Factors Influencing Corporate Governance of State Owned Enterprises in Nigeria: The Case of Imo State

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Abstract

The objectives of this paper are to study factors influencing corporate governance in State Owned Enterprises (SOEs) and understand disparities within the studied firms/establishments; and to recommend a model on how to improve corporate governance in Imo State, Nigeria SOEs based on the research findings. A model representing the key influential factors was developed for this purpose. Also, a questionnaire was developed to gather the relevant data and was tested in 30 SOEs, and 30 semi-structured interviews were conducted with the top management of these firms/establishments.The gathered data was subsequently analyzed, and the findings yielded revealed that political influence, board leadership, board committees, protecting stakeholders' interests, setting strategic direction, and customer satisfaction exert a significant influence on the corporate governance of SOEs.

Keywords: Corporate governance, influencing factors to corporate governance, state-owned enterprise, Nigeria

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ปัจจัยที่มีอิทธิพลต่อการกำกับดูแลกิจการของรัฐวิสาหกิจในประเทศไนจีเรีย: กรณีศึกษา รัฐอีโม

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บทคัดย่อ

บทความนี้มีวัตถุประสงค์เพื่อศึกษาปัจจัยที่มีอิทธิพลต่อการกำกับดูแลกิจการในรัฐวิสาหกิจ (SOE) และเข้าใจในการศึกษาความแตกต่างภายในบริษัท และเพื่อแนะนำแบบจำลองเกี่ยวกับวิธีการปรับปรุงการกำกับดูแลกิจการรัฐวิสาหกิจในรัฐอีโม ประเทศไนจีเรีย จากผลการวิจัย แบบจำลองที่แสดงถึงปัจจัยที่มีอิทธิพลสำคัญได้รับการพัฒนาเพื่อจุดประสงค์นี้ นอกจากนี้ ได้มีการพัฒนาแบบสอบถามเพื่อรวบรวมข้อมูลที่เกี่ยวข้องและทดสอบใน 30 รัฐวิสาหกิจและการสัมภาษณ์กึ่งโครงสร้าง 30 ครั้งพร้อมกับผู้บริหารระดับสูงของบริษัทและสถานประกอบการเหล่านี้ วิเคราะห์ข้อมูลที่รวบรวมในภายหลังและผลการวิจัยพบว่า การเมือง อิทธิพลความเป็นผู้นำของคณะกรรมการ คณะกรรมการชุดย่อย การปกป้องผลประโยชน์ของผู้มีส่วนได้ส่วนเสีย การกำหนดทิศทางเชิงกลยุทธ์ และความพึงพอใจของลูกค้ามีอิทธิพลอย่างมากต่อการกำกับดูแลกิจการของรัฐวิสาหกิจ

คำสำคัญ: การกำกับดูแลกิจการ ปัจจัยที่มีอิทธิพลต่อการกำกับดูแลกิจการ รัฐวิสาหกิจ ไนจีเรีย

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Introduction

The collapse of world-renowned firms like Enron and WorldCom has renewed the conversation on the importance of effective corporate governance. More recently, however, the Wells Fargo scandal revealed that illegal and unethical sales tactics are still prevalent (Egan, 2016). Corporate governance is defined "as a set of relationships between an organization's management, its board of directors, its shareholders and stakeholders and other relevant bodies" (OECD, 2004: 11). According to Thorne, Ferrell and Ferrell (2010), these relationships will need a "formal system of oversight, accountability, and control of organizational decisions and resources" (p.89).

Corporate governance models presently in use can be broadly classified as (a) the Japanese model, reflecting a control-oriented governance systems (Allen & Zhao, 2007; Ungureanu, 2012); (b) The Continental-European model, which mainly serves the key shareholders' interests; and (c) the Anglo-Saxon model (sometimes referred to as the US or a UK model), which concentrates on entrepreneurship and property (Nestor & Thompson, 2000). The Continental-European model is the most prevalent, as "shareholders have similar interests with the organization and participate in its management and control" (Proctor & Miles, 2002; Ungureanu, 2012: 627). However, in all these models, Chief Executive Officers (CEOs) and Board of Directors (BOD) members are usually elected by shareholders. The primary aims and objectives of this study are as follows: (1) to understand how external and internal policies, activities, and critical factors influence the corporate governance in Nigeria in the studied firms/establishments; (2) to understand disparities within the studied firms/establishments; and (3) to recommend a model on how to improve corporate governance in Nigerian SOEs based on research findings.

Statement of the Problem

Empirical evidence indicates that good corporate governance practices in Nigeria are at the infancy stage. Studies indicate that good governance is lacking at both private and public sectors (Ahunwan, 2002; Adekoya, 2011). This study thus aims to provide insight into the corporate governance of SOEs and elucidate some of the factors that influence corporate governance in Nigerian SOEs.

Research Objectives and Questions

The aim of this study is to investigate the corporate governance in SOEs in Imo State, Nigeria. To accomplish this objective, the study is guided by the following research questions: (a) What are the factors that influence corporate governance in the studied Nigerian firms/establishments? (b) What are the differences between Group A (firms/establishments declaring revenue for the year 2013) and Group B (firms/establishments not declaring revenue for the year 2013) within the studied firms/ establishments?

Review of Literature

To identify the factors influencing corporate governance and their impacts on the SOEs in Nigeria, pertinent literature is reviewed in the following sections.

Factors Influencing Corporate Governance and Its Impacts

There are many factors influencing corporate governance mechanisms in both private and public corporations. Some studies (Shleifer & Vishny; 2012; McCarthy & Puffer, 2003) have classified them as external and internal (Thorne, Ferrell & Ferrell, 2010) board of directors activities (BOD), and policies (Mallin, 2004; OECD, 2005; O'Sullivan & Diacon, 1999; Thorne, Ferrell & Ferrell, 2010).

External Factors. A good legal and regulatory system reflect the value of the underlying business culture (McCarthy & Puffer, 2003; Saidi, 2004), while also facilitating the legal entry, formal operations, and legal exit of firms. Doidge, Karolyi and Stulz (2007) operationalized legal system as legal protections for minority investors and the level of economic and financial development. The authors further argued that these factors can affect costs and benefits. Authors of several extant studies have linked political influence to slow economic growth, corruption, and lack of transparency and disclosure, especially in state-owned enterprises (SOEs) (Barth, Beaver & Landsman, 2001; McCarthy & Puffer, 2003; Saidi, 2004). Social and cultural influences are among the key external factors that influence corporate governance. Hofstede (2001) argued that corporate governance is linked to financial goals that are not culture free. Available evidence indicates that culture, values, and traditions form the historical background of a country (Archambault & Archambault, 2003).

Economic structure has been linked to corporate governance as an essential element for the formation of sustainable and robust investment climate (RCGWG, 2003 cited in Larbsh, 2010). Following a study conducted Nigeria, Adeyemo and Salami (2008) noted that absence of sound economic policies and reforms had been seen as the key reason for the poor performance of firms.

Similarly, Nester and Thompson and Solomon, Solomon and Suto (2004) advocated for global corporate governance, especially in the financial markets. According to Gugler, Mueller and Yurtoglu (2004), these global reforms include similar mechanisms, such as independent boards, separation of CEO roles and duties from those of the chairman, and transparent and disclosure norms. Thorne et al. (2010), argued the importance of technology and explained the three major characteristics, namely (1) dynamics pertaining to the "constant change that challenges the structure of social institutions"; (2) reach, which "relates to the broad nature of technology as it moves through society"; and the self-sustaining nature of technology that "relates to the fact that technology acts as a catalyst to spur even faster development" (pp. 376-377).

Internal Factors. Ownership structure defines the framework of any corporate firm and outlines the amount of stock owned by either individual or institutional investors (Shliefer & Vishny, 1997). In both developed and developing economies, big shareholders are institutional investors in public listed firms (Solomon, Solomon & Suto, 2004). Findings yielded by several extant studies indicate that ownership structure is correlated with growth and performance (Barth et al., 2001; Jones et al., 1999).

Bouaziz (2012) noted a strong relationship between board composition and firm's financial performance. The effectiveness of board members in any firm depends on its size. According to the OECD (2004), firms with smaller boards tend to be more effective than those with larger boards. Kula (2005), on the other hand, opined that a smaller board could be manipulated by the CEO more easily. In some Nigerian firms, boards can have as many as 50 members (Quadri, 2010), while in the United States their number rarely exceeds 25 (Ungureanu, 2012). Several studies on board diversity have shown that it exhibits a positive relationship with shareholder value (Carter, Simkins & Simpson, 2003; Kang, Cheng & Gray, 2007), as well as return on investment and return on assets (Erhardt, Werbel & Shrader, 2003). In most Arab and African countries, firms have not done much to improve dominant attitudes towards women and race (Kang, Cheng & Gray, 2007). Studies have shown that firms that are well managed professionally and ethically are likely to attract more investors than poorly managed firms (Solomon, Solomon & Suto 2004; Virakul & McLean, 2012). In Nigeria, some firms have been found in serious breach of corporate governance codes (Ejuvbekpokpo & Esuike, 2013). Virakul and McLean (2012) demonstrated the presence of a positive relationship between well trained and experienced leaders and firms' growth and performance. Finally, demographic characteristics of the BOD can influence firm's corporate performance and strategies, according to Senasu and Virakul (2015).

Board of Directors' Activities. Board's activities, such as oversight, control, accountability, resolving the conflict of interest among decision makers, reducing transaction costs and providing continuity, are very important to the firm's success (Baysinger & Butler, 1985; Thorne, Ferrell & Ferrell, 2010). The board of any firm is inevitably considered as the most important to its success because the members' duties range from hiring and firing the CEO, to assessing firm's performance and setting strategic direction (Ezzamel & Watson, 1993; Kang, Cheng & Gray, 2007). A weak board means poor control in performance evaluation and accountability. Extant research indicates the presence of strong links between the composition and quality of BOD and firm's financial performance (Ezzamel & Watson, 1993; Thorne, Ferrell & Ferrell, 2010). Internal control systems effectively preclude CEO and top management opportunism, as well as prevent the use of corporate assets for personal gains. According to Ke, Petroni and Safieddine (1999), effective controls also ensure that the board members have timely access to pertinent information that can be used in decision-making. The responsibility to keep the framework of checkmating the CEO and management is on the BOD's shoulders, even though the implementation varies considerably among corporate firms (Thorne, Ferrell & Ferrell, 2010).

Corporate Governance Policies. These are very important because they convey company's values, goals, and rules of engagement and operations. Policies are guiding principles that prevent firms from going astray (Thorne, Ferrell & Ferrell, 2010). Some of these policies relate to transparency and disclosure, thus promoting.

- Consistent and aggregate reporting,
- Annual publications or results and internal audit of firms;
- Compensation policy governing disclosure of remuneration for CEOs;
- The top management, and board members;
- Disclosure policy related to financial reporting and auditing of a firm;
- Hiring and selection processes, especially those related to the recruitment of the CEO and top management (including board members), including a strong risk management that alerts decision makers to impending dangers that may threaten firm's operations, such as environmental impacts, corporate scandals, etc. (OECD, 2004; Thorne, Ferrell & Ferrell, 2010).

Ferrell et al.explaining how to develop and manage risk argued that there are three types of risk that can be categorized as a hazard; risk management should primarily focus on minimizing the likelihood of fraud, injury, and financial losses.

State-Owned Enterprises in Nigeria

The term State-Owned Enterprises (SOEs) does not have a uniform definition and can also be used synonymously with Public Enterprises (PEs) and Government-Controlled Enterprises (GCEs). Moreover, its definitions can change or fade with time (Emeh, 2012). These different meanings exist because of the values, interests, dispositions, and circumstances that prompted the emergence of SOEs in many countries (Adeyemo & Salami, 2008). However, the definition upheld by one of the International Center for Promotion of Enterprises (ICPE) expertise is still noteworthy:

> *"Any commercial, financial, industrial, agricultural or promotional undertaking – owned by public authority, either wholly or through majority shareholding – which is engaged in the sale of goods and services and whose affairs are capable of being recorded in balance sheets and profit and loss accounts. Such undertakings, public corporations, statutory agencies, established by acts of Parliaments or Joint Stock Companies registered under the Company Law."* (ICPE cited in Emeh, 2012: 1111)

SOEs were created in Nigeria mainly because of economic and political reasons; economic in the sense that government pursued objectives of social justice that private sector business tends to ignore, and political because jobs were created in various constituents to encourage federal character (Adeyemo & Salami, 2008; Ugorji, 1995). Between the mid-60s and late 80s, SOEs were effective and generated sound revenues. In 1972, SOEs in Nigeria received a major boost with the indigenization policy enacted by the Nigerian Enterprises Promotion Degree (Adeyemo & Salami, 2008).

According to the Technical Committee on Privatization and Commercialization (TCPC), there were "70 non-commercial and 110 commercial SOEs in Nigeria" (TCPC, 1989 cited in Adeyemo & Salami, 2008: 9). However, the SOEs in Nigeria began to deteriorate due to increasingly prevalent corruption, lack of transparency, nepotism, and inexperienced but politically connected CEOs (Ahunwan, 2002; Quadri, 2010).

Between 1975 and 1985, in an attempt to address this growing problem, the Federal Government injected N23 billion in equity investments, along with providing additional N11.5 billion to public companies in various states of Nigeria (Adeyemo & Salami, 2008). Yet despite theseinitiatives, the SOEs' performance resulted in a significant government debt, trade deficit, and high inflation rate, which propelled the move to privatize some firms as a means of minimizing government's involvement in the activities that the private sector can efficiently handle (Adeyemo & Salami, 2008; Ahunwan, 2002).

Research Methods

Research Theory

The theoretical framework upon which this research is based is the grounded theory put forth by Glaser and Strauss (1967). Grounded theory method is a systematic methodology in the social sciences involving the discovery of theory through data analysis (Faggiolani, 2011; Martin & Turner, 1986). The study commences with data collection, which is performed through a variety of methods. Next, the collected data are analyzed, whereby the key points are marked with a series of codes, which are extracted from the text. The codes are then grouped into similar concepts to make them more workable. Finally, categories are formed from these concepts, serving as the basis for the creation of a theory, or a reverse-engineered hypothesis.

Population and Sample

The objective of this study was to understand the corporate governance practices of SOEs in Nigeria, with the specific focus on the Imo State, which served as the sample population of interest. As 63 SOEs are registered in Imo State, 30 of these were selected from 11 sectors, pertaining to federal, state, and local government enterprises. Using the governmental Internal Revenue Service (IRS), it could be established that 15 SOEs (labeled as Group A) out of the chosen 30 declared revenue for the year 2013 and the remaining15 SOEs (labeled as Group B) did not. Furthermore, 35% of firms/establishments from each sector were selected for taking part in the survey and interviews. Also, heads of top leaders from each of the 30 SOEs were invited to complete the questionnaire and take part in an interview. These individuals held various positions, including CEOs and directors, managers/supervisors and senior staff members from selected firms/establishments; vice/deputy chancellors, deans of faculties, and principals and deans of studies from the selected universities and secondary schools. Eight copies of the questionnaire were given to each firm/establishment, which amounted to 240. Head of each firm/establishment (or one of the senior staff members) were interviewed, and this resulted in 30 interviews.

Measurement Tools

Constructing the Measurement Tool/Questionnaire. A five-point Likert-type scale anchored at 5 (strongly agree) and 1 (strongly disagree) was used to elicit responses to the survey questions (Cohen, Manion & Morrison, 2000). The questionnaire containing 59 questions was divided into seven parts which include participants details, factors influencing corporate governance, the importance of corporate governance policies, how board activities can be improved, critical issues that exist in firms, how good corporate governance of a country should be, and future approaches to corporate governance. At the end of each section, ample space was provided for participants to offer additional comments if needed. As 180 of the 240 questionnaires were returned completed, this resulted in a 75% response rate. Descriptive statistics and independent samples t-test provided by the Statistics Package for Social Sciences (SPSS) software was used to analyze and interpret the results.

Testing the Questionnaire Validity and Reliability.The questionnaire was drafted in line with research objectives and questions and was reviewed, evaluated, and approved by three professors who are members of Thailand University Research Committee, as well as one professor from one of the major universities in Nigeria.

The questionnaire was subjected to a further evaluation via a pilot study in which 20 high-profile individuals in four SOEs took part. The sample comprised of two CEOs, eight heads of departments and ten experienced senior staff members who have previously held positions in several departments in various firms and establishments in Lagos, which shares many of the features characterizing the Imo State. The outcome of the pilot study was reliable because it consistently answered research questions and fulfilled all objectives of the study.

Data Collection Process

Ten field assistants were involved in the data collection using the self-administered questionnaires. These individuals were educated at the university level at the minimum, and each completed a three-day training seminar on how to establish rapport with prospective respondents and explain technical terms, as well as address any unexpected problems. Appointments were booked, and permission was sought for the surveys and interviews to be conducted with the PROs of each firm/establishment. The respondents to the questionnaires were briefed about the purpose of the study and were assured of data confidentiality where necessary. The researcher administered some of the questionnaires and conducted all of the interviews to provide reliable data while serving as a supervisor of the field assistants. Ethical procedures regarding how the research was conducted and the privacy of both respondents and firms/establishments were carefully considered and observed.

The research findings revealed high level of agreement with the statements asserting that (1) legal system affects the practice of corporate governance in SOEs (M= 3.79, SD=.598); (2) social/cultural influence affects the practice of corporate governance in SOEs (M= 3.51, SD=.466); (3) economic influence affects the practice of corporate governance in SOEs (M= 4.03, SD=.466); (4) globalization affects the practice of corporate governance in SOEs (M=3.81. SD=.564); and (5) technology affects the practice of corporate governance in SOEs (M=3.98. SD=.624). However, at M = 4.24 and SD = .402, political influence ranked the highest of among all factors influencing the SOEs in Nigeria.

Research and Discussion

In the following section, the results about the two research questions will be presented, thus (1) establishing the factors that influence corporate governance of Nigeria in the studied firms/establishments, and (2) elucidating the differences between Group A and Group B within the studied firms/ establishments.

Research Question

What are the factors that influence corporate governance in the studied Nigerian firms/establishments?

It was found that **political influence** ranks the highest among all external factors. Interviews revealed that political interference is having devastating effects on the Nigerian SOEs. When internal factors influencing SOEs were analyzed, **board leadership** was found to rank the highest. Some interviewees expressed concern regarding skills, talents, and experience of the CEOs. For example, one participant stated, *"Some CEOs and top management members are inexperienced and corrupt."* For the BOD activities, **deciding CEO's job (**including hiring and firing**)** is below the lowest range (*M*=.38, *SD*=1.008). Interview responses about the CEO turnover rates indicate that government (not the board of directors) decides who is to hired or fire. The BOD can make a recommendation, but the final decision lies with the government.

Other factors that ranked high include board committee, protecting stakeholders' interests, and customer satisfaction.

Table 1. Results Related to Factors Influencing Corporate Government in the Studied Firms/ Establishments

External factors	Mean/Std Dev	Internal factors	Mean/Std Dev	Policies	Mean/Std Dev
Legal System	3.79/0.598	Ownership structure	3.63/0.568	Compensation	2.75/0.996
Political influence	4.24/0.402	Board composition	3.46/0.663	Disclosure	2.68/0.989
Social/Cultural	3.51/0.466	Board leadership	4.28/0.352	Risk Management	3.24/0.611
Economic influence	4.03/0.466	Board size	3.35/0.625	Hiring and selection	2.66/0.986
Globalization	3.81/0.564	Demography	3.38/0.678	Board committee	3.33/0.595
Technology	3.98/0.624				

Table 1. Results Related to Factors Influencing Corporate Government in the Studied Firms/ Establishments (Continued).

B.O.D Activities	Mean/Std Dev	Critical issues	Mean/Std Dev	Indications of CG	Mean/Std Dev
Deciding CEO's job	0.38/1.008	Transparency and accountability	2.81/0.863	Corporate reputation	3.58/0.818
Assessing CEO & Mgt performance	2.75/0.969	Evaluate board effectiveness	3.04/0.788	Transparency and disclosure	3.18/1.167
Setting strategic directions	3.44/0.639	Protection of minority shareholders	3.15/0.684	Stakeholders trust	3.48/0.713
Evaluation firm's performance	3.28/0.784	Periodic assessment of CEO's pay	2.23/1.128	Financial performance	3.58/0.744
Developing CEO's succession plan	2.71/0.994	CEO and Chair duality	3.17/0.735	Customer satisfaction	3.93/0.871
Communicate with stakeholders	3.19/0.524	Protecting stakeholders interest	3.32/0.612		
Maintaining legal & ethical practice	3.31/0.582				
Maintaining control & accountability	3.35/0.665				
Evaluating board's own performance	3.38/0.639				

What are the differences between Group A and Group B within the studied firms/ establishments?

In comparison, SOEs in Group B (M=3.35; SD=.441) did not comply with laws governing corporate governance system as regards to **Legal System**. The reason for this discrepancy is that some of the firms in Group A (M= 4.23; SD=.359) which did better, are jointly owned by the government and private operators. One of the participants in Group A acknowledged that "protection of minorityinvestors/stakeholders is more effective now than a few years back. Likewise, Organizations in Group A (*M*= 4.53; *SD*=.326) seems to have minimized **political interference** regarding eliminating politicians (with little or no experience in business) sitting at the board and even serving as CEOs, as these are having devastating effects on SOEs. One of the interviewees in Group B (*M*= 3.95, *SD*=.215), went as far as to say that "politicians are bad business managers."

Findings support Doidge et al.'s (2007) that firms with strong principles on legal system perform better, and (Wong, 2004), that SOEs are starved of healthy performance and economic growth due to political influence. Therefore, Nigeria needs to overhaul its regulatory system, supervisory functions, and enforcement of laws, stakeholder protection, and political interference to reduce the high cost of doing business.

Results show that good **economic** policies are linked to firm's performance. This is evident in SOEs in Group A (*M*=4.32; *SD*=.320) which appear to be economically stable and independent due to some reforms in their governance structure than Group B (*M*=3.73, *SD*=.406). For **social/ cultural influence,** there was not enough evidence to suggest a significant difference between SOEs in Group A and Group B. the *p*-value of .633 is greater than ".05" alpha level. However, the mean and standard deviation were similar for the two groups, with *M*=3.55 and *SD*=.484 obtained for Group A and *M*=3.47 and *SD*=.462 for Group B. This suggests that all firms in Nigeria are affected regardless of their background. In other words, organizational culture does not eradicate the nation's traditional ideas and moral values.

Findings support Reed's (2002) study, that lack of robust economic policies are linked to poor economic performance and that corporate governance is linked to corporate financial goals, which are not culture-free (Hofstede, 2001).

The finding shows that SOEs with technological capabilities are linked to fewer crimes and fraudulent behaviors. Even though results show that Group A (*M*=4.50; *SD*=.390) tends to invest in technological improvements than Group B (*M*=3.45, *SD*=.254), however, technology is still a serious obstacle in Nigeria because most of the SOEs' senior managers and board members are computer illiterate, and some are not making any efforts to address this deficiency.

Meanwhile, **global** good governance practices have improved especially in Group A (*M*=4.17; *SD*=.469) than Group B (*M*=3.45, *SD*=.403). One participant in Group A stated, "Now our services can compete with any international firm situated in Nigeria because there are no differences between us regarding how we operate." Findings support Nestor and Thompson's (2000) that global harmonization of corporate governance is linked to financial growth and product markets and that **technology** increases the efficiency and lowers the cost of production in firms (Thorne et al., 2010).

This indicates that both foreign direct investment (FDI) and investors’ trust will improve if global governance practices and technological advancement are implemented.

Table 2. The Mean and Standard Deviation Indicating the Level of Significance each External Factor Represents.

	Independent Samples t-test for Equality of Means on the External Factors								
					Sig.		Std. Error	95% Confidence Interval of the Diff	
	F	Sig.	t	df	(2-tailed)	Mean Diff	Diff	Lower	Upper
Legal System	2.412	.132	6.012	28	.000	.883	.147	.582	1.184
			6.012	26.900	.000	.883	.147	.582	1.185
Political Influence	4.009	.055	5.788	28	.000	.583	.101	.377	.790
			5.788	24.293	.000	.583	.101	.375	.791
Social/Cultural Influence	.090	.766	.483	28	.633	.083	.173	-.270	.437
			.483	27.939	.633	.083	.173	-.270	.437
Economic Influence	.061	.806	4.370	28	.000	.583	.133	.310	.857
			4.370	26.548	.000	.583	.133	.309	.857
Globalization	.093	.762	4.487	28	.000	.717	.160	.389	1.044
			4.487	27.377	.000	.717	.160	.389	1.044
Technology	1.953	.173	8.749	28	.000	1.050	.120	.804	1.296
			8.749	24.055	.000	1.050	.120	.802	1.298

What are the Differences between Group A and Group B (regarding Internal Factors) within the Studied Firms/ Establishments?

The following section describes the differences between Group A and Group B firms regarding internal factors. The factors discussed include ownership structure, board composition, board diversity, board size, board leadership, and demographics.

Ownership Structure had a significant impact on SOEs Group A (*M*=4.10; *SD*=.296) was significantly greater than that of Group B (*M*=3.15, *SD*=.311). Similarly, **board composition** was also linked with significant effect. Group A (*M*=3.93; *SD*=.467) was statistically significantly greater than that of Group B (*M*=2.98, *SD*=.458), see Table 3. Findings show that it is costly to run and maintain a large BOD and most of these board members are political figures with little or no business experience. Finding supports La Porta et al.'s (2002) that higher state ownership of firms is associated with weak financial development and lower economic growth.

Finding shows a strong relationship between gender and racial and cultural composition of the BOD (board diversity) and organizational performance. This is the case for most SOEs in Group A (*M*=3.53; *SD*=.388), where a higher percentage of women occupy top management and board positions than in Group B (*M*=2.82, *SD*=.306). One of the interviewees in Group A acknowledged that *"the number of women in both the management team and on the board has increased dramatically."* Results also revealed that **Board Size** has a significant influence on SOEs with Group A (*M*=3.80) (*SD*=.465) significantly greater than Group B (*M*=2.90, *SD*=.399).

Findings support OECD (2004) and Kula (2005) that reducing the size is the first step in structuring the board effectively, probably because a large board is more difficult to coordinate and that there is a positive relationship between board diversity and shareholder value (Carter, Simkins & Simpson, 2003).

Board Leadership had a significant influence on SOEs, the *p*-value of .121 is greater than ".05" alpha level. Furthermore, the mean of Group A (*M*=4.38; *SD*=.297) was statistically significantly greater than that of Group B (*M*=4.18, *SD*=.383). These results suggest that board leadership in SOEs is linked to low investor confidence. This is a general phenomenon, as it exists in both groups. Extracts from our interviews showed that most board members are highly corrupt and most of their decisions are driven by self-interest. Thus, in most cases, investors' confidence is very low, making it difficult to attract investments. Furthermore, **demographics** had a significant effect on SOEs, Group A (*M*=3.88, *SD*= .516) was statistically significantly greater than that of Group B (*M*=2.88, *SD*=.388). These results indicate that board demographics are associated with firm performance.

Finding supports Virakul and McLean's (2012), that firms with good leadership qualities are likely to attract more investors than poorly managed firms.

Table 3. Independent Samples t-test for Equality of Means Pertaining to Internal Factors.

	F	Sig.	t	df	Sig. (2-tailed)	Mean Diff	Std. Error Diff	95% Confidence Interval of the Diff	
								Lower	Upper
Ownership Structure	.000	1.000	8.579	28	.000	.950	.111	.723	1.177
			8.579	27.934	.000	.950	.111	.723	1.177
Board Composition	.000	.983	5.624	28	.000	.950	.169	.604	1.296
			5.624	27.988	.000	.950	.169	.604	1.296
Board Diversity	2.036	.165	5.619	28	.000	.717	.128	.455	.978
			5.619	26.545	.000	.717	.128	.455	.979
Board Leadership	.352	558	1.597	28	.121	.200	.125	.056	.456
			1.597	26.345	.122	.200	.125	.057	.457
Board Size	.579	453	5.692	28	.000	.900	.158	.576	1.224
			5.692	27.365	.000	.900	.158	.576	1.224
Demography	1.642	211	5.996	28	.000	1.000	.167	.658	1.342
			5.996	25.989	.000	1.000	.167	.657	1.343

What are the Differences between Group A and Group B (regarding Policies) within the Studied Firms/ Establishments?

This section describes the differences between Group A and Group B firms regarding policies. These include: compensation policy, disclosure policy, risk management policy, hiring, and selection policy, and board committee policy.

Compensation Policy had a significant effect on SOEs. Group A (*M*=3.47; *SD*= .681) was significantly greater than that of Group B (*M*=2.03, SD=.700). Also, **disclosure policy** has a significant influence on SOEs, see Table 4. In line with the preceding analyses, the mean (*M*=3.47; *SD*= .550) of Group A was statistically significant greater than that of Group B (*M*=1.90; *SD*=.639), indicating that Group A performed better than Group Bin terms of full disclosure of financial reporting and auditing in SOEs. For compensation policy, one participant noted, “The SOEs compensation policy is in need of reform.”

Findings support Core, Holthausen and Larcker’s (1999), that firms with a weaker governance structure have greater agency problems and perform worse, yet their CEOs receive higher pay. Therefore, it is important that the Nigerian SOEs sets up a compensation strategy that is commensurate with performance.

When compared with **Risk Management Policy,** SOEs in Group B (*M*=2.85, *SD*=.471) does not have risk management and mitigation systems in place.Similarly, SOEs in Group A (*M*=3.63; *SD*= .471) suffer from the same issue but not as pronounced as in Group B.

Moreover, **hiring and selection policy** showed that Group A (*M*=3.35; *SD*= .749) have a better hiring and selection processes and better disclosure of recruitment policy about new CEOs and the BOD members than Group B (*M*=1.97, *SD*=.654). Research revealed that “connection” rather than qualifications is the key to securing such high-profile positions in Nigerian SOEs. Furthermore, **Board Committee Policy** had a significant effect on SOEs as Group A (*M*=3.68; *SD*= .644) was significantly greater than that of Group B (*M*=2.97, *SD*=.208).

These results indicate that board committees that serve as monitoring mechanisms in SOEs in Group A did better than SOEs in Group B. This result supports Dempsey, Harrison, Luchtenberg, and Seiler’s (2012), that annual report opacity is significantly greater for poorer performing firms regarding return on assets (ROA).

Table 4. Independent Samples t-test for Equality of Means on Policy.

	F	Sig.	t	df	Sig. (2-tailed)	Mean Diff	Std. Error Diff	95% Confidence Interval of the Diff	
								Lower	Upper
Compensation	.280	.601	5.687	28	.000	1.433	.252	.917	1.950
			5.687	27.978	.000	1.433	.252	.917	1.950
Disclosure	.047	.831	7.194	28	.000	1.567	.218	1.121	2.013
			7.194	27.386	.000	1.567	.218	1.120	2.013
Risk Management	.048	.828	4.556	28	.000	.783	.172	.431	1.136
			4.556	28.000	.000	.783	.172	.431	1.136
Hiring and Selection	1.125	.298	5.390	28	.000	1.383	.257	.858	1.909
			5.390	27.499	.000	1.383	.257	.857	1.910
Board Committee	16.059	.000	4.100	28	.000	.717	.175	.359	1.075
			4.100	16.901	.001	.717	.175	.348	1.086

What are the Differences between Group A and Group B (on Board of Directors' Activities) within the Studied Firms/ Establishments?

For **deciding the CEO's job, including hiring and firing,** findings show that Group A (*M*=.77; *SD*=1.338) exercises the shareholding power to hire/fire those in top management positions than Group B (*M*=.00, *SD*=.000) who rely solely on the government to hire/ fire board members and CEOs/ Chairmen. Another big issue is A**ssessing CEO and Management Performance,** see Table 5. Group B (*M*=2.05; *SD*=.528) did poorly, but Group A (*M*=3.45; *SD*= .786) improved. Findings indicate that a political affiliation takes precedence over evaluating the CEOs' performance in Group B. It's pertinent to note that **helping to set strategic directions** had a serious effect on SOEs. Group A (*M*=3.92; *SD*= .497) exercises greater oversight of CEOs compared to those in Group B (*M*=2.97, *SD*=.339).

Furthermore, Group A (*M*=3.90; *SD*= .524) performed well in **evaluating firm's performance** compared to Group B (*M*=2.67, *SD*=.430). Undeniably, evaluating firm's performance had an impact on SOEs as you can see in Table 5. In comparison**,** Group A (*M*=3.35; *SD*= .849) did better in **Developing CEO's Succession Plan** than Group B (*M*= 2.07, *SD*=.665) and interestingly, analyses revealed that "succession plan" in Group B is rarely put in practice because COEs are appointed by the government of the day without necessarily a succession plan strategy. In contrast, Group did well because of the "joint venture" factor. Findings indicate that SOEs in Group B (*M*=2.90, *SD*=.264) did poorly regarding **communicating stakeholders**.

From interviews, we found that there are communication gaps between some SOEs and the communities from where they operate. However, some SOEs in Group A (*M*=3.48; *SD*=.563) have managed to minimize the gap in communication as can be seen in Table 6. Investigations show that most CEOs and board members in Group B (*M*=2.87, *SD*=.208) do not comply in terms **maintaining legal and ethical practices** that are presently in place in the country. In contrast, organizations in Group A (*M*=3.75; *SD*= .491) complied with most of these laws and regulations, *"*top management team in many cases lack the moral standing as far as ethics is concerned,*"* observed one of the participants in Group B. Findings also revealed that some audit committee reports and financial statements are falsified for selfish purposes.

In summary, Group B (*M*=2.87, *SD*=.229) performed poorly on **Ensuring that control and accountability mechanisms are in place** when compared with Group A (*M*= 3.83; *SD*= .603). Even checked on **Evaluating the board's own performance,** organizations in Group A (*M*= 3.78; *SD*= .633) performed better that those in Group B (*M*=2.98, *SD*=.320).These findings support Millstein and MacAvoy's (1998) BOD performance is linked to return on investment.

Table 5. Independent Samples t-test for Equality of Means Pertaining to BOD Activities.

Levene's Test for Equality of Variances t-test for Equality of Means	F	Sig.	t	df	Sig. (2-tailed)	Mean Diff	Std. Error Diff	95% Confidence Interval of the Diff	
								Lower	Upper
Deciding the CEO's Job Including Hiring and Firing	14.520	.001	2.219	28	.035	.767	.345	.059	1.474
			2.219	14.000	.043	.767	.345	.026	1.508
Assessing CEO and Management's Performance	2.333	.138	5.727	28	.000	1.400	.244	.899	1.901
			5.727	24.492	.000	1.400	.244	.896	1.904
Helping to Set Strategic Directions	2.936	.098	6.116	28	.000	.950	.155	.632	1.268
			6.116	24.706	.000	.950	.155	.630	1.270
Evaluating Firm's Performance	2.476	.127	7.046	28	.000	1.233	.175	.875	1.592
			7.046	26.955	.000	1.233	.175	.874	1.592
Developing CEOs Succession Plan	1.702	.203	4.609	28	.000	1.283	.278	.713	1.854
			4.609	26.469	.000	1.283	.278	.711	1.855
Communicating with Stakeholders	4.505	.043	3.635	28	.001	.583	.160	.255	.912
			3.635	19.874	.002	.583	.160	.248	.918
Maintaining Legal and Ethical Practices	9.437	.005	6.414	28	.000	.883	.138	.601	1.165
			6.414	18.888	.000	.883	.138	.595	1.172
Ensuring That Control and Accountability Mechanisms are in Place	15.925	.000	5.808	28	.000	.967	.166	.626	1.308
			5.808	17.957	.000	.967	.166	.617	1.316
Evaluating the Board's Own Performance	11.532	.002	4.369	28	.000	.800	.183	.425	1.175
			4.369	20.717	.000	.800	.183	.419	1.181

Limitations

Although the present study has met its aims, there were some limitations that should be noted. First, this research was carried in one out of the 36 states in Nigeria. Therefore, factors like social/cultural and demographic characteristics may not be generalized. Future research may address this deficiency. Second, research focused on understanding factors that influence corporate governance in Nigeria. Finally, correlations between factors or variables were not examined. Future studies may enlarge the scope by using correlation tools to conduct analysis.

Implications for Practices

The aims and objectives of this work have been achieved by elucidating how external and internal policies, activities, and critical factors influence the corporate governance in Nigeria in the studied firms/establishments. Findings show that most SOEs have inactive or no HR departments. Therefore, we recommend that an HR unit be established in all SOEs and its responsibilities be precisely defined. Even though CEOs/top managers and BOD members are hired and fired by the government, HR should be actively involved in the recruitment of other employees, as well as in their training and development, and performance appraisal (Kazanjian et al., 2014).

The answer to the first research question (What are the factors that influence the corporate governance in SOEs in Nigeria?), revealed that political influence, board leadership, protecting stakeholders' interests, customer satisfaction, oversight of board committee, and helping set strategic directions are key factors influencing the corporate governance in SOEs in Nigeria. More specifically, political influence was found to be the most influential external factor. This study recommends that the government interference in appointments be reduced to allow capable individuals to take charge of the SOEs in Nigeria. If the government must appoint CEOs/BOD members, these individuals should be experienced and knowledgeable.

Similarly, board leadership was identified as the most influential internal factor in Nigerian SOEs. Inexperienced leaders are unable to make difficult decisions in complex situations (Virakul & McLean, 2012). This study recommends recommends that HR departments introduce a leadership development program (LDP) and train CEOs, top managers, and BOD members on a regular basis, as this is an effective means for developing and improving leaders' skills (Virakul & McLean, 2012). Investigation on SOE policies revealed that board committees (audit, remuneration, and nomination committees) are the most influential factor for the examined SOEs in Nigeria. According to Wong (2004), these committees are easily influenced by CEOs of SOEs. A study by Quinn et al. (2015), on becoming a master manager is highly recommended for CEOs and Directors in SOEs for leadership training on the eight managerial leadership roles which is mentor, facilitator, monitor and coordinator, director, producer, broker, and innovator.

Critical issues were examined, and result shows that protecting stakeholders' interests was a challenge for the Nigerian SOEs, as some are unable to protect the rights of local communities where they are located. OECD (2005) cautioned that firms should take into account the interests of a wide range of stakeholders, as well as of the communities within which they operate; as their boards are accountable to the company staff and the shareholders.

Hence, study recommends that HR provides training for top executives and board members on SOE transformation, focusing on developing new skills, changing engrained behaviors, and managing the uncertainty and conflicts that can arise with various stakeholders. Kazanjian et al. (2014) warned that, without active HR involvement in this process to guarantee that the key management issues are addressed, reform plans adopted by SOEs would never materialize in practice. Analysis on indicators of good corporate governance of SOEs in Nigeria uncovered that customer satisfaction is the most influential factor. Also results shows that most Nigerians are dissatisfied with the services provided by the public sector.

Implications for Future Researches

Based on the findings reported in this paper, we propose two directions for future research. First, we recommend that authors of future studies in this field compare SOEs managed by the state government and those managed by the federal government, as differences in their performance likely exist. Second, we recommend that a correlation between factors or variables studied in this research be examined via a quantitative approach. A factor analysis might also be used to determine whether some of these factors are aligned.

The corporate governance model shown below is the outcome of this study, which indicated the factors that influence SOEs of Imo State Nigeria.

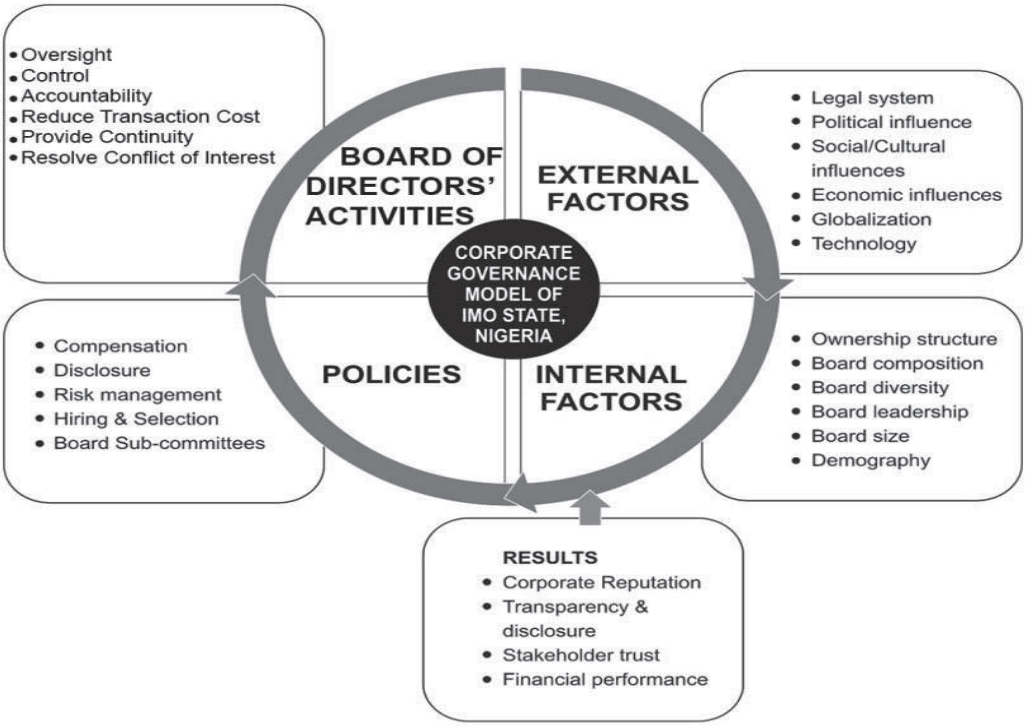

Figure 1. Corporate Governance Model of Imo State, Nigeria.

Conclusion

In conclusion, the report titled "Boosting HR Performance in the public sector,"prepared in collaboration with the Public Sector People Managers' Association (PPMA), the danger of SOEs' failure in executing reform plans is highlighted, as long-lasting improvements cannot be attained without active involvement of the HR department and a greater consideration for personnel and stakeholder rights.

Finally, according to the report, SOEs will need to forge more effective alliances with each other to prevent service replication and increase cost-effectiveness. SOEs should also strive to discover new and more effective ways of working and invest more into innovation. SOEs may need to negotiate new terms and conditions of employment and should involve employees through effective discussions to enable employee cooperation.

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