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Corporate governance, a risk management tool for enhancing organizational performance: Study of Nigeria Stock Exchange (NSE) listed companies

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Abstract

Corporate governance is relevant in both developed and emerging economies. The study viewed corporate governance as a risk management tool for enhancing organisations performance and protection of stakeholders' interest. The study investigated the impact of corporate governance on organizational performance, using thirty (30) Nigeria Stock Exchange (NSE) listed companies in 2016. The study focused on three corporate governance variables (i.e., Board Size, Board Independence, CEO Duality/Tenure); and two performance variables - Returns on Asset (ROA) and Returns on Equity (ROE). Secondary data, extracted from published annual reports of selected companies and NSE website, was used for the study. The findings revealed a positive correlation between board size, independence directors, and performance variables; but, showed a negative correlation between CEO tenure and performance variables. The results showed that the number of directors was not positively related to performance in terms of ROA; but, it revealed a positive correlation between board size and performance in terms of ROE. It revealed that the correlation between CEO tenure and performance variables (ROA and ROE) was negative. It also showed that CEO Duality has a positive correlation with ROA, and negative relationship with ROE. The findings revealed that adoption of sound corporate governance practices by listed companies can improve their performances. The underlining conclusion is that organisations would benefit from sound corporate governance practices by way of increased investment from investors and reduced capital cost. Shareholders confidence and wealth will also be improved; and the nation's economy will benefit by way of improved GDP.

Key Words: *Corporate governance; Organisational performance; Risk management; Nigeria*

JEL classification: *G18; G34; G38*

Introduction

The subject of corporate governance is relevant in both developed and emerging economies. Its importance stems from the need to protect shareholders' investments and interest, especially after the collapse of large organisations including WorldCom, Enron, and Tyco (Buckley and Arner 2012; Coskun, 2012; Daianu and Lungu, 2008). Corporate governance practices are based on trust and accountability (Adekoya, 2014; Todorovic, 2013; Chen, Dar-Hsin and Chung, 2006). However, corporate governance practices differ among developed and emerging countries. This is because economic and political environments of developed and emerging economies are not the same (Jormanainen and Koveshnikov, 2012; Li, Li and Shapiro, 2012). Whereas developed economies are characterized by strong institutions, functional infrastructures, and stable political environment; while, emerging economies are known for infrastructural deficits, weak institutions, and relatively unstable political environments (Roberts, Kayande and Srivastava, 2015; Ramamurti, 2012; Sheth, 2011). Nigeria is a developing country because the nation's economy is sustained by mono-product (oil), whose price is determined by the forces of demand and supply in the international oil market. There is also huge infrastructural deficit and large-scale unemployment with weak institutions. The study viewed corporate governance as a risk management tool for enhancing organisations performance and protection of stakeholders' interest. Hence, it is essential for Nigerian listed firms to embrace sound corporate governance to protect stakeholders' interest. This is necessary considering the role of stock market development in economic growth (Adenuga, 2010; Boubakari and Jin, 2010).

The aim of the study is to analyse the impact of corporate governance practices on organisational performance, using selected listed companies in the Nigeria Stock Exchange in the year 2016. The study focused on thirty randomly selected listed companies across ten sectors of the Nigerian stock exchange in the year 2016. These sectors are Agriculture, Conglomerates, Consumer goods, Financial Services, Healthcare, ICT, Industrial goods, Natural resources, Oil and Gas, and Services (Nigerian Stock Exchange Official Website). The study focused on three corporate governance variables (i.e., Board Size, Board Independence, CEO Duality/Tenure) and two performance variables (i.e., Returns on Asset and Returns on Equity). The study does not cover the market measure performance variable of Tobin's Q.

The following research hypotheses are formulated for the study:

Hypothesis One:

H_o: Board independence is not positively related to performance of companies in Nigeria.

H_1: Board independence is positively related to performance of companies in Nigeria.

Hypothesis Two:

H_o: Chief Executive Officer's tenure is negatively related to organisational performance.

H_1: Chief Executive Officer's tenure is positively related to organisational performance.

Hypothesis Three:

H_o: There is no positive relationship between performance of companies' and dual role of Chief Executive Officers in Nigeria.

H_1: There is positive relationship between performance of companies' and dual role of Chief Executive Officers in Nigeria.

Having introduced the study, the remaining part of the paper is divided into four (4) sections focusing on literature review; methodology; data analysis and discussion of results; and conclusions.

Literature Review

Financial scandals involving some organisations across the globe have shown how some managers mismanaged organisational resources to the detriment of shareholders, thereby resulting to huge losses and negative corporate image to those organisations (Buckley and Arner, 2012; Shahrokhi, 2011; Prasad,

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2009). This study explored the effect of corporate governance on organisation performance in relation to organisations internal mechanisms including: board size, independent directors' composition, and chief executive officer duality role. In this section, the literature is reviewed on: importance of corporate governance; corporate governance development in Nigerian organisations; corporate governance legal framework in Nigeria; relationship between corporate governance and organisational performance; measurement of corporate governance and organisational performance; and international perspective on corporate governance and organisational performance.

Importance of corporate governance

The study is important in view of increase in organisational failures globally, including Nigeria. In Nigeria, the failure of some big corporate organisations like Intercontinental Bank, Savannah Bank and the financial scandal in Cadbury (Nigeria) shocked the Nigerian corporate landscape that necessitated the review of corporate governance practices in Nigeria. The importance of good corporate governance in developing economies, like Nigeria, can be assessed based on performance of companies in those countries. Companies can derive several benefits from adoption and implementation of good corporate governance policies (Ahmed and Hamadan, 2015; Akinkoye and Olassanmi, 2014; Kolk and Pinkse, 2010; Babatunde and Olaniran, 2009). Calabrese, Costa, Menichini, Rosati and Santelice (2013) emphasised that organisations with sound corporate governance mechanisms easily accesses capital at a lower rate than their contemporaries without sound governance policies. However, benefits derivable from corporate governance policies by firms depend on the robustness of their governance policies and its implementation (International Finance Corporation (IFC), 2004). Likewise, Barth, Caprio and Levine (2007) argues that successful implementation of sound corporate governance by firms can significantly lower financial frictions and has a direct effect on the socio-economic perception of the organisation. It has also been established that organisations which adopt sound corporate governance practices can reduce labour unrest and promote cordial relationship with stakeholders (Abdulazeez, Ndibe and Mercy, 2016; Alalade, Onadeko and Okezie, 2014; Akingunola, Adekunle and Adedipe, 2013).

Nigeria is endowed with abundant human and mineral resources, with a large population and market. As one of the developing economies in Africa, Nigeria has a thriving stock exchange market where quoted stocks are listed and traded. Quality corporate governance policies can assist to improve the level of confidence in the banking sub-sector in Nigeria, thereby impacting positively on the nations' economic development (Afolabi and Amupitan, 2015; Garuba, 2015). Similarly, the Nigerian thriving stock exchange market has witnessed several transformations to promote good corporate governance in the market. One of such efforts was the introduction of a code to govern policies and ensure best practices by companies in 2003 by the Securities and Exchange Commission (SEC) which regulate the operations of quoted companies in the Nigerian stock market (SEC, 2003). The SEC also launched new codes in 2011 to enhance the governance regime of firms operating in the Nigeria stock exchange aimed at stemming the tide of corporate failures (SEC, 2011). Agency theory is a relevant theory in corporate governance practices; hence, agency theory is discussed in the next subsection.

Agency theory

Agency theory is relevant in analysing 'conflicts of interest between owners (principal) and those managers (agents) who act on their own behalf' (Chen et al., 2006:265). According to Daily, Dalton and Canella (2003), the relevance of agency theory in corporate governance practices can be attributed to two concepts emphasised that corporate players are managers and shareholders are company's owners. The concept of agency theory arises from the fact that managers run (control) organisations with their expertise knowledge, and shareholders (ownership) provide required funds for establishment of companies. Agency theory shows the degree of associations regarding conflicts of interests and align associated relationship through a well-defined monitoring mechanism (Davis, Schoorman and Donaldson, 1997). Eisenhardt (1989) identified two major types of agency theories (principal-agent and positivist) to reducing the egocentric nature of the agent. Similarly, Jensen and Meckling (1976) emphasised that the agency theory recognises the necessity to put in place governance measures to ensure that managers are held accountable for their decisions. Agency theory seeks to define the relationship that exists between

providers of funds (shareholders) and the company's manager (fund managers). This relationship involves appointment of an agent by the principal, and confer on the agent the power to exercise defined powers during his duties (Jensen and Meckling, 1976). Consequently, it is the function of the board to exercise control through implied delegation of powers using incentive packages. However, agency conflicts may arise if the principal fails to protect the interest of the company's owner (shareholders) (Jiang and Peng, 2014; Attig, El Ghoul and Guedhami, 2009). In the next subsection, we discussed corporate governance and organisational performance.

Corporate governance, a risk management tool for enhancing organisational performance

Risk management entails identification, assessment, controlling and monitoring of risk associated with an organisation's operation to maximise opportunities and minimise threats. Successful firms are able and willing to effectively integrate risk management at all levels of management process from strategy to success (Fadun, 2013a). The study viewed corporate governance as a risk management tool for enhancing organisations performance and protection of stakeholders' interest. Sound governance policies can enhance organisations performance by underplaying misappropriation of shareholders' funds and promoting qualitative decisions by the board of companies. This is because improvement of a firm's performance can enhance a company's share value in the stock exchange through a sound corporate governance (Mallin, 2004; Iskander and Chamlou, 2000). Sound corporate governance can eliminate exploitation of shareholders by large institutional investors and fund managers leading to enhanced organisation performance. Potential investors would obviously be willing to do business with firms which are governed by sound policies to reduce their capital cost and enhance performance. Attraction of more investors to the stock market will increase economic activities and enhance the growth of the capital market, thereby improving the Nigeria's gross domestic product (GDP). On the other hand, unsound corporate governance practices will scare potential investors due to lack of transparency and poor accountability. The implies that optimal management of shareholders' funds and accountability can enhance an organisations performance (Calabrese et al., 2013; Fadun, 2013b; Bakare, 2011).

Measurement of Corporate Governance and Organisational Performance

The Nigeria corporate landscape has been characterized by poor internal controls mechanisms and corruption. Hence, this study is relevant to the Nigeria corporate environment that is in dire need of implementation of sound corporate governance practices. If sound corporate governance regime is enthroned in public companies in Nigeria with a better understanding of the working of both the external and internal variables by managers, more investors would be encouraged to invest in the Nigeria stock exchange market. There are several factors or variables that may impact on an organisation's performance. Some of these variables (external factors) are beyond the control of the organisation. There are also variables (internal factors) which are internal and within the control of the organisation. These variables which are within the control of the organisation (internal factors) can impact its performance depending on how they are managed and controlled. Studies conducted by Byrd and Hickman (1992) and Weisbach (1988) agree that corporate governance has a positive relationship with organisational performance. Conversely, other empirical studies by Bathala and Rao (1995) and Hutchinson (2002) reported that there is no relationship between corporate governance and organisational performance. These variables (internal variables) are independent variables which include: efficiency of management, board size, board independence, and ownership structure. These independent variables are used for the study; hence, these variables are briefly explained below:

Board Size

The board of directors plays key role in a company's corporate governance practice (Afolabi, 2015; Adegbite and Nakajima, 2011; Adams, Hermalin and Weisbach, 2010). An organisation's performance can be affected adversely or positively by the size of its board. There is no consensus from previous studies as to what constitute an acceptable board size for optimal performance of a firm. The interplay of politics and professionalism are involved in the appointment of directors; and this has made it difficult to ascertain the number of directors that is adequate for a firm's optimal performance. Lipton and Lorsch (1992) argue that a board membership of seven to nine directors is considered appropriate. According to them, this is the

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range that will ensure better accountability, quicker decision making, and effective coordination (Lipton and Lorsch, 1992). Other studies have argued that a large board will provide the needed expertise and skill for more effective and robust board oversight which will affect performance positively (Coles, Daniel and Naveen, 2008). According to Lipman (2007:312), “it is preferable to have not less than four and not more than ten persons on the board of directors”. He argued that too many directors in the board can make operation difficult (Lipman, 2007).

Board Independence

A board whose membership is balanced between executive and non-executive directors will be imperative for the optimal performance of an organisation. An empirical study carried out by Baysinger and Butler (1985) reveal that large ratio of non-executive directors have a positive relationship with organisational performance. Non-executive directors ensure efficient and independent decisions that result to improved performance in line with agency theory concept (Bonn, Yoshikawa and Phan, 2004; Higgs, 2003). The ratio of different categories of board directors can impact on board’s decision-making, robustness of board oversight and its performance. Boards with a greater number of non-executive directors will tend to be more independent than those with more executive directors (Faatihah, Syahrina, AbdulHalim and Julizaerma, 2016; Dwivedi, 2012). This is because the activity of management and staff can be monitored and scrutinized closely by the executive directors, and this tends to bring about familiarities that can affect performance (Ameer, Ramli and Zakaria, 2010; Nowak and McCabe, 2008). Non-executive directors play vital role by offering quality oversight to management to ensure good decision-making (Ertimur, Ferri and Stubben, 2010).

CEO Duality

If functions of a board chairman and chief executive officer are carried out by one individual, it can result to excessive authority, influence and power being exercised by that individual to the detriment of the organisation. This power, if misused, can result in taking decisions which are detrimental to the interest of a company’s stakeholders. There is, however, no consensus from empirical studies on CEO duality. The efficiency of Board’s oversight will be greatly hindered if excessive executive powers are exercised by one person, and this will have a negative effect on performance (Lam and Lee, 2008; Brickley and Jarrell, 1997). Rechner and Dalton (1991) believe the combination of these two roles will increase the speed of decision-making and impact positively on a company’s overall performance. However, Daily and Dalton (1992) could not establish any association between corporate performance and CEO duality.

Tenure of the Chief Executive Officer (CEO)

The number of years spent in an office as the CEO of an organisation can affect the company’s performance, positively or negatively (Tornyeva and Wereko, 2012). The CEO as the head of the management team takes actions that can impact on performance of the management team. Meanwhile, effective and robust board is necessary to control the influence of the CEO to forestall misuse of power which may hurt the interest of shareholders (Ameer, Ramli and Zakaria, 2010; Adams, Hermalin and Weisbach, 2010). If a CEO is sure of a long tenure, he would most likely take decisions that will be beneficial to the shareholders in order to protect his name (Lam and Lee, 2008; Finkelstein and D’Aveni, 1994). Long term tenure of a chief executive officer (CEO) can be favorable for an organisation reflecting the experience and cordial relationship between the CEO and other stakeholders within and outside the organisation (Petra, 2005; Miller, 1999).

Methodology

The research methodology adopted for the study is discussed in this section. The study is an empirical research, with analytical research design. Secondary data, extracted from published annual reports of thirty randomly selected quoted companies in the Nigerian Stock Exchange and the Nigerian Stock Exchange website as at 31st December 2016, is used for the study. These sources of data are reliable and verifiable, as the selected companies audited report conform with laid down public companies accounting procedures. The study aimed at ascertaining the correlation between selected governance variables and selected performance variables of selected companies across ten (10) sectors in the Nigeria Stock Exchange. The

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sectors and number of companies used are: Agriculture (1 company); Conglomerates (6 companies); Consumer goods (9 companies); Financial Services (4 companies); Healthcare (1 company); ICT (1 company); Industrial Goods (1 company); Natural Resources (1 company); Oil and Gas (4 companies); and Services (2 companies).

Variables Definition

Two key variables are used for the study: measurement and performance variables. Measurement variables consist of board size, board independence, CEO duality and CEO tenure; while performance variables are 'return on assets' and 'return on equity'. These variables are described below.

Measurement

Board Size: This was represented by the total membership on the board of the listed selected companies used for the study.

Board independence: This is the number of non-executive directors serving on the boards of the selected companies used for the study.

CEO Duality: The role of chief executive officers of selected companies was reviewed to ascertain if whether the position of Chief Executive Officer (CEO) and Chairman is occupied by a person.

CEO Tenure: The analysis of the tenure of CEOs of selected companies based on the published reports of organisations. Tenure of a CEO represents the number of years a person served as a company's CEO. The mean number of years of all the companies in the sample was computed using the SPSS package.

Performance Variables

Return on Assets: This refers to an accounting performance measure based on historical information. It reveals to what extent an organisations' management utilizes its resources to generate income for the shareholders. This was determined in the study by dividing 'net profit' with 'total asset' (i.e., net profit/total asset).

Return on Equity: This is a performance variable that shows the profit realized by an organisation for shareholders' benefit in a given period. This was determined in this study by dividing 'profit after tax' with 'shareholder's fund' (i.e., $\frac{\text{profit after tax}}{Shareholder's\ Fund}$)

The data collected for the study was analysed with descriptive statistics and correlations, using SPSS (Statistical Package for Social Sciences) software. Pearson correlation coefficient was used to test the degree of relationship that exists between governance variables which are: board size (B SIZE), board Independence (BIND), CEO tenure (CEO TENURE), CEO duality (CEO DUAL), Return on Asset (ROA), and Return on Equity (ROE). Having described the variables, their definitions are provided in Table 1 below.

Table 1: Variables Definition

S/N	VARIABLE	MEASUREMENT/CALCULATION
1	Board Size	Board of Directors totals membership
2	Board Independence	Proportion of non-executive Directors to total number of Directors on the Board
3	CEO Duality	Performance of Chairman and CEO by one person
4	CEO Tenure	Total number of years served by the CEO in that position
5	Return on Equity (ROE)	Profit after Tax/ Shareholders fund
6	Return on Assets (ROA)	Net Income/ Total Assets

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Data analysis and discussion of results

Data used for the study is presented and analysed in this section. Table 2 shows statistics of the companies selected for the study.

Table 2: Selected Listed Companies Statistics

S/N	COMPANIES	B SIZE	BIND	CEO TENURE	CEO DUAL	ROA	ROE
1	UAC	8.00	0.63	7.00	0.00	0.08	0.01
2	AGL	8.00	0.25	6.00	0.01	0.00	0.01
3	CHELLARAM	6.00	0.50	25.00	0.00	-0.01	-0.02
4	TRANSCORP	9.00	0.67	3.00	0.00	0.05	0.06
5	SCOA	10.00	0.40	16.00	0.00	0.02	0.06
6	JOHN HOLT	7.00	0.57	5.00	0.00	0.05	0.18
7	DANGOTE SUGAR	10.00	0.80	1.00	0.00	0.12	2.14
8	FLOUR MILLS	14.00	0.70	5.00	0.00	0.02	0.07
9	GUINESS PLC	12.00	0.67	2.00	0.00	0.07	0.21
10	HONEY WELL PLC	14.00	0.57	1.00	0.00	0.02	0.16
11	MC NICHOLS	6.00	0.67	3.00	1.00	0.04	0.14
12	NESTLES	9.00	0.47	1.00	0.00	0.20	0.60
13	FORTE OIL PLC	8.00	0.13	7.00	0.00	0.03	0.10
14	MOBIL OIL	6.00	0.50	6.00	1.00	0.13	0.47
15	MRS NIG PLC	7.00	0.42	2.00	0.00	0.01	0.04
16	SEPLAT PETROLEUM	12.00	0.67	0.09	6.00	0.00	0.16
17	OKUMU OIL	11.00	0.57	5.00	1.00	0.05	0.07
18	NB PLC	17.00	0.52	6.00	0.00	0.12	0.57
19	NIGERIAN ENAMEL WARES OIL	7.00	0.57	5.00	0.00	0.03	1.35
20	PZ CUSSONS NIG PLC	12.00	0.50	10.00	0.00	0.07	2.56
21	GLAXCO SMITH KLINE	16.00	0.81	11.00	0.00	0.07	3.86
22	TRIPPLE GEE	6.00	0.60	6.00	1.00	0.01	0.06
23	PORTLAND PAINTS & PRODUCT PLC	6.00	0.83	5.00	0.00	0.06	0.37
24	ALUMINIUM EXT. IND PLC	7.00	0.71	17.00	0.01	0.09	1.54
25	ACADEMY PRESS PLC	9.00	0.55	3.00	0.00	0.03	0.40
26	RED STAR EXPRESS PLC	7.00	0.57	2.00	0.00	0.12	1.36
27	ZENITH BANK PLC	12.00	0.58	2.00	0.00	0.03	6.32
28	UBA PLC	17.00	0.58	2.00	0.00	0.02	2.90
29	ACCESS BANK PLC	16.00	0.56	3.00	0.00	0.02	2.40
30	NIGER INSURANCE PLC	9.00	0.66	4.00	0.00	0.03	0.18

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The descriptive statistics of the data collected, showing the mean and standard deviations of study variables, is presented in Table 3.

Table 3: Descriptive Statistics

	N	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION
B SIZE	30	6.00	17.00	9.9333	3.52267
BIND	30	.13	.83	.5720	.14940
CEO TENURE	30	1.00	25	5.9000	5.33272
CEO DUAL	30	.00	1.00	.1667	.37905
ROA	30	-.01	.20	.0557	.04651
ROE	30	-.02	6.32	.9443	1.44856

Source: Researcher's Analysis

The result of the descriptive statistics presented in Table 3 shows the mean of board size of selected listed companies in the year of study was 9.9333 (approximately 10 members), with a standard deviation of 3.52267. The mean of board Independence shows that approximately 60% (.5720) of board members in the listed selected companies are Independent Directors, and the Board Independence (BIND) has a standard deviation of .14940. On the other hand, the mean of CEO Tenure (CEO TENURE) was 5.9000 or (approximately 6 years), with a standard deviation of 5.33272. The result (Table 2) shows that on the average Chief Executive officers (CEO) of selected listed companies serves an average of 6 years in their position as CEOs. The descriptive statistics (Table 2) for CEO Duality shows that out of the thirty (30) listed companies used for the study, only five (5) have functions of both Chairman and CEO carried out by the same person. The mean of CEO Duality was .1667, with a standard deviation of .37905. The performance variable (ROA) indicated a mean of .0557 or 5.57%, with a standard deviation of .04651. On the average, the selected companies made a return of 5.57% from assets employed for their operations. The return on earnings (ROE) of the selected companies was .9443 or (approximately 9%), with a standard deviation of 1.44856. This implies that on the average, the selected companies return about 9% of earnings to their shareholders.

Correlation Analysis

The relation between characteristics of corporate governance and performance variables were evaluated with Pearson's correlation coefficient analysis. Correlations are significant at the level of 0.05 (2-tailed). A high positive correlation indicates that variables being considered have a positive relationship; while a negative correlation shows that there is negative relationship between the variables. The correlation coefficients show the degree of the relationship between variables, which may be positive or negative. The range is between – 1.00 and +1.00 for negative and positive values respectively; and no relationship if the value of the variables is 0.00. Table 4 shows the result of correlations analysis of B SIZE and ROA; and Table 5 shows the result of correlations analysis of B SIZE and ROE.

Table 4: Correlations between 'B SIZE' and 'ROA'

		B SIZE	ROA
B SIZE	Pearson correlation Coefficient	1	-.014
	Sig. (2 tailed)		. 940
	N	30	30
ROA	Correlation Coefficient	-.014	1
	Sig. (2 tailed)	.940	
	N	30	30

*Correlation is significant at the 0.05 level (2-tailed)

Source: Researcher's Analysis

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Table 5: Correlations between ‘B SIZE’ and ‘ROE’

		B SIZE	ROE
B SIZE	Pearson Correlation Coefficient	1	.434*
	Sig. (2 tailed)		. 016
	N	30	30
ROE	Correlation Coefficient	.434*	1
	Sig. (2 tailed)	.016	
	N	30	30

*Correlation is significant at the 0.05 level (2-tailed)

Source: Researcher’s Analysis

The correlation coefficient between Board size (B SIZE), ROA and ROE was -.014 and .434 respectively with a significance level of .940 and .016 for RAO and ROE. This correlation coefficient result of B SIZE with both performance variables indicates the existence of a negative relationship between B SIZE and ROA with a high significance of .940. This suggests that a positive relationship does not exist between board size (B SIZE) and return on asset (ROA) in companies used for the study. Conversely, board size (B SIZE) is positively related to returns on earnings (ROE) in companies used for the study.

Hypotheses Testing

Hypothesis 1 Testing

The hypothesis 1 formulated in section 1 is stated below.

H_o: Board Independence is not positively related to performance of companies in Nigeria.

H_1: Board Independence is positively related to performance of companies in Nigeria.

The hypothesis is validated by ascertaining the relationship between ‘board independence’ and performance variables which are return on asset (ROA) and return on earnings (ROE). The result of hypotheesis 1 testing is shown in Table 6.

Table 6: Correlations - BIND: ROA, ROE

		BIND	ROA
BIND	Pearson Correlation Coefficient	1	.188
	Sig. (2 tailed)		. 320
	N	30	30
ROA	Correlation Coefficient	.188	1
	Sig. (2 tailed)	.320	
	N	30	30
		BIND	ROE
BIND	Pearson Correlation Coefficient	1	.231
	Sig. (2 tailed)		. 219
	N	30	30
ROE	Correlation Coefficient	.231	1
	Sig. (2 tailed)	.219	
	N	30	30

Source: Researcher’s Analysis

The result of Pearson correlation coefficient of Board Independence (BIND) on Return on Asset (ROA) was .188 which indicates a positive relationship these variables, with a significance of .320. Likewise, the correlation coefficient between board Independence (BIND) and Return on Earnings (ROE) was .231 which

also indicate a positive relationship these variables, with a significance of .219. Positive correlations between these two sets of variables (that is between Board Independence on Return on Asset; and board Independence and Return on Earnings) with significance values of .320 and .219 respectively which are higher than 0.05 (2 – tailed) value. The implies that there is a positive relationship between board independence and organisational performance in the selected listed companies. Hence, we reject the null hypothesis (Ho) and accept the alternative hypothesis (H_1) which states that: 'Board independence is positively related to performance of companies in Nigeria'. This position positively relating board independence with the performance was validated by previous studies (Faatihah et al., 2016; Todorovic, 2013; Dwivedi, 2012; Haniffa and Hudaib**;** 2006). It has, however, been argued that emphasis should be more on experience and entrepreneurial skill when deciding the number of independent directors on a board (Heenatigala, 2011; Lipman, 2007; Petra, 2005; Laing and Weir, 1999).

Hypothesis 2 Testing

The hypothesis 2 formulated in section 1 is stated below.

H_o: Chief Executive Officer's tenure is negatively related to organisational performance.

H_1: Chief Executive Officer's tenure is positively related to organisational performance.

The hypothesis is validated by ascertaining the relationship between 'CEO tenure' and performance variables which are return on asset (ROA) and return on earnings (ROE). The result of hypothesis 2 testing is shown in Table 7.

Table 7: Correlations - CEO TENURE: ROA, ROE

		CEO TENURE	**ROA**
CEO TENURE	Pearson Correlation Coefficient	1	-.213
	Sig. (2 tailed)		.258
	N	30	30
	ROA Correlation Coefficient	-.213	1
	Sig. (2 tailed)	.258	
	N	30	30
		CEOTENURE	ROE
CEO TENURE	Pearson Correlation Coefficient	1	-.087
	Sig. (2 tailed)		. 646
	N	30	30
	ROE Correlation Coefficient	-.087	1
	Sig. (2 tailed)	.646	
	N	30	30

Source: Researcher's Analysis

The result of correlation coefficient of CEO tenure (CEO TENURE) and Return on Assets (ROA) was negative (-.213). Also, the correlation coefficient of CEO tenure (CEO TENURE) and Returns on Earnings (ROE) was negative (-.087). Both result show significant negative relationships of .258 and .646 for return on asset (ROA) and return on earnings (ROE) respectively. This means that a reduced tenure for CEO in the selected companies impact positively their companies' performance. This negative correlation value is an indication that these two sets of variables have an inverse relationship. Consequently, CEO tenure is inversely related to organisational performance. Hence, we reject the null hypothesis (Ho) and accept the alternative hypothesis (H_1) which states that: 'Chief Executive Officer's tenure is positively related to organisational performance'.

Hypothesis 3 Testing

The hypothesis 3 formulated in section 1 is stated below.

H_o: There is no positive relationship between performance of companies' and dual role of Chief Executive Officers in Nigeria.

H_1: There is positive relationship between performance of companies' and dual role of Chief Executive Officers in Nigeria.

The hypothesis is validated by ascertaining the relationship between 'dual role of CEO' (CEO DUAL) and performance variables which are return on asset (ROA) and return on earnings (ROE). The result of hypothesis 3 testing is shown in Table 8.

Table 8: Correlations - CEO DUAL: ROA, ROE

		CEO DUAL	**ROA**
CEODUAL	Pearson Correlation Coefficient	1	.081
	Sig. (2 tailed)		.669
	N	30	30
	ROA Correlation Coefficient	.081	1
	Sig. (2 tailed)	.669	
	N	30	30
		CEODUAL	ROE
CEODUAL	Pearson Correlation Coefficient	1	-.153
	Sig. (2 tailed)	-	.419
	N	30	30
	ROE Correlation Coefficient	-.153	1
	Sig. (2 tailed)	.419	
	N	30	30

Source: Researcher's Analysis

The result of correlation coefficient of CEO Duality is positively related to return on assets (ROA) with .081 and a significance of .669. However, CEO Duality has a negative correlation of -.153 with returns on earnings (ROE), and a significance of .419. This implies that the differentiation of CEO and Board Chairman's roles is positively related to organisational performance. This result is consistent with that of previous studies which affirmed that separation of CEO and Board Chairman position/role positively impact on organisational performance (Faatihah et al., 2016; Todorovic, 2013; Dwivedi, 2012; Haniffa and Hudaib, 2006).

Conclusions

The study has explored the effect of corporate governance practices on organisational performance, using thirty randomly selected listed companies in the Nigeria Stock Exchange in the year 2016. Analysis of data collected revealed a positive correlation between board size, independence directors, and performance variables; but, showed a negative correlation between CEO tenure and performance variables. Generally, the study revealed that adoption of sound corporate governance practices by listed companies can improve their performance. Companies can benefit from this improved corporate governance practices by way of increased investment from investors and reduced capital cost. Shareholders confidence would be enhanced with attendant improvement in shareholders wealth. The nation's economy would also benefit from sound corporate governance practices by way of improved GDP.

The result of the study revealed that listed companies' in Nigeria observe sound governance practices in relation to Board Size, Independent Directors Proportion, CEO Tenure and CEO Duality had improved

performance. The result indicated that corporate governance variables are positively related to performance except for the board characteristic regarding CEO Tenure. Regarding relationship between board size and performance, the result indicated that number of directors was not positively related to performance in selected quoted companies in the Nigeria Stock Exchange in terms of returns on asset (ROA). However, the result revealed a positive correlation between board size and performance in terms of equity return (ROE). Although, the governance code of 2011 in Nigeria prescribed a board size of 5 members; but, the result showed that the mean of ten (10) Board Size for selected listed companies. Meanwhile, both small and large board size have their advantages and disadvantages. Large boards have the advantage of robust and pool of experts for quality board decisions; with disadvantage of huge financial burdens on the firm. Conversely, small boards have the advantage of quicker decisions; with disadvantages of the dearth of expertise and skills to draw from. It is, therefore, essential for a company to constitute its board based on its peculiarities and objectives.

Concerning relationship between board independence and performance, board independence characteristic showed a positive association with returns on asset and equity of selected listed companies in the Nigeria Stock Exchange. This result is corroborated by agency theory which lends credence to the influence of external director's responsibility to the shareholders. Moreover, board independence is strongly advocated globally. The implication for practice is that performance of a company can be enhanced by having a high ratio of independent directors on its boards, thereby increasing the confidence of investors in the organisation. Regarding relationship between CEO Tenure and performance variables (ROA and ROE), the correlation between CEO tenure and performance variables of selected listed companies was negative on the two performance variables of return on asset (ROA) and return on earnings (ROE). The tenure of a CEO is impacted by his or her ability to improve the fortune of the company by creating value for the shareholders within a reasonable period. The implication of this for practice is that an organisation stands to benefit during the tenure of an effective and productive CEO who positively impact performance and increase investor's confidence.

Concerning relationship between CEO Duality and performance variables (ROA and ROE), the result showed that CEO Duality has a positive correlation with return on assets (ROA); but had a negative relationship with returns on earnings (ROE). The separation of the leadership of a firm is validated by agency theory which emphasises transparency and accountability of Board in dealing with the shareholders of the company. Specifically, the study revealed that 83% of selected NSE listed companies have adopted the recommendation of the Securities and Exchange Commission (SEC) code on non-combination or seperation of the role of CEO and chairman of a company. This is a good development for improvement of corporate governance in NSE and Nigeria. The implication for practice is that seperation of a company's CEO and chairman role is beneficial because expertise, experience and skill of both individuals can induce improvement and enhance performance of the organisation. Moreover, CEO Duality contravenes the principle of agency theory as an individual have the absolute power of formulating, monitoring and implementing the company's policies.

Based on the findings of the study, the following recommendation are put forward:

I. *Quoted companies in Nigeria should have a high ratio of independent directors on their boards. This would increase the confidence of potential investors in the companies.*
II. *Positions of a company's CEOs and chairman should be occupied by different individuals. This would improve the company's performance based on expertise, experience and skill of both individuals.*
III. *Considering limitations of the study in terms of sample size and variables used, it is recommended that future studies may cover market measurement variable of Tobin's Q to evaluate the impact on companies share prices.*

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