategories is influenced by the concept of rational choice.

4.4.2 Rational Choice and Economic Motivation

Rational choice suggests that every individual will pursue decisions which will enable him/her to gain the highest possible benefit that is in their personal interest (Akers, 1990). In other words, compliance with regulations is premeditated by how an individual benefits from obeying legal requirements. What is the effect of this generic category on regulation and corporate governance in Nigeria? From the responses of participants, two subcategories were identified, namely cost-benefit motivation and knowledge gap.

Cost-Benefit Motivations

Why is the practice of corporate governance in Nigerian weak? The majority of research participants suggest that the desire to act as a rational economic agent could explain the present state of corporate governance in the country. The weakness in existing institutional frameworks (for example, regulation) potentially maximises the opportunities and benefits which economic agents can achieve from the system. B8 posits that;

> *I agree that regulation is a good thing but it can be difficult to implement when you have people who, for (some) reason, have decided not to abide by its provisions. If someone is making money and you introduce a law that will limit what he is (gaining), do you think he will want to abide by such law? Why do you think we still have instances of money laundering in our banks?*

This view reinforces earlier positions regarding cost-benefit evaluation as a justification for engaging in anti-corporate governance activities. The desire to maximise benefits, as Becker (1974) pointed out, indicates why human beings are inclined to 'rationalise' their choices, sometimes paying little or no regard to potential legal restrictions. This view advocates that regulation may not necessarily be a key factor in establishing good corporate governance, but the thinking that preceded a corporate governance-related activity. A1 explained thus;

> *…having been a member of some boards for some years now, what you see is that the decisions of many board members are induced by many other things. I really think that most of these things are personal…I mean, they smack of personal interest.*

This indicates that decision making by board members could be influenced by rational choice motivations and, by extension, cost-benefit decisions. That is, regulations could be deemed to be secondary if rational choice precedes the decision (whether or not) to comply with regulations. This, according to Piliavin *et al.* (1986), will logically be the case when benefits exceed penalties. Whilst this argument may not hold true in every case, a statement cited in Ahunwan (2002) regarding the attitude of the typical Nigerian economic agent towards rules and regulation supports this proposition.

Unfortunately, these behaviours and attitudes towards regulation appear to be widespread among stakeholders in the country. It is therefore necessary to understand why rationality appears to overwhelm regulatory compliance. That is, what motivates or explains stakeholders' desire to pay minimal attention to codes. This highlights the need for regulators to strive towards achieving equilibrium between rational choices and regulatory sanctions. It is noticeable that the cost-benefit gap between both concepts is wide enough to stimulate continued anti-corporate governance practices.

Dearth of Knowledge

As a variety of reasons have been adduced for governance challenges in earlier sections (corruption, laxity in enforcement, *etc*.), B6 identifies a reason which focuses on limited knowledge of economic agents;

> *…we need to enlighten the people to see that corporate governance is not something that is outside the corporation itself. That it is …meant for the benefit of the company…we need to enlighten the people because by the time we align the benefits of corporate governance to the main purpose of the company, people will appreciate it more.*

It can be argued that knowledge of the benefits and implications of corporate governance is underdeveloped in the system. C2 supported this view;

> *Do they (executives) really understand what corporate governance is all about? Many of them actually have this short-term understanding... They think that money spent to bring about good corporate governance ...such as…training will reduce their profit so they will rather avoid it.*

Based on these submissions the importance of corporate governance is not fully understood or well appreciated by the majority of stakeholders. This has resulted in continued apathy towards corporate governance regulations and other instruments of corporate governance. It is apparent that the lack of understanding of corporate governance could have stemmed from short-termism prevalent in the system. For instance, the desire to sidestep regulations and pursue economic alternatives that would yield benefits for operators reflects a desire to achieve, but only in the short term. These behaviours are often not sustainable which is evident in the rate of corporate collapses that have been witnessed in the system over the last few decades (see Nworji *et al.*, 2011). Therefore, addressing this challenge will require that an appropriate mechanism is instigated for stakeholders to appreciate and understand the value and need for good corporate governance in corporate life, and as a strategy for enhancing the perpetual succession objectives of corporations.

4.4.3 Summary of Economic Institutions

Section 4.4 presents the outcome of analysis which are categorised as economic institutions. Two generic categories emerged from the analysis in this section namely economic regulatory issues, and rational choice and economic motivation. These generic categories were engaged is examining issues such as conflicting regulatory provisions, effectiveness of the existing sanction regime, the capacity of existing regulations deter infractions, stakeholder motivation based on cost-benefit evaluations, and the prevailing dearth of knowledge in the system.

The analysis indicates that the impact of the subcategories and generic categories examined in this section has contributed substantially to the present state of corporate governance in Nigeria. It therefore becomes imperative that, as noted in Sections 4.2.4 and 4.3.4, stakeholders must continuously develop strategies and mechanisms to ensure that elements of ‘economic institutions’ are controlled such that they are able to check the economic choices and preferences of corporate governance practitioners.

4.5 Chapter Summary

Relying on the coding process described in Chapter Three, the analysis embarked upon in this chapter produced three main categories of institutions which sufficiently describes the key institutional drivers for corporate governance in Nigeria. It could be argued that the impact of the three varieties of institutionalism generated from this analysis could be deemed antithetical for good corporate governance in Nigeria. Whilst it appears that the political institution has been unable to entrench a political and regulatory system that can enhance good corporate governance, the same assertion can also be made regarding social institutions in the country. Analysis shows that the prevailing culture, religion and ethnic affiliations of the people have combined to weaken the social environment for establishing a sound corporate governance system.

Furthermore, the economic rationalisation of economic agents which takes advantage of the laxity in the system has further undermined the impact of institutional frameworks. The analysis indicates that the behaviour of economic agents and the prevalence of corruption have contributed to and influenced the majority of opinions shared by respondents regarding the governance concerns in Nigeria. Indeed, it could be summarised that the presence of influential individuals who have exploited and taken undue advantage of institutional deficiencies, define the majority of the problems plaguing corporate governance in Nigeria. This view also incorporates the role of government which, it would seem, has been unable to instigate an institutional framework that possesses the necessary robustness to control the actions of economic agents.

The concerns identified in this chapter offers the basis for the discussions embarked upon in the next chapter. Chapter Five discusses the issues in the institutional environment for corporate governance in Nigeria, in relation to the research objectives and existing literature.

Chapter Five

Discussion and Implications of Interview Findings

5.1 Introduction

In the previous chapter, the findings from transcribed interviews were presented. The analysis of the interview data resulted in the emergence of three main institutional categories which substantially influence the institutional environment for corporate governance in Nigeria. Following from these findings, this chapter sets out to accomplish three tasks. This chapter commences by discussing the findings from the previous chapter in relation to existing literature (Section 5.2). This discussion provokes an evaluation of the theoretical implications of a Nigerian corporate governance scholarship (Section 5.3). Lastly, relying on the understandings emerging from the previous chapter and in Sections 5.2 and 5.3 of this chapter, a framework for good corporate governance in Nigeria is proposed (Section 5.4).

5.2 Discussion of Interview Findings

The discussion focuses on the three main strands of institutionalisation which emerged from the analysis of participant's comments in the previous chapter i.e. political institutions, social institutions and economic institutions.

5.2.1 Assessment of Findings regarding Political Institutions

From the analysis relating to political institutions, it is noticeable that the political environment has been overwhelmed by corruption and regulatory inefficiencies. Literature (see Aluko, 2002; Akindele, 2005; Lawal, 2007) and data both indicate that the political and regulatory systems have suffered from the stifling effects of corruption. A3 explained that three elements have contributed to the high incidence of corruption in the country. These factors are motive, opportunity and exit (escape). 'Motive,' according to A3, describes an individual's need or greed, adding that individuals do not steal out of need but because of greed. Solomon (2013) agreed that corruption is reinforced by greed. But why is the rate of corruption (or greed) higher in Nigeria than in many other countries? A3 engages the second factor of opportunity (or chance) to explain high corruption levels in Nigeria.

In view of the weak institutional frameworks, poor accountability and transparency, Okeahalam and Akinboade (2003) affirm that opportunities to steal abound for public office holders. Many government agencies lack the structure to prevent corruption. There is also apathy towards accounting for and declaration of private assets, thereby exacerbating the difficulty of prosecuting corrupt public office holders. According to Omololu (2007), this has contributed to the development of a weak and inefficient political system. In addition to motive and opportunity, the last factor is 'exit' or escape. Deterrence theorists suggest that corrupt activities are aided when offenders believe there is a strong possibility of avoiding or escaping punishment. This view connects with Akers (1990) and Ellis' (2003) proposition that an increase in offenders would occur when benefits (from corruption) exceed punishment. In such cases, sanctions are not expected to serve as a deterrent. In fact, Inyang (2009) claimed this might strengthen the resolve of both existing and potential culprits to engage in infractions.

Further evidence of the connection between the political system and corruption was established in Shleifer and Vishny (1993). They suggest that attempts to influence firms to pursue political objectives could be achieved irrespective of who actually controls firms, by manipulating the instrument of corruption. They argue that when managers control firms, politicians are able to employ tactics such as bribes and subsidies to 'convince' them to pursue political objectives. However, in developing economies, little or no 'convincing' is involved. To reinforce this view, Aluko (2002) informed that politicians are able to use their influence and authority to manipulate managers. The possibility of 'exit' (via threat of termination of employment) obliges managers to 'cooperate' with politicians. In addition, a lack of 'co-operation' by managers could mean loss of government patronage for an organisation. Aburime (2009) demonstrates that political affiliation has a positive effect on bank profitability in Nigeria, concluding that in order to maximise profitability, Nigerian banks should consider the political affiliation strategy.

On the other hand, Shleifer and Vishny (1993) also explained that if politicians control firms, managers could also employ bribes to convince them (politicians) not to pressurise firms to pursue political objectives. The ability of managers to convince politicians is dependent upon which alternative maximises potential utility *i.e.* does the bribe offer exceed the benefits inherent in achieving the political objectives? Whilst the bribe offered may be constrained by an organisation's budget, political benefits can be vast in an economy driven by members of the political class, especially in countries with weak institutions. Lawal (2007) therefore note that whilst it is possible that bribes from managers may not compensate for political benefits, the opportunity for the increased perpetration of corruption is unaffected. The implication of the foregoing on corporate governance is that corruption levels may continue to influence corporate governance practice.

The corruption challenge has also had an impact on the regulatory framework. For instance, Adegbite (2012) noted that a critical challenge hindering corporate governance regulation is the extent of corruption in the system. Laws are usually established to protect stakeholders from expropriation by managers and controlling shareholders (La Porta *et al.*, 2000). However, as highlighted in Shleifer and Vishny (1993), both managers and politicians could embrace corruption as an instrument to achieve their respective aims. The capacity of corruption to thrive is enhanced by the perception towards regulation. Rather than embracing universalism, there is sufficient evidence to indicate that Nigeria embraces particularism (see Trompenaars & Hampden-Turner, 2004) as a regulatory model. With particularism, it is assumed that an individual's circumstances and relationships dictate the rules by which they live, thus compliance with regulations may depend upon what is happening in their life and, typically, who is involved. In other words, regulatory compliance is determined by certain conditions, thus undermining the absoluteness of regulations. These have ensured that regulations can be manipulated to suit individual desires.

It therefore appears that the most important challenge facing political institutions in Nigeria is corruption. Whilst Aluko (2002) agreed that corruption has become institutionalised in Nigeria, Ogbeidi (2012) posits that the phenomenon of corruption is primarily responsible for the socioeconomic stagnation in the country. It is thus fair to suggest that reform must provide strategies to address corruption challenges. Addressing corruption will require the establishment of a robust regulatory mechanism. The effectiveness of this mechanism will be driven by the enforcement structure, fortified with appropriate sanction strategies. Interestingly, the issue of effective enforcement featured prominently when participants were asked to suggest strategies to address the effect of corruption on corporate governance. Respondents indicated that the difference between corporate governance regulation in the Western world and Nigeria is the certainty of enforcement. For example, A7 and B4 argued that until there is certainty in enforcing regulations, reducing corruption and the subsequent achievement of corporate governance objectives in the Nigerian business environment will remain a difficult task. In agreement with Aluko (2002), participants also opined that the creation of a new social order can help address the corruption challenge. This strategy will entail educating, mobilising, enlightening and sensitising citizens towards a tradition of honesty, excellence, integrity, reputation and other moral virtues.

Whereas the dangers of corruption have been severally acknowledged, it is crucial to examine some additional insights which emerged from this study in relation to political institutions. For instance, 'fear of the unknown' has contributed to increasing levels of corruption and ultimately, poor governance. Fear of the unknown emphasizes a reluctance to deviate from a specific status quo position (Cao, Han, Hirshleifer, & Zhang, 2009). This may be connected with short-termism, wherein people tend to focus on achieving quick results (Hofstede *et al.*, 2010). This preference is however significantly influenced by the existing poverty prevalent in the system. Stakeholders are uncertain of what tomorrow holds in view of the disregard for contractual agreements and the inability of existing institutions to check the unilateral decisions and interventions of political elites. Indeed, several incidences of fraud committed by members of the political class go unpunished, as the culprits are able to employ their 'connections' to obtain 'protection' from the laws of the land. This development contradicts the main position of deterrence theorists. The argument in Akers (1990) is that the key basis for the development of a regulatory framework is to discourage or eliminate infractions in a particular context. The influence wielded by political actors in Nigeria necessitates that the ability of regulations to act as a deterrent is reconsidered.

In addition to the above, the political environment for corporate governance is also challenged by concerns bordering on the political immunity enjoyed by some politicians. A fundamental requirement of any regulatory framework is the rule of law (and supremacy of that law), which connotes the restriction of the arbitrary exercise of power and authority by subjecting it to defined and established laws. However, the nature of immunity is inconsistent with the dynamics of rule of law. Whereas Levin and Satarov (2000) observed that the legal immunity for government officials promotes the incidence of corruption, Markovska and Adams (2015) explained that the immunity clause present in the Nigerian constitution offers a significant advantage for corrupt politicians, as it empowers and provides these politicians with endless opportunities for defrauding state resources.

While the above issues mainly focus on the main objective of this study as noted in Chapter One, it is also important to discuss political institutions with respect to the secondary objective of this study. As a regulatory mechanism, it is necessary to understand the extent to which the various sub categories and generic categories of political institution are recognised in the primary code for corporate governance in Nigeria *i.e.* the SEC Code (2011). Table 14 shows the outcome of a review of the SEC Code (2011) with respect to political institution.

Table 14 - Tallies for Political-Related Themes in the SEC Code (2011)

Main Categories	Generic Categories	Frequency Counts
Political Institutions	Political System	0
	Corruption	4
	Legal Institutions	6

Whilst it appears that some recognition has been accorded to political institutions, the word 'political' or the term 'political system' did not feature in the code. It may be necessary to reconsider this position, particularly for a country where the government, represented by members of the political class, is the major player in its economy. Corruption was noted four times in the code. In Part D (Relationship with Other Stakeholders) of the code, corruption was noted three times in Section 28 (Sustainability Issues), whilst in Part F (Accountability and Reporting), Section 34 (Disclosures), it was noted once (Section 34.4). Indeed, in Section 28.2, companies were advised to recognise corruption as a major threat to business and to national development. Okike (2007) informed that, before the introduction of the SEC Code

(2011), the non-identification of corruption constituted a significant concern for corporate governance. However, despite recent efforts to recognise the impact of corruption in the Code, it could be argued that the recognition could be better. This standpoint has been informed by various accounts detailing the effects of corruption on the Nigerian business environment. In fact, ROSC (2004) indicated that corruption presents a major obstacle to the enforcement of standards, hence the severe weakness of the enforcement mechanism. Consequently, the enactment of the code must be developed such that it provides a framework for tackling the effects of corruption with regard to the functionality of the code.

5.2.3 Evaluation of Findings regarding Social Institutions

From the analysis of findings relating to culture, the majority of the interviewees indicated that the prevailing culture in Nigeria has worked against corporate governance. It is instructive to note that Ringov and Zollo (2007) contend that organisations based in countries that are characterised by higher levels of power distance, individualism, masculinity and uncertainty avoidance tend to exhibit lower levels of social performance. This signifies that culture could influence corporate governance in a country such as Nigeria which shares many of the Hofstede *et al.* (2010) elements that formed the basis of Ringov and Zollo's (2007) conclusion. Okike, Adegbite, Nakpodia, and Adegbite (2015) also noted that developments in corporate governance in Nigeria have been informed by various factors in the internal and the external environment of the country.

Unfortunately, as denoted in Table 15, the relevant regulatory authorities for corporate governance in Nigeria have not sufficiently taken the foregoing view into consideration in designing corporate governance regulations. Despite the substantial impact of culture (Oghojafor *et al.*, 2012), religion (Amaeshi *et al.*, 2006) and ethnicity (Adegbite, 2015) in the institutional environment of Nigeria, their continued lack of recognition of themes such as religion and ethnicity in corporate governance codes may offer some explanations for the present state of corporate governance. The comments from participants (see previous chapter) underscores the impact of religion and ethnicity. Indeed, these elements were crucial to the development of the King Report in South Africa, a country similar to Nigeria in many respects. The King Report (2002, p. 17) actually noted that the principles adopted in the code were greatly influenced by the need *"to recognise the diversity that exists in South Africa in relation to culture, religion, ethnicity, etc."* Furthermore, in addition to language, Limbs and Fort (2000) identified religion and ethnicity as the three major influences on Nigerian business practices. It is also important to state that issues relating to culture (mentioned three times – see Table 15) mostly addressed micro (firm) issues rather than macro challenges which focus on the business environment. On this basis, it can be suggested that key social institutions have not been sufficiently integrated into the SEC Code.

Table 15 - Counts for Social-Related Themes in the SEC Code (2011)

Main Categories	Generic Categories	Frequency Counts
Social Institutions	Culture	3
	Religion	0
	Ethnicity	0

However, as observed in the previous chapter, the impact of influential economic agents continues to shape institutional variants in Nigeria. In many (similar) developing economies, individuals are increasingly able to impose themselves on the society due largely to weak institutions which are unable to curtail the activities of these individuals. A good example is the traditional rulers who command enormous traditional authority in their domain (Tonwe & Osenmwota, 2013). Courtesy of their positions, they are able to redefine their subjects' culture and choices, oftentimes to suit their (traditional rulers') own preferences. This tends to create a high level of dynamism in cultural perspectives as the installation of a new traditional ruler provokes the emergence of a new cultural paradigm. In this context, culture can be viewed as an evolutionary process. The implication for corporate governance, particularly in such traditional domains, is that it can be defined by the ruler. Corporate governance principles rely entirely on legitimacy, but the legitimacy accorded to traditional institutions (institutions created by traditional rulers) is recognised and respected much more than for those institutions created by the state, in some domains.

It can thus be argued that culture, be it in companies or societies, is the outcome of individual preferences. For instance, Handy (1993) identified four main types of organisational culture (power, role, task, person) but central to this culture type is the individual. Therefore, attempts at establishing sound governance structures must be disconnected from the inconsistencies in culture and leadership. It is also worth mentioning that the presence of influential individuals could clarify why institutions in developing economies generally lack sustained impact which leads to weakness in addressing emerging challenges. The concern is that these issues are the cumulative actions of various actors. DiMaggio and Powell (1983) observed that as these behaviours and beliefs emerge, economic agents shape their organisations and business environments to be similar. Therefore, these behaviours aggregate and develop into the prevailing culture. This is indicative of a mimetic isomorphism. Consequently, the development of an anti-corporate governance belief system, for instance, emerges as the central paradigm in the system.

Based on this assertion, therefore, it could be rationalised that the influence of culture on corporate governance is considerably determined by the influence which influential agents of culture are able to exert upon existing institutional frameworks. In Nigeria, as in many other developing countries, the challenges regarding the economy and its institutions suggest that culture represents a major influence on corporate governance performance. Evidence gathered from the data also indicates that individual influences determine the direction of culture and its subsequent impact on corporate governance. As observed by participants, religion represents another important social variable amongst Nigerians. A review by Kuran (2009) indicates that, many decades ago, religion had a considerable impact in China, for instance, but observed that in modern times, the power and impact of religion on economic issues is dwindling. Thus, it could be reasoned that the level of religious impact is determined by how relevant religious institutions are in a country. As many countries appear to have moved on from the era when religion was a dominant force, particularly in developed countries, this possibly explains why the generality of literature, which is often based on developed market contexts, considers the effect of religion to be insignificant.

Table 16 - Belief in God (1947 – 2001)

Nations	1947	2001	Change
	%	%	%
Sweden	80	46	-34
Netherlands	80	58	-22
Australia	95	75	-20
Denmark	80	62	-18
France	66	56	-10
Canada	95	88	-7

Source: Adapted from Norris and Inglehart (2011)

Stastna (2013) attempted to examine whether citizens overlook religion as they become wealthy, acknowledging that poor countries have the highest proportion of people who identify with a religion. This view is consistent with findings in Norris and Inglehart (2011) (see Table 16). Table 16 reveals that there was a decrease in the religiosity index between 1947 and 2001 in the six developed economies listed in the table. Whilst other variables could have contributed to the economic buoyancy of these countries, it is necessary to note that the religiosity perception of citizens of these countries has dipped, thus exposing the relevance (or irrelevance) of religion.

However, this is not the case in poor and developing countries. As revealed in Table 17, religion is held in high esteem among citizens of many developing countries. Whilst it is remarkable to note that all 10 countries in Table 17 can be reasonably classed as developing economies, it is interesting to notice that Nigeria ranks high on the list, as 93% of its citizens claim to be religious. The data from Table 17 also connects with Paul (2009) findings that a situation where a highly religious nation is highly successful socially does not exist. The 10 countries in the table cannot be regarded as socially wealthy.

As shown in Judge *et al.* (2008), corporate governance models in these countries are largely regarded as 'emerging' in recognition of the challenges faced. Paul (2009) agrees that religion is popular in societies that reflect a high rate of dysfunction, as this compels people to be anxious about their lives and consequently look to religion for support.

Table 17 - Top 10 Religious Populations in the World

Countries	A Religious Person	Not A Religious Person	A Convinced Atheist	Don't Know /No Response
	%	%	%	%
Ghana	96	2	0	1
Nigeria	93	4	1	2
Armenia	92	3	2	2
Fiji	92	5	1	2
Macedonia	90	8	1	1
Romania	89	6	1	3
Iraq	88	9	0	3
Kenya	88	9	2	1
Peru	86	8	3	3
Brazil	85	13	1	1

Source: WIN-Gallup (2012)[49]

Coşgel and Miceli (2009) also provided an interesting basis which further explains the impact of religion. They affirm that religion provides utility to citizens, especially in countries where there is a high level of poverty. Increasing poverty levels compel many people to seek succour from religious bodies. This view is supported by Norris and Inglehart (2011) who observed that in poor countries, religious bodies not only offer essential services such as education and healthcare, they also provide other varied support which can be critical during crisis situations. Issues of poverty have remained a concern in developing countries, hence it would be logically expected that many citizens will embrace religion to provide some reassurance, if only temporarily.

The effect of the preceding notion is that as people increasingly relate with religion, their actions gradually reflect the teachings of that religion. Considering the number of religious people in Nigeria, it could be reasoned that many areas of human

[49] The WIN-Gallup International 'Religiosity and Atheism Index' measures global self-perceptions on beliefs, based on interviews with more than 50,000 men and women from 57 countries. The survey also presents trend data for shifts in attitudes since 2005.

endeavour in the country may have been influenced by religious beliefs. Although questions remain as to the degree of influence, an appraisal of participants' responses indicates that it is quite substantial. Whilst the degree of influence could be traced to various factors, it is necessary to examine whether there is indeed any connection between religion and corporate governance.

Iyer (2008) and McCleary (2008) suggested that religion is conducive to economic development when it is disconnected from political and economic life. Thus, the realisation by economic agents that religion should be isolated from economic policies such as corporate governance could be vital to good governance practices. Despite the position of Grier (1997), it may be difficult to completely separate religion from corporate governance, particularly for those who consider religion as their worldview (Adi, 2005). Barro and McCleary (2003) examined the effect of church attendance and religious beliefs on economic growth. Their study showed that economic growth responds positively to the degree of religious belief but negatively to church attendance. They conclude that economic performance benefits from individual traits which are fortified by religious beliefs.

In the course of this discussion, some observations are noted. First, it could be rationalised that correlation between religion and economic development is not necessarily positive. Second, societal dysfunction and poverty appear to explain the increasing relevance of religion in countries such as Nigeria (Zuckerman, 2008; Coşgel & Miceli, 2009; Norris & Inglehart, 2011). Whereas Norris and Inglehart (2011) posit that religion actually becomes less central to people as their lives become less vulnerable to the constant threat of death, disease and misfortune, Zuckerman (2008) informs that prosperity remains a strong causal factor to explain why religion disintegrates. Coşgel and Miceli (2009) suggest religion offers a utility maximisation mechanism for people who are constantly threatened by factors noted in Norris and Inglehart (2011) above. Therefore, in summary, it can be posited that the achievement of good corporate governance is not necessarily dependent on the level of religiosity of economic agents. Religion can be reasonably disconnected from corporate governance, if other relevant economic issues are functioning optimally.

The final generic category of social institutions is the effect of ethnicity on the practice of corporate governance in Nigeria. It can be discerned from discussion hitherto that ethnic and tribal affiliations, variations in ethnic beliefs and ‘federal character’ have influenced corporations and, by extension, corporate governance practices. As a result, it is logical that governance reforms must consider the peculiarities of these ethnic groups. Whilst the dynamic of developing such reforms remains problematic, it is necessary to acknowledge the motivation driving ethnic interests in corporations.

To identify these motivations, it is paramount to comprehend why ethnicity poses serious challenges to the Nigerian society. In recognition of the need to address ethnicity-driven challenges, Nnoli (2003) identified several measures implemented by the government to minimise their impact. These measures include ‘federal character,’ formation of unity colleges, ethnic balancing, various attempts at developing a fair revenue allocation formula, attempted development of a single indigenous language (Wazobia), and relocation of the federal capital, amongst others. However, despite these efforts, the country is still wrestling with ethnicity-related tensions. As Nnoli (2003) posits, it is apparent that the understanding of the ethnic phenomenon is shallow, hence the difficulty in tackling the issue. Therefore, in developing a new strategy for addressing the problem, the challenge must be initially clarified.

Jalali and Lipset (1992) offered an explanation for ethnicity problems. They inform that Marxists and non-Marxist scholars opine that ethnicity is a reflection of traditional societies in which people lived in small communities, isolated from one another, as there were limited modes of communication and transportation. Jalali and Lipset (1992) added that the scholars assumed that the advent of industrialisation, urbanisation and increased education would overwhelm ethnic consciousness, which would ensure that universalism overpowered particularism. However, despite improvements in industrialisation, urbanisation and education, ethnic consciousness remains high. The issue, which was noted in the previous chapter, relates to the failure to acknowledge that factors such as industrialisation, urbanisation and education will manifest differently across countries in view of the varying levels of economic sophistication of those countries. As a result, whilst European countries, in particular France (see Jalali & Lipset, 1992), have leverage on the benefits of these factors to narrow ethnic consciousness, the case is different for developing economies. Indeed, there are sufficient evidence that the factors noted in Jalali and Lipset (1992) have served to further widen the gap between Nigerian ethnic groups.

It must be noted however that from the interviews conducted, relating to this issue, a different perception is observed. The influence or role of individual actors appears to act as a major determinant of ethnicity problems in Nigeria. Influential individuals are able to sway public perception in their ethnic domain to achieve personal objectives. This practice is prevalent amongst politicians. This connects with Adamolekun *et al*.'s (1991) position, as they observed that the desire to attain unmerited personal interest seems to be a main driver of ethnicity-related problems in Nigeria. As has been noted, greed and other similar vices (aided by value erosion in society) have contributed to the proliferation of these behaviours. The emergence of influential individuals is traceable to weak institutional frameworks, as existing structures to control oppressive behaviours lack the requisite robustness.

Based on the preceding discussion, it is envisaged that three issues must be addressed to limit the inclination towards ethnic affinities among Nigerians. It is believed, as Ukiwo (2003, 2005) recommended, that the de-recognition, or at least attenuation, of ethnicity issues in corporate environments will signal the need to treat every individual equally and fairly, irrespective of their ethnicity. To achieve this, the first issue that must be addressed is the economic emancipation of the people. Chukuezi (2009) identified poverty levels as a driver of ethnic consciousness in Nigeria. Economically-emancipated, informed and well-educated individuals are better able to appreciate and respect the supremacy of institutions over ethnic affiliations. Okogbule (2006) agrees that weaknesses in institutional frameworks in Nigeria are a reflection of the perception of Nigerians towards those institutions.

5.2.3 Consideration of Findings with respect to Economic Institution

The decision to comply with or defy regulations is the prerogative of economic agents. Many factors influence an individual's orientation towards regulation. These factors are important in evaluating regulation and proposing how compliance can be enhanced. However, regulation is not everything. The presence (or absence) of regulation does not suggest good corporate governance practice (Arjoon, 2005); it is influenced by the rational choice and economic motivation of an individual (Steel & König, 2006).

In Chapter Two it was indicated that regulation should embed corporate governance. This view needs to be examined to disentangle potential ambiguities. The effect of sound morals and ethics as precedents and predictors of good governance practices has been explored (see Jensen, 2001; Thomsen, 2004). Furthermore, the findings in Arjoon (2005) offer some insights. Whilst making a distinction between regulatory and ethical compliance mechanisms, Arjoon (2005) demonstrates that regulatory compliance mechanisms have proven inadequate to independently drive corporate governance compliance, in view of their inability to restore confidence and trust.

However, this proposition must recognise the prevailing corporate governance model in an environment. For instance, the use of the principles-based model in the UK is enhanced by the robustness of its institutions and, perhaps, the largely unwritten nature of the UK constitution. Similarly, it could also be argued that the relative success achieved with the use of the rules-based model in the US is also facilitated by the strength of its institutions and its written constitution approach. Whilst these views suggest that the use of principles-based or rules-based models is irrelevant as long as institutional frameworks are resilient and durable, Doidge *et al.* (2007) and Judge *et al.* (2008) show that country institutional specificities are crucial to this outcome.

Berglöf and Claessens (2006) posit that institutional frameworks in many developing countries have been impaired as a result of increasing erosion of morals and values in these systems. Thus, it becomes challenging to establish a governance model (principles-based) which links with the proposition recommended in Arjoon (2005) where 'freedom of indifference' and 'freedom for excellence' are crucial. However, whilst the need for values and morals cannot be discounted in corporate governance, regulation might offer a plausible strategy, particularly in environments where economic decisions are commonly based on variables other than principles. The obvious alternative (rules-based) requires a robust regulatory regime, however accounts by Inyang (2009) and Adegbite (2012) affirm that the regulatory system in Nigeria is weak, hence a reassessment of the existing governance regulatory structure is required.

It is particularly noteworthy when rules-based and principles-based regulatory regimes are examined. In the US, where rules-based regulation is in force, corporate governance infractions are still evident. For instance, Kirkpatrick (2009) and Conyon, Judge, and Useem (2011) traced the 2008 global financial crises to the subprime crisis in the US and, more specifically, to incidences of poor corporate governance. However, in the UK, the principles-based model appears to have had some positive effects, despite lacking the same force present in the Sarbanes-Oxley Act of the US. Black *et al.* (2007) agreed that the UK financial services have benefitted from the adoption of a principles-based regulation. The preceding examples emphasise Shleifer and Vishny's (1997) assertion that corporate governance regulations have produced varying results across countries. From Aguilera and Jackson (2003) accounts, it could be stated that existing institutional frameworks in these countries may have accounted for these differences.

This issue creates concern in developing countries where the existing institutions do not possess similar robustness to constrain behaviour (Adegbite & Nakajima, 2011b). As a consequence, issues of rationality become crucial. According to Scott (2000), fundamental to rational choice is the assumption that complex social phenomena can be explained in terms of individual action. This position, termed 'methodological individualism,' suggests that individual human action is the unit of social life. Thus, the idea of rationality implies a conscious agent engaging in deliberate calculative strategies to maximise their preferences. Economist Gary Becker provided an example. As he was running late for an important appointment, he had to weigh up the costs and benefits of legally parking in an inconvenient garage, or illegally parking in a convenient place. After roughly calculating the probability of getting caught and the potential punishment for being late, he rationally opted to commit the crime by parking illegally.

The foregoing example provides the foundation for examining the effect of regulation as a deterrent. As noted in Becker (1974), the gains and pains of infractions determine the effectiveness of regulations as deterrents. Whilst an individual would rationally aim to maximise their gains, an environment with weak legal systems enhances the possibility of gains exceeding pains (Ellis, 2003), such that, over time, it becomes rational to engage in infractions. As informed by the discussions in the political and social domains, the emergence of a good corporate governance system, especially in societies where agents display apathy to regulations (Ahunwan, 2002), is undermined by ineffective sanction regime.

A subsequent danger of this is where economic agents regard the maximisation of their gains, via unethical means, as utility.[50] This is particularly worrisome considering Hodgson (2012) observation that people generally seek to maximise their utility. Thus, utility can be modified to describe any form of behaviour, irrespective of the procedure or motive underlining the behaviour. Though, as agreed by Hodgson (2012), this indicates a sign of weakness rather than strength. For instance, in a society where influential individuals have consistently exploited the system over a long period of time, continuous engagement in such unethical activities could become the norm, or alternatively, satisfying a habit (utility). This emphasises the need to understand the motivations influencing the behaviour of economic agents.

Furthermore, rational choice theory posits that an individual's preference is informed by his beliefs and fundamental desires. However, Dietrich and List (2013) suggest that whilst new information may provoke a change in beliefs, fundamental desires are unshakable. New information bears little effect on the fundamental desires of individuals. Therefore, it may be necessary to understand the reasons which influence an individual's fundamental preferences. Dietrich and List (2013) formulated two axioms to examine reason-based preferences. First, they note that preferences are inspired by motivating reasons and, second, preferences mutate in a coherent way as additional reasons become motivating. This indicates that utility can be a motivating reason to explain why agents engage in unethical practices, and not necessarily to maximise their gains. This raises questions regarding the relationship between rationality and economic motivation. In addressing this issue, there are sufficient basis to argue that the depth of knowledge available to a stakeholder determines their rationality.

From the foregoing, it is therefore instructive that the main corporate governance code in Nigeria (SEC Code, 2011) has not given adequate considerations to matters relating to economic institutions as highlighted in Table 18. In the table, issues

[50] Utility describes a situation where an act is deemed profitable or beneficial (see Levin & Milgrom, 2004).

relating to the generic and subcategories of rational choice was not addressed. The cost-benefit motivation is compensated by the engagement of corruption to outsmart the weak regulatory policies. This problem is accentuated by low literacy levels which mean it remains a difficult task for many economic agents to comprehend the worth of good corporate governance. Nalukenge, Nkundabanyanga, and Tauringana (2012) show how literacy levels could impact the quality of accounting information in a developing economy.

On the contrary, the relative strides achieved with respect to corporate governance in many developed countries have been related to many factors among which is high literacy levels (Barro, 1996). A UNESCO (2006) Report also noted that the empowering potential of literacy can translate into increased political participation and thus contribute to the quality of public policies and to democracy. The stifling effects of key institutional elements in developing economies such as Nigeria ensure that the potentials inherent in a high literate environment remain unachievable.

Table 18 - Frequency of Economic-Related Themes in the SEC Code (2011)

Main Categories	Generic Categories	Frequency Counts
Economic Institutions	Economic Regulation	1
	Rational Choice	0

To conclude, it should be noted that rational choice is based significantly on reasons. Shafir, Simonson, and Tversky (1993) observed that when individuals are faced with making a decision, they often seek and construct reasons to rationalise their choices. It can therefore be reasonably concluded that rational agents act on the basis of motivating reasons. However, political and social elements could have an impact on individual reasoning, with subsequent impact upon what that individual considers to be a rational choice. Thus, in environments with weak political and social structures, it is possible that the majority of the motivating reasons accessible to economic agents (which centre on profit generation rather than wealth maximisation) may be inconsistent with good corporate governance principles.

5.3 Theoretical Implications of Nigerian Corporate Governance Scholarship

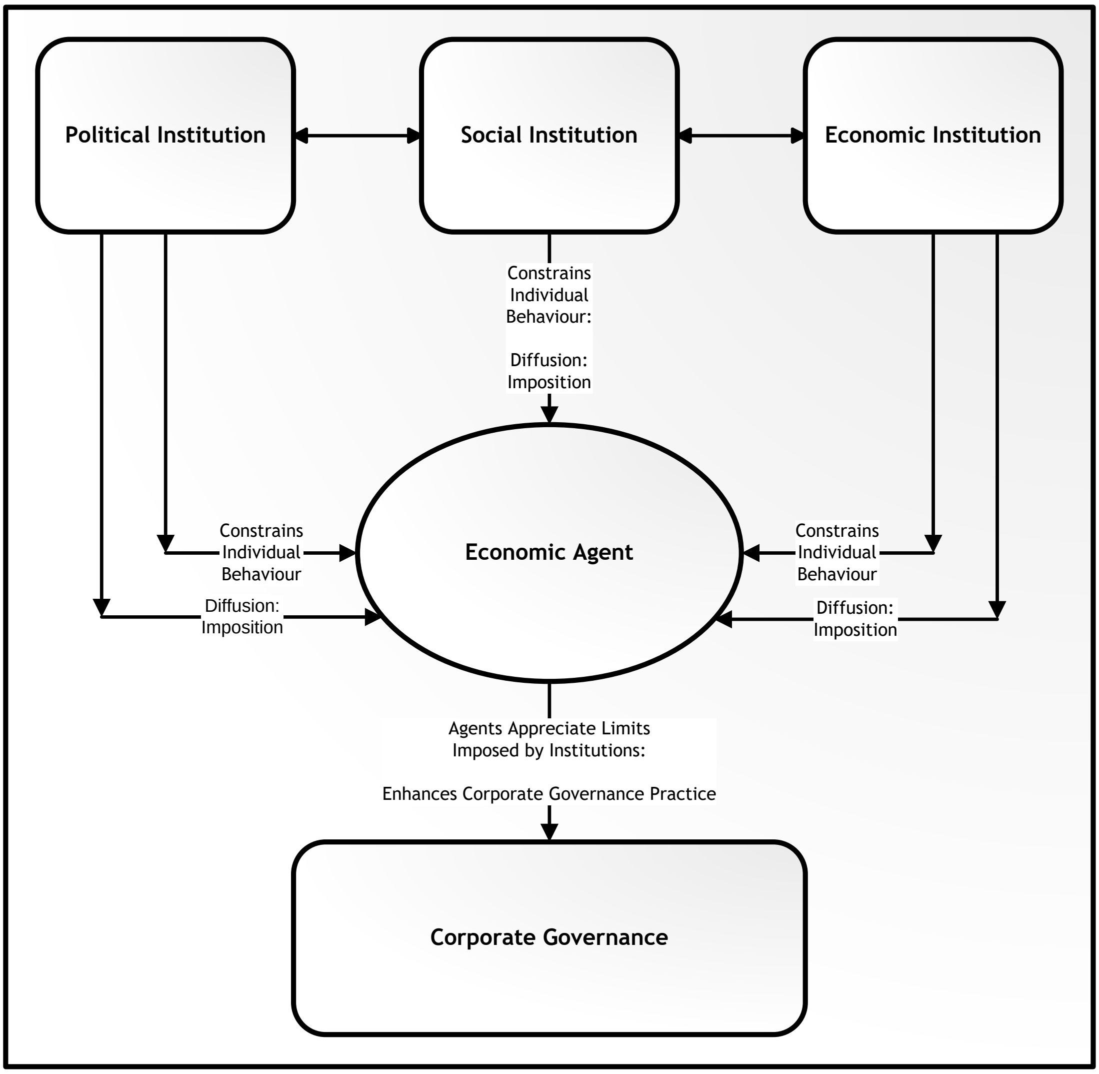
From Chapter Four and so far in this chapter, insights have been generated regarding the practice of corporate governance in Nigeria. However, a PhD thesis, according to Petre and Rugg (2010), aims to enrich theoretical discourse hence it is appropriate to present the theoretical significance of this study. Consequent upon the aforementioned, this section discusses some emergent understandings regarding two theories relevant to corporate governance.

5.3.1 Institutional Theorising of Corporate Governance in Nigeria

In Chapter Two it was noted that institutions and institutional environments are the drivers of institutional theory (Suddaby, 2010). In the same chapter, the application of the propositions established by institutional theorists (with respect to corporate governance) (Aguilera & Jackson, 2003; Judge *et al.*, 2008; Filatotchev *et al.*, 2013) was examined. Consequently, this discussion commences by examining whether institutional weakness is the main factor influencing corporate governance challenges in Nigeria. This contention is the basis for Figure 15.

Figure 15 shows the relationship which exists amongst institutions, economic agents and the corporate governance system. The objective of institutions, whether it is political, social or economic, is to constrain or check the behaviour of an individual economic agent (North, 1990). In achieving this objective, institutions act as an agent of diffusion (Nee & Strang, 1998) by seeking to impose mutually-beneficial institutional norms on individuals operating in a society (Judge *et al.,* 2008). This position, which is fundamental to the framework in Figure 15, indicates that the objectives of corporate governance are better served when economic agents acknowledge their limits, as imposed by institutions and the institutional environment (Aguilera & Jackson, 2003).

Figure 15 - Institutions, Economic Agents and Corporate Governance



Assuming that the preceding view is valid, it can be concluded that the capacity of an institution to act as a constraint on the behaviour of economic agents is determined by the robustness of that institution (Adegbite & Nakajima, 2012). For instance, the relatively higher level of compliance to corporate governance regulations displayed by corporations in developed economies can be traced to the fact that the legal institutions in those regions possess the capacity to ensure that sanctions are certain to be enforced (La Porta *et al.*, 2000; Licht *et al.*, 2005). The possibility of evading enforcement is low. It can therefore be argued that institutional frameworks, represented by political, social and economic institutions (Figure 15), relate such that two objectives are achieved, which are discussed in the next paragraph.

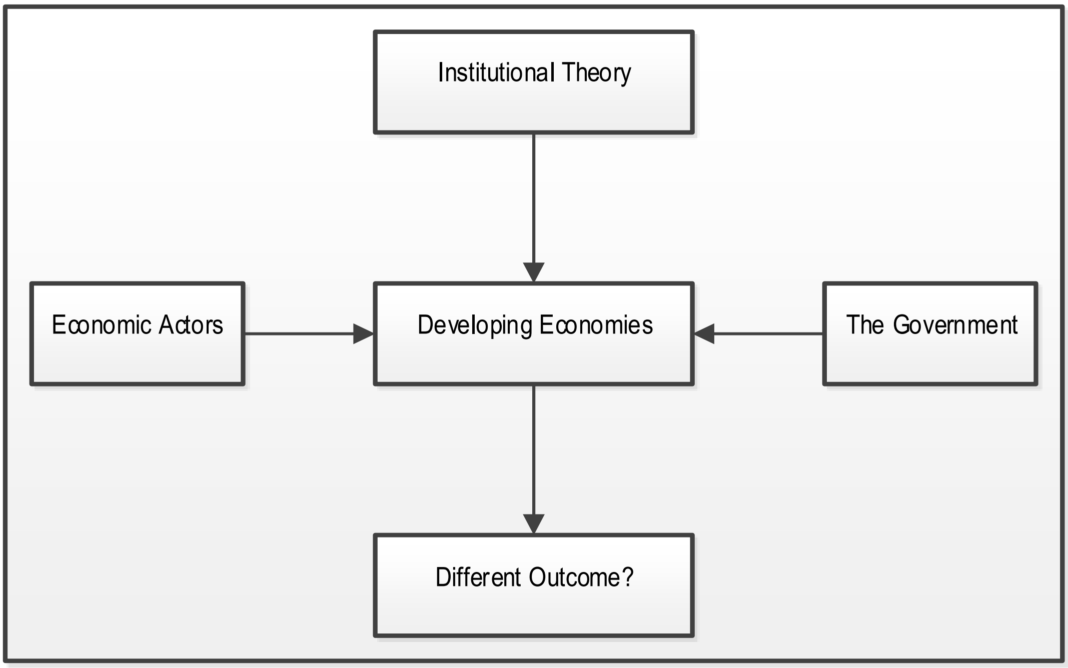
The first objective is the influence on the behaviour of economic agents with respect to how they undertake their activities (North, 1990), acting as a system of checks and balances which is consistent with Solomon's (2013) definition of corporate governance. The second objective of institutional elements as represented in Figure 15 entails diffusion (of acceptable behaviour) and imposition (of restrictions to behaviour) in an institutional environment (Judge *et al.*, 2008). As these institutions become increasingly robust over time, it is expected that the positives inherent in these institutions are dispersed to agents. This, in turn, controls the actions of agents and stimulates positive implications for the practice of corporate governance.

However, as indicated in Figure 15, the framework does not sufficiently account for variations in the degree of effectiveness, sophistication, reputation and awareness, amongst others, in institutions and institutional environments across the globe. Whereas Adegbite and Nakajima (2011b) agree that the capacity of institutions to promote good governance varies between countries, Fiss (2008) and Roe (2008) argue that the degree of robustness of institutional structures in individual countries is critical to explaining the state of corporate governance in those countries. In fact, inconsistencies in the robustness of institutional frameworks in capitalist environments represent a useful basis for evaluating the significance of institutional theory between developed and developing economies (Glaeser *et al.*, 2004; Fukuyama, 2006). To highlight this point, Hussainey and Salama (2010) demonstrate that organisations with higher levels of corporate environmental reputation (CER) exhibit a corresponding higher degree of share price anticipation of earnings as opposed to organisations with lower levels of CER scores. The key factors upon which the outcome is based (efficient resource allocation and information flow) have remained a challenge in developing economies, limiting the development of CER, with implications for share price anticipation.

The preceding notion supports an examination of the significance and application of institutional theory in developing economies. This is crucial, as institutional theory has been engaged in explaining corporate governance in Nigeria and its variations. This is also consistent with the approach employed in Adegbite and Nakajima (2011b). However, it can be argued that the capacity of institutions to entrench good corporate governance practice is context-specific (Judge *et al.*, 2008) *i.e.* it is informed by the peculiarities of the institutional environment. This is denoted in

Figure 16. The figure shows that the impact of institutional elements on business practices could be influenced by economic actors and the government. This is particularly true in developing economies (see Figure 16) where weaknesses in institutional frameworks could be the outcome of an increase in influential economic agents and powerful governments. During data analysis in Chapter Four it was consistently observed that the activities of individual economic agents and the government in Nigeria, for example, are inconsistent with the positions established by institutional theorists such that the outcomes of corporate governance are usually at variance with projections. In this thesis, these two factors serve as the basis of enriching the institutional theorising of corporate governance.

Figure 16 - Influences on Institutional Theory in Developing Economies



5.3.1.1 The Individual Economic Agent and Institutional Theorising

It is critical to note that the fundamental basis of definitions and views on institutional theory is its capacity to control the actions of economic agents as a means of achieving mutually-beneficial common goals (North, 1990). However, differences in institutional environments indicate that possible variations could exist regarding its impact on corporate governance practice, for instance. The views of respondents are consistent with this position. In fact, the majority of respondents indicated that the unfavourable contributions and impact of individuals on institutions of corporate governance in Nigeria may explain the present state of its corporate governance. The interest generated by the 'individual' concern amongst participants was somewhat substantial. Table 19 reveals an NVivo extract of the top 10 words used by all research participants. As can be seen from the table, 'people' is uppermost. Whilst the usage of the word could have other meanings, the researcher can confirm that the word has been substantially used by participants to represent individuals or economic actors.

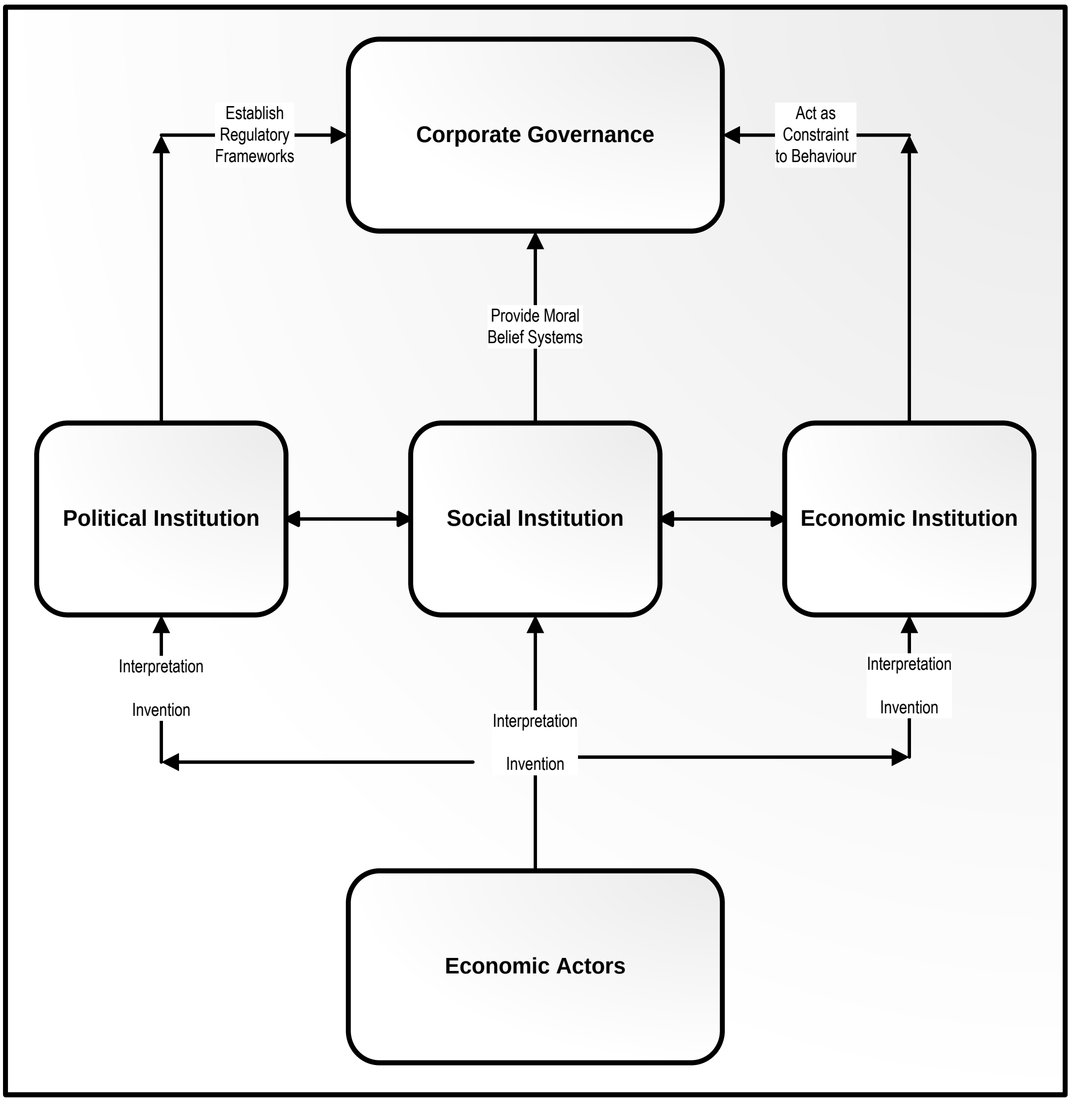
Table 19 - 10 Most Cited Words by Research Participants

Word	Length	Count	Weighted Percentage (%)
people	6	291	1.11
Nigeria	7	269	1.02
code	4	238	0.91
think	5	217	0.83
also	4	216	0.82
even	4	216	0.82
culture	7	207	0.79
want	4	170	0.65
way	3	162	0.62
system	6	159	0.60

Following the above, it can be rationalised that the functionality of existing institutions in Nigeria has been undermined by the activities of certain influential individuals. Consequently, it is understood that individual economic agents are central to the establishment of robust institutional frameworks in Nigeria. This view is consistent with the result in Glaeser *et al.* (2004). Their study indicates that human capital is a better basis of growth than institutions. Indeed, it could also be reasoned that human capital offers a more important variable for predicting economic development than institutions. This has implications for the understanding of institutional theory, as it highlights the role of humans in institutions.

In addition, Glaeser *et al.* (2004) reported that poor countries tend to resolve their problems by means of good policies established by dictators. This indicates that corporate governance can be improved even by a dictator as long as sound policies are established and complied with. Hence it could be advocated that it is the economic actor (such as a dictator) who builds an institution that should take priority, not the institution. To extend this assertion, an influential economic agent can implement measures towards building strong institutions, hence the resilience of institutional elements is determined by influential economic agents. This is consistent with Lipset's (1960) position which affirms that even over a relatively short time span of five years, human capital can lead to institutional improvement.

Figure 17 - Bottom-Up Approach to Corporate Governance



Furthermore, the role of economic agents is supported in Oliver's (1992) deinstitutionalisation argument. For example, drawing from the concept of normative fragmentation,[51] Oliver (1992) identified leader succession as a force which can

[51] Normative fragmentation describes the loss of cultural consensus among members of an organisation on the meanings and interpretation they attach to existing organisational tasks and activities (Oliver, 1992).

impede the endurance of organisational and institutional traditions. The basis for this position is that new members, whose backgrounds are different from those of existing members, bring different interpretive frameworks which act in a way that gradually diminishes consensus and unquestioning adherence to existing taken-for-granted practices. Thus, institutional endurance is linked to the preferences of new institutional members.

The position noted in the last two paragraphs is inconsistent with the objective emphasised by institutional theorists as denoted in Figure 15. Therefore, as represented in Figure 17, a bottom-up approach to institutional theorising of corporate governance is proposed to reflect developments in many developing economies such as Nigeria. In Figure 17, greater emphasis is placed upon influential economic actors. Emphasising the role of economic actors is consistent with Scott's (2014, p. 5) *"diachronic and synchronic analysis,"* which seeks to ascertain how economies acquire their features and explores the conditions that cause the features to vary over time and space. In other words, the nature of development in social systems can impact institutionalisation processes. An example is the development of traditional institutions in many developing economies such as Nigeria, where traditional leaders are powerful and possess the authority to substantially influence decision-making in their domain. This mode of thinking has infiltrated the Nigerian political and business environment, as some corporate executives display similar dispositions (see Nwabuzor, 2005). Thus, rather than institutions monitoring the behaviour of these agents, the situation is *vice versa* in most developing economies.

As shown in Figure 17, these influential agents possess the ability to engage in two activities. First is to invent the institutions. Thus, institutions generally lack expected endurance and independence, as their existence and relevance is tied to the inventor, and mutates with the emergence of another influential agent. This leads to the second activity. As agents consider themselves responsible for inventing institutions, they interpret these institutions to suit their individual preferences, as is often witnessed with the legal institutions in many developing economies. For instance, the direction of the political system is determined not usually by the political parties or structures established for this purpose but by those who have emerged from the (political) institution (Omololu, 2007). This concern was summed up in Sokoloff and Engerman (2000, p. 223);

> *Specifically, in those societies that began with extreme inequality, elites were better able to establish a legal framework that insured them disproportionate shares of political power, and to use that greater influence to establish rules, laws, and other government policies that advantaged members of the elite relative to non-members, contributing to persistence over time of the high degree of inequality.*

While this challenge poses serious consequences for the practice of corporate governance in Nigeria, its theoretical implication is equally crucial to the literature on institutional theory. Judge *et al*. (2008) intimated this possible challenge when they suggested that economic actors can invent institutions through negotiation. Thus, whilst it is agreed that institutions can be invented by influential individuals, institutions are not always the outcome of a negotiation process, particularly in the developing world. Rather, other undesirable strategies such as wars could be employed by economic actors to create institutions. Therefore, this thesis argues that individual economic actors are more important with respect to achieving the objective of good corporate governance in developing economies. The foregoing is the basis for proposing a bottom-up approach to corporate governance (Figure 17) rather than the dominant top-down approach, presented in Figure 15.

To conclude, this thesis engaged with another strand of literature which examines the relevance and applicability of institutional elements in corporate governance discourse (Glaeser *et al.*, 2004; Przeworski, 2004; Fukuyama, 2006). These authors posit that it is the conditions that underpin institutions, more than the institutions, that influence the direction and practice of corporate governance. Further evidence of the preceding view was noted in Majumdar and Mukand (2014). Engaging the concept of institution-building, they identified two effects in relation to political institutions and institutional change. They argue that, whereas good institutions can be developed by increasing political accountability which offers an incentive effect, they demonstrated that the preceding activity increases the incentive of the rentier elite to 'tighten their grip' on political institutions, which represents the political control effect. The implication is that incentive and political control move in parallel. Where influential political actors lack control, the incentive for political accountability may be low, and *vice versa*. This further indicates that the development of robust institutions is a reaction to the preferences of some actors. This is certainly the case in most developing economies.

The foregoing argument is extended using Nigeria as a case study to offer further insights into the ideas underpinning institutional theory. It was found that rather than seeking to build institutions in an effort to enhance corporate governance practices, concerns created by powerful/influential individuals need to be addressed in advance prior to strengthening institutional frameworks. This was the basis for conceptualising the bottom-up approach to good corporate governance, focusing on human institutionalism.[52] This challenges the top-down approach which has enjoyed significant scholarship, particularly in studies examining corporate governance in both developed and developing economies.

5.3.1.2 The Government as Agents of Institutional Isomorphism

In Chapter Two, the paucity of literature regarding the potentiality government as an agent of isomorphism was noted. This thesis posits that an understanding of the influence of government in promoting isomorphic tendencies will be beneficial to the scholarship of institutional isomorphism. Ahunwan's (2002) analysis of the ownership structure of businesses in Nigeria reveals that the government controls a significant percentage of economic activities. Furthermore, Taiwo and Abayomi (2011) contend that the Nigerian government expends significant public funds. Similar situations exist in some other developing economies. For instance, evidence was found in Mangena and Tauringana (2007) that the Zimbabwean government also wields significant economic power and control.

Following the above, this study proposes that the dominant economic force of the government in developing economies could have implications for institutional isomorphism (DiMaggio & Powell, 1983) with respect to corporate governance practices. Notably, Frumkin and Galaskiewicz (2004) report that public sector organisations have long been considered major drivers of the institutionalisation process in business organisations.[53] However, conversely, Frumkin and Galaskiewicz (2004) observed that these government agencies have rarely been

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[52] This concept will be further discussed in the next chapter as a contribution emerging from this study.

[53] The emergence of 'political institutions' as a main category in prior analysis undertaken in this study supports the position expressed in Frumkin and Galaskiewicz (2004).

considered as agents of institutional pressures. This is worth noting despite the fact that DiMaggio and Powell (1983), in framing Hypothesis B-2, acknowledged that;

> *The greater the extent to which the organisations in a field transact with agencies of the state, the greater the extent of isomorphism in the field as a whole.*

Indeed, as observed in Chapter Two, studies on institutional isomorphism have largely concentrated on building the structures of one private firm to be similar to those of other comparable firms (see DiMaggio & Powell, 1983). The focus on private firms is informed by the fact that in many developed economies, the private sector enjoys similar, if not greater, economic influence than their government. This is not the case in many developing countries. As shown in Ahunwan (2002) and Taiwo and Abayomi (2011), the economic influence of governments consistently overpowers the economic contributions of the private sector, such that many firms are dependent upon it (government) for patronage and continued survival (Osemeke, 2011). Hypothesis B-1 in DiMaggio and Powell (1983) supports this assertion.

Thus it could be argued that, in Nigeria, institutional isomorphism is driven by the government rather than private sector organisations. With this background, the well-documented concerns associated with public sector governance in Nigeria have contributed to creating weak systemic governance. This connects with Hawley's (1968) proposition that firms subjected to the same environmental conditions tend to acquire a similar form of organisation. It is consistent with DiMaggio and Powell's (1983, p. 147) stance that institutional isomorphism could actually *"make organisations more similar without necessarily making them more efficient."*

Subsequently, the weak governance system in many government establishments appears to have extended to every facet of the institutional environment, with the outcome that many private-sector corporations exhibit similar poor governance practices. Thus, isomorphic manifestations, with government as the main agent, could be engaged as an instrument for explaining the present state of corporate governance in Nigeria. If that is the case, the instrumentality of government can be correspondingly engaged to stimulate systemic institutional change by exploiting its isomorphic propensities.

In conclusion, the institutional isomorphism literature has not sufficiently acknowledged the role of government in creating the dominant practices and traditions in the institutional environment of developing economies. The increasing relevance of developing economies in the global marketplace demands that attention is paid to this research area considering the present unenviable state of corporate governance practices amongst these economies.

5.3.2 Realignment of Agency Theory: The Principal-Principal Alternative

As indicated in Chapter Two, Letza *et al.* (2008), with respect to agency theory, noted the conflicting opinions regarding its influence and relevance to practice. In addition, Fama and Jensen (1983) made a crucial contribution to the problems associated with agency theory, proposing that the wealth maximisation objective of firms is constantly threatened by organisational survival due to factors relating to the 'separation of ownership and control.' They argue that as decision agents are not significantly affected, financially, by their decisions, firms are inherently exposed to agency issues. This concern appears to be the trigger for governance abuses in corporations globally, intensified by the narrowness of the agency model (Hirsch & Friedman, 1986).

In reference to the narrowness of the agency model, a shift or realignment in its theoretical focus may be necessary. Agency debates are concentrated on two economic agents (shareholders and management). Whilst stakeholder theory recognises the need for stakeholders to be integrated into the model, it is crucial to identify who is indeed the most important stakeholder in a firm. Letza *et al.* (2008) admits that despite the volume of criticisms regarding theories of corporate governance, the primacy of the shareholder is not in doubt. The reasons are not fanciful, as 'he who pays the piper calls the tune.' Thus, it could be suggested that the 'suppliers of finance' (see Friedman, 1970; Shleifer & Vishny, 1997) idea underpins the agency model.

Nonetheless, if the objective is to maximise wealth, other factors become equally crucial. The banking system is employed to illustrate this point. The relevance of the system in many facets of life, particularly in economic development, is well-documented (Mayer, 1990; Levine, 1997). The system, built upon what is known as the ‘process of financial intermediation’ (Allen & Santomero, 1997; Cetorelli, Mandel, & Mollineaux, 2012), brings together interested parties and facilitates exchange between lenders (surplus-income units) and borrowers (deficit-income units).

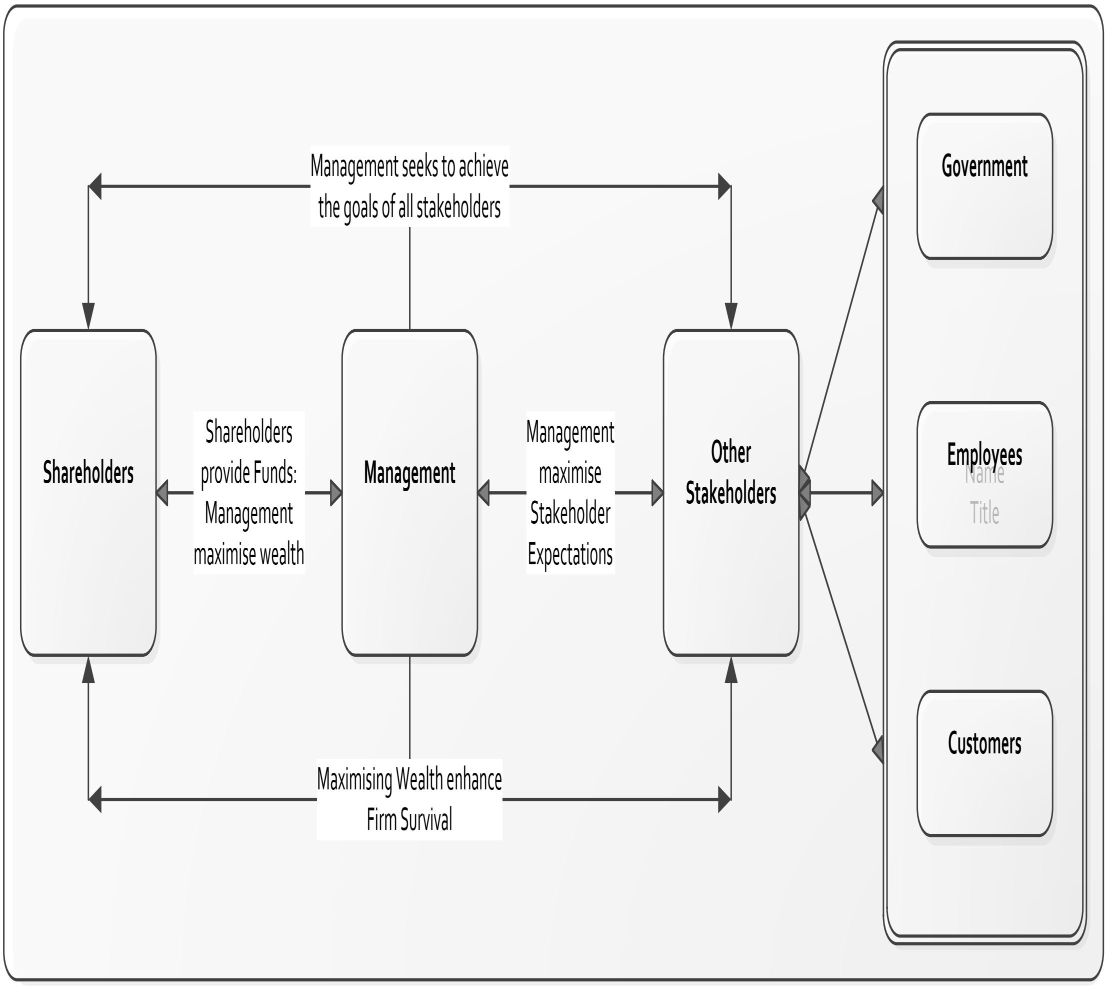
Lenders (who could be likened to shareholders) engage in this process as they are desirous of maximising their wealth (mainly via interest received). However, their wealth maximisation objectives depend considerably on the intermediaries (banks). The alternative is to connect with the deficit-income unit without employing the bank. This will potentially increase transaction costs (Jensen & Meckling, 1976), thereby impacting wealth maximisation objectives. Therefore, the wealth maximisation objectives of lenders can be enhanced when a middleman *i.e.* a banker with the requisite skills, is engaged to source borrowers and, in particular, ensure that the principal and interest is available to the lender when the ‘contract’ matures. A different path could potentially lead to wealth erosion.

The above illustrations indicate that, in creating wealth, on the one hand shareholders rely on management, whilst on the other management depends on shareholders to equally maximise their own (management) wealth. This shows that agents are as powerful and important as the shareholders. Since shareholders solely depend on management to maximise their wealth, this thesis posits that the literature should call for the increased recognition of the value of management in agency scholarship.

Figure 18 expands the shareholder model to incorporate other stakeholders. Every stakeholder (including shareholders) desires to maximise their wealth. The only stakeholder who can facilitate the realisation of this objective is the management. Based on this premise, managers could be deemed as key players in the Mendelow (1991) stakeholder mapping framework. According to Mendelow (1991), key players are stakeholders with great power and high influence. Whereas Kotter (2010) notes that the possession of power increases influence, Pettigrew and McNulty (1995) suggest that management possesses as much power as shareholders in influencing the performance of corporations. Therefore, taking the preceding view into account, the power possessed by management comes with corresponding influence. As a consequence, management could be considered a key player, equating the power and influence possessed by management to those of shareholders.

From Figure 18, it is only management that has direct control over the pursuit of all other stakeholders' objectives. An example is corporate collapses, which are often the outcome of poor or unethical management decisions.

Figure 18 - The Role of Management in Corporations



Whilst the advocates of agency theory have been criticised for not vigorously pursuing a system for addressing management objective, would the maximisation of management objective necessarily translate to the maximisation of other stakeholders' wealth? A manager's action could be influenced by regulative, normative and cultural-cognitive systems (Scott, 2014) existing in an environment. Giddens (1984) explained that the normative (ethics, principles, beliefs and values) systems offer an enduring orientation for an individual. Thus, maximising shareholder wealth could be enhanced by the institutional environment within which management operates. Letza *et al.* (2008) describe this as pluralistic corporate governance theorising *i.e.* the adaptation of the core theories of corporate governance to integrate institutional contexts. This has become crucial as the boundaries of the firm are increasingly unfixable and constantly shifting. This is evidenced by changing relationships with suppliers, easier access to financial capital, the increasing importance of human resources to a firm's survival, globalisation effects and developments in information technology (Letza *et al.*, 2008).

In the context of developing economies, the need to explore a realignment of agency theory is compelling. Agency theory postulates that, in imperfect markets, managers will seek to maximise their own interests at the expense of shareholders' (Eisenhardt, 1989). However, the ability of agents to pursue this objective derives from information asymmetry *i.e.* where managers have access to more information than shareholders. This challenge represents the main conflict in agency relationships (Fama & Jensen, 1983). The well-developed nature of the information systems in many developed countries has facilitated a continuing thorough assessment of the challenge. The same cannot be said of developing economies, where information flow has remained a concern (Khanna & Palepu, 2000). Furthermore, as Young *et al.* (2008) noted, concerns regarding weak legal protection of minority shareholders, concentrated ownership structures, extensive family ownership and control, which are prevalent in developing economies, call for an adjustment of the agency postulation.

In view of the foregoing, this study proposes a principal-principal alternative to agency theorising in developing economies. Whereas evidence from corporate failures, and many other incidences, has shown that agency complications and the corresponding agency costs cannot be completely eliminated (Wright, Mukherji, & Kroll, 2001), this problem is compounded in environments that do not possess many of the basic requirements for a functional agency relationship (see Dharwadkar *et al.*, 2000; Young *et al.*, 2008). As a result, the number of incidences of corporate failures in developing countries such as Nigeria is typically higher than in many other parts of the world (Nworji *et al.*, 2011; Adeyemi & Olowu, 2013).

Against the background of both management and shareholders being classed as key players in an organisation, firms, particularly in developing economies, may benefit from embracing a principal-principal perspective. Therefore, rather than agents working towards maximising shareholder wealth, it is proposed that a profit sharing arrangement between management and shareholders (including other stakeholders) can help address prevailing agency challenges. This view offers a framework which ensures that both parties strive towards maximising organisational wealth, contrary to agency theory which assumes that managers endeavour to maximise shareholder wealth, creating concerns in relation to goal congruence (Young *et al.,* 2008).

5.4 Framework for Good Corporate Governance in Nigeria

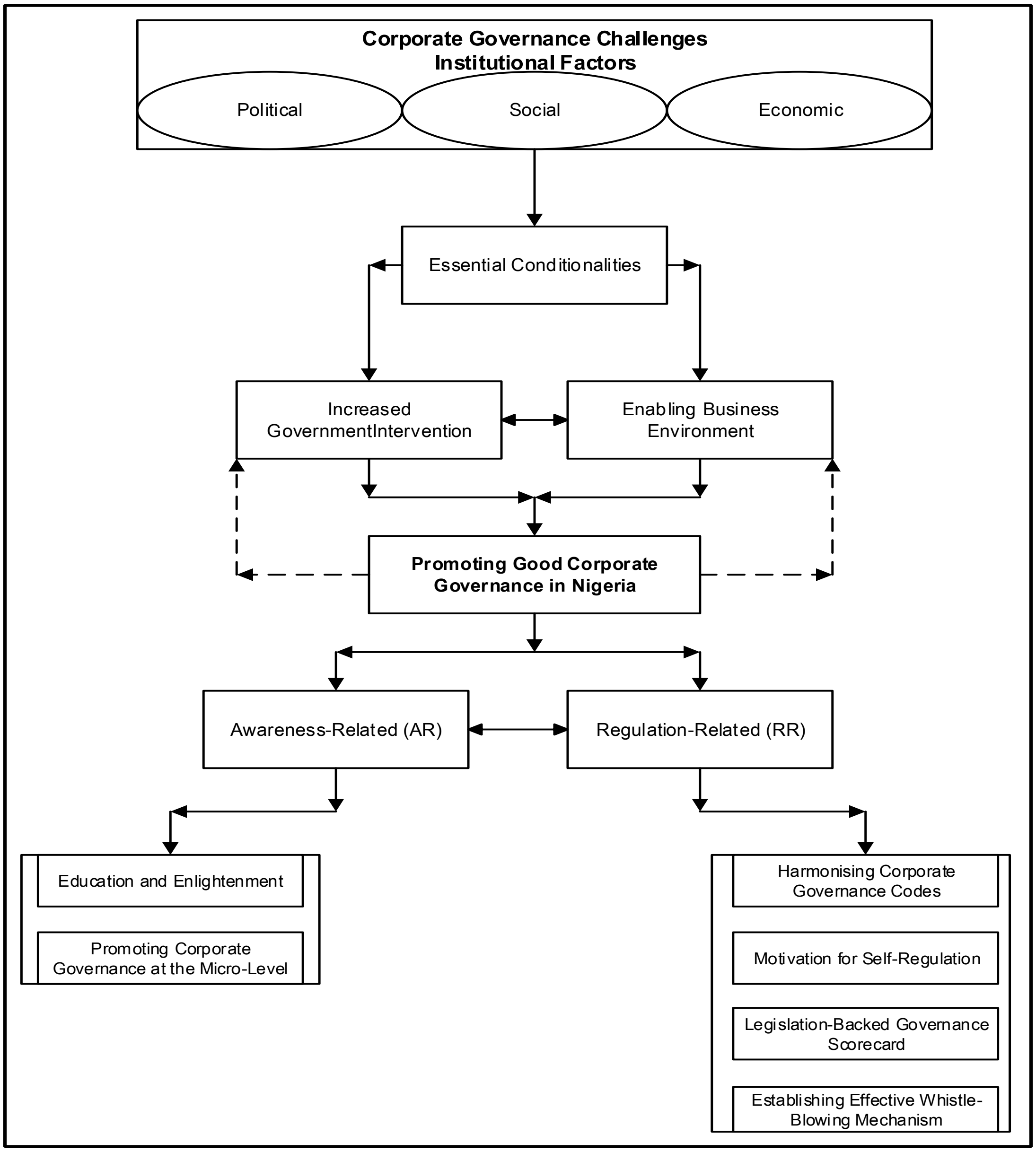
Figure 19 reveals the thesis' proposal for establishing a robust corporate governance system in Nigeria. It has been argued that the effective functioning of a corporate governance system requires that certain conditions are established and clarified, such as the role of government (Coglianese, Keating, Michael, & Healey, 2004; Goergen, 2012). In the upper part of Figure 19, two conditionalities are acknowledged, namely increased government intervention and an enabling business environment. These conditionalities are projected to drive reforms (see Section 5.4.2) proposed for corporate governance in Nigeria. The lower part of Figure 19 denotes proposed reforms. These reforms are classed into two categories. The first category, the awareness-related (AR) reforms are intended to trigger a positive change in the behaviour of economic agents, and promote institutional consciousness. The second category of reforms, the regulation-related (RR) reforms will not only enhance the functionality of AR reforms, but specifically seeks to engage the force of law in addressing corporate governance challenges in the system.

Whilst the description in Figure 19 suggests that the implementation of proposed reforms can work in a linear manner, the relationship between conditionalities and reforms can mutate such that reforms can facilitate the continued reinforcement of conditionalities (depicted by the dashed lines in Figure 19). In an environment where the interest of government in establishing a sound governance structure is questioned (Inyang, 2009), legitimacy can be important. If AR and RR are established and subsequently gain societal legitimacy, these reforms can be strengthened over time such that increased government participation and the development of a sound business environment becomes a rational and inevitable outcome.

5.4.1 Prerequisites for Effective Governance Reforms in Nigeria

There are various drivers which can propel the practice of corporate governance towards attaining the desired expectations in an economy (Enriques & Volpin, 2007). These drivers include investor protection (La Porta *et al.*, 2000), shareholder activism (Gillan & Starks, 2000), board independence (Adams, Hermalin, & Weisbach, 2010) and information disclosure (Hermalin & Weisbach, 2012), amongst many others. However, these drivers require that some fundamentals are established. This section discusses two preconditions which should support proposed corporate governance reform in Nigeria.

Figure 19 - A Model for Good Corporate Governance in Nigeria



The first condition is increased (but positive) intervention by the government. Adelman (2000) remarked that the role of government in economic development represents the degree to which it can shape, or is inevitably shaped by, the society to which it belongs. This suggests that both society and the government have ‘powers,’ the extent of which determines ‘who shapes what.’ As previously noted, the Nigerian economic environment is dominated by the government and its various agencies. Ahunwan (2002) provides evidence which support this position. First; the government retains near-absolute control over public utilities and infrastructure. Furthermore, in Chapter Two, it was indicated that the government enjoys significant shareholdings in three of the four business ownership categories identified in Ahunwan (2002). This, once again, questions the isomorphism postulation of DiMaggio and Powell (1983) which did not sufficiently account for the role and influence of government as isomorphic agents. Where an economy is dominated by government, Frumkin and Galaskiewicz (2004) stated that government and its organisations often drive the institutionalisation of business firms and non-profit organisations.

In relation to the foregoing, comments from interviewees generally suggest that government has not shown enough commitment to the ideals of corporate governance. As shapers of society, the government has not provided essential leadership, which is central to good corporate governance. This point drew numerous comments from interviewees. For instance, B3 (a regulator) stated that;

> *Leadership must set the pace. They must live above board. They must serve as a model for followers.*

The main thrust for providing effective leadership is that it inherently increases the extent of government involvement in corporate governance matters across the country. The desire for increased participation of government can be examined in the context of low-trust countries conceptualised in Aghion, Algan, Cahuc, and Shleifer (2010). According to Aghion *et al.* (2010), individuals in low-trust countries yearn for more government intervention even when they know that the government is corrupt. This is because despite the unfavourable perceptions regarding the role of government, there is still a belief that increased intervention by the government is crucial to building a sound governance structure. In other words, distrust creates demand for government intervention through regulation (Aghion *et al.*, 2010).

Adegbite (2012) also posits that more government participation in corporate governance will be beneficial and foster better corporate governance practices. In view of this suggestion, it becomes important to examine how government can improve its participation in corporate governance in Nigeria. B7 suggests that;

> *…powers that be (political leaders) in Nigeria must buy into corporate governance. They must be made to see it as necessary for the country's economic development.*

Therefore, a strategy for improved governance performance must have the capacity to ensure that the benefits inherent in good corporate governance are understood by government and its agents. In other words, the government needs to be enlightened as to the values and worth of corporate governance. This would enhance the willingness of government to operationalise the principles of corporate governance in all areas of its activities. Wilson (2006) suggests that this represents an area where government has displayed a lack of sustained interest towards corporate governance, as corporate governance principles lack the necessary grounding in its (government's) businesses.

The weak corporate governance system in these organisations tends to create many other challenges. For instance, it becomes possible for the operations of government-owned companies to suffer from excessive political interference (Adegbite *et al.*, 2013). These problems restrict the ability of government and its corporations to offer leadership and inspire good corporate behaviour within the economic environment. In view of government's influence on society, this attitude is subsequently replicated as the norm in the business environment. Unfortunately, the extent of corruption and apathy towards regulation (see Ahunwan, 2002) means that other stakeholders consequently fail to appreciate the value of corporate governance.

However, it is crucial to state that efforts to address unconvincing government involvement in corporate governance must explore the capacity to depoliticise government organisations.[54] Vasilescu (2008) recommends the depoliticising of decision-making and the establishment of 'firewalls' between government and the

[54] It is important to note that depoliticising does not mean less government intervention.

management of state businesses where the government is the majority shareholder. Good corporate governance in these organisations would protect the interests of minority shareholders thus enhancing the protection of property rights. Attaining this goal must also be integrated into the awareness programme. Stakeholders will need to be trained, such that they appreciate the need to depoliticise and the potential benefits therein with respect to corporate governance.

The increased intervention of government can stimulate the pursuit of the second prerequisite i.e. the establishment of enabling business environment. Ogunro (2014) affirm that businesses thrive in a conducive and sustainable environment. However, as Sanda, Mikailu, and Garba (2010) acknowledged, the business environment in Nigeria, as presently constituted, hinders the entrenchment of sound corporate governance. It is no coincidence that countries in which corporate governance has achieved relative success (mainly in developed countries) operate a functional business environment which allows policies such as corporate governance to thrive. Using the PESTEL[55] model, the developed countries have succeeded in building a responsive business environment. Politically, these countries operate a democracy which acknowledges the importance of transparency and accountability to its citizens. In economic terms, these countries also tend to display a high level of economic development which stimulates the effectiveness of policies such as corporate governance. Similar positive developments are observable with respect to technology, social systems, environmental awareness and management. Notably, their legal institutions are well developed to cope effectively with the basic expectations of rule of law.

Whilst these elements have contributed to the emergence of a sound corporate governance system in developed countries, the same cannot be said for Nigeria. In Nigeria, the PESTEL elements are extremely challenged (Osemeke, 2011). For instance, whilst Nigeria is currently experiencing its longest period of uninterrupted democratic governance after independence (in 1960) since 1999, the quality of the electoral process has been constantly doubted. As a result, the country's democratic institution lacks the requisite legitimacy. The political institution is also challenged

[55] PESTEL is an acronym for political, economic, social, technological, environmental and legal. The model is used to evaluate the macro business environment (Johnson *et al.*, 2014).

by political corruption and power rotation among ethnic blocs which have created regional and ethnic tensions.

The country has not fared any better economically. Its business environment is overwhelmed by a variety of problems which include mono-product (crude oil) over-dependence, high interest rates, high inflation rates, multiple tax regimes, weak capital markets, falling external reserves and high levels of unemployment, amongst others. In a similar vein, the business environment is also beset by social problems, particularly an acute shortage of infrastructural facilities (Ogunro, 2014). Notably, the lack of amenities such as electricity power supplies, water provision, transportation networks and high levels of insecurity have converged to create unwarranted social problems. The legal institution is also plagued by corruption, such that issues of compliance and enforcement, which are fundamental to corporate governance, have been constantly subjected to manipulation. The foregoing summarises the present state of the Nigerian business environment.

The proposed reforms (presented in Section 5.4.2) may not yield the desired results if steps are not taken to address the challenges plaguing the Nigerian business environment. Indeed, no form of corporate governance can thrive if these challenges persist. However, it could be observed that the responsibility for improving the business environment lies substantially with the government. This reinforces the decision to recognise the government's increased involvement in corporate governance matters as a central prerequisite for the development of an enduring corporate governance system in Nigeria.

5.4.2 Proposed Reforms

In Chapter Four it was observed that the state of corporate governance in Nigeria is shaped by institutional elements in the political, social and economic domains. However, an argument was proffered indicating that institutional frameworks may not be broadly responsible for the problems of corporate governance in Nigeria as the existence of some conditions has heavily influenced the current state of the institutional environment. In the concluding discussion of the conditions shaping the institutional environment, it was established that individuals, as economic agents, impact institutions the most in Nigeria. Thus it is posited that improving corporate governance in Nigeria demands that concerns relating to economic agents be addressed as a matter of priority. Any reform, in essence, must therefore seek to achieve two objectives. The first is to propose what measures can be taken to ensure that individuals identify with corporate governance and the second is to recommend how institutions (particularly regulatory) can be strengthened to enhance the capacity of corporate governance to constrain human behaviour. Consequently, two areas of intervention are proposed. The first deals with AR interventions which address individual consciousness, whilst the second focuses on RR interventions, which are intended to enhance the capacity of the existing legal machinery to entrench good governance.

5.4.2.1 Awareness-Related (AR) Reforms

From the analysis of interviews conducted during the course of this study, a dearth of knowledge regarding corporate governance issues was evident. Similarly, evidence from the literature (Okeahalam & Akinboade, 2003; Ofo, 2010) indicates that knowledge regarding corporate governance in Nigeria is narrow. Consequently, this study posits that any attempt to reform corporate governance in Nigeria must commence by proposing and implementing an awareness-driven programme.

Education and Enlightenment

To entrench sound corporate governance, it is recommended that stakeholders (regulators and executives) should undergo regular education and enlightenment programmes regarding the benefits of adopting corporate governance, facilitated by renowned corporate governance consultants. Wilson (2006) identified lack of knowledge as the bane of corporate governance in Nigeria. Virtually all interviewees identified the provision of education and enlightenment as a first step towards building a credible corporate governance structure. A5 notes that;

> *The first thing is to educate the stakeholders on the benefits of adopting good corporate governance standards in their organisations.*

B8 also suggested that;

> *…there is …a need to drive awareness and knowledge regarding the core principles of corporate governance. There is a huge gap in knowledge.*

The views of A5 and B8 illustrate the importance of embarking upon an education and enlightenment programme for stakeholders. Relatively, corporate governance issues are not new in the country. Since SEC introduced the first governance code in 2003 there has existed an awareness agenda initiated by regulators and some corporate bodies, however evidently the rate of internalising governance principles does not indicate that these values are understood and/or applied. Okpara (2011) and Jimoh and Iyoha (2012) explain that consistent governance breaches across industries are a reflection of the lack of knowledge amongst operators.

In view of the need to address issues around ignorance, it is important to engage appropriate enlightenment strategies. Some firms in Nigeria organise in-house training programmes and also encourage key employees to attend external seminars (both locally and internationally). However, the problem with the training model is that it is often based on models adopted in developed economies or on literature from developed economies. Unfortunately, the institutional and operating environment has continuously impacted the effectiveness of these training outcomes. In addition, respondents noted that issues with the mode and frequency of training and the trainers themselves have not helped the corporate governance cause in Nigeria. C2 expresses this concern;

> *I believe they (operators) also need to be tutored. Tutored not in Harvard but in Africa …where the problem resides. Because, some of the issues we have here, (they) don't have it abroad. They are similar issues but not as pronounced as we have it here because our context is different. They should attend (seminars and conferences) here, where the problem is.*

While C2's comment above is worth noting, it must be stated that the attendance of locally organised training programmes may not be sufficient to understand contemporary issues in corporate governance. Rather, it is the content of the programme that ensures good outcomes are achieved. Hence it is crucial that a training programme satisfy two requirements; it must incorporate global best practices and recognise country-defined institutional peculiarities. The latter view features in Rwegasira's (2000) account. Additionally, corporate governance has been widely identified with a sound values system, hence training programmes must incorporate this as a feature. When asked how corporate governance should be reformed in Nigeria, A10 responded;

> *I would want to educate the people. But if I have to do this, then I will want to change values. I need to change the way they (stakeholders) think.*

This is essential considering that erosion of societal values featured prominently in Chapter Four as respondents discussed the problems of corporate governance in Nigeria, particularly from the three institutionalism perspectives. C2 reinforces the need to teach values;

> *…here, we have what we call core values… We teach those core values …Those old values; spirituality, capacity building, integrity, responsibility, sacrifices. We teach those values in this place. We want people to be able to internalise these values. …Once you are able to internalise these values, these values now represent (the) foundation for ethics and standards.*

The above suggestion, as noted by C2, can be enhanced with the teaching of values from an early age. To this end, some participants recommended that corporate governance should be taught in universities (no university at present offers corporate governance as a programme of study in Nigeria), whilst acknowledging that the outcomes of teaching values will manifest in the long term. It is therefore necessary that stakeholders are introduced to good values and corporate governance principles early in life to enhance their capacity to internalise related principles, which would then enable them to withstand potential infractions.

Educating stakeholders must also embrace a radically different approach. A respondent noted that the available training mode tends to focus on the psychomotor and cognitive elements which focus on developing the 'head' (mental or knowing) and the 'hands' (doing) respectively (Marzano, 2001). Unfortunately, this strategy does not take into account the affective domain *i.e.* the heart (feeling) which represents a core feature of Bloom's Taxonomy. The heart represents the building block for embracing and manifesting sound values and principles. This is very important as whatever is done, either with the hands or the head, derives from the heart. The importance of the affective domain was noted in Forbes and Milliken (1999). They suggest that training focusing on the affective domain contributes to a Board's effectiveness.

Consequently, an enlightenment programme that does not develop from the heart but which is based solely on the coordination of the hand (cognitive) and the head (psychomotor) may not stimulate the manifestation of sound ethical practices. Therefore, where an enlightenment programme is developed such that it is intended to address these three elements simultaneously, there is a greater propensity for individuals to internalise and exhibit good values (Macfarlane & Ottewill, 2004). This is the fundamental premise upon which any system of good corporate governance must be established. Corporate actors and regulators must be regularly exposed to training programmes incorporating these three elements.

Promoting Corporate Governance at the Micro-Level

The establishment of sound governance practices in the micro sector represents another objective which must be vigorously pursued. The micro sector in many countries around the world has proven to be crucial to the economic development of such countries (Ayyagari, Beck, & Demirguc-Kunt, 2007). The same can be said for Nigeria (Taiwo, Ayodeji, & Yusuf, 2012). Whilst the nature of corporate governance appeals more to corporates and multinationals, Abor and Biekpe (2007) argued that corporate governance principles are equally vital to SMEs.

However, despite various accounts which highlight the benefits of good governance in SMEs (Ayyagari *et al.*, 2007), they are generally overlooked when issues of corporate governance are discussed. For instance, there is no dedicated governance legislation for SMEs in Nigeria, though the SEC Code (2011) recommended that companies such as SMEs should abide by the principles set out in the code. However, this is inconsistent with Uhlaner, Wright and Huse's (2007) position which proposed the development of flexible governance codes that recognise the different types of governance needs of these firms and their institutional context. The danger of inappropriate regulation was recognised in Rachagan and Satkunasingam (2009). They noted its undesirability and added that it promotes compliance with the letter but not the spirit of the law.

In relation to the aforementioned, the absence of dedicated regulation has contributed to the lack of knowledge among many SME operators in Nigeria (see Osotimehin, Jegede, Akinlabi, & Olajide, 2012). Considering that some publicly-listed organisations such as Dangote Plc commenced in business as SMEs, the acquisition of knowledge regarding the principles of good governance at the early stage of commercial life will help businesses engrain the principles of corporate governance across the business environment. Such businesses will be well-positioned legally to transmute from private to public should they decide to enlist on a stock exchange. An interesting observation was made in Tauringana and Clarke (2000). They note that small companies will be willing to subject themselves to corporate governance regimes, such as auditing, only where it would improve the prosperity of the business and increase its size. This re-emphasises a dearth of knowledge, hence corporate governance can act as a tool in bridging the knowledge gap amongst SMEs.

Based on this view, it is crucial for regulators and policy makers to embark upon educating and enlightening small business entrepreneurs. Eriki and Inegbenebor (2009) provided an example of a lack of awareness. Their study showed that only a small percentage of SMEs accessed funds under the Equity Investment Scheme as the SMEs were unaware of the scheme. In addition, whilst the development of a dedicated code is proposed, compliance with key corporate governance requirements must be part of the company registration process. These proposals must be implemented in phases with the first phase focused on medium enterprises. It is expected that this phase will help develop informed strategies to address the next stage which will be expected to focus on small enterprises. It must be noted that the activities in these stages will remain ongoing.

5.4.2.2 Regulation-Related (RR) Reforms

As part of a two-pronged reform strategy the entrenchment of good corporate governance principles in Nigeria necessitates that some factors relating to regulation are addressed. Whilst an attempt has been made to substantiate the need for an effective awareness programme, this study posits that resolving some regulation-related challenges will improve the trajectory of good governance in Nigerian corporations. From participants' comments and an extensive review of literature, the following regulatory issues should be reformed if corporate governance is to undergo an overhaul.

Harmonising Corporate Governance Codes

In Chapter Two it was noted that four codes are presently in force to regulate corporate governance in Nigeria. Whilst the proliferation of corporate governance regulations is intended to enhance good corporate behaviour among Nigerian firms (see Wilson, 2006) and provide the requisite awareness, the variety of challenges identified in Chapter Two, reinforced by the data, shows that the objectives of the codes have not been achieved.

Table 20 - Some Disagreements between the CBN and SEC Codes

CBN Code 2006	SEC Code 2011
Section 1.7 states that "compliance with the provisions of this code is mandatory"	Section 1.3a of SEC states that "the code is not intended as rigid set of rules"
Section 5.3.5 states that "the minimum number of NEDs should be more than that of EDs subject to a maximum Board size of 20 directors"	Section 4.2 states that "membership of the Board should not be less than five and should not exceed 15 persons"
Section 5.2.3 states that "no two members of the same extended family should occupy the position of chairman and that of Chief Executive Officer or Executive Director of a bank at the same time"	Section 7.1 states that "not more than two members of the same family should sit on the Board of a public company at the same time"

Ofo (2010) and Osemeke and Adegbite (2016) documented the challenges which have emerged as a consequence of having multiple codes. A notable concern is the confusion and uncertainty it generates amongst operators. Some areas of disagreement are presented in Table 20. For instance, while the SEC Code indicates a principles-based stance, the CBN Code is designed as a rules-based regulation. Respondents note that there is a need to harmonise existing corporate governance codes, otherwise conflict arises in implementation.

The above concern also highlights a critical problem. The SEC Code is more tolerant compared to industry-specific codes. The industry-specific codes explicitly demand that compliance with their provisions is compulsory. This implies that the provisions in industry-specific codes take precedence over the stipulations of the SEC Code.

This is because companies are duty-bound to comply with the industry-specific obligations of their respective industry corporate governance codes, irrespective of the provisions specified in the SEC Code concerning the same issue. Another implication is that where the SEC Code is more stringent on an issue, operators may choose not to comply, as long as reasons for non-compliance can be explained (Black, 2008). Hence the relevance of the SEC Code can be narrowed to only those issues which are not addressed by the industry-specific codes, thus undermining the value of the SEC Code.

In view of the foregoing issues, it is instructive to note that in many developed economies such as the UK, Australia and Canada, countries operate a harmonised code system and have achieved reasonable outcomes in their corporate governance. Other countries such as South Africa, Ghana and Kenya also operate a single code system. These countries, notably South Africa (with the King Code III) have achieved substantial results with their corporate governance programmes. This therefore provides justification to recommend the harmonisation of existing codes.

It should be stated that the Nigerian authorities appear to have recognised the need for a single code. In 2012, a committee was created by the Financial Reporting Council to establish modalities for harmonising the existing codes of corporate governance in Nigeria (Onuba, 2013). Whilst the code is still under development, this study maintains that having a single code is crucial as operators are able to refer to a single regulation, contrary to the existing scenario. However, this single regulation should contain generic and industry-specific provisions. This is consistent with A8's opinion;

> *Industries should be allowed to add to that (code) depending on the peculiarities of their industries. There are certain (activities) that you expect banking organisations to engage in but you may not expect the same from a manufacturing company, for instance.*

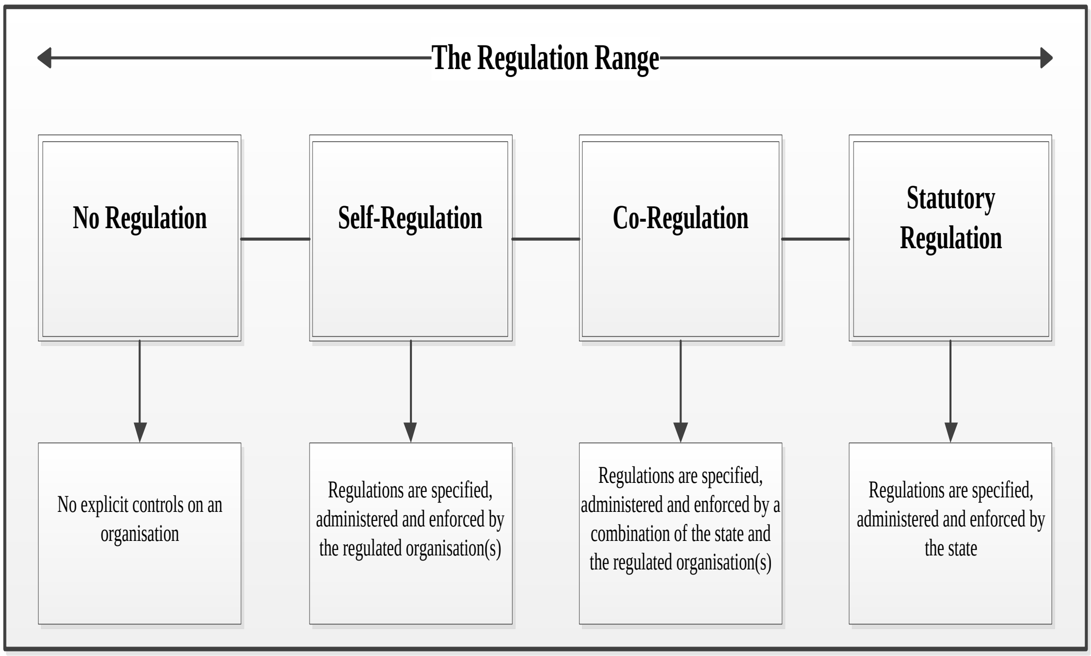
It is also believed that, irrespective of the generic and industry-specific provisions noted in the code, there is a strong possibility that a single code will minimise or possibly eliminate incidences of confusing provisions (see Table 20). Whilst harmonisation of the codes is expected to serve companies better, many of the challenges besetting corporate governance regulation issues, particularly weak enforcement mechanisms, can derail any harmonisation programme, except when appropriately addressed as part of the new regulatory regime. In addition, this study also posits that a new regulatory regime will be that which encourages and provides opportunities for self-regulation.

A Case for Multi-Stakeholder Co-Regulation

Generally, regulation has been constantly employed as the instrument for establishing good corporate governance practices (La Porta *et al.*, 2000; Gourevitch, 2003). These regulations, according to Adegbite (2012), are produced by agencies with the commensurate power and authority to induce compliance by operators. Consequently, regulations could be viewed by operators as unfair in view of their coercive nature. This perception tends to have consequences for compliance levels. This challenge is more pronounced in a country like Nigeria where the government has been repeatedly accused of not abiding by the provisions of existing regulations, thus providing a rationale for operators to also seek ways (albeit illegitimate) to evade compliance. The nature of this challenge in the Nigerian business environment dictates that an alternative strategy be proposed. This is addressed in this section.

Bartle and Vass (2005) presented a framework (Figure 20) which revealed the spectrum of regulation. From Figure 20, ‘no regulation’ and ‘statutory regulation’ are isolated. Corporate governance is a regulatory mechanism hence ‘no regulation’ is irrelevant. Corporate governance regulations in Nigeria are monitored and enforced by the state which defines ‘statutory regulation.’ Evidence (Okike, 2007; Adegbite, 2012) has shown that this regulatory system is inefficient in Nigeria. Indeed, Hirsch (2011) questioned the appropriateness of strict government regulation in a fast-moving and complex economy, and its feasibility in light of major political obstacles. For these reasons, alternatives are limited to self-regulation and co-regulation (see Figure 20). Although Di Betta and Amenta (2004) discuss the benefits of self-regulation, the challenges inherent in adopting self-regulation are well documented. Baumeister and Heatherton (1996) identified two patterns of self-regulation failure; under-regulation and misregulation. Under-regulation occurs where standards are deficient and monitoring is inadequate. This could manifest in the emergence of conflicts of interest as self-regulation could favour the interests of the industry over those of the investors and the general public.

Figure 20 - Continuum of Regulation

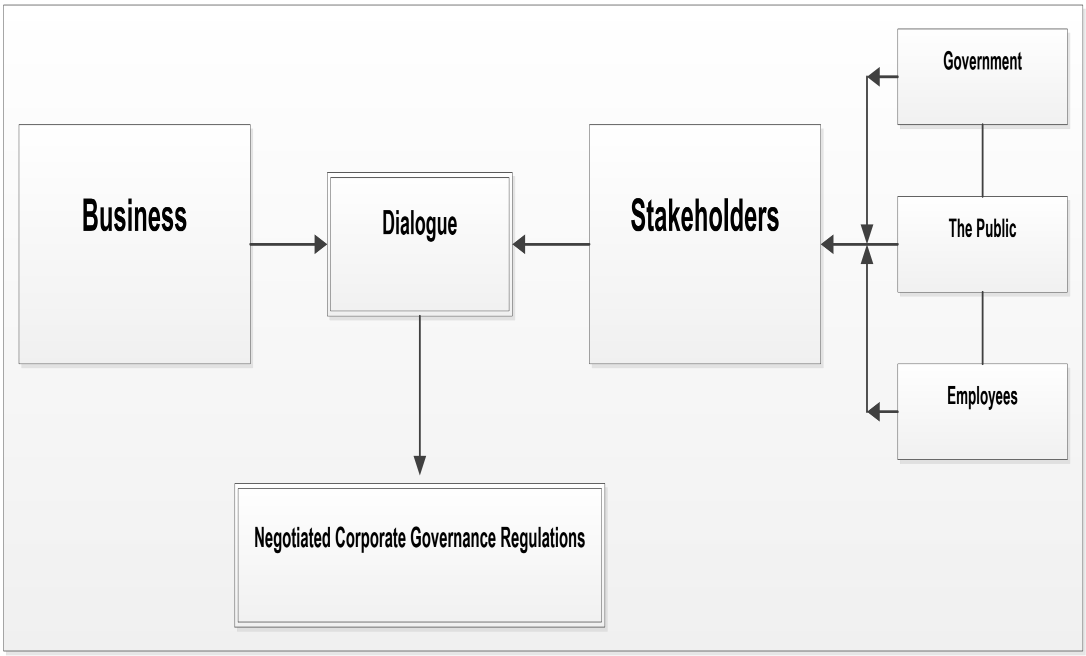


Source: Adapted from Bartle and Vass (2005)

Conversely, misregulation occurs due to false assumptions or misdirected efforts (Baumeister & Heatherton, 1996). One example is where Self-Regulated Organisations (SROs) limit their transparency and accountability, since they would be primarily accountable to their members rather than the government or the public. Both under-regulation and misregulation can create concern, as noted in Dyck and Zingales (2004). They reasoned that self-regulation can increase private benefits of control, indicating that higher private benefits of control are often associated with less-developed markets. In addition, Graham and Woods (2006) extended self-regulation scholarship to developing economies. Whilst observing that the lack of self-regulation is more evident in developing economies, they added that this problem is intensified by a lack of knowledge regarding self-regulation. Even in developed economies, results in DeJong, Mertens, and Wasley (2005), with respect to the use of self-regulation in the Netherlands, conclude that little should be expected from initiatives that rely on monitoring without enforcement. The concerns inherent in self-regulation necessitate an evaluation of co-regulation.

Co-regulation (see Figure 21) involves a system wherein government and firms share responsibility for drafting and enforcing regulatory standards (Hirsch, 2011). Hirsch (2011) added that co-regulation is neither purely a government regulation nor purely an industry self-regulation, but a hybrid of both. Kirkbride and Letza (2004) suggested that corporate governance regulation has taken a significant new direction. They explained that the boundaries of regulation are no longer determined by the choice between market-based (self) regulation and state-based (statutory) regulation but by a process of collibration.[56] The benefit of this approach, according to Hirsch (2011), is that it ensures collaboration between government and businesses, leading to improved government-industry relationships, making both units problem-solvers.

Figure 21 - Multi-Stakeholder Co-Regulation



However, the general view of co-regulation focuses mainly on cooperation between companies and government. Whilst this form of co-regulation is termed 'co-governance' or 'collaborative governance' (Hirsch, 2011), this thesis proposes the multi-stakeholder form of co-regulation (Jackson, 2010) which Albareda (2008) describes as the relationship between business and its stakeholders in developing corporate governance regulation (see Figure 21). This expands the frontier of corporate governance regulation beyond businesses and government. The main rationale for this proposal is informed by concerns regarding the industry-government relationship which occurs beyond the public view. This could yield one-sided deals which fail to protect stakeholders (Hirsch, 2011).

[56] Collibration describes the process of government intervention in order to recognise a balance between its objectives and those of the market with a view to managing the balance such that government policy objectives are achieved (Kirkbride & Letza, 2004).

Therefore, to frame co-regulation for corporate governance in Nigeria, the framework in Figure 21 is recommended. Fundamentally, the figure indicates that dialogue between business and stakeholders generates a negotiated regulation which is consistent with the expectations of the parties involved. This ensures a joint responsibility amongst stakeholders in administering and enforcing corporate governance regulations. This offers a robust strategy for Nigeria, particularly as evidence has revealed concerns around marginalisation, predominantly with shareholder activism (Adegbite *et al.*, 2012).

The benefits of engaging in co-regulation are numerous. Whilst this study has proposed a rules-based regulatory strategy (in the short term), the principles-based strategy is consistent with co-regulation as they both reflect a long-term orientation. Co-regulation also allows organisations to better acknowledge the effect of non-compliance on collaborators (Steurer, 2013). Furthermore, in a highly dynamic market environment such as Nigeria, co-regulation offers a more rapid and flexible response to changes in market conditions, as it seeks to prevent the occurrence of infractions. It is also important to state that in view of the confusing provisions in some corporate codes in Nigeria, the use of co-regulation could generate a regulatory framework acceptable to all stakeholders which eliminates or minimises existing confusion.

Legislation-Backed Governance Scorecard

Whilst an argument has been proffered for the engagement of co-regulation by Nigerian corporations, it is necessary to identify tools that will support this initiative. Such tools, according to Estanislao (2008), should deliver the anchors, balance systems, initiatives, checks and resolutions that precede good governance. A governance scorecard embodies that tool. Estanislao (2008) concedes that one proven way of attaining good corporate governance standards is the systematic analysis of the governance situation using a scorecard. Since its first application in Germany in 2000, the use of scorecards has been well-received by many countries across the globe (Strenger, 2004). However, scorecards have been used sparingly in Nigeria. Application has been constrained by various problems, particularly the lack of support from government and regulatory agencies. In addition, in many Nigerian corporations the application of scorecards has persistently failed to secure management buy-in.

However, views from respondents indicate that it may be valuable to revisit the use of governance scorecards by Nigerian organisations. Views regarding the expected impact of scorecards on corporate governance practices in the country were generally positive. A6 remarks that;

> *I believe it (scorecard) will (help). A scorecard concept will help individuals as well as their organisations to measure how they stand, corporate governance wise. It will help them foresee potential trouble spots and, once they address those trouble spots, they are able to get back on track.*

Similar positive views were expressed by A7, A9, A11, B1, A4 and A2, among others, suggesting that the scorecard concept will assist corporate bodies to measure their performance with respect to corporate governance, consequently offering a tool that will help foresee potential issues. However, despite the generally positive opinions regarding the use of scorecards, a minority of participants expressed reservations as to its usefulness. A7 informs that;

> *Theoretically, it is good but whether it is going to work, it is really difficult to assess. The kind of problems we have in the system especially with corruption means that it is difficult to implement such documents …it would be difficult to gain acceptance.*

Notwithstanding these reservations, a majority of participants are of the opinion that if some measures are implemented, the use of scorecards may become worthwhile. B5 suggests that;

> *If it is given the teeth of the law and if there is punishment for low scores or 'naming and shaming' …there might be some improvement.*

A2 shares a similar view;

> *If an agreement is reached with the regulatory body and possibly a law is enacted to enforce it, I think it will be useful for corporate governance in Nigeria.*

Consequently, this study assumes that the development of the scorecard, its mode of implementation and the legal backing it is able to generate will influence its functionality in the Nigerian context. Accordingly, the reform strategy, presented below, is designed to incorporate these features. This strategy recognises that the use of scorecards must be built on the following fundamental principles: The scorecard;

- should reflect global best practices in corporate governance, as informed by Strenger (2004),
- should be designed to encourage the attainment of higher standards. The standards could be the outcome of co-regulation. The scorecard should not be based on minimum standards,
- must be comprehensive in scope, representing the essential elements in the SEC Code (2011),
- must be developed such that it can be applied to different markets and sectors, similar to a harmonised code,
- must recognise the significance of some elements over others. Hence, weights must be used to communicate the importance of sections of the code,
- must be supported, in its implementation, by a robust and extensive methodology, capable of accurately evaluating corporate governance behaviour and compliance levels.

Whilst it is expected that the scorecard will take into account the above principles it must facilitate the achievement of the following objectives:

- The scorecard must allow for analysis of corporate governance behaviour through a systematic and clear overview of key corporate governance issues (Donker & Zahir, 2008).
- It must allow firms to engage in intra-industry comparisons. This, according to Strenger (2004), prompts competitiveness amongst firms with respect to governance.
- The document must assist companies to understand the scope and quality of their own governance practices and behaviours.
- The document, just like annual statements, must be readily available on the internet. Once companies are aware that the contents of the scorecard could

have implications for potential investment decisions, the motivation to improve compliance will be higher.

The attainment of the above objectives requires the total support and commitment of the government, through the use of appropriate legislation. Estanislao (2008) noted that this must embed scorecards. In addition, such regulation must be enhanced by an effective enforcement strategy. The regulation must focus on ensuring the highest degree of usage of the scorecard by all relevant companies. It should also set expected scores (which should reflect high global best practice levels) and commensurate sanctions for violators.

Finally, unlike the SEC Code which has suffered from a lack of regular review, the scorecard must not experience a similar fate. A programme of refinement and validation must be regularly applied. The frequency of refinement must be informed by the emergence of new concerns. This ensures that the scorecard reflects contemporary developments (Northcott & Smith, 2011) and retains its capacity to address emerging governance issues. The scorecard must be reviewed on an item-by-item basis against globally-acclaimed principles such as those of the OECD, the World Bank and the International Corporate Governance Network (ICGN), amongst others. It is worthwhile mentioning that Nigerian financial regulators have acknowledged the importance of establishing a governance ranking system. Timms (2015) reports that with the launching of a Corporate Governance Rating System (CGRS), an improvement in the perception of capital markets and business practices would be anticipated.

Establishing Effective Whistle-Blowing Mechanisms

Whistle-blowing, according to Miceli, Near, and Dworkin (2013), entails the unauthorised disclosure of any wrongdoing in a firm to parties that are perceived to possess the capacity to act on the information. The introduction of the Sarbanes Oxley Act in the US in 2002 and the inauguration of other national corporate governance codes has resulted in a growing number of organisations implementing whistle-blowing policies (Hassink, de Vries, & Bollen, 2007). These policies, according to Miceli, Rehg, Near, and Ryan (1999), are intended to achieve two major objectives. The first is to encourage whistle-blowing while the second is to protect whistle-blowers. While its implementation across the globe has produced inconsistent outcomes, the benefits of whistle-blowing are well-documented (see Schmidt, 2005; Uys, 2008).

However, despite the growing importance of whistle-blowing worldwide, the use of the concept in Nigeria is somewhat low. Participants observed that whistle-blowing is not encouraged in Nigeria. Whilst Adekoya (2011) offered that widespread poverty and high unemployment rates have hindered any whistle-blowing culture, participants identified ethnic and cultural affiliations as another factor impeding whistle-blowing in Nigeria. This view could be examined in the context of the Power Distance Index (PDI) propounded by Hofstede *et al.* (2010). The gap between the less powerful and highly powerful members of a firm (such as CEOs and Directors) is so wide that the whistle-blowing intentions of less powerful members can be easily frustrated (Uys, 2008). These issues are worsened by the prevalent lack of awareness and weak regulatory support. For instance, in the 2003 SEC Code, there was no single mention of whistle-blowing, whereas the updated version (SEC Code 2011) provides a whistle-blowing policy (see Section 32). Despite this recognition, there are evident concerns in the policy particularly in relation to whistle-blower protection. The SEC Code (2011; S32.2) entrusts the protection of whistle-blowers to the Board of an organisation. This measure cannot preserve the anonymity of whistle-blowers. In the Sarbanes Oxley Act (2002), the State (US government) assumes responsibility for whistle-blowers' protection (see Section 806). This encourages employees to engage in whistle-blowing activities, thereby acting as a safeguard against ethical abuses by executives in the country's corporations. Therefore, the benefits inherent in an effective whistle-blowing policy demand that the existing framework in Nigeria be reinforced. The pursuit of this goal motivated the following proposals:

The first feature of the whistle-blowing reform revolves around the view that whistle-blowing entails *"unauthorised disclosure"* (see Miceli *et al.*, 2013). In view of the attitude of some Nigerians towards regulation, it is proposed that whistle-blowing should be institutionalised as 'authorised disclosure.' A study by Uys (2008) regarding whistle-blowing in South Africa (a country similar to Nigeria in some respects) shows that 'authorised disclosure' will enhance rational loyalty, as opposed to organisational loyalty, which 'unauthorised disclosure' advocates.

The next step involves securing an obligation from senior management and executives to commit to an internal whistle-blowing policy. Schmidt (2005) recommends that the commitment should be noted in a compliance statement. This commitment can be used subsequently by the capital market to compel firms to install internal safeguards against unethical behaviours. This reform will necessarily require a rules-based approach, allowing for commensurate sanctions and severe penalties for non-compliance.

Once ‘authorised disclosure of wrongdoing’ and a commitment from senior management are successfully negotiated, it is pertinent that a robust framework protecting whistle-blowers is established. The lack of a detailed protection programme for whistle-blowers was noted by a majority of the interviewees as a crucial factor militating against whistle-blowing initiatives in Nigeria. Hwang, Staley, Te Chen, and Lan (2008) suggest that the fear of retaliation emanating from lack of protection discourages whistle-blowing. Providing a dedicated ‘hotline or email system,’ as noted in the SEC Code (2011; S32.3), is not enough to protect whistle-blowers, particularly where the hotline or email messages can be eventually accessed by an official of the organisation. It is essential that such reports are made to an external body, preferably the industry regulator or a professional body deemed responsible for such an organisation. Whilst this is expected to offer protection to whistle-blowers, there must be a framework to ensure that such communication is anonymised.

This study also proposes that the use of incentives can contribute to a successful whistle-blowing reform strategy. It is rational for potential whistle-blowers to assess what they stand to gain or lose by engaging in whistle-blowing (Rapp, 2007; Hwang *et al.*, 2008). Uys (2008) expressed that this is crucial to whistle-blowers as they often ‘pay a heavy price’ for exposing what they perceive to be an organisational wrongdoing. This is noteworthy given the poverty levels in Nigeria (see Adekoya, 2011). Indeed, Dyck, Morse, and Zingales (2010) affirm that monetary incentives help explain employee involvement in whistle-blowing activities. However, this study recommends that incentives must not necessarily be restricted to those of a financial nature. Whistle-blowing must be designed such that it incorporates various forms of incentives such as workplace promotions and management recognition, amongst others (Schmidt, 2005; Hwang *et al.*, 2008).

To conclude this discussion, regulators must also ensure that whistle-blowing represents an important element of any co-regulation arrangement. In addition to helping create awareness, it could also serve as an instrument for pressuring companies to further embrace high ideals in their operations. It is envisaged that effectively implementing these reforms will ensure that the objectives of ‘naming and shaming’ initiatives are achieved. In a collectivist society such as Nigeria (see Hofstede *et al.*, 2010), public reporting of infractions or offences could lead to public shame and loss of reputation. Hence, the more operators realise that they will be exposed for their infractions, the higher the probability they will seek to avoid committing such violations.

5.5 Chapter Summary

In the previous chapter, data generated from respondents were subjected to varying levels of analysis, at the end of which three institutional classifications emerged *i.e.* political, social and economic institutions. However, during the course of this analysis, some perspectives were generated which addressed the research question and objectives of this study. Consequently, section 5.2 of this chapter discussed the findings emerging from the three institutional perspectives identified in the previous chapter. These discussions were undertaken to identify commonalities in relation to extant literature.

Thereafter, section 5.3 focused on the theoretical insights offered by this study. Strands of knowledge were generated regarding institutional theory and agency theory, informed by the distinctiveness of the institutional environment in developing economies. With respect to institutional theory, the prioritisation of the needs of key economic agents was noted as a conditionality that must be acknowledged as antecedent towards building enduring political, social and economic institutions. It was demonstrated that existing institutions lack the robustness to regulate the economic preferences of key economic actors. Furthermore, in connection with institutional theory, insights were generated regarding the observed neglect of the role of government as agents of isomorphism. It was apparent that the political and economic power of the government indicates that other stakeholders in the economy are considerably reliant on the government.

As a consequence, the government is able to influence not only their decision-making but also their behaviour and attitude. This concern is fundamental in many developing countries where the capacity of government to influence economic direction is near-absolute. Participants opined that poor governance and business practices in government establishments have provoked systemic weak governance practices in the institutional environment. It is therefore crucial that government must not only act as the 'generator of codes' of corporate governance regulations but must present itself as 'accountable to codes' before corporate governance stakeholders.

The chapter also examined the application of agency theory in developing countries. The variety of problems challenging many developing economies with respect to corporate governance demands that new perspectives are crafted and adopted. In this chapter, a call for the adoption of the principal-principal approach was offered which requires that agents or managers have increased influence in determining their remuneration. The principal-principal alternative has the potential to address some of the tensions created by the dominant agency (shareholders and management) relationship in corporations.

Finally, in section 5.4 of this chapter, proposals for addressing the undesirable state of corporate governance in the country were presented. This part commenced by presenting a framework for good corporate governance in Nigeria, followed by the identification of two prerequisites that must embed an effective reform strategy. Once this stage has been negotiated, the proposed reforms were discussed. The reforms proposed were categorised by two constructs, namely the awareness-related (AR) and regulation-related (RR) reforms, to facilitate a repositioning of corporate governance in the Nigerian business environment. In the next chapter, which concludes the thesis, the perspectives discussed in this chapter, in conjunction with comments from participants, are articulated in framing the contributions of this thesis to the body of knowledge.

Chapter Six

Summary, Contributions and Conclusion

6.1 Introduction

This chapter concludes the study. It commences by summarising the main thrusts of the thesis (Section 6.2), followed by the presentation of the contributions of this thesis to the body of knowledge (Section 6.3). As this thesis also sought to present knowledge regarding the establishment of good corporate governance in Nigeria, recommendations aimed at improving the practice of corporate governance in the country are discussed (Section 6.4). Thereafter, the limitations of the thesis are noted and the mechanisms for restricting their effects on the research findings are reported (Section 6.5). Areas for future research are also identified to enable a continuous exploration of several issues identified in this study (Section 6.6).

6.2 Summary of Thesis

The benefits of a robust corporate governance system have been severally highlighted in this study. However, the attainment of these benefits can be impaired by variety of factors. Drawing from an institutionalism perspective, this thesis sought to understand how corporate governance should be regulated in Nigeria in order to promote good and ethically-informed practices in the business environment. In addressing this expectation, it was essential to determine the main institutional factors shaping corporate governance in Nigeria.

From the analysis conducted in Chapter Four, various institutional influences were identified but using the methodological framework recommended in Elo and Kyngäs (2008), these institutional elements were coded along three categories. These categories (political, social and economic institutions) emerged as the main institutional factors influencing corporate governance in Nigeria. Interesting insights were observed from the subsets of these three main classifications. With regard to political institutions, for instance, the impact of political immunity was noted as a factor that has strengthened the political influence and political authority of members of the political class with respect to the practice of corporate governance.

Furthermore, this thesis not only highlighted the impact of increasing levels of corruption on corporate governance but also demonstrates how political immunity exacerbates systemic corruption. It is imperative to note that the insights regarding political immunity extend the scope of existing knowledge, considering that it (political immunity) has not attracted the attention it deserves particularly in the context of developing economies.

Social institutions represent another institutional variant dictating the effectiveness of corporate governance policies in Nigeria. Elements such as culture, religion and ethnicity were identified by participants as critical to the state of corporate governance in the country. With respect to cultural influences, this thesis highlighted, among other concerns, respect for age and how it impacts good governance practices. Corporate governance is essentially a control mechanism but where the age factor is a significant variable in an organisation, the ability to question or control the activities of certain stakeholders on the basis of their age is eroded. Similarly, this thesis also stresses the increasing influence of religion especially in highly-religious countries. In demonstrating that the salient principles of religion are consistent with good corporate governance, this thesis equally demonstrate that in countries with high religiosity levels, the practice of corporate governance is not necessarily a reflection of underlying principles of the dominant religion. Indeed, religious herding, as demonstrated in this study, is a better determinant of corporate governance practices as the attitude and behaviour of devotees are considerably influenced by those of their religious leaders.

The final institutional classification that emerged from this study is the economic institution which incorporates concerns bordering on rational choices and economic motivation, and economic regulation. This thesis indicates that the weak institutions have meant that cost-benefit considerations take into context the effectiveness of sanctions and deterrence mechanisms. Unfortunately, the weakness in these elements means that the cost of engaging in misgovernance can be offset by the benefits gained, thus influencing the rationality decisions of operators. This problem is further emphasised by the dearth of knowledge prevalent in the system.

Whereas the foregoing paragraphs focused on findings relating to the main objective of this thesis (see Chapter One), the thesis also examined the main corporate governance regulation (SEC Code, 2011) in the country to understand the coverage accorded the main influences on the institutional environment of the country. As indicated in the previous chapter, the institutional factors identified in this study have been considerably omitted in codes regulating corporate governance in Nigeria hence it can be argued that the principal code of corporate governance is Nigeria is alien to the requisite demands of the Nigerian business environment. While institutional neglect in the SEC Code may explain the weak corporate governance system in the country, this challenge is better appreciated when the outcomes in Rwegasira (2000), Aguilera and Jackson (2003), Doidge *et al.* (2007) and Judge *et al.* (2008), are taken into consideration.

To conclude, an overriding theme evident in this thesis is the view that the effectiveness of institutional frameworks in Nigeria have been shaped by the activities and interventions of influential economic agents. While this outcome can be extended to many developing and emerging economies and to some extent, developed economies, the contributions of this thesis to the body of knowledge commences by addressing this finding.

6.3 Thesis Contributions to Knowledge

This thesis makes the following contributions to the body of knowledge. Contributions were made to the theory (see Sections 6.3.1, 6.3.2 and 6.3.3), practice (see Sections 6.3.4 and 6.3.5), methodology (see Section 6.3.6) and empirical literature (see Section 6.3.7) of corporate governance.

6.3.1 Human Institutionalism

The first contribution extends the scope of institutional theory. The extant literature on institutional theory has extensively explored the capacity of institutions to act as a check on the behaviour of economic agents (North, 1990; Scott, 2014). This explains why the theory has received increasing interest amongst scholars in view of its engagement as a theoretical frame to evaluate corporate governance issues (Aguilera, 2005; Roe, 2008).

However, as noted in Chapter Two, institutional theorising of corporate governance has been advanced by engaging elements of the institutional environment (Doidge *et al.*, 2007; Filatotchev & Nakajima, 2010). Consequently, a body of knowledge has emerged affirming that corporate governance is influenced by the robustness of institutional elements in the business environment (Aguilera & Jackson, 2003; Judge *et al.*, 2008; Adegbite & Nakajima, 2011b). The foregoing outcome has motivated the examination of the institutional environment, facilitated by the development of various institutional categories to enhance the understanding of institutions. As a result, classifications such as political, economic and legal institutions (Giddens, 1984) and historical, political and sociological institutionalism (Amenta & Ramsey, 2010), amongst others, have been variously adopted in discussing institutional theory and the institutional environment of corporate governance (Adegbite & Nakajima, 2011b).

Despite this development, this study was concerned with exploring the robustness and capacity of the dominant institutional elements and classifications to explain the practice of corporate governance in a developing economy such as Nigeria. This interest was motivated by the positions of some scholars who question the relevance of institutions and institutional elements (Glaeser *et al.*, 2004; Przeworski, 2004; Fukuyama, 2006). These authors posit that it is the conditions that underpin institutions, more than the institutions, which influence the direction and practice of corporate governance.

The results of this study, as presented in Chapters Four and Five, are consistent with the views which support the relevance of institutions (Sorour & Howell, 2012; Owoye & Bissessar, 2014), affirming its criticality to the generation of knowledge regarding the institutional theory of corporate governance. However, as against the outcomes in Fukuyama (2006), Sachs (2003), Glaeser *et al.* (2004) and Przeworski (2004), the extant literature has not sufficiently recognised the existence of a condition that influences institutions and the institutional environment in developing economies. This thesis demonstrates that, in addition to existing classifications of institutional theory, human institutionalism is not only central to understanding the institutional theory of corporate governance, but can also offer a framework for examining the challenges hindering the practice of corporate governance, particularly in developing economies. The analysis and discussion in Chapters Four and Five provide ample evidence to support this position. It is also argued that concerns relating to human institutionalism can explain the weak acknowledgement of institutions in corporate governance regulatory framework. This is because a robust regulatory framework supported by enduring institutional artefacts may weaken the notion of human institutionalism.

6.3.2 A Bottom-Up Approach to Corporate Governance

The above contribution offers the foundation for identifying another contribution of this thesis to the body of knowledge. The basic premise of institutional theory of corporate governance posits that the establishment of a good corporate governance system is dependent on the degree of robustness possessed by institutional elements in a particular institutional environment (Judge *et al.*, 2008; Filatotchev *et al.*, 2013). This enhances the capacity of institutions to act as a check on the behaviour of agents (North, 1990) which, in turn, allows a good corporate governance system to manifest (Fiss, 2008). The generality of corporate governance literature which integrated institutional theory in its analysis has embraced this view (Scott, 1999; Aguilera & Jackson, 2010). This understanding is presented in Figure 15 (Chapter Five), which is identified as the top-down approach.

However, the context of this study offered in-depth but different insights when compared with the foregoing position. As noted in Section 6.3.1, the actions of individual economic agents were identified as a major condition determining the effectiveness of institutions in many developing economies. Consequently, this study contends that rather than building institutions in order to enhance corporate governance practices (see Acemoglu *et al.*, 2005; Adegbite & Nakajima, 2012), the concerns created by overly powerful/influential individuals must first be addressed. These concerns must be sufficiently addressed prior to the creation of institutional frameworks. This was the basis for developing the bottom-up approach for good corporate governance in Nigeria, denoted in Figure 17. The bottom-up framework presents a corporate governance system which initially seeks to educate, and create a consciousness amongst individuals as a core prerequisite towards building strong institutions, which eventually stimulates the emergence of a good corporate governance system. In addition, the bottom-up strategy promotes the integration of key institutional drivers in the design of codes of corporate governance, as attempts to address key stakeholder issues necessitate an understanding of underlying institutional factors. This new thinking challenges the top-down approach which has enjoyed significant scholarship, particularly in studies examining the role of institutions in corporate governance in developed economies.

6.3.3 Public Sector-Driven Institutional Isomorphism

This thesis also makes a contribution to the scope and understanding of institutional isomorphism. Institutional isomorphism, according to DiMaggio and Powell (1983), examines how economic actors in a business environment make their organisations increasingly similar as they try to change them. From a review of the literature (Dacin, 1997; Lai, Wong, & Cheng, 2006; Boxenbaum & Jonsson, 2008), it can be claimed that the field of economic or rational actors identified in DiMaggio and Powell (1983) is narrow, as much emphasis has been placed upon the role of organisations and stakeholders in the private sector as drivers of institutional isomorphism. As a result, a majority of the extant literature (Dacin, 1997; Liou, Rose, & Ellstrand, 2012) has also concentrated on analysing the role of private sector operators in entrenching institutional isomorphic tendencies.

However, whilst undertaking this research, a new strand of thinking was observed by the author. As has been noted a few times in this thesis, the generality of the existing literature on institutional isomorphism is informed by practices in the developed economy (Dacin, 1997; Lodge, 2000; Lai *et al.*, 2006). In such economies, the private sector enjoys a significant degree of control over the economy. It could be reasoned that this view has informed the low level of interest in examining how public sector organisations could become transmitters of institutional isomorphic behaviours. As this research engaged a context which is different from those that have been engaged in the majority of existing literature, this thesis offers evidence to show that government and the public sector are key agents of institutional isomorphism. Indeed, the dependence on government by private sector organisations in many developing economies (see Soludo, 2004; Aburime, 2009) amplifies the capacity of the public sector to provoke institutional isomorphism. As a result, this thesis states that institutional isomorphic scholarship must necessarily acknowledge and integrate the public sector, not only to provide a broader platform for addressing concerns created by institutional isomorphism, but to also broaden the understanding and scholarship of the concept.

6.3.4 Intermediate Regulatory Approach

This is a contribution to practice. In Nigeria, the foremost corporate governance regulation is the SEC Code (2011). The code is substantially operated using a principles-based regulatory approach (Ofo, 2011). However, the challenges and concerns plaguing corporate governance practice in Nigeria are well-documented (Yakasai, 2001; Ahunwan, 2002; Adekoya, 2011), indicating that the code has not achieved its objectives (Osemeke & Adegbite, 2016). This preceding view was supported by participants. Thus, it was necessary to identify a regulatory approach that can promote the establishment of a sound corporate governance system.

The analysis conducted in Chapter Four of this thesis highlighted the challenges experienced in the country's political, social and economic domains. Indeed, it was apparent that some of these problems, such political immunity, cultural belief system and dearth of knowledge, among others, do not support the application of principles-based ideology. The adoption of a principles-driven approach is enhanced where information flows freely and institutional elements are robust (Arjoon, 2005; Tariq & Abbas, 2013). From the comments provided by participants, the elements that underpin a principles-based regulatory system (see Black, 2010) are lacking. As a result, it was necessary to propose an alternative strategy.

Therefore, a strategy encompassing the rules-based regulatory approach was considered appropriate for the Nigerian corporate governance system. A rules-based approach increases awareness (which requires improvement in Nigeria) of corporate governance and stipulates clear penalties for its breaches (Chhaochharia & Grinstein, 2007). However, despite this proposed intervention, several issues were identified with the rules-based mechanism which warrant further assessment (Sama & Shoaf, 2005). These concerns include increased enforcement cost (Chhaochharia & Grinstein, 2007) and the inability to account for all corporate governance infractions (Trevino & Nelson, 2010), among others.

Following the preceding reflection, an intermediate regulatory approach, that integrates the appropriate elements of a rules-based and a principles-based approach, is proposed. Considering the need to reposition corporate governance practice in Nigeria, commencing the new regulatory approach with the rules-based or 'stick approach' (Arjoon, 2005) is considered necessary. However, in view of its inherent limitations (Sama & Shoaf, 2005; Trevino & Nelson, 2010) this approach should be engaged only for an appropriate period of time, which will be informed by visible improvements. The approach should be altered as soon as improvements in corporate governance practice are observed. The second (final) stage of implementing the proposed regulation will integrate the principles-based regulatory approach. The efficient mix of elements of both systems will be subsequently engaged to manage corporate governance in Nigeria, over the long term. This, in this thesis, is termed 'the intermediate regulatory approach to corporate governance.' Evidence (Arjoon, 2005; Sama & Shoaf, 2005) shows that both approaches can sufficiently reinforce each other to generate optimal outcomes in respect of corporate governance.

6.3.5 Engagement of the Affective Learning Strategy

Another contribution to practice is the identification of a new awareness strategy for corporate governance *i.e.* the affective approach. This thesis offered practical significances for corporate organisations operating in the Nigerian business environment. In Chapter Five, two strands of reforms were proposed, namely Awareness-Related (AR) and Regulation-Related (RR) reforms.

With respect to AR, strategies were proposed using education to create and sustain corporate governance awareness and consciousness. This study observed that existing education strategies emphasise the use of psychomotor and cognitive elements which focus on developing the 'head' (mental) and the 'hands' (doing) respectively (Anderson & Sosniak, 1994). However, it was argued that corporate governance is considerably linked to morals, values and ethics (Arjoon, 2005; Sama & Shoaf, 2005). As a result, this study posits that relying solely on psychomotor and cognitive elements would not guarantee sound ethical behaviour. The concerns undermining corporate governance practice in Nigeria support this position. Thus it was proposed that training programmes should intensify attention towards a vital element of Bloom's Taxonomy *i.e.* developing the affective domain, which concentrates on enhancing the capacity of the heart to engage in internalisation of values and the manifestation of a good attitude, among others. This is consistent with the first and second contributions of this thesis which posit that the institutional awareness of economic actors must be developed to enhance improved corporate governance practice. Data have shown that there is an urgent need to improve the capacity of operators to internalise the principles of good corporate governance. This represents the basis of this contribution.

6.3.6 The Use of QCA in Corporate Governance Scholarship

This section highlights the contribution of this thesis to the methodology of corporate governance research. Various methodological approaches have been adopted in this area of scholarship. Whilst these approaches are influenced by the study's objectives and the researcher's worldview (Holden & Lynch, 2004), the use of differing methodologies can potentially generate varying outcomes for related studies (Miles & Huberman, 1994).

In this study, a social constructionist philosophy was adopted underpinned by a qualitative content analysis (QCA) methodological technique (Elo & Kyngäs, 2008; Elo *et al.*, 2014). No related study has engaged the use of QCA in undertaking corporate governance research in Nigeria, thus the outcomes of this thesis are the results of the application of a unique and systematic method (Schreier, 2012) in research methodology. This may have accounted for the variations in explaining institutional factors in Nigeria, particularly considering the work of Adegbite and Nakajima (2011a), as results from the use of the dominant top-down approach are inconsistent with the bottom-up approach conceptualised in this study. The QCA technique facilitated the systematic generation of themes (main, generic and subcategories, operationalised in Chapter Three) influencing the institutional environment of corporate governance in Nigeria.

6.3.7 Empirical Literature of Corporate Governance in Developing Economies

This thesis also makes a contribution to the empirical literature on corporate governance in developing economies. In these economies, it has been severally noted that literature regarding corporate governance is scarce (Berglöf & Claessens, 2006; Mangena & Tauringana, 2007). The concern is further intensified with respect to empirical (evidence-based) literature (Adegbite *et al.*, 2013).

It is worth mentioning that the majority of studies on corporate governance in developing economies such as Nigeria are substantially undertaken as non-empirical (conceptual) studies (for example, see Okike, 2007), whilst a few others have employed a large-scale survey-based quantitative approach (for instance, see Okpara, 2011). Studies using the intrepretivist and qualitative approach are few. Thus, evidence-based qualitative research is sparse in many developing economies.

The aforementioned has implications for the understanding of corporate governance globally and, in particular, Nigeria, as the lack of empirical outputs hinders governance scholarship in these regions. In view of increasing globalisation, the continued lack of evidence-based corporate governance literature means that it may be difficult for multinational organisations, for instance, to appropriately comprehend the challenges of corporate governance in these economies. This could have implications for their (multinational companies) investments in developing economies and, subsequently, the global economy. Following the preceding observation, a key motivation of this thesis is to contribute knowledge in order to address concern regarding the scarcity of empirical literature on corporate governance amongst developing economies.

6.4 Thesis Recommendations

Drawing from the analysis conducted in various sections of the thesis, recommendations are proposed. These recommendations are presented as four areas, namely government, business environment, regulation and institutional reinforcement.

As a largely public-sector driven economy, the overwhelming influence of the Nigerian government suggests that it must be actively committed to promoting good corporate governance (Goergen, 2012). This must commence with the government and its agencies subjecting themselves to the dictates of corporate governance principles (Adegbite, 2012). Ofo (2011) called for a corporate governance audit for all government organisations in order to stimulate governance consciousness in such organisations. It is also necessary to demarcate the boundary between business and government/politics. Many businesses rely on government patronage (Osemeke, 2011) hence the government is able to exercise undue influence in the operations of these companies. In addition, the responsibility of government as a possible agent of institutional isomorphism compels that attempts to establish a robust governance system must be triggered by the creation of sound governance practices in government agencies.

Another area of recommendation is the creation of an enabling business environment. Whilst this significantly relates to government, it has been noted that good corporate governance practices are aided by an efficient and functional business environment. The government should focus its energies towards building an enabling environment in order for the private sector to perform. Interventions are necessary in the areas of infrastructure, legal systems and human capacity development, among others. The legal institutions must be imbued with the political will to implement policies and protect property rights. Building an enabling business environment must also incorporate awareness programmes. Key stakeholders such as directors, auditors and shareholders must be regularly educated and trained to appreciate developments in corporate governance. In addition, the capacity of the various professional bodies to discharge their roles effectively must be enhanced.

The regulation of corporate governance in Nigeria must be amended to adopt a largely rules-based stance, at least in the short term. This would necessitate stricter penalties for non-compliance. The legal system must also have an increased capacity to prosecute fraudulent executives so as to serve as a deterrent to other directors. The proposed regulatory regime must allow for speedy resolution of disputes. This may entail the creation of a tribunal specifically for that purpose. It is also proposed that the use of independent regulatory agencies (preferably foreign organisations) be explored. It is assumed that these regulators would be offered independence, which appears to be lacking with the existing regulators. Regulations must also be updated to reflect the diversities in culture and ethnicity. As shown previously, failure to acknowledge core institutional features in the SEC (2011) Code may have informed poor governance practices in the country. The code must reflect the key institutional elements which inform practices in the Nigerian business environment, many of which are identified in this study. In addition, it is necessary that the concept of co-regulation, highlighted in Chapter Five, be embraced. A regulatory system which creates increased opportunities for both government and the private sector to decide and agree applicable regulations could significantly impact the effectiveness and efficiency of such regulations for the good of corporate governance in Nigeria.

Notwithstanding the position advanced in Chapter Five regarding the relevance of institutions, institutional discourse appears to dominate a considerable part of this thesis. Moreover, as presented in Chapter Four, it was pertinent to explain the concerns of corporate governance in Nigeria using three institutional lenses. It is therefore imperative that existing institutions be reinforced. Advances must be made in political, social and economic institutional domains. Underlying these institutional challenges are the harmful effects of corruption. There is an anti-corruption agency in Nigeria,[57] however Markovska and Adams (2015) observed that the effectiveness with which the organisation operated at its inception appears to be dwindling. This agency must be strengthened, as corruption has been severally described as the bane of Nigeria's economic progress (Lawal, 2007; Ogbeidi, 2012).

This study also concluded that economic agents determine corporate governance direction in the country. Institutions are intended to act as a check on human behaviour and other conditions impeding institutional effectiveness, hence a strategy that will ensure the reinforcement of institutions could warrant that individuals are subject to institutional dictates. This recommendation is crucial to the emergence of good corporate governance in Nigeria, especially in the long term. Furthermore, in framing the recommendations for good governance of Nigerian corporations, it is necessary to note that this thesis was challenged by some limitations. These limitations, and the strategies for minimising their impact on the research outcomes, are discussed in the next section.

[57] Economic and Financial Crimes Commission (EFCC).

6.5 Limitations of Study

Research undertakings are typically subject to limitations. As this study is not different in this regard, it is important that such limitations are acknowledged. While it is essential that state that precaution was taken to limit the effect of identified limitations on the outcome and integrity of this thesis, it is equally imperative to emphasise that not all limitations are completely addressed.

The first limitation relates to the methodology of the study, with respect to the sensitivity of the research area. The corporate governance topic imposes some limitations to its investigation in view of the sensitive nature of the issues involved. During several interviews it was observed that discussions regarding governance practices did not reflect actual practices, as senior executive participants who are responsible for corporate governance issues in their organisations would rather not expose the failings of corporate governance in their firms. Indeed, some participants were only comfortable with their interview taking place away from their office as they do not wish it to be known that they are discussing the corporate governance issues of their organisations. Such sensitivities had implications for the interviews in terms of duration and range and order of questions. The use of semi-structured interviews, which allowed for flexibility and variations in the order of questions, enabled the researcher to maximise the opportunities presented by the interviewees. In addition, despite the time constraints, the use of this data collection technique allowed the researcher to probe further for appropriate, rich information where the original responses provided were considered inadequate.

The second limitation is also related to the methodology of the thesis. Whilst the study examined governance concerns amongst Nigerian corporations, participants were not drawn from all sectors of the Nigerian economy as classified by the Nigerian Stock Exchange (see Chapter Three). In addition, there is a lack of knowledge regarding the size of the population and the population to be investigated. The principles underlying corporate governance is relevant to all forms of organisations but it is difficult to obtain data representing all the organisation types in Nigeria. This raises some concerns regarding the extent of generalising the outcomes of this study. However, the majority of corporate governance studies have focused on publicly-listed companies to generate their findings. While similar approach was adopted in this study, the study participants also comprised consultants who have performed various corporate governance-related consulting roles in the sectors not included hence their contributions could be assumed to reflect practices in these sectors.

The third limitation also relates to the study methodology, with respect to the interpretation of data to ensure facts and meanings generated from the data are trustworthy. Whilst the researcher took necessary precautions to ascertain the credibility of the research outcomes, the qualitative nature of the study portends that meanings and facts can be subject to variations in interpretations, based on the ontological and epistemological preferences of the researcher or the reader. However, the methodology adopted in this thesis was justified in Chapter Three, which should preserve the authenticity of the study's outcomes.

The final limitation relates to the breadth and coverage of the analysis in this study. The success of any corporate governance regime is aided by the observance of its principles by all forms of business organisations (small, medium and large-scale). In Nigeria, the absence of a governance regulation for SMEs has meant that there is a high degree of governance abuses in these organisations. Therefore, caution must be exercised in making generalisations regarding the state of corporate governance in the Nigerian business environment, as this study did not examine governance practices amongst Nigerian SMEs. However, whereas Falk and Guenther (2006) offered a basis for generalising in qualitative research, arguing that generalisations can be made on the basis that study findings have emerged from a rigorous process, Lincoln and Guba (1985) emphasised transferability rather than generalisability.

6.6 Areas for Future Research

In relation to the issues examined in this thesis, the researcher believes that channelling efforts into addressing the dearth of sufficient knowledge in the following areas will not only enhance the contribution of this thesis, but further promote the emergence of good corporate governance practices and scholarship in the Nigerian business environment.

First, this study indicated that economic agents, rather than deficient institutional elements, account for the state of corporate governance in Nigeria. This is an area which has not attracted sufficient examination in extant literature. Future studies may evaluate the character of such economic agents and offer information regarding how such agents emerged in the system. Such studies should also offer knowledge aimed at controlling their future emergence, with the eventual objective of limiting their influences on institutional frameworks.

Second, building upon this study, another area for future research relates to the impact of governance initiatives on SMEs in developing countries. Dangote Plc, the biggest firm on the Nigerian Stock Exchange (NSE), commenced business as an SME. Summarily, SMEs achieved a relative degree of success despite the prevalence of weak governance structures in these firms. The negligence of corporate governance in SMEs could be a factor in explaining existing corporate governance practice. It is necessary to gain knowledge as to how good governance structures can be improved in SMEs as a way to drive consciousness of the concept, promote the adoption of sound governance mechanisms in their operations and enhance their contribution to the Nigerian economy.

Third, in connection with this research is the concept of coercive isomorphism in developing economies. In corporate governance terms, coercive isomorphism can be deemed to entail the ability of a firm (or a few firms) which displays good corporate governance to pressurise other firms to comply with and imbibe good corporate governance practices. Future studies could offer insight into how isomorphic tendencies can become a force for good corporate governance in Nigeria, driven by the private sector, whilst restricting the isomorphic propensities of the government and its agencies. In relation to the aforementioned, comparative corporate governance studies could investigate the isomorphic roles of institutional forces in capitalism.

Lastly, whereas it must be noted that corporate governance literature in Nigeria is somewhat scant, it is worth mentioning that corporate governance scholarship in Nigeria has generally neglected governance practices in state-owned enterprises (SOEs). This is particularly worrisome as there are indications that SOEs in Nigeria are key contributors to the present state of its corporate governance practices (Okike, 2007; Kajola, 2008). Consequently, future studies may evaluate the dynamics of corporate governance in SOEs and the influences which obstruct good governance behaviour and their economic effect. Such studies could also assess how government interference affects the performance of SOEs compared with the performance of non-SOEs.

6.7 Concluding Commentary – What Future for Institutions in Nigeria?

Mainstream empirical studies on the effect of institutions on corporate governance have not only demonstrated how relevant institutional elements shape corporate governance (Aguilera & Jackson, 2003; Filatotchev *et al.*, 2013) but have also linked variations in global governance practices to differences in institutional environments (Doidge *et al.*, 2007; Judge *et al.*, 2008). However, in this study, it was indicated that the conditions underlying institutional frameworks deserve as much attention as those channelled towards institutional scholarship. The basis of the argument is that the functionality of institutions is significantly determined by the conditions underlying those institutions (Sachs, 2003; Przeworski, 2004). Accordingly, the variance in the degree of sophistication of these conditions among countries supports the emergence of varying institutional outcomes in these countries. Therefore, countries are challenged to continually seek to improve the conditions which underpin their institutions (Rwegasira, 2000), otherwise the relevance of institutions, particularly in certain developing countries, will continually offer a subject for debate.

As a result of the above, there is motivation to question the significance of institutions. This thesis takes a view which suggests that institutions do matter, but to the extent that underlying conditions are reinforced. As a result, this study agrees that existing institutional frameworks must be strengthened if they are to achieve the main purpose of acting as a check on the behaviour of economic actors (North, 1990; Hodgson, 2006). The achievement of good corporate governance is a journey. A sound strategy must recognise the need to address governance challenges both in the short term and long term. In the short term, efforts must be devoted to improving the conditions, whilst in the long term institutions must be fortified. It must be acknowledged by stakeholders that the objective of developing conditions must be to enhance institutional functionality.

The arguments and positions promoted in this study are intended to enhance knowledge regarding the theoretical relevance of some concepts of corporate governance on developing economies and, in particular, Nigeria. Indeed, the dominant position in the literature suggests that the present state of corporate governance in Nigeria is a reflection of the ineffectiveness of existing institutional instruments in the country (Adegbite & Nakajima, 2011b; Adekoya, 2011). However, on the contrary, this thesis reveals that the conditions which underpin the emergence of institutional frameworks account for the institutional failure in the country. Whilst various conditions were identified in the study, the power and pressure exerted by influential economic agents on institutional elements was acknowledged as antithetical to good corporate governance practice in the country. It is therefore necessary that initiatives aimed at improving corporate governance practice in Nigeria must, at the outset, emphasise how institutions can be reinvigorated to ensure that they (institutional elements) are able to control the activities of influential economic agents. This process, in relation to the bottom-up approach, must commence by establishing policies that compel influential economic actors to acknowledge the authority and legitimacy of institutional elements.

To contribute to the attainment of the preceding objective, an appropriate education strategy can be used to create and sustain corporate governance awareness and consciousness such that economic actors acknowledge their limits. This study posits that since corporate governance is inextricably linked to morals, values and ethics, relying solely on psychomotor and cognitive elements may not guarantee sound ethical behaviour. Thus it was proposed that educational activities including training and seminars should be redirected towards a vital element of Bloom's Taxonomy *i.e.* developing the affective domain which concentrates on enhancing the capacity of the heart to internalise values and the manifestation of a good attitude, among others. Whilst the above suggestion is aimed at building principles among operators, it is equally important to enhance the capacity of regulators to regulate effectively. A major problem of corporate governance regulation in Nigeria is the lack of independence of regulators (Adegbite, 2012), as regulators are appointed by the government, which means they are ultimately answerable to the government and members of the political class. Consequently, this study recommends the appointment of a distinct, independent body to regulate corporate governance in Nigeria. The independent body must possess the capacity to insulate itself from the political and societal issues challenging the country. A good example of such a body could be a reputable foreign agency with expertise in corporate governance matters.

Whilst the issues raised above may appear daunting, the implications of corporate misgovernance compel all stakeholders to embark on this mission. The corporate failures of Enron, WorldCom, Parmalat and the global economic recession of 2008, among several others, highlight the dangers of corporate misgovernance. In the face of increasing globalisation and international competitiveness, the only way Nigeria can improve its global presence is to continually develop its governance mechanism (Okike, 2007). Improving governance enables a company to lower its risks, enhance its public image and public acceptance and, fundamentally, promotes business success and perpetuity (Claessens & Yurtoglu, 2012). The spate of corporate failures witnessed in Nigeria in the last three decades (for example, Cadbury Nigeria Plc, Lever Brothers Nigeria Plc) (see Akinpelu, 2011) demands a corporate governance renaissance in the country's business environment. Consequently, as far as Nigerian firms are concerned, it is beyond doubt that corporate governance represents the future, hence all efforts must be channelled towards the establishment of a sound, enduring and resilient corporate governance system in the country.

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Appendices

Appendix 1: Transparency International (2014) Corruption Perception Index

Rank	Country/Territory	CPI 2014 Score
1	Denmark	92
2	New Zealand	91
3	Finland	89
4	Sweden	87
5	Norway	86
5	Switzerland	86
7	Singapore	84
8	Netherlands	83
9	Luxembourg	82
10	Canada	81
11	Australia	80
12	Germany	79
12	Iceland	79
14	United Kingdom	78
15	Belgium	76
15	Japan	76
17	Barbados	74
17	Hong Kong	74
17	Ireland	74
17	United States	74
21	Chile	73
21	Uruguay	73
23	Austria	72
24	Bahamas	71
25	United Arab Emirates	70
26	Estonia	69
26	France	69
26	Qatar	69
29	Saint Vincent and the Grenadines	67
30	Bhutan	65
31	Botswana	63
31	Cyprus	63
31	Portugal	63
31	Puerto Rico	63
35	Poland	61
35	Taiwan	61
37	Israel	60
37	Spain	60
39	Dominica	58
39	Lithuania	58
39	Slovenia	58
42	Cape Verde	57

43	Korea (South)	55
43	Latvia	55
43	Malta	55
43	Seychelles	55
47	Costa Rica	54
47	Hungary	54
47	Mauritius	54
50	Georgia	52
50	Malaysia	52
50	Samoa	52
53	Czech Republic	51
54	Slovakia	50
55	Bahrain	49
55	Jordan	49
55	Lesotho	49
55	Namibia	49
55	Rwanda	49
55	Saudi Arabia	49
61	Croatia	48
61	Ghana	48
63	Cuba	46
64	Oman	45
64	The FYR of Macedonia	45
64	Turkey	45
67	Kuwait	44
67	South Africa	44
69	Brazil	43
69	Bulgaria	43
69	Greece	43
69	Italy	43
69	Romania	43
69	Senegal	43
69	Swaziland	43
76	Montenegro	42
76	Sao Tome and Principe	42
78	Serbia	41
79	Tunisia	40
80	Benin	39
80	Bosnia and Herzegovina	39
80	El Salvador	39
80	Mongolia	39
80	Morocco	39
85	Burkina Faso	38
85	India	38
85	Jamaica	38
85	Peru	38
85	Philippines	38

85	Sri Lanka	38
85	Thailand	38
85	Trinidad and Tobago	38
85	Zambia	38
94	Armenia	37
94	Colombia	37
94	Egypt	37
94	Gabon	37
94	Liberia	37
94	Panama	37
100	Algeria	36
100	China	36
100	Suriname	36
103	Bolivia	35
103	Mexico	35
103	Moldova	35
103	Niger	35
107	Argentina	34
107	Djibouti	34
107	Indonesia	34
110	Albania	33
110	Ecuador	33
110	Ethiopia	33
110	Kosovo	33
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Appendix 2: Interview Guide

Research Topic: An Assessment of Institutional Influences on Corporate Governance in Nigeria: A Multi-Stakeholder Perspective

1. **Interview Background**
   a. As a key stakeholder in corporate governance matters in Nigeria, how would you assess the present state of corporate governance in Nigeria?
   b. What do you think are the main problems confronting corporate governance in Nigeria?
   c. How would you rate corporate governance performance amongst Nigerian public companies on a scale of 1 to 10 (1 being very poor and 10 being very good)

2. **SEC Code of Corporate Governance (2003 and 2011)**
   a. How would you access the contributions of the SEC codes (both 2003 and 2011) to the practice of corporate governance in the country?
   b. In your view, do you think that the 2011 code is a significant improvement over the 2003 version?
   c. Which newly-introduced provision(s) in the 2011 code are you particularly convinced would enhance governance practices among Nigerian firms?
   d. What is your view on codes reflecting the key drivers of the institutional environment?
   e. Do you think that the 2011 code acknowledges the main institutional peculiarities of Nigeria?

f. Would you argue that the development and design of the SEC code (2011) is informed by the main local institutional influences?
g. In your opinion, do you think a wholly rules driven regulation or that based on principles is what is needed to improve governance among Nigerian companies?

3. Pre-Independence Corporate Behaviour

a. Do you think that behaviour and practices among corporations during the pre-independence era have influenced the present state of governance behaviour among Nigerian firms?
b. Can you explain some of these behaviours and influences which is evident among Nigerian companies today?

4. Institutional Influences

a. In your view, do you think that institutional elements impact the effectiveness of corporate governance codes in Nigeria?
b. To what extent do you think that the following institutional factors have impacted the practice of corporate governance in the country;
    - Corruption
    - Culture and Ethnicity
    - Extent of Law and Order in the society
    - Religion
c. If you are given the opportunity, would you pursue the recognition and integration of these institutional elements into existing codes?

d. Which institutional factor(s) would you want to be incorporated into existing codes?
e. How do you think the impact of the above issues can be minimised to enhance governance practice in the country?
f. In particular, how do you think the problem of corruption in Nigeria can be tackled?

5. **Governance Scorecard**
   a. How do you measure/assess corporate governance in your organisation?
   b. What is your view on the development and introduction of a governance measurement tool (Scorecard) to engender governance measurement and promote compliance levels among Nigerian firms?
   c. Do you think it can potentially improve governance compliance levels among Nigerian corporations?

6. **Necessary Reforms**
   a. In your opinion, what are the main governance reforms you consider necessary to improve corporate governance value in the Nigerian business environment?

Thank you.

Appendix 3: Sample of a Participant's Interview Manually Transcribed

What do you think CG is?

Well, CG has been defined in several ways, but I would say CG is the internal and external structures and processes which are applied to ensure that organisations run on their feet rather than on their heads.

Can you expatiate on that?

Yes. The structures and processes put in place to ensure that organisations are run on their feet. If you look at the situation in Nigeria, most organisations are not ruin the way they are supposed to be run. To that extent, I will say they are running on their heads rather than on their feet. Like when an organisation supposed to be running on its feet and is now running on its head, a lot of crisis will definitely happen, as it was in the case of Oceanic Bank. Oceanic Bank was running on their heads rather than on their feet. When an organisation is running on its feet, the rules and regulation are applied and obeyed to the letter. And that is not the case.

Sir, in the context of the information you've just provided, how would you assess the present state of CG in the Nigerian business environment particularly amongst publicly listed organisations

Yes. The CG we are talking about now, we are actually talking in terms of the listed companies because they are the ones the 2011 and 2003 codes refer to and specifically directed even though organisations outside those ones that are listed are expected to comply or adopt those policies spelt out in those codes. Now, for CG to work, we must have an example of the 2003 and the 2011 code of CG. That, i will call a code that is externally derived. An organisation ought to also have code of governance which is internally derived. But from experience, not up to 40%, ok let's say about 40% of the organisations in Nigeria have internally derived codes of CG

Publicly-listed organisations?

Yes. Publicly listed. Not more than 40% have internally derived code of CG. So without internally derived code of CG, the externally imposed code like the 2003 and 2011 will certainly not work because there is no foundation. And for those of us in the Christian world, we say if the foundation is weak, what can the righteous do? If a listed organisation does not have internally derived code of CG, that is, do you then expect that the one that is imposed by SEC will work? Certainly not. So, to that extent, I will say the CG practice in Nigeria is at 40%.

You've tried to explain the fact that for the SEC code 2003 and 2011 to be effective, every organisations need to have, what you referred to as the internally derived or generated code. So, as it is, are you …..If you score CG performance in the Nigerian business environment at 40%, obviously then there are issues. Sir, from your own experience, what are the issues that you consider significant? Why has CG not been effective in this system?

Yes. So many issues. One, corruption. Corruption is a major factor. Every other thing that we are discussing, can be discussed in terms of that corruption. Just take employment, for instance. Qualified persons are not employed into most positions. Most employments in Nigeria are by introduction. I'm the MD here, I have a relation, my wife have a relation. Not on the basis of merit. So when you put square pegs in round holes, of course you can't get the desired result. Then, two, the need to show favourable financial outcomes to stakeholders. For instance, when listed companies prepare and submit accounts to SEC, they show financial statements that have robust outcomes that will attract both the existing shareholders and prospective shareholders. But when they are submitting the same accounts, for instance, to the NDIC, the deposit base is tactically reduced in order not to pay the 1% insurance premium. Now, when they are submitting the same accounts to the Federal Inland Revenue Service, it is adjusted in such a way that to reduce the tax liability. When they are submitting returns also to the State Inland Revenue, the PAYE is reduced. The salary is reduced in order to pay a very low tax. Then, most of the organisations also engage in tribal issues. A Yoruba MD who is retiring would want a Yoruba man to take over from him. If you have an Igbo man at the head, he will want an Igbo man to take over from him. So, in all of this, merit is sacrificed, and CG becomes very, very ……… As at today, I don't read financial statements. I came from the private sector as a Chief Accountant. When I remember what we used to do, I don't want to talk about CG because as far as I'm concerned, that 40% is even exaggerated. But you cannot blame the public organisations solely because the infrastructures that are supposed to be provided on the side of the government are not provided. The roads are bad, there is no electricity, and companies pay for all those things. So, in order to earn a benefit, they must manipulate. So, the poor state of CG derives from poor infrastructure and the unethical attitude of the managers of these companies. There is this attitude of I want to be like the other man. You can't be like the other man. These are some of the issues, which I can call the environmental issues affecting CG in this country.

The last point you talked about, one can actually relate it to competition.

Yes. It is unhealthy. Unhealthy competition. The analyst who ought to mediate, sometimes are sponsored by those organisations so they are not therefore in a position to right that which they should right as a matter of policy. So, if you rely on what they write, you will be misled. Many of them are on the payroll of some of these companies.

There is an issue I find so difficult to resolve and I'll like to put the question to you. When you started, you talked about the fact that there are several ways of defining CG but one clear way of defining it is to ensure that organisations are better managed. When that is done, it is expected that all stakeholders including shareholders and management should benefit. Why is it that we still find CG abuses when the objective of a good CG structure is to ensure that the wealth of the organisation is maximised? Why is management not tuned to doing that which satisfies shareholders?

That's just agency theory. This is agency theory issue. It is pronounced in this matter. Most managers we have will want to balance their budget at the expense of the owners of the companies. Because they want to do that, they find various excuse. For instance, this code of 2011 we are talking about, for instance, no shareholder should be disenfranchised in terms of voting during AGMs. And the venues should be such that can be accessible to all. All the venues in Nigeria are either Abuja or Lekki and only wealthy shareholders who can influence management virtually attend those meetings. All the other small shareholders are usually unable to attend. Because these few that attend are in agreement with the management so the management aims to satisfy those few at the expense of the larger body of shareholders. So, this is an agency theory issue. If we are able to imbibe the stakeholder theory, things would have been much better but the average Nigerian manager is not ready for that.

What motivates them? What motivates the average Nigerian manager that you talked about?

Greed. Greed. Nothing more. Wanting to be like the other man. Bank A wants to be like Bank B. Oceanic of those days wants to be like UBA. UBA wants to be like First Bank. First Bank wants to be like IBTC. That is just the issue.

Sir, even though you've mentioned a bit of it but I would really want you to expatiate on it. The effectiveness of the SEC codes of 2003 and 2011, there has been several arguments talking about how effective the code is and how ineffective the code has been. I want to ask you, do you really think the code has contributed to the development of CG in Nigeria?

It has not contributed because the code is, they are just complying. They are just complying on the face value. Internally, they are not actually complying. For instance, under the 2003 code, you could have a chairman who is also the MD, under the 2011, both positions are separated. If I am the chairman, I can no longer be the MD but I will bring in a crony to be the MD. It is still the same thing. It has really not helped. They are only just complying to maintain their status because they want to be seen as complying but if you remove the veil, you'll discover that they are not actually practising CG so it is not contributing to quality of governance. I think there is a part of the code that says Auditors, for instance, should report on the strength of the internal controls of organisations. But they are not reporting that. They are not reporting on that because nobody wants to fall foul. So, these codes are just on paper, they are not contributing to anything as far as I'm concerned.

There are some issues that I have identified which I really want you to examine in the context of CG in Nigeria. I call them institutional peculiarities. I listed four of them; the extent of law and order, corruption, religion and our culture. Sir, I want us to take them one after the other and begin to discuss how exactly these issues relate to CG performance in Nigeria. First one is religion. What do you think? Has religion affected the way we value CG in this system?

Religion ought to affect CG positively. But it is not because religion is different from spirituality. Spirituality is the fear of God while religion is belonging to one religious sect or the other. You are either a Christian or a Moslem. So, religion has not affected positively CG rather it has worsened it because if an Hausa/Moslem is in a position, he wants the person next to him to be a Muslim. If Christians are in a position, he wants another Christian to be next to him irrespective of the level of expertise or their education. So, the religion you talked about, the tenets of those religions are not internal at best. I see it as a social gathering. People gather to identify themselves with a particular religion. Religion has affected CG negatively although ordinarily religion ought to affect CG positively but as I said, there is spirituality, there is religion. The fact that one belongs to a religion does not make you a Christian or a Moslem but if you are spiritual, you have the fear of God. And to be spiritual, you must either be a Christian or a Moslem so religion as at today, you cannot appoint somebody into a position because of his religion. In fact, the traditional religion is even more effective. As it were in those days, you have to swear to an oath instead of the bible they swear to in the case of Christians and Quran in the case of Moslems

How about our culture?

Yes. Culture also has effects on CG. You take our country, for instance, the late (….), once a lecturer in Unilag, and one of the most brilliant scholars we have ever produced, but he is late now, is a Nigerian of Sierra-Leonean descent. He did a study which shows that the Yoruba culture, for instance, can impact CG negatively. For instance, if a chief accountant of an organisation is 50 years old and you send a 30 year old man as an Auditor to that same company where the elderly man is the chief accountant, by their culture, the younger accountant is to come and prostrate before the accountant. Under that condition, it is not able to ask or be sceptical in the conduct of his audit as it would have been if the man he is coming to look at is not a Yoruba man. That particular example shows that culture also affects CG. But we have what you may now call modern culture. Modern culture which makes people clap for their corrupt people when they go out to serve. When people now go to serve, their people now believe that it is time to have their own share of the national cake. That is what I refer to as the modern culture. With such conditions, you cannot expect that organisations will run on their feet because the people that are go to serve are looking for ways to balance their pockets and this affects their organisations. The culture, whether it is the old culture or this modern culture also affects CG negatively. You see, I worked in a company where a contract for N80.5million was increased to N482.5million. Look at the magnitude of the increase and the sum of N200m was released to kick start the job. And the money was spent. No appreciable job was done. That is the type of environment we are talking about. When we were now asked to appear before a commission of enquiry to explain how that money was spent, the MD simply shot himself dead. August 19, 1991. That is the type of environment we have. Just misappropriate the funds because the people involved were waiting for him to come so that they can all share in the largesse. So, that is the situation so the man shot himself dead as he didn't have the courage to explain the role he played in the sordid affair.

Sometimes, when I ask questions on culture, I always want to look at our culture where we come from. The Yoruba example that you cited is absolutely in order but I am looking at the second example that you talked about. Our modern culture. Our modern culture is not our culture as it were. I am looking at, if you say the last 50, 60 years, obviously I want to say maybe my grandparents were a lot more compliant when it comes to things like this. The question I tend to ask people is what has changed? Why do we have a modern culture that is almost a total

negative of what we had before? Because that is where our culture is. Culture normally should grow that way.

Even the 60 years you talked about is too far. I was in Unilag in the 80's where a vendor could put his newspapers on a stand, put stone to protect the newspapers and is out doing something else. Those papers were not stolen. People pick their papers and dropped the money. But we can no longer run like that. What has happened is that our values have been eroded. Those values we learnt on our mother's knees, they have been eroded. The reason is, the need to acquire more wealth. The time a family, the mother leaves home at 4.30am, the father leaves home at 4.30am, they both return at about 11pm and the child is left under the care of a nanny who is paid a pittance and a house girl. Do you expect that these children will be able to learn the way they should learn because the scripture says teach a child the way he should grow and when he grows, he would deviate from it. That was how we were brought up by our parents but these days, children are brought up by housemaids and nannies who have little or no stake in the future of the children. So, they grow up with limited values.

I also want to ask you this. What you find is, there are suggestions again that probably the way the average Nigerian values law and order has also had an impact on the way we appreciate or value CG particularly when we compare these to citizens of other developed countries. What's your take on this? The performance of CG in this clime has it got to with us as individuals?

Ehn, not as individuals as you said but with the government in general. Because you talk of the rules and regulations, we don't obey rules and regulations in Nigeria because the laws are ineffective. Something happened in 2008. I took an airport taxi in California, in San Diego. We got to traffic point at about 1am, there were no cars on the road but the driver stopped and obeyed the traffic rule. When I returned, I had a programme at Lekki to deliver a paper……….. I was asked to stay in Lagos Airport Hotel. A car came in to pick me up at about 5am. The roads were very busy. Traffic light showed red. I said let me see what this driver will do. He simply beat the traffic but that same person will go to US and obey the rules. That same person will go to the US and obey those rules.

Why is that?

Our rules are not effective. Then, the security agencies, the regulators are Nigerians. They have been influenced by the environment so they are corrupt. For instance, the tax officials. They are the ones who teach you how to avoid tax but in the US or China, I don't think that a tax official in China, for instance, will teach you how to evade tax. So, the laws are there, they are obsolete, they are not effective.

I know you've talked about this before but I wouldn't mind if you still shed some more light. Corruption and CG in Nigeria. Your view, Sir?

Yeah. Corruption has eaten deep into everything we do. Corruption has affected every part of CG from employment to the publication of the accounts. Every aspect of our life. I'll give you an instance, one of the big banks. I have a cousin who was on N25m a year. They brought in someone, a young man, and place him on $2million a year. I told my cousin that that $2million is not being earned by that boy. It is a way of repatriating some of these money abroad to the private accounts of these MDs who appointed that young man in that salary. $2 million to N25 million. You see the difference. Can you tell me that that young man was earning $2million? No. He may just be earning maybe about N10 million, the balance is going into the MDs account. That is an MD who ought to be sympathetic to the affairs of the organisation. So, corruption is running through from the man at the gate to the man at the top because of greed and the need to be like the other man. He wants to drive the car the other man is driving; he wants to build a house in Victoria Island because a friend has a house on Victoria Island. It is a very serious matter, very serious matter.

I also plan to come up with a scorecard but of course, I need to test the waters. I need to be sure that it is something workable. I want to ask you this question. First, the idea of a scorecard like a measurement tool for organisations and even for regulators too to assess organisations. Do you think it is relevant in our system? Secondly, do you think it can actually help CG performance amongst our organisations in this country?

Yes, as a matter of fact, it should be helpful. But as a matter of curse in Nigeria, it's not going to help. Who does the scoring? Remember the employment for instance. It is done in favour of the cronies of the MDs so they are not in a position. An MD is not in a position for instance to score his associate very low and the board members are not in a position to score the MD lowly because the board members are not there because of expertise or experience. They are there at the mercy of the MD. All those regulations in the code, that it must be this, it must be that, those things don't appear in Nigeria. The …….. will get to the board because of the influence of the MD. So, he is therefore not in a position to score him low so if you come up with a scorecard, it will just be there. It will be ritualistic.

Even if it comes from an independent body outside of the organisation?

Yeah. The independent body, maybe as a volunteer. If it is a volunteer, we may get some result but if it is coming from an external auditor, for instance, it is not going be effective because SEC is saying they should not retain Auditor for more than 10 years if an audit firm will have to score the CG status of an organisation, they are not in a position to score them very low because if they do, they will be changed. You know this CG is compliance by persuasion so they are excused. It is not a law as it were so even if the code is saying Auditors should be changed after 10 years, to come back after about 7 years, they can change you after 1 year if you are not ready to do their bidding and the auditor do not want to lose any client so they won score them lowly. But if an independent body is in charge, look they will get clues with what is happening in Nigeria. No firm set up in Nigeria today can say ok we are in charge of scoring organisations fairly.

I want to ask you a question based on a point that you raised in the course of addressing my last question. Which kind of regulatory regime would you prefer for CG in Nigeria? Principles-based or rules-based?

From experience, rules-based code will not work. It has never worked. It is not working and may never work. What I believe and what we do here, we have what we call core values here. We teach those core values from BSc to PhD. Those old values; spirituality, capacity building, integrity, responsibility, sacrifice. We teach those values in this place. We want the people to be able to internalize these values. So, once you are able to internalize these values, these values now represent foundation for ethics and standards. That is what we do. If you want CG to be what it should be, all our faith for instance in this country should teach values. Those values we left behind so many years ago. In-fact, what we teach now are those things called the psychomotor and the cognitive that affects the head and the hand. But the affective domain which affects the heart, no university is offering it. This is the only university where it is offered. And we call it total man concept. It is a course that is taught from 100 level to PhD level. The cognitive domain is taken care of, the psychomotor domain is taken care of, then the affective domain – the heart, because what you do with your brain and your hand derives from the heart. So, unless we internalize these values, CG will never work. If you internalize them, then the principles-based become effective. When people are now self-regulated, instead of saying you must do this one, you know rules cannot cover everything, but with principles you can attend to all issues whether complex or simple. But rules will only be able to attend to simple issues, they may not be able to address complex issues but with principles, they can address all issues whether complex or simple. And you can only do that if you have internalized the set of codes.

Let me go to the last question. My last question is; Sir, if you have the opportunity to reform CG, you have an idea, you want to take CG to a particular level in Nigeria, what issues will be topmost on your agenda?

The curriculum of the universities should be reviewed to take into recognition the need to affect the minds of the students. Let me show you something. You see, as an Accountant, Nigeria has adopted the International Financial Reporting Standards and we have been using code of ethics and these codes have never been obeyed and you know before IFRS, the standards were rules-based. IFRS is principles-based. This is a paper I just submitted titled “searching for a pathway to priming accountants for ethical compliance with international financial reporting standards: the core value paradigm.” That is our core value here. This paper has been accepted by the World Congress of Accountants. I got the information last Monday. I’m to present this paper at the World Congress of Accountants in Italy, Rome November next year, and they have asked me to detail how this paper could be exported in developing countries. So that's what I'm trying to say that these values have to be taught in schools so that the affective domain could be affected. Without touching on the affective domain, CG will not work. OK, this is the paper. It says the panel is interested in the methodology of your research. We will also invite you to describe how the Nigerian context could be exported to other developing countries. In Rome, Italy 2014.

That's interesting. But sir, I agree with you considering the fact that it has to do with, what you call the affective domain which is an interesting bit. However, I look at this as long term. Is there anything you will like to in the short term?

Yes. What I would have loved to do in the short term is what can be done in China but not in Nigeria. Identify a corrupt man and execute. Yes. If we want to strengthen our CG, we must find somebody like a former MD and execute. In China, you can't do all those things they did. I talk about a similar issue in 2005 in Nigerian Defence Academy. They were asking me whether I want all Nigerians to be killed. I say if that will enhance our CG, why not? In this university, if you are found corrupt, you don't have more than 24 hours to remain in this environment, whether you are a professor or not. If you are found guilty this morning, you'll be tried this night and by this time tomorrow morning, you are out of this place. That is how this place is run. That is what I think we should do. We are too lenient. We condone indiscipline. Rules don't work. If you find a man guilty, you execute him. But we need a strong man to bell the cat. So who is that strong man who has not had his fingers in the pie? That is the issue. Who is that strong man who has not had his finger in the pie? Who will throw the first stone? Jesus Christ said if you have not sinned, you throw the first stone. But who is ready to throw the first stone? Nobody.

From what you said now, is there no conflict between the principles-based and kind of regulatory framework? If you expect me to operate by principles, and I tighten the enforcement mechanism, would there be no conflict? Don't you think a

rules-based would work better if you really think that, I mean I have read papers that have suggested that we should try rules-based while some have advocated for both of them. But what I am looking at is; another paper has actually argued that the main issue affecting CG is the enforcement mechanism. So, if I am looking at that, which operational methodology will work for me? Is it principles-based or the rules-based in that context?

Unless the affective domain is touched, the principles-based will not work. Two, unless, you have a strong man to enforce the rules-based, it will also not work. So we need a very strong man to enforce the rules-based, if we want the rules-based to work. Very strong individual. Strong willed individual, if we want the rules-based to work. But if we want the principles-based to work, we ought to touch the affective domain. People have to see reason why they should behave ethically.

Aside this, you've talked about the fact that we need to work on the core values of the average Nigerian individuals. You've also talked about the fact that we need to strengthen our enforcement mechanism, is there any other thing that you will do just to promote CG in Nigeria?

We should have department of ethics in organisations. Ethics is a word they don't want to hear in this country. Nobody wants to hear anything ethics. So every organisation should have a department of ethics where ethical issues are dealt with right from employment to retirement. But the question is who heads the department of ethics? A Nigerian who has not been corrupted? Where do you get him? That is the question. If we talk about ethics the way we talk about Arsenal and all those things on the television, people will be saying what is this ethics we are talking about? How can we comply with these ethics? Check the newspapers in the last one year, you won't see any article on ethics. Nobody is talking about it and without ethics, CG will run on its head. There should be little programmes talking about ethics, conferences on ethics. These things are not in place.

As part of the last question, from your experience, do you really think that people out there especially practitioners, top executives particularly, do you think they understand or they know enough of CG to start with?

They do not know enough. All that they know is how do we make profit irrespective of whose ox is gored. If they have sufficient knowledge of CG and what lack of it can do to the economy, they won't be doing what they are doing. So, I believe they also need to be tutored. Tutored not in Harvard but in African universities where the problem resides. Because, some of these issues we have here, we don't have it abroad. There are similar issues but not as pronounced as we have it here because our context here is different. They should attend schools here, where the problem is. Not going to Harvard or all those schools. You see, they don't know much about it because they are not trained to occupy positions they occupy. Many of them are occupying positions where they exhibit inefficiency. It is everywhere because appointments, as I said, are not strictly on merit but most are by introduction. Do you that our graduates here, for instance, don't talk about unemployment because their parents are the ones in charge of the economy so they graduate, they replace their parents in their parent's organisations. Is that how it should be? That is not how it should be. Whether the child is qualified or not, he gets into the parent's organisations. But the very brilliant ones out there who have nobody to introduce them are suffering unemployment. People rise to positions they are not prepared for. In many organisations abroad, it's not quite like that. People come in as management trainee. They identify those that could be good manager and start to train them. But here we don't. People are not trained to occupy the positions they occupy. Not by merit, not by experience, not by qualifications but by introduction.

<u>Interview Notes and Summary</u>

- SEC Code – Externally derived
- Generate internally derived codes of CG
- 40%
- Corruption – employment
- Greed

- SEC code – not contributed
- Religion - not positive
- Societal value eroded
- Laws are ineffective
- Curriculum of universities
- Strong regulator
- Department of Ethics in every organisation
- Without ethics, CG will fail
- Awareness is key

Appendix 4: Approach Letter to Research Participants

Newcastle Business School,
Northumbria University,
Newcastle
United Kingdom
June 07, 2013

Dear Sir/Madam,

Regulating Corporate Governance in Nigeria: The Embeddedness of Institutional Mechanisms

On behalf of myself (Professor Philip Shrives), Dr Karim Sorour and Dr Emmanuel Adegbite, I wish to introduce to you - Mr Franklin Nakpodia (BA, MSc), a PhD student and Associate Lecturer at the Newcastle Business School, Northumbria University, United Kingdom.

Franklin Nakpodia's PhD is supervised by myself (Professor Philip Shrives) (http://www.northumbria.ac.uk/sd/academic/nbs/staff/stafflist/?page=detail&staffid=27) , Dr. Karim Sorour (http://www.northumbria.ac.uk/sd/academic/nbs/staff/stafflist/?page=detail&staffid=392), both of Newcastle Business School, Northumbria University and Dr Emmanuel Adegbite (http://www.dur.ac.uk/business/faculty/staff/profile/?id=10628) of Durham University Business School.

Franklin is working on an interesting research on corporate governance practices among public corporations in Nigeria. The research aims to contribute not only to academic literature but also to the business community particularly in developing economies. The research evaluates the importance and procedure for integrating key institutions peculiar to Nigeria into its corporate governance regulatory framework. A synopsis of the research agenda is attached for your information.

To achieve an important part of his PhD, Franklin will be in Nigeria between July 1, 2013 and August 9, 2013 for his data collection. Data will be collected through interviews. Consequently, we hope to secure an opportunity for an interview with yourself and other potential respondents you may wish to provide access to. This will enable his research benefit from your wealth of experience on corporate governance issues in Nigeria.

Franklin would appreciate if you could indicate your availability (at his email address: franklin.nakpodia@northumbria.ac.uk) for an interview during this period, upon which he would be happy to provide further information, such as an interview guide.

As we count on your assistance and co-operation in making this important project a success, we should be enormously grateful for your participation.

Thank you again.

Kind regards,

Franklin Nakpodia
PhD Candidate
Newcastle Business School
Northumbria University
Newcastle, UK

Prof Philip Shrives
Professor in Accounting,
Newcastle Business School
Northumbria University
Newcastle, UK

Dr Karim Sorour
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Dr Emmanuel Adegbite
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Appendix 5: Ethics Approval Letter

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25th July 2014

Dear Franklin,

Faculty of Business and Law Research Ethics Review Panel

Title: Regulating Corporate Governance in Nigeria: The Embeddedness of Institutional Mechanisms.

Following independent peer review of the above proposal, I am pleased to inform you that Faculty approval has been granted on the basis of this proposal and subject to compliance with the University policies on ethics and consent and any other policies applicable to your individual research.

All researchers must also notify this office of the following:

- Any significant changes to the study design;
- Any incidents which have an adverse effect on participants, researchers or study outcomes;
- Any suspension or abandonment of the study;

We wish you well in your research endeavours.

Best wishes,

Rachel Barr

On Behalf of the Faculty Research Ethics Committee

Rachel Barr

Faculty Support Administrator, Faculty of Business and Law

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Room 330, City Campus East, Northumbria University, Newcastle upon Tyne, NE1 8ST, United Kingdom

Appendix 6: Sample of Informed Consent Form for Research Participants

northumbria
UNIVERSITY
Newcastle Business School

Newcastle Business School
Informed Consent Form for research participants

Title of Study:	Regulating Corporate Governance in Nigeria: The Embeddedness of Institutional Mechanisms
Person(s) conducting the research:	Franklin A. Nakpodia
Programme of study:	PhD
Address of the researcher for correspondence:	PhD/DBA Research Suite Newcastle Business School City Campus East Newcastle upon Tyne NE1 8ST
Telephone:	07961911215
E-mail:	Franklin.nakpodia@northumbria.ac.uk
Description of the broad nature of the research:	The purpose of the study is to evaluate the impact of country-defined institutions on the practice and regulation of corporate governance among Nigerian public corporations.
Description of the involvement expected of participants including the broad nature of questions to be answered or events to be observed or activities to be undertaken, and the expected time commitment:	The expected involvement of the research participants would be as follows: An introductory meeting to discuss the nature of the research and location for the interview. This might be via telephone, email or face-to-face. An interview of not more than 45 minutes Participants may decide to participate in only one interview, in which case an interview for not more than 45 minutes will be conducted. They will also be asked if they would be willing to take place in a further interview to confirm emergent findings The interviews will be semi-structured, based on the participant's personal capacity and experiences as a major stakeholder in corporate governance matters in Nigeria. All information in this study will be anonymised, with all names of organizations and people removed. All data will be kept confidential and the names of

	participants and any other name contacted during the process will also be anonymised. Electronic copy of the field notes and other data will be stored securely on a password protected network and hard copies will also be stored in a locked cupboard. Hard copies of anonymised field notes may be given to the supervision team during analysis for review, but it will be returned to the researcher after use. It may also be shown to a limited number of researchers during seminars/conferences. However, no field note would be left with any other person except the researcher The data and the resulting information obtained through the research may be reproduced and published in various forms and for various audiences related to the broad nature of the research i.e. conferences, peer reviewed journals, articles, etc. Anonymity and confidentiality will be protected at all times. At the end of the project, the researcher would ensure that the records are either disposed of securely (this may be ‘deleted’ for electronic records, or disposed of for recycling in the case of non- confidential paper records. All confidential records, including those containing personal information would be disposed of using confidential waste disposal) or, where required, retained in accordance with the retention schedule of the University as detailed in the University’s Ethics Handbook (completion of project + 5 years. The records would then be reviewed for archival value)

Information obtained in this study, including this consent form, will be kept strictly confidential (i.e. will not be passed to others) and anonymous (i.e. individuals and organisations will not be identified *unless this is expressly excluded in the details given above*).

Data obtained through this research may be reproduced and published in a variety of forms and for a variety of audiences related to the broad nature of the research detailed above. It will not be used for purposes other than those outlined above without your permission.

Participation is entirely voluntary and participants may withdraw at any time.

By signing this consent form, you are indicating that you fully understand the above information and agree to participate in this study on the basis of the above information.

Participant’s signature: **Date:**

Student’s signature: **Date:**

Please keep one copy of this form for your own records

Appendix 7: NVivo Extracts from some Key Categories (Coding) of Data

Appendix 7A: Corruption

<Internals\\[redacted]> - § 2 references coded [14.89% Coverage]

Reference 1 - 9.35% Coverage

Consider this scenario. A government official is in charge of awarding contracts worth billions but his take home pay is about 200,000. When you look at this, there is a possibility that the official might engage in corruption because he sees a situation where he can enrich someone else. He is likely to explore ways of enriching himself as well. This is what happens to many organisations hence promoting corrupt tendencies especially in the public service

Reference 2 - 5.54% Coverage

Theoretically, it is good but whether it is going to work, it is quite difficult to assess. The kind of problems we have in the system especially with corruption means that it is difficult to implement such documents. In addition, are you sure that the stakeholders will even be interested in it, because it can undermine their corrupt tendencies

<Internals\\[redacted]> - § 2 references coded [7.11% Coverage]

Reference 1 - 3.02% Coverage

Corruption affects CG in a negative way. It is rampant in our system even though the system has made some progress in apprehending corrupt political officers holders are charging them to court, with some convicted

<Internals\\[redacted]> - § 1 reference coded [3.01% Coverage]

Reference 1 - 3.01% Coverage

That is the main factor affecting CG (corruption). Even the institutional frameworks expected to offer support for CG is being affected by corruption. The power available to the CEO is enormous so they can leverage on the corruption in the society to influence decisions in their personal favour.

<Internals\\[redacted]> - § 5 references coded [2.06% Coverage]

Reference 1 - 0.33% Coverage

Let me start with corruption. All over the world, Nigeria is tagged notorious.

Reference 2 - 0.35% Coverage

What corruption and fraud has done is to narrow down the conscience of our people

Reference 3 - 0.38% Coverage

Corruption is here and I am saying that more and more people are keying in to it, painfully

Reference 5 - 0.38% Coverage

So corruption has really dealt seriously, not just on the economy, but also on the culture

<Internals\\[redacted]> - § 1 reference coded [1.17% Coverage]

Reference 1 - 1.17% Coverage

As for corruption, it is a major problem in our environment.

<Internals\\[redacted]> - § 5 references coded [18.88% Coverage]

Reference 2 - 3.63% Coverage

Government is the biggest player in this economy. But to get business from government, I must bribe. Bribery is against the tenets of CG. If bribery is an issue that is not condoned by an organisation, then it will not play in the government sector. You cannot get into the pool without getting wet. This would possibly create disadvantages in the short term but it might not be the same in the long term, because the government business is not steady. So, people have to believe in CG philosophy, and not because a code stipulates that you must do it.

Reference 3 - 7.49% Coverage

Corruption affects CG because it is what conflict of interest is all about. Personally, I believe there is a correlation between conflict of interest and level of greed, and there is a correlation between level of greed and corruption. If you have a director who is hungry (if your level of greed is high, then you are hungry), you will engage in corruption.

<Internals\\[redacted]> - § 1 reference coded [7.38% Coverage]

Reference 1 - 7.38% Coverage

Definitely, Yes. Corruption is the way and manner people behave negatively which affects their way of life generally. If you relate that to CG in Nigeria, I will say yes. For instance, when Board appointments are made, are they made on merit or on some other factors that border on corruption? We have instances where Board members are bribed to get things done.

<Internals\\[redacted]> - § 1 reference coded [0.26% Coverage]

Reference 1 - 0.26% Coverage

Corruption is not peculiar, is all over. It all depends on the magnitude

<Internals\\[redacted]> - § 5 references coded [4.98% Coverage]

Reference 1 - 1.48% Coverage

Corporate is the collection of individuals. I think it is, although this is debatable, but I think there is nothing like corporate corruption. I think it is corrupt individuals within the corporation. If you change a CEO, if there was a culture of corruption and you change the leadership, and the leadership is a leadership of people who are committed to righteousness, committed to integrity, you have changed the corporate culture just by changing the leadership. So, this issue of corporate corruption just means that the company has corporate leaders. It is just like people say Nigeria is corrupt. Nigeria is not corrupt, it is the leaders that are corrupt.

Reference 2 - 0.65% Coverage

If you check the leadership and you put in people that are not corrupt in the leadership, Nigeria will not be corrupt anymore. I don’t know if you get my point so it is the behaviour and the orientation of the human beings in the company that is making them either corrupt or not corrupt.

Reference 3 - 0.35% Coverage

So, it is the human beings really that determine the culture and the behaviour and I think that the issue of corporate corruption is a function of the people.

Reference 5 - 1.10% Coverage

Mahatma Gandhi said something. There is enough for everyone's need but the world does not have enough for anyone's greed, for one man's greed. Because it is insatiable, you cannot satisfy it. So, motive. Another thing that must be present is opportunity. Do you have the chance to steal? No matter how greedy you are, if you don't see the chance to steal, you can never steal. So the opportunity to steal….. If you are not where they are issuing contract or doing anything, you cannot steal.

<Internals\\[redacted]> - § 2 references coded [9.46% Coverage]

Reference 1 - 1.81% Coverage

A significant player here is corporate corruption and the regulation is very lax and ineffective

<Internals\\[redacted]> - § 4 references coded [2.06% Coverage]

Reference 2 - 0.65% Coverage

Corruption is what has brought Nigeria to where we are today. With corruption, we don't have effective investment. We don't have effective allocation of resources. Corruption will allocate resources towards a selfish end, selfish interest.

Reference 3 - 0.41% Coverage

So, corruption is a serious issue both within the companies and even outside the companies. So, except we do something about corruption, we cannot move

Reference 4 - 0.47% Coverage

The message is that here we welcome corruption. Here, corruption thrives. And as long as we have that kind of system, it is going to be affecting negatively CG in the firms

<Internals\\[redacted]> - § 4 references coded [2.26% Coverage]

Reference 1 - 0.52% Coverage

Yes. So many issues. One, corruption. Corruption is a major factor. Every other thing that we are discussing, can be discussed in terms of that corruption

Reference 3 - 0.30% Coverage

Corruption has eaten deep into everything we do. Corruption has affected every part of CG

<Internals\\[redacted]> - § 2 references coded [4.26% Coverage]

Reference 1 - 3.43% Coverage

I think it's the whole crux of….I mean I could it is the biggest problem in Nigeria. There is corruption everywhere but in Nigeria, it is paralysing. So, it is actually a major…..the fact that you can get your way through and you know, it just permeates all aspects of our life. You know that if you commit a traffic offence, the policeman wants money. You know that if you go against the….what do they do at SEC to make sure that those sorts of things don't happen. Yes, corruption is…..infact, it should be No. 1.

<Internals\\[redacted]> - § 1 reference coded [1.89% Coverage]

Reference 1 - 1.89% Coverage

Corruption is one of the main problems in Nigeria. CG alone is unable to address the problem. Corruption continues to undermine CG as long it is continues to permeate the system.

<Internals\\[redacted]> - § 1 reference coded [3.92% Coverage]

Reference 1 - 3.92% Coverage

If the regulator is corrupt, how would CG be enforced? We know what should be done but those things that should be done restrain us, so you will rather do it the other way. But if the regulator is also doing the wrong way, then he is not compelling you to do the right thing.

<Internals\\[redacted]> - § 2 references coded [9.53% Coverage]

Reference 1 - 2.00% Coverage

The effect of institutionalised corruption will not necessarily allow for the practice of good CG.

Reference 2 - 7.53% Coverage

Corruption is embedded in our system and it affects the performance of CG in the country. It is prevalent in Nigerian organisations. It also affects governance per se.

<Internals\\[redacted]> - § 1 reference coded [1.20% Coverage]

Reference 1 - 1.20% Coverage

Enforcement is also very poor, occasioned by corruption.

<Internals\\[redacted]> - § 1 reference coded [6.65% Coverage]

Reference 1 - 6.65% Coverage

Sure. CG is suffering from induced corruption from the whole society. One major problem with weak CG structure is insider dealings. Corruption has a cultural undertone, when people claim it is our turn. So, a father who becomes an MD of a bank asks the son to incorporate 2-3 companies in different names, which are responsible for all the contracts and projects in the bank. People offer juicy positions to friends and relations just to defraud an organisation.

<Internals\\[redacted]> - § 2 references coded [15.11% Coverage]

Reference 1 - 10.90% Coverage

Corruption is the mother of all because when there is a high level of corruption, criminals get exit, they can get away from their corrupt activities through the legal process. Corruption is the major issue and it is very high in our system. These factors are interrelated. If there is a good legal system, strong law enforcement agents and what we can call model governance (if the people at the top serve as model to the followers), corruption can be easily tackled. All these factors can be deemed as promoters of bad CG in Nigeria.

Appendix 7B: Culture

<Internals\\[redacted]> - § 3 references coded [9.85% Coverage]

Reference 2 - 3.81% Coverage

Maybe the problem of the code is that it failed to integrate our own culture because it was imported from abroad so people will not identify with it. My personal culture is likely to guide me more than any other code that is imposed on me

Reference 3 - 4.60% Coverage

Politicians are part of the society. I don't really think they believe in the codes because oftentimes, it does not address or recognise our local cultural peculiarities.

<Internals\\[redacted]> - § 4 references coded [6.34% Coverage]

Reference 3 - 2.88% Coverage

It does and my answer to this is similar to what I said in terms of religion. There is a tendency for a CEO to patronise his people, engage in policies that may not be necessarily in the interest of the corporation but just to favour his ethnic or cultural affiliations.

Reference 4 - 2.25% Coverage

The society is divided along ethnic lines and the political system has not helped in bridging the ethnic divide. Positions held by individuals are usually not based on competence but rather on where you are from.

<Internals\\[redacted]> - § 2 references coded [8.19% Coverage]

Reference 1 - 4.02% Coverage

Culture still plays a very significant role in all that we do but our code gives clear instruction as per CG. However, our culture requires that we respect our elders so challenging an MD, for instance, might be difficult to pursue.

<Internals\\[redacted]> - § 4 references coded [11.39% Coverage]

Reference 1 - 1.29% Coverage

Well, by my own opinion, I don't think it is a matter of culture. Our culture has no input in modern management. If our culture has input in modern management, I can assure you that things would have been better.

Reference 4 - 1.53% Coverage

So, you find out that, if anything, culture has had a negative impact because it condones criminality, it condones corporate misgovernance in other to enable those who are doing it to make as much resources as possible to finance their expensive life.

<Internals\\[redacted]> - § 6 references coded [5.13% Coverage]

Reference 5 - 0.62% Coverage

It is happening. There are organisations that are really known for their cultural stand. Best practices, so to say, and they don't compromise it.

<Internals\\[redacted]> - § 2 references coded [4.56% Coverage]

Reference 1 - 2.37% Coverage

Let's take culture first. There is a common perception that our culture does not support CG but I take an exception to that view.

Reference 2 - 2.18% Coverage

So, the culture can be shaped by leadership and the existence of rules that are enforced.

<Internals\\[redacted]> - § 3 references coded [7.19% Coverage]

Reference 3 - 1.30% Coverage

Another problem which is cultural is that we respect age. We defer to age. We defer to authority. For instance, if you have a traditional ruler as the chairman of a Board, would you argue with him?

<Internals\\[redacted]> - § 3 references coded [1.58% Coverage]

Reference 1 - 0.57% Coverage

To some extent. You can't really divorce culture from the way people do their things even though, the whole idea, the corporate form is not indigenous to us.

<Internals\\[redacted]> - § 14 references coded [13.30% Coverage]

Reference 1 - 2.32% Coverage

But, maybe there is but I would rather look at it as culture. For instance, you see that there is a difference between how the Japanese culture has influenced how business is done, and the discipline of business, their commitment to contract, and all that. In our culture, for instance, in certain cultures, owing (debt) is not a shameful thing. But a Japanese man can go and commit hara kiri (suicide) because of that. You know, they have a great sense of honour in their culture. This is not so, because the African culture is also diverse.

Reference 2 - 1.02% Coverage

Bringing it to CG, you know our culture is very patriarchal and it is also monarchical in terms of Kabiyesi syndrome. For example, it is not just amongst the Yorubas, where in African culture, a society where monarchy is in place. The tendency is that the monarch is…..the belief is that the monarch is almost a god. Infact, in some places, they are seen as god in the flesh and then they are unquestionable. Infact, Kabiyesi means unquestionable in Yoruba

Reference 3 - 0.63% Coverage

Now, when that mentality is brought into a corporate setting, you find that the chairman or the CEO can have a superiority complex or even a god-complex such that the person is unable to even obey CG codes because culturally, he as the CEO or he as the chairman sees himself as god

Reference 4 - 0.90% Coverage

I mean look at the breaches we are talking about in the banking system. Those CEOs were virtually gods to themselves. They became demi gods that even the internal auditor cannot even suggest anything, even their fellow directors. They are not able to speak to them because they come from a paradigm where the head person, the leader is god, is infallible, he never makes mistakes, he knows everything.

Reference 5 - 1.78% Coverage

So, there is no doubt that culture affects CG because the belief system will determine…..a CEO will not feel any need to subject……Because even when you have a council of Obas or a Kings council in a monarchical system, they are advisory.

For the king, they are just advisers. He is not obliged to do what they want so you find that that cultural thing for some is like, I started the business, I am the pioneer CEO. Even when he doesn't control the shares, the person is almost……

Reference 14 - 0.96% Coverage

So, I think the negative cultural influences or even if there are negative religious influences, those things can be eliminated when people are helped to see that CG is a good thing and it is value-adding. So, it is education, enlightenment. And that education involves also training. It is exposure training on CG for the operators and people who are involved. So, I think it is really a question of education and enlightenment.

<Internals\\[redacted]> - § 1 reference coded [11.02% Coverage]

Reference 1 - 11.02% Coverage

With respect to culture, you cannot separate people from their culture. But if a particular culture seems to conflict with general notions of CG, it is important to probably have a supervisor like we have it in Japan. There are positive and negatives influences of our culture with regard to CG. Another aspect of Nigerian culture which I have an issue with is the respect for elders. It might be difficult to question the action of elders, which could lead to unchecked perpetration of bad practices. Even though this issue is evident in many societies, it is quite worse in Nigeria.

<Internals\\[redacted]> - § 4 references coded [4.29% Coverage]

Reference 1 - 2.11% Coverage

When I was growing up in those days, when I was in secondary school, I was doing Government and those kinds of things. We did traditional political institutions. We were told that Yoruba system is a system which is democratic, a system of rule of law. There is the king, there is the chief and all that. They gave us that picture. So, I had that in mind that that culture is a democratic culture but now, having grown up and seeing what is happening in the environment, I cast my mind back to the olden days, I found out that our Obas in those days were not guided by any rule of law. If they go round the streets and they see a very pretty lady and say today you have become my wife, they can convert anybody's property. The king is revered as someone who can do and undo.

<Internals\\[redacted]> - § 5 references coded [6.11% Coverage]

Reference 1 - 0.75% Coverage

Then, most of the organisations also engage in tribal issues. A Yoruba MD who is retiring would want a Yoruba man to take over from him. If you have an Igbo man at the head, he will want an Igbo man to take over from him.

Reference 2 - 0.12% Coverage

Yes. Culture also has effects on CG.

Reference 3 - 1.99% Coverage

He did a study which shows that the Yoruba culture, for instance, can impact CG negatively. For instance, if a chief accountant of an organisation is 50 years old and you send a 30 year old man as an Auditor to that same company where the elderly man is the chief accountant, by their culture, the younger accountant is to come and prostrate before the accountant. Under that condition, it is not able to ask or be sceptical in the conduct of his audit as it would have been if the man he is coming to look at is not a Yoruba man. That particular example shows that culture also affects CG.

<Internals\\[redacted]> - § 2 references coded [6.40% Coverage]

Reference 1 - 3.75% Coverage

I think culture is a very significant influence because many cultures in Nigeria, you will have to respect your elders. Your elders don't do any wrong and there is this belief that whoever has money, who is putting the money on the table is the one that calls the shot. So, you find that culture permeates everything we do.

<Internals\\[redacted]> - § 2 references coded [7.02% Coverage]

Reference 1 - 3.89% Coverage

Our culture undermines CG. We have a culture of nepotism. Our culture has a tendency to corrupt. When you do things the proper way, you become a wicked man. People are expected to lower standards. Our culture generally has not moved us far as a nation. It is questionable if the way we do things is good enough for us as individuals, or our firms or even the country.

<Internals\\[redacted]> - § 2 references coded [8.45% Coverage]

Reference 1 - 3.17% Coverage

Culture has an influence on CG. Our culture influences a lot of things, even during discussions in the board meetings where elders are respected. Members take sides with elders whose positions on some issues are well known.

<Internals\\[redacted]> - § 1 reference coded [8.13% Coverage]

Reference 1 - 8.13% Coverage

How about culture?

To some extent, yes. There is always a tendency to place confidence on who you trust by relating with people you know or you can identify with. In the developed societies, they have overgrown the influence of ethnicity and culture in the way they do their things. In these countries, they are interested in engaging experts rather than basing their decisions on any other criterion.

<Internals\\[redacted]> - § 3 references coded [13.20% Coverage]

Reference 2 - 2.17% Coverage

Our culture is a negative factor for CG in Nigeria. It is not necessarily our original culture but we have elements of what we have developed into our culture that impedes CG and one of them is lack of culture of accountability.

Reference 3 - 5.77% Coverage

There are elements of culture that are positive which may restrain criminal behaviour. But I can say that the average Nigerian, culturally, will be adverse to outright criminality. He will like to do things he can explain to his conscience.

Appendix 7C: Government (Political System)

<Internals[redacted]- § 5 references coded [21.14% Coverage]

Reference 2 - 9.35% Coverage

It is very difficult to do business in Nigeria without involving some government agencies. You have to deal with government.

Reference 3 - 1.36% Coverage

Like I said, the problem with CG in Nigeria is the issue of government excessive interference.

Reference 5 - 3.73% Coverage

It is also necessary that the economic base of the country is well diversified to ensure that there is less dependence on the government. Many people are too dependent on the government to earn a living. It does not bode well for CG.

<Internals\\[redacted]> - § 1 reference coded [0.47% Coverage]

Reference 1 - 0.47% Coverage

Poor leadership from government.

<Internals\\[redacted]> - § 4 references coded [6.31% Coverage]

Reference 1 - 0.73% Coverage

They look out for leadership. Nigerians generally, once we see the right leadership, we follow.

Reference 2 - 2.18% Coverage

So, the culture can be shaped by leadership and the existence of rules that are enforced. People say the average Nigerian is a cheat but then, they can be compliant. The average Nigerian is more committed to doing what is right when the environment provided by the leadership is right.

<Internals\\[redacted]> - § 3 references coded [8.66% Coverage]

Reference 1 - 3.63% Coverage

Government is the biggest player in this economy. But to get business from government, I must bribe. Bribery is against the tenets of CG. If bribery is an issue that is not condoned by an organisation, then it will not play in the government sector. You cannot get into the pool without getting wet.

<Internals\\[redacted]> - § 2 references coded [1.83% Coverage]

Reference 1 - 0.97% Coverage

When I remember what we used to do, I don't want to talk about CG because as far as I'm concerned, that 40% is even exaggerated. But you cannot blame the public organisations solely because the infrastructure that are supposed to be provided on the side of the government are not provided

<Internals[redacted]> - § 1 reference coded [0.84% Coverage]

Reference 1 - 0.84% Coverage

And of course, a good leader. We need a President who is not corrupt because as you have seen, corruption is a major issue.

<Internals\\[redacted]> - § 2 references coded [9.07% Coverage]

Reference 1 - 7.53% Coverage

That is the big problem. Corruption is embedded in our system and it affects the performance of CG in the country. It is prevalent in Nigerian organisations. It also affects governance per se. if government is able to tackle corruption, then other institutions like corporate organisations will follow suit. This is the factor that has affected CG the most in this country.

Reference 2 - 1.54% Coverage

Government must also be made to buy into CG, and the use of the scorecard.

<Internals\\[redacted]> - § 2 references coded [12.97% Coverage]

Reference 2 - 5.61% Coverage

Ensure that the powers that be in Nigeria buy into CG. I will also review the present code more regularly. There is also the need to enlighten and educate the people regarding the benefits of CG. It is also important that CG is taught in our various universities.

<Internals\\[redacted]> - § 1 reference coded [2.68% Coverage]

Reference 1 - 2.68% Coverage

The political structure of the country is also another issue. If the head of Board is a politician, it might be difficult to check their activities in view of the influence they wield.

Appendix 7D: The Individual

<Internals\\[redacted]> - § 4 references coded [10.90% Coverage]

Reference 1 - 5.04% Coverage

For companies, they are usually influenced by the personal desires and decisions of their MDs. In management, for instance, it is the personal interest of those behind management that informs what decisions are taken. So, organisational culture is reflective of the individual or individuals behind an organisation.

Reference 4 - 2.23% Coverage

The average Nigerian is trustworthy but once he realises that there is an opportunity to be taken advantage of, CG becomes less important.

<Internals\\[redacted]> - § 5 references coded [13.10% Coverage]

Reference 1 - 3.81% Coverage

Even though many institutions how have some CG structures, the institutional frameworks are still very weak such that individual managers in corporations still have significant influence and power in deciding the fate of organisations. The checks and balances that is supposed to be provided by CG frameworks is just documented and kept somewhere in the firms

Reference 2 - 3.32% Coverage

Not much has improved because the observance in practice is nothing to be excited about. For instance, despite the presence of the code, we recently had the case of many banks failing in the system in 2008, because certain individuals did not act in line with CG codes as far as their institutions were concerned.

Reference 4 - 1.53% Coverage

The power available to the CEO is enormous so they can leverage on the corruption in the society to influence decisions in their personal favour

Reference 5 - 1.23% Coverage

I will also look at undue influence to ensure that the fate of an organisation is not decided by a single individual

<Internals\\[redacted]> - § 3 references coded [10.73% Coverage]

Reference 1 - 3.78% Coverage

It baffles us as regulators why companies don't see the benefit of complying with CG requirements. This problem is dependent on the individuals running an organisation. Some individuals don't necessarily believe in it.

Reference 2 - 2.43% Coverage

The get-rich-quick syndrome has further pulled us back from where we want to be. People do what they like and all this is about corruption.

<Internals\\[redacted]> - § 5 references coded [17.04% Coverage]

Reference 1 - 2.53% Coverage

And in Nigeria in particular, we have the problem of the individual. The people who are running the organisation determines whether the code or the rules and the laws for running the corporate entities are being followed very well or not.

Reference 2 - 7.11% Coverage

Because individuals take their interest far ahead of the interest of the corporate entity and most of the corporate misgovernance that we have in Nigeria are basically caused by that. The failure of the banks, if you look at it critically, you find out that it is individuals that caused it. It is not the system. Because somebody somewhere will want to make that he makes those things in his own way, contrary to the governance method that have been set aside for him.

Reference 3 - 2.02% Coverage

So, basically, as you rightly asked, the cause of non-performance or non-adherence to CG is basically not because the documentation for the code of CG is very difficult to adhere to but individuals put their own personal interest far above the corporate interest and basically, it is the major contributing factor to this problem.

Reference 5 - 2.61% Coverage

And everything, whether you like it or not, it is individualised. The institutions are inanimate objects by themselves. Isn’t it? Who run them? Who give them life? It is human beings that are managers so whichever we you look at it, it is the individual and he determines whatever that happens.

<Internals\\[redacted]> - § 6 references coded [5.16% Coverage]

Reference 1 - 1.18% Coverage

don’t. I want to look at it more from the angle that it is the individual who have been assigned this opportunity, who have been assigned these roles, that have chosen to cut corners more often for their own selfish advantage than for the ultimate benefit of their home offices.

Reference 2 - 0.54% Coverage

But when you now bring in the issue of religion, I would want to argue, and rightly too, that it is more of an individual thing

Reference 3 - 1.46% Coverage

And that is what is decimating our future. It is not that religion is indeed influencing the practice of CG, No. It is still the issue of the individual who occupy certain positions over a period of time. Who elect, on their own volition, to go in that direction they have chosen. And usually, most of the time, it is usually for self-protection

<Internals\\[redacted]> - § 4 references coded [6.39% Coverage]

Reference 1 - 2.65% Coverage

These are entities saddled with the responsibility for enforcing those CG requirements. The enforcement thus should not depend on individual but the system should be so strong that it would not matter who is there. We still have issues where sanctions are only applied depending on the character and clout of the person who is at the leadership.

Reference 2 - 0.90% Coverage

The average Nigerian is more committed to doing what is right when the environment provided by the leadership is right

<Internals\\[redacted]> - § 4 references coded [2.05% Coverage]

Reference 3 - 0.70% Coverage

Because invariably, at the end of the day, these are the people that will actually implement and most of them know, they know the workings of the system and they know how to subvert the system

<Internals\\[redacted]> - § 14 references coded [9.06% Coverage]

Reference 2 - 1.48% Coverage

Corporate is the collection of individuals. I think it is, although this is debatable, but I think there is nothing like corporate corruption. I think it is corrupt individuals within the corporation. If you change a CEO, if there was a culture of corruption and you change the leadership, and the leadership is a leadership of people who are committed to righteousness, committed to integrity, you have changed the corporate culture just by changing the leadership. So, this issue of corporate corruption just means that the company has corporate leaders. It is just like people say Nigeria is corrupt. Nigeria is not corrupt, it is the leaders that are corrupt.

Reference 3 - 0.65% Coverage

If you check the leadership and you put in people that are not corrupt in the leadership, Nigeria will not be corrupt anymore. I don’t know if you get my point so it is the behaviour and the orientation of the human beings in the company that is making them either corrupt or not corrupt.

Reference 4 - 0.31% Coverage

So, it is the people that form the culture of a place. So, it is not the other way round. The culture will change if you change the people.

Reference 6 - 0.35% Coverage

So, it is the human beings really that determine the culture and the behaviour and I think that the issue of corporate corruption is a function of the people.

Reference 12 - 0.29% Coverage

even children when you tell them to do something; the tendency is for them to see how does it benefit them. You know, self-interest

<Internals\\[redacted]> - § 6 references coded [3.83% Coverage]

Reference 2 - 0.35% Coverage

We are not naturally people that obey laws. Naturally, I've seen it. We come from an environment that breeds a culture of impunity

Reference 6 - 0.53% Coverage

Sure. There is this managerial theory, you know, empire building. Power. We are all human beings. You have been made a corporate executive. You want to show that you are a very important person.

<Internals\\[redacted]> - § 7 references coded [4.10% Coverage]

Reference 2 - 0.77% Coverage

Greed. Greed. Nothing more. Wanting to be like the other man. Bank A wants to be like Bank B. Oceanic of those days wants to be like UBA. UBA wants to be like First Bank. First Bank wants to be like IBTC. That is just the issue.

Reference 7 - 1.12% Coverage

So, corruption is running through from the man at the gate to the man at the top because of greed and the need to be like the other man. He wants to drive the car the other man is driving; he wants to build a house in Victoria Island because a friend has a house on Victoria Island. It is a very serious matter, very serious matter

<Internals\\[redacted]> - § 2 references coded [3.98% Coverage]

Reference 1 - 3.26% Coverage

The idea of personality-led firms. Many Nigerian organisations are built around individuals and it is still evident. Except for the likes of Union bank, first bank that are faceless, most other organisations can be connected to an individual. These individuals have powers to do and undo with respect to CG.

<Internals[redacted]> - § 2 references coded [6.83% Coverage]

Reference 1 - 5.11% Coverage

Based on all I see, I can't find real CG. We still have so much insider dealings, one-man decision-making even though there is a sitting board. For instance, the case between Cecelia Ibru and the old Oceanic Bank. So many decisions were taking outside the board. CG is aimed at ensuring that certain rules and guidelines are applied in decision-making.

<Internals\\[redacted]> - § 1 reference coded [4.89% Coverage]

Reference 1 - 4.89% Coverage

The goals of both the managers and the shareholders are not different i.e. maximising stakeholder value, but greed and personal interest drives these CG infractions. People forget that the prestige one can get by being a member of a successful company is more valuable, and can add value to him as a person.

<Internals\\[redacted]> - § 3 references coded [14.27% Coverage]

Reference 3 - 7.36% Coverage

The problem is that some people are self-centred, they don't care whether other people's interests are taken care of or not, as long as their own interest is enhanced. For instance, a CEO knows that he should protect the assets of his organisation, he should do transactions at arms-length, etc. But you realise that the same CEO floats a company and seeks contracts from the same organisation. You cannot say that person is ignorant; it is just a willingness to cheat and take advantage of his/her position.

Appendix 7E: Legal System

<Internals\\[redacted]> - § 2 references coded [12.48% Coverage]

Reference 1 - 3.84% Coverage

Our laws are ineffective. But the laws and its enforcement are changing. People are gradually realising that you can't go away with crimes committed. It is also important for people to know the rules, as this is an issue. However, it is important to punish law offenders.

<Internals\\[redacted]- § 3 references coded [3.01% Coverage]

Reference 1 - 0.77% Coverage

The levels of observance and compliance with laws are typically very low.

Reference 2 - 1.53% Coverage

This is because there is no stringent framework for compliance and enforcement. There is also little or consequences for violation of CG codes.

<Internals\\[redacted]> - § 1 reference coded [4.16% Coverage]

Reference 1 - 4.16% Coverage

Generally, we circumvent. We are Nigerians. It is very un-Nigerian to comply with rules. Our culture does not really allow us to comply. We like to do things our way. Things such as the rule of law, compliance, etc. are quite alien to us.

<Internals\\[redacted]> - § 6 references coded [16.64% Coverage]

Reference 4 - 5.70% Coverage

The problem we have is this, obeying law and order in Nigeria is a problem. Problem in the sense that when a lot of people, when individuals who are running corporate organisations commit crime, instances abound whereby you see a kind of….i wouldn't say compromise but leniency on the part of regulatory institutions, because of relationships.

Reference 6 - 0.60% Coverage

Penalty for CG violations should be punitive enough (serious sanction) to dissuade offenders

<Internals\\[redacted]> - § 7 references coded [4.55% Coverage]

Reference 1 - 0.30% Coverage

Yes. To a large extent, it does. Because we have a very weak judiciary

Reference 2 - 0.36% Coverage

They are still at the mercy of the strand of the judiciary that is extremely corrupt.

<Internals\\[redacted]> - § 5 references coded [8.06% Coverage]

Reference 3 - 1.24% Coverage

In the Nigerian context, we do not have a high level of adoption. We have laws but we don't have enforcement mechanisms. We have laws but its interpretation is dependent on who is at the top.

<Internals\\[redacted]> - § 4 references coded [2.28% Coverage]

Reference 1 - 0.50% Coverage

The key thing is the laws are there. The rules are there but the major challenge we have is on the aspect of enforcement and compliance.

Reference 4 - 0.96% Coverage

The regular courts, you see them, everybody knows, a man knows he stole but the court will now say there is no evidence. There is no evidence to get decision, our hands are tied, there is no evidence, legal evidence to get this man, to say that the man is guilty.

<Internals\\[redacted]> - § 4 references coded [3.79% Coverage]

Reference 2 - 1.15% Coverage

You know, Bernard Madoff is in jail right now. Look at Murdoch. Look at how the system has been affected. Today, madam (Mrs. Ibru) went to spend 6 months in the hospital. Yes, on the law, she is supposed to be an ex-convict but she really didn't go to jail. And tomorrow, Jonathan (the President) can forgive her afterall they've give pardon to Alamiyesegha and she didn't even do as much as Alamiyesigha. So, you find that the system itself can undermine CG when there is no rule of law or when there is corruption.

Reference 3 - 0.67% Coverage

But corruption is not a Nigerian thing, it is a human thing. The difference between corruption in Nigeria and abroad is that, like I said, is the rule of law. If they catch you abroad, there is no begging but here, they can catch and you use the money to bail yourself out or to bribe yourself out.

<Internals\\[redacted]> - § 5 references coded [13.63% Coverage]

Reference 2 - 1.83% Coverage

A significant player here is corporate corruption and the regulation is very lax and ineffective.

Reference 3 - 1.77% Coverage

A mandatory code is more useful in an environment where the institutional mechanisms are weak.

Reference 4 - 1.32% Coverage

How do you expect companies to comply where there is no force of law?

Reference 5 - 5.66% Coverage

I see rules-based as a quick fix. Principles-based are they best and more sustainable but it takes a long time for its results to lead to real change in behaviour. For instance, we can argue that the banks in Nigeria have the best CG practices because the CBN code 2006 is essentially rules-based.

<Internals\\[redacted]> - § 9 references coded [7.56% Coverage]

Reference 2 - 0.89% Coverage

Especially, we have weak property rights protection. So if you have an environment that is weak in terms of property rights protection, what we are saying here is that to bring your property here is risk. The government can decide to misappropriate your property and you many go to court and you may not be able to get justice.

Reference 4 - 0.57% Coverage

So, what that means is that we need to see how we can get the CG system to work but I have said that the CG system, irrespective of any code you design will not work except the legal environment is effective.

Reference 6 - 0.34% Coverage

We don’t like to respect law. Law in this country is for the poor people. But the big people, you know, the law is not for them.

Reference 7 - 0.35% Coverage

We are not naturally people that obey laws. Naturally, I’ve seen it. We come from an environment that breeds a culture of impunity

<Internals\\[redacted]> - § 2 references coded [0.89% Coverage]

Reference 1 - 0.67% Coverage

Because you talk of the rules and regulations, we don’t obey rules and regulations in Nigeria because the laws are ineffective.

Reference 2 - 0.21% Coverage

We are too lenient. We condone indiscipline. Rules don’t work.

<Internals\\[redacted]> - § 5 references coded [5.32% Coverage]

Reference 2 - 0.40% Coverage

You find that the respect for the law is actually diminishing

Reference 3 - 0.84% Coverage

There is a belief that law can be bought. You could be doing wrong but make sure you have enough money and that kind of thing.

Reference 5 - 0.36% Coverage

So, laws are not a deterrent

<Internals\\[redacted]> - § 3 references coded [13.39% Coverage]

Reference 1 - 6.55% Coverage

However, until there is a law which makes room for those who break rules to be punished, then the code becomes ineffective. Is there any sanction for any person who does not comply? And if there are sanctions, how many people have been brought to book?

Reference 2 - 2.46% Coverage

If the code is not backed by law and the judiciary that you have to punish offenders, then the code will be non-effective.

<Internals\\[redacted]> - § 2 references coded [3.95% Coverage]

Reference 1 - 2.23% Coverage

Absence of strict legislation. No laws. Regulation is a very important factor. As long as reporting remains voluntary, there will continue to be problems.

Reference 2 - 1.71% Coverage

Nigeria is not law-friendly hence one general law may provide the opportunity to avoid or break the law altogether.

<Internals\\[redacted]> - § 5 references coded [13.02% Coverage]

Reference 2 - 1.20% Coverage

A maximalist code will erode the whole essence of entrepreneurial decision-making and also subvert the interest of the business

Reference 3 - 4.75% Coverage

This is important because the absence of an environment of law and order in the country supports impunity. Anybody who violates CG codes will assume that there will be no consequences for it because of the general weaknesses in making people pay for their crimes. People here, compared to people in the UK and US, and would not consider what if they are caught. The absence of law and order encourages impunity in our system and it is a contributor to why CG standards are not as high as expected.

Reference 4 - 3.59% Coverage

We have what I call a “jo-jo” culture so a guy commits but he is not sent to jail. He begs to resign and go. Thus, there is no deterrence for the next person but we forget that that is why people are sent to jail, so that other people will appreciate the consequences of committing a fraud. So when people commit a fraud, it generally ends with begging and possibly resignation.

Reference 5 - 0.41% Coverage

- There is no deterrence for CG infractions

<Internals\\[redacted] - § 4 references coded [13.82% Coverage]

Reference 1 - 4.07% Coverage

Rule of law supposed to be a correction, the antidote but people still violate. The problem is that sanctions have not really acted as a deterrent in some cases. Another problem is that there is a lengthy process of getting justice. Cases are delayed and not determined speedily.

Reference 3 - 2.01% Coverage

We must strengthen our legal system to ensure that offenders are not protected or take advantage of the inefficiencies in the legal system.

Appendix 7F: Whistle-Blowing

<Internals\\[redacted]> - § 1 reference coded [0.64% Coverage]

Reference 1 - 0.64% Coverage

There must be whistle-blowers in the system.

<Internals\\[redacted]> - § 1 reference coded [2.34% Coverage]

Reference 1 - 2.34% Coverage

I will also pursue capacity building and implement whistle-blowing such that regulators will ensure that there is always an avenue for whistle-blowing such that any employees, under protection, can escalate CG infractions

<Internals\\[redacted]> - § 8 references coded [6.44% Coverage]

Reference 2 - 0.15% Coverage

What I will want to do is that I want to see a whistle-blower law

Reference 3 - 0.30% Coverage

We need a whistle-blowing law that ensures that whistle-blowers are protected. Today, we don't have any such thing. You are on your own

Reference 4 - 0.61% Coverage

Even in America, there is a witness protection program in the US where they actually physically relocate you if they need to provide…..Infact, sometimes if you watch some films, they even give you a new identity, new name because you have helped the system catch a criminal.

Reference 6 - 1.71% Coverage

We need a system that protects whistle-blowers, that encourages whistle-blowers to come forward and to protect whistle-blowers. CG without a whistle-blower protection will be superfluous because then you are mainly relying on the good naturedness or the morality of the operators.

Reference 7 - 0.67% Coverage

that also requires some kind of enforcement because if a whistle-blower, there must be an authority the whistle-blower is blowing to, who he knows. That is why people don't do whistle-blowing because who are you going to report to? Police? What are they going to do? So, it is like, what is the point?

Reference 8 - 0.92% Coverage

So, the reforms I will like to see is strengthening the whistle-blower Act or, in fact not strengthen as there is none right now. Enact a whistle-blower law that includes a whistle-blower protection and then strengthen the institutions: the judiciary, the security agencies, so that the police can…..because somebody even blows the whistle, like I said, and the police doesn't act on it, CG will still collapse.

<Internals\\[redacted]> - § 1 reference coded [0.87% Coverage]

Reference 1 - 0.87% Coverage

Whistle-blowing is not encouraged in Nigeria.

<Internals\\[redacted]> - § 2 references coded [2.21% Coverage]

Reference 1 - 1.58% Coverage

For instance, the issue of whistle-blowing was included in the present one (SEC Code, 2011).

<Internals\\[redacted]> - § 1 reference coded [1.71% Coverage]

Reference 1 - 1.71% Coverage

There must be the employment of whistle-blowers who have been educated regarding their role and available protection.

<Internals\\[redacted]> - § 1 reference coded [5.73% Coverage]

Reference 1 - 5.73% Coverage

Ethnicity also impacts the way we practice CG because I have seen a Board of a quoted company where all the members are from a particular ethnic block. In this organisation, the whistle-blowing mechanism was shut down because they now see themselves as a single body. In this country, there is that element of tribe and it affects everything we do, including CG.