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Corporate Governance: A Key for Creating A Better Nigeria

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ABSTRACT :*The concept of corporate governance has very much roles to play in the state of economy especially in the developing ones. While the concept is believed to be an important success factor, which all component of an economy proclaim to pursue, it is not always obvious that organisation that proclaim it actually put it into practice. Corporate governance is understood as a system of financial and non-financial controls in a corporate entity. The governance relates to decisions that define expectations, grant power or verify performance and consist of a specific part of management or leadership process. Every state is governed by its constitution as corporations are governed by their memoranda. In this paper we tried to showcase corporate governance and the way it is holding a balance between economic and social goals and between individuals and communal goals using Nigeria as a case study. It is recommended that Nigeria' s corporate governance framework should encourage the efficient use of resources by enforcing accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.*

KEYWORDS: *corporate, management, governance, stakeholders.*

I. INTRODUCTION

Corporate governance is an area much spoken and written but organizations that conduct their business in an ethnical, transparent and socially responsible manner do better than their peers which do not. Corporate governance encompasses the long term management and oversight of the organization in accordance with the principles of responsibility and transparency. Thus, it makes a strong business case for companies to become good corporate citizens. The structure of corporate governance specifies in various ways the distribution of rights and responsibilities between and among various participants in an organisation (shareholders, board, managers, and other stakeholders involved). It spells rules, procedures and guidelines upon which decisions on corporate affairs are made.Many companies have good initiatives that they do not communicate fully to the outside world. Companies must consider what is meant by corporate citizenship and seek to ensure that the widest possible audience gets to hear of their works. Corporate governance is therefore keenly interested with holding the balance between economic and social goals and between individual and communal goals. The overall aim is to achieve efficient use of resources and accountability for the stewardship of those resources which as a result align as nearly as possible the interest of individuals, firms and the society as a whole.

Why is it difficult to lead or govern organizations successfully? The answer is that corporate governance are far more complex than other activities carried out in organizations especially at the operation level. Notwithstanding the importance of this fundamental insight into why the development and implementation of good corporate governance in strategic contexts more generally is a challenging task, researchers are just beginning to understand how these difficulties can be alleviated. More insight into these issues is important not only from a research perspective but from a managerial point of view as well. Hence, there is value in taking stock of research, in outlining what remains to be explored, and in drawing an agenda for future work. We will first review early researches and other modes of corporate development as well as studies that have investigated a host of issues related to corporate governance in Nigeria such as the principles of corporate governance, corporate governance model, why corporate governance in Nigeria and some of its challenges.

II. MEANING OF CORPORATE GOVERNANCE

Corporate governance refers to the system of structures, rights, duties and obligations by which corporations are directed and controlled. The governance structure specifies the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators and other stakeholders) and specifies the rules and procedures for making decisions in corporate affairs. Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environments. Governance is a mechanism for monitoring the actions, policies and decisions of corporations. It thus involves the alignment of interests among the stakeholders. There has been a renewed interest in the corporate governance practices of modern corporations, particularly in relation to accountability, since the high-profile corporate during 2008. Corporate governance is a mechanism to maximise the wealth of owners, which can be achieved by optimum utilization of resources and maximization of returns in given economic environment by managing the organization in more transparent and participating ways. It is a combination of corporate ethnics, corporate transparency and accountability (Argawal and Acharya, 2011).

III. WHY CORPORATE GOVERNANCE?

Corporate governance is the way a corporation policies itself (Leo, 2014). It is a way or method of governing the organization like a sovereign state, with its own customs, policies and laws to its employees from the highest to the lowest levels. Corporate governance is intended to increase the accountability within an organization and to avoid massive disasters before they occur. Well executed corporate governance is similar to a police department' s internal affairs unit, weeding out and eliminating problems with extreme prejudice. A organization can also hold meetings with internal members, such as shareholders and debt holders as well as suppliers, customers and community leaders, to address the request and needs of the affected parties. Also, sound corporate governance practices enable management to allocate resources more effectively, which increases the likelihood that investors will obtain a higher rate of return on their investment (Sharma, et al., 2011). Finally, leading indices show that developed countries that have good governance structures consistently out-performed developing countries with poor corporate governance structures. Thus in an efficient capital market investors will invest in firms with better corporate governance frameworks because of the lower risks and the likelihood of higher returns (Sharma, 2011).

IV. PRINCIPLES OF CORPORATE GOVERNANCE

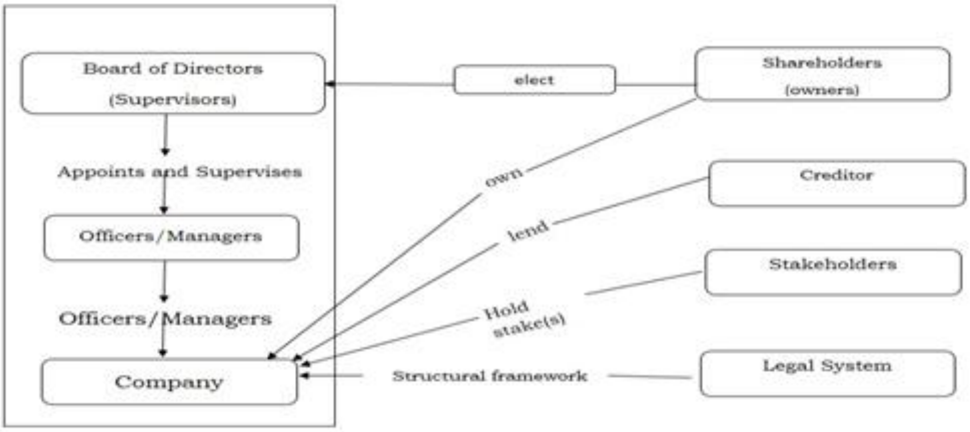
- **ShareholdersRecognition** is the key to maintaining a company' s stock price. More often than not, small shareholders with little impact on the stock price are brushed aside to make way for the interests of major shareholders and the executive board. Good corporate governance seeks to make sure that all shareholders get a voice at general meetings and are allowed to participate.
- **StakeholdersInterests** should also be recognized by corporate governance. In particular taking the time to address non stakeholders can help your company establish a positive relationship with the community and the press.
- **Board responsibilities must be clearly outlined** to majority shareholders. All board members must be on the same page and share a similar vision for the future of the company.
- **EthicalBehaviour** violations in favour of higher profits can cause massive civil and legal problems down the road. Under paying and abusing outsourced employees or skirting around lax environmental regulations can come back and bite the company hard if ignored. A code of conduct regarding ethical decisions should be established for all members of the board.
- **BusinessTransparency** is the key to promoting share holder trust. Financial records, earnings reports and foreward guidance should all be clearly stated without exaggeration or " creative" accounting.
  Falsified financial records can cause your company to become a ponzi scheme, and will be dealt with accordingly.

V. CORPORATE GOVERNANCE AS A RISK MITIGATION STRATEGY.

Corporate governance is of paramount importance to a firm and the country as a whole. It is as important and useful as its primary business plan. If effectively and efficiently executed, corporate governance can prevent corporate scandals, fraud and civil and criminal liability. It enhances the company' s image in the public eye as a self-policing company that is responsible and worthy of shareholders' and debt holders' capital. It dictates the shared philosophy, practices and culture of an organization and its employees. A corporation without a system of corporate governance is often regarded as a body without a soul or conscience.

VI. A MODEL OF CORPORATE GOVERNANCE

Shareholders elect the boards of directors. They also play advisory roles and they control the organization' s affairs. Where shareholders do not directly control the governance mechanism, half of the members on the supervisory board are elected by the labour unions while the remaining elected by the shareholders. In such model the employers are not just stake holders but also have a say in the governance mechanism. The shareholders appoint the members of the board with the consent of the



Source: Verma and Bihani, 2011, Page 21.

VII. CORPORATE GOVERNACE IN NIGERIA

Corporate governance is relatively a new concept in Nigeria, and despite all efforts by stakeholders to institute sound corporate governance practices, Nigeria has continuously faired poorly in this regard (Bernard, 2012) Perhaps the renewed interest in corporate governance in Nigeria may be linked to the change from military to civilian rule in 1999, which brought about a new feeling about the political environment in Nigeria. Expectations were high, as the whole world was watching. There was indeed a dire need for total reformation of Nigerian socio-political environment. A lot of people expected improvements in the fundamental human rights of Nigerians, judicial system, and socio-economic environment as a whole. We have also observed how the poor corporate governance framework in Nigeria has been exploited by senior management of companies at the expense of other stakeholders. More staggering is the recent down turn on the Nigerian Stock Exchange which also brought to fore some of these practices by capital market operators as well (Bernard, 2014).The development of the Nigeria code of corporate governance practices in 2003 was a welcome development. The code laid emphasis on the role of board of directors and management, shareholders rights and privileges, and the audit committee in the corporate governance process. However, before the development of the code of corporate governance practices in Nigeria, the company and Allied Matters Act had been in existence and it regulated the relationship among the board, shareholders and the management, including other stakeholders. There is no gain saying that CAMA has not achieved much in fostering sound corporate governance practices in Nigeria.

CHALLENGES OF THE CORPORATE GOVERNANCE IN NIGERIA

- Inadequacy in the implementation strategy of corporate governance standard in Nigeria.
- Regulatory institutions in Nigeria such as the SEC, CBN, CAC and the Nigerian Deposit insurance Corporation (NDIC) still have a lot more to do in ensuring that companies entrench sound corporate governance practices in their business operation, (Bernard, 2012).

WHAT WE NEED TO DO

According to Bernard (2012), there may be need in Nigeria to:

- Review the code of corporate governance practices of 2003 with a view to giving it greater legal backing in order to engender enforcement.
- There is a need for excellent relationship between the board, the management and the other stakeholders. This can be achieved by regular consultations and that all stakeholders are carried along.
- The federal government and regulators should have zero tolerance to unacceptable corporate governance practices with sanctions for non compliance.
- Companies in Nigeria should have sound risk management frameworks, with responsibilities clearly delineated.

- The regulators themselves should be above board and should lead by example at all times. They should be firm, fair, equitable and transparent in their dealings, and policy initiation should always be by consensus.
- The regulators should encourage whistle blowing system in companies. The whistle blowers should be adequately protected.
- All stakeholders interests should be protected and encouraged to participate in the corporate governance process.
- There should be compulsory induction training on corporate governance for new members to board of directors.
- The regulators should insist on efficient performance measurement system for senior management and the board.
- There should be regular structured training and attendance of seminars and workshops for the senior management to strengthen leadership quality.

VIII. CONCLUSION

At this juncture, it can be said clearly that the importance of the corporate governance lies in its contribution both to business prosperity and to accountability. Public organizations are now among the most accountable organizations in Nigeria. While there are several issues involved in the implementation of corporate governance, these can be sorted by implementing some of the successful models of corporate governance. Similarly, for Nigeria to effectively practice corporate governance, these two problems of (1). Corruption and (2) Ineffective judicial system should be tackled and solved.

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