

**FACTORS INFLUENCING CORPORATE GOVERNANCE OF
STATE OWNED ENTERPRISES IN NIGERIA:
THE CASE OF IMO STATE**

Lloyd Chukwuemeka Nwafor

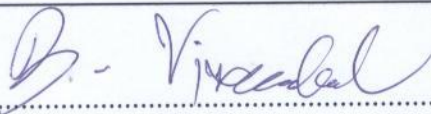
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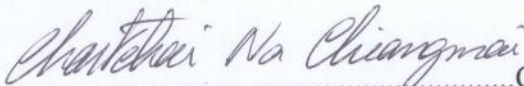
THE CASE OF IMO STATE


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ABSTRACT

| | |
|------------------------------|---|
| Title of Dissertation | Factors Influencing Corporate Governance of State Owned Enterprises In Nigeria: The Case of Imo State |
| Author | Lloyd Chukwuemeka Nwafor |
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The objective of this paper is to study the corporate governance and its influenced factors of state-owned enterprises in Imo State, Nigeria. To achieve this, thirty (30) SOEs from both federal and state government were selected in Imo State of Nigeria and were divided into two groups, namely A and B. The top fifteen (15) SOEs with the highest revenue in 2013 were categorized as group A, along with the other fifteen (15) SOEs that did not declare in terms of revenue generation in 2013 were also categorized as group B. Mixed method approaches were utilized. Questionnaire was developed and tested in 30 SOEs including 30 semi-structured interviews with the top management of firms/establishments were chosen to achieve the objectives. The response rate was 75 per cent. The results reveal that political influence, board leadership, board committees, protecting stakeholders' interest, setting strategic directions and customer satisfaction have a heavy influence on corporate governance of SOEs. Human resource recommendations were offered based on the research findings.

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ABBREVIATIONS

Abbreviations

Equivalence

BODs

Board of Directors

CAC

Corporate Affairs Commission

CEOs

Chief Executives Officers

CG

Corporate Governance

KPMG

Klynveld Peat Marwick Goerdeler

OECD

Organization for Economic Co-operation and
Development

SEC

Securities and Exchange Commission

SOEs

State Owned Enterprises

CHAPTER 1

INTRODUCTION

1.1 Rationale and Purpose of the Study

Scholars purport that it was the collapse of world-renowned firms like Enron, WorldCom, and others that renewed the conversation on the importance of effective corporate governance. The most recent is the Wells Fargo scandal which revolved around alleged illegal and unethical sales tactics (Egan, 2016). Corporate governance has no universal definition and defining it depends on perspectives of policy makers, scholars, practitioners or countries; it's also based on dispositions, values, and interests (Short, Keasey, Wright, & Hull, 1999; Solomon, Solomon, & Suto, 2004). In simple terms, it depends on who you ask or where you read from. No matter the confusion, one thing you cannot change from corporate governance is its importance (Hussain & Mallin, 2002); because the main goal is to minimize "misgovernance" from all levels of decision-makers in the firm (Monks & Minow, 2004).

Despite too many disparities in defining corporate governance, this paper will focus or rather adopt the definition of an expert from Organization for Economic Co-operation and Development (OECD) which explains corporate governance "as a set of relationships between an organization's management, its board of directors, its shareholders and stakeholders and other relevant bodies"(OECD, 2004, p. 11). And these relationships mentioned by OECD will require a "formal system of oversight, accountability, and control of organizational decisions and resources" (Thorne, Ferrell, & Ferrell, 2010, p. 89).

Corporate governance systems or models are mainly 1) the Japanese model, which is directly related to an oriented-control governance system (Allen & Zhao, 2007; Ungureanu, 2012); 2) the continental-European model, which is concerned with major shareholders' interests- eg., "shareholders have similar interests with the organization and participate in its management and control"(Proctor & Miles,

2002; Ungureanu, 2012, p. 627); and 3) the Anglo-Saxon model (sometimes referred to as the US and UK model), which concentrates on entrepreneurship and property (Nestor & Thompson, 2000). Chief Executive Officers (CEOs) and the board of directors (BODs) are usually elected by shareholders. Nigeria adopts and practices the Anglo-Saxon model. However, unlike private sectors, board members and CEOs are appointed by the government in Nigeria's State-owned Enterprises (Ahunwan, 2002; Emeh, 2012).

The primary aims and objectives of this paper seek to understand the corporate governance practices in the state-owned enterprises (SOEs) in the studied firms/establishments and to understand disparities within the studied firms/establishments and finally to provide or recommend a model on improving corporate governance in SOEs in Nigeria from the research findings.

1.2 Significance of the Study

Nigeria is a regional power, the most populous nation and one of the biggest economies in Africa. With such a leading profile, it is expected that corporate governance should flourish in the private and public sectors and as well serve as a towering model for other African nations. However, researchers have shown that good corporate governance practices here are still in the infancy stage, especially in the public sector of the country. There are incidences of frauds, embezzlement, and conflicts of interests at both the management and board of directors' levels in state-owned enterprises which have resulted in government bailouts, complete shutdown of firms and establishments and in most cases privatization exercise.

This study will enable us to gain more insight into the CEO's and board of directors' activities and help us to understand factors that influence corporate governance in public sector of Nigeria. Furthermore, it will add to the already existing paucity of studies on corporate governance in the Nigerian SOEs and promote and create awareness in addressing challenges facing corporate governance in SOEs in Nigeria.

1.3 Study Aims and Objectives

The objectives are two-fold-1) to understand the corporate governance of SOEs in the studied firms/establishments in Imo State, Nigeria and 2) to understand the differences within the studied firms/establishments. To achieve this, 30SOEs from the federal and state government were selected in Imo State of Nigeria and were divided into two groups, namely A and B. The top 15SOEs with the highest revenue in 2013 were categorized as group A, along with the other 15SOEs that did not declare in terms of revenue generation in 2013 were also categorized as group B.

1.4 Research Questions

The World Bank (Worldwide Governance Indicators, 2012) and other scholars (Oyejide & Soyibo, 2001; Okeahalam, 2004) have highlighted the challenges corporate governance situations in Nigeria. More so, researchers such as Obadan (2000) and Obadan and Ayodele (1998) also have revealed the problematic state of Nigerian public sector's deteriorating state and a hole that swallows billions of U.S. dollars from the federal government's treasury including the decision to privatize these firms. Although there are interesting conversations from researchers (Omoleke, 2008; Anugwom, 2011; Ogbu, 2011) on the implications of privatization in Nigeria, there is little to or no literature on understanding the corporate governance of SOEs in Nigeria. Therefore, the study shall attempt to understand the following;

- 1) What are the external factors that influence the corporate governance of Nigeria in the studied firms/establishments?
- 2) What are the internal factors that influence the corporate governance of Nigeria in the studied firms/establishments?
- 3) What are the policies that influence the corporate governance of Nigeria in the studied firms/establishments?
- 4) What are the board activities that influence the corporate governance of Nigeria in the studied firms/establishments?
- 5) What are the critical issues that influence the corporate governance of Nigeria in the studied firms/establishments?
- 6) What are the differences within the studied firms/ establishments?

1.5 Research Methodology

A mixed-methods (quantitative and qualitative) approach was used, which includes qualitative (semi-structured interview) and quantitative (questionnaire) methods. Two hundred and forty copies of questionnaires were tested on 30 SOEs in the Imo State of Nigeria. A five point Likert scale questionnaire was divided into nine parts with sub-questions based on issues pinpointed in the literature. To be further discussed in chapter 3.

The pilot study was carried out in Lagos, Nigeria; 20 questionnaires were distributed and tested on SOEs. The results of the pilot study, including comments and suggestions from my supervisory team were included into the updated last part of the questionnaire.

Interviews are one of the efficient techniques for corporate governance studies (e.g., Solomon et al., 2002; Liew, 2007). Thus ten semi-structured interviews with the top management of (group A and B) firms were chosen to achieve the objectives. A mixed-methods approach was used. For the qualitative phase, a five point Likert scale was adopted on a continuum of 5 (strongly agree), 4 (agree), 3 (neutral), 2 (disagree) and 1 (strongly disagree) to collect data (Cohen, Manion, & Morrison, 2000). In all 240 questionnaires were distributed and 180 were returned; making it a 75% response rate. A descriptive statistic and independence sample T test of statistics package for social sciences (SPSS) were used to analyze and interpret results.

1.6 Research Framework

The conceptual framework in this paper is presented to establish a basic understanding of the external and internal factors, policies, activities and critical issues and indicators (results) of corporate governance derived from the review of literatures. The objective of the study is not to prove relationships with all the given variables in the framework but to provide a comprehensive overview in understanding basic concepts of what a model of corporate governance is all about and how it works.

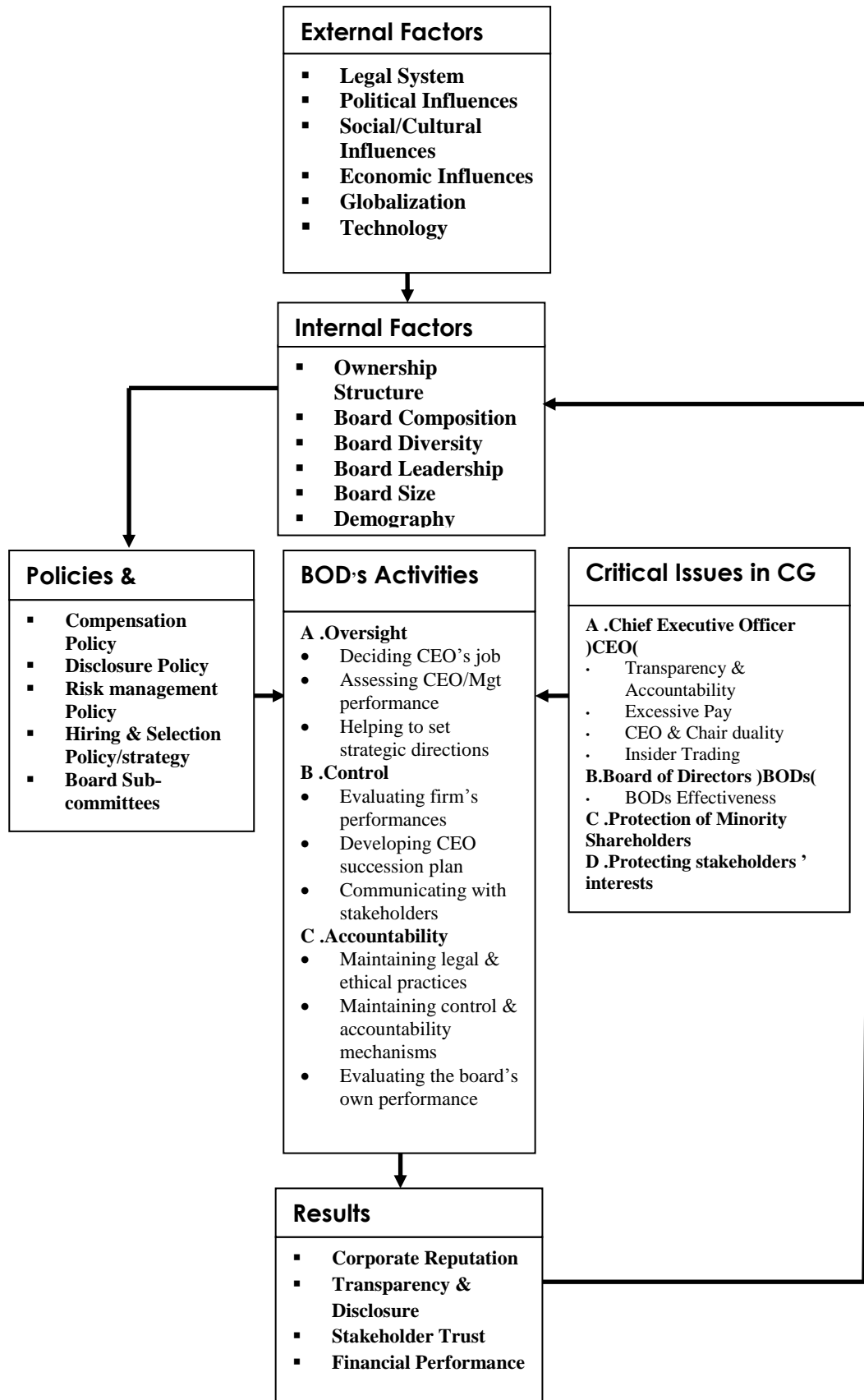


Figure 1.1 Corporate Governance Research Model of SOEs in Nigeria

1.7 Scope of the Study

To achieve the aims and objectives of this thesis, questionnaire and semi-structured interview was applied to collect data. This study has been partitioned into the following chapters. Chapter 2 discussed debate over the nature on corporate governance; theories, models and mechanisms of corporate governance and different practices by many countries

These devices are in line with OECD principles, which include the responsibilities of the Board of Directors, shareholders and stakeholders' rights, disclosure, and transparency; broadly examining internal and external factors that have significant impact on the practice and framework of corporate governance; identifying the critical issues of corporate governance; and focusing on the Nigerian economy and its corporate governance framework by examining its economic policies, including the legal system and the role of the board of directors.

Chapter three discussed the research methods, sample and population, research tools and instruments, questionnaire design, data collection and semi-structured interview etc. Chapter four explains the research results from the both qualitative and quantitative data; shows disparities of results from different groups of SOEs and Chapter five proffers result interpretations, extrapolates lessons learned and finally shows research limitations, implications and recommendations from the research.

1.8 Definition of Terms

- 1) Accountability: Allocation or acceptance of responsibility for actions
- 2) Audit: Systematic check or assessment, especially of the efficiency or effectiveness of an organization or process, typically carried out by an independent assessor.
- 3) Board of Directors: Executive and non-Executive Directors
- 4) CEO – Chief Executive Officer

5) Codes of Best Practices – These codes are non-binding rules that go beyond the law, taking country-specific conditions into account and often exceeding the standards set by international guidelines.

6) Corporate Governance: Set of processes, policies, customs, laws, and institutions affecting the way a firm or organization is directed, administered or controlled.

7) OECD: Organization for Economic Co-operation and Development

8) Remuneration: Paying or rewarding of one for goods or services or losses sustained or inconvenience caused.

9) Shareholders: One who owns one or more shares of a company's stock.

10) Stakeholders: Person or group of direct interest, involvement, or investment in something, e.g., the employees, stockholders, and customers of a business concern.

11) Transparency: Quality or state of being transparent (completely open and frank).

CHAPTER 2

REVIEW OF LITERATURE

There are five parts in this section and there are as follows; 1) corporate governance definitions and theories; 2) the systems and models of corporate governance in the Anglo- Saxon (outsider based), the Continental European (shareholders' interest) and the Japanese (oriented-control). The main aim of introducing corporate governance is explained and the differences between these systems explored; 3) corporate governance mechanisms, including the OECD principles which outlines the board's responsibilities, shareholders, stakeholders's rights and transparency and disclosure; 4) factors of corporate governance and its impacts, corporate governance framework; 5)Nigeria's corporate governance framework, economic policies, legal frameworks and board of directors' roels and responsibilities.

2.1 Overview of Corporate Governance

Corporate governance has also metamorphosed into becoming a significant attributes of organizations all over the world (Hussian & Mallin, 2002) and seen widely as solution to improving economies from both developed and developing economies (McCarthy & Puffer, 2003). Nevertheless, there is no uniformity on the definitions of corporate governance (Short et al., 1997; Solomon, Solomon, & Suto, 2004). Solomon et al. (2004) argued that these disparities in corporate governance definitions are as s result of nations and organizations perspectives in respect to policymaker, practitioner, researcher, or theorist. In fact, the essence of corporate governance is based on who controls and the rate or level of separation of ownership from control is the fundamental matter (Shleifer & Vishny, 1997). Furthermore, the word "corporate governance" is associated or connected with the phrase

“corporation”; therefore, in order to understand and assess corporate governance, we need to comprehend what “corporation” means. The corporation is defined:

A mechanism established to allow different parties to contribute capital, expertise, and labor for the maximum benefit of all of them. The investor gets the chance to participate in the profits of the enterprise without taking responsibility for the operations. The management gets the chance to run the company without taking the responsibility of personally providing the funds (Monks & Minow, 2004, p. 9)

Scholars and practitioners typically hold different perceptions of what corporate governance is and what best practices are. However, there are common platforms and opinions among practitioners and scholars to eradicate corporate misgovernance and promote good corporate governance at all levels of decision-makers at corporate levels. Some academic literature attempts to perceive corporate governance as problems relating to “ownership and control” thereby focusing on the internal arrangements and responsibilities of board members, the creation of an autonomous audit group, mapping out rules that enable the disclosure of information to the shareholders and stakeholders, and transparency at all levels of management (Fernando, 2009). The above view tends to agree with Sanusi (2003) and Inyang (2009) that corporate governance deals with directions, management, and controls, to improve performance and protect shareholders and stakeholders’ interest. Looking at corporate governance from the leadership perspective, Ugorji and Isele (2009) argued that it offers directional leadership to firms by creating a conducive atmosphere that integrates goals and visions.

Some scholars tend to accept the notion that corporate governance helps to prioritize organizational objectives that achieve performance, thus improving ethical decision-making, which can mitigate agency problems (Chambers, 2006; De Cleyn, 2008; Gatamah, 2008). However, Jayashree (2006) argued, from the viewpoint of accountability and ethics, that it is a system designed to bring directors and managers to accountability, along with considerations for ethics and moral values. But in order to mitigate the ambiguities of too many definitions of corporate governance from

scholars and practitioners, this paper will focus on the definition offered by the Organization for Economic Co-operation and Development (OECD, 2004), which described corporate governance as a set of relationships or linkages among an organization's management, its board members, its stockholders and stakeholders, other important bodies .

Furthermore, Thorne et al., (2010) illustrates that these relationships will need a formal system of oversight, accountability, and control of organizational decisions and resources (P. 89). From the above OECD (2004) definition, it simply explains that the major stakeholders are the stockholders, executive, the members of the board, and other stakeholders, including workers, customers/clients, creditors, suppliers, regulators, and the entire community in general. The corporate governance structure identified in the OECD (2005) specifies the distribution of rights and responsibilities among various stakeholders in the corporation like the board of directors, Chief Executive Officers/Management, shareholders. It spells out the rules/regulations and methods for decision-making on dealings regarding corporations. In this chapter, good corporate governance and corporate governance will be used interchangeably. Baker and Owsen (2002) argued that OECD overall elucidation of corporate governance is geared towards encompassing larger segments stakeholders' affiliations including relationships with employees, clients or consumers, creditors, suppliers, and society at large.

Larbsh (2010) in his study, explained that corporate governance have been partitioned into micro and macro levels. The state-owned enterprises view corporate governance at the microeconomic level as an important attribute for productivity; however, it has been perceived as an element of restructure effort as part of the restructure attempt and usually claimed to be significant for the establishment of an exceptional and more rewarding investment environment in developing countries at the macroeconomic level. In an attempt to get the best corporate governance, several countries have created corporate governance codes practices. Larbsh (2010) insists that there should be specific description of responsibilities of corporate governance; in other words, uniformities in the codes practices in various countries. Table 2.1 shows some of these countries.

Table 2.1 Timeline of Establishing Corporate Governance in Various Countries

| Date of Establishing the Codes | The Name of Country |
|---|--|
| Pre-2000 | Australia, Belgium, Brazil, Canada, Germany, Greece, Hong Kong, South Africa, India, Ireland, Italy, Japan, United Kingdom, United States of America |
| 2000–2003 | Austria, China, Cyprus, Czech Republic, Denmark, Finland, Indonesia, Nigeria, Kenya, Malaysia, Pakistan, Russia, Taiwan |
| 2004 | Argentina, Bangladesh, Iceland |
| 2005 | Egypt |
| 2006 | Estonia, Lebanon |

Source: Larbsh, 2010.

2.2 Corporate Governance Theories

According to Short et al. (1997), the difficulty of governance in firms begins with separating ownership (shareholders) and management or control (stakeholders). Jensen and Meckling (1976) proposed a system of an organization based upon conflict interest among many constricting groups which includes stockholders, debt holders and corporate executives. Short et al. (1997) explained that the central issue in this discussion focuses on an organization's governance plans have consequences that go further than those of its stockholders. Corporate governance improvement depends on different models that attempted to elucidate the state of the condition, including as it does legal, ownership, cultural, and many structural disparities. This section will discuss theories like agency, stakeholder, resource dependency and social contract and offer definitions and explanations from researchers or scholars.

2.2.1 Agency Theory

The term “shareholder” can be referred to an individual, group, or organization that owns one or more shares or stocks. This growth of stock ownership

and the mutual stock firm has shown a conflict of interest and parts up two major parties in companies: stockholders (investors) in the company and the agent (executives) who manage the company (Short, et al., 1997) Solomon, Solomon & Suto, 2004). The connection among these groups is called an agency relationship and is described as a condition where one or more people (the principal/s) employ a manager (the agent) to accomplish a number of duties on the company's behalf, which includes assigning various authorities to make decisions to the executive (the agent) (Jensen & Meckling, 1976). The major aim of agency theory or model is to address the conflicts of interest between the stockholders and managers in the organization. Jensen and Meckling (1976) argue that it is impracticable for the manager (the agent) to always stand for the interest of the shareholders (the Principals) at all times. Consequently, the agency problem arises when the outcome of the decision made by the manager (the agent) does not positively affect both the welfare of investors (the shareholders) and that of the manager at the same time. Grant, (2003) explains that maximization of wealth is the major objectives of the stockholders, whereas managers' objective is to replicates the achievement management by growing the company.

Problems occur as a result of lack of monitoring by the shareholders, which is often as a result of detached stockholders and a reduction in their motivation shareholders and a decrease in their motivation to supervise executives; thus, Hart (1995) explained that the executive or the top management team of a firm might pursue their interests at the detriment of stockholders. Even though Gamble and Kelly (2001) argued that the managers are responsible to stockholders (investors) for their operation and management of the wealths of the firm in agency theory, Reed (2002) explained that organizations have a minimal set of obligations, which essentially is made of living by the rules and regulations maximizing stockholders wealth. Therefore, challenges arise when managers (executives) attempt to go after their objective, which most times supersede the accomplishment or success of the stockholders' interests (Jensen & Meckling, 1976).

2.2.2 Stewardship Theory

In contrast with agency theory, Donaldson and Davis (1991) opined that

stewardship theory presents a different style of management, where executives are seen as worthy managers or administrators who manage the firm in the best interest of stockholders. According to Davis, Schoorman, and Donaldson (1997), the rudiments of the theory stewardship are based on social psychology which centers on the behavior of management; thus, argue that the behavior of stewards is collectivistic and organizationally driven and has higher effectiveness than individualistic and managers will always pursue organizational goals with the objective to maximize the wealth for the firm. Furthermore, Smallman (2004) explains that shareholders' wealth is the firms' priority; thereby maximizing the steward's usefulness, too, because firm's achievement will take care of most responsibilities and the stewards will have a clear objective. He also stated that stewards minimize rancor among various stakeholders and other interest parties. Consequently, stewardship model is a structure put in place for organizations to perform and meet the necessities of stakeholders which gives birth to effective performance and stability for unbiased and balanced governance.

2.2.3 Stakeholder Theory

Freeman, (1984) opined that stakeholder theory corporate governance also discuss the stakeholder theory about firms' responsibility to the larger society; thus, defining a stakeholder as set of persons who are in one way or the other connected, affected or influenced by the actions of the company, in actualizing the goals of the company. Furthermore, the World Business Council for Sustainable Development (1999) defined it from a different perspective, which sees stakeholders representatives as various groups like the academy, native people, religious bodies, human rights groups, governments and NGOs and stockholders, workers, clients, suppliers, societies, and lawmakers. In addition, Ansoff (1965) argue that an organization could still actualize its goals by simply blending the interests of all interested parties. For that reason, the essential feature of the stakeholder theory is companies or organizations to understand the stakeholders they are accountable for. Clarkson (1995) added that any stakeholder is relevant if his or her financial activities are, to some extent risk-free from the activities of the company

Conversely, Smallman (2004) claimed that critics have argued that it is highly problematic to identify persons who can be legitimately seen as genuine stakeholders in stakeholder theory. One disagreement is that in the process of actualizing stakeholders' interests, a loophole for dishonesty can be created, for managers to redirect or re-channel shareholders wealth away to others. However, Deegan (2004) insists that the ethical viewpoint of stakeholder theory states that all stakeholders are entitled to be treated reasonably by the company without being biased and of stakeholder system is that all stakeholders have a right to be treated reasonably by a firm, and that the executives should run the company for welfare of all stakeholder, despite the economic strategies of the company by the executives.

2.2.4 Resource Dependency Theory

Studies (Lawrence & Lorsch, 1967; Pfeffer, 1972; Hillman, Canella and Paetzold, 2000) have linked resource dependency to good corporate governance and claiming that prosperous companies possess inner structures that match green environment. Furthermore, Pfeffer (1972) argued that board composition and board size are a reasonable managerial reaction to the circumstances of the external factors. Also, board members may serve to attach the outside resources together with the company to conquer unpredictability (Hillman, Canella, & Paetzold, 2000) because managing unpredictability is important for the existence of the organization. Gales and Kesner (1994) highlighted that resource dependency theory entails that the directors equip themselves with access to capabilities, information, essential ingredients (consumers, suppliers, civil groups, public policy and decision-makers), and authenticity that can minimize unpredictability. Accordingly, Hillman et al. (2000) pondered on the possible outcomes of associating the company with outside the challenges in the environment and minimizing unpredictability is the reduction in operation cost related to the outside relation. Resource dependency theory supports the selection or appointment of directors to various boards because of their potentials to collect information and perform networking in different ways.

2.2.5 Social Contract Theory

Gray, Owen, and Adams (1996) argued that other corporate governance studied

in the social contract theory view community as a component of social contracts among groups of community and community itself. According to Donaldson (1983), social contract is a contractual obligation the company owes to community. Integrated social contract theory was developed by Donaldson and Dunfee (1999) in order to enable executives and top management approach decision-making in a principled manner which boils down to micro and macro social contracts. The previous points to the community and the anticipation from the company to give assistance to the community; the later relates to an unambiguous manner off participation.

2.3 Corporate Governance Models

Many countries view and understand corporate governance systems differently, and these disparities reflect in legal systems, cultural systems, and economic environments. Corporate governance system is based on three main leadership models and they are as follows;

- 1) Anglo-Saxon (sometimes called the outsider based), which is based on entrepreneurship and private property.
- 1) Continental-European, which is characterized by major shareholders' interests
- 2) Japanese, which is specific to an oriented-control governance system (Ungureanu, 2012).

It is believed that the continental-European and Japanese systems can be referred to as insider-based (Standards Australia, 2003). Notwithstanding, some scholars and practitioners (Tomasic & Bottomley, 1993; Lipton, 2002) have argued that the German and Japanese models are similar in many ways. Therefore, the Anglo-Saxon type of corporate governance system and the continental-European and Japanese type of the system of corporate governance are illustrated in the simple forms of ownership structures in Figure 2.1.

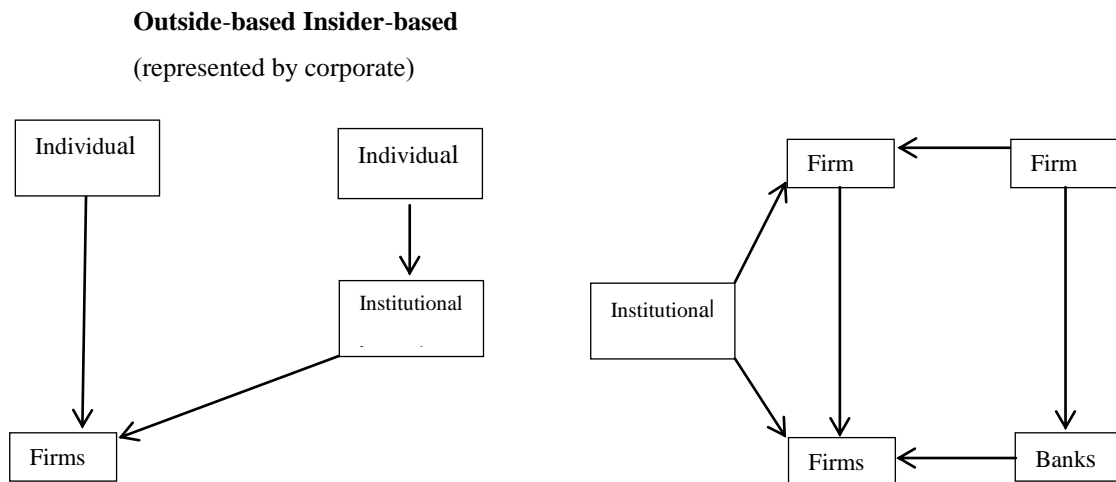


Figure 2.1 Ownership Structures in the Two Main Corporate Governance Models

Source: Farrar et al., 2001, p. 418.

Figure 2.1 depicts that individual and institutional investors could become shareholders of firms; individual investors also could invest in firms whom themselves could be categorized as institutional investors for other firms. However, the ownership structure in the German and Japanese models is more multifaceted, as there often exists an interlocking of ownerships among firms, banks, and other institutional investors, as shown on the right-handed part of figure 2.1. Anglo-Saxon models often exist in countries that are more oriented toward market economies and less government intervention; in contrast, the German-Japanese model is usually successful in countries where social values are given at least the same weight as economic values, historically.

2.3.1 Anglo-Saxon Model

According to Allen and Zhao (2007), the Anglo-Saxon model (sometimes referred as the United States and United Kingdom or outsider model) is focused on guaranteeing the organization is managed base on the objective and goal of stockholders, which is to maximize wealth for them. The outsider model is characterized by the following according Nestor and Thompson (2000);

- 1) Recognized dominance of stockholder's welfare in the organization act;

- 2) Strong protection of minority shareholders in the securities' guideline, law and regulation;
- 3) Comparatively good regulations for disclosure.

It is known for its primacy in the group of autonomous people and individual stockholders. The executives or top management are accountable to the board members and stockholders who are interested in profitable activities and dividends (Ahunwan, 2002; Okike, 2007; Emeh, 2012).

The Anglo-Saxon model type of corporate governance model is comprised of internal and external mechanisms, as demonstrated in Figure 2.2. Shareholders appoint a board of directors who then appoint and monitor the management; at the same time, managers operate the core functions of the firm and report directly to the board of directors, who represent shareholders. Another important point to note is that there is only a one-tier board in the Anglo-Saxon model. The one-tier board is often composed of executive directors and independent directors, and the number of the board members varied according to the regulations of the countries. The right-hand side of Figure 2.2 illustrates that external market forces, such as competitive factors in the product market, capital market, corporate control market, and labor market act as further monitoring mechanisms for management. Competitive factors in the product market play an important monitoring role as the firm's performance; vis-à-vis, its competitor's illustrate whether managers are competent and hard-working in their jobs. The Anglo-Saxon ownership structure functions by way of dispersed share ownership as described in the Berle and Means type of corporation (Berle & Means, 1932).

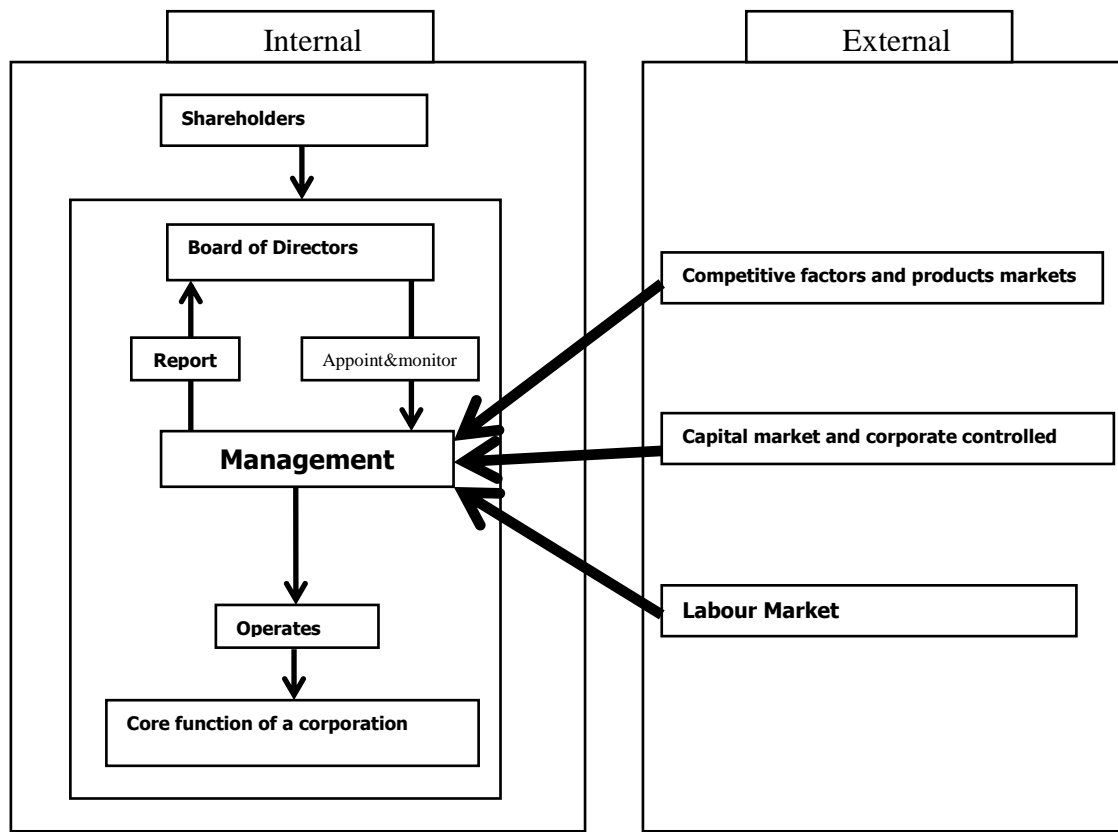


Figure 2.2 Anglo- Saxon Model type of Corporate Governance Model

Source: Broadman, 2001, p. 20.

2.3.2 Continental European Model

According to Allen and Zhao (2007), in German for example, the laws are quite unambiguous or explicit in that executives or top management do not have the fiduciary responsibility to seek for the welfare of the stockholders.

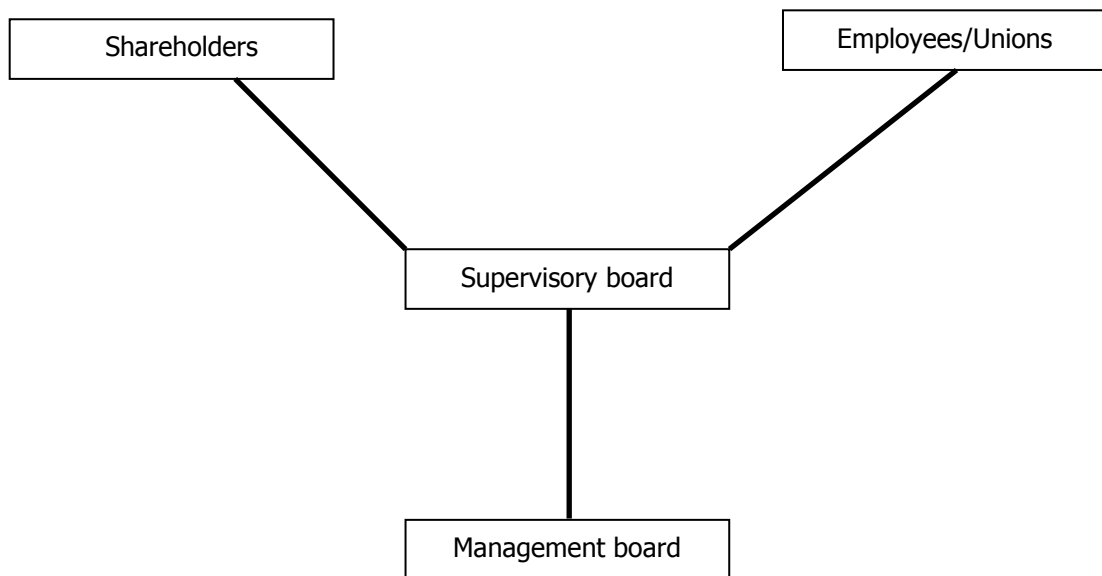


Figure 2.3 Continental European Model

Source: Charkham, 1995, p. 18.

This is the system of co-determination which means that in large corporations, employees have an equal number of seats on the supervisory board of the company which is ultimately responsible for the strategic decisions of the company (Charkham, 1995, p. 2).

The two-tier board comprises of the management board (Vorstand) and the supervisory board (Aufsichtsrat). Furthermore, Proctor and Miles (2002) explained that the supervisory board is charged with the responsibilities of appointing the management board rather than by shareholders as in the case of the United Kingdom and the United States of America. The continental-European model, according to Ungureanu (2012, p. 627), is distinguished by a large by a high frequency of assets because “shareholders have similar interests with the organization and participate in its management and control”. Executives and top management are accountable to a both stockholders and stakeholder. In the German system of governance, the organization is perceived as a blend of stockholders from concern different interest bodies intended to regulate the interest and goals of the nation (Ungureanu, 2012); for example, within organizations, it is typical to discover members from the executive board a supervisory board members. First, they efficiently control and supervise the

organization; but must be under the supervision of the second, most company's strategies are, essentially, approved by the supervisory board. This kind of governance framework improves a mechanism for control, supervision and administration.

2.3.3 Japanese Model

In the Japanese model, ownership structure is in the joint stock company (Kabushiki Kaisha), which is equivalent to a publicly listed company in the Anglo-Saxon model (Proctor & Miles, 2002), is characterized by “stable shareholders” and employee share ownership (Proctor & Miles, 2002). The Japanese model of corporate governance is perhaps the most extreme example of governance practices. Allen and Zhao (2007) argued that, rather than concentrating on micro viewpoint of organization maximizing wealth for shareholders, Japanese model has conventionally been involved with a larger or macro view. One approach or method of explaining this Japanese model is that it is involved with guaranteeing that organizations are controlled in such a manner that community's resources are managed cleverly by recognizing a variety of stakeholders such as workers, consumers and suppliers, alongside with stockholders.

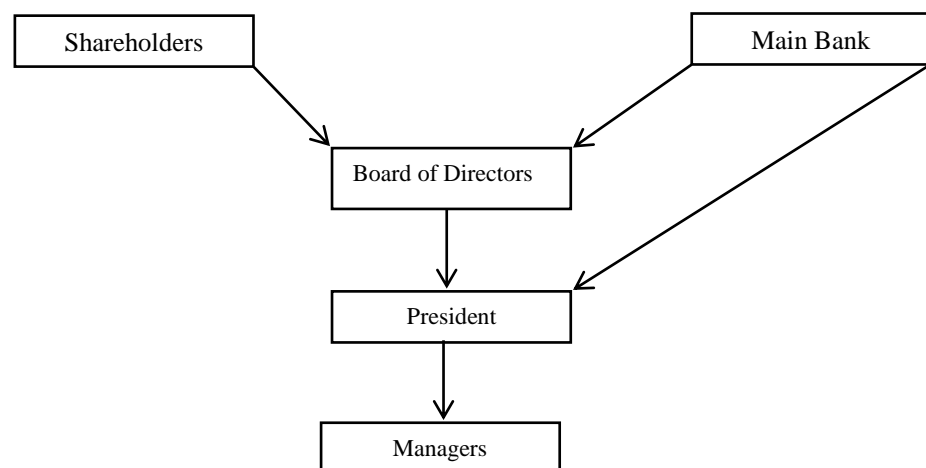


Figure 2.4 The Japanese Model

Source: Ungureanu, 2012.

Moreover, this model brings a modest investment notion into the organization, assigns manufacturing groups which consists of organizations with similar objectives and common policies (Davies & Schlitzer, 2008). According to (Ungureanu, 2012), the main focus of this Japanese model is to make sure that “managers and top executives’ responsibility manifests itself in relations with shareholders and keiretsu, a network of loyal suppliers and customers” (p. 629).

Furthermore, (Ungureanu, 2012) explained that “Keiretsu stands for a complex pattern of cooperation and also competition relationships, known by its adoption of defensive tactics in hostile takeovers, thus minimizing the level of opportunism of parties involved and keeping long-term business relationships” (p. 629). Most organizations in Japan are connected with groups of business associates. The attribute model of governance is controlled by two types of constitutional affiliations: one of corporation among stockholders and stakeholders, and ratio among executives and stakeholders. The inevitability of this structure appears from the reality that actions of an organization ought not to be distressed by the associations between the involved parties, e.g., relationships that generate risks.

2.3.4 Convergences and Divergences of Different Systems Worldwide Used

The research on principles or models of corporate governance in different nations presents the picture of the major particular characteristics of Japanese, continental-European and Anglo-Saxon. A critical look reveals that the features of the above-discussed three principles of models contain significant relationships and discrepancies, as revealed in table 2.2.

Table 2.2 Main Features of Corporate Governance Models

| | Anglo-Saxon | Continental-Europe | Japanese |
|------------------------|---|---|---|
| oriented toward | Stock market | Banking market | Banking market |
| Considers | Shareholders' property rights | Shareholders' property right and company's relationships with its | Stakeholders' interests (keiretsu) |
| Shareholding Structure | Dispersed | Concentrated | Concentrated (cross Possession of shares) |
| Management | Executive directors Nonexecutive directors | Supervisory board Board of directors | Board of directors Revision commission |
| Control System | External | Internal | Internal |
| Accounting System | GAAP | IFRS | GAAP and IFRS |

Source: Ungureanu, 2012.

According to Ungureanu (2012), the United States and United Kingdom managers and executives are mostly trained in marketing, economics, and their versatility is superior in difference with their Japanese and French counterparts, where they managed to live in the organization long enough. Most executives and top management in the United States are non-citizens compared with their Japanese, French and Italian counterparts, where the condition is entirely the reverse. An evaluation of the three main corporate governance models interestingly reveals two parts that presents a foundation for evaluation or assessment. The first part examines the structure (for an instant, the rights are a precedence) and the second part describes the assessment of governance usefulness (the extent to which priority requests are supported). Making the most of the shareholders' resources is differently explained in each country or model and the holders of rights, are dissimilar in many countries.

The Anglo-Saxon system highlights the role of a free market, based on exercising control over the organizations' shareholders. The Japanese system concentrate mainly on trade network and also act in a mutually dependent method

and the welfare of all concerned groups, particularly via joint management and supervision. In terms of continental-European, the classic example is the German system. Organizations are considered entities that maximize wealth, making the markets to monitor its economic action, because the yield is the hub of national wealth, “interests of employees and creditors are a control factor and stimulation in obtaining gain” (Ungureanu, 2012, p. 632).

Table 2.3 reveals in similarity, the major strengths and weaknesses of the three strengths and weaknesses of the three main reviewed models.

Table 2.3 Strengths and Weaknesses of Governance Models

| | Anglo-Saxon | Continental-European | Japanese |
|------------|-----------------------|-----------------------------|----------------------------|
| Strengths | Continuous discipline | Multiple-risk carriers | Decreased optimism |
| | Transparency | Mutual benefit | Direct influence of owners |
| Weaknesses | Failure | Slow reaction | Resistance to change |

Source: Ungureanu, 2012.

The Japanese model is hard to comprehend for foreigners. From a traditional viewpoint, this model is based on constitutional acceptance at a federal stage of a blend of government and individual assets, in which everybody has the right to a reasonable portion of everything severely required for the well-being. The right of assets and privileges of claims are similarly separated among members, just hypothetically.

Even though Japanese firms bear a resemblance to the framework of those in the United States, the interests of shareholders are over-ridden. Their situation is obviously unrelated when compared their methods; Japanese firms with one-quarter of action are considered less powerful because low capital and they do not matter. The governance systems in the German and Japanese firms are

distinguished by the great involvement stakeholders, particularly financial institutions which increase the effectiveness of corporate governance and provide competitive edge in both Japan and Germany.

In contracts, The U.S system or model restrains stakeholders' power the power of such stakeholders, pointing to incompetence and high transaction cost from managers. Japanese and German models focus on developing private-public corporation that enables potential competitive edge by dropping or reducing transaction cost, as well as cost of risk capital. Table 2.4 reveals how the power of the members in business activities differs regarding claims acceptance in each country's legal system.

Table 2.4 Degree of Influence of the Participants According to the Legal System

| legal system | USA | Germany | Japan |
|--------------------------------------|-----------------------|--------------------------|-------------------------|
| Importance of the Participants | Individuals | Business network | Banks |
| | Institutions | Banks | Business network |
| | Business network | Government | Employees |
| | Employees | Institutions | Government |
| | Government | Individuals | Individuals |
| | Banks | Employees | Institutions |
| Issues Covered by Governance | Capital market | Transactions | Corporations network |
| Evaluating the Governance Efficiency | Financial performance | Return on social capital | Return on human capital |

Source: Ungureanu, 2012.

In the Anglo-Saxon governance system, members of the board are nominated by the shareholders, which make up a blend of the external and internal board of members who are top management in the organization. After being nominated, the board members decide and outline which business strategies the company will pursue. The responsibility of the executives and top management are to implement or execute

the strategies approved by the board of directors. Investors have little influence apart from electing the members of the board.

Table 2.5 reveals the full number board members for Anglo-Saxon countries like United States, United Kingdom, including Japan (in parenthesis), thus the amount of external board members for a distinctive example of big organizations in each of the states. The boards' size is approximately similar in the United States and the United Kingdom and is typically approximately 10-15 persons. For example, in the United States, the larger part is typically external directors of the company, while in the United Kingdom, the smaller part is insiders. However, in the Japanese model, stockholders are presumably bigger than those stockholders in the United States and the United Kingdom. For instance, in the Japanese model, it is natural for stockholders to recommend board members and vote directly for them. The issue of independent directors in the Chinese firms is different when compared with the United States, United Kingdom, and Japan.

Kakabadse, Yang, and Sanders (2010) conducted an empirical study of the usefulness of nonexecutive board members in the public firms of China to analyze whether board members with fellow members who are independent operate as efficient corporate governance mechanisms in Chinese public companies. This was done by analyzing four attributes of nonexecutive board members that have an influence on their usefulness, to be exact, "their degree of independence, information, incentive, and competence" (p. 1063). The outcome of their study showed that the development of a nonexecutive director's system in China is in its childhood.

According to Kakabadse, Yang, and Sanders (2010), the effectiveness of nonexecutive directors remained a serious factor to be looked into. The authors claimed that results show the disappointing performance of nonexecutive directors within their functions of their supervision, management, and policies. The study showed that it is hard for nonexecutive directors to be autonomous from those who selected them, and this precluded them from effectively supervising and managing managers/executives. The nonexecutive directors can stand the danger of being sacked and replaced at any time if found not corporative with the management.

The study concluded that the unproductiveness of the selection method leads to the hiring of unskilled nonexecutive directors signifying that the board does not welcome truly knowledgeable and strong nonexecutive directors.

Table 2.5 Number of Members of Board of Directors

| United States | United Kingdom | Japan |
|---------------------------|------------------------------|-----------------------------------|
| Ford15 (10) | Glaxo16 (7) | Toyota 60 (1) |
| IBM14 (11) | Hanson19 (8) | Hitachi 36 (3) |
| Exxon12 (9) | Guinness10 (6) | Matsushita 37 (6) |
| Mobil16 (10) | British Airways10 (6) | Nissan49 (5) |
| Philip Morris16 (4) | Allied Domecq 12 (4) | Toshiba 40 (3) |
| RJR Nabisco9 (6) | Grand Metropolitan14 (1) | Honda37 (3) |
| Texaco13 (11) | BTR10 (4) | Sony41 (6) |
| Johnson & Johnson 14 (12) | Associated British Foods7(1) | NEC42 (5) |
| | British Steel8 (10) | Fujitsu36 (7) |
| | | Mitsubishi Electric37 (3) |
| | | Mitsubishi Motors43 (4) |
| | | Mitsubishi Heavy Industries43 (3) |
| | | Nippon Steel 53 (1) |
| | | Mazda 45 (8) |
| | | Nippon Oil 20 (0) |

Source: Ungureanu, 2012.

Note: Figures in Parentheses

US: Outside Directors

United Kingdom: Independent (outside) Directors

Japan: Independent Directors (including cross directorships)

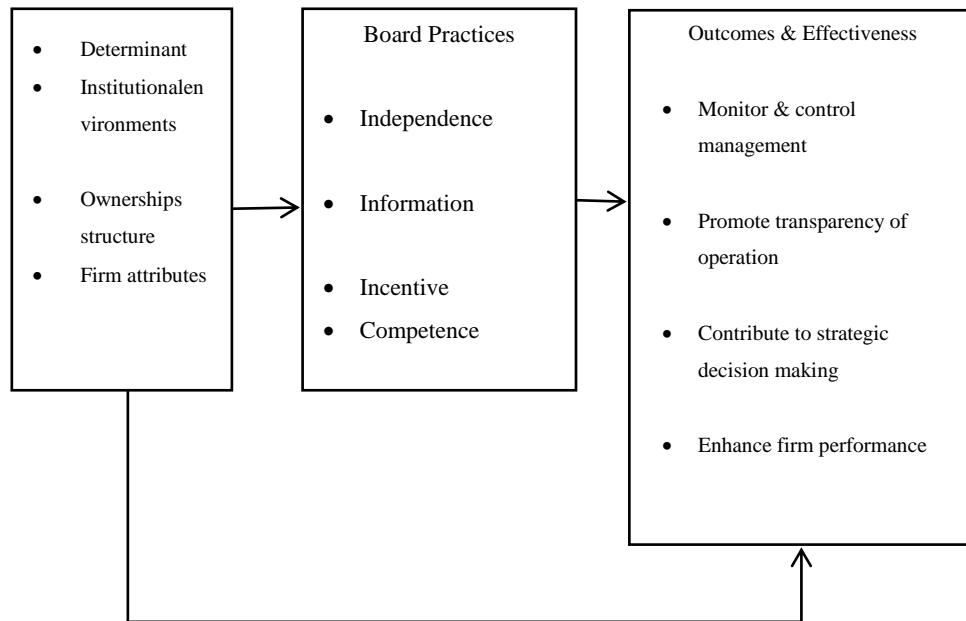


Figure 2.5 Factors Contributing to the Effectiveness of NEDs

Source: Kakabadse, Yang, and Sanders, 2010.

Allen and Zhao (2007) revealed that 97% of residents in Japan believe every stakeholder is significant and only a tiny 3% believed that stockholders' welfare should come first. However, the situation is slightly the same in Germany 83% and French 78% individually, observed affirm as being for all stakeholders.

Table 2.6 Whose Company It Is?

| | Stakeholders | Shareholders |
|---------|--------------|--------------|
| Japan | 97% | 3% |
| Germany | 83% | 17% |
| France | 78% | 22% |
| USA | 22% | 76% |
| UK | 29% | 71% |

Source: Allen and Zhao, 2007.

On the side of Anglo-Saxon, managers in the United States and the United Kingdom, by majorities of 76% and 71%, respectively, stated that shareholders' interests should be given priority (Allen & Zhao, 2007, p. 5). Again, the figure below shows the results of a sharp difference among Anglo-Saxon, continental-European, and Japanese corporate governance models in Japan, Germany, and France and the United States and the United Kingdom. Evidence from the study of Allen and Zhao (2007) portrayed managers views of the role of the organizations is upheld by the way that remunerations are structured in the different countries. In the United States and the United Kingdom, for example, remunerations are based on the nature of the job done. Thus, employees' circumstances do not affect their compensation.

Table 2.7 Job Security or Dividend

| | Job Security is More Important | Dividend is More Important |
|---------|---|---------------------------------------|
| Japan | 97% | 3% |
| Germany | 59% | 40% |
| France | 60% | 22% |
| USA | 11% | 89% |
| UK | 11% | 89% |

Source: Allen and Zhao, 2007.

However, in the continental-European and Japanese models, it is common for employees to be granted family allowances and special allowances for small children. These differences underline the fact that, in the United States and the United Kingdom, the firm is designed to create wealth for shareholders; whereas in Japan, Germany, and France, a firm is a group of people working together for their common benefit (Allen & Zhao, 2007, p. 5-6).

2.4 Mechanisms of Corporate Governance

This section discusses the framework of the key mechanisms of corporate governance to comprehend and outline the outcome of these factors on practice. Therefore, the measures and strategies used to communicate corporate governance are explained and evaluated. A significant predicament facing any firms for their existence and growth, in the light of high competitiveness and globalization, is reclaiming the trust and faith of investors and community. That trust and faith can be accomplished through adherence to principles that help firms to attract investors. Therefore, the best and clearest practices of management are the best methods in which to create confidence among investors and an organization. This section addresses the following mechanisms: the board composition, ownership structure, board diversity, board size, shareholders' rights, disclosure and transparency practices, corporate reputation, financial performance, and stakeholders' rights.

2.4.1 Board Composition

The influence of the board of directors on a firm's performance (whether negative or positive) depends on its compositions and activities. A study by Uadiale (2010) on the influence of the structure of boards on financial firms performance in Nigeria investigated the structure board members in Nigerian companies and analyzed if board composition has an influence economic performance, as calculated by the return on equity and return on capital employed. The study examined four attributes of the board (board structure, board ownership, chief executive duality, and size of board). It revealed a clear positive relationship connecting size of the board and corporate economic performance. In addition, there are proofs of a clear connection between external board members currently in the board company's financial performance. Triki, Bouaziz, and Boumaza (2012) replicated a similar study in Tunisia on the influence members of the board on economic performance with the related methodology. Furthermore, result showed the board directors who are independent, together with the members of the independent audit committee and the regular meetings of the council have a significant influence on financial performance when measured by the return on equity.

The non-executive directors in the SOEs are originally designed to monitor, advice, detect and supervises the activities of the chief executive director. Due to the crippling challenges of SOEs, the internal control systems still suffer challenges in many countries. Bhagat and Black (1999) argued that the independence of nonexecutive directors may not for all time result in more effective corporate governance and may not boost performance. In addition, the capability of the board of directors to supervise and monitor the executives of the firm depends on its access to information. Most times, the BOD is closely related to the executive directors in the SOEs by their political connection and ethnic and religious faith, and these are factors that quickly encourage these “self-interested individuals” to exploit and embezzle government funds (Wong, 2004; Emeh, 2012). This loses control has weakened many parts of the internal structures. Examples are favoring executive directors for their remuneration package, lack of information disclosure to the public, etc. (Ahunwan, 2002; Adekoya, 2011; Emeh, 2012). The outcome is that corporate governance models or systems are not as efficient as they were intended to be.

2.4.2 Ownership Structure

The term “ownership structure” refers to the quantity of shares owned by individual investors and big-block stockholders (i.e., at least 5% of total equity ownership within the organization belonging to investors). According to Shleifer and Vishny (1997), in public listed companies, big block shareholders are usually institutional stockholders in the form of pension and mutual funds. In most cases, a higher level of bigger block shareholders suggests a more controlling power from investors over a company’s decision-making power due to the inducements for these owners to proactively maintain their assets or investments. Investors with large amounts of stocks may take belligerent actions, either consciously or unconsciously, in regards to company resolutions such as the selection of board members and substitution CEO or weak management with their voting right. Vishny (1997) explained that this kind of internal governance consolidation could be a helpful tool to minimize the possibility of selfish goals from the management because managers and boards members are more likely to take into accounts the predilections and interests of big stockholders.

On the other hand, organizations with poorer ownership concentration (diffused ownership) may not have the power to govern or control the management and board of directors because investors with small stocks holders have little incentive to pay attention to the organization's strategic plans. Therefore, small stock holders are less encouraged to manage and discipline top management behaviors closely. In contrast with big investors, small stock holders are more likely to vote with less enthusiasm in cases corruption and weak performance. Cornett, Guo, Khaksari, and Tehranian (2010) stated that ownership structure is globally recognized in the economics and finance research as a helpful indicator of organization performance. For instance, a particular characteristic of composition of ownership that has drawn enough thought is how internal against external may influence an organization's performance. According to Shleifer (1998), individual ownership should be favored to government ownership when motivations to initiate and to include operational cost are serious—and particularly when rivalry among suppliers, reputational devices, and the likelihood of provision by private non-profit organizations, as well as political support and exploitation, are taken into consideration. Although Cornett, Guo, Khaksari, and Tehranian, (2010) argued that in some circumstances there may be some conditions in which private ownership is not most favorable.

A summary of these studies tends to portray state-owned companies as organizations that disregard social objectives and blended with their absolute incompetence; this is incompatible with the suggestion that government control can lead to performance competence that revenue maximizing privately controlled organizations will not accomplish. A study from Dewenter and Malatesta (1997) found that public offerings of shares by government controlled firms are extensively more priced less than government offerings of shares by privately controlled organizations, and the underestimation in the developing countries is dependable with diverse bureaucratic purposes of officials of government rather than maximizing the public interests. Jones et al. (1999), shed light in his study by providing evidence that, when the governments privatize its public firms to private; through government stock offerings, they less-priced stock-issued privatization offers, assign the shares to chosen local shareholders, enforce manage limitations on privatized companies, and

instead of competitive offerings, the fixed price offer is used, all to advance legislative and financial strategic intentions.

Apart from the researchers that look at government controlled against private controlled in non-profit industries like (education, energy, detention centre, healthcare), new current studies examine the effect of public controlled in the financial sector. In many states, the financial structure works under a two-level ownership composition comprising of government controlled financial Institutions and privately controlled financial Institutions. State controlled financial Institutions, to be exact, usually hold the larger parts of the shares in a state's financial system. La Porta et al, (2002) found that firms with state higher ownership in the 70's are connected with low and regular economic growth and poorer financial performance from samples collected from 92 countries. Barth et al. (2001) summarized that government controlled financial institutions tend to be connected with weaker and badly formed financial Institutions, nonfinancial Institutions and securities businesses.

2.4.3 Board Size

The size of the board has some implications. Conversely, a smaller board can be easily controlled or managed from the Chief Executive Officer's perspective. OECD (2004) explained that smaller board size seems as a symbol of the Chief Executive Officer's profound control on operations in board meetings, and smaller boards are frequently more interconnected and work more efficiently than larger boards. Likewise, a bigger board, even though conceivably uncontrollable, could be important given the scope of its pool skills and talents of expertise and assets or support for the company. From a dynamic managerial standpoint, however, a bigger board is more probably to form parties and alliances that can swell board conflicts (Kula, 2005). OECD suggested that the primary move in building an efficient board in an organization is to minimize it, possibly because a big board in a firm is possibly more complicated to manage (OECD, 2004).

A bigger cabinet or board is lightly possible to become involved efficiently in the process of making important decisions. Yermack (1996) agreed that a smaller board in a firm appears to be more efficient when compared to a bigger board in the

sense that it permits the board to encourage policies and important decisions of executives with no regular delays and to take significant managerial activities in a harmonized manner. Nevertheless, from an agency system standpoint, past study has demonstrated the executives can simply exercise their power or authority on small boards but find it hard to pressure big boards (OECD, 2004; Apreda, 2008). In companies with big boards, managers would encounter higher challenges to influence members of the board to concur and make decisions, which include a decision to execute financial compensation for executives, than they would in companies with small board members.

2.4.4 Board Diversity

Studies (Carter et al., 2003; Kang et al., 2007) have shown that the most debatable and controversial issue in firms in both developed and developing economies is the subject of race, gender and cultural composition of board members, which board diversity. For example, companies in the United States and United Kingdom appear to have taken important steps to improve and accommodate board diversity. Much concentration is continually paid to ethnicity, race and gender of board members in North America (Ruigrok et al., 2007). Also, some scholars believe there is a positive relationship connecting board diversity and stockholders' value (Carter et al., 2003). Furthermore, Erhardt, Werbel, and Shrader (2003) examined the connecting between Company's performance and demographic, particularly for the managerial or executive board of directors at collective managerial levels. The findings showed that diversity in the executive board of director was absolutely connected with return on assets and return on investments.

Kang et al. (2007) explained that board diversity indicates blend in board structure, which is influenced by the size of the board and the company's business settings. There are about two kinds of diversity: 1) noticeable diversity; for example sexual category, background, country of origin, racial and age; 2) less noticeable diversity such as educational, practical, and professional qualifications and business background. In emerging economies, culture still is an influential role on board diversity, especially its overriding position toward women. For example, the public atmosphere in the Arab countries acts as an important character in society life and people's associations with their neighbors.

2.4.5 Board Leadership

The issue of board leadership in corporate governance has become a much-discussed topic in developed and developing economies (Shleifer & Vishny, 1997) particularly after the scandals at Enron Corp., Tyco International Ltd., Adelphia Communications Corp., and WorldCom Inc. As a result of the recent widespread failures of the global financial system (Solomon, 2007), scholars and practitioners are increasing their conversations on the integrity and responsibilities of leaders manning a firm's affairs. A survey conducted by McKinsey and company in collaboration with the World Bank in June 2000 revealed that over 80% of the respondents were prepared to purchase more for the stocks of an organization that was well managed when juxtaposed with another with similar financial results, but where governance practices were vulnerable. It is, therefore, crucial for countries (especially developing ones) wishing to attract and retain long-term capital to put into place credible leadership structures that would guarantee sound corporate governance practices. The operational definition of leadership given by Larcker and Tayan (2012) is an office with full power in terms of 1) structural power; 2) ownership power; 3) expert power; and 4) prestige power, and it clearly shows that having a powerful CEO creates the potential or increases the tendency for abuse of position to extract personal benefits or engage in excessively risky activities against a firm's best interest.

According to Conger and Riggio (2006), leadership within corporate boards has been a lopsided affair because the chief executive officer of the company is often the de-facto leader of the board. Research (Larcker & Tayan, 2012, p. 1) has shown that power is often critical to the successful completion of tasks and the achievement of corporate objectives. Meanwhile, powerful CEOs can ultimately be a success or a failure to firms' performance. Empirical studies have supported the hypotheses that leadership is a factor that has enormous impacts on the performance of firms. The CEO does all the major pronouncements in some firms; in other firms, decisions are collectively taken among the CEO and top executives. A study by Adams, Almeida, and Ferreira (2005) on the impacts of CEOs on corporate performance claimed that the interaction between executive characteristics and organizational variables has important consequences for firm performance. The corporate governance challenges no doubt center on the classical principal-agent problem articulated by Jensen and

Meckling, (1976), but many scholars (Ahunwan, 2002; Wong, 2004; Adekoya, 2011) believed it had been worsened by the activities of inexperienced and corrupt CEOs/top management and board members appointed to run the activities the SOEs. Wong (2004) argued that the performances of SOEs are highly influenced by managers via “self-interested board members.” Emeh (2012) insisted that poor services, poor financial performance, and little of lack of disclosure and transparency are adverse effects of the impacts of CEOs/top management and board members’ activities.

2.4.6 Corporate Reputation

According to Gray and Balmer (1998), senior management and board members are being constrained by events to think concerning their organization’s reputation and image and how to control them. Tonello (2007) defined reputation as a perception of the corporation by the public, which affects investors’ desires to be involved with a particular organization through a supply affiliation, a clients affiliation, an employment affiliation, or simply by deciding to live in the local neighborhood where the organization has operations. According to KPMG (2013), reputational risk poses the second highest danger to modern-day business.

Table 2.8 Expectations of Risk Management Outpacing Capabilities: It's Time For Action

| Which of the Following Issues Pose the Greatest Threat to Your Industry? | |
|---|-----|
| Regulatory Pressure/Changes in Regulatory Environment | 46% |
| Reputational Risk | 41% |
| Credit/Market/Liquidity Risk | 34% |
| Geo Political Risk (e.g.,Euro Zone Crisis) | 32% |
| Supply Chain Disruptions | 28% |
| Information Security/Fraud | 17% |
| Disruptive Technology | 17% |
| Data Governance & Quality | 13% |
| Legal Risk | 12% |
| IT Infrastructure | 11% |
| Social Media | 9% |
| Natural Disaster | 9% |
| Climate Change | 7% |

Source: KPMG, 2013.

Note: Percentages may not up to 100%, as respondents were instructed to select the top three. All respondents except financial services, healthcare, diversified industrials, technology, media and telecommunications, and energy and natural resources.

Roberts and Dowling (2002) revealed the relationship among reputation and corporate profitability, market-to-book value, and total sales. Empirical evidence has shown that organizations placed high in reputation benefit from an average annual stock price increase as compared with the shares of some companies ranked lowest in reputation (Vergin& Qoronfleh, 1998). Furthermore, about 35% of investment choices are based on circumstances such as reputation and image, while in the alliances and takeovers businesses or deals, a premium is paid for organizations with significant reputation capital (Reputation Institute, 2013). According to Obloj and Obloj, (2006), organizations engaging in acquisitions can benefit exponentially from

corporate reputation and internationalization efforts, and the smaller the difference among rivals regarding corporate reputation, the more valuable a unit of reputation in the industry. Despite the difficulty in defining corporate reputation (Gotsi & Wilson, 2001), the operational definition of corporate reputation seems to be similar to many scholars. However, this paper accepts Gray and Balmer's (1998) fundamental components of the process, which are corporate identity, communication, and, of course, image and reputation.

2.4.7 Transparency & Disclosure

OECD (2005) explained that SOEs should improve adequate internal audit methods and institute an in-house audit function that is supervised by and reports straight away to the members of the board and the audit team or the equivalent organization department. Also, SOEs should publish a comprehensive statement/report per annum.

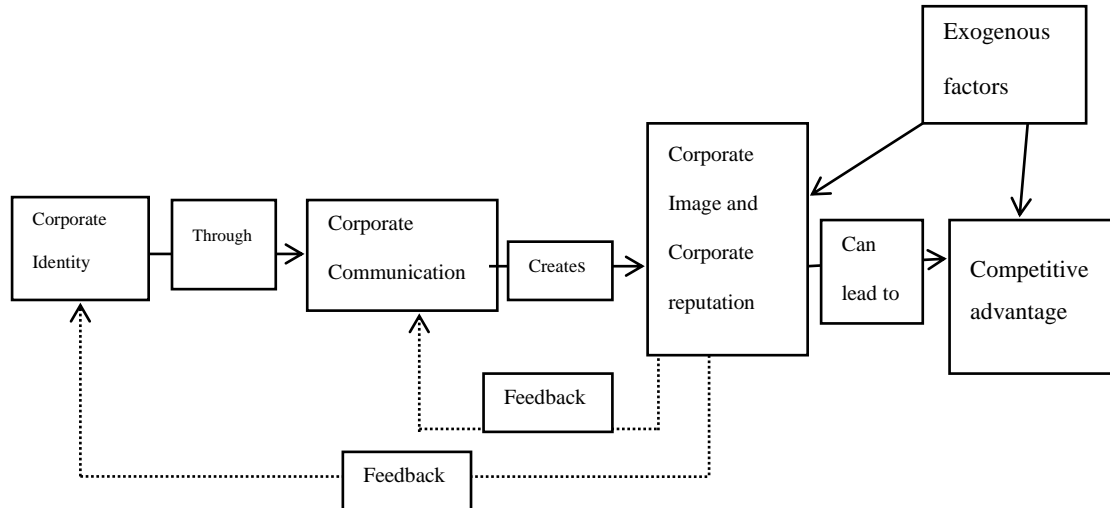


Figure 2.6 Fundamental Components of Corporate Reputation

Source: Gray and Balmer, 1998, p. 696.

Dempsey, Harrison, Luchtenberg, and Seiler (2010, p. 468) revealed that annual report opacity is importantly higher for poorer performing organizations when it comes to return on assets (ROA), and that the remaining opacity unexplained by

ROA performance and other control variables is found to be a considerably priced risk factor “beyond the Fama-French three-factor risk premia.” Regarding human capital disclosure on firm performance, Lin, Huang, Du, and Lin (2012) did a study regarding the influence of human assets disclosure and organizational performance such as market-to-book ratio and ROA. The findings demonstrated that human capital disclosure could serve as an indication that communicates pertinent information to investors and has an influence on market performance. The human assets disclosure also delivers significant information to workers and improves operational and economic performance.

2.4.8 Financial Performance

Delen, Kuzey, and Uyar (2013) listed essential principles of profitability ratios in their study on determining organization performance applying monetary ratios. Below are the ratios from Delen et al. (2013), which were used to determine profitability in firm’s financial performance.

Table 2.9 Determinants of Profitability in Firm’s Financial Performance

| Gross Profit Margin | Gross Profit÷Sales |
|--------------------------------------|---|
| EBITDA Margin | Earnings Before Interest, Tax, Depreciation, and Amortization ÷ Sales |
| Net Profit Margin | Net Income ÷ Sales |
| Earnings Before Tax-to-Equity Ratio | Earnings Before Tax÷Owners’ Equity |
| Return on Equity | Net Income÷ Owners’ Equity |
| Return on Assets | Net Income÷Total Assets |
| Operating Expense-to-Net Sales Ratio | Operating Expense÷ Net Sales |

Source: Dellen et al., 2013.

Alvarado et al. (2011) have earlier argued that some regularly used profitability proportions comprise the rate-of-return ratios (based upon either capitals or equity), operating profit margin, and net income ratios. Firth, Fung, and Rui (2006) tended to agree with Alvarado et al. (2011) because they used almost the same profitability

ratios in their methodology on company performance, governance system, and top managers turnover in a transitional market. Return on equity (ROE) is the most accepted pattern of monetary performance for most organizations (Alvarado et al., 2011), and it determines accounting revenues for a period per dollar of stockholders' assets invested. Return on earnings is so common because it is, in a sense, a conclusion of the information/data on the income statement/report and both sides of the balance sheet. It gives an accounting measure of the "returns" to stockholders' assets.

The three determinants of ROE:

- 1) Profit Margin = Net Income/Sales
- 2) Asset Turnover = Sales/Assets
- 3) Financial Leverage = Assets/Shareholders' Equity

Return on assets (ROA) is when we multiply the profit margin times the investment turnover. ROA does not differentiate between capital raised from stockholders and that raised from creditors (ROE, in contrast, considers only equity capital.) As such, ROA measures the "return" on each dollar invested in assets. Profit margin measures the portion of each dollar of sales that come from the net income. It is of principal significance to an operating officer, as it indicates the organization's pricing approach and its capability to manage costs. Asset turnover measures the sales produced per U.S dollar of assets employed and capital concentration with a low asset turnover demonstrating a capital-intensive market. Managing of an organization's assets is important, including supervising of existing assets is particularly vital to achievement. Profitability ratios determine the connections between earnings and expenditures. Even though the capability to produce a positive cash flow is significant for the short-term sustainability of an organization, the long-term financial success of a business depends on its profitability.

One of the main significant ratios for any organization is undoubtedly the operating profit margin, and it not only measures the profit per unit operating performance of the firm but shapes its financial structure as well. It is pertinent to note that the economic situation of the company can decide its operating performance. Therefore, the financial reports are an important analytical tool for the informed COE/top management and BOD. In this study, Alvarado et al. (2011)'s

argument on using basic profitability ratios like the rate-of-return ratios (based upon either assets or equity), operating profit margin, and net income ratios will be applied. The reason is that SOEs pursue both financial and nonfinancial activities (Wong, 2004), and most SOEs also are not listed or traded on the stock exchange market. Therefore, it will be a harsh move to measure SOEs with full profitability ratios because most SOEs are not 100% profit-oriented.

Finally, the SOE objectives in the conceptual framework of this paper shown above are the main reason the firm is established. These objectives include enhancing economic development, increasing productivity, creating employment, and improving CSR. The evaluation process shown in the framework of this paper will serve as a “repair mechanism” to sanitize and overhaul the SOE structure through the whole six parts in the conceptual framework. The OECD guidelines on corporate governance of SOEs 2005 will be used to evaluate the vision, mission, goals, BOD and CEO/top management activities, and SOEs business objectives and activities.

2.4.9 Human Resource Management

Human resource management (HRM) is the management process of a firm’s workforce or human resource. It is charged with the responsibility of selection or hiring, training, assessment, and rewarding of employees, while also supervising the firm’s leadership and ethics with full compliance with labor and employment laws (Guest, 1987; Wilkinson, 2003). Studies (Walton, 1985; Guest, 1987; Legge, 1995; Konzelmann et al., 2006) have indicated attributes of HRM, i.e., consultation, motivation methods, administrative dedication to HRM, training/development, and arrangements of work; these studies also have shown the relationship between HRM and corporate governance and its role in improving organizational performance. The study carried out by Konzelmann, Conway, Trenberth, and Wilkinson (2006, p. 541) investigated the effect of different forms of corporate governance on the structure and nature of stakeholder relationships within organizations and the consequent impact on human resource management (HRM) policy and outcomes. The investigation showed that, even as performance benefits can be obtained from dedication-based human resource management strategy, a corporate governance government that favors isolated stakeholders can function as a restraint on such

methods. Studies have shown that good models of corporate governance can boost the efficiency of HRM procedures in accomplishing the HRM achievements, which they are intended to perform, is a significant connection between HRM procedures and corporate governance (Konzelmann et al., 2006).

A closer look at corporate governance models and their relationship with the HRM shows that HRM interacts with governance models based on their structures and *modus operandi*. For example, a study from Gospel and Pendleton (2003) suggested that governance and associated inducement frameworks in the Anglo-Saxon-based system support executives in eagerly downsizing their employees/workforces and to stay away from investments, like training and development that have doubtful incomes. Another study also showed that, while organizational stockholders tend to focus on quick or short-term returns, stockholder worth and liquidity, managed businesses/family-owned are more probably to regard long-term institutional feasibility, manage, and personal profits to be an added significant goals (Konzelmann et al., 2006).

Studies also have shown that, chief executive officers (CEOs) are encouraged to follow stockholders' welfare above those of labor, which regularly involves them to ignore the "psychological contract" with labor in the benefits of short-term returns in Anglo-Saxon states like the United States and the United Kingdom (Burchell & Cook, 2006). Hall and Soskice (2001, p. 16) suggested that intensified pressure from shareholders has shifted the balance against labor in managerial decision-making because of weaker statutory protection for labor. Notwithstanding, this pursuit of economic short-term benefits to the disadvantage of Institutional long-term benefits by shareholders differs even inside the Anglo-Saxon economic-based organizations. For instance, some big listed companies in the United Kingdom (like the pharmaceutical firms) control unwavering and lively associations with shareholders and, at the same time, are dedicated to employees and management welfare (Konzelmann et al., 2006).

Table 2.10 Corporate Governance and Human Resource

| Type of Organization | Dominant Stakeholder | Primary Organizational Objective | Dominant View of Human Resources |
|-----------------------------|-------------------------------------|---|---|
| Public Sector Organization | Government (external) | High-quality, low price for customers; produce at low price for customers and tax payers | Central to accomplishment of potentially competing quality; price and cost objectives |
| Private Sector: PLC | Shareholder (external) | Shareholders value (emphasis on short-term) | Cost to be minimized resources to be exploited |
| Private Sector: Others | Depend on corporate form (internal) | Long-term economic performance and institutional viability (profitability and sustainability) | Central to accomplishment of long-term performance objectives and institutional viability |
| Owner-Managed Firm | Owner-manager (internal) | Long-term economic performance and institutional viability (profitability and sustainability) | Central to accomplishment of long-term performance objectives and institutional viability |

Source: Konzelmann et al., 2006.

In owner-managed organizations, the dominant stakeholders are owner-managers, and their benefits are ranked/prioritized. The majority of insider stakeholder interests are also likely to be a characteristic of other shapes of private sector company, as well as private limited firms, affiliations, trusts and aid organizations, mutual and welcoming communities, and further non-profit-private associations. It is also likely that relations among internal stakeholders will be closer and more amicable, with greater informality in HRM practices, particularly given the relatively small size of these types of organization (Konzelmann et al., 2006, p. 549).

2.4.10 Board Subcommittees

According to some scholars (O'Sullivan & Diacon, 1999; Petra, 2005), the subcommittee is an essential apparatus for a board, which intends to accomplish its functions effectively. Some popular committees that various firms set up are an audit, nominating, and remuneration committees. These committees serve as monitoring mechanisms, which increase the degree of information flow between stockholders and executives, particularly in the fiscal reporting atmosphere, consequently advancing the reporting practice (Karamanou & Vafeas, 2005). A remuneration committee's main role is to decide managers' compensation packages to preclude some surpluses in the payment of executives (Mallin, 2004). A nominating committee is charged with suggesting board nominations and being accountable for appointing and changing members of the board. Consequently, it ought to have a bulk of nonexecutive directors (Cadbury, 1992). For instance, the Hampel Committee (1998) explained that the existences of these committees are for enhancing investor's self-assurance in the general structure of corporate governance.

One of major things expected from an audit board to advance the worth and value of the outsider audit modus operandi where it serves as the most important point of contact between the legislative auditor and the company (O'Sullivan & Diacon, 1999). The formation of these boards had swelled, particularly in the western countries. In 2003, for example, only three percent of firms in Europe do not use committee, while in 1999 the rate was as high as twenty five percent (Albert-Roulhac & Breen, 2005).

2.4.11 Customer Satisfaction

Alfonso (2014) posited that sustaining customer satisfaction is difficult, but to be successful, it takes demands, steadiness of idea, of principle, and of deed over an extended period of time. Applying consistency in the right way also involves the skill and talents of top management. A study conducted by Alfonso (2014) recognized three main points to consistency, namely 1) customer-journey consistency, which suggests that firms must persistently serve to offer clients with better service, with every part of the commerce having strong strategies, guidelines, and sustaining tools to enable steadiness all through each interaction; 2) emotional consistency suggests

optimistic client-knowledge emotions—comprised in a feeling of self assurances—they also reveal the importance of consistency in forging an affiliation of confidence with clients ; 3) communication consistency, which suggests that a firm's brand name is determined by more than a mixture fulfilled pledges. Most importantly, those customers recognize and understand when a promise is delivered.

Another study by Anderson, Fornell, and Lehmann (1994) suggests a positive impact of quality on customer satisfaction and, in turn, profitability. Alfonso's (2014) study signifies that, ever since 2009, clients value a normal knowledge less and have even less endurance for unpredictability in service delivery.

2.5 Factors Influencing Corporate Governance

This section provides a short background to factors such as social/cultural, legal/political, economic factors, and the effect of globalization on the practice of governance influence the practice of corporate governance and, consequently, the framework for the best model for a country.

2.5.1 Legal System

The legal system, particularly in the long-term, reflects the principles of the fundamental commerce traditions (McCarthy & Puffer, 2003, Saidi, 2004). Likewise, the OECD principles (2004 para I.) state that:

The corporate governance should promote transparent and efficient markets, be consistent with the rule of law and articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

In the past twenty years, several countries have moved away from the fundamentally planned method to an open market method. This revolution forced on these countries requires passing decree, strategies, and regulations to pave the way for the change. A study carried out by Doidge, Karolyi, & Stulz (2007) focused on why nations are vital for corporate governance. The study operationalized the legal system of a country into three factors: 1) lawful protections for marginal investors; 2) the level of economic; 3) financial development.

The study acknowledged that these three factors could impact companies' costs and welfares in executing procedures to advance their governance and

transparency. In other words, countries with weak, good corporate governance development showed poor economic results because of the absence of institutional infrastructure. Also, the chances of improving good governance are very thin because of the weakness of the capital markets.

Another study by Chen, Chen, and Wei, (2009) evaluated the influence of company-level corporate governance on the price of equity assets in developing countries and how the result is impacted by the state's legal system. Chen et al. (2009, p. 24) found that firm-level good corporate governance has a significantly negative effect on the cost of equity capital in these markets. The study also revealed that the impact of corporate governance is visible in states with a very weak legal structure, and "in emerging markets, firm-level corporate governance and country-level shareholder protection seem to be substituted for each other in reducing the cost of equity" (Chen et al., 2009, p. 24).

Doidge et al. (2007, p. 1) noted that nations like that have weak protection of minority investors and with "complementarities between country-level investor protection and firm-level governance." The legal system appeared to be significant to corporate governance because it helped in enforcing a wide range of contracts that companies make with diverse outside players who are not directly connected and managed by the internal laws of the firm. Examples are the distributors, suppliers, and even the community.

Volpin (2002) provided direct evidence on the performance of the corporate governance system operating in countries characterized by low legal protection for investors and revealed that the probability of making profits and its sensitivity to performance is considerably low. A study in Nigeria by Ahunwan (2002) linked major deficiencies in the corporate governance of Nigeria to the weakness of its legal system. Any judicial system that lacks the power to enforce and punish a derailing corporation and protect investors is said to be weak. Another study by Adekoya (2011) linked the weak nature of the legal system to corruption by most officials in Nigeria.

Scholars and practitioners are beginning to voice the implications or influence of a country's legal systems on corporate governance. Shleifer and Vishny (1999) insisted that the legal protection of investors is a useful indicator of identifying good corporate governance. The study linked strong investor protection to the security of property rights against political interference in some countries.

2.5.2 Political Influence

Other studies (McCarthy & Puffer, 2003), including the study by Saidi (2004), claimed state-owned enterprises (SOEs) are connected with lesser successive financial performance and argued that government officials use public firms/establishments to accomplish their political aims. Barth et al. (1999) provided additional experiential proof that state-owned enterprises are connected with a weak point of economical performance. Doidge, Karolyi, and Stulz (2007) showed that state-owned enterprises are connected with a favorable probability of catastrophes. These gloomy consequences are probably to persevere because the objectives, agency issues, and transparency become complicated and compromised.

Table 2.11 Objective SOEs and Private Firms

| Private Sector Firms | | SOEs |
|----------------------|--|---|
| Objectives | Clear focus on value maximization | Pursue commercial and noncommercial objectives |
| Agency Issues | Single agency-concerned about self-interested behavior by managers | Double agency-concerned about self-interested behavior by managers, politicians/bureaucrats |
| Transparency | High level of disclosure (for listed firms) | Low level of disclosure |

Source: Wong, 2004.

Even though government control public firms have long been determined by a core basis of incompetency, straight, cross-country proof of political impact on government-owned firms in non-financial divisions has lacked as well. Finally, the political leaders can preserve and amplify its influence through the management of state establishments (Wong, 2004).

2.5.3 Social/Cultural Influences

Some scholars (McCarthy & Puffer, 2003) argued that the impact of environmental issues has turned out to be essential in the practice and improvement of corporate governance, particularly in emerging economies. According to Hofstede and Hofstede (2001, p.9), traditions composed of “patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values.” Furthermore, Hofstede (1980, p. 25), explained culture as the “collective programming of the mind, which distinguishes the members of one group or category of people, who share the same social and cultural environment, from another.”

More so, Archambault and Archambault (2003) explained that culture controls the way the community identifies circumstances and runs their organizations. Even though there are about two major categories of corporate governance framework, namely, the external and the internal methods, in application, there is no comprehensive regularity in corporate governance methods in developed and developing nations. A good illustration is from Rabelo and Vasconcelos (2002) who noted that firms go through important changes due to the collective powers of socio-political transformations, technological advancement, and financial drift toward globalization.

Hofstede and Hofstede (2001) argued that corporate governance is linked to a company's economical objectives, and these objectives are connected to culture. Thus, he provided a structure that specifies four measurements of values of the community: big against little authority distance, which explains the degree to which citizens endure uneven allocation of authority within culture. Uniqueness versus collectivism refers to the degree to which the public are autonomous, as opposite to collectivism, in which the public are controlled into powerful assembly. Strong uncertainty avoidance against weak uncertainty avoidance explains the degree to which the public feel endangered by unidentified circumstances and masculinity versus femininity describes the accomplishment, bravery, boldness, and material success, while feminine communities emphasize associations, diffidence, caring for the weak and quality of life (Archambault & Archambault, 2003).

A nation's historical background performs an essential function in its traditions, principles, and values: for instance, the invasive authority public firms is probably to continue in Russia (McCarthy & Puffer, 2003). Haniffa and Cooke (2002) argued that the Malaysians have higher-level of uncertainty avoidance, which may be credited to their faith, which is replicated in their principles of non-assertiveness, disagreement avoidance, and nervousness in handling uncertainty and worries.

2.5.4 Economic Influence

The financial structure is another significant issue in corporate governance practices. The World Bank (WB) has proven that good corporate governance functions as the hub for financial performance, growth, and wealth (Saidi, 2004). Good corporate governance in some emerging economies has a fraction of the financial development efforts. Furthermore, good corporate governance application has been widely accepted as an essential element for the formation of a sustainable and healthy atmosphere of investment and has turn into one driver of financial performance in both developed and developing nations (RCGWG, 2003). likewise, the OECD guidelines (2004) argued that corporate governance is only part of the bigger financial framework in which companies function and that comprises, for instance, macroeconomic rules and the level of competition in products and services in the global market. According to Larbsh (2010), Majority of developed economies have profited from globalization and collaboration through global organizations like the OECD and World Bank and have accomplished more consolidation between corporate governance frameworks to attract foreign business deals.

Nevertheless, the story is different in several emerging economies; the shift to a business economy is still in the premature phase, and government still play a bigger role in a large ownership position in many sectors of the economy. For instance, RCGWG (2003) found that governments still tend to have substantial state ownership authority in many firms in the African region. According to Reed (2002), weak financial growth and the resultant high foreign debt levels in emerging economies have necessitate the interference of many international bodies like the OECD, International Monetary Fund (IMF), and the World Bank (WB).

These bodies have constantly advocated for governance reforms in these economies. These include board reforms, government policies, and standardized accounting and auditing practices. For example, the OECD principles (2004) stated that: “Information should be prepared and disclosed by high-quality standards of accounting and financial and nonfinancial disclosure.” Solomon, Solomon, and Suto (2004) explained that the legal structure in most countries had entails an assessment of firms’ yearly financial reports by outside auditors to present autonomous conclusion on the authenticity of reports. Therefore, micro economic policies represent one of the most significant corporate governance devices used to supervise a firm executive’s actions.

2.5.5 Globalization

According to Larbsh (2010), corporate governance systems vary significantly along some vital attributes like the ownership framework, board structure, size of board, and culture, political influence and legal system. Since the late 1990s, there has been a steady economic boom in both individual and institutional shareholder activities with huge institutional shareholders retaining overseas assets in various continents. Markarian et al. (2007) advocated for good global corporate governance practices characterized by related systems like dual separation CEO and chairs duties, boards independent, remuneration committees and presence of independent and disclosure practices. Therefore, global harmonization of corporate governance has turned it more regular through the growing incorporation of economic and commodity business (Nestor & Thompson, 2000).

This convergence has been welcomed by increasing global trade and harmonization in financial markets (Solomon, Solomon, & Suto, 2004) as well as by the rising rivalry among firms globally (Gugler et al., 2004). Garrett (2004) described many factors of overlap, mostly the business for corporate management, listing principles of interactions, impacts of global bodies (such as the OECD, IMF), and the influence of different government and regulatory issues. Nestor and Thompson (2000) explained that the origins of convergence in corporate governance systems include the globalization of trades, where organizational and individual shareholders persist on global standardized practices, such as protection of minority investors and

transparency. According to Khanna et al., (2006), globalization involves removal of blockades to the movement of assets, commodity, and labor, leading to a strengthening of rivalry for these features globally by firms and nations. Therefore, Reed (2002) viewed globalization as a procedure of skeletal transformation, which can be acknowledged regarding a sequence of interconnected changes entailing three essential frameworks, techniques of manufacturing, forms of state and the global market. Consequently, globalization generates growing streams of money, business, and human assets.

2.5.6 Demography

This section will employ three strategic administration theories—upper echelons system, the resource-based perspective of the company (RBV), and the administrative networking system—to elucidate the likely connection between executive demography and company performance. Upper echelons system/theory, which was established in the mid-eighties, opined that top management can influence managerial outcomes such as corporate achievements and policies (Hambrick & Mason, 1984; Barker & Mueller, 2002; Hambrick, 2007). The model/theory further postulates that demographic or individual characteristics of top management provide some valid representatives of their cognitive structures and important actions (Hambrick, 2007). Following this line of thought, extant researches by Eisenhardt and Schoonhoven (1990) and Hambrick (2005) have empirically found a methodical connection between top management's several demographic attributes and organization achievement.

Certainly, if we take top management as the company's important human resources, the main position of upper echelons model/system also seems to replicate another conventional important executive method, RBV, which promotes the value of human assets for companies to manage executive efficiency (Hitt, Bierman, Shimizu, & Kochhar, 2001). In addition to the resource-based viewpoint, the executive networking research further opines that top management's social links, communication, and connections with management in external entities can help their companies decrease financial expenses through expedited transfer of resources, knowledge, and information (Burt, 1997). This research also supports that such

friendly links are predominantly supportive in helping companies counteract market instability that occurs during economic transformation, and consequently obtain better performance (Luo, 2003).

Notwithstanding the possibilities of these methods in describing how top management holding distinctive individual characteristics would result in variations in company performance. The relevant empirical investigations to date have been restricted to private companies/firms in Western markets, predominantly the United States. Therefore, the applicability of these models in developing countries (e.g., China), where companies are identified with diverse ownership structure, remains uncultivated.

In the upper echelons model, demographic attributes comprise educational height, age, tenure, and sex. Wailderdsak and Suehiro (2004) suggested that educational level can measure human capital or employee skill. The educational attainment of top managers is a common idea of their mental ability. In addition, Boyatzis (2004) argued that mental capability is important in the self-directed learning method in which to create additional administrative skills to accomplish excellent achievement and competitive position. Several researches have revealed that age and tenure of executives are connected to the propensity to believe the risk and innovative approaches (Barker & Mueller, 2002). Stevens, Beyer, and Trice (1978), and Hambrick and Mason (1984) argued that adult top management are more probably to be old-fashioned, as the younger age group has a greater understanding to process new concepts, lower commitment to company status quo and more interest in progression than work security. Hambrick and Fukuomi (1991) found that long-tenured executives have a better responsibility to the original everyday routine of business performance, and, through time, these tenured managers also may constantly lose their concentration in their organizations.

However, the firm learning method and the resource-based perception of organization recommend that age and tenure can be precious intangibles, as information and knowledge can supplement and add worth to human assets (Reed & DeFillippi, 1990). The acquired education and knowledge in life and organization allow the managers to have more capability and experience to handle company challenges more professionally and efficiently. The relationship between gender and

organization achievement has been investigated in economic and management research (Kalleberg & Leicht, 1991; Carter, Simkins & Simpson, 2003; Farrell & Hersch, 2005). The outcomes are blended. Papalia and Olds (1981) recommended that women are more prone to be subjected to social criticism when they are not observing the socially established and gender-normative systems. If female managers are less suitable than male managers to involve in creative business policies/approaches, male managers should control the company in a greater way than female managers (Kalleberg & Leicht, 1991). Nevertheless, Kalleberg and Leicht (1991) presented no proof establishing this relationship between gender and organization performance. Carter et al. (2003) observed that the rate of women on the board has a positive influence on organization value.

2.5.7 Technology

The link between technology and economic growth has been achieved in a vast number of formal models for almost 50 years (Solow, 1956). Today, the world's economy is based more on information technology and services than on manufacturing. Aghion and Howitt (1992) posited that technology is changing our traditional ways of doing things such as taking vacations, tracking criminals, investigating corporate fraud, etc. In most firms today, new kinds of technology increase the efficiency and thus lower the cost of production. Thorne et al.(2010) described the three characteristics of technology:

- 1) Dynamics, which relate to the constant changes that often challenges the structure of social institutions. These changes can occur so fast that they require a significant adjustment in the firms and other sectors of our society.

- 2) Reach, which relates to the broad nature of technology, for example, mobile phones, webcam conferencing, and video conferencing are becoming more popular alternatives. Satellite corporation and government are exposed to immense opportunities to business and political engagements.

- 3) Self-sustaining nature of technology; the arrival of innovation is as a result of technology. The invention of the personal computer resulted in changes in personal financial management related to banking, insurance, taxes, and stock trading. Technology changes communication entirely because there are now many ways that

companies interact with others, and it has helped increase the performance of relations and trading among them.

Firms 30 years ago had essentially three ways to communicate: phone, write a letter, or visit in person. Now, firms have more options, including Internet media, texting, chatting, and web and video conferencing. Firms can interact faster and more efficiently while saving meaningful time and resources. Time and money spent traveling have been decreased via virtual meetings using the web and video conferencing. Unplanned meetings can now be far more productive because firms can swiftly get the information they need from another company. Firms can put this saved time and money to use for other needs that could not have been considered before new communication options.

Finally, technology can help a board of directors maintain strong oversight, control, and accountability in their firms. For example, the use of technological equipment in the finance department of firms can mitigate fraudulent activities.

2.6 Critical Issues in Corporate Governance

The beauty of corporate governance is that there is an effective internal control and accountability in the day-to-day activities of the CEO and management with complete oversight from the BOD. This section will discuss four subjects that are considered to be factors in addressing critical issues in corporate governance. They are as follows: 1) BOD, which has the major responsibility for enhancing corporate governance; 2) the shareholders, which have the ultimate power to elect BODs; 3) internal control and risk management, which the mechanisms of creating a smooth and decency corporate governance; and 4) executive compensation, which reward CEO performance.

2.6.1 Board of Directors

A board of directors (BOD) is a body of elected or appointed members who jointly oversee the organization's resources and legal and ethical compliances (Thorne et al., 2010). The BOD is actively involved in the governing body of the firm, which has the power to make major decisions and also approved or endorsed the

CEO and management plans (Jensen & Meckling, 1976; Solomon, Solomon, & Suto, 2004). The BOD is considered as the major integral part of internal governance mechanism because it makes decisions ranging from the hiring of CEOs to determining their salaries and making sure that managerial behavior and the quality of managerial decisions are supervised (Ezzamel & Watson, 1993; Kang et al., 2007). Weak and poor judgment from the BOD will always be tantamount to failure, fraud, and a complete breakdown of corporate governance (Luo, 2005). Furthermore, the BOD is the only legal channel to question and even fire immoral CEOs (Fama & Jensen, 1983; De Andres et al., 2005).

Kula (2005) and Brennan (2006) believes that the functions of the board are to manage, supervise, monitor, and control the managers to provide the CEO and other top management suggestion; to formulate policies/strategies for the organization and to promote resource independence by promoting the recovery of resources. Brennan (2006) described the purpose of the board of directors as being entrusted with the supervision of management on behalf of stockholders. This section will briefly discuss some important factors that can enhance board effectiveness such as board independence, board quality, and board performance.

2.6.1.1 Board Independence

The desire for BOD to be completely independent in their duties has increased the conversation of splitting the roles of chair of the board and the CEO. Cadbury 1992; Frye et al., 2006; Thorne et al., 2011 believe that combining the positions of CEO and chairman is a recipe for failure and complete obstruction of monitoring mechanism between the executive directors and management. For this reason, Cadbury (1992) advised the two positions to be separated from each other to enhance transparent and proper monitoring of powers. Nevertheless, the CEO can become the chairman if the board chooses so, but the shareholders must be informed of time before that is done (Frye et al., 2006). Before the corporate scandals of Enron, WorldCom, etc., board members consisted of former company executives or friends of the CEO (Thorne et al., 2010), but there is an increasing pressure from shareholder activists and governments to choose outside board members with a wealth of experience, skills, and expertise and with little or no vested interest in the firm before taking up the director role. Harvey et al. (2009) insisted that, in the case of lack of

oversight, independent directors can be held accountable for complicity in the crime.

2.6.1.2 Board Quality

Thorne et al. (2010) explained that bringing in board members who have served as chief executive at similar firms will certainly be a recipe for improving the overall board quality. To maintain complete oversight of the CEO and top management activities, Cadbury (1992) argued that board members should reflect competence and experiences that are capable of handling core issues such as auditing, executive compensation, succession planning, and risk management to improve decision-making and oversight to the firm's activities. Thorne et al. (2010) argued that board members with enough skills and experiences should be able to understand the firm's strategy and operations. To improve their quality roles as board members, they should be able to make out time to read reports, attend 75% the board and committee meetings and should not sit on anymore than four boards.

2.6.1.3 Board Performance

Ferrell (2001, p. 102) argued that "board independence, along with board quality, stock ownership, and corporate performance are often used to assess the quality of corporate board of directors." Harvey et al. (2009) explained that companies with strong boards that are free from selfish interests with clearly stated corporate governance rules would most like survive any corporate challenges. As a result of countless lawsuits from shareholders against the directors of collapsed firms, which made board directors pay heavy fines, most directors see their active performance on the board as a way of preventing further fraudulent activities and making them pay fines from their pockets. Many CEOs have lost their jobs because the board of directors is concerned about performance, accountability, responsibility, and decency in their morality. Harvey et al. (2009) argued that new regulations and laws have made it crystal clear that board members are accountable for oversight. Singh and Power (2009) believed that countries need more openness, transparency, greater oversight, and enforcement as well non-complicated or vague financial terms.

2.6.2 Chief Executive Officer

The issue of a chief executive officer (CEO) in corporate governance has become a much-discussed topic in both advanced and emerging markets (Shleifer &

Vishny, 1997) particularly after the scandals at Enron Corp., Tyco International Ltd, Adelphia Communications Corp. and WorldCom Inc. The corporate governance challenges no doubt center on the classical principal–agent problem, as articulated by Jensen and Meckling, (1976), but some scholars (Ahunwan, 2002; Wong, 2004; & Adekoya, 2011) have argued that it has worsened by the activities of selfish CEOs/top management appointed to run the activities the firms. This section will briefly discuss two critical subjects that have attracted reasonable attention in corporate governance issues. They are, namely, the responsibility and accountability and transparency and disclosure of CEOs.

2.6.2.1 Responsibility and Accountability of CEOs

According to the Oxford Dictionary, accountability is the fact or condition of being accountable, e.g., responsibility. It goes further to explain that it is the obligation to account for some activities, accept responsibility for actions/activities, and transparently disclose the results. The CEO's primary accountability is to provide strategic leadership in the day-to-day activities of the firm and to participate in board decision-making processes as a vital member. Thorne et al.(2010) argued that the CEO promotes the stipulated policies and visions of the firm and leads the development and implementation of a long-term strategy. The interest of the CEO and that of the top management officers should not differ from the overall firm's objectives.

Even though the board of directors is charged with the responsibility of providing oversight to the CEO's activities, Harvey et al. (2009) believed that an undisciplined and unethical manager can still have his or her way, considering the amount of time the board invests in the firm. Thorne et al. (2010) noted that some board members do not even have time to read reports and attend board and subcommittee meetings. Thus, there are CEOs who are willing to manipulate reports, influence auditors, and even pursue personal agendas that are not directly connected with the visions of the firm.

Solomon, Solomon, and Suto (2004) explained that the CEO should be an example of key corporate values such as fairness, professionalism, collegiality, and ethics. Mallin (2004) maintained that a good CEO should be able to balance limited resources with the strategic plan and ensure that proper economic and

management objectives are established and that structures are in place to protect assets and sustain adequate control of operations. After the Enron and WorldCom scandals, along with other incidences of fraud and corporate mismanagement, countries such as the USA and the United Kingdom and other international bodies like the IMF, OECD, World Bank, and UN have started to demand harsher punishments to fraudulent CEOs.

2.6.2.2 CEO Transparency and Disclosure and Insider Trading

For any CEO to function well, he/she must cultivate the attitude of disclosing reports, financial accounts and avoid insider trading. The Achilles' heel of corporate governance can be summarized in two parts: the BOD and the CEO (Solomon, Solomon, & Suto, 2004); in situations where the board is weak, then the CEO can take hold of the position to seek personal gains and fraudulent financial recklessness. Financial transparency via auditing is one of the vital ways of exercising control, accountability, and oversight of the CEO/top management activities (Thorne et al., 2010). This is done by creating an audit committee with members well-grounded in finance and accounting backgrounds.

Board members should have uninterrupted access to information relating to all vital aspects of the firm. The CEO should disclose financial activities via the firm's website in a transparent manner. And, finally, insider trading is another disease that can cripple a firm's financial might and credibility (Solomon, Solomon, & Suto, 2004; Thorne et al., 2011). Insider trading is an illegal practice of trading on the stock exchange to one's advantage through having access to confidential information from a company. For example, "the former CEO of Countrywide Financial, Angelo Mozilo, was accused of insider trading after emails came to light that showed that he was aware of the riskiness of subprime mortgages granted by his company" (Thorne et al., 2010, p. 91). Board officers are coming under increased pressure to tighten their control and monitor CEO's activities to ensure accountability.

2.6.3 Rights of Shareholders

In the ownership structure, shareholders are regarded as "owners of the company or investors," and these shareholders can be divided into two categories:

big/small shareholders and institutional shareholders and individual shareholders. Recent incidences of corporate fraud and mismanagement have given rise to shareholder activism.

Shareholder Activism

Shareholder activism is a broad term that can include the following 1) engaging in dialog with the management; 2) attending annual meetings; 3) submitting shareholder resolutions; 4) bringing lawsuits; and 5) other mechanisms designed to communicate shareholder interest to the firm (Thorne et al., 2010). Traditionally, shareholders normally invest in a firm and wait to earn profits from their investments in the firm. But now the paradigm is changing from merely becoming the providers of capital to becoming watchdogs to their funds. Shareholders must be aware of the following mechanisms: 1) the threat of proxy fights; 2) large shareholders; 3) hostile takeovers; 4) corporate financial structure in monitoring the BOD and management activities (Hart, 1995).

Shareholder rights, if used properly, are seen as a major tool for minimizing the anomalies of the BOD and management. Nevertheless, the shareholders still face huge mismanagement of funds and pursuit of selfish interests by the BOD and management. The major reason for this is due to loopholes in the legal system and implementation processes (Zhao & Millet-Reyes, 2007).

2.6.4 Rights of Stakeholders

The literature has exposed the dichotomy and rivalry between the shareholder and the stakeholder models (Jensen & Meckling, 1976). OECD (1999) 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 and that their boards are accountable to the company and the shareholders. The definition of the term “stakeholders” differs vastly. But most scholars tend to agree that it includes employees, management, creditors, trade unions, customers, suppliers, the local community, and even the future generations (OECD, 1999; Mallin, 2004; Solomon, Solomon, & Suto, 2004).

The rights of stakeholders help in improving effective corporate governance in firms. It is generally believed that, when stakeholders join hands with shareholders, the following basic principles are maintained in the firm: 1) transparency, which

entails full disclosure of financial and nonfinancial information to the public; 2) accountability, which ensures proper management is successfully monitored (and replaced where necessary) appointment of an independent and competent governing body; 3) fairness, which involves equitable treatment of both shareholders and stakeholders in the firm; and 4) responsibility, which ensures the corporation fulfills its proper role in society.

2.6.5 Internal Control and Risk Management

Controls and a strong risk management system are fundamental to effective operations of corporate governance. Thorne et al., (2010, p. 108) defined “controls as an instrument to safeguard corporate assets and resources, protect the reliability of organizational information, and ensure compliance with regulations, laws, and contracts.” Furthermore, they defined risk management as “the process used to anticipate and shield the organization from unnecessary or overwhelming circumstances, while ensuring that executive leadership is taking the appropriate steps to move the organization and its strategy forward.”

2.6.5.1 Internal and External Audits

Both the external and internal auditing has been seen by many (O’Sullivan & Diacon, 1999; Solomon, Solomon, & Suto, 2004; Albert-Roulhac & Breen, 2005) as the key player between risk and controls and corporate governance. The responsibility resides with the BODs to provide sufficient funding that can enhance up-to-date uninterrupted facilities and technology for independent audit plan.

The audit reports should be given to both the audit committee and the CEO of the firm. The audit committee also has the duty and responsibility to choose an external auditor and not the chief financial officer of the firm (Thorne et al., 2010).

The audit board is required to advance the state of the external audit method, where it works as the primary point of contact among the legal auditor and the company (O’Sullivan & Diacon, 1999). The setting of these boards has improved, particularly in the western markets. For example, in Europe in 2003 only 3 percent of European corporations do not use boards, whereas in 1999 this was 25 percent (Albert-Roulhac & Breen, 2005).

2.6.5.2 Control Systems

Internal control systems effectively preclude CEO and top management opportunism or the use of corporate assets for personal gains. According to Beasley and Krawczyk (1999), control also means that directors of the board have timely and updated information that can be used to make strategic decisions on the firm. The responsibility to keep the framework of checkmating the CEO and management is on the BOD's shoulder; Thorne et al. (2010) argued that implementation is vastly varied among corporate entities.

2.6.5.3 Risk Management

Scholars (OECD, 1999; Mallin, 2004; Solomon, Solomon, & Suto, 2004; Ferrell & Ferrell, 2011) believe that strong risk management typically includes alerts for decision-makers to possible risks that may threaten business operations, like company solvency, environmental impact, corporate scandal, etc. Thorne et al. (2010, p. 112) explained three types of risks, which can be categorized as a hazard. First, risk management can be focused on minimizing negative situations such as fraud, injury, or financial loss. Second, risk can be considered as the uncertainty that needs to be prevented through quantitative plans and models. Third, risk also can create the opportunity for innovation and entrepreneurship. Finally, the risk is always present within firms; therefore, the board and management should develop processes for remedying its effects.

2.7 Executive Compensation

It has been assumed top management compensation is such a significant subject that BODs spent more time determining how much to recompense/reward top management than they do ensure the honesty of the organization's financial reporting practice (Ferrell & Ferrell, 2011). These issues added momentum after the massive corporate scandals and fraudulent activities perpetrated by the top management and BODs of firms. Anderson et al. (2004) argued that even the BODs who fix compensation packages feel that the pay is not in line with the CEO's performance. Some have argued that the compensation package may be linked to excessive risk-taking by the CEOs (Scannell, 2009). One more point is whether the compensation-

linked performance encourages managers to concentrate on short-term activities (Strauss, 2002).

According to Jensen and Meckling (1976), compensating executives involves connecting to remuneration programs; as proposed by agency theory that companies may decide between outcome-based and behavior-based reward, base on the complexities in supervising work activities. Conversely, organizations working in an environment where suitable administrative conducts are well acknowledged lean to depend on the behavior-based remuneration schemes (OECD, 2004). Furthermore, Jensen and Meckling (1976) explained that, under the behavior-based compensation, the most favorable arrangement pays the agent a flat income for implementing goal oriented activities and can be punished for implementing dissatisfactory activities, which can be comparatively contractible, and, resultantly, administrative risk connected with the behavioral-based recompense schemes is moderately small.

2.8 Corporate Governance in Nigeria

Although there appears to be an increase in the literature on corporate governance developments around the world among scholars and practitioners (Shleifer & Vishny, 1997; Lin & Zhu, 2000; Jesover & Kirkpatrick, 2005), there is still a paucity of corporate governance literature in developing nations, especially in Nigeria (Okike, 2007). Although there seems to be a slow but steady increase in the awareness of corporate governance in Nigeria, it has not yet covered every sector. Okike (1994, 1995, 1998, & 1999) provided insights into audit reporting situations in Nigeria. Furthermore, Yakasai (2001) provided recipes that would ensure good corporate governance in the private sector, particularly in the banking sector in the short/long run. Some scholars (Oyejide & Soyibo, 2001; Ahunwan, 2002; Okike, 2007) reviewed the nature of corporate governance situations in Nigeria, e.g., the practices, mechanisms, challenges, and updates of established codes of best practices for the public listed companies.

Adekoya (2011) examined the challenges to corporate governance reforms in Nigeria from the promulgation of the Corporate and Allied Matters Act of 1990 to the 2006 Central Bank of Nigeria (CBN) code of corporate governance for banks in the

country. More studies also emerged from the Worldwide Governance Indicators (2012) country data report for Nigeria from 1966–2011; this tend to agree with the Adegbite, Amaeshi, and Nakajima (2013) study, which examined the influences of three major agents—international organizations, rating agencies, and local—on the development of corporate governance practices in Nigeria. Areas like SOEs, regulatory and implementation, including nongovernment organizations, are yet to receive awareness in this regard.

2.8.1 Historical Background

The concept of corporate governance legislation was introduced into Nigeria by the former British colonies, and it covers a whole range of issues relating to regulation, implementation, control, and governance of business companies in Nigeria. This concept was foreign to the traditional business practices before the colonial era (Ahunwan, 2002; Okike, 2007). All the companies operating in Nigeria between 1886 and 1912 were registered in England and wholly owned and operated by foreigners (Orojo, 1992); 26 years later in 1912, the first corporation statute was passed in Nigeria, which was part of the British corporate governance system. It was 48 years later in 1960 in the post-colonial era that Nigeria enacted her first corporate governance regulation (Okike, 2007). After the colonial era, the government enforced and controlled absolute ownership of government social service provisions, public utilities, and infrastructures by repealing Companies Acts of 1922 and replaced by the Companies Act of 1968. The government also encouraged indigenous ownership in other sectors of the economy by enacting the Foreign Exchange Control Act of 1962 (which was known to be the FX Act) and the Nigerian Enterprises Promotion Decree of 1972 (Ahunwan, 2002).

2.8.2 Corporate Governance Mechanisms in Nigeria

Corporate governance mechanisms in Nigeria are processes and systems established by various institutions and individuals to ensure that a country's company laws and corporate governance codes are respected and observed (Adekoya, 2011). This section will discuss the following mechanisms that regulate corporate governance in Nigeria, which are 1) the Corporate Affairs Commission, 2) the

Security and Exchange Commission, and 3) the Nigerian Stock Exchange.

2.8.2.1 Corporate Affairs Commission of Nigeria

One of the most important mechanisms in corporate governance of Nigeria is the Corporate Affairs Commission (CAC). This commission collaboratively functions with the Securities and Exchange Commission (SEC), whose chairs and chief executive officers are appointed by the president of the Federal Republic of Nigeria (Adegbite, 2012). The CAC was established by the Companies and Allied Matters Act (CAMA), which was announced in 1990 to control the establishment and management of firms in Nigeria. The establishment of the CAC as an autonomous body came as a result of the observed incompetence and ineptness of the former Company Registry, a department within the Federal Ministry of Commerce and Tourism, which was then responsible for the recording and administration of the repealed Companies Act of 1968. The CAC controls the formation, supervises the activities, and oversees the winding up of companies in Nigeria. The CAC's vision is to be a world-class company registry. The functions of the commission as set out in section CAMA, which is as follows:

- 1) To manage the act, together with the regulation and supervision of the formation, incorporation, management and winding up of companies;
- 2) To set up and sustain companies' registry and offices in all the states of the federation duly and sufficiently prepared to discharge its functions under the act or any law in respect of which it is charged with responsibility;
- 3) Arrange and examine the dealings of any corporation where the interests of the shareholders and the community so demand;
- 4) To assume such other activities as are essential or expedient for giving full effect to the terms of the act (Okike, 2007).

The Adegbite (2012) study revealed significant British influence in the formation of CAC structure. Some studies have claimed that CAC is ineffective (Wallace, 1988; ROSC, 2004), while Okike (2007) argued that some companies including auditors do get away with flouting legislation.

2.8.2.2 Security and Exchange Commission

The Securities and Exchange Commission (SEC) is the apex regulator

of the Nigerian capital market; its origin dates back to 1962 with an ad hoc consultative and advisory body, known as the Capital Issues Committee (CIC). However, it has experienced some dramatic changes from the beginnings in 1962, through the CIC in 1973, which finally led to the formation of SEC in 1979 (Adegbite, 2012). Since 1979 there has been a series of reviews in the Nigeria's capital markets, which have resulted in the promulgation of the Investment and Security Act (ISA) of 1999 (Okike, 2007).

The purpose of this act was to create an attractive conducive investment climate to foreign investors. Though the SEC was primarily set up to look after the interest of investors against fraudulent activities of stockbrokers and other intermediaries, to detect, investigate and prosecute potential violations of the ISA, there has been much literature (Yakasai, 2001; ROSC, 2004; Adegbite, 2012) that has argued that SEC is not yet effective in handling its duties. However, scanty evidence has suggested some enforcement actions against certain offenders (ISA, 2000–2004). These criticisms have propelled the SEC to launch aggressive reforms, which have given birth to the 2011 SEC Code.

The journey toward these transformations commenced in 2008 with the setting up of the National Committee by the SEC to review the Code of Best Practices in Corporate Governance in Nigeria issued by the SEC in 2003 (2003 SEC Code) with the aim of addressing its flaws and refining the device for its enforceability.

The committee was further required to identify weaknesses in, and constraints to, good corporate governance, and to examine and recommend ways of effecting greater compliance and to advise on other issues that are relevant to promoting good corporate governance practices by public companies in Nigeria, and for aligning the Code with international best practices. After a painstaking job, the committee submitted its report together with a draft Revised Code of Corporate Governance. After some modification to the draft, the SEC exposed a Draft Revised Code of Corporate Governance in 2009 for comments by stakeholders and members of the public. The 2011 SEC Code is the outcome of this elaborate process (Ofo, 2013, p. 2).

Despite the praises the new code has generated, especially in Section 5.1(b), where it clearly stated that “the positions of the Chairman of the Board and Chief Executive Officer shall be separate and held by different individuals,” one major weakness found in the 2011 SEC Codes is that of compliance with the codes. It is *laissez-faire* and astonishingly lenient (Ofo, 2013).

2.8.2.3 Nigerian Stock Exchange

The Nigerian Stock Exchange (NSE) was established in 1960 and services the second-largest financial center in sub-Saharan Africa. The NSE, a certified company limited by guarantee, is authorized under the Investments and Securities Act (ISA) and is controlled by the NSE (SEC) of Nigeria. The NSE is a founding member and supervisory board member of the African Securities Exchanges Association (ASEA), an associate member of the World Federation of Exchanges (WFE) and an affiliate member of the International Organization of Securities Commissions (IOSCO). The NSE provides listing and trading services, as well as electronic clearing, settlement, and delivery (CSD) services.

Alongside with securities listing and trading services, the exchange offers market data distribution services and market indices. By 1970, no more than 1% out of 2000 enterprises owned by foreigners had their shares quoted on the NSE (Okike, 2007). The government was not pleased with the situation and made drastic moves to relinquish the wealth of the nation from foreign hands by promulgating the Nigerian Enterprises Promotion Decree (NEPD) 1972, which was amended in 1977 and 1981. The decree required the whole or partial transfer of the shares of foreign companies to the hands of Nigerians.

Although there has been some positive sign of success, reports from the NSE regarding market capitalization (Okike, 2007), an increase in the portfolio of foreign investments (ROSC, 2004), reports also have shown that the capital market of NSE remains relatively small and liquid. It cannot compete with other developing countries such as South Africa, and the punishment for noncompliance is ineffective (Ahunwan, 2002; ROSC, 2004).

Recently, the Nigerian Stock Exchange has fined errant firms listed on the stock exchange for failing to comply with the NSE listing rules.

Table 2.12 Listed Companies by Sectors in the NSE

| Sectors | Number of Companies |
|----------------------------|---------------------|
| Consumer Goods | 29 |
| Financial Services | 58 |
| Services | 20 |
| Industrial Goods | 24 |
| Oil & Gas | 14 |
| Conglomerates | 6 |
| Natural Resources | 5 |
| Construction & Real estate | 12 |
| ICT | 13 |
| Health Care | 10 |
| Agriculture | 5 |
| Utilities | 0 |
| Total | 196 |

According to the information enclosed in its recent X-Compliance Report, the affected companies were reprimanded for violations of various post-listing obligations, such as default in filing audited yearly financial statements, default in filing quarterly accounts, unauthorized publication of company information, and non-disclosure of material company information.

Some of the notable companies penalized include Conoil Plc, Costain (WA) Plc, Dangote Flour Mills Plc, DAAR Communication Plc, First Bank of Nigeria Plc, Ikeja Hotel Plc, John Holt Plc, Julius Berger Nigeria Plc, Oando Plc, and Union Bank Plc” (Ofo, 2013, p. 3)

Ofo’s (2013) report tended to prove that the NSE has gone beyond using de-listing as a means of punishing derailing companies (ROSC, 2004). According to the NSE, between 2002-2013 around 61 companies were de-listed from the NSE, either as a result of merger and closure of institutions from Central Bank of Nigeria (CBN) or failure to meet up with the NSE regulations or just a voluntary request from de-listed companies.

Table 2.13 Number of Delisted Companies by the Nigerian Stock Exchange

| Year | Number |
|-------|--------|
| 2002 | 2 |
| 2007 | 1 |
| 2008 | 19 |
| 2009 | 11 |
| 2010 | 2 |
| 2011 | 21 |
| 2012 | 3 |
| 2013 | 4 |
| Total | 63 |

However, statistics from the NSE has shown that 63 companies were de-listed between 2002 to May 2013 as a result of failure to comply with the NSE regulations.

2.9 Challenges of Corporate Governance in Nigeria

The literature has shown that corporate governance in Nigeria has not been at its best position. This has affected both the public and private sectors in this most populated country in Africa. This section will discuss three issues relating to the challenges of good corporate governance such as 1) lack of regulatory control; 2) lack of strong leadership, and 3) lack of legal system.

2.9.1 Regulatory Control Challenges

The study of Mardjono (2005, p. 274) on lessons why firms fail has raised a question of sober reflection as to why corporate governance fails in many organizations: “Is it because the corporate governance framework is not in place, or if it were in place, is it because corporate governance’s implementation does not work as it should be?” Organizations globally, including governments and nongovernmental agencies, all have frameworks to improve governance in their respective echelons of

administrations, but the biggest question may be how are these frameworks of corporate governance implemented to improve accountability, integrity, efficiency, transparency, minimize corruption, and protect shareholders' interest? This is because corporate governance sustainability depends on its implementation (Mardjono, 2005).

Organizations are not immune from agency problems; they all face it, and most develop action plans to mitigate the problems through "controls on the actions of agents, monitoring the actions of agents, financial incentives to encourage agents to act in the interest of the principals and separation of risk-taking functions from control functions" (ISDA, 2002, p. 5). In Nigeria, the story is not different; corporate governance challenges are an Achilles' heel at all levels of both private and public sectors (Yakasai, 2001; Ahunwan, 2002; Okike, 2007; Adekoya, 2011). The Worldwide Governance Indicators (2012) study from 1996–2011 also acknowledged these challenges. Nigeria received a poor rating on all the six aggregate governance indicators covering 1) voice and accountability, 2) political stability and absence of violence, 3) government effectiveness, 4) regulatory quality, 5) the rule of law, and 6) control of corruption.

Oso and Semiu (2012) reminded us that the national codes for the practice of good corporate governance from many African countries (including Nigeria) were drawn from the trio of OECD, Commonwealth Association for Corporate Governance (CACG), and Institute of Directors (IOD's) codes. With special reference to Nigeria, Ofo (2013) highlighted the four codes of corporate governance as follows:

- 1) The Central Bank of Nigeria Code (2006 CBN Code). This is a corporate governance code for Nigerian banks, which was issued by the Central Bank of Nigeria and applies to all banks operating in Nigeria.

- 2) The National Pension Commission Code (2008 PENCOM Code). This is a corporate governance code for licensed pensions operators, which was issued by the National Pension Commission and applies to all pension fund administrators and pension fund custodians operating in Nigeria.

- 3) The National Insurance Commission Code (2009 NAICOM Code). This is a corporate governance code for Insurance Industry in Nigeria, which was issued by the National Insurance Commission and applies to all insurance and re-insurance companies operating in Nigeria.

4) The Securities and Exchange Commission Code (2011 SEC Code). This is a corporate governance code in Nigeria, which was issued by the Securities and Exchange Commission and applies to all public companies registered in Nigeria. Therefore, it can be noted that even though there seems to be corporate governance framework, the healthy implementation process is missing in the system.

2.9.2 Board Leadership Challenges

Wilson (2006) noted that the above existing codes and bodies are entrusted with the responsibilities of regulating the national codes for the application of corporate governance in Nigeria, which is as follows:

- 1) Splitting the functions of the CEO from the duties of the board chairman
- 2) Recommending nonexecutive and executive directors on the board
- 3) Developing excellence and performance of board membership
- 4) Initiating merit on measures to hold top management positions
- 5) Initiating clarity, due procedure, and declaration requirements
- 6) Encouraging clarity on economic and noneconomic reporting
- 7) Improving the security of stockholders' rights and benefits
- 8) Determining the structure, role, and responsibilities of the audit committee

In state-owned enterprises in Nigeria, the government officials are responsible for hiring and firing the board of directors, and most times the number of politicians and party members are quite higher in the board composition (Okeahalam, 2004). Because politicians cannot be good managers; they end up mismanaging the firms and committing financial atrocities in the name of management (Wong, 2004).

2.9.3 Legal System Challenges

Unfortunately, despite the national codes of corporate governance and its responsibilities, there have been various internal challenges in the course of executing these codes. Some scholars (Volpin, 2002; Doidge, Karolyi, & Stulz 2007; Chen, Chen, & Wei, 2009) have argued that challenges such as weak legal protections for minority investors, low level of economic and financial development, and weak legal

and regulatory roles can seriously affect the governance structure of any country. Adekoya (2011) argued that the major external challenge in implementing the corporate governance codes in Nigeria resides in the weakened, inefficient, and inadequate legal and regulatory frameworks.

All the mechanisms of corporate governance in Nigeria are, in one way or the other, weak in discharging their primary duties. For instance, the Corporate Affairs Commission (CAC) functions are to establish and maintain companies' registry and offices in all the states of the federation and to arrange and conduct an investigation into the affairs of any company where the interests of the shareholders and the public so demand. But studies have claimed that CAC is ineffective (Wallace, 1988; ROSC, 2004), while Okike (2007) argued that some companies, including auditors, do get away with flouting legislation.

The Securities and Exchange Commission (SEC) is the apex regulator of the Nigerian capital market, and its primary duty is to look after the interest of investors against fraudulent activities of stockbrokers and other intermediaries, to detect, investigate, and prosecute potential violations the ISA. Again, the literature (Yakasai, 2001; ROSC, 2004; Adegbite, 2012) has revealed that SEC is not yet effective in handling its duties. However, scanty evidence suggested some enforcement actions against certain offenders (ISDA, 2000–2004). One major flaw found in the recent 2011 SEC Codes is that, regarding compliance with the codes, it is *laissez-faire* and surprisingly tolerant (Ofo, 2013).

The NSE, on the other hand, has received some criticisms that its capital market remains relatively small and liquid and cannot compete with other developing countries, and the penalty for noncompliance is unproductive (Ahunwan, 2002; ROSC, 2004). Amongst others, Oso and Semiu (2012, p. 7) highlighted additional external factors that obstruct the implementation of corporate governance codes in the Nigerian business environment; they are “epileptic power supply, expensive and ineffective communication system, un-motorable and bad road network, general insecurity, unstable polity and ineffective/ill-informed policies, ethnic bigotry and so on.” While others (Ahunwan, 2002; Adekoya, 2011) see corruption, widespread poverty caused by high unemployment, the collapse of moral values and falling standard of education as part of the roadblocks toward achieving successful corporate governance codes.

2.10 State-Owned Enterprises in Nigeria

The term “state-owned enterprise” (SOE) can mean different things in different countries. And even the name itself varies across the globe; for some, it is called “public enterprise”(PE); in other countries, they may refer to it as “government controlled enterprise” (GCE) (Emeh, 2012). In this paper, the above names can be used interchangeably. There appears to be no universally acceptable definition on SOE globally. These discrepancies have led to multiple definitions and concepts on what SOE is. The reason for numerous such definitions may be informed by “the ideological, values, interests, dispositions, and circumstances that brought public enterprises into existence” (Adeyemo, 2005, p. 223). However, the views may differ, Emeh (2012, p. 1111) seemed to uphold the International Center for Promotion of Enterprises (ICPE) definition, which claims to cover:

Any commercial, financial, industrial, agricultural or promotional undertaking – owned by the 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.

Regarding classification of SOE by property rights, the government would have the right to appoint and dismiss directors, and no private individual would own a share in the revenue, which is when the SOE can be said to 100% owned by the government. The government can still have adequate control in cases where the government share is 50%. Therefore, the range of ownership could go from “purely public” to “purely private” and in between are “mixed enterprises” (Emeh, 2012, p.1110).

In the Nigerian context, state-owned enterprises can be defined as any agency or organization with industrial, commercial, service, or financial or nonfinancial character, partly or wholly owned by the federal, state or local government of Nigeria. Emeh (2012) argued that two forces, political and economic, which gave birth to the establishment of state-owned enterprises in Nigeria. After the colonial era, the

government, enforced and controlled absolute ownership of government social service provisions, public utilities, and infrastructures by repealing the Companies Act of 1922, which was replaced by the Companies Act of 1968. During this period, the government saw the need to improve infrastructural facilities to meet the needs of the economy, as it was perceived it would hasten the transport of the agricultural products to the Nigerian ports for subsequent export outside the country (Emeh, 2012). The reason for the second national development plan between 1970-1974 was propelled by the desire to establish a political independence through a solid establishment of SOEs to maintain, protect, and control the national resources from the clutches of the nation's former colonial master.

The economic forces that led to the evolution of the SOEs in Nigeria according to Emeh (2012) were twofold: 1) the agricultural commodities trade era where semi-autonomous organizations or agencies were created to engage in development activities; 2) the emergence of the "black gold led to development in the provision of infrastructural facilities." Examples are the power holding company of Nigeria (PHCN) formerly the Nigerian electric power authority (NEPA), Nigeria ports authority and the then Nigerian Airways authority, Nigerian Telecommunications Limited (NITEL) are among others created to propel the nation's economic development. Regarding the objectives of the SOEs in Nigeria, Emeh (2012, p. 1114) indicated the following;

- 1) Controlling the exploitation of national resources such as mining, water resources, agriculture forestry and energy production.
- 2) Creating the necessary infrastructural conditions for the operation of economic and social activities such as construction and management of harbor, airport, airways, etc.
- 3) Creating public enterprises, which have a national security implication, such as military, manufacturing establishments, and security printing organizations.
- 4) Ensuring the continuity of activities of low financial yield, which are of interest to the national economy.
- 5) Encouraging new activities in areas considered important for development in which the entrepreneurial risk is high.
- 6) Establishment of institutions aimed at directing financial and

monetary funds to the certain economic sector, e.g., the Nigerian Agricultural Credit Bank.

7) The government also creates public enterprises to ensure balance and even development across the country.

The above objectives also include improving the standards of living of her citizens, improving productivity, and creating, employing, and speeding up economic development nationally. These objectives are the sole responsibilities of the appointed directors managing these enterprises.

2.11 OECD Guidelines on Corporate Governance on SOEs

The OECD was the first nongovernmental international body to establish an inter-governmental committee to produce a set of internationally accepted standards of corporate governance (Solomon, Solomon, & Suto, 2004), though it has also received sharp criticisms on how one standard can handle corporate governance challenges around the globe. Davies and Schlitzter (2008), in what they called the impracticality of an international “one size fits all” corporate governance code of best practice, argued that national, cultural, and even organizational backgrounds and differences make OECD principles and guidelines difficult to practice universally.

Also, Monks and Minow (2004) observed that the major challenge of OECD principles and guidelines is their weak power of enforcement. However, Jesover and Kirkpatrick (2005, p. 135, 128) insisted that OECD principles “should be considered a living document,” “which has become the international benchmark for corporate governance.” Furthermore, some scholars, including Frederick (1999), see the OECD guideline and principles as a helpful framework for countries in which to establish a corporate governance system by their own legal, institutional, and regulatory environment. These OECD (2005, p. 12–17) guidelines include the following:

- 1) Ensuring an Effective Legal and Regulatory Framework for State-Owned Enterprises: The legal and regulatory framework for state-owned enterprises should ensure a level-playing field in markets where state-owned enterprises and private sector companies compete to avoid market distortions. The framework should build on, and be fully compatible with, the OECD Principles of Corporate Governance.

2) The State Acting as an Owner: The state should act as an informed and active owner and establish a clear and consistent ownership policy, ensuring that the governance of state-owned enterprises is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness.

3) Equitable Treatment of Shareholders: The state and state-owned enterprises should recognize the rights of all shareholders and by the OECD principles of corporate governance to ensure their equitable treatment and equal access to corporate information.

4) Relations with Stakeholders: The state ownership policy should fully recognize the state-owned enterprises' responsibilities toward stakeholders and request that they report on their relations with stakeholders.

5) Transparency and Disclosure: State-owned enterprises should observe high standards of transparency by the OECD Principles of Corporate Governance.

6) The Responsibilities of the Boards of State-Owned Enterprises: The boards of state-owned enterprises should have the necessary authority, competencies, and objectivity to carry out their function of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions.

However, OECD has emphasized that one of the lessons learned from their worldwide experience is that these principles and guidelines should not be applied verbatim, "They must undergo an adaptation process to every region to suit in every country necessities" (OECD, 2004, p.4). The OECD principles and SOEs' guidelines for corporate governance are widely accepted and shall be used as evaluating criteria for this research. The only challenge it has is implementing them in the SOEs nationwide (Ahunwan, 2002; Okike, 2007; Emeh, 2012).

2.12 Chapter Summary

This chapter discussed global debates on the nature of corporate governance, which includes the introduction of corporate governance in different models, such as the Anglo-American model (unitary system), the German model (dual system), and

the Japanese model. This chapter also elaborated upon the mechanisms of corporate governance that affect the practice. This chapter also explained the principles of corporate governance, which includes the responsibilities of the board of directors, shareholders and stakeholders' rights, disclosure, and transparency. The internal and external factors of corporate governance were discussed, and its significant impacts on the practice and framework of corporate governance. Finally, this chapter discussed the nature of corporate governance framework in Nigerian by examining its economic policy, including the legal system and the role of the board of directors.

CHAPTER 3

RESEARCH METHODOLOGY

This chapter discusses the research design and justifies the chosen methods for the collection of data. This includes the population and sample of this study, data collection method, research tools, reliability and validity, pilot study and data analysis.

3.1 Research Theory

Grounded theory approach was invented by Barney Glaser and Anselm Strauss. Their affiliation in a study on dying hospital patients persuaded them to write the manuscript on awareness of Dying. In their work, they designed the balanced relative approach, afterward identified as Grounded Theory approach (Glaser & Strauss, 1967). Grounded theory technique is a well-organized process in the social sciences linking the development of method through the examination of statistics (Martin & Turner, 1986; Faggiolani, 2011). Grounded theory approach is a study technique which works roughly in an opposite style from conventional social science study. Instead of beginning with a theory/guess, the first step is information gathered, through a diversity of techniques. From the information gathered, the important features are identified with a sequence of codes, which are derived from the text. The codes are arranged into related ideas or thoughts to make them more useable. From these ideas, classifications are determined, which are the justification for the formation of a model, or a converse engineered hypothesis.

Allan (2003) argued that this opposes the conventional method of study, where the investigator prefers a technical structure, and only then implements this theory to the event/occurrence to be investigated. The results of Grounded Theory are not a recording of statistically important possibilities but a collection of likelihood assertions about the connection between notions/ideas, or a various collection of conceptual hypotheses

Table 3.1 Stages of Analysis

| Stages | Purpose |
|------------|--|
| Codes | Identifying anchors that allow the key points of the data to be gathered |
| Concepts | Collections of codes of similar content that allows the data to be grouped |
| Categories | Broad groups of similar concepts that are used to generate a theory |
| Theory | A collection of explanations that explain the subject of the research |

Sources: Allan, 2003.

Validity in its conventional intelligence is as a result not a problem in Grounded Theory, which instead ought to be adjudicated by fit, significance, practicability, and adaptability (Glaser & Strauss, 1967; Glaser, 1978, Glaser, 1998).

Fit has to do with how exactly ideas fit with the events they are substituting, and this is similar to how completely the regular assessment of events to ideas was done. Significance deals with the real concern of participants, suggests "grab" (attracts the concentration) and is not only for intellectual interest. Practicability works when it describes how the difficulty is being solved with much difference. An adaptability theory can be distorted when new pertinent data is compared to date in existence. In summary, a grounded theory is never right or wrong, it just has more or less fit, significance, practicability, and adaptability.

3.2 Population and Sample

The objective of the study was to understand the corporate governance practices of SOEs in Nigeria, using Imo State as a sample population. Thirty out of sixty-three SOEs were selected from eleven sectors in Imo State. Fifteen out of thirty selected SOEs had declared revenue for the year 2013. It is pertinent to note that the declaration of revenue by firms/establishment in group A does not in any way indicate profit.

The other fifteen (15) SOEs declared nothing within the same period. These two groups of SOEs formed the basis of understanding disparities and factors that influence corporate governance in their respective firms/ establishments. More importantly, this supports “the multi-method, integrated, hybrid, combined and mixed methodology research” proposed by Creswell and Clark, (2007, p.6).

The year 2013 was significant because the SEC corporate governance codes were updated in 2011 especially for listed firms in Nigeria. But SEC also encouraged non-listed firms to practice the new SEC codes. A look at how non-listed firms/ establishments (like SOEs) responded to SEC advice few years later is uncovered. It is pertinent to note that most SOEs in Nigeria (Imo State inclusive) are not used to reporting their financial statements on their websites. In fact, most SOEs in Nigeria do not own a functioning website. These anomalies are assumed to be further signs of corporate governance lapses in Nigeria (Okike, 2007).

Therefore, the only credible source of financial information is from the Internal Revenue Service (IRS) in both the State and Federal governments. The availability of information about SOEs has been scarce. One major challenge, as Dyckand Zingales (2003, p.117) noted, has thus been, “assembling information from various sources, with no single repository of such information and no commercial vendors seeing value in collecting such information”.

Criteria for Selection

Thirty (30) Firms/establishments were selected and divided into two groups A & B, based on revenue declaration. Group A, declared but group B did not declare, according to the Internal Revenue Service (IRS) of both State and Federal

government. A total of 35% of firms/establishments from each sector were slated for questionnaire and interview. Within the selected thirty SOEs samples, heads of top leaders from each firm were slated for questionnaire and interview. These include the CEO and director from the selected firms/establishments, Vice/deputy chancellor and Dean from the selected university, managers/supervisors from selected firms/establishments and principals and deans of studies from the selected secondary school and board members and senior staff of the each firm/establishment.

Table 3.2 List of SOEs that Declared Revenue in 2013 (Group A)

| Number of Firm | Name of Firm | Number of Employees | Sector |
|----------------|--------------|---------------------|-------------------|
| 1 | “AA” | 402 | Oil & Gas |
| 2 | “AB” | 310 | Telecommunication |
| 3 | “AC” | 167 | Hotel and Tourism |
| 4 | “AD” | 407 | Education |
| 5 | “AE” | 750 | Health |
| 6 | “AF” | 1420 | Agriculture |
| 7 | “AG” | 231 | Telecommunication |
| 8 | “AH” | 90 | Hotel and Tourism |
| 9 | “AI” | 400 | Health |
| 10 | “AJ” | 180 | Sport |
| 11 | “AK” | 392 | Education |
| 12 | “AL” | 173 | Health |
| 13 | “AM” | 351 | Transport |
| 14 | “AN” | 520 | Transport |
| 15 | “AO” | 764 | Health |

Source: Federal and State Internal Revenue Service (IRS)

In this research, the non-random sampling technique of the census sampling method was used for a study of corporate governance of SOEs. Table 3.4 illustrates the total number of SOEs in Imo state, the number of samples selected from each sector and the number of firms slated for interview and questionnaire.

Table 3.3 List of SOEs that Declared Revenue Nothing in 2013 (Group B)

| Firm/ Establishment | Name of Firm/establishment | Number of Employees | Sector |
|--------------------------------|---------------------------------------|--------------------------------|-------------------|
| 1 | “BA” | 623 | energy |
| 2 | “BB” | 317 | Education |
| 3 | “BC” | 120 | Education |
| 4 | “BD” | 380 | Health |
| 5 | “BE” | 142 | Hotel & Tourism |
| 6 | “BF” | 210 | Education |
| 7 | “BG” | 153 | Hotel & Tourism |
| 8 | “BH” | 640 | Industry |
| 9 | “BI” | 972 | Industry |
| 10 | “BJ” | 320 | Agriculture |
| 11 | “BK” | 580 | Agriculture |
| 12 | “BL” | 350 | Water resources |
| 13 | “BM” | 424 | Telecommunication |
| 14 | “BN” | 403 | Agriculture |
| 15 | “BO” | 300 | Education |

Source: Federal and State Internal Revenue Service (IRS)

Table 3.4 Number of Sectors and SOEs Selected for Interview

| SOE sector | No of firms | No of interviewees |
|-------------------|--------------------|---------------------------|
| Education | 17 | 6 |
| Health | 8 | 5 |
| Agriculture | 9 | 4 |
| Hotel and Tourism | 12 | 4 |
| Industries | 4 | 2 |
| Telecommunication | 9 | 3 |
| Energy | 2 | 1 |
| Transport | 3 | 2 |

Table 3.4 (Continued)

| SOE sector | No of firms | No of interviewees |
|-------------------|--------------------|---------------------------|
| Water Resources | 1 | 1 |
| Sports | 3 | 1 |
| Oil & Gas | 2 | 1 |
| Total | 63 | 30 |

3.3 Research Tools (Quantitative and Qualitative Methods)

A mixed methods approach was used to investigate and explain factors influencing the corporate governance of SOEs in Imo State, Nigeria. In the design of this research, the researcher collected both quantitative and qualitative data during the same phase. The quantitative part was categorized as section A, while the qualitative part was categorized as section B. The section A which is the questionnaire part was used for quantitative research phase. Closed-ended items were used to determine the respondent's knowledge on corporate governance. A five-point Likert-type scale was applied on a continuum of 5 (strongly agree), 4 (agree), 3 (neutral), 2 (disagree), and 1 (strongly disagree) to collect the data (Cohen, Manion, & Morrison, 2000). Then qualitative part of the study was performed. It was demanded from the respondents to answer an open-ended question (Section B) in a short essay format. At first, the quantitative and qualitative portions of the study were to be kept independent.

Fisher (2007) recommended that inquiries ought to be simple to respond and small and exact to assist possible respondents complete survey. In order to achieve the aims of the study, the survey were disseminated to various groups that represented various sectors of SOEs. The groups included the CEO/ director and managers/supervisors from the selected firms/establishments, Vice/deputy chancellor and Dean from selected universities and principals and dean of studies from selected secondary schools. In all, 240 questionnaires were distributed, 180 questionnaires were returned, which means the rate of response was 75%. The questionnaire survey comprised 7 parts, which were divided into sub-questions.

3.4 Measurement Development

This part will include constructing measurement/questionnaire and testing its validity and reliability

3.4.1 Constructing Measurement/Questionnaire

A five-point likert-type scale was used on a continuum of 5(strongly agree), 4(agree), 3(neutral), 2(disagree) and 1(strongly disagree) to collect data (Cohen, Manion, & Morrison, 2000). The questionnaire contained 59 questions and was divided into 7 parts which includes participant's details, and other parts with important questions regarding factors influencing corporate governance, importance of corporate governance policies, how board activities can be improved, critical issues that exists in firms, how good corporate governance of a country should be and future approaches of corporate governance. Each part has enough space for participants to give/offer extra comment/s if need be. In all, 240 copies of the questionnaire were distributed in 30 state owned enterprises and 180 copies of completed the questionnaire were returned; making it a 75% response rate. Descriptive statistics and independence sample t-test of statistics package for social sciences (SPSS) was used to analyze and interpret results.

3.4.2 Testing Its Validity and Reliability

The questionnaire was drafted in line with research objectives and questions and approved after being reviewed and evaluated by 3 professors in the research committee in Thailand University and a professor from one the major universities in Nigeria.

The pilot study was carried out on 20 high profiled individuals in 4 state owned enterprises, comprising of 2 Chief Executive Officers, 8 heads of departments and 10 experienced senior staff members who have held previous positions in several departments in their various firms and establishments in a state (Lagos) with similar features like Imo State. The outcome of the pilot study was reliable because it consistently answered research questions and fulfilled all objectives of the study.

3.5 Data Collection Method

This section discussed a data collection process.

Data Collection Process

Ten (10) field assistants were engaged to help in the collection of the data with each self-administering questionnaires as advised. These people were at least graduates and also received three days training on how to establish rapport with prospective respondents, explaining technical terms and other unexpected problems undertaken. 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 confidentiality where necessary. The researcher himself administered some of the questionnaires and conducted the whole interviews in order to provide reliable data while serving as a supervisor of the field assistants. Ethical issues regarding how the research was conducted and the privacy of both respondents and firms/establishments were carefully considered and observed.

3.6 Data Analysis Method (Concurrent Design)

Concurrent mixed method data collection strategies were employed to validate both the quantitative and qualitative approach. This method was used to transform the data for comparison, or to address different types of questions (Creswell & Clark, 2007, p.118). In many cases this was being done to provide both qualitative and quantitative data so that the data could be more easily compared. The analysis procedure of the qualitative and quantitative data were gathered and analyzed concurrently.

3.6.1 Qualitative Data Collection Process

Out of thirty (30) SOEs, ten firms/establishments were interviewed from group A and B (5 firms/establishments from each group). The interviewees were the heads of the firms/establishments or their deputies. After interviewing them, the

researcher carefully perused their answers with the interviewees and corrections were made where necessary. After the data collection, qualitative data were examined by classifying the text data received from the respondents in little units (phrases, sentences, or paragraphs). Labels were then assigned to each unit after which grouping of the codes into themes took place. Codes like “need change” “manageable level” and “satisfactory level” were coded to ascertain the 27 variables on their influence on the studied firms. For example, the respondent was asked if in his/her opinion the influence politics has on his/her firm/establishment is at the satisfactory level, manageable level or should be changed? Qualitative data were put into qualitative form by transcribing them to a frequency table. See Table 3.5 below.

Table 3.5 Coding with Frequency Table

| Qualitative Data Codes | | | | Frequency Table | | | |
|---------------------------|--------|------------|--------------|---|-----------|-----------|-----|
| Variables | Need | Manageable | Satisfactory | Statements from | Frequency | Relative | % |
| Codes | Change | Level | Level | Interviewees | | Frequency | |
| Legal System | | | ✓ | “Enforcement is what’s needed” | 8 | 0.80 | 80% |
| Political Influence | ✓ | | | | 9 | 0.90 | 90% |
| Social/Cultural Influence | | ✓ | | | 7.5 | 0.75 | 75% |
| Economic Influence | ✓ | | | | 7 | 0.70 | 70% |
| Globalization | | | ✓ | “Globalization mixed with values, morals and culture” | 8 | 0.80 | 80% |
| Demography | | | ✓ | | 9 | 0.90 | 90% |
| Technology | ✓ | | | | 8 | 0.80 | 80% |
| Ownership Structure | ✓ | | | “More private sector involvement” | 7.5 | 0.75 | 75% |
| Board Composition | | ✓ | | | 6.5 | 0.65 | 65% |
| Board Leadership | ✓ | | | “Less political influence” | 9 | 0.90 | 90% |
| Compensation Policy | ✓ | | | | 8.5 | 0.85 | 85% |
| Board Size | | ✓ | | | 7 | 0.70 | 70% |

Table 3.5 (Continued)

| Qualitative Data Codes | | | | Frequency Table | | | |
|------------------------|----------------|---------------------|-----------------------|---|-----------|-----------------------|-----|
| Variables Codes | Need Change | Manageable Level | Satisfactory Level | Statements from Interviewees | Frequency | Relative Frequency | % |
| Disclosure Policy | ✓ | | | “Need full disclosure attitude” | 8 | 0.80 | 80% |
| Risk MGT | ✓ | | | | 6 | 0.60 | 60% |
| Hiring & Selection | ✓ | | | “Need for transparent selection process” | 8 | 0.80 | 80% |
| Board Diversity | | ✓ | | | 6 | 0.60 | 60% |
| Oversight | ✓ | | | “Too friendly to implement oversight” | 8 | 0.80 | 80% |
| Control | ✓ | | | “Most BOD lack experience” | 9 | 0.90 | 90% |
| Accountability | ✓ | | | “ Most CEO/deviates from the objectives of the establishment” | 8 | 0.80 | 80% |
| CEO/Head of SOE | ✓ | | | “Most appointment aren’t base on skills” | 8 | 0.80 | 80% |
| Board of Directors | ✓ | | | “The cost is too high and most BOD are inexperienced” | 7.5 | 0.75 | 75% |

Table 3.5 (Continued)

| Qualitative Data Codes | | | | Frequency Table | | | |
|--------------------------------------|----------------|---------------------|-----------------------|--|-----------|-----------------------|-----|
| Variables Codes | Need Change | Manageable Level | Satisfactory Level | Statements from Interviewees | Frequency | Relative Frequency | % |
| Protection of Minority Shareholders | | | ✓ | “Almost all SOEs are not publicly listed” | 6.5 | 0.65 | 65% |
| Protection of Shareholder’s Interest | ✓ | | | “Most communities hosting SOEs don’t benefit” | 7 | 0.70 | 70% |
| Corporate Reputation | ✓ | | | “SOEs image & identity need to be rebuild” | 8 | 0.80 | 80% |
| Transparency & Disclosure | ✓ | | | “Lacks aggregate reporting & annual publication” | 9 | 0.90 | 90% |
| Stakeholder’s Trust | ✓ | | | “Lacks healthy communication” | 8.5 | 0.85 | 85% |
| Financial Performance | ✓ | | | “Embezzlement of funds is rampant ” | 7 | 0.70 | 70% |

3.6.2 Quantitative Data Collection Process

Two hundred and forty (240) questionnaires were sent out to thirty (30) firms/establishments which are comprised of eleven (11) sectors in Imo State. Ten (10) field assistants (with at least bachelor degrees) were engaged to help in the collection of the data with each self-administering questionnaires as advised. At the end of the survey exercise, one hundred and twenty (180) questionnaires were returned.

The names of firms/establishments were coded to maintain anonymity as requested by respondents throughout the period of this research as can be seen in tables 3.2 and 3.3. According to the respondents, the numbers of employees listed in the studied state owned firms/establishment are both direct and indirect employees.

Descriptive statistics and independent sample T-test of the Statistical Package for the Social Sciences (SPSS) was used to calculate quantitative data in tables. By making use of mixed methods data the researcher held to the recommendation of Ivankova et al. (2007) who proposed that the kind of observable fact under examination is best described and acknowledged when a mixture of both quantitative and qualitative information are collected and examined. It in addition, allows for triangulation of information to organize for validity and reliability. The analysis of the research data was done by drawing conclusions and meta-inferences. Inferences are results drawn from the top and low groups of SOEs which were represented in frequency table, graphs, mean, mode and median, etc. Side-by-side comparisons of the groups of SOEs were made by presenting the mixed method outcomes jointly so that they can simply be evaluated (Creswell, Klassen, Clark, & Smith, 2011).

3.6.3 Methods and Procedures

A mixed method was used in this research, for qualitative approach, ten firms/establishments (out of thirty) was interviewed from group A and B (5 firms/establishments from each group). The interviewees were the heads of the firms/establishments or their deputies. After interviewing them, the researcher carefully perused their answers with the interviewees and corrections were made where necessary. After the data collection, qualitative data was analyzed by dividing the text data received from the respondents in small units (phrases, sentences, or paragraphs). Labels were then assigned to each unit after which grouping of the codes

into themes took place. Codes like “need change” “manageable level” and “satisfactory level” were coded to ascertain the twenty seven (27) variables on their influence on the studied firms. For example, the respondent was asked if in his/her opinion the influence politics has on his/her firm/establishment is at the satisfactory level, manageable level or should be changed? Qualitative data was then quantized by transcribing it to a frequency table

For quantitative approach, two hundred and forty (240) questionnaires were sent out to thirty (30) firms/establishments which are comprised of eleven (11) sectors in Imo State. Ten (10) field assistants (with at least bachelor degrees) were engaged to help in the collection of the data with each self-administering questionnaires as advised. At the end of the survey exercise, one hundred and twenty (180) questionnaires were returned; giving a response rate of 75 percent.

The data obtained in the questionnaire were examined using SPSS. The analyses are descriptive, using various likert scales and calculations of the mean, standard deviation, and the variance for given items. Objective 5 responses and weights were strongly agree (5), agree (4), neutral (3), disagree (2), and strongly disagree (1). The boundaries of each response in the 5-point Likert scale were calculated by dividing the serial width (4) by the number of responses (5) and were found to be 0.8 (Topkaya, 2010). This value was adopted to explain the mean values. Thus, depending on this calculation, the accepted boundaries for each response or answer are presented below 3.6

Table 3.6 Likert Scale Increment for Data Interpretation

| | | |
|---|-------------|-----------|
| 1 | 1.00---1.80 | Very low |
| 2 | 1.81---2.61 | Low |
| 3 | 2.62---3.42 | Moderate |
| 4 | 3.43---4.23 | High |
| 5 | 4.24---5.00 | Very High |

Source: Topkaya, 2010.

A score of 2.62 and above on the scale was taken as an indicator of participants' moderate agreement on factors that influence corporate governance, while 4.24 and above showed a very high agreement. Any score below 1.8 was taken as an indicator of very low agreement on factors that influence corporate governance. Therefore, the cut off range for mean interpretation is 2.62 and above which is seen as moderate.

3.7 Chapter Summary

Finally, this chapter discussed the research design, and justifies the chosen methods for the collection of data. This includes the population and sample of this study, data collection method, research tools, reliability and validity, pilot study, data analysis and the likert scale increment for data interpretation which explains the accepted boundaries for each response. The next chapter will discuss the findings.

CHAPTER 4

RESEARCH FINDINGS

This chapter discusses the research findings which covers the data presentation, analysis, and interpretation of both qualitative and quantitative data. It answers questions in this research which are as follows

- 1) Question no 1. What are the external factors that influence the corporate governance of Nigeria in the studied firms/establishments?
- 2) Question no 2. What are the internal factors that influence the corporate governance of Nigeria in the studied firms/establishments?
- 3) Question no 3. What are the policies that influence the corporate governance of Nigeria in the studied firms/establishments?
- 4) Question no 4. What are the activities that influence the corporate governance of Nigeria in the studied firms/establishments?
- 5) Question no 5. What are the critical issues that influence the corporate governance of Nigeria in the studied firms/establishments?
- 6) Question no 6. What are the indicators that influence CG of Nigeria in the studied firms/establishments?
- 7) Question no 7. What are the differences within the studied firms/establishments?

4.1 Research Question 1: What are the External Factors that Influence CG of Nigeria in the Studied Firms/Establishments?

Table 4.1 shows descriptive statistics for all the external factors, including the number of firms surveyed. In the findings, the level of agreement as to whether legal system (N=30) affects the practice of corporate governance in SOEs is high (M= 3.79) and (SD=.598); the level of agreement as to whether social/cultural influence (N=30) affects the practice of corporate governance in SOEs is high (M= 3.51) and

(SD=.466); the level of agreement as to whether economic influence (N=30) affects the practice of corporate governance in SOEs is high (M= 4.03) and (SD=.466); the level of agreement as to whether globalization (N=30) affect the practice of corporate governance in SOEs is high (M=3.81) and (SD=.564) and the level of agreement as to whether technology (N=30) affects the practice of corporate governance in SOEs is high (M=3.98) and (SD=.624).

Among these factors surveyed, the level of agreement as to whether political influence (N=30) affects the practice of corporate governance in SOEs ranks the highest of all factors that influence SOEs in Nigeria with very high (M= 4.24) and (SD=.402). This indicates that the SOEs see all external factors as significant variables that affect corporate governance in SOEs in Nigeria.

Table 4.1 Descriptive Statistics on External Factors Influencing S.O.Es

| External Factors | N | Min | Max | Mean | Std. Dev |
|---------------------------|----|-----|-----|------|----------|
| Legal System | 30 | 3 | 5 | 3.79 | .598 |
| Political Influence | 30 | 4 | 5 | 4.24 | .402 |
| Social/Cultural Influence | 30 | 3 | 5 | 3.51 | .466 |
| Economic Influence | 30 | 3 | 5 | 4.03 | .466 |
| Globalization | 30 | 3 | 5 | 3.81 | .564 |
| Technology | 30 | 3 | 5 | 3.98 | .624 |
| Valid N (Listwise) | 30 | | | | |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents.

4.2 Research Question 2: What are the Internal Factors that Influence CG of Nigeria in the Studied Firms/Establishments?

Table 4.2 displays descriptive statistics for all the internal factors, including the thirty SOEs surveyed. In the findings, the level of agreement as to whether ownership structure (N=30) affect the practice of corporate governance in SOEs is high (M=3.63) and (SD=.568); the level of agreement as to whether board composition (N=30), affects the practice of corporate governance in SOEs is high (M=3.46) and (SD=.663); the level of agreement as to whether board diversity (N=30) affects the practice of corporate governance in SOEs is moderate (M=3.18) and (SD=.501); the level of agreement as to whether board size (N=30) affect the practice of corporate governance in SOEs is moderate (M=3.35) and (SD=.625) and the level of agreement as to whether demography (N=30) affects the practice of corporate governance in SOEs is moderate (M=3.38) and (SD=.678).

Among these factors surveyed, the level of agreement as to whether board leadership (N=30) affects the practice of corporate governance in SOEs ranks the highest of all factors that influence SOEs in Nigeria with a very high (M=4.28) and (SD=.352). This indicates that the SOEs see all internal factors as significant variables that influence corporate governance in SOEs in Nigeria.

Table 4.2 Descriptive Statistics on Internal Factors Influencing S.O.Es

| Internal Factors | N | Min | Max | Mean | Std. Dev |
|---------------------|----|-----|-----|------|----------|
| Ownership Structure | 30 | 3 | 5 | 3.63 | .568 |
| Board Composition | 30 | 2 | 5 | 3.46 | .663 |
| Board Diversity | 30 | 2 | 4 | 3.18 | .501 |
| Board Leadership | 30 | 4 | 5 | 4.28 | .352 |
| Board Size | 30 | 2 | 5 | 3.35 | .625 |
| Demography | 30 | 2 | 5 | 3.38 | .678 |
| Valid N (Listwise) | 30 | | | | |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents.

4.3 Research Question 3: What are the BOD's Activities that Influence CG of Nigeria in the Studied Firms/Establishments?

Table 4.3 shows descriptive statistics for all the board of directors' activities, including the thirty (30) State Owned Enterprises (SOEs) surveyed. In the findings, the level of the effectiveness of the quality of practice associated with deciding the Chief Executive Officer's (CEO's) job including hiring and firing (N=30) is below the lowest range (M=.38) and (SD=1.008); the level of the effectiveness of the quality of practice associated with assessing CEO and Management's performance (N=30) is moderate (M=2.75) and (SD=.969); the level of the effectiveness of the quality of practice associated with evaluating firm's performance (N=30) is high (M=3.28) and (SD=.784); the level of the effectiveness of the quality of practice associated with developing CEO's succession plan (N=30) is moderate (M=2.71) and (SD=.994) and the level of the effectiveness of the quality of practice associated with communicating with stakeholders (N=30) is moderate (M=3.19) and (SD=.524); the level of the effectiveness of the quality of practice associated with maintaining legal and ethical practices (N=30) is moderate (M=3.31) and (SD=.582); the level of the effectiveness of the quality of practice associated with ensuring that control and accountability mechanisms are in place (N=30) is moderate (M=3.35) and (SD=.665); the level of the effectiveness of the quality of practice associated with evaluating the board's own performance (N=30) is moderate (M=3.38) and (SD=.639)

Table 4.3 Descriptive Statistics on BOD Activities Influencing S.O.Es

| BOD Activities | N | Min | Max | Mean | Std. Dev |
|--|----|-----|-----|------|----------|
| Deciding the CEO's Job Including Hiring & Firing | 30 | 0 | 4 | .38 | 1.008 |
| Assessing CEO & Management's Performance | 30 | 1 | 5 | 2.75 | .969 |
| Helping to Set Strategic Directions | 30 | 3 | 5 | 3.44 | .639 |
| Evaluating Firm's Performance | 30 | 2 | 5 | 3.28 | .784 |
| Developing CEOs Succession Plan | 30 | 1 | 5 | 2.71 | .994 |

Table 4.3 (Continued)

| BOD Activities | N | Min | Max | Mean | Std. Dev |
|--|----------|------------|------------|-------------|-----------------|
| Communicating with Stakeholders | 30 | 3 | 5 | 3.19 | .524 |
| Maintaining Legal & Ethical Practices | 30 | 3 | 5 | 3.31 | .582 |
| Ensuring That Control & Accountability Mechanisms are in Place | 30 | 3 | 5 | 3.35 | .665 |
| Evaluating the Board's Own Performance | 30 | 3 | 5 | 3.38 | .639 |
| Valid N (Listwise) | 30 | | | | |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents.

Among these BODs activities surveyed, the level of the effectiveness of the quality of practice associated with helping to set strategic directions (N=30) ranks the highest of all activities that influence SOEs in Nigeria with a high (M=3.44) and (SD=.639). This also indicates that the SOEs see almost all board of directors' activities as significant variables that influence corporate governance in SOEs in Nigeria.

4.4 Research Question 4: What are the Policies that Influence CG of Nigeria in the Studied Firms/Establishments?

Table 4.4 shows descriptive statistics for all SOEs policies, including the number of establishments surveyed. In the findings, the level of the effectiveness of the quality of practice associated with compensation policy (N=30) is moderate (M=2.75) and (SD=.996); the level of the effectiveness of the quality of practice associated with disclosure policy (N=30) is moderate (M=2.68) and (SD=.989); the level of the effectiveness of the quality of practice associated with risk management policy (N=30) is moderate (M=3.24) and (SD=.611) and the level of the effectiveness

of the quality of practice associated with hiring and selection (N=30) is moderate (M=2.66) and (SD=.989). Among these factors surveyed, the level of the effectiveness of the quality of practice associated with board committee (N=30) ranks the highest of all factors that influence SOEs in Nigeria with a moderate (M=3.33) and (SD=.595). This indicates that the SOEs see all policies as significant variables that affect corporate governance in SOEs in Nigeria.

Table 4.4 Descriptive Statistics on Policies of CG Influencing S.O.Es

| Policies | N | Min | Max | Mean | Std. Dev |
|----------------------|----|-----|-----|------|----------|
| Compensation | 30 | 1 | 5 | 2.75 | .996 |
| Disclosure | 30 | 1 | 4 | 2.68 | .989 |
| Risk Management | 30 | 2 | 5 | 3.24 | .611 |
| Hiring and Selection | 30 | 1 | 4 | 2.66 | .986 |
| Board Committee | 30 | 3 | 5 | 3.33 | .595 |
| Valid N (Listwise) | 30 | | | | |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents.

4.5 Research Question 5: What are the Critical Issues that Influence CG of Nigeria in the Studied Firms/Establishments?

Table 4.5 displays a descriptive statistics for all critical issues, including the number of SOEs surveyed. In the findings, the level of the effectiveness of the quality of practice associated with transparency and accountability (N=30) is considered to be moderate (M=2.81) and (SD=.863); the level of the effectiveness of the quality of practice associated with evaluation of board of directors effectiveness (N=30) is moderate (M=3.04) and (SD=.788); the level of the effectiveness of the quality of practice associated with protection of minority shareholders (N=30) is moderate (M=3.15) and (SD=.684); the level of the effectiveness of the quality of practice associated with periodic assessment of the CEOs pay (N=30) is considered to be

low($M=2.23$) and ($SD=1.128$) and the level of the effectiveness of the quality of practice associated with the CEO and Chair duality ($N=30$) is moderate ($M=3.17$) and ($SD=.735$); Among these variables surveyed, the level of the effectiveness of the quality of practice associated with protecting stakeholders interest ($N=30$) ranks the highest of all factors that influence SOEs in Nigeria with a moderate ($M=3.32$) and ($SD=.612$).

Table 4.5 Descriptive Statistics on Critical Issues of S.O.Es

| Critical Issues | N | Min | Max | Mean | Std. Dev |
|-------------------------------------|----|-----|-----|------|----------|
| Transparency and Accountability | 30 | 1 | 4 | 2.81 | .863 |
| Evaluate BODs Effectiveness | 30 | 2 | 5 | 3.04 | .788 |
| Protection of Minority Shareholders | 30 | 2 | 5 | 3.15 | .684 |
| Periodic Assessment of CEOs Pay | 30 | 0 | 4 | 2.23 | 1.128 |
| CEO and Chair Duality | 30 | 2 | 5 | 3.17 | .735 |
| Protecting Stakeholders Interest | 30 | 2 | 5 | 3.32 | .612 |
| Valid N (Listwise) | 30 | | | | |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents.

4.6 Research Question 6: What are the Indicators that Influence CG of Nigeria in the Studied Firms/Establishments?

Table 4.6 shows descriptive statistics for all SOEs indicators of corporate governance, including the number of establishments surveyed. In the findings, the degree of importance associated with corporate reputation ($N=30$) is considered to be high ($M=3.58$) and ($SD=.818$); the degree of importance associated with transparency and disclosure ($N=30$) is moderate ($M=3.18$) and ($SD=1.167$); the degree of importance associated with stakeholders' trust ($N=30$) is high ($M=3.48$) and ($SD=.713$) and the degree of importance associated with financial performance ($N=30$) is high ($M=3.58$) and ($SD=.744$). Among these factors surveyed, the degree of importance associated with customer satisfaction ($N=30$) ranks the highest of all

variables that influence SOEs in Nigeria with a high($M=3.93$) and ($SD=.871$). This indicates that the SOEs see all policies as significant variables that affect corporate governance in SOEs in Nigeria.

Table 4.6 Descriptive Statistics on Indicators of Corporate Governance of S.O.Es

| Indicators of CG | N | Min | Max | Mean | Std. Dev |
|-----------------------------|----|-----|-----|------|----------|
| Corporate Reputation | 30 | 2 | 5 | 3.58 | .818 |
| Transparency and Disclosure | 30 | 2 | 5 | 3.18 | 1.167 |
| Stakeholders Trust | 30 | 3 | 5 | 3.48 | .713 |
| Financial Performance | 30 | 3 | 5 | 3.58 | .744 |
| Customer Satisfaction | 30 | 2 | 5 | 3.93 | .871 |
| Valid N (Listwise) | 30 | | | | |

4.7 Research Question 7: What are the Differences in SOEs Groups within the Studied Firms/Establishments?

4.7.1 Comparing SOEs External Factors between Group A & B

Findings evaluate possible differences in external factors between group A and B of corporate governance of state-owned enterprises in Nigeria. Table 4.7 shows descriptive statistics for all the external factors between SOEs of group A and B, including the number of establishments surveyed.

Table 4.7 Comparing External Factors of S.O.Es between Group A and B

| Group | | Legal | Political | Social/Cultural | Economic | Globalization | Technology |
|-------|----------|-------|-----------|-----------------|----------|---------------|------------|
| A | Mean | 4.23 | 4.53 | 3.55 | 4.32 | 4.17 | 4.50 |
| | N | 15 | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | .359 | .326 | .484 | .320 | .469 | .390 |
| B | Mean | 3.35 | 3.95 | 3.47 | 3.73 | 3.45 | 3.45 |
| | N | 15 | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | .441 | .215 | .462 | .406 | .403 | .254 |
| Total | Mean | 3.79 | 4.24 | 3.51 | 4.03 | 3.81 | 3.98 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 |
| | Std. Dev | .598 | .402 | .466 | .466 | .564 | .624 |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents between Group A and B.

For group A (N=15), the level of agreement as to whether legal system affects the practice of corporate governance in SOEs is considered to be high (M=4.23) and (SD=.359), by comparison, group B (N=15) is considered to be in the same range as high even though numerically smaller (M=3.35) and (SD=.441); for group A (N=15), the level of agreement as to whether social/cultural influence affects the practice of corporate governance in SOEs is high (M=3.55) and (SD=.484), by comparison, group B (N=15) is considered to be in the same range as high even though numerically smaller (M=3.47) and (SD=.462); for group A (N=15), the level of agreement as to whether economic influence affects the practice of corporate governance in SOEs is very high (M=4.32) and (SD=.320), by comparison, group B (N=15) is high (M=3.73), and (SD=.406); for group A (N=15) the level of agreement as to whether globalization affects the practice of corporate governance in SOEs is high (M=4.17) and (SD=.469), by comparison, group B (N=15) is considered to be in the same range as high even though numerically smaller (M=3.45) and (SD=.403) and finally, for group A (N=15), the level of agreement as to whether as to whether technology affect the practice of corporate governance in SOEs is very high (M=4.50) and (SD=.390); for group A (N=15), the level of agreement as to whether political influence affect the practice of corporate governance in SOEs ranks the highest of all factors with very high (M=4.53) and (SD=.326), by comparison, group B (N=15) is high (M=3.95) and (SD=.215). But in general, it indicates that the SOEs in both groups see all external factors as significant variables that influence corporate governance in SOEs in Nigeria.

4.7.2 Comparing SOEs Internal Factors between Group A & B

Findings evaluate possible differences in external factors between group A and B of corporate governance of state-owned enterprises in Nigeria.

Table 4.8 shows descriptive statistics for all the internal factors between SOEs of group A and B, including the number of establishments surveyed. In the findings for group A (N=15), the level of agreement as to whether ownership structure affect the practice of corporate governance in SOEs is high (M=4.10) and (SD=.296), by comparison, group B (N=15) is moderate (M=3.15) and (SD=.331);

For group A (N=15), the level of agreement as to whether board composition affect the practice of corporate governance in SOEs is high (M=3.93) and (SD=.467), by comparison, group B (N=15) is moderate (M=2.98) and (SD=.458); for group A (N=15) the level of agreement as to whether board diversity affect the practice of corporate governance in SOEs is high (M=3.53) and (SD=.388), by comparison, group B (N=15) is numerically smaller moderate (M=2.82) and (SD=.306); for group A (N=15), the level of agreement as to whether board size affect the practice of corporate governance in SOEs is high (M=3.80) and (SD=.465), by comparison, group B (N=15) is moderate (M=2.90) and (SD=.399);

For group A (N=15), the level of agreement as to whether demography affect the practice of corporate governance in SOEs is high (M=3.88) and (SD=.516). Among these factors surveyed, the level of agreement as to whether board leadership ranks the highest of all factors in group A (N=15) is very high (M=4.38) and (SD=.297), by comparison, group B (N=15) is high (M=4.18) and (SD=.383). But in general, it indicates that the SOEs in both groups see all internal factors as significant variables that influence corporate governance in SOEs in Nigeria.

Table 4.8 Comparing Internal Factors of S.O.Es between Group A and B

| Group | | Ownership Structure | Board Composition | Board Diversity | Board Leadership | Board Size | Demography |
|-------|-----------|------------------------|----------------------|--------------------|---------------------|---------------|------------|
| A | Mean | 4.10 | 3.93 | 3.53 | 4.38 | 3.80 | 3.88 |
| | N | 15 | 15 | 15 | 15 | 15 | 15 |
| | Std. | .296 | .467 | .388 | .297 | .465 | .516 |
| | Deviation | | | | | | |
| B | Mean | 3.15 | 2.98 | 2.82 | 4.18 | 2.90 | 2.88 |
| | N | 15 | 15 | 15 | 15 | 15 | 15 |
| | Std. | .311 | .458 | .306 | .383 | .399 | .388 |
| | Deviation | | | | | | |
| Total | Mean | 3.63 | 3.46 | 3.18 | 4.28 | 3.35 | 3.38 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 |
| | Std. | .568 | .663 | .501 | .352 | .625 | .678 |
| | Deviation | | | | | | |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents between Group A and B.

Table 4.9 shows descriptive statistics for all the **policies** between SOEs of group A and B, including the number of establishments surveyed. In the findings for group A (N=15), the effectiveness of the quality of the practice associated with compensation policy is high (M=3.47) and (SD=.681), by comparison, group B (N=15) is low (M=2.03) and (SD=.700); for group A (N=15) the effectiveness of the quality of the practice associated with disclosure is high (M=3.47) and (SD=.550), by comparison, group B (N=15) is low (M=1.90) and (SD=.639); the effectiveness of the quality of the practice associated with risk management from group A (N=15) is high (M=3.63) and (SD=.471), by comparison, group B (N=15) is moderate (M=2.85) and (SD=.471) and the effectiveness of the quality of the practice associated with hiring and selection from group A (N=15) is moderate (M=3.35) and (SD=.749), by comparison, group B (N=15) is low (M=1.97) and (SD=.654); from group A (N=15), the effectiveness of the quality of the practice associated with board committee ranks high with (M=3.68) and (SD=.644), by comparison, group B (N=15) is moderate (M=2.97) and (SD=.208).

Table 4.9 Comparing SOEs Policies between Group A and B

| Group | | Compensation | Disclosure | Risk Mgt | Hiring & Selection | Board Committee |
|-------|----------|--------------|------------|-------------|-----------------------|--------------------|
| A | Mean | 3.47 | 3.47 | 3.63 | 3.35 | 3.68 |
| | N | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | .681 | .550 | .471 | .749 | .644 |
| B | Mean | 2.03 | 1.90 | 2.85 | 1.97 | 2.97 |
| | N | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | .700 | .639 | .471 | .654 | .208 |
| Total | Mean | 2.75 | 2.68 | 3.24 | 2.66 | 3.33 |
| | N | 30 | 30 | 30 | 30 | 30 |
| | Std. Dev | .996 | .989 | .611 | .986 | .595 |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents between Group A and B.

But in general, it indicates that the SOEs in both groups see all policies as significant factors that influence corporate governance in SOEs in Nigeria.

4.7.3 Comparing SOEs Board Activities between Group A & B

Table 4.10 shows descriptive statistics for all the policies between SOEs of group A and B, including the number of establishments surveyed. In the findings, the level of the effectiveness of the quality of practice associated with deciding the CEOs job including hiring and firing from group A (N=15) is below the lowest range (M=.77) and (SD=.1.338), by comparison, group B (N=15) is zero (M=.00) and (SD=.000); the level of the effectiveness of the quality of practice associated with assessing CEO and management's performance from group A (N=15) is high (M=3.45) and (SD=.786), by comparison, group B (N=15) is low (M=2.05) and (SD=.528); the level of the effectiveness of the quality of practice associated with evaluating firm's performance from group A (N=15) is high (M=3.90) and (SD=.524).

By comparison, group B (N=15) is moderate (M=2.67) and (SD=.430); the level of the effectiveness of the quality of practice associated with developing CEO's succession plan from group A (N=15) is moderate (M=3.35) and (SD=.849), by comparison, group B (N=15) is numerically smaller low (M=2.07) and (SD=.665); the level of the effectiveness of the quality of practice associated with communication with stakeholders from group A (N=15) is high (M=3.48) and (SD=.563), by comparison, group B (N=15) is numerically smaller moderate (M=2.90) and (SD=.264); the level of the effectiveness of the quality of practice associated with maintaining legal and ethical practices from group A (N=15) is high (M=3.75) and (SD=.491).

By comparison, group B (N=15) is moderate (M=2.87) and (SD=.208); the level of the effectiveness of the quality of practice associated with ensuring that control and accountability mechanisms are in place from group A (N=15) is high (M=3.83) and (SD=.603), by comparison, group B (N=15) is moderate (M=2.87) and (SD=.229); the level of the effectiveness of the quality of practice associated with evaluating the board's own performance from group A (N=15) is high (M=3.78) and (SD=.633), by comparison, group B (N=15) is moderate (M=2.98) and (SD=.320).

The level of the effectiveness of the quality of practice associated with helping set strategic directions ranks high ($M=3.92$) and ($SD=.497$) from group A ($N=15$), by comparison, group B ($N=15$) is moderate ($M=2.97$) and ($SD=.339$). The findings show higher significant results from group A. However, in general, it indicates that the SOEs in both groups see all activities as important variables that influence corporate governance in SOEs in Nigeria.

Table 4.10 Comparing SOEs Activities between Group A and B

| Group | | Deciding CEO's Job | Assessing CEO and Mgt Performance | Strategic Goals | Evaluating Firm's Performance | Developing CEOs Succession Plan | Communicating with Stakeholders | Legal & Ethical Practices | Control & Accountability | Evaluating the BOD Perf |
|-------|-------------|-----------------------|---|--------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------|-----------------------------|-------------------------------|
| A | Mean | .77 | 3.45 | 3.92 | 3.90 | 3.35 | 3.48 | 3.75 | 3.83 | 3.78 |
| | N | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | 1.338 | .786 | .497 | .524 | .849 | .563 | .491 | .603 | .633 |
| B | Mean | .00 | 2.05 | 2.97 | 2.67 | 2.07 | 2.90 | 2.87 | 2.87 | 2.98 |
| | N | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | .000 | .528 | .339 | .430 | .665 | .264 | .208 | .229 | .320 |
| Total | Mean | .38 | 2.75 | 3.44 | 3.28 | 2.71 | 3.19 | 3.31 | 3.35 | 3.38 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| | Std.Dev | 1.008 | .969 | .639 | .784 | .994 | .524 | .582 | .665 | .639 |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents between Group A and B.

4.7.4 Comparing SOEs Critical Issues between Group A & B

Table 4.11 shows descriptive statistics for critical issues between SOEs of group A and B, including the number of establishments surveyed. In the findings, the level of the effectiveness of the quality of practice associated with transparency and accountability from group A (N=15) is considered high (M=3.48) and (SD=.563), by comparison, group B (N=15) is low (M=2.13) and (SD=.499); the level of the effectiveness of the quality of practice associated with evaluate BODs effectiveness from group A (N=15) is high (M=3.67) and (SD=.556), by comparison, group B (N=15) is low (M=2.42) and (SD=.374); the level of the effectiveness of the quality of practice associated with protection of minority shareholders from group A (N=15) is high (M=3.57) and (SD=.651), by comparison, group B (N=15) is moderate (M=2.73) and (SD=.417); the level of the effectiveness of the quality of practice associated with periodic assessment of CEOs pay from group A (N=15) is moderate (M=3.10) and (SD=.749), by comparison, group B (N=15) is below the lowest range (M=1.37) and (SD=.681); the level of the effectiveness of the quality of practice associated with CEO and Chair duality from group A (N=15) is high (M=3.70) and (SD=.561), by comparison, group B (N=15) is moderate (M=2.63) and (SD=.442). The level of the effectiveness of the quality of practice associated with protecting shareholders interest ranks high (M=3.67) and (SD=.659) from group A (N=15), by comparison, group B (N=15) is moderate (M=2.97) and (SD=.281).

Table 4.11 Comparing SOEs Critical Issues between Group A and B

| Group | | Transparency & Accountability | Evaluate BODs Effectiveness | Protection of Minority Shareholders | Periodic Assessment of CEOs Pay | CEO & Chair Duality | Protecting Stakeholders Interest |
|-------|-------------|-------------------------------------|-----------------------------------|---|--|---------------------------|--|
| A | Mean | 3.48 | 3.67 | 3.57 | 3.10 | 3.70 | 3.67 |
| | N | 15 | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | .563 | .556 | .651 | .749 | .561 | .659 |
| | | | | | | | |
| B | Mean | 2.13 | 2.42 | 2.73 | 1.37 | 2.63 | 2.97 |
| | N | 15 | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | .499 | .374 | .417 | .681 | .442 | .281 |
| | | | | | | | |
| Total | Mean | 2.81 | 3.04 | 3.15 | 2.23 | 3.17 | 3.32 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 |
| | Std. Dev | .863 | .788 | .684 | 1.128 | .735 | .612 |
| | | | | | | | |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents between Group A and B.

The findings show higher significant results from group A. However, in general, it indicates that the SOEs in both groups see all critical issues as significant variables that influence corporate governance in SOEs in Nigeria.

4.7.5 Comparing SOEs between Group A & B on Indicators of CG

Table 4.12 shows descriptive statistics for critical issues between SOEs of group A and B, including the number of establishments surveyed. In the findings, the level of the effectiveness of the quality of practice associated with corporate reputation from group A (N=15) is very high (M=4.30) and (SD=.271), by comparison, group B (N=15) is moderate (M=2.85) and (SD=.431); the level of the effectiveness of the quality of practice associated with transparency and disclosure from group A (N=15) is very high (M=4.22) and (SD=.421), by comparison, group

B(N=15) is low (M=2.15) and (SD=.596); the level of the effectiveness of the quality of practice associated with stakeholders trust from group A (N=15) is high (M=4.03) and (SD=.581), by comparison, group B (N=15) is moderate (M=2.93) and (SD=.258); the level of the effectiveness of the quality of practice associated with financial performance from group A (N=15) is high (M=4.20) and (SD=.493), by comparison, group B (N=15) is moderate (M=2.97) and (SD=.297).

The level of the effectiveness of the quality of practice associated with customer satisfaction ranks very high (M=4.63) and (SD=.490) from group A (N=15), by comparison, group B (N=15) is moderate (M=3.23) and (SD=.530). The findings show higher significant results from group A. But in general, it indicates that the SOEs in both groups see all indicators as significant variables that influence corporate governance in SOEs in Nigeria.

Table 4.12 Comparing SOEs Indicators of CG between Group A and B

| Group | | Corporate Reputation | Transparency & Disclosure | Stakeholders Trust | Financial Performance | Customer Satisfaction |
|-------|-------------|-------------------------|------------------------------|-----------------------|--------------------------|--------------------------|
| A | Mean | 4.30 | 4.22 | 4.03 | 4.20 | 4.63 |
| | N | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | .271 | .421 | .581 | .493 | .490 |
| | | | | | | |
| B | Mean | 2.85 | 2.15 | 2.93 | 2.97 | 3.23 |
| | N | 15 | 15 | 15 | 15 | 15 |
| | Std. Dev | .431 | .596 | .258 | .297 | .530 |
| | | | | | | |
| Total | Mean | 3.58 | 3.18 | 3.48 | 3.58 | 3.93 |
| | N | 30 | 30 | 30 | 30 | 30 |
| | Std. Dev | .818 | 1.167 | .713 | .744 | .871 |
| | | | | | | |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents between Group A and B.

4.8 Independent Sample t-test

In this section, the Independent Samples *t* Test will compare the means of two independent groups (A and B) to determine whether there is statistical evidence that the associated population means are significantly different.

4.8.1 Independent Sample t-test for SOEs Group A and B on the External Factors

The Independent Samples *t* Test compares whether the means in group A and B were associated with statistically significantly different responses on the legal system, political influence and social/cultural influence, economic influence, globalization and technology, an independent sample t-test was performed as can be seen in Tables 4.13, and 4.14 respectively.

Legal system was connected with a statistically meaningful difference $t(28) = 6.012$, $p < 0.001$. Thus, the SOEs group A was connected with a significantly larger mean legal system effect than group B on a five-point scale with one strongly disagree that legal system affect the practice of corporate governance in SOEs and five strongly agree legal system affect the practice of corporate governance in SOEs, group A averaged 4.23 (high), ($SD = .359$) and group B averaged 3.35 (moderate), ($SD = .441$), as can be seen in Table 4.7

The SOEs group A were associated with a significantly larger mean **political influence** effect than group B statistically significant notable difference $t(28) = 5.788$, $p < 0.001$. 4.53 (very high) and ($SD = .326$) and group B averaged 3.95 (high) and ($SD = .215$), as can be seen in tables 4.13 and 4.14 respectively.

There was not enough evidence to suggest a significant difference between SOEs in group A and B on **social/cultural influence** effect $t(28) = .483$, $p = .633$. Thus, the p-value of .633 is greater than “.05” alpha level. On a five-point scale, group A averaged 3.55 (high) and ($SD = .484$) and group B averaged 3.47 (high) and ($SD = .462$), as can be seen in tables 4.13 and 4.14 respectively.

Table 4.13 Comparing Levels of Significance of SOEs between Group A and B on External Factors

| | Group | N | Mean | Std. Dev | Std. Error Mean |
|---------------------------|-------|----|------|----------|-----------------|
| Legal System | A | 15 | 4.23 | .359 | .093 |
| | B | 15 | 3.35 | .441 | .114 |
| Political Influence | A | 15 | 4.53 | .326 | .084 |
| | B | 15 | 3.95 | .215 | .056 |
| Social/Cultural Influence | A | 15 | 3.55 | .484 | .125 |
| | B | 15 | 3.47 | .462 | .119 |
| Economic Influence | A | 15 | 4.32 | .320 | .083 |
| | B | 15 | 3.73 | .406 | .105 |
| Globalization | A | 15 | 4.17 | .469 | .121 |
| | B | 15 | 3.45 | .403 | .104 |
| Technology | A | 15 | 4.50 | .390 | .101 |
| | B | 15 | 3.45 | .254 | .065 |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each External Factor Represents

The **economic influence** was connected with a statistically notable effect, $t(28) = 4.370$, $p < 0.001$. Thus, the SOEs group A was associated with a significantly larger mean economic influence effect than group B on a five-point scale, group A averaged 4.32 (very high), ($SD = .320$) and group B averaged 3.73 (high), ($SD = .406$), as can be seen in tables 4.13 and 4.14 respectively.

Table 4.14 Independent Sample t-test for Equality of Means on the External Factors

| Levene's Test for Equality of Variances | | | | | | | | | |
|---|-------|------|-------|--------|--------------------|-----------|--------------------|-------------------------------------|-------|
| | F | Sig. | t | df | Sig. (2-tailed) | Mean Diff | Std. Error Diff | 95% Confidence Interval of the 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 |

The SOEs group A were associated with a significantly larger mean than group B. For example, **globalization** was associated with a statistically significant effect $t(28) = 4.487$, $p < 0.001$. Group A averaged 4.17 (SD=.469) and group B averaged 3.45 (SD=.403), as can be seen in tables 4.13 and 4.14 respectively.

Technology was associated with a statistically significant effect $t(28) = 5.788$, $p < 0.001$. Thus, the SOEs group A was associated with a significantly larger mean technology effect than group B. For example, group A averaged 4.50 (very high), (SD=.390) and group B averaged 3.45 (high), (SD=.254), as can be seen in tables 4.13 and 4.14 respectively.

4.8.2 Independent Sample t-test for SOEs Group A and B on the Internal Factors

The Independent Samples t Test compares whether the means in group A and B were associated with statistically significantly different mean on ownership structure, board composition, and board diversity, board leadership, board size and demography, an independent sample t-test was performed as can be seen in tables 4.15 and 4.16 respectively.

Ownership structure was associated with a statistically significant effect $t(28) = 8.579$, $p < 0.001$. Thus, the SOEs group A was associated with a significantly larger mean ownership structure effect than group B. For instance, group A averaged 4.10 (high), (SD=.296) and group B averaged 3.15 (moderate), (SD=.311), as can be seen in Tables 4.15 and 4.16.

Table 4.15 Comparing Levels of Significance of SOEs between Group A and B on Internal Factors

| | Group | N | Mean | Std.Dev | Std. Error Mean |
|---------------------|-------|----|------|---------|-----------------|
| Ownership Structure | A | 15 | 4.10 | .296 | .076 |
| | B | 15 | 3.15 | .311 | .080 |
| Board Composition | A | 15 | 3.93 | .467 | .121 |
| | B | 15 | 2.98 | .458 | .118 |
| Board Diversity | A | 15 | 3.53 | .388 | .100 |
| | B | 15 | 2.82 | .306 | .079 |
| Board Leadership | A | 15 | 4.38 | .297 | .077 |
| | B | 15 | 4.18 | .383 | .099 |
| Board Size | A | 15 | 3.80 | .465 | .120 |
| | B | 15 | 2.90 | .399 | .103 |
| Demography | A | 15 | 3.88 | .516 | .133 |
| | B | 15 | 2.88 | .388 | .100 |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Internal Factor Represents

Table 4.16 Independent Sample t-test for Equality of Means on Internal Factor

| | Levene's Test for Equality of Variances | | | | | | | | |
|---------------------|---|-------|-------|--------|--------------------|--------------|--------------------|-------------------------------------|-------|
| | 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 |

Note: Independent Sample t-test for Equality of Means on the Internal Factors

The board composition was linked with a statistically significant effect $t(28) = 5.624$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean board composition effect than group B. As you can see that group A averaged 3.93 (high), (SD=.467) and group B averaged 2.98 (moderate), (SD=.458).

The SOEs group A was connected with a significantly larger mean board diversity effect than group B. Board diversity was linked with a statistically important effect $t(28) = 5.619$, $p < 0.001$. As can be seen that group A averaged 3.53 (high), (SD=.388) and group B averaged 2.82 (moderate), (SD=.306)

There was not enough evidence to suggest a significant difference between SOEs in group A and B on board leadership effect $t(28) = 1.597$, $p = .121$. Thus, the p -value of .121 is greater than “.05” alpha level. on a five-point scale with one strongly disagree board leadership affect the practice corporate governance in SOEs and five strongly agree board leadership affect the practice of corporate governance in SOEs, group A averaged 4.38 (very high) (SD=.297) and group B averaged 4.17 (high), (SD=.383).

The board size was connected with a statistically notable effect $t(28) = 5.692$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean board size effect than group B. For example, group A averaged 3.80 (high), (SD=.465) and group B averaged 2.90 (moderate), (SD=.399).

Demography was linked with a statistically significant effect $t(28) = 5.996$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean demography than group B as can be seen that group A averaged 3.88 (high), (SD=.516) and group B averaged 2.88 (moderate) (SD=.388).

4.8.3 Independent Sample t-test for SOEs Group A and B on the Policies

The Independent Samples t Test compares whether the means in group A and B were associated with statistically significantly different mean on compensation, disclosure and risk management, hiring and selection and board committee, an independent sample t -test was performed, see tables 4.17 and 4.18 respectively.

The SOEs group A was connected with a significantly larger mean compensation effect than group B. For example, **compensation** was connected with a statistically significant effect $t(28) = 5.687$, $p < 0.001$. Thus, group A averaged

3.47(high), (SD=.681) and group B averaged 2.03 (low), (SD=.700).

The **disclosure** was associated with a statistically significant effect $t(28)=7.194$, $p<0.001$. Thus, the SOEs group A was associated with a significantly larger mean disclosure effect than group B. Therefore, group A averaged 3.47 (high), (SD=.550) and group B averaged 1.90 (low), (SD=.639).

Table 4.17 Comparing Level of Significance of SOEs between Group A and B on Policies

| | Group | N | Mean | Std. Dev | Std. Error Mean |
|----------------------|-------|----|------|----------|-----------------|
| Compensation | A | 15 | 3.47 | .681 | .176 |
| | B | 15 | 2.03 | .700 | .181 |
| Disclosure | A | 15 | 3.47 | .550 | .142 |
| | B | 15 | 1.90 | .639 | .165 |
| Risk Management | A | 15 | 3.63 | .471 | .122 |
| | B | 15 | 2.85 | .471 | .121 |
| Hiring and Selection | A | 15 | 3.35 | .749 | .193 |
| | B | 15 | 1.97 | .654 | .169 |
| Board Committee | A | 15 | 3.68 | .644 | .166 |
| | B | 15 | 2.97 | .208 | .054 |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents on Policies

Table 4.18 Independent Sample t-test for Equality of Means on Polices

| | 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 |
| 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 |

Note: Independent Sample t-test for Equality of Means on the Policies

The **risk management** was associated with a statistically significant effect $t(28) = 4.556$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean risk management effect than group B. Therefore, group A averaged 3.63 (high), ($SD = .471$) and group B averaged 2.85 (moderate), ($SD = .471$).

The SOEs group A were associated with a significantly larger mean hiring and selection effect than group B. The **hiring and selection** was linked with a statistically significant effect $t(28) = 5.390$, $p < 0.001$. Thus, group A averaged 3.35 (high), ($SD = .749$) and group B averaged 1.97 (low), ($SD = .654$).

The board committee was associated with a statistically significant effect $t(28) = 4.100$, $p < 0.001$. The SOEs group A were associated with a significantly larger mean board committee effect than group B. Thus, group A averaged 3.68 (high), ($SD = .644$) and group B averaged 2.97 (moderate), ($SD = .208$), see Tables 4.17 and 4.18 respectively.

4.8.4 Independent Sample t-test for SOEs Group A and B on Board Activities

The Independent Samples t Test compares whether the means in group A and B were associated with statistically significantly different mean on deciding the CEO's job, including hiring and firing, assessing CEO and management's performance, helping to set strategic directions, evaluating firm's performance, developing CEO's succession plan, communicating with stakeholders, maintaining legal and ethical practices, ensuring that control and accountability mechanisms are in place and evaluating the board's own performance, an independent sample t-test was performed, see Tables 4.19 and 4.20 respectively.

The SOEs group A were associated with a significantly larger mean effect for deciding the CEO's job, including hiring and firing than group B. According to the t-test for equality of means, **deciding the CEO's job, including hiring and firing** was associated with a statistically significant effect $t(28) = 2.219$, $p = 0.035$. group A averaged .77 (below the lowest range), ($SD = .1338$) and group B averaged .00 ($SD = .000$), as can be seen in Tables 4.19 and 4.20 respectively.

Table 4.19 Comparing Levels of Significance of SOEs between Group A and B on Board Activities

| | Group | N | Mean | Std. Dev | Std. Error Mean |
|-------------------------------------|-------|----|------|----------|--------------------|
| Deciding the CEO's Job Including | A | 15 | .77 | 1.338 | .345 |
| Hiring and Firing | B | 15 | .00 | .000 | .000 |
| Assessing CEO and Management's | A | 15 | 3.45 | .786 | .203 |
| Performance | B | 15 | 2.05 | .528 | .136 |
| Helping to Set Strategic Directions | A | 15 | 3.92 | .497 | .128 |
| | B | 15 | 2.97 | .339 | .088 |
| Evaluating Firm's Performance | A | 15 | 3.90 | .524 | .135 |
| | B | 15 | 2.67 | .430 | .111 |
| Developing CEOs Succession Plan | A | 15 | 3.35 | .849 | .219 |
| | B | 15 | 2.07 | .665 | .172 |
| Communicating with Stakeholders | A | 15 | 3.48 | .563 | .145 |
| | B | 15 | 2.90 | .264 | .068 |
| Maintaining Legal and Ethical | A | 15 | 3.75 | .491 | .127 |
| Practices | B | 15 | 2.87 | .208 | .054 |
| Ensuring that Control and | A | 15 | 3.83 | .603 | .156 |
| Accountability Mechanisms are in | B | 15 | 2.87 | .229 | .059 |
| Place | | | | | |
| Evaluating the Board's Own | A | 15 | 3.78 | .633 | .163 |
| Performance | B | 15 | 2.98 | .320 | .083 |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents on S.O.Es Board Activities

Helping to set strategic directions was associated with a statistically significant effect $t(28) = 6.116$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean for helping to set strategic directions than group B. group A averaged 3.92 (high), ($SD = .497$) and group B averaged 2.97 (moderate), ($SD = .339$).

The SOEs group A were associated with a significantly larger mean for assessing CEO and management's performance than group B group A averaged 3.45 (high) (SD=.786) and group B averaged 2.05 (low), (SD=.528). According to the t-test for equality of means, **assessing CEO and management's performance** was associated with a statistically significant effect $t(28) = 5.727$, $p < 0.001$.

Table 4.20 Independent Sample t-test for Equality of Means inSOEs'Board 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 | |
| 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 |

Table 4.20 (Continued)

| | Levene's Test for | | t-test for Equality of Means | | | | | | |
|--|-------------------|------|------------------------------|--------|-----------------|-----------|-----------------|-------------------------------------|-------|
| | Equality of | | | | | | | | |
| | Variances | | | | | | | 95% Confidence Interval of the Diff | |
| | F | Sig. | t | df | Sig. (2-tailed) | Mean Diff | Std. Error Diff | Lower | Upper |
| 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 |

Note: Independent Sample t-test for Equality of Means on the SOEs Board Activities

The t-test for equality of means **onevaluating firm's performance** was associated with a statistically significant effect $t(28) = 7.046$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean forevaluating firm's performance than group B group A averaged 3.90 (high), (SD=.524) and group B averaged 2.67 (moderate), (SD=.430).

Developing CEO's succession plan was associated with a statistically important effect $t(28) = 4.609$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean for developing CEO's succession plan than group B. Furthermore, group A averaged 3.35 (moderate), (SD=.849) and group B averaged 2.07 (low), (SD=.665).

The SOEs group A were associated with a significantly larger mean for **communicating with stakeholders** than group B. The t-test for equality of means, communicating with stakeholders was associated with a statistically significant effect $t(28) = 3.635$, $p < 0.001$. As can be seen, group A averaged 3.48 (high), (SD=.563) and group B averaged 2.90 (moderate), (SD=.264).

Legal and ethical practices was associated with a statistically significant effect $t(28) = 6.414$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean for maintaining legal and ethical practices than group B group A averaged 3.75 (high), (SD=.491) and group B averaged 2.87 (moderate), (SD=.208).

The SOEs group A were associated with a significantly larger mean forensuring that control and accountability mechanisms are in place than group B According to the t-test for equality of means, **ensuring that control and accountability mechanisms** are in place was connected with a statistically significant effect $t(28) = 5.808$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean forensuring that control and accountability mechanisms are in place than group B. Group A averaged 3.83 (high), (SD=.603) and group B averaged 2.87 (moderate), (SD=.229).

Evaluating the board's own performance was associated with a statistically significant effect $t(28) = 4.369$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean forevaluating the board's own performance than group B. Therefore, group A averaged 3.78 (high), (SD=.633) and group B averaged 2.98 (moderate), (SD=.320).

4.8.5 Independent Sample t-test for SOEs Group A and B on the Critical Issues

The Independent Samples *t* Test compares whether the means in group A and B were associated with statistically significantly different mean on transparency and accountability of CEO, evaluate board of directors' effectiveness, protection of minority shareholders, periodic assessment of CEO's pay, CEO and Chair duality, protection stakeholders' interests, an independent sample t-test was performed as can be seen in tables 4.21 and 4.22 respectively.

The t-test for equality of means, **transparency and accountability of CEO** was associated with a statistically significant effect $t(28) = 6.953$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean for transparency and accountability of CEO than group B. Meanwhile, group A averaged 3.48 (high), ($SD = .563$) and group B averaged 2.13 (low), ($SD = .499$).

The SOEs group A were associated with a significantly larger mean for evaluate board of directors' effectiveness than group B. According to the t-test for equality of means, **evaluate board of directors' effectiveness** was associated with a statistically significant effect $t(28) = 7.222$, $p < 0.001$. Therefore, group A averaged 3.67 (high), ($SD = .556$) and group B averaged 2.42 (low), ($SD = .374$).

Table 4.21 Comparing Levels of Significance of SOEs between Group A and B on Critical Issues

| | Group | N | Mean | Std. Dev | Std. Error Mean |
|--|-------|----|------|----------|-----------------|
| Transparency and Accountability of CEO | A | 15 | 3.48 | .563 | .145 |
| | B | 15 | 2.13 | .499 | .129 |
| Evaluate BODs Effectiveness | A | 15 | 3.67 | .556 | .144 |
| | B | 15 | 2.42 | .374 | .097 |
| Protection of Minority Shareholders | A | 15 | 3.57 | .651 | .168 |
| | B | 15 | 2.73 | .417 | .108 |
| Periodic Assessment of CEOs Pay | A | 15 | 3.10 | .749 | .193 |
| | B | 15 | 1.37 | .681 | .176 |
| CEO and Chair Duality | A | 15 | 3.70 | .561 | .145 |
| | B | 15 | 2.63 | .442 | .114 |

Table 4.21 (Continued)

| | Group | N | Mean | Std. Dev | Std. Error Mean |
|----------------------------------|--------------|----------|-------------|-----------------|------------------------|
| Protecting Stakeholders Interest | A | 15 | 3.67 | .659 | .170 |
| | B | 15 | 2.97 | .281 | .073 |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents on Critical Issues

The **protection of minority shareholders** was associated with a statistically significant effect $t(28) = 4.175$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean for protection of minority shareholders than group B. Additionally, group A averaged 3.57 (high), ($SD = .651$) and group B averaged 2.73 (moderate), ($SD = .417$).

Table 4.22 Independent Sample t-test for Equality of Means on Critical Issues

| | 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 |
| Transparency and Accountability of CEO | .320 | .576 | 6.953 | 28 | .000 | 1.350 | .194 | .952 | 1.748 |
| | | | 6.953 | 27.603 | .000 | 1.350 | .194 | .952 | 1.748 |
| Evaluate BODs Effectiveness | 4.373 | .046 | 7.222 | 28 | .000 | 1.250 | .173 | .895 | 1.605 |
| | | | 7.222 | 24.508 | .000 | 1.250 | .173 | .893 | 1.607 |
| Protection of Minority Shareholders | 2.330 | .138 | 4.175 | 28 | .000 | .833 | .200 | .424 | 1.242 |
| | | | 4.175 | 23.830 | .000 | .833 | .200 | .421 | 1.245 |
| Periodic Assessment of CEOs Pay | .374 | .546 | 6.635 | 28 | .000 | 1.733 | .261 | 1.198 | 2.268 |
| | | | 6.635 | 27.748 | .000 | 1.733 | .261 | 1.198 | 2.269 |
| CEO and Chair Duality | .747 | .395 | 5.788 | 28 | .000 | 1.067 | .184 | .689 | 1.444 |
| | | | 5.788 | 26.551 | .000 | 1.067 | .184 | .688 | 1.445 |
| Protecting Stakeholders Interest | 10.667 | .003 | 3.783 | 28 | .001 | .700 | .185 | .321 | 1.079 |
| | | | 3.783 | 18.937 | .001 | .700 | .185 | .313 | 1.087 |

Note:Independent Sample t-test for Equality of Means on the SOEs Critical Issues

The SOEs group A were associated with a significantly larger mean for periodic assessment of CEO's pay than group B. According to the t-test for equality of means, **periodic assessment of CEO's pay** was associated with a statistically significant effect $t(28) = 6.635$, $p < 0.001$. So, group A averaged 3.10 (moderate), ($SD = .749$) and group B averaged 1.37 (very low), ($SD = .681$), as can be seen in tables 4.21 and 4.22 respectively.

Protecting stakeholders' interests was associated with a statistically significant effect $t(28) = 3.783$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean for protecting stakeholders' interests than group B. Therefore, group A averaged 3.67 (high), ($SD = .659$) and group B averaged 2.97 (moderate), ($SD = .281$).

The SOEs group A were associated with a significantly larger mean for CEO and chair duality than group B. According to the t-test for equality of means, **CEO and chair duality** was associated with a statistically significant effect $t(28) = 5.788$, $p < 0.001$. Therefore, group A averaged 3.70 (high), ($SD = .681$) and group B averaged 2.63 (moderate), ($SD = .442$).

4.8.6 Independent Sample t-test for SOEs Group A and B on the Indicators of Good Corporate Governance

The Independent Samples t Test compares whether the means in group A and B were associated with statistically significantly different mean on corporate reputation, transparency and disclosure, stakeholders' trust, financial performance and customer satisfaction, an independent sample t-test was performed as can be seen in tables 4.23 and 4.24 respectively.

The **corporate reputation** was connected with a statistically significant effect $t(28) = 11.036$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean for corporate reputation than group B. Therefore, group A averaged 4.30 (very), ($SD = .271$) and group B averaged 2.85 (moderate), ($SD = .431$).

The SOEs group A were associated with a significantly larger mean transparency and disclosure than group B. According to the t-test for equality of means, **transparency and disclosure** was associated with a statistically significant effect $t(28) = 10.966$, $p < 0.001$. Additionally, group A averaged 4.22 (high) ($SD = .421$) and group B averaged 2.15 (low), ($SD = .596$).

Stakeholders' trust was associated with a statistically significant effect $t(28) = 6.696$, $p < 0.001$. Thus, the SOEs group A were associated with a significantly larger mean for stakeholders' trust than group B. Therefore, group A averaged 4.03 (high), ($SD = .581$) and group B averaged 2.93 (moderate), ($SD = .258$).

Table 4.23 Comparing Levels of Significance of SOEs between Group A and B on Indicators of Corporate Governance

| | Group | N | Mean | Std. Dev | Std. Error Mean |
|-----------------------------|-------|----|------|----------|-----------------|
| Corporate Reputation | A | 15 | 4.30 | .271 | .070 |
| | B | 15 | 2.85 | .431 | .111 |
| Transparency and Disclosure | A | 15 | 4.22 | .421 | .109 |
| | B | 15 | 2.15 | .596 | .154 |
| Stakeholders Trust | A | 15 | 4.03 | .581 | .150 |
| | B | 15 | 2.93 | .258 | .067 |
| Financial Performance | A | 15 | 4.20 | .493 | .127 |
| | B | 15 | 2.97 | .297 | .077 |
| Customer Satisfaction | A | 15 | 4.63 | .490 | .126 |
| | B | 15 | 3.23 | .530 | .137 |

Note: The Mean and Standard Deviation Indicates the Level of Significance Each Factor Represents on Indicators of Corporate Governance

The SOEs group A were associated with a significantly larger mean for financial performance than group B. The t-test for equality of means, **financial performance** was associated with a statistically significant effect $t(28) = 8.303$, $p < 0.001$. In addition, group A averaged 4.20 (high), ($SD = .493$) and group B averaged 2.97 (moderate), ($SD = .297$).

Customer satisfaction was associated with a statistically significant effect $t(28) = 7.513$, $p < 0.001$. Thus, the SOEs group A were linked with a significantly larger mean for customer satisfaction than group B. Therefore, group A averaged 4.63 (very high), ($SD = .490$) and group B averaged 3.23 (moderate), ($SD = .530$).

Table 4.24 Independent Sample t-test for Equality of Means on Indicators Corporate Governance

| | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
|-----------------------------|---|------|------------------------------|--------|---------------------|--------------------|--------------------------|---|-------|
| | F | Sig. | t | df | Sig. (2- tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | Lower | Upper |
| Corporate Reputation | 2.596 | .118 | 11.036 | 28 | .000 | 1.450 | .131 | 1.181 | 1.719 |
| | | | 11.036 | 23.554 | .000 | 1.450 | .131 | 1.179 | 1.721 |
| Transparency and Disclosure | 2.731 | .110 | 10.966 | 28 | .000 | 2.067 | .188 | 1.681 | 2.453 |
| | | | 10.966 | 25.189 | .000 | 2.067 | .188 | 1.679 | 2.455 |
| Stakeholders Trust | 8.411 | .007 | 6.696 | 28 | .000 | 1.100 | .164 | .764 | 1.436 |
| | | | 6.696 | 19.314 | .000 | 1.100 | .164 | .757 | 1.443 |
| Financial Performance | 2.199 | .149 | 8.303 | 28 | .000 | 1.233 | .149 | .929 | 1.538 |
| | | | 8.303 | 22.976 | .000 | 1.233 | .149 | .926 | 1.541 |
| Customer Satisfaction | .132 | .719 | 7.513 | 28 | .000 | 1.40 | .186 | 1.018 | 1.782 |
| | | | 7.513 | 27.827 | .000 | 1.400 | .186 | 1.018 | 1.782 |

Note: Independent Sample t-test for Equality of Means on the SOEs Indicators of Good Corporate Governance

4.9 Chapter Summary

In summary, chapter 4 discusses the research findings which covered the data presentation, analysis and interpretation of both qualitative and quantitative data. It also answered basic research questions in this paper, like; what are the external, internal, policies, activities, critical issues/factors that influence corporate governance (CG) of Nigeria in the studied firms/establishments and their differences within the studied firms/establishments? Research findings showed that most of the factors in both external, internal and indicators of corporate governance ranked high. However, most factors in policies of CG, critical issues and board of directors (BOD) activities were mostly moderate and low. In comparison, research findings showed that factors in group A were considered to be high than group in B, even though that some factors in group B were also in same high range categories with group A but numerically, they are smaller. Finally, research findings on independent sample t-test for SOEs group A and B on external, internal, policies, activities, critical issues/factors that influence corporate governance (CG) of Nigeria in the studied firms/establishments showed that group A were associated with statistically significantly different responses than group B.

CHAPTER 5

DISCUSSIONS, RECOMMENDATION, AND SUMMARY

Introduction

This section will discuss results of all research questions, proffer recommendations from a human resource perspective, share limitations encountered in this study, and summarize the outcome of the results.

5.1 Discussion on Question 1: What Are the External Factors That Influence Corporate Governance in the Studied Firms/Establishments?

We found that political influence ($N=30$) affects the practice of corporate governance in SOEs and ranks the highest of all factors that influence SOEs in Nigeria ($M=4.24$) and ($SD=.402$), exceeding the cutoff point for the acceptability of a significant response. This means that SOE participants acknowledged that political influence strongly affects their firms/establishments. Interview participants raised issues such as political interference, new government with new policies, politicians (with little or no experience in business) sitting at the board and even serving as CEOs/chairmen are having devastating effects on SOEs. One of the interviewees echoed that “politicians should be stopped from running state-owned businesses because they are bad business managers.”

This finding was expected and fits into other findings (McCarthy & Puffer, 2003; Wong 2004). It affirms that state-owned enterprises (SOEs) are starved for healthy performance and economic growth and argues that politicians use state-owned firms/establishments to further their own political agendas, without minding the outcome of their selfish decisions. “There should be stable policies put in place for all state-owned enterprises in Nigeria and should not be changed because there’s a new government in place,” said one of the participants interviewed. This result

indicates that SOEs will continue to experience unhealthy performances and little or no economic growth if Nigeria does not minimize political influence in its firms/establishments.

We found that legal systems ($N=30$) influenced the practice of corporate governance in SOEs ($M=3.79$) and ($SD=.598$), exceeding the cutoff point for the acceptability of a significant response. This means that SOE participants acknowledge that legal systems strongly affect their respective firms/establishments. Interviews with participants revealed that lack of legal protections for stakeholders and weakness in the areas of regulatory systems, supervisory, and enforcement of laws for corrupt officials take a heavy toll on SOEs in Nigeria. "Nigeria has a good legal system; what is missing is the enforcement," most interviewees said.

This expected finding agrees with Doidge, Karolyi, and Stulz (2007) who operationalized the legal system of a country into three factors: 1) legal protections for minority investors; 2) the level of economic; and 3) financial development, and they emphasized that these three factors can influence firms' costs and concluded that countries with weak good corporate governance development show poor economic results because of the absence of institutional infrastructure. This result indicates that, until Nigeria strengthens its regulatory system, supervisory and enforcement of laws, corruption will continue to take its full toll on SOEs.

Table 4.7 reveals that economic influence ($N=30$) affects the practice of corporate governance in SOEs ($M=4.03$) and ($SD=.466$); the score exceeds the cutoff point for the acceptability of a significant response. This means that SOE participants agree that economic influence strongly affects their firms/establishments. Interviewees raised issues in regards to macroeconomic policies and the level of competition in products and services in the global market, and government policies takes a heavy toll on state-owned establishments. One said, "Our government does not have robust economic policies that can revive and sustain SOEs." Another quickly added that "most state owned establishments are not economically viable and they are unequipped and underfunded."

The finding is expected because it fits into other findings. RCGWG (2003) found that the governments still tend to have considerable state-ownership control in many firms in the African region. According to Reed (2002), poor economic

performance and the resultant high international debt levels in developing economies have required the intervention of many international bodies like the OECD, International Monetary Fund (IMF), and the World Bank. “Several SOEs are still seen by most politicians as political tools to punish or favor people; they can fire or hire anyone without taking into consideration the economic impact of their actions,” says another participant. This indicates that if Nigeria does not address its economic policies, the SOEs would continue to suffer economically.

The study also found that globalization ($N=30$) affect the practice of corporate governance in SOEs ($M=3.81$) and ($SD=.564$), the score exceeds the cutoff point for the acceptability of a significant response. This means that SOE participants agree that globalization strongly influences their firms/establishments. Interviews gathered during the research raised issues in regards to global good governance practices, which is characterized by similar mechanisms such as independent boards, separation of the chairmanship and CEO roles, and the presence of independent audit and remuneration committees and increasing disclosure norms. One participant said, “Nigeria should standardize and fit into the global corporate governance to be able to attract more investors globally.” This finding is expected and also confirms that global harmonization of corporate governance is linked to financial growth and product markets (Nestor & Thompson, 2000). A participant said that, “Globalization in corporate governance will improve and strengthen the Nigerian economies especially in the area of public sector.”

This indicates that more of foreign direct investment (FDI) and investors’ trust will improve if global governance practices are characterized by similar mechanisms such as independent boards, separation of the chairmanship and CEO roles, and the presence of independent audit and remuneration committees and increasing disclosure norms in Nigeria.

We also found social/cultural influence ($N=30$) affects the practice of corporate governance in SOEs ($M=3.51$) and ($SD=.466$); the score exceeds the cutoff point for the acceptability of a significant response. This means that SOE participants agree that social/economic influence strongly affects their firms/establishments. A good example is from Rabelo and Vasconcelos (2002) who noted that firms go through important transformations due to the combined forces of sociopolitical changes, technological progress, and economic trends toward globalization.

This expected finding supports Hofstede and Hofstede's (2001) argument that corporate governance is linked to corporate financial goals, and these goals are not culture-free. This indicates that Nigerian as a multi-ethnic and social-cultural nation should integrate its SOEs to enable to fit into fabric system of social cultural background.

The study also found that technology ($N=30$) affects the practice of corporate governance in SOEs ($M=3.98$) and ($SD=.624$), the score exceeds the cutoff point for the acceptability of a significant response. This means that SOE participants agree that technology strongly influences their firms/establishments. Interviews gathered during the research raised issues like tracking crimes, investigating corporate frauds, and maintaining accounting standards. A participant said technology helps in maintaining strong oversight, control, and accountability in SOEs.

The finding is expected because Aghion and Howitt (1992) in their study links technology with reducing crimes such as tracking criminals, investigating corporate fraud, etc. One participant said, "The truth is that we have a lot to benefit from technology." In most firms today, new kinds of technology increase the efficiency and thus lower the cost of production (Thorne et al., 2010). This indicates that, if Nigeria would through technology track crimes, investigate corporate frauds etc., its state-owned enterprises will increase efficiency and save costs relating to fraud and crimes.

5.2 Discussion on Question 2: What are the Internal Factors that Influence Corporate Governance of in the Studied Firms/Establishments?

Table 4.8 reveals that ownership structure ($N=30$) affected the practice of corporate governance in SOEs ($M=3.63$) and ($SD=.568$); the score exceeds the cutoff point for the acceptability of a significant response. This means that SOE participants agree that ownership structure strongly influences their firms/establishments. Interviewees raised concerns on low and high ownership concentration and firm's performance; state-owned enterprises, in fact, often hold the majority of total assets in a country's public sector. "The SOEs in Nigeria should have more of private sector involvement, to encourage sustainability and efficiency," said one participant.

This expected finding supports La Porta et al. (2002) who found that higher state ownership of firms is associated with slower subsequent financial development and lower economic growth for a sample of 92 countries. Moreover, Barth et al. (2001) summarized that state ownership of banks tends to be associated with weaker and poorly developed banks, nonbanks, and securities markets. One participant clearly stated that, “It will be very difficult in Nigeria to find SOEs that is publicly trading in the Nigerian stock exchange market.”

This indicates that ownership structure style of SOEs poses a growth challenge, Nigeria should evaluate its ownership structure and determine how best to strengthen mechanisms that growth and economic dividends.

We found that board composition ($N=30$) affected the practice of corporate governance in SOEs ($M=3.46$) and ($SD=.663$), the score exceeds the cutoff point for the acceptability of a significant response. This means that SOE participants agree that board composition strongly influences their respective firms/establishments. Interviewees raised issues in regards to board size, bureaucratic process, and CEO duality and chair; one of the participants said that “the bureaucratic method of SOEs makes it more difficult compete with the firms.”

This finding is expected and fits into previous studies conducted by Uadiale (2010) who revealed a strong positive relationship between board size and corporate financial performance. Typically, a problem in the board size affects SOE performance in general. The consequence is that corporate governance structures are not as effective as they were designed to be (Ahunwan, 2002; Adekoya, 2011; Emeh, 2012). This indicates that, to improve SOEs performance, Nigeria should restructure its bureaucratic structure to barest minimum.

We also found that board diversity ($N=30$) affects the practice of corporate governance in SOEs ($M=3.18$) and ($SD=.501$); the score exceeds the cutoff point for the acceptability of a significant response. This means that SOE participants agree that board diversity influences their respective firms/establishments. Interviews from the research revealed issues in regards to gender, racial, cultural, and religious composition of the board of directors. One participant said that “Board diversity is still hindered by culture and religion. For instance, the social environment in some Islamic and Christian parts of Nigeria plays an influential role (most times negative) in the SOEs.”

This finding is expected and supports Carter et al. (2003) that there is a positive relationship between board diversity and shareholders' value. Furthermore, a study by Erhardt, Werbel, and Shrader (2003) showed that executive board of director diversity was positively associated with both return on investment and return on assets. This indicates that, for the SOEs to attract investors and also maintain a robust return on investment and assets, the issue of board diversity must be addressed. This can be done through creating economic policies that can co-exist with religion and cultural differences within the country.

We found that board leadership ($N=30$) affected the practice of corporate governance in SOEs ranks very high of all factors that influence SOEs ($M=4.28$, very high) and ($SD=.352$); the score exceeds the cutoff point for the acceptability of a significant response. This means that SOE participants agree that board leadership influences their respective firms/establishments. Some interviewees showed concern in regards to issues such as skills, talents, and experience. "The situation in Nigeria has been worsened by the activities of inexperienced and corrupt CEOs/top management and 'self-interested board members' appointed to run the activities the SOEs," said one participant. The expected finding supports an empirical study that linked board leadership to firm's performance. Bad leadership is recipe for poor performance (Larcker & Tayan, 2012).

This indicates that, if SOEs in Nigeria want to improve performance and minimize corruption, the Nigerian government must carefully restructure its policies on appointing CEOs and BODs in their public sectors. This can be done by setting balanced and nonpolitical criteria for CEOs and BODs.

Finally, we found that demography ($N=30$) affected the practice of corporate governance in SOEs ($M=3.38$) and ($SD=.678$); the score exceeds the cutoff point for the acceptability of a significant response. This means that SOE participants agree that board leadership influences their respective firms/establishments. Some interviewees engaged in this study explained issues in regards to educational level, age, tenure, and gender. "The truth is that most CEOs and board members in the SOEs are in their retirement age and that can give you an idea of what to expect," said one participant.

This finding is expected and confirms that of Hambrick and Mason (1984) that older top executives are more likely to be conservative, as the younger generation typically has better ability to process new ideas, lower commitment to organization status quo, and more interest in progression than career stability. Moreover, studies have shown that age and tenure of managers are related to the tendency to accept risk and innovative strategies (Barker & Mueller, 2002). This indicates that if SOEs want to reap from new ideas of younger generation and innovative strategies, Nigeria must consider young educated and experienced young generation as agents of change.

5.3 Discussion on Question 3: What Are the BOD's Activities that Influence Corporate Governance in the Studied Firms/Establishments?

Table 4.10 reveals that a chief executive officer's (CEO) job, including hiring and firing, ($N=30$) is below the lowest range and ($M=.38$, $SD=1.008$); the score is below the cutoff point for the acceptability of a significant response. This means that participants agree that activity of the board of directors in SOEs on hiring and firing CEOs in their respective firms/establishments is not effective.

Records obtained from interviews on CEO turnover rate leaves one with the impression that board of directors activities in SOEs seem to be different in practice when compared with those of their private counterparts. "The reality is that government decides who is fired or hired as far as the position of the CEO concern. The BOD can recommend who to hire or fire, but the final decision comes from the government," said one participant. Therefore, it is largely perceived that a poor performing CEO who is politically connected does not get fired easily even with the BOD's recommendation.

This finding is expected and supports Yuan (2011, p.2) who explained why "Politically connected CEOs are less likely to be dismissed because of their poor performance; that is, SOEs with politically connected CEOs can get more subsidies from the governments when their performance is poor, and tend to hire more employees when the regions in which they locate suffer from severe unemployment problem."

This indicates that the SOEs will continue to poor performances unless some drastic measures are in place to keep CEOs who performs well in office.

We also found that assessing CEO and management's performance ($N=30$) is ($M=2.75$) and ($SD=.969$), the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that assessing CEO and Management's performance activity is average (moderate) in terms of its effectiveness in their respective firms/establishments. Some interviewees' discussion views were centered on oversight. "One the reason why the performance of SOEs is poor is because of weak board of directors," said one participant.

The finding is expected and also supports that of Millstein and MacAvoy(1998) that relationships exist between a BOD and return of investment. The authors further explained that a board that is active and independent of management should be associated with higher returns to investors. This indicates that, to improve board oversight in SOEs, Nigeria would need to use all necessary measures to strengthen the BODs from having a moderate (not so good) situation in order to perform better.

We found that helping to set strategic directions ($N=30$) ranks the highest of all activities that influence SOEs ($M=3.44$) and ($SD=.639$); the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that BOD activity on helping to set strategic directions is effective. Interviews gathered from participants "BODs control" also added some knowledge. One of the participants hinted that some BODs meets with CEO and senior management staff basically for setting strategic directions on the firm way forward.

This finding is expected because it supports Wong's (2004) empirical evidence that setting clear-cut objectives and goals will keep the CEOs' selfish-interests in check, but a good oversight on the objective of SOEs will yield much more robust performance. This indicates that it is not just enough to set goals and objectives for the CEO, but a good oversight will help improve SOEs' overall performance.

We found that evaluating firm's performance ($N=30$) had a moderately high rating ($M=3.28$) and ($SD=.784$), the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that BODs

activity on evaluating firm's performance is average (moderate) in terms of its effectiveness. Information gathered from interviews posit that some board members do have any adequate knowledge of the firm/establishment they represent work. "The number of members who don't attend board meetings and do not have information is alarming."

Most board members in SOEs get appointed through political connections. "That is one of the reasons why they are weak in nature," said one participant. This expected finding supports Johnson, Daily, and Ellstrand (1996) and Carpenter and Westphal (2001) in that effective board monitoring may help improve a firm's overall performance. This indicates that SOEs will continue to witness a weak board of directors, which will result to weak performance until Nigeria, as a major stakeholder, changes the structure by selecting committed and qualified board members regardless of their political affiliation.

We found that developing CEO's succession plan ($N=30$) showed a moderately rating ($M=2.71$) and ($SD=.994$); the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that BOD activity developing is average (moderate) in terms of its effectiveness. "Succession planning provides an opportunity for the SOEs to identify new leaders, but due political influence in Nigeria, the plan does not go as planned because the government in most cases chooses from outside the firm," said one participant.

This expected finding is in agreement with that of Dalton and Kesner (1985, p.1) who posits that firms with reasonable performance prior to succession did not opt for outside successors. Poorly performing companies, however, did not choose outsiders, either. Only companies with midrange performance chose outside succession. This indicates that politics still influence succession planning in SOEs of Nigeria, and, until there is a real change of attitude from the government, the SOEs will continue to suffer.

We found that communicating with stakeholders ($N=30$) received a moderate rating ($M=3.19$) and ($SD=.524$); the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that BOD activity on communicating with stakeholders is average (moderate) in terms of its effectiveness. It is pertinent to note that most SOEs in Nigeria are not listed in the

publicly traded in the stock exchange, so the community, employees, suppliers, etc. are among its stakeholders. SOEs in Nigeria have a reputation of poor communication with its stakeholders. One interviewee said that “Recently, the government has been assessing each stakeholder’s potential to threaten or to cooperate with the SOEs”; this expected finding supports that of Savage, Nix, Whitehead, and Blair (1991) who examined factors driving stakeholder power and proposed steps that organizations can take to manage what are becoming increasingly complex relationships, between groups and the company and between the groups themselves. For example, issues with the SOEs and communities in Nigeria have been a major concern for decades. This indicates that SOEs can be prioritizing the challenges, and balancing and integrating the corporate response should be the government’s objectives.

We also found that maintaining legal and ethical practices ($N=30$) showed moderate rating ($M=3.31$) and ($SD=.582$); the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that maintaining legal and ethical practices are average (moderate) in terms of its effectiveness. “The Nigerian SOEs have legal and ethical issues with its stakeholders, especially the oil and gas sector, and I believe that if SOEs in Nigeria conduct themselves within the legal and ethical frameworks of doing business, it will improve,” said one interviewee.

This expected finding supports that of Kim and Brymer (2011) who demonstrated that executives’ ethical leadership is positively related to job satisfaction and affective organizational commitment by stakeholders. This indicates that, if SOEs in Nigeria will commit to conduct its activities within legal and ethical frameworks, it will improve relationship with its stakeholders.

Also we found that ensuring that control and accountability mechanisms are in place ($N=30$) showed moderate ratings ($M=3.35$) and ($SD=.665$); the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree ensuring that control and accountability mechanisms are in place is average (moderate) in terms of its effectiveness. During an interview with a respondent from SOEs firm, the issue of poor accountability and weak control was discussed as part of the big issues that is crippling Nigeria’s SOEs. “The mechanisms

put in place by the board are very weak to put the CEO and top management in check,” said one participant.

This expected finding corresponds with that of Wong (2004), and Thorne, Ferrell, and Ferrell's (2010) empirical study concludes that firms/SOEs with good accountability record do attract robust investors.

Finally, in regards to board activities, we found that evaluating the board's own performance ($N=30$) received a moderate rating ($M=3.38$) and ($SD=.639$); the score exceeds the cutoff point for the acceptability of a significant response. This means that participants in this research acknowledge that evaluating board's own performance is average (moderate) in terms of its effectiveness. Interviews generated from participants in SOEs indicate that “board members are too friendly and politically connected to evaluate themselves in an honest and standard measure.” This supports Wong's (2004) empirical study, which posits that political influence within the SOEs makes it difficult to allow a free and fair evaluation and that, overall, can affect a firm's financial and nonfinancial performance. This indicates that board of directors in SOEs will continue to perform poorly, which, in turn, affects the whole organization unless evaluations are done fairly.

5.4 Discussion on Question 4: What Are the Policies that Influence Corporate Governance in the Studied Firms/Establishments?

According to statistics in Table 4.9, compensation ($N=30$) is rated as moderate ($M=2.75$) and ($SD=.996$); the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that compensation as a policy is average (moderate) in terms of its effectiveness. “The compensation policy in the SOEs in Nigeria is not fair in my opinion; it is near fraud because there's justification for that kind of package,” said one participant.

This expected finding supports empirical studies from Core, Holthausen, and Larcker (1999), which posit that firms with weaker governance structures have greater agency problems; that CEOs at firms with greater agency problems receive greater compensation; and that firms with greater agency problems perform worse.

This indicates SOEs will need to set up a compensation strategy that is in commensurate with performance.

We also found that disclosure ($N=30$) is moderate ($M=2.68$) and ($SD=.989$); the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that disclosure as a policy is average (moderate) in terms of its effectiveness. Interviews obtained from participants discussed their concerns on poor disclosure of financial statements, compensation packages, etc. Harvey et al. (2009) revealed that an undisciplined and unethical manager can still have his or her way considering the amount of time the board invests in the firm.

This expected finding supports that of Lang and Lundholm (1996, p.1) who revealed that firms with more informative disclosure policies have a larger analyst following, more accurate analyst earnings forecasts, less dispersion among individual analyst forecasts, and less volatility in forecast revisions. Further, the authors suggest that potential benefits to disclosure include increased investor following, reduced estimation risk, and reduced information asymmetry, each of which have been shown to reduce a firm's cost of capital in theoretical research. This indicates that, for SOEs of Nigeria to attract more investors, there is need for transparent disclosure.

We found that risk management policy ($N=30$) is moderate ($M=3.24$) and ($SD=.611$), the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that risk management as a policy is average (moderate) in terms of its effectiveness. As one participant puts it, "Controls and a strong risk management structure are very essential to effective operations of SOEs." This expected finding supports Thorne et al.'s (2010) arguments that it is "The process used to anticipate and shield the organization from unnecessary or overwhelming circumstances" and organization with less risk management policy are likely to perform poorly. This indicates that for SOEs to improve from its present average (weak) level of risk management policy, there's an urgent need to re-evaluate and determine possible adjustments.

We found that hiring and selection ($N=30$) is moderate ($M=2.66$) and ($SD=.989$), the score exceeds the cutoff point for the acceptability of a significant response. This means that participants agree that hiring and selection as a policy is average (moderate) in terms of its effectiveness in SOEs firms/establishment.

Interviews gathered showed that participants thought “There are led down rules of employment process both board, top management and other employees, but in practice, those rules are not followed.”The finding is expected and also supports Wong’s (2004) argument that politically influenced recruitments in SOEs will automatically dilute standard procedures and tend to weaken its nonfinancial performance.

This implies that it costs SOEs more to hire wrong people in decision-making positions because due processes are politically influenced. For SOEs to resolve this issue, it needs to follow standard practices that are enshrined in its regulations.

5.5 Discussion on Question 5: What Are the Critical Issues That Influence Corporate Governance of Nigeria in the Studied Firms/Establishments?

Table 4.11 displays descriptive statistics for all critical issues, including the number of SOEs surveyed. We found that transparency and accountability ($N=30$) is considered to be moderate ($M=2.81$) and ($SD=.863$); the level of the effectiveness of the quality of practice associated with evaluation of board of directors effectiveness ($N=30$) is moderate ($M=3.04$) and ($SD=.788$); the level of the effectiveness of the quality of practice associated with protection of minority shareholders ($N=30$) is moderate ($M=3.15$) and ($SD=.684$); the level of the effectiveness of the quality of practice associated with periodic assessment of the CEOs pay ($N=30$) is considered to be low ($M=2.23$) and ($SD=1.128$), and the level of the effectiveness of the quality of practice associated with the CEO and chair duality ($N=30$) is moderate ($M=3.17$) and ($SD=.735$); the level of the effectiveness of the quality of practice associated with protecting stakeholders interest ($N=30$) is moderate ($M=3.32$). All of the scores exceeded the cutoff point for the acceptability of a significant response.

This means that participants agree that critical issues affecting their firms/establishments averagely (moderate) handled in terms of its effectiveness in SOEs in Nigeria. Some of the participants interviewed were concerned on how their firms/establishments handle issues related to accountability, transparency, protection of stakeholders, etc. in a poor and substandard manner. These findings are expected and also support Thorne, Ferrell, and Ferrells’ (2010) argument that organizations in

which its board of directors and CEOs overlook critical issues facing them may likely be engaging in fraudulent activities. This indicates that, for SOEs to minimize issues relating to fraud and embezzlement of public funds, Nigeria will need to drastically encourage its BODs and top management to stop paying deaf ears to issues that are critical to SOEs.

5.6 Discussion on Question 6: What Are the Indicators That Influence Corporate Governance of Nigeria in the Studied Firms/Establishments?

Table 4.12 shows that the degree of importance associated with corporate reputation ($N=30$) is considered to be high ($M=3.58$) and ($SD=.818$); the degree of importance associated with transparency and disclosure ($N=30$) is moderate ($M=3.18$) and ($SD=1.167$); the degree of importance associated with stakeholders' trust ($N=30$) is high ($M=3.48$) and ($SD=.713$), and the degree of importance associated with financial performance ($N=30$) is high ($M=3.58$) and ($SD=.744$); the degree of importance associated with customer satisfaction ($N=30$) is high ($M=3.93$) and ($SD=.871$). The whole scores exceed the cutoff point for the acceptability of a significant response.

This means that participants agree that corporate governance indicators affecting their firms/establishments are averagely (moderate) handled in terms of its effectiveness in SOEs in Nigeria. One of the participants interviewed said, "Yes, these things (indicators of CG) are very important, but the issue is whether we really put them in practice as we ought to?" Gray and Balmer (1998) posit that senior executives are being compelled by events to think in terms of their company's reputation and image, customer satisfaction, transparency and disclosure, etc., and how to manage them.

This expected finding agrees with that of KPMG (2013), which argues that 35% of investment decisions are based on factors such as reputation and image transparency and disclosure, while, in the mergers and acquisitions market, a premium is paid for companies with stronger reputation capital.

This indicates that SOEs can actually attract investments and joint ventures on the condition that these indicators must be addressed.

5.7 Discussion on Question 7: Difference Between Group A and B Using Independence t-test

According to the t-test for equality of means, legal system was associated with a statistically significant effect $t(28)=6.012$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean legal system than Group B. Group A averaged 4.23 (high)($SD=.359$), and Group B averaged 3.35 (moderate)($SD=.441$), as shown in tables 4.13 and 4.14. This means that SOEs in Group A tend to comply with laws governing corporate governance systems as opposed to Group B. One of the participants in Group A acknowledged that “the protection of minority investors/stakeholders is more effective now than few years back.” While in Group B, a participant underlined that less emphasis is paid on protection of stakeholders by top management/board members in their firm.

Political influence was associated with a statistically significant effect $t(28)=5.788$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean political influence than Group B. Group A averaged 4.53 (very high) and ($SD=.326$), and Group B averaged 3.95 (high) and ($SD=.215$) (see tables 4.13 and 4.14). According to the t-test for equality of means, equal variances were assumed in this case. This means that the level of government influence in Group A is low when compared with SOEs in Group B. The reason is because some of the firms in Group A are jointly-owned by the government and private operators. One of the participants in Group B opined that “Politicians normally use their positions to further political aims and therefore we have experienced poor economic growth for years.”

There was not enough evidence to suggest a significant difference between SOEs in group A and B on social/cultural influence $t(28)=.483$, $p=.633$. Thus, the p -value of .633 is greater than “.05” alpha level. Group A averaged 3.55 (high) and ($SD=.484$), and Group B averaged 3.47 (high) and ($SD=.462$), as shown in tables 4.13 and 4.14. This means there is no difference in traditional ideas and moral values between participants in both groups; unlike other factors, it does not tend to influence corporate governance of SOEs in Nigeria.

Economic influence was associated with a statistically significant effect, $t(28)=4.370$, $p<0.001$. Thus, the SOEs in Group A were associated with a

significantly larger mean economic influence than Group B. Group A averaged 4.32 (very high) ($SD=.320$), and Group B averaged 3.73 (high) ($SD=.406$), as can be seen in Table 4.7. This means that SOEs in Group A appear to be economically stable and independent due to reforms in their governance structure. Moreover, joint venture participation in some SOEs has encouraged micro/macro-economic policies and the level of competition in products and services in some Nigerian SOE firms.

Globalization had a significant effect $t(28)=4.487, p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean globalization than in Group B. Group A averaged 4.17 ($SD=.469$), and Group B averaged 3.45 ($SD=.403$) (see tables 4.13 and 4.14). This means that Group A seems to have improved on global harmonization of corporate governance than Group B. For example, these harmonisations can be seen in the independent boards, separation of the chairmanship and the CEO roles, presence of independent audit, remuneration committee, and disclosure norms. One participant in Group A said, “Now our services can actually compete with any international firm situated in Nigeria because there are no differences between us in terms of how they operate.”

Technology had a significant influence on SOEs $t(28)=5.788, p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean technology than Group B. Group A averaged 4.50 (very high), ($SD=.390$), and Group B averaged 3.45 (high) ($SD=.254$), as shown in tables 4.13 and 4.14. One participant interviewed in Group B said that “Some people (especially elderly ones) are not comfortable with technology; they still prefer old fashioned way.” While a participant in Group A acknowledged that “with some technological gargets, we can actually track fraudulent activities, increase efficiency and lower cost.” This means that technology can help a board of directors maintain strong oversight, control, and accountability.

This means that all the external factors (excluding social/cultural influence) were associated with a significantly larger mean in Group A on how external factors affect the practice of corporate governance in SOEs. Recall that Group A had a revenue declaration in 2013, which Group B did not declare. These results from independent t-tests are expected and agree with scholars (Nestor & Thompson, 2000; Rabelo & Vasconcelos, 2002; Wong, 2004; Doidge, Karolyi, & Stulz, 2007) that organizations that have better understanding on external issues perform better

regardless whether its objectives are financial or nonfinancial. This indicates that Group B may need to have a critical evaluation of these factors and determine ways of benefiting from them.

5.7.1 Discussion on Results of Internal Factors Between Groups A and B Using Independent t-test

The independent samples t-test compares whether the means in groups A and B were associated with a statistically significantly different mean on ownership structure, board composition, and board diversity, board leadership, board size and demography; thus, an independent sample t-test was performed (see Table 4.8). According to the t-test for equality of means, ownership structure was associated with a statistically significant effect $t(28)=8.579$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean ownership structure than in Group B. Group A averaged 4.10 (high) ($SD=.296$), and Group B averaged 3.15 (moderate), ($SD=.311$), as can be seen in tables 4.15 and 4.16.

This means that ownership structure varies in SOEs in groups A and B; shares in SOEs in Group A are jointly owned by private companies and the government. Some establishments in Group A are strongly managed and controlled by private hands; as such, the government does not have much say or control on the activities/objectives of these firms. One of the participants in Group A said “Most of directors are non-government members because we own more shares than the government.” On the other hand, one of the participants in group categorically stated that “because of firm is 100% owned by the government, bureaucracy will always have its way.”

According to the t-test for equality of means, board composition was associated with a statistically significant effect $t(28)=5.624$, $p<0.001$. Group A averaged 3.93 (high) ($SD=.467$), and Group B averaged 2.98 (moderate), ($SD=.458$) (see tables 4.15 and 4.16). This means that group A showed a strong board composition as regards to board size, duality of CEO and Chair than group B. One of the participants in group stressed that “most of the board members in my establishment are party members to the ruling government party; and as such, there’s

no healthy oversight on the management team/CEO who also is also a party member.”

Board diversity was associated with a statistically significant effect $t(28)=5.619$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean board diversity than in Group B; Group A averaged 3.53(high)($SD=.388$),and group B averaged 2.82 (moderate)($SD=.306$) (seetables 4.15 and 4.16). This means that group A significantly improved on board diversity, for example gender, racial and cultural composition of BODs. One the participants interviewed in group A acknowledged that “the number women in both management team and board members have increased dramatically.” SOEs in Nigeria are among some African public firms that have few women at its top management levels.

There was not enough evidence to suggest a significant difference between SOEs in group A and B in regards to board leadership $t(28)=1.597$, $p=.121$. Thus, the p -value of .121 is greater than “.05” alpha level;Group A averaged 4.38 (very high) ($SD=.297$),and Group B averaged 4.18 (high), ($SD=.383$), as can be seen in Table 4.8.This means that Group A statistically showed a strong board leadership quality than did Group B. One participantinterviewed from Group A acknowledged that “corruption and weak policies have been minimized because of the private sector presence in their firm.” The report from Group B is the opposite of that of Group A.

Board size was associated with a statistically significant effect $t(28)=5.692$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean board size than Group B;SOEs in Group A averaged 3.80 (high)($SD=.465$),and Group B averaged 2.90 (moderate)($SD=.399$) (seetables 4.15 and 4.16). This means that board size in Group A enabled them to function effectively. “The number of board members in my firm is many and most are ignorant or uninformed board activities” said one of the participants interviewed in Group B.

Demography had a significant effect on SOEs $t(28)=5.996$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean demography than in Group B;SOEs in Group A averaged 3.88 (high)($SD=.516$),and Group B averaged 2.88 (moderate) ($SD=.388$), as can be seen in tables 4.15 and 4.16. This means statistically that SOEs in Group A showed that top management and board members

are effectively efficient judging from their level of education, age, gender etc. than SOE firms in Group B.

Findings from groups A and B show that both groups agree and stand on the same level (variance assumed equal) in that board leadership is a big issue that has a heavy impact on both groups. The expected finding supports an empirical study, which concludes that leadership is a factor that has enormous impacts on the performance of firms (Larcker & Tayan, 2012). On the other hand, all other internal factors were associated with a significantly larger mean in Group A on how they affect the practice of corporate governance in SOEs.

These results from independent t-tests are expected and agree with scholars (La Porta et al., 2002; Hambrick, 2007; Uadiale, 2010) who argue that there is strong positive relationship among ownership structure, board size, board composition, demography, and corporate firm performance.

This indicates that firms/establishments in Group B may need to review its approaches on how internal issues are handled to enable them improve their overall performance.

5.7.2 Discussion on Results of Policies Between Groups A and B Using Independent t-test

The independent samples t-test compares whether the means in groups A and B were associated with statistically significantly different mean on compensation, disclosure and risk management, hiring and selection, and board committee; thus, an independent sample t-test was performed (see tables 4.17 and 4.18). According to the t-test for equality of means, compensation was associated with a statistically significant effect $t(28)=5.687$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean compensation than in Group B; SOEs in Group A averaged 3.47 (high) ($SD=.681$), and Group B averaged 2.03 (low) ($SD=.700$).

This means that disclosure of remuneration policy for the chief executive officer (CEO) and board of directors (BODs) improved in SOEs firms in Group A. For SOEs in Group B, there were no indications that disclosure regarding remuneration of CEO and BODs improved. One of the participants interviewed in Group B stressed that “pay packages and financial privileges for top management team, CEO and board

members are not for open discussions in my firm.” This issue is shredded in secrecy in most SOEs firms. The irony of it is that even CEOs and BODs in some SOE firms that underperformed still enjoy fat pay packs.

Disclosure was associated with a statistically significant effect $t(28)=7.194$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean disclosure than in Group B; SOEs in Group A averaged 3.47 (high) ($SD=.550$), and Group B averaged 1.90 (low) ($SD=.639$), as can be seen in tables 4.17 and 4.18. This indicates that full disclosure of financial reporting and auditing in SOEs in Group A improved but worsened in Group B. Most SOE firms in Group B and few SOE firms in Group A do not have a website. And few SOE firms in Group B that operate a website do not publish their financial report on their website. The financial reports of most SOEs in Group B are only revealed to a few eyes.

Risk management had a great influence on SOEs $t(28)=4.556$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean risk management than in Group B; SOEs in Group A averaged 3.63 (high) ($SD=.471$), and Group B averaged 2.85 (moderate) ($SD=.471$), as can be seen in tables 4.17 and 4.18. This means that there are no systems put in place in terms of remedying firms from perceived danger in SOEs in Group B. Actually, the same situation exists in SOEs in Group A but is not as pronounced as that of Group B. A participant in Group A said, “We are now beginning to see some members’ top management team being questioned in some activities that the board believes may lead to fraudulent activities. Technologically speaking, some SOEs are now beginning to install devices that can minimize activities relating to fraud.”

Hiring and selection were associated with a statistically significant effect $t(28)=5.390$, $p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean hiring and selection than in Group B; SOEs in Group A averaged 3.35 (high) ($SD=.749$), and Group B averaged 1.97 (low) ($SD=.654$), as can be seen in tables 4.17 and 4.18. This means that SOEs in Group A have improved on hiring and selection processes in regards to disclosure of recruitment policy of new CEOs and BODs than in Group B. “You must highly connected to be able to be appointed by the government into the position of a CEO or even board members,”

said one of the participants in Group B. Our research revealed that “connection” is the keyword rather than “qualification.”

Board committee policy had a significant effect from the results $t(28)=4.100$, $p<0.001$. Group A averaged 3.68 (high)($SD=.644$), and Group B averaged 2.97 (moderate)($SD=.208$) (see tables 4.17 and 4.18). This indicates that board committees that serve as monitoring mechanisms in SOEs in Group A improved. “I am happy with the level of information flow between the top management and board members in my firms, at least healthy decisions are made,” said a participant in Group A.

This suggests that almost all firms/establishments from Group B fall below the cutoff point for the acceptability of a significant response on corporate governance policies, which mean that most of the policies of corporate governance practices were relatively ineffective (low) in Group B. These results from independent t-test are expected and agree with those of Dempsey, Harrison, Luchtenberg, and Seiler (2010, p.468), who argued that annual report opacity is significantly greater for poorer performing firms in terms of return on assets (ROA), and that the residual opacity unexplained by ROA performance and other control variables is found to be a significantly priced risk factor “beyond the Fama-French three-factor risk premia.”

5.7.3 Discussion on Results of BODs Activities Between Group A and B

Using Independent t-tests

According to the t-test for equality of means, deciding the CEO’s job, including hiring and firing, was associated with a statistically significant effect $t(28)=2.219$, $p=0.035$. Group A averaged .77 (below the lowest range) ($SD=.1.338$), and Group B averaged .00 ($SD=.000$), as can be seen in tables 4.19 and 4.20. This means that a small percentage of firms in Group A have joint partnership with SOEs, which was why they could exercise its shareholding power to hire/fire top management officers. But on the side of Group B, the power to appoint a chair of the board and CEO resides with the government.

Assessing CEO and management’s performance had a significant effect $t(28)=5.727$, $p<0.001$. Group A averaged 3.45 (high) ($SD=.786$), and Group B averaged 2.05 (low)($SD=.528$), as can be seen in tables 4.19 and 4.20. This result indicates that board members in SOEs in Group B did poorly in assessing the

performances of CEOs and management teams. Some SOEs in Group A showed signs of improvement probably because of the involvement of some private sectors in SOEs. Our research revealed that board members of most SOEs in Group B were not concerned with evaluating a CEO's performance because they are politicians from the same party.

Helping to set strategic directions was associated with a statistically significant effect $t(28)=6.116, p<0.001$. Group A averaged 3.92 (high)($SD=.497$), and Group B averaged 2.97 (moderate)($SD=.339$) (see tables 4.19 and 4.20). This result suggests that board members in Group A improved its oversight role in ensuring that CEOs do not implement selfish objectives than do SOEs in Group B.

Evaluating a firm's performance had a significant influence on SOEs $t(28)=7.046, p<0.001$. Group A averaged 3.90 (high)($SD=.524$), and Group B averaged 2.67 (moderate)($SD=.430$), as can be seen in tables 4.19 and 4.20. Evaluating a firm's performance is one of the duties of the board of directors (BODs) in SOEs; in this result, BODs in Group B underperformed when compared with their counterparts in Group A. "It is painful to acknowledge that BODs in my firm do not have a standard approach of evaluating our firm; in fact, some of their judgments are politically motivated," said an interviewee from Group B.

Developing a CEO's succession plan was associated with a statistically significant effect $t(28)=4.609, p<0.001$. Group A averaged 3.35 (moderate), ($SD=.849$); Group B averaged 2.07 (low)($SD=.665$) (see tables 4.19 and 4.20).

Interestingly, this result revealed that "succession plan" in the SOEs of Nigeria mostly exists on paper. The above result reveals that succession plan is mostly stage-managed and influenced by politicians. "The board of directors in most SOEs do not worry about cracking their brains on who succeeds the outgoing CEO in my establishment because they are not even consulted in most cases by the government when appointing a CEO," said an interviewee in Group B.

Communicating with stakeholders was associated with a statistically significant effect $t(28)=3.635, p<0.001$. Group A averaged 3.48 (high)($SD=.563$), and Group B averaged 2.90 (moderate)($SD=.264$) (see tables 4.19 and 4.20). This result revealed that most SOEs in Group B did not do well in communicating with its stakeholders. From our interviews, we gathered that communities of where some of

these SOEs are located are the most affected, and, due to lack of proper handling of issues with the communities, it has adversely affected most SOEs resulting loss of profit, government properties and, in most cases, loss of life. Incidences such as these are commonly found in the oil and gas sectors. Interestingly, private partnerships with SOEs have improved drastically in communicating with stakeholders, which can be seen in Group A, as indicated above.

Maintaining legal and ethical practices had a strong impact on SOEs $t(28)=6.414$, $p<0.001$. Group A averaged 3.75 (high) ($SD=.491$), and Group B averaged 2.87 (moderate) ($SD=.208$) (see tables 4.19 and 4.20). Study revealed that most SOEs in Nigeria lack legal and ethical practices in their activities.

Furthermore, most CEOs, including board members, in Group B do not comply with legal structures set up in Nigeria. This is different in Group A (though not a perfect situation), where some private firms partnering with SOEs comply with most of these laws and regulations. “Our top management team in many cases lack in moral standing as far as ethics is concerned,” said a participant in Group B. Our research revealed that some audit committees and financial statements are falsified for selfish purposes.

Ensuring that control and accountability mechanisms are in place was associated with a statistically significant effect $t(28)=5.808$, $p<0.001$. Group A averaged 3.83 (high) ($SD=.603$), and Group B averaged 2.87 (moderate) ($SD=.229$) (see tables 4.19 and 4.20).

Interestingly, board members in Group A improved, according to the above result, on ensuring that CEOs and management teams followed the aims and objectives of SOEs. “Our CEO can be held accountable on his actions and decisions, which is unheard of before,” said a participant in Group A; for Group B, the situation had not improved.

Evaluating the board’s own performance was associated with a statistically significant effect $t(28)=4.369$, $p<0.001$. Group A averaged 3.78 (high), ($SD=.633$), and Group B averaged 2.98 (moderate) ($SD=.320$), as can be seen in tables 4.19 and 4.20.

The above result shows that most board of directors in Group B do not place much emphasis on evaluating their own performances. Our research reveals that some

board members in Group B and in few cases in Group A do not have the appropriate experience to sit at the board. “I think that it will be a self-inflicted wound for board members from the same political party to really evaluate themselves,” said an interviewee in Group B.

This means that SOEs from group A are more effective than those in group B, with the latter performing poorly on board activities. These findings that relationships exist between BOD and return of investment are expected and supported by Yuan(2011)andMillstein and MacAvoy(1998).The authors further explained that a board that is active and independent of management and should be associated with higher returns to investors. Moreover, Wong’s (2004) empirical evidence that setting clear-cut objectives and goals will keep CEOs’ selfish-interests on check, but a good oversight on the objective of SOEs will yield much more robust performance. Finally, Johnson, Daily, and Ellstrand (1996) and Carpenter and Westphal (2001) found that effective board monitoring may help improve a firm’s overall performance.

5.7.4 Discussions on Results of Critical IssuesBetween Groups A and B Using Independent t-test

The independent samples t-test compares whether the means in groups A and B were associated with a statistically significantly different mean on transparency and accountability of a CEO and evaluates board of directors’ effectiveness, protection of minority shareholders, periodic assessment of CEO’s pay, CEO and chair duality, and protection of stakeholders’ interests; thus, an independent sample t-test was performed, as can be seen in tables4.21 and 4.22.

According to the t-test for equality of means, transparency and accountability of a CEO were associated with a statistically significant effect $t(28)=6.953$, $p<0.001$. Group A averaged 3.48 (high)($SD=.563$);Group B averaged 2.13 (low)($SD=.499$) (see tables 4.21 and 4.22).

This means that transparency and accountability of CEOs in Group A improved reasonably than in Group B. “There is a kind of awareness in terms of answerability and taking responsibility of your actions even to the top management in my firm,” said a participant in Group A. But, unlike SOEs in Group B, “Transparency and accountability are hard to track,” an interviewee carefully commented, refusing to

further explain. From our research, out of 30 firms/establishments surveyed, only a handful has a website and almost all the websites we checked had no report of financial statements. Most employees do not even understand the direction in which their establishment is heading.

Evaluation of board of directors' effectiveness was associated with a statistically significant effect $t(28)=7.222$, $p<0.001$. Group A averaged 3.67 (high)($SD=.556$), and Group B averaged 2.42 (low)($SD=.374$), as can be seen in tables 4.21 and 4.22. This means that Group A also performed better according to the result on the effectiveness of BODs than SOEs in Group B. Our research also revealed that more than 60% of BODs appointed by the government had no knowledge of the firm/establishment they represent. More than 50% are not regular in attending board meetings in Group B and on few cases from Group A, too.

Protection of minority shareholders was associated with a statistically significant effect $t(28)=4.175$, $p<0.001$. Group A averaged 3.57 (high) ($SD=.651$), and Group B averaged 2.73 (moderate)($SD=.417$), as can be seen in tables 4.21 and 4.22.

This result showed that SOEs in Group A performed better mainly on firms with joint venture partnership. It is also interesting to note that most SOEs in Nigeria are not traded on Nigerian stock market because they cannot compete with the private sector. It is also pertinent to note that most SOEs in Nigeria are not profit-oriented.

Periodic assessment of CEO's pay had a stronger impact on the SOEs $t(28)=6.635$, $p<0.001$. Group A averaged 3.10 (moderate) ($SD=.749$), and Group B averaged 1.37 (very low)($SD=.681$), as can be seen in tables 4.21 and 4.22. This means that SOEs in Group A (especially those with joint partnership) enjoy this kind of privilege to assess CEO pay to make sure it's commensurate with his or her job description. Our study also showed that most SOEs CEOs (especially those that are fully owned by government) receive high (unjustifiable) pay packages, and their pay is rarely assessed.

CEO and chair duality was associated with a statistically significant effect $t(28)=5.788$, $p<0.001$. Group A averaged 3.70 (high) ($SD=.681$), and group B averaged 2.63 (moderate)($SD=.442$), as can be seen in tables 4.21 and 4.22.

This result showed that Group A improved on CEO and chair duality than SOEs in Group B. Some SOEs have actually implemented the policy of a stock

exchange commission(SEC) on separating the position/role of CEO and chair. But most of these changes can be found in Group A than in Group B.

Protecting stakeholders' interests was associated with a statistically significant effect $t(28)=3.783$, $p<0.001$. Group A averaged 3.67 (high)($SD=.659$), and Group B averaged 2.97 (moderate)($SD=.281$), as can be seen in tables 4.21 and 4.22. This means that SOEs in Group A did better than those in Group B. A few years back, Nigeria SOEs had unperformed in protecting stakeholders' interest, especially firms in the oil and gas sector, etc., which had led to law suits. But lessons had been learnt (especially from SOEs group in A).

These results mean that all the critical issues factors were effective in Group A firms/establishments; while in Group B, critical issue factors were not effective. For example, issues with transparency and accountability are still a big issue in Nigerian SOEs. Most SOE firms/establishments in the financial sector do not have websites; those that do have a website do not report their financial activities or financial statements online. The board members see themselves as friends originating from political parties or social elite that do not need acceptable measures/standards to evaluate their performances on the board. Reports of fraud, corruption, and embezzlements of public funds have been widely reported.

These expected results support Thorne, Ferrell, and Ferrell's (2010) argument for organizations that their board of directors and CEOs tend to overlook critical issues facing them and may be engaging in fraudulent activities. This indicates that, if the SOEs are to succeed, especially Group B in both financial and nonfinancial goals, a thorough overhaul on how critical issues are handled must take place.

5.7.5 Discussions on Indicators of Corporate Governance Between Groups A and B Using Independent t-test

The independent samples t-test compares whether the means in groups A and B were associated with a statistically significantly different mean on corporate reputation, transparency and disclosure, stakeholder trust, financial performance and customer satisfaction; thus, an independent sample t-test was performed, as can be seen in tables 4.23 and 4.24.

According to the t-test for equality of means, corporate reputation was associated with a statistically significant effect $t(28)=11.036$, $p<0.001$. Thus, the

SOEs in Group A were associated with a significantly larger mean corporate reputation than in Group B on a 5-point Likert scale, with one strongly disagreeing and five strongly agreeing that “corporate reputation” is important in the practice of corporate governance of SOEs; Group A averaged 4.30 (very) ($SD=.271$), and Group B averaged 2.85 (moderate) ($SD=.431$), as shown in tables 4.23 and 4.24.

This means that, in terms of identity, image, and reputation, SOEs in Group A improved and did better than SOEs in Group B. “The image of this establishment is at its lowest stage right now and that worries me a lot,” said one participant in Group B when asked about her firm’s corporate reputation. Our research also revealed that salaries of employees of SOEs, especially at the state level, are most times delayed for several months.

Transparency and disclosure were associated with a statistically significant effect $t(28)=10.966, p<0.001$. Group A averaged 4.22 (high) ($SD=.421$), and Group B averaged 2.15 (low) ($SD=.596$), as can be seen in tables 4.23 and 4.24. This means that SOEs in Group A improved in consistent and aggregate reporting and annual publication than SOEs in Group B. Our research revealed an improved (but not satisfactory) internal audit procedure in most SOEs in Group A, especially for jointly owned firms/establishments.

According to the t-test for equality of means, stakeholders’ trust was associated with a statistically significant effect $t(28)=6.696, p<0.001$. Thus, the SOEs in Group A were associated with a significantly larger mean stakeholders’ trust than in Group B on a 5-point Likert scale, with one strongly disagreeing and five strongly agreeing that “stakeholders’ trust” is important in the practice of corporate governance of SOEs.

Group A averaged 4.03 (high) ($SD=.581$), and Group B averaged 2.93 (moderate) ($SD=.258$), as shown in tables 4.23 and 4.24. This means that SOEs in Group A improved more than Group B, which is currently at a moderate level. The improvement can be seen in the areas of satisfactory communication with employees, suppliers, agencies, and communities. According to the t-test for equality of means, financial performance was associated with a statistically significant effect $t(28)=8.303, p<0.001$. Group A averaged 4.20 (high) ($SD=.493$), and Group B averaged 2.97 (moderate) ($SD=.297$), as can be seen in tables 4.23 and 4.24.

This means that SOEs in Group A did well in terms of revenue declaration, which is a stark difference between groups A and B. It is pertinent to note that SOEs in Nigeria pursue both financial and nonfinancial activities. Moreover, almost all SOEs in Nigeria are not listed or traded on the stock exchange market. “Because of some corrupt and fraudulent activities, no revenue was declared in my firm,” said a participant in Group B.

Customer satisfaction had a strong impact on SOEs ($t(28)=7.513, p<0.001$). Group A averaged 4.63 (very high) ($SD=.490$), and Group B averaged 3.23 (moderate) ($SD=.530$), as can be seen in tables 4.23 and 4.24.

This means that group SOEs in Group A are exceptionally better statistically speaking when compared with those in Group B. Most firms/establishments nowadays are consistently putting in their best to maintain a positive image on their reputation, stakeholder trust, customer satisfaction, transparency and disclosure, etc. because these factors are simply indicators that a firm/establishment is doing well. The low reputation, for example, has deprived Nigerian SOEs of many investment opportunities. These expected findings are in agreement with the Gray and Balmer’ (1998) argument that senior executives are being compelled by events to think in terms of their company’s reputation and image, customer satisfaction, transparency and disclosure, etc. and how to manage them.

Failure to manage such issues will create an opportunity for fraud, corruption, and underperformance. Studies from KPMG (2013) indicated that 35% of investment decisions are based on factors such as reputation and image transparency and disclosure, while in the mergers and acquisitions market, a premium is paid for companies with stronger reputation capital. This indicates clearly that SOEs of Nigeria should adjust their operational system/structure, which will minimize incidences capable of rubbing its reputation home and abroad.

5.8 Chapter Summary

Findings show that state-owned enterprises (SOEs) in Nigeria are not at their best but merely surviving at the mercy of the government. Both financial and nonfinancial sectors of SOEs need total overhaul and restructuring to be able to meet

global standards. A study was carried out to understand factors that influence corporate governance of SOEs and also to determine how well each firm/establishment performs.

To understand this, we group them into A and B by selecting firms/establishments from various sectors in Nigeria; we then selected 15 firms/establishments from various sectors in Nigeria who declared revenue in 2013 (Group A) and 15 firms from various sectors who did not declare revenue in 2013 (Group B). A comparison of these two groups using all the factors stated in this research sheds additional light on them. SOEs from Group A, which declared revenue in 2013, statistically performed better than SOEs in Group B, which did not declare in 2013. Moreover, SOEs in Nigeria seem to have grades, for example, financial firms/establishments from the oil and gas and energy and telecommunication sectors seem to be competitive and the first choice for CEOs and board of directors in which to be positioned, while nonfinancial firms/establishments from the health, agriculture, and education sectors are also good but seem to be less attractive when compared with “first choice” firms/establishments. Most of the perceived “first choice/first grade firms/establishments” seem to be highly competitive; as such, CEOs and board members perform better in order to win the public and government’s trust in retaining his/her position.

Given the above explanation, SOEs in Group B reportedly seem to be underfunded and underequipped (even though firms/establishments in Group A claim similar underfunding), but this lack of resources appears to be more visible for Group B.

Investors and mergers appear to be more attracted to Group A than to Group B, and some of the few firms with joint venture are mainly found in Group A. Our research revealed that SOEs at the federal level in Nigeria are controlled and governed differently from SOEs at the state level; therefore, through our interviews, corruption and underperformance seem to be more rampant in Group B because of smaller budgets from the state government and delays in payment of salaries to workers; most top management staff in these firms/establishment found corrupt means to enrich themselves rather than improving the firms. Some of these SOEs are being set up and managed by the state governments, for example state health,

agriculture and education establishments, while some like oil and gas, postal services telecommunications, etc. are mainly managed by federal government.

The federal government also uses sectors such as health, education, agriculture, etc. to create a federal presence in all states in Nigeria. For example, in each state in Nigeria, there is a federal university, federal medical center, etc. More research in these areas will be encouraged in order to expand or provide more knowledge on how/why firms/establishments from the state and federal governments function.

5.9 Human Resource Recommendations

Human resource (HR) is primarily concerned with how people are managed within organizations, with special focus on policies and systems (Malthi & Rajagobalan, 2014). Findings show that most of the firms/establishments in state-owned enterprises (SOEs) have inactive or no HR departments. Therefore, we recommend that a HR unit remain active in all SOEs in Nigeria. Even though CEOs/top management officers and board of directors (BODs) are hired and fired by the government, HR activities will include recruiting of other employees, along with training and development and performance appraisal (Hack et al., 2014).

The findings of the research questions in this paper (what are the factors that influence the corporate governance in SOEs in Nigeria?) revealed factors that are mostly affected. These factors are as follows: political influence, board leadership, protecting stakeholders' interest, customer satisfaction, board committee and helping set strategic directions will be used in explaining HR recommendations in this paper.

For example, analysis on external factors showed that political influence is the most affected factor. Doidge, Karolyi, and Stulz (2007) acknowledged that SOEs are prone to higher likelihood of crises, and, because of this constant interference from the government, it has been seen as a major source of inefficiency (Wong, 2004). We recommend that the government reduces its interference in appointments and allow capable hands to pilot the affairs of SOEs. If the government must appoint, it should appoint CEOs/BODs with wealth of experience in their fields.

Research analysis on internal factors showed that board leadership is the most significant factor that influences SOEs in Nigeria. Inexperience board leaders, as shown in the findings, should be avoided because leaders must make difficult decisions in complex situations (Virakul & McLean, 2012). We recommend that HR units in SOEs should annually organize a leadership development program (LDP) for CEOs, top management, and BODs in the firm because studies have shown that it is an effective tool for improving and developing leadership skills (Virakul & McLean, 2012).

Analysis on SOE policies revealed that board committees are the most influential factor that affect SOEs in Nigeria. Board committees include the audit, remuneration, and nomination committees. Findings show that these committees are easily influenced by CEOs of SOEs. Conger and Riggio (2006) argued that the chief executive officer of the company is often the *de facto* leader of the board and can easily influence board committees (Wong, 2004). We recommend that business ethics remain high as criteria for board committees and BODs (Virakul & McLean, 2012), in order to maintain reasonable oversight.

BOD activities of SOEs revealed that helping a CEO set strategic directions is the most influential factor that affects SOEs in Nigeria. Although it is one of the duties of the BODs to set strategic directions for firm/establishment and thereby supervising the CEO to stay out of implementing selfish objectives, findings revealed that most CEOs control the board and run the firm/establishment the way desired. We recommend a reform in recruiting board members. Malthi and Rajagobalan (2014) argued that, if HR is not recognized as a transactional function by policymakers in linking with or supervising the government's restructuring program, the method of changing SOEs will fail.

Critical issues of SOEs reveal that protecting stakeholders' interest is significant because some SOE firms squabble with communities in which they are located. OECD (1999) cautioned that firms should take into consideration the interests all stakeholders as well as of the public within which they operate, and that their board members are answerable or responsible to the firm and the stockholders. We recommend that HR training for top executives and board members on SOE transformation is seriously reliant on improving new expertise or talents, changing

deep rooted behaviors, and controlling the improbability and conflicts that can arise as a result. And without HR being part of this process to guarantee that key issues concerning people are addressed, SOEs reform plans will remain an illusion (Hack et al., 2014).

Indicators of good corporate governance of SOEs in Nigeria have revealed that customer satisfaction is the most influenced factor. Qualitatively, we discovered that most people are not satisfied with the services they receive from the public sector. Alfonso (2014) posited that sustaining customer satisfaction is difficult, but to be successful, it takes demands, firmness of thought, firmness of purpose, and of action over a long period of time. Being firm in what you do also requires the skill and talents of top management. Again training is highly recommended for employees and top management to understand customer-journey consistency, which suggests that firms must persistently work to offer customers with superior service; emotional consistency suggests constructive customer-experience emotions, which is comprised in a feeling of trust; they also reveal that reliability is mostly essential to build a rapport of trust with clients or consumers and finally communication consistency, which suggests that a firm's brand is driven by more than the mixture of kept promises (Alfonso, 2014).

In conclusion, given to the research; 'boosting HR performance in the public sector, prepared with the Public Sector People Managers' Association (PPMA), indicates the danger of breakdown for state-owned enterprises (SOEs) to restructure plans to provide long-term development because they underemphasize employees and HR management challenges. Base on their research, SOEs will need:

- 1) More efficient partnership between private and government and even non government organization, to preclude unnecessary and replicated services and minimize unwarranted cost.
- 2) To recognize more professional ways of providing services and encourage innovation.
- 3) To establish better way of collective services and outsourcing and thereby minimizing operation cost.
- 4) A better efficient focus on solving dynamic needs of people via improved front-line autonomy.

5) To broker new/local conditions and circumstances of work engagement.

6) To supervise and explain change efficiently, involving employees through helpful dialogue to make sure workers buy-in.

Finally, this paper has shown (including other studies) that, for SOEs in Nigeria to function effectively, there is a need for full implementation of good corporate governance.

5.10 Limitations and Future Research

Although the research has reached its aim, some limitations should be noted.

First, this research was carried out only in one state (Imo) out of 36 states in Nigeria. Therefore, factors such as social/cultural and demography may not be generalized in the additional 35 states. Future research may be conducted in these areas.

Second, our study focuses on understanding factors that influence corporate governance in Nigeria. It did not look at correlations between factors or variables. Future research may enlarge the scope by using correlation tools to conduct analysis.

Third, corporate governance factors studied in this research are top and tested variables in literatures; more variables should be added and studied.

Finally, a study should look at SOEs firms/establishments owned by state-established and run by state governments and firms/establishments established and run by the federal government. There might be a correlation in terms of performance.

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APPENDICES

APPENDIX A

ORIGINAL QUESTIONNAIRE

A QUESTIONNAIRE SURVEY ON CORPORATE GOVERNANCE of SOEs in Nigeria

Part 1: Participant Information

Please choose the appropriate box or boxes by ticking ☐

1. Occupation/Position

| | |
|---|---|
| <input type="checkbox"/> Director/Executive in a company ----- | <input type="checkbox"/> Vice Chancellor in a university ----- |
| <input type="checkbox"/> Manager/Supervisor in a company ----- | <input type="checkbox"/> Dean of faculty in a university ----- |
| <input type="checkbox"/> Head of department in a company ----- | <input type="checkbox"/> Principal of a secondary school ----- |
| <input type="checkbox"/> Dean of studies in a secondary school ----- | <input type="checkbox"/> Staff Member ----- |
| <input type="checkbox"/> Others ----- | |

2. Gender ☐ Male
☐ Female

3. Age ☐ Below 25 ☐ 26-35 ☐ 36-45
☐ 46-55 ☐ Above 55

4. Highest educational qualification (Tick one box)

| | |
|--|---|
| <input type="checkbox"/> Secondary school level ----- | <input type="checkbox"/> Diploma ----- |
| <input type="checkbox"/> Bachelor ----- | <input type="checkbox"/> Post Graduate Diploma ----- |
| <input type="checkbox"/> Master's Degree ----- | <input type="checkbox"/> Doctoral Degree ----- |
| <input type="checkbox"/> Others ----- | |

5. How long have you been in your present position?

- | | |
|--|---|
| <input type="checkbox"/> Less than one year ----- | <input type="checkbox"/> 1-5 years ----- |
| <input type="checkbox"/> 6-10 years ----- | <input type="checkbox"/> 11-15 years ----- |
| <input type="checkbox"/> 16-20 years ----- | <input type="checkbox"/> Over 20 years ----- |

6. Year of Experience in State Owned Enterprise (SOE)

- | | |
|--------------------------------------|--|
| <input type="checkbox"/> 1-5 years | <input type="checkbox"/> 6-10 Years |
| <input type="checkbox"/> 11-15 years | <input type="checkbox"/> 16-20 years above <input type="checkbox"/> Over 20 year |

Part 2: External Factors that affect corporate governance

7- Please indicate at the left column (by ticking yes or no) which **factor/s affect your organization** and **rate** (at the right column) **the level of your agreement** as to whether the following factor/s affect your organization.

(1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree).

| Rate Here ↓ | | | | | | | |
|--------------------|----|---|-------------------|---|----------------|---|---|
| | | | Strongly Disagree | | Strongly Agree | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 7.1- Legal System (Regulatory system. supervisory and enforcement of laws) | | | | | |
| YES | NO | 7.2- Political Influence (The level of government stability and existence of government directors) | | | | | |
| YES | NO | 7.3- Social/Cultural Influences (Traditional ideas and moral values) | | | | | |
| YES | NO | 7.4- Economic Influence (Economic policies and reforms, impact of Nigeria’s economy) | | | | | |
| YES | NO | 7.5- Globalization (Global good corporate governance practices) | | | | | |

| | | | | | | | |
|--------------------|----|--|-------------------|---|----------------|---|---|
| | | | Rate Here ↓ | | | | |
| | | | Strongly Disagree | | Strongly Agree | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 7.6-Technology (Tools or inventions that causes significant adjustment and creates immense opportunities) | | | | | |

Comment/s: (Please add any additional factor/s you may deem necessary)

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Part 3: Internal Factors that affect corporate governance

8- Please indicate at the left column (by ticking yes or no) which **factor/s your organization practice** and **rate** (at the right column) **the level of your agreement** as to whether the following factor/s affect the practice of corporate governance in your organization.

Comment/s: (Please add any additional factor/s you may deem necessary)

[illegible]

Part 4: Policies and Strategies of CG

9- Please indicate at the left column (by ticking yes or no) which policy (ies) and strategy (ies) your organization practice and rate (at the right column) the **effectiveness of the quality** of the practice of the **policy (ies) and strategy (ies)** in your organization.

| | | | Rate here ↓ | | | | |
|--------------------|----|--|-----------------|---|----------------|---|---|
| | | | Least Important | | Most Important | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 9.1- Compensation Policy (Full disclosure of remuneration policy for CEO and BODs) | | | | | |
| YES | NO | 9.2- Board Size (number of board of directors and number of non executive directors) | | | | | |
| YES | NO | 9.3- Disclosure (Full disclosure of financial reporting and auditing) | | | | | |
| YES | NO | 9.4- Risk Management (Remedying firms from perceived danger/s) | | | | | |
| YES | NO | 9.5- Hiring & Selection (Full disclosure of recruitment policy of new CEO and BODs) | | | | | |
| YES | NO | 9.6- Board Diversity (Gender, racial and cultural composition of BODs) | | | | | |
| YES | NO | 9.7- Board Committees (audit, remuneration and/or nomination committees) | | | | | |

Comment/s (Please add any additional factor/s you may deem necessary)

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Part 5: Board of Directors' Activities

10- Please indicate at the left column (by ticking yes or no) which activity (ies) your firm practice and rate (at the right column) the **effectiveness of the quality** of the practice of the **board of director's activities** in your organization.

| | | | Rate here ↓ | | | | |
|--------------------|----|---|-----------------|---|----------------|---|---|
| | | | Least Important | | Most Important | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 10.1- Deciding the Chief Executive Officer's job, including hiring and firing. | | | | | |
| YES | NO | 10.2- Assessing Chief Executive Officer and management performance | | | | | |
| YES | NO | 10.3- Helping to set strategic directions | | | | | |
| YES | NO | 10.4- Evaluating firm's performances | | | | | |
| YES | NO | 10.5- Developing Chief Executive Officer succession plan | | | | | |
| YES | NO | 10.6- Communicating with stakeholders | | | | | |
| YES | NO | 10.7- Maintaining legal & ethical practices | | | | | |
| YES | NO | 10.8- Ensuring that control & accountability mechanisms are in place | | | | | |
| YES | NO | 10.9- Evaluating the board's own performance | | | | | |

Comment/s: (Please add any additional factor/s you may deem necessary)

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Part 6: Critical Issues of Corporate Governance

11- The following is a list of items relating to **Critical issues** of corporate governance. Please indicate at the left column (by ticking yes or no) which critical issue (ies) your organization practice and rate (at the right column) the **effectiveness of the quality** of the practice of critical issue/s in your organization.

(1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree).

| | | | Rate Here ↓ | | | | |
|--------------------|----|---|-------------------|---|---|----------------|---|
| | | | Strongly Disagree | | | Strongly Agree | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 11.1- Transparency & accountability of Chief Executive Officer (CEO) | | | | | |
| YES | NO | 11.2- Evaluate board of directors' effectiveness | | | | | |
| YES | NO | 11.3- Protection of minority shareholders | | | | | |
| YES | NO | 11.4- Periodic assessment of CEOs pay | | | | | |
| YES | NO | 11.5- CEO & Chair duality (Separation CEO's position from the chairman of the board) | | | | | |
| YES | NO | 11.6- Protecting stakeholders interests | | | | | |

Comment/s: (Please add any additional factor/s you may deem necessary)

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Part 7: The Indicators of Good Corporate Governance

12- Please indicate at the left column (by ticking yes or no) which CG indicator/s your organization practice and rate (at the right column) the **degree of importance** you place on the following **Indicators** in your organization.

| | | | Rate here ↓ | | | | |
|--------------------|----|---|-----------------|---|----------------|---|---|
| | | | Least Important | | Most Important | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 12.1- Corporate Reputation (Firm's image and identity) | | | | | |
| YES | NO | 12.2- Transparency and Disclosure (Consistent and aggregate reporting and annual publication) | | | | | |
| YES | NO | 12.3- Stakeholders' Trust (Healthy communication with employees, suppliers, government agencies, communities and groups to which it interacts) | | | | | |
| YES | NO | 12.4- Financial Performance (Return on assets, return on equity, return on investment, operating profit margin and net income ratios) | | | | | |
| YES | NO | 12.5- Customer Satisfaction (Consistency with superior service, feeling of trust and strong communication) | | | | | |

Comment/s: (Please add any additional factor/s you may deem necessary)

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Part 8: Purposes of Corporate Governance (CG).

(1=Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree).

* The quasi-legal rights and responsibilities are those enshrined in codes of conduct, statements from authoritative bodies to whom the companies subscribe, plus other ‘semi-binding agreements’-possibly from the organizations themselves-, national strategies, etc

[illegible]

In conclusion, please write here below any other comments that could assist in this research.

Thank you for your co-operation and support in filling out this questionnaire.

APPENDIX B

ORIGINAL CONSENT LETTER

TO WHOM IT MAY CONCERN

Dear Sir/Madam

On behalf of my Supervisory team, Professor Darlene Russ-Eft, , Professor Chartchai Na Chiangmai, and my Supervisor Professor. Busaya Virakul and me, I am writing to ask for your assistance in completing this questionnaire and grant interview as a requirement for obtaining a PhD degree in Human Resource Development at National Institute of Development Administration (NIDA), Thailand.

This study is entitled “Factor Influencing Corporate Governance of State Owned Enterprises In Nigeria: The Case of Imo State”. The objective of the research is to study corporate governance of state owned enterprises in Nigeria and to provide recommendations from human resource development (HRD) perspective. The questionnaire should take approximately 20 minutes.

I want to stress here that any information you provide will be analyzed with other information and used purely for academic purposes. In addition, your entire responses will be handled confidentially. Your identity will not be revealed in the thesis or anywhere else. The questionnaire does not request any personal information from respondents.

Thank you very much in advance for your assistance and co-operation and I am looking forward to receiving your response and comments.

Sign.....

Date.....

Yours faithfully,

Lloyd Nwafor

PhD Candidate

School of Human Resource Development

National Institute of Development Administration (NIDA)

Email Contact: lloydnwafor@gmail.com

Mobile: 08037339860

For Inquiry: Please Contact my Supervisor

Prof. Busaya Virakul

busaya@nida.ac.th

APPENDIX C

QUESTIONNAIRE GUIDE FOR RESEARCH ASSISTANTS

GUIDE FOR RESEARCH ASSISTANTS

Aims and Objectives of This Study

The primary aims and objectives of this study are as follows: to understand factors (external and internal) that influence corporate governance in Nigeria in the studied firms; to identify policies/strategies and activities that shape the corporate governance in Nigeria in the studied firms; to determine critical factors influencing corporate governance in the studied firm and finally to provide recommendations from human resource development (HRD) perspective on how to improve corporate governance in SOEs in Nigeria from the findings. To achieve these, thirty (30) SOEs were selected out of sixty three (63) in Imo State of Nigeria and were divided into two groups, namely A and B. The top fifteen (15) SOEs with the highest revenue in 2013 were categorized as group A, along with the other fifteen (15) SOEs that declared loss in terms of revenue generation in 2013 were also categorized as group B. The study, amongst other things will uncover disparities and factors that influence corporate governance in their respective firms.

Statement of the Problem/Questions

There has been renewed interest in the corporate governance practices of modern corporations since 2001, particularly due to the high-profile collapses of number of large firms such as corporations like WorldCom, Enron and Lehman Brothers etc. These collapsed corporations are involved in a major insolvency or bankruptcy as a result of scandals relating to allegations of unethical behavior by Chief Executive Officers (CEO) acting within or on behalf of these corporations. Bold and broad efforts to reform corporate governance have been driven, in part, by the needs and desires of shareholders to exercise their rights of corporate ownership and to increase the value of their shares and, therefore maximizing wealth.

The World Bank (“Worldwide Governance Indicators”, 2012) and other scholars (Oyejide & Soyibo, 2001; Okeahalam, 2004) has beamed more light in the corporate governance situations in Nigeria, stating its deteriorated condition. More so, concerned scholars Obadan (2000) and Obadan and Ayodele (1998) have also unveiled the problematic nature of Nigeria state owned enterprises’ ill situation as being a drainage that wastes billions of dollars from the government purse including the government’s decision to privatize them. Although there are interesting conversations from scholars (Omoleke, 2008; Anugwom, 2011; Ogbu, 2011) on the outcome of privatization of Nigeria SOEs, there is little or no literature on understanding corporate governance of SOEs in Nigeria. Therefore, the study shall attempt to address the following questions:

- 1) What are the **external** and **internal** factors influencing corporate governance of Nigeria in the studied firms?
- 2) What are the **policies** and **strategies, activities** and **critical issues** that shape the corporate governance of Nigeria in the studied firms?
- 3) **Recommendations** from human resource development (H.R.D) perspective will be offered on how to improve corporate governance in SOEs in Nigeria from the findings.

Criterion for Research Assistants:

- 1) Must be at least a graduate from any government approved university. A master's degree will be more helpful.
- 2) Must receive three days training on the objective and purpose of the research and on how to establish rapport with prospective respondents.

Data Collection Process

- 1) All research materials must be considered confidential and must be returned to the researcher whenever it is deemed necessary.
- 2) The respondents to the questionnaires must be briefed about the purpose of the study and must be assured of confidentiality where necessary.

- 3) Please always cross-check thoroughly on any filled questionnaire before collection.
- 4) The researcher will handle all interviews and research assistants will take notes
- 5) Do not rephrase any answer given by the respondent.
- 6) If rephrasing the answer, please write down exactly what was asked and what the respondent said exactly.
- 7) Indicate whether or not the person will be asked to review the interview notes / transcript.

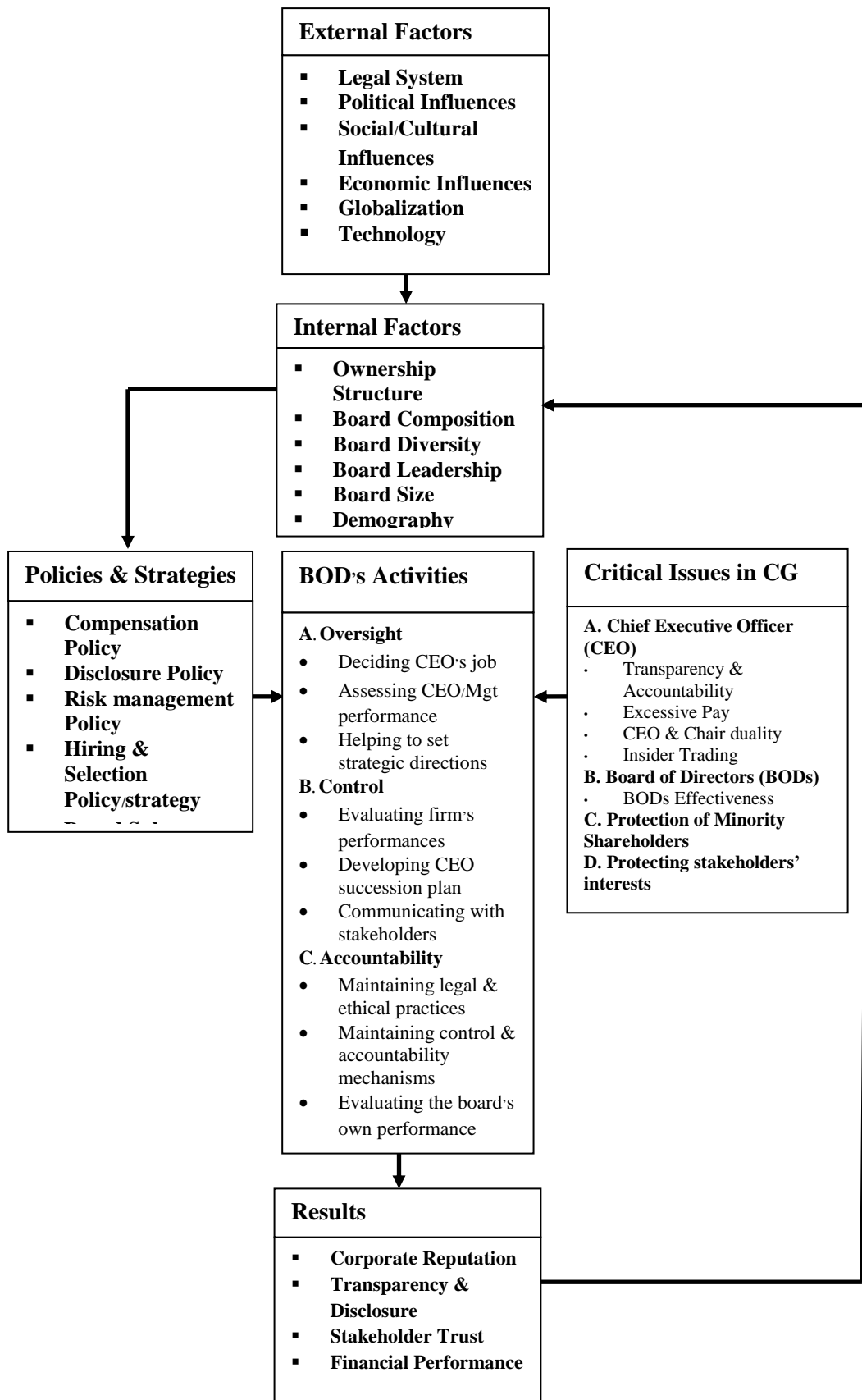
Tentative Timetable for Data Collection in Imo State

[illegible]

Guide on Questionnaire and Variables

Research Framework

The questionnaire was designed based on the research framework and the framework was formed from the literature review. The principal aim of this study is to understand factors, policies, strategies, activities and critical issues and how they influence corporate governance practices in the studied firms in Nigeria and recommend how human resource development (HRD) can improve corporate governance in Nigeria from the findings. The conceptual framework in this paper is to establish basic understanding of the external and internal factors, policies and strategies, activities and critical issues of corporate governance derived from the literature review. In the below framework, there are six parts namely; (1) external and (2) internal factors (3) the policies and strategies (4) the activities (5) results and (6) the critical issues of corporate governance. The aim of this study is not to prove relationship with all the given variables in the framework. However, the framework provides a comprehensive overview in understanding basic concepts on what a corporate governance is all about and how it works.



Understanding the Questionnaire

The questionnaire is divided into 9 parts which is participant's information, the external and internal factors, strategies and policies, activities, critical issues, indicators (results), purpose of CG and Future introduction of corporate governance were all used to design the questionnaire. The questionnaire addressed each questions from every box in the framework. Inside every questionnaire box, each variable are briefly explained to educate/refresh its meaning to the respondent. The followings are examples from the questionnaire.

Questions on Impacts of External Factors

| Rate here ↓ | | | | | | | |
|--------------------|----|--|-------------------|---|----------------|---|---|
| | | | Strongly Disagree | | Strongly Agree | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 7.1- Legal System (Regulatory system. supervisory and enforcement of laws) | | | | | |
| YES | NO | 7.2- Political Influence (The level of government stability and existence of government directors) | | | | | |
| YES | NO | 7.3- Social/Cultural Influences (Traditional ideas and moral values) | | | | | |
| YES | NO | 7.4- Economic Influence (Economic policies and reforms, impact of Nigeria’s economy) | | | | | |
| YES | NO | 7.5- Globalization (Global good corporate governance practices) | | | | | |
| YES | NO | 7.6-Technology (Tools or inventions that causes significant adjustment and creates immense opportunities) | | | | | |

Note: The respondent is asked to indicate and rate the factor/s that affects their organization. We anticipate that a 'NO' in the indication box will mean no rating while a 'YES' will afford a rating from the respondent.

Questions on How Internal Factors are Practiced in Their Firms.

| | | | Rate here ↓ | | | | |
|--------------------|----|--|--------------------|---|-------------------|---|---|
| | | | Least Important | | Most Important | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 9.1- Compensation Policy (Full disclosure of remuneration policy for CEO and BODs) | | | | | |
| YES | NO | 9.2- Board Size (number of board of directors and number of non executive directors) | | | | | |
| YES | NO | 9.3- Disclosure (Full disclosure of financial reporting and auditing) | | | | | |
| YES | NO | 9.4- Risk Management (Remedying firms from perceived danger/s) | | | | | |
| YES | NO | 9.5- Hiring & Selection (Full disclosure of recruitment policy of new CEO and BODs) | | | | | |
| YES | NO | 9.6 – Board Diversity (Gender, racial and cultural composition of BODs) | | | | | |
| YES | NO | 9.7- Board Committees (audit, remuneration and/or nomination committees) | | | | | |

Note: The respondent is asked to indicate and rate the internal factor/s they practice in their organization. We anticipate that a ‘NO’ in the indication box will mean no rating while a ‘YES’ will afford a rating from the respondent.

Questions on How Policies and Strategies of CG are Practiced in Their Firm

| | | | Rate here ↓ | | | | |
|--------------------|----|--|-----------------|---|----------------|---|---|
| | | | Least Important | | Most Important | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 9.1- Compensation Policy (Full disclosure of remuneration policy for CEO and BODs) | | | | | |
| YES | NO | 9.2- Board Size (number of board of directors and number of non executive directors) | | | | | |
| YES | NO | 9.3- Disclosure (Full disclosure of financial reporting and auditing) | | | | | |
| YES | NO | 9.4- Risk Management (Remedying firms from perceived danger/s) | | | | | |
| YES | NO | 9.5- Hiring & Selection (Full disclosure of recruitment policy of new CEO and BODs) | | | | | |
| YES | NO | 9.6 – Board Diversity (Gender, racial and cultural composition of BODs) | | | | | |
| YES | NO | 9.7- Board Committees (audit, remuneration and/or nomination committees) | | | | | |

Note: The respondent is asked to indicate and rate policy (ies) and strategy (ies) they practice in their organization. We anticipate that a ‘NO’ in the indication box will mean no rating while a ‘YES’ will afford a rating from the respondent.

Questions on The Board of Directors Activities

| | | | Rate here ↓ | | | | |
|--------------------|----|---|-----------------|---|----------------|---|---|
| | | | Least Important | | Most Important | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 10.1 -Deciding the Chief Executive Officer's job, including hiring and firing. | | | | | |
| YES | NO | 10.2 Assessing Chief Executive Officer and management performance | | | | | |
| YES | NO | 10.3 Helping to set strategic directions | | | | | |
| YES | NO | 10.4 -Evaluating firm's performances | | | | | |
| YES | NO | 10.5 Developing Chief Executive Officer succession plan | | | | | |
| YES | NO | 10.6 Communicating with stakeholders | | | | | |
| YES | NO | 10.7 - Maintaining legal & ethical practices | | | | | |
| YES | NO | 10.8 Ensuring that control & accountability mechanisms are in place | | | | | |
| YES | NO | 10.9 Evaluating the board's own performance | | | | | |

Note: The respondent is asked to indicate and rate the BOD's activity (ies) they practice in their organization. We anticipate that a 'NO' in the indication box will mean no rating while a 'YES' will afford a rating from the respondent.

Questions on Critical Issues of Corporate Governance

| | | | Rate here ↓ | | | | |
|--------------------|----|---|-------------------|---|---|----------------|---|
| | | | Strongly Disagree | | | Strongly Agree | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 11.1- Transparency & accountability of Chief Executive Officer (CEO) | | | | | |
| YES | NO | 11.2- Evaluate board of directors' effectiveness | | | | | |
| YES | NO | 11.3- Protection of minority shareholders | | | | | |
| YES | NO | 11.4- Periodic assessment of CEOs pay | | | | | |
| YES | NO | 11.5- CEO & Chair duality (Separation CEO's position from the chairman of the board) | | | | | |
| YES | NO | 11.6- Protecting stakeholders interests | | | | | |

Note: The respondent is asked to indicate and rate the **Critical Issue/s** they practice in their organization. We anticipate that a 'NO' in the indication box will mean no rating while a 'YES' will afford a rating from the respondent.

Questions on Indicators of CG

| | | | Rate here ↓ | | | | |
|--------------------|----|---|-----------------|---|----------------|---|---|
| | | | Least Important | | Most Important | | |
| Indicate here ↓ | | Statement | 1 | 2 | 3 | 4 | 5 |
| YES | NO | 12.1- Corporate Reputation (Firm's image and identity) | | | | | |
| YES | NO | 12.2- Transparency and Disclosure (Consistent and aggregate reporting and annual publication) | | | | | |
| YES | NO | 12.3- Stakeholders' Trust (Healthy communication with employees, suppliers, government agencies, communities and groups to which it interacts) | | | | | |
| YES | NO | 12.4- Financial Performance (Return on assets, return on equity, return on investment, operating profit margin and net income ratios) | | | | | |
| YES | NO | 12.5- Customer Satisfaction (Consistency with superior service, feeling of trust and strong communication) | | | | | |

Note: The respondent is asked to indicate and rate the corporate governance **Indicator/s** they practice in their organization. We anticipate that a 'NO' in the indication box will mean no rating while a 'YES' will afford a rating from the respondent.

Questions on Purposes of CG

| | Strongly Disagree | | | Strongly Agree | |
|---|-------------------|---|---|----------------|---|
| Statements | 1 | 2 | 3 | 4 | 5 |
| 13.1- Useful for the Nigerian economy | | | | | |
| 13.2- Improve accountability mechanism | | | | | |
| 13.3- Reduce the level of corruption | | | | | |
| 13.4- Improve the investment climate | | | | | |
| 13.5- Improve corporate social responsibility in Nigeria | | | | | |
| 13.6- Protect stakeholders' rights | | | | | |
| 13.7- Others (please specify) | | | | | |

Note: The respondent is asked to indicate and rate the extent of their agreement on the purposes of corporate governance. This is meant only to test the respondent's perception of CG.

Questions on Future Introduction of Corporate Governance

| | Strongly Disagree | | | Strongly Agree | |
|---|-------------------|---|---|----------------|---|
| Statement | 1 | 2 | 3 | 4 | 5 |
| 14.1- By quasi-laws beside existing laws and regulations | | | | | |
| 14.2- Through adjusting international codes' requirements | | | | | |
| 14.3- Through adjusting national codes to harmonize with the international codes | | | | | |
| 14.4- By new laws and regulations | | | | | |

Note: The respondent is asked to indicate and rate the extent to which they agree with each of these approaches. This is meant only to test the respondent's perception of CG situation in his/her firm.

You are requested to sign below, and by signing this paper, it means you fully understood the objective and purpose of this research and have promised to abide by the rules and regulations guiding this work.

Sign.....

Name.....

Date.....

APPENDIX D

RESEARCH LETTER FROM SHRD NIDA



No. 0526.12/1528

Graduate School of Human Resource Development
The National Institute of Development Administration
Serithai Road, Bangkok, Bangkok 10240, THAILAND
Tel. (662) 7273474

To whom it may concern,

This is to certify that Mr. Nwafor Lloyd Chukwuemeka with ID number 5410631003 is a Ph.D. Candidate of the School of Human Resource and Development (HRD), in National Institute of Development Administration (NIDA). He is enrolled as a scholarship candidate in June, 2011 academic year and has performed satisfactorily in all his courses. Mr. Nwafor Lloyd Chukwuemeka is currently embarking on his dissertation titled "Corporate governance of state owned enterprises in Nigeria: The case of Imo State", as a requirement for the degree of Doctor of Philosophy. The objective of his research is to understand factors that influence corporate governance in Nigeria and to provide recommendations from human resource development (HRD) perspective.

In this regard, the university would be appreciative of any assistance you could render to him to support his dissertation study.

Given on August 8, 2014

(Associate Professor Dr. Wichai Utsahajit)

Dean, Graduate School of Human Resource Development

BIOGRAPHY

NAME

Lloyd Chukwuemeka Nwafor

ACADEMIC BACKGROUND

Bachelor of Business Administration
(Marketing), Bangkok University,
Thailand in 2006.

Master of Business Administration
(Management), Stamford University in
Thailand in 2009.

PRESENT POSITIONS

Thailand Representative,
Masters Energy Oil & Gas Nigeria Ltd.
President,
Nigerians in Diaspora Organization,
Thailand Chapter
Head- Investment Management
Consultant/Researcher,
Luvam Global Solutions Nigeria Ltd.

EXPERIENCES

President,
Nigerian Community Association in
Thailand from 2006-2012
Lecturer,
Stamford University, Cha'am from
02/2009 - 12/2009
Board of Director,
Asian African Foundation in Bangkok
Thailand from 2007-2010

EXPERIENCES(Continued)**Part-time Lecturer,**

Yonok University (Pattaya International Campus) from 03/2010-09/2010.

ACCOMPLISHMENTS

Received “Award for Excellent Service to the Nigerians in Thailand” from Embassy of Nigeria in 2015.

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