Uluslararası İleri Doğa Bilimleri ve Mühendislik Araştırmaları Dergisi
Sayı 8, S. 287-308, 4, 2024
© Telif hakkı IJANSER'e aittir
Araştırma Makalesi

IJANSER

https://as-proceeding.com/index.php/ijanser
ISSN: 2980-0811

International Journal of Advanced Natural Sciences and Engineering Researches
Volume 8, pp. 287-308, 4, 2024
Copyright © 2024 IJANSER
Research Article

CORPORATE GOVERNANCE AND INNOVATION PERFORMANCE OF MANUFACTURING FIRMS IN NIGERIA

Akinwale OMOTOLA, Ayomide OLUWATOLA, Joshua OLUWATOLA

Department of Business Administration Adekunle Ajasin University, Akungba Akoko Ondo State Nigeria

Faculty of Education, National Open University of Nigeria

Department of Computer Science, Adekunle Ajasin University, Akungba Akoko, Nigeria

Akinwale.omotola@aaua.edu.ng

(Received:17 May 2024, Accepted: 25 May 2024)

(3rd International Conference on Engineering, Natural and Social Sciences ICENSOS 2024, May 16-17, 2024)

ATIF/REFERENCE: Sina, Z., Kosova, Robert, Reka, A., Biçaku, A & Starova, A. (2024). The missing mathematics in high school. Theorems, proofs and geometric constructions. *International Journal of Advanced Natural Sciences and Engineering Researches*, 8(4), 287-308.

Abstract – Despite extensive discussions on regulatory agency on the relationship between corporate governance and organisational performance, it is not new that most extant literature and empirical investigations do not provide detailed explanation on relationship between corporate governance and firm innovation performance. Although, some empirical studies revealed that there is negative relationship between the two variables. Thus, this study examined the extent to which corporate governance and organisational performance. The study sampled listed manufacturing companies in Nigeria stock exchange. The source of data was obtained from extracted data on activities of the selected firm period from 2008 to 2017. The method of data analyses for the study are Hausman test, cross sectional panel multiple regression, fixed effect result, random effect, pool effect. These methods are employed to examine the extent of relationship and interaction impact on the selected variables. Descriptive statistics and correlation matrix was used to pre-test the data in order to determine whether they are normally distributed. Thus, the study revealed that positive and significant relationship between board size, board independence and audit committee with firm financial performance. The study further indicated that ownership structure has negative and insignificant relationship with firm financial performance. The study asserted that the dimensions selected for measuring corporate governance mechanism on firm financial performance was adequately observed. The director ownership is quite low at 4% and has an inverse relationship with the performance measures. The average board size is found to be 9 which is in concordance with the Securities and Exchange Commission Code of Corporate Code of Corporate governance. The audit committee is on the average 49% independent which results in an impact on performance based on return on equity and profit margin. The study recommended that member on corporate governance in different companies should carry constantly carry out an audit of compliance on corporate governance as its affect firm financial performance.

Keywords: Good Governance, Organizational Performance, Manufacturing Firms.

1.0 INTRODUCTION

Despite extensive discussions on regulatory agency on the relationship between corporate governance and organisational performance (Nickell, 2007), it is new that most extant literature and empirical investigations do not provide detailed explanation on relationship between corporate governance and firm performance (Hermalin &Weisbach, 2008). It has be observed that different factors are responsible for inconsistencies in establishing clear relationship between corporate governance and firm performance. Roth and O Donnell (2006) and Long (2013) agreed that most publicly published information or survey results from the company are majorly limited in scope and as such responsible for lack of uniformity in terms of relationship between corporate governance and firm performance. Most empirical studies on corporate governance and employee compensation focused majorly on financial institution or non financial banks. This may be accounted for lack of consistency experienced which pointed to the nature of corporate performance experienced. This study adopted hybrid study research design to address lack of consistency and noticeable research gap in previous studies. The research design gathered information selected firms in financial and non financial sectors. Thus, the adoption of this research design in terms of the methodological approach is the motivation for this study. It must be noted that most empirical studies on the relationship between corporate governance and organisational performance is highly subjected to reverse causality or endogeneity. Thus, it is not empirically clear whether performance impact corporate governance or corporate governance influence organisational performance. In order to build on these underlying assumption this study intends to use multiple regression to examine the extent to performance and corporate governance will be potentially endogenous.

This study intends to empirically contribute to previous empirical studies sampling institutions from the Nigerian environment as against most studies on corporate governance and organisational performance that have resulted in mixed reactions in most developed countries such as Malaysia, Pakistan, United Kingdom and United State of America (Ertugrul & Hegde, 2009; Jong, Gisper, Kabir, &Renneboog, 2002; Javid& Iqbal, 2009; Zubaidah, Nurmala, &Kamaruzaman, 2009). The importance of this study lies in its ability to identify the needed research gap and build on previous studies on corporate governance and organisational performance. Most studies on corporate governance and firm performance in the Nigerian environment did not base their analyses on the period covered by this study. For instance, Kajola, (2008) did a study for the period within 1996 to More importantly and based on the researcher s knowledge, this intends to study build on the work of Kajola (2018) which has been considered as the most recent study that obtained information from the Nigeria Stock Exchange. Kajola (2018) did an empirical study to examine relationship between return on equity and profit margin on corporate governance of selected samples fifty twenty companies on the Nigeria Stock Exchange.

While, this examination utilizes a bigger example size of fifty two (52) and looks at the connection between three execution measures (Return on Equity, Return on Assets, and Profit Margin) and four corporate administration factors . Because of the determination of test organizations from various ventures, an industry sham variable is made to decide if idiosyncrasy exists in the consequences of organizations in same industry. Likewise, organization size and influence are presented as control factors so as to decide their association with firm execution. The proposed motivation behind crossing over the talked about holes would not be accomplished without this exploration loaning its answers and philosophies to settling the enduring irreconcilable situation among supervisors and investors which has been labeled as the organization issue.

The study examined three important variables of organisational performance (Return on Equity, Return on Assets, and Profit Margin) and four corporate governance parameters. Since the selected companies are from different sector, there is need for a dummy variable to know the whether or not peculiarity relationship exists in the result obtained. Leverage and company size are parameter for corporate governance to know its relationship with organisational performance. Thus, the contribution of this study will be difficult to achieve without having basic understanding on issue of inconsistency on the relationship between the two related concepts which has been considered as the agency problem. Furthermore, previous research on the relationship between corporate governance and organisational performance is highly subjected to reverse causality or endogeneity assumption. Thus, it is difficult to establish whether organisational performance impact corporate governance or corporate governance influence firm performance. Against this backdrop that this study intends to adopt multiple regression analysis to examine the extent to which organisational performance and corporate governance parameters will be potentially endogenous. Subsequently, it isn't evident whether execution causes administration or whether corporate administration causes execution. So as to clear this uncertainty, the examination will used a numerous relapse investigation to distinguish execution and administration factors to be conceivably endogenous.

Research Objectives

The main objective of this study is corporate governance and firm innovation performance of manufacturing firm in Nigeria. The specific objectives of this study are thus as follows:

(i) Ascertain the relationship between board size and firm innovation performance in Nigeria.

(ii) Ascertain the effect of board independence on firm performance.

(iii) Investigate the relationship between ownership structure concentration and firm innovation performance.

(iv) Examine the effect of audit committee independence on firm innovation performance

Hypotheses of the Study

1. Ho: There is no significant relationship between board size and firm innovation performance
2. Ho: There is no significant relationship between board independence and firm innovation financial performance
3. Ho: Ownership structure has no significant relationship with firm financial innovation performance
4. Ho: There is no significant relationship between audit committee and firm innovation performance

The study focused on the extent to which panel data methodology examines if there is relationship between organizational innovation performance and corporate governance among selected listed firms in the Nigeria Stock Exchange. The study was restricted to corporate governance and performance among listed manufacturing firms in the Nigeria stock exchange based on time and financial constraints. Thus, the period covered by the study falls within 2008 to 2017 and derived its data from the Nigeria Stock Exchange.

2 Review of related literature

There is no doubt that good governance is not as old as number f year human being as been in existence. Zubaidah (2009) agreed that the practice of good governance started back in the days of Garden of Eden This was born out of the fact that man desire to have good governance wherever they find themselves. Ajagbe and Ismail (2014) opines that the concept of governance is traceable to most limited liability company as an addendum to most agency problem they faced in their everyday activities which (Cheng, 2008) asserted that it is the major problem that resulted into conflict of interest between management and ownership structure of most organisation. This gigantic contrast has made data asymmetry among chiefs and proprietors with the end goal that administrators remain in vantage position to act in manners that are impeding to the enthusiasm of investors (Matnal, 2002; Ajagbe& Ismail, 2014).

Organisational performance is an important concept that provides proper understanding and support for effective utilisation of the organisational resources to achieve company intended goals and objectives. These objectives include satisfaction of shareholders wealth maximization and profit objectives of the firm. Zubaidah (2009) asserted that organisational performance is usually measured in terms of long term market performance and other related non market performance measures (short terms). The study employee short term which is non market performance oriented approach. This approach is most common in most empirical studies and employed the use of most accounting ratios mainly investor and profitability ratios.

Concept of Innovation Firm Performance

Erhardt (2003) completed an exact examination to look at connection between board sexual orientation decent variety and hierarchical money related execution. The examination was done in the United State of America utilizing relapse and connection investigation. The discoveries uncovered that board sexual orientation assorted variety has positive and critical association with hierarchical money related execution. Cheng (2008) completed examination on the connection between proprietorship structure and hierarchical benefit. The investigation finding demonstrates that there is sure relationship proprietorship structure and budgetary execution. Besides, the investigation showed that there is negative connection between hierarchical execution and proprietorship focus in many countries that recently joined European Union. Farreira (2010) declared that there an expansion in the quantity of female chiefs has not have any huge relationship on the organizations' arrival on resources. Sanda et al. (2005) completed an observational work on corporate administration and hierarchical money related execution of chose firms in the Nigerian business condition.The study adopted pooled ordinary least regression analysis method (Solomon, 2012; Ajagbe, 2007). Thus, the study concluded that both board size and board structure has negative relationship with return on equity.

Bathula (2008) carried out investigation on whether there is relationship between gender diversity and organisational financial performance. The study was carried out in New Zealand using general least method. Based on the technique adopted the study revealed that gender diversity and firm performance has significant relationship. The study further revealed that there is no significant relationship between director ownership and firm performance.

Babatunde and Olaniran (2009) asserted that there is negative relationship between governance mechanism and organisational performance among selected firms in Nigeria based on the study carried out on governance mechanism and performance of corporate firms. The study further revealed that there negative and inverse relationship between director□s shareholding and board independence and return on asset. While there is positive relationship between board size and return on equity. The study confirmed that female board members depend on the nature tasks performed. The study confirmed that the proportion of female directors has significant and positive relationship with board strategic control but not in support with board operational control among Norwegian firms.

Board Size

Dozie (2003) characterized board estimate as all out number of individuals that comprise the board. Most experimental investigations uncovered that there is no particular number of individuals that comprise a thought board estimate. Accordingly, there are numerous conclusions by various analysts on the fitting number of people that should make up of a thought board measure. Some of way of thinking concurred that a little board size is increasingly fitting since its gives space for brief and quick basic leadership and

diminish level of control by the executives (John and Senbet, 2008). While the individuals who contended that enormous board individuals can realizes poor coordination, moderate the pace of basic leadership procedure to manage key issue of the association. The littler the size of the board the better for the association to have the option to adapt to authoritative bureaucratic issues, be practical and give educated budgetary detailing. Enormous board individuals there is high coordination, poor deferral in conveying data and in this manner, related with frail observing. Dalton et al. (2009) contended that huge individuals does not accommodate individuals input, less sorted out and couldn't now and again achieve choice at the perfect time due congestion nature of the load up. In this way, the examination researched board estimate through the quantity of executives serving ready and uncovered that there is negative association with hierarchical execution.

Board Independence

John and Senbet (2008) cited that to have formidable and independent board size, it must have more non-executive directors. Most empirical studies are inconclusive as to whether there is significant relationship between director independent and performance. In some quarter, it is empirically believed that executive directors understand most activities in the organisation and are in a better position to monitor the top management decision.

Long (2013) acknowledged that one of the genuine component of organization structure of any firm is nature of ownership structure which effect cash related execution. In the made countries like Belgium, Australia and Italy, over portion of the recorded firms have critical speculators who have over portion of the firm. This miracle isn't essential particularly in creating economies like Nigeria and United State where ownership is disengaged and control isn't disconnected from ownership. Ajagbe and Ismail (2014) agreed that it is possible to for firm to or endeavor higher-risk activities to due higher number of significant worth owners since financial specialists advantage on the upside yet commitment holders need to share in the cost of disillusionment. In any case, when there is colossal number of financial specialists, the firm makes unprecedented strategy to ensure fair dissemination of offers to all speculators. This examination intends to take a gander at institutional ownership by degree of offers held by the affiliation. Relationship with this sort of circumstance makes checking structure on the activities of the affiliation. In this manner, it is ordinary that ownership structure should enormous and positive relationship with various leveled budgetary execution.

Board Diversity

Gender diversity is not a new dimension and highly supported by both empirical and theoretical studies. Ajagbe and Ismail (2014) and Isiavwe (2015) agreed that agency theory is concerned with the important role played by directors considering the conflict of interest between management and shareholders. Allowing the different diverse group within the board to operate freely will provide a balance mechanism

as this will prevent any member of the board from dominating decision making of the board (Erhardt, 2003The concept of diversity ensures equal representation for different category of stakeholders for equity and fairness on their part. Thus, based on resource dependency theory, the board is a resource for the organisation that has strategic nature that provides relationship between different external resources.

The discussion on board diversity is not new as different countries have put in place framework to manage board diversity. For example, in Norway, it is mandatory for all the listed firms to have 40% gender quota compulsorily for woman directors. This started in Norway since January 2008. Oyediran (2003) asserted that diversity within the board can impact on the group performance which allows for group flexibility particularly when group tasks changes and become more dynamic. The individual private responsibility to the social event is noteworthy as it isn't totally settled in all cases people, it would thusly give the idea that a dynamically contrasting board would all things considered have more data and as such would can choose better decisions. It is typical that the association between board sexual direction arranged assortment and firm execution ought no doubt.

Conceptual Framework

The study focused on corporate governance and organisational performance among listed manufacturing firm in Nigeria. The dependent variable is the corporate governance while the independent variable is firm performance. The conceptual framework for the study was designed based model specification which defined the dependent variable as corporate governance and organisational performance as the independent variable. The figure 1 presented the conceptual framework for the study:

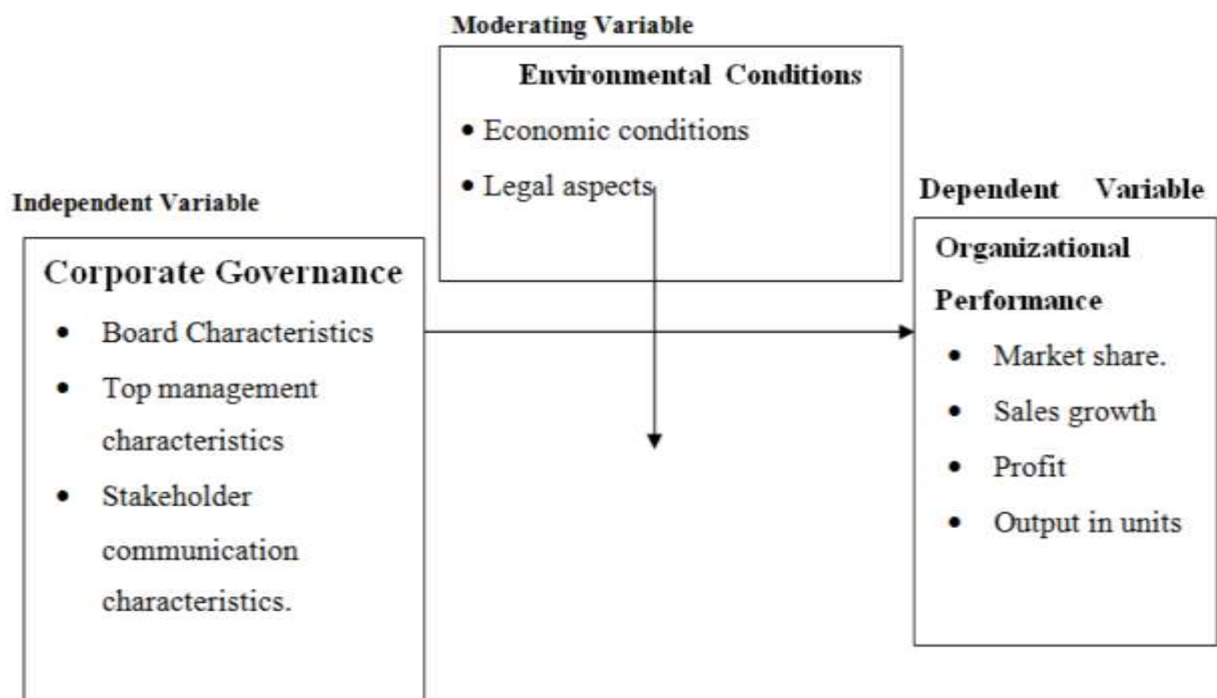

Figure 1: Relationship of Corporate Governance on organizational performance. Source: Self conceptualization

Empirical Reviews

Empirical studies and discussion on corporate governance and organisational performance (Braga-Alves & Shastri, 2011) have been established in history (Eichholtz & Kok, 2011) as significant relationship has been established between the two interrelated concepts (Gakam et al., 2009). Despite the well entrenched contributions and finding on the significant relationship between corporate governance and firm performance; there are many other research findings that indicated that there is insignificant relationship between corporate governance and organisational performance (Hutchinson, 2002). Park and Shin (2003); Prevost (2002); Singh and Davidson (2003) and Young (2003)asserted that further empirical findings further indicated that some studies cannot state specifically whether there is relationship between them or not. Some studies such as Omeiza (2009) opine that there is relationship between corporate governance and organisational performance which prevented fraud and enhance organisational efficiency and performance.

Abor and Adjasi (2007) agreed that in specific term several discussion are ongoing to establish relationship between corporate governance and organisational performance and these relationship has confirm degree of causality. Thus, most empirical studies the relationship indicated level of association from strong to very weak relationship. Black (2001) for example carried study on the two concept and indicated that there is strong significant relationship between corporate governance and organisational performance. Regardless, Ishii and Metrick (2003), Klapper and Love (2004), Nevona (2005), Bebchuk, Cohen and Ferrell (2006), Black and Khana (2007), Bruno and Claessens (2007), Chhaochharia,Vidhi and Laeven (2007), El Mehdi (2007), Kyereboah-Coleman (2007), Larcker, Richardson and Tuna (2007), Brown and Caylor (2009) all agreed that there are particular dimension of positive association between corporate organization and definitive execution.

Gillan, Hartzell and Starks (2006), Ferreira and Laux (2007); & Pham, Suchard and Zein (2007) agreed based on empirical studies that there is insignificant relationship between corporate governance and organisational performance. It was further established by Black, Jang, &Kan, 2002 that organisations with informed corporate governance perform better in terms of their operating performance than those firm lacks of corporate governance. In line with these findings, Jensen and Meckling (1976) asserted that those firms with informed governed orientation have more efficient performance which may bring higher and increase in their financial performance. Firms with high level of corporate performance have the possibility of having good investor goodwill and high level of confidence in their activities. Daily and Dalton (2004) revealed that those companies that experience bankruptcy was as a result of poor level of corporate governance culture in their organisation. Gani and Jermias (2006) pointed out those measures of organisational performance such as (ROA), (ROE), (ROCE) and market value of equities can bring changes in the level of result findings as to the relationship between corporate governance and

organisational performance. Krivogorsky (2006) opine that most empirical and theoretical framework revealed that relationship between organisational performance and structure of board in terms of ownership is the only two identified variable used at a time.

Hermalin and Weisbach (2007), Demsetz and Villalonga (2001) and McAvoy (2003) carried out an empirical investigation on relationship between board composition, managerial ownership and organisational financial performance. Extant literatures on corporate governance revealed that good corporate governance ensure reduction on non productive activities such as CEO compensation, shirking, tunneling, and related-party transactions other means of diverting the firm□s assets and cash flows. Good corporate governance reduce agency cost which emanated from good shareholder protection and the ability of the shareholders to accept low return on their investment which makes the company to have higher returns from lower capital cost.

Further critical review showed that some studies indicated independent and mixed relationship between the two proxies. Different discussion have brought about a lot of inconsistencies based on use and availability of public information, most survey information are fraught which limited the level of scope for further discussion (Kyereboah-Coleman 2017). Thus, this study intends to bridge gap by building on those available empirical evidence from Nigeria environment

There is no doubt that in Nigeria corporate governance has received enough attention as it has been recognized as one of the major issue that requires urgent discussion by stakeholders for continuance of the operation and activities of the firm. In recognition of the importance of corporate governance, Peterside Commission was inaugurated for public corporation operating on the SEC (Securities and Exchange Commission). The commission was also up for those banks and other financial institutions by the Bankers committee to regulate corporate governance for the institution. In support of this , Kojola (2018) did a study on the extent to which ROE affect board size, CEO status and profit margin. The study framed board size, board composition and audit committee as independent variable while ROE and board composition as dependent variable.

Theorectical review

This examination depended on two speculations, the investor model and partner model. Having an unmistakable comprehension of various models gave experiences that depended on in distinguishing great corporate administration rehearses.

Shareholder model

The issue of ownership and control separation as one of the major problem between stakeholders and owners of business can be traceable to the work of Berle and Means (1932). Macus (2008) believed that the work of the manager is mainly to act on behalf of the principal that is the owner of business. It must

be observed that there are numerous objectives of the owners and those who the owners hold in high esteem to manage their business, lack of inconsistency in terms of information delivery on the part of the managers behavior and incomplete agreement between them. These critical problems give rise to principal-agent relationship problem. Fama and Jensen (2003) and Hart (2005) agreed that poor contract arrangement between principal and agent has been major discourse of agency problem which has been a major part of broader research among scholars. Most of the discussion on corporate governance research mainly focused on how it will assist to provide proper arrangement on how to resolve agency problems and ensures key shareholders whose interest in the firm must be manages. In furtherance of this assertion, Rezaee (2009) defined corporate governance as the manner in which firm is been managed, monitored and accountable. There are critiques as to what corporate governance should constitute. Firstly, the diversity of those stakeholders within principal-agent relationship which constitute the firm was ignored which created and carried out by different shareholders are different level of conflict among them. Secondly, the corporate governance thinking narrowly focused on relationship between the managers and owners which thus neglect relationship between which are interdependent among the different stakeholders. It was further criticized that it treated managers as opportunistic individual who the company to drive their wealth utility goals. The proponents of this assumption believed that all the interest of the different shareholders must be recognized and accounted for. There is general assumption that if company relied solely on shareholder value maximization, there may be external constraints that may likely be imposed on shareholders. Thus, this is the underlying assumption and foundation upon which corporate governance stakeholder model was built and advocated by the different theorist.

Resource Dependency Theory (RDT)

The basic assumption under the resource dependency is that organisation depends solely o scarce productive resource from the external environment which in turn affects its corporate governance structure. The external resource influence the organisational strategic management principles and implementing external control over the organization. It was observed that resource dependency theory originated from open system theory which was based the fact that certain prevailing conditions affect the efficiency and operation of the organisation from the external environment (Chin, Widing II, & Paladino, 2004). The organisation should be proactive and be careful enough to understand conditions in the environment regarding the available resources to influence organisational sustainability and performance. The overall idea in this theory is different from transaction cost economics as its relied primarily on power and a careful articulation of the explicit repertoires of tactics available to organizations (Davis & Cobb, 2009).The theory agreed that active director in the company are more appreciated than outside directors since their ability, knowledge and expertise are more important for the organisation to

performance as these affect motivation of the board members. Gkliatis (2009) cites that board member motivation is critical for improving the image of the company, providing knowledge and expertise, improving access to organisational resources, innovation, creativity, improving information/strategy building and gathering, providing critical advice and decision making.

3. METHODOLOGY

Research design

The study employed panel data analysis method which involves obtaining information from annual financial report and accounted of selected firms on the Nigerian Stock Exchange for the period under review. Panel data was employed to be able to measure the panel of change of factual information. The method of data analyses for the study was inferential and descriptive statistics to test the required hypotheses.

Population and sample size

The population for this study is defined as all the companies listed on the Nigerian Stock. The population for the study is all listed manufacturing companies on the Nigerian Stock Exchange for the period between 2008 to 31st 2017 been the information available from financial statements of the companies. Based on data available from Nigerian Stock Exchange, there are fifty (50) manufacturing companies. Out of the fifty manufacturing companies available, four (4) were selected to form the entire population for the study. These selected four (4) companies are Unilever Nigeria Plc, Dangote Flour Mill Plc, Nestle Nigeria Plc, Cadbury Nigeria Plc and Honeywell Flour Plc. The source data employed was both primary and secondary though secondary is the major source for the study. The secondary data was obtained from the annual report and accounts of company from the Nigeria stock exchange fact book selected for the study. The research instrument employed was used to elicit information from the annual reports and company financial accounts for quantitative data.

The validity of the research instrument was confirmed from based on the work of Kajola (2008); and Sanda, Mikailu and Garba (2005). These works was adopted as reference for the validity of the research instrument for the study based on the fact that it was based on the same design and instruments for analysis. The validity of the research instrument was further supported by published annual reports and financial reports of selected companies. While the methodology was carried out through comparison of findings and methodology from previous studies from their panel data analysis.

Method of data analysis

The data collected for the study was based on corporate governance frameworks and organisational financial performance which was analyzed with descriptive and inferential methods. Tables and charts are further used to explain data collected. The mean, median, mode and standard deviation was obtained through the use of descriptive statistics. Based on the research questions, hypothesis testing was carried

out through regression tests and test of correlation. The relationship between corporate governance and organisational performance was done using multiple regression analysis through Ordinary Least Square (OLS). Test of correlation which explained the extent of degree of association between corporate governance mechanism and firm performance. In order to provide more empirical evidenced and analyses on the extent of relationship further tests such as fixed effects models and random effects are carried out to reduce the laevel of bias in the result. The fixed and random effects model is tested for its appropriateness using the Hausman Specification test which is performed using E-view statistics package special edition 9.

Model specification

An empirical model for the study was developed based on the available panel data technique. Thus, this study employed panel data analysis. The technique includes time series and cross sectional data method. The general form of the panel data analysis model is specified as:

$Y_{it} = \beta_0 + \beta F_{it} + e_{it}$ ………………………………………….(1)

Where:

Y_{it} = dependent variable

β_0 = constant

β = coefficient of the explanatory variable (corporate governance mechanisms)

F_{it} = explanatory variable

e_{it} = error term

This is based on the work of Kajola (2008) which specifies that:

$PERF = \beta_0 + \beta_1 BSIZE + \beta_2 OWN + \beta_3 CEO + \beta_4 ACOM + e_{it}$

Based on the panel data analysis model, a model is developed which is advancement on Kajola (2008). The mathematical model is expressed below:

Perf = f(corporate governance variables, control variables)□□□□□□.□□. (2)

The regression model for the empirical analysis is therefore given as follows:

$PERF^{*}it = ß_0 + ß_1 SIZE_{it} + ß_2 CEO_{it} + ß_3 OWN_{it} + ß_4 ACOM_{it} + ß_5 LEV_{it} + e_{it}$ □(3)

Where:

PERF* : three variables where used to measure performance for robustness check. Although in most empirical studies, the Tobin□s Q ratio (the market value of equity plus the market value of debt divided by the replacement cost of all assets) has been used as a measure of performance but it is omitted from this study because of the difficulty in getting information as regards the market value of debt in the annual reports and accounts of Nigerian companies. Other researchers (Kyereboah Coleman, 2007; Sanda, Mikailu, &Garba, 2005) have made use of modifications of Tobin□s Q but this study suggests that there

is really no basis for the alteration of the formula which has the tendency to affect the result of the study.

The variables which are captured as proxies of performance in this study include:

ROAit: return on assets (profit after tax/ total assets) for company i in time t

Independent Variables

BSIZEit: board size for company *i*in time *t*

CEOit : CEO duality for company *i*in time *t*

OWNit: centralization of possession (the extent of offers claimed by the biggest investors/the quantity of biggest investors (%)) for organization in time t

ACOMit: audit committee

Control Variables

SIZE: company size (book value of total assets)

LEV: leverage (the ratio of debt to total assets (%))

Where *i*and *t*, represent all the 5 companies selected in the sample and the 6 time period respectively, and *eit,* an error term

4 PRESENTATION,DATA ANALYSIS AND DISCUSSION OF RESULTS

Analysis of Regression Results and Discussion of Findings

Table 1 Pool OLS Result

Dependent Variable: ROA
Method: Pooled Least Squares
Date: 02/12/19 Time: 02:21
Sample: 2008 2017
Included observations: 9
Cross-sections included: 4
Total pool (balanced) observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BOARDSIZE	-0.952980	0.262498	-3.630427	0.0004
CEO	-0.227754	0.040548	-5.616898	0.0000
OWN	0.217946	0.068734	3.971571	0.0004
ACOM	-0.630693	0.296676	-2.125864	0.0233
NETBOOK	-0.316213	0.096917	-3.252719	0.0024

LEV	0.204877	0.093919	2.181422	0.0085

R-squared	0.613825	Mean dependent var	24.11914
Adjusted R-squared	0.799462	S.D. dependent var	13.31354
S.E. of regression	11.91199	Akaike info criterion	7.943980
Sum squared resid	4256.865	Schwarz criterion	8.207900
Log likelihood	-136.9916	Hannan-Quinn criter.	8.036095
Durbin-Watson stat	1.609382		

Table 2 Fixed Effect Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.992309	0.783213	-16808.63	0.0000
BOARDSIZE	8.80E-11	7.06E-15	12470.46	0.0000
CEO	2.66E-10	3.01E-14	8841.044	0.0000
LEV	-7.34E-14	4.29E-17	-1712.196	0.0000
NETBOOK	1.53E-11	1.02E-15	15039.56	0.0000
OWN	2.54E-10	2.51E-14	10106.97	0.0000

Table 3 Random Effect Regression Results

Variables	Coefficient	Std. Error	P-Values	Tolerance
Constant	0.219825	0.040994	5.362370	0.0000
BOARDSIZE	-0.495957	0.132352	-3.750090	0.0003
CEO	0.731401	0.278418	2.626988	0.0219
OWN	0.802623	0.304954	2.709359	0.0102
ACOM	0.433183	0.203016	-2.133738	0.0061
NETBOOK	0.248284	0.103535	-2.398068	0.0320
LEV	0.684233	0.212007	3.227407	0.0003
R-squared	0.743750	Mean dependent var		24.11914
Adjusted R-squared	0.620432	S.D. dependent var		13.31354

Source: E-View Output, 2019

Table 3 shows that the functional relationship between the dependent and independent variables is: ROA= 0.219825-0.495957BOARDSIZE -0.731401CEO + 0.802623 ACOM + 0.248284 NETBOOK + 0.684233LEV

The random effect method was adopted since CEO duality as a variable is not same which vary from company to company. But it was observed that it has a constant value over time with audit committee interdependence. The method was however observed that it does not most times change from country to country but its value is constant. Board size and equity indicated a positive and significant relationship. By implication, every 1% in board size showed 49% changes in return on assets which bring about significant relationship on profit margin and subsequently return on assets. Thus, since board size indicated significant relationship with organisational financial performance vis-a vis return on equity. The finding from this study is not in line with the stated research hypothesis that indicated a negative relationship. The reason for the positive and significant relationship between board size and return on equity may be that because most of the company director also have share in the company�s equity. This implied if the number of board members increases, newly initiated directors is given shares to increase equity and profit and subsequently increase return on equity to give a significant relationship. Since, it was established that most of the board members does have any share in profit margin and return on equity, it was clearly believed that it may be responsible for the negative and insignificant relationship. It was discovered that the study findings is not in line with the postulations of the agency theory and it was obvious in the correlation analyses. These findings was in line with the work of Kashif (2008); Zubaidah, Nurmala, and Kamaruzaman (2009) that the study was carried out in the Breweries Industry with average board members of 12 with average return on assets of 17%.

Most association consolidated the positive of CEO and administrator of the board together, this furnish an immaterial association with the dimension of overall revenue and profit for resources CEO duality has a negative association with profit for value. This inferred the blend of CEO and executive together has no association with firm execution through the critical association with overall revenue and profit for resources and irrelevant association with profit for value. The discoveries from this examination bolstered crafted by Ponnu (2008) which that CEO duality does no association with authoritative presentation. Based on the descriptive statistics obtained from the study, it was indicated there is evidence of only 11% CEO duality in selected manufacturing companies which implied 89% separation of positions between the CEO and chairman. These points to the fact that even when there is incidence of CEO and chairman combination in terms of position in the sample selected, it will have no relationship with their performance. These can happen when both the chairman and the CEO does not directly act in the affairs of the company concerning the profitability of the company since they are at the top of the company structure.

The grouping of proprietorship demonstrates a negative association with the firm execution measures. The relationship is critical with overall revenue and profit for value yet irrelevant with profit for resources. It then implies that the concentration of directors ownership has a negative and significant

effect on firm performance as regards profit margin and return on equity. The finding does not conform with the study hypothesis which predicts a positive effect with firm performance. Identifying a reasonable explanation for a negative effect when a positive effect is expected (because it reduces the likelihood of incurring agency costs) might not be feasible. Hence, this study purports that this may be as a result of the empirical ambiguity of the effects of ownership concentration on firm performance as opined by Earle, Kucsera, &Telgedy (2005).

Most empirical studies have shown that company size established there is significant relationship with both return on equity and profit margin. But company size and return on asset have insignificant relationship with return on assets. Based on descriptive statistics, company size of the selected manufacturing quoted firm is large with total assets of average of 43 billion naira. It was established empirically that the relationship between company size and firm performance is significant based on huge amount of information available to the different stakeholders in the market. This study observes otherwise that there is no impact of the measure of company size (book value of total assets) and firm performance. It is suspected that the absence of a positive effect might be as a result of the nature of the measure of company size since other measures exist that might favour the expectation.

The association among impact and firm execution supposedly is insignificant. This isn't as per the suggestion of association theory that an association that is committed would do its best to diminish office costs in light of the way that the association is a challenging person. The careful outcome isn't shocking in light of the way that the summation bits of knowledge reveals that on the typical, the model associations are turned particularly up to 10% of their hard and fast assets. Since the a great deal of their total assets (90%) is financed by speculators' worth and maybe held benefit, it is simply impetus that impact would have no impact on firm execution.

The r-squared revenue driven edge, return on resources is 74% individually. Deductively, the corporate administration consequently on resources varieties consequently on value. The F-measurement for the whole model is noteworthy at 1%. Thusly, the exact model embraced in the examination for depicting the connection between corporate administration and firm execution is measurably huge. It is observed that in the regression result that return on assets exhibits an significant relationship with the independent variables all through. Hence, return on assets is a less efficient accounting based measure of firm performance. This is likely because the assets base of the companies are so large relative to their profit making for a low average return on assets of 6%. Total assets are viewed to increase in a geometric progression while profits increase in an arithmetic progression. Also, the inefficiency of the return on assets surrogate may be because of the method of computation of the accounting ratio. Other formulas should be devised to capture return on assets or better still for further studies, the ratio be ignored.

Table 6 Summary of Hausman Test

Correlated Random Effects - Hausman Test

Pool: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	3	1.0000

* Cross-section test variance is invalid. Hausman statistic set to zero.

** WARNING: estimated cross-section random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
BOARDSIZE	0.172421	-0.495957	1.029390	0.0064
CEO	8.80E-11	0.731401	7.021210	0.0000
OWN	2.66E-10	0.802623	1.190884	0.0078
ACOM	-7.34E-14	0.433183	6.047178	0.0432
NETBOOK	1.53E-11	0.248284	1.002341	0.0024
LEV	2.54E-10	0.684233	1.242510	0.0023

Source: E-View Output, 2019

From Table 4.6 both ACOM and BOARDSIZE turned a p-value that is statistically significant at 1% for all the three models. In addition, the models returned p-values that are significant at 1% with respect to CEO. This implies that though the R2 values of pooled OLS and random model are different, in terms of level of significance of the p-values, the models are very similar. To enable comparison of the three results, Table 6 presents summary of the Pooled OLS, Fixed and Random effects models

Discussion of Findings

Based on Table 5, it was cleared that the size of the board and organisational performance has no relationship on corporate governance in Nigeria. This was confirmed by the beta values obtained with coefficient of -0.495957 with 0.0003 as the p-value measured at 5% level of significant. Based on this analyses, it was indicated that every 1% in board size showed 49% changes in return on assets which bring about significant relationship on profit margin and subsequently return on assets. Thus, since board size indicated significant relationship with organisational financial performance vis-a vis return on equity.

This implied if the number of board members increases, newly initiated directors is given shares to increase equity and profit and subsequently increase return on equity to give a significant relationship. Since, it was established that most of the board members does have any share in profit margin and return on equity, it was clearly believed that it may be responsible for the negative and insignificant relationship. It was discovered that the study findings is not in line with the postulations of the agency theory and it was obvious in the correlation analyses. These findings was in line with the work of Kashif (2008); Zubaidah, Nurmala, and Kamaruzaman (2009) that the study was carried out in the Breweries Industry with average board members of 12 with average return on assets of 17%.

Based on Table 5, it was indicated that there is significant and positive relationship between board independence and organisational financial performance on corporate governance among selected firm in the Nigeria Stock Exchange. This was confirmed by the beta values obtained with coefficient of 0.731401 with 0.0219 as the p-value measured at 5% level of significant. Most organisation combined the positive of CEO and chairman of the board together, this provide an insignificant relationship with the level of profit margin and return on assets CEO duality has a negative relationship with return on equity. This implied that the combination of CEO and chairman together has no relationship with firm performance through the significant relationship with profit margin and return on assets and insignificant relationship with return on equity. The findings from this study supported the work of Ponnu (2008) which that CEO duality does not any relationship with organisational performance. Based on the descriptive statistics obtained from the study, it was indicated there is evidence of only 11% CEO duality in selected manufacturing companies which implied 89% separation of positions between the CEO and chairman. These points to the fact that even when there is incidence of CEO and chairman combination in terms of position in the sample selected, it will have no relationship with their performance. These can happen when both the chairman and the CEO does not directly act in the affairs of the company concerning the profitability of the company since they are at the top of the company structure.

Based on Table 5, it was indicated that there is significant and positive relationship between ownership structure and organisational financial performance on corporate governance among selected firm in the Nigeria Stock Exchange. This was confirmed by the beta values obtained with coefficient of 0.802623 with 0.000 as the p-value measured at 1% level of significant. This implied that the combination of CEO and chairman together has no relationship with firm performance through the significant relationship with profit margin and return on assets and insignificant relationship with return on equity. The findings from this study supported the work of Ponnu (2008) which that CEO duality does not any relationship with organisational performance. Based on the descriptive statistics obtained from the study, it was indicated there is evidence of only 11% CEO duality in selected manufacturing companies which implied 89% separation of positions between the CEO and chairman. These points to the fact that even when there is

incidence of CEO and chairman combination in terms of position in the sample selected, it will have no relationship with their performance. These can happen when both the chairman and the CEO does not directly act in the affairs of the company concerning the profitability of the company since they are at the top of the company structure.

Based on Table 5, it was indicated that there is significant and positive relationship between audit committee and firm performance on corporate organisation among selected firm in the Nigeria Stock Exchange. This was confirmed by the beta values obtained with coefficient of 0.433183 with 0.000 as the p-value measured at 1% level of significant. Based on descriptive statistics, company size of the selected manufacturing quoted firm is large with total assets of average of 43 billion naira. It was established empirically that the relationship between company size and firm performance is significant based on huge amount of information available to the different stakeholders in the market. This study observes otherwise that there is no impact of the measure of company size (book value of total assets) and firm performance. It is suspected that the absence of a positive effect might be as a result of the nature of the measure of company size since other measures exist that might favour the expectation.

CONCLUSION

Corporate governance is a pertinent contemporary issue because of the prominence of corporate scandals mostly arising from creative accounting, and other financial misappropriations. The companies listed on the Nigerian Stock Exchange are guided by the Securities and Exchange Commission Code of Corporate Governance developed in October 2003. The corporate governance mechanisms complied with by companies is specified in this code of best practices. In order to curb agency cost which could be monetary and non- monetary and increase firm performance, corporate governance indices are identified. The implication of corporate governance framework and its impact on accounting based measures for firms in the Nigerian Stock Exchange was observed. The study found that ownership composition is majorly low at average of 4% and established negative and insignificant relationship with all performance measures. The regulation of Securities and Exchange Commission Code of Corporate Code of Corporate governance provided that the number of board members on the average should be more than 9 members. While the audit committee should be 49% independent of the board as this will have significant relationship with organisational performance based on return on equity and profit margin.

REFERENCES

Ajagbe, A. M. & K. Ismail (2014). Factors Influencing Venture Capital Assessment of High Growth Companies in Malaysia. International Journal of Entrepreneurship and Small Business, 21(4), 457-494.

Ajagbe, A. M. (2007). The Impact of Strategic Planning on Effectiveness of Marketing Operations: Case of NEPA. An Unpublished MBA Thesis Submitted to the Graduate School, Ambrose Ali University, Ekpoma, Nigeria.

Ajagbe, A. M., Oluyinka, S. & C. S. Long (2011).The Relationship between Strategic Planning and the Effectiveness of Marketing Operations. International Journal of Innovation, Management and Technology, 2(5), 390-396.

Abu-Tapanjeh, A. (2006). Good corporate governance mechanism and firms' operating and financial performance. Insight from the perspective of Jordan industrial companies. Journal of King Saud University, 19(2), 101-121.

Adusei, M. (2011). Board structure and bank performance in Ghana. Journal of Money, Investment & Banking, 200(2), 72-84.

Aljifri, K. & Moustafa, M. (2007). The Impact of Corporate Governance Mechanisms on the Performance of UAE Firms: An Empirical Analysis. Journal of Economic and Administrative Sciences, 23 (2), 71-93.

Al-Manaseer, M. F., Al-Hindawi, R. M., Al-Dahiyat, M. A., & Sartawi, I. I. (2012). The Impact of Corporate Governance on the Performance of Jordanian Banks. European Journal of Scientific Research, 67(3), 349-359.

Amran, N. A. (2011). Corporate governance mechanisms and company performance: Evidence from Malaysian companies. International Review of Business Research Papers, 7(6), 101-114.

Babatunde, M. A. & Olaniran, O. (2009). The effects of internal and external mechanism on governance and performance of corporate firms in Nigeria. Journal of Corporate Ownership and Control, 7 (2), 330-344.

Bathula, H. (2008). Board Characteristics and Firm Performance: Evidence from New Zealand. Ph. D Dissertation, AUT University.

Bhagat, S. & Black, B. (2000). The non-correlation between board independence and long-term firm performance. Journal of Corporation Law, 27(2), 231-273.

Matnal, A. (2002). Corporate governance and chairmanship: a personal View Oxford. New York: University Press Inc.

Central Bank of Nigeria (2014). Code of corporate governance for bank in Nigeria post consolidation.

Cheng, S. (2008). Board size and variability of corporate performance. Journal of Financial Economics. 87(2), 157-176.

Claessens, S. & Yurtoglu, B. (2012). Corporate Governance and Development: An Update. Focus 10, global corporate governance network.

Collier, J. C. & Roberts, J. (2001). An ethics for corporate governance. African Journal of Business Ethics, 1(1), 1-7.

Chandler, A. (1962). Strategy and Structure: Chapters in the history of industrial enterprise. New York: Doubleday.

David, F. R. (2005). Strategic management, concepts and cases. New Jersey: Pearson Prentice hall, Inc. 10th Ed.

Dalton, D. R. & C. M. Daily (2002). Meta-analytic reviews of board composition, leadership structure, and financial performance. Strategic Management Journal, 19(2), 269-290.

Dozie, P. (2003). Corporate Governance in Nigeria: A status report on the financial services sector. In O. Alo (Ed.), Issues in Corporate Governance 190 200, Lagos: Financial Institution Training Centre.

Drobetz, W., Schillhofer, A. & Zimmermann, H., (2004). Corporate governance and expected stock returns: Evidence from Germany. Working paper, University of Basel.

Eng, L. L., & Y. T. Mak (2003). Corporate governance and voluntary disclosure. Journal of Accounting and Public Policy 22(2), 325-345.

Enofe, A. & Isiavwe, D. (2012). Corporate disclosure and governance in the Nigerian banking sector: An empirical evaluation. The International Journal□s Research Journal of Social Science & Management.

Erhardt, N. L, Werbel, J. D, & Shrader, C. B. (2003) Board of director diversity and firm financial performance. New York: Blackwell Publishing Ltd.

Fama, E. & Jensen, M., (2003). Agency problems and residual claims. Journal of Law and Economics, 26(2), 327-349.

Ferreira, D. (2010). Board Diversity. London School of Economics. Available at: http://personal.lse.ac.uk/FERREIRD/Board%20Diversity%20version%201.pdf.

Goodpaster, K. E. (2004). Ethics or Excellent? Conscience as check on the unbalanced pursuit of organizational goals. Ivey Business Journal, 2(3), 1-3.

Hamilton, D. H. & Kashlak, R. J. (2009). National influence on multinational corporation control system selection. Management International Review, 36(2), 176-189.

Hermalin, B., & M. Weisbach (2008). Endogenously chosen boards of directors and their monitoring the CEO. American Economic Review, 88(4), 96□118.

Ibrahim, Q., Rehman, R. & Raoof A. (2010). Role of Corporate governance in firm performance: A comparative study between chemical and pharmaceutical sector in Pakistan. International Research Journal of Finance and Economics, 50(3), 8-16.

Ibrahim, M., Sulaiman, M., Kahtani, A., Abu-Jarad, I. (2012). The relationship between strategy implementation and performance of manufacturing firms in Indonesia: The role of formality structure as a moderator. World applied science Journal, 20(7):955-964.

Isiavwe, D. (2015). Determinants of corporate disclosure in the banking industry: evidence from Nigeria. (Unpublished Ph.D). thesis written in the department of accounting and submitted to the school of postgraduate studies Igbinedion University, Okada, Edo State, Nigeria.

Iskander, M. R,. & Chamlou, N. (2000). Corporate Governance: A Framework for Implementation. World Bank working paper.

John, K. & Senbet, L. (2008). Corporate governance and board effectiveness. Journal of Banking and Finance, 22(4), 371-403.

Krieger, M. P. (2001). The importance of role of subsidiary board in MNCs: Comparative parent and subsidiary perceptions. Management International Review, 36(3), 317-331.

Lewis, P. S., Goodman, S. H., & Fandt, P. M. (2001). Management, challenges in the 21st century. USA: South Western Publishing.

Long, C. S., Perumal, P. and M. A. Ajagbe (2012a). The Impact of human resource management practices on employees□ turnover intention: A conceptual model. Interdisciplinary Journal of Contemporary Research in Business, 4(2), 629-641.

Long, C. S., Ajagbe, M.A., Khalil, M.N., &. Suleiman,E.S. (2012). The Approaches to Increase Employees' Loyalty: A Review on employees' turnover Models. Australian Journal of Basic and Applied Sciences, 6(10): 282-291

Long, C. S., G. R. Mahanra and M. A. Ajagbe (2013). Can employee share option scheme improve firm's performance? A Malaysian case study. Information Management and Business Review, 5(3), 119-128.

Monks, R. A. G., & Minow, N. (2006) Corporate governance mechanism. New York :Blackwell.

Neubauer, F. F. & Lank, A. G. (2008). The family business: Its governance for sustainability. New York: Routledge.

Nickell, S., Nicolitsas, D. & Dryden, N. (2007). What makes firms perform well? European economic review, 41(2), 783-796.

Nielsen, J. D. (2000). The Role of institutional investors in corporate governance. Dilemma, public lecture, Covenant University, Ota, Ogun State, January 25.

Oyediran, C. O. O. (2003). Achieving transparency in corporate governance: issues, modalities and challenges. In O. Aloa (ed), Issues in Corporate Governance 60-70 Lagos, Financial Institutions Training Centre.

Prowse, S. D. (2008). Problems of external finance and corporate governance Corporate Governance: Emerging Issues and Lessons from East Asia, The World Bank Group, 29(2), 3-14.

Rose, C. (2007). Does female board representation influence firm performance? The Danish evidence. Journal compilation Blackwell Publishing Ltd, 15(2), 404-413.

Rossouw, D. (2005). Corporate governance trust in business: A matter of balance. African Journal of business ethics, 1(2), 2-8.

Roth, K. & O'Donnell, S. (2006). Foreign subsidiary compensation strategy: An agency theory perspective. Academy Journal of Management Journal, 39(3), 678-703.

Sanda, A., Mikailu, A. & Garba T. (2005). Corporate governance mechanisms and firm financial performance in Nigeria. African Economic Research Consortium, Research Paper, 149, Kenya regal press.

Solomon, J., & Solomon, A., (2004). Corporate governance and accountability. London: John Wiley & Sons Ltd.

Solomon, O., Hashim, H. N., Mehdi, B.T.Z. and M. A. Ajagbe (2012). Employee Motivation and Organizational Performance in Multinational Companies: A Study of Matnal Nigeria Plc. International Journal of Research in Management and Technology, 2(3), 303-312.

Walt, N. V., & Ingley, C. (2003). Board dynamics and the influence of professional background, gender and ethnic diversity of directors, corporate governance. An International Review, 11(4), 218-234.