Corporate Governance

Re: duplication of corporate governance codes and the dilemma of firms with dual regulatory jurisdictions

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Abstract

Purpose – *This paper aims to examine the evolution of corporate governance in Nigeria and how the duplication of code of corporate best practices is impacting compliance with the key recommendations of these guidelines. The issues of corporate governance and reforms especially those related to the development and implementation of code of corporate best practices have been a subject of academic discuss over the years with more research emphasis placed on developed economies. This paper intends to add the sub-Sahara Africa and the emerging economic perspective to this vibrant stream of research.*

Design/methodology/approach – *This paper adopts an explanatory approach in the review of the four different codes of corporate governance that were issued in Nigeria in the past ten years.*

Findings – *The paper demonstrated that corporate governance has been a fundamental issue of concern in Nigerian public enterprises since the country gained independence in 1960. The paper equally established that the application of recent corporate governance reforms has been challenged, not on competency grounds but rather by the proliferation of codes which have created implementation and monitoring difficulties for both the affected firms and the regulatory agencies.*

Originality/value – *Unlike other previous studies, this paper offers comprehensive analysis of corporate governance evolution in Nigeria and found through documented literatures that shortage of experienced local personnel and the absence of effective external control mechanisms have been the bane against the development of corporate governance in Nigeria. The originality of this paper also lies in being the first paper to have linked developments in the public enterprises to the renewed focus on corporate governance. This is the most inclusive paper to have identified key implications of multiplicity of corporate governance codes and the direct application of governance system within the context of the country's socio-cultural distinctiveness.*

Keywords *Codes, Corporate governance, Boards of directors, Corporate ownership*

Paper type *General review*

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Introduction

The concept of corporate governance was popularised by the spates of corporate scandals which have continued to shock institutions across the globe (Rose, 2005; Shivdasani and Zenner, 2002; Kakabadse *et al.*, 2001). Globally respected and well-established companies were found to have been involved in different kinds of unethical business practices including profit falsification, excessive secrecy, debt concealment, naked short selling, money laundering and the manipulation of financial statement through creative accounting practices, amongst others (Solomon, 2007; Clarke, 2007; Cadbury, 2000). These unprofessional behaviours by the corporate managers led to series of high-profile corporate failures and bankruptcies, notably in developed and emerging economies. The spectacular collapses of large companies such as the Bank of Credit and Commerce International (BCCI) in 1991, Enron in 2001, Rank Xerox, WorldCom, Qwest and Tyco in 2002 and Lehman Brothers, a 158-year-old investment bank, in 2008, the Merrill Lynch takeover and the move by Goldman Sachs and Morgan Stanley to seek banking status to avert imminent bankruptcy are some of the examples well cited in the corporate governance literature (Bulent, 2009; Chien, 2008; Kim, 2007; Rose, 2005).

In the Nigerian context, the incidences of corporate scandal extended to the financial services, manufacturing and oil and gas sub-sectors. The overstatement of the profit and balance sheets of Cadbury Nigeria Plc and the evidence of share price manipulation at the Fort Oil Plc (formerly African Petroleum) ensured that the two companies became the most famous cases of unethical practices in Nigeria since independence (Otusanya and Lauwo, 2010; Egene, 2009). Interestingly, these waves of corporate scandals were followed by a series of institutional reforms designed to mitigate future reoccurrences. By 2003, the Nigerian Securities and Exchange Commission (SEC) had issued the country's first ever Code of Corporate Governance. To resolve the administrative bottlenecks in the implementation of corporate governance due to industry peculiarities, other regulatory bodies, such as the Central Bank of Nigeria (CBN), National Insurance Commission (NAICOM) and the National Pension Commission (PenCom), followed in the footsteps of the SEC by issuing codes that were industry specific.

However, unlike the developed and other emerging economies particularly those outside Sub-Sahara, where the institutional reforms on corporate governance had led to significant expansion of research studies, the subject has received very little attention in terms both explanatory and empirical investigation, despite the presumed popularity of the concept (Duke and Kankpang, 2011; Adeyemi and Fagbemi, 2011; Babatunde and Olaniran, 2009). Whereas, it can be argued that the issues of corporate governance had been a subject of intense public discussion for over 20 years now, majority of previous studies have focused mainly on the USA, Europe and Latin America, and most recently the Asian business context (Finegold *et al.*, 2007; Kyereboah-Coleman, 2007). This paper aims to add an African perspective, and especially a Sub-Saharan impetus, to this important research stream, with particular reference to Nigeria where the recent trends of proliferations of corporate governance codes have kindled the debate regarding the implications of multiple codes on the overall efficacy of corporate governance system. In addition, the choice of Nigeria as a case study was based on the fact that it housed one of the four largest stock markets in Africa and above all the largest economy in the Continent.

This paper offered an in-depth assessment of corporate governance in Nigeria and how the current trend of proliferations of codes is hampering the effective implementation of the new reforms particularly in organisations that are operating under multiple regulatory jurisdictions. The remainder of this paper is structured as follows: the second section offered pre and post-independence assessment of the evolution of corporate governance and business ownership structure in Nigeria. Third section deals with the challenges and the motivation behind the new corporate governance reforms. The fourth section was dedicated to the review of Nigerian corporate governance model. The fifth section highlighted the issues of code proliferation and offered case for harmonisation. The sixth section covers the conclusion and future policy recommendations.

Evolution of corporate governance in Nigeria

The colonial history of Nigeria has significantly influenced the evolution of corporate governance in the country. Before independence, business ownership in Nigeria was foreign dominated with absolute majority of companies owned by British entrepreneurs (Okike, 2007; Adegbite and Amaeshi, 2010). Shortly after independence, the government began to take steps aimed at revising the disproportionate trend in business ownership in the country. Key regulatory measure was the enactment of the Nigeria Enterprise Promotion Act in 1972 and amended in 1977 (Yakasai, 2001). The indigenisation policy as it is popularly called was driven by the feeling of high sense of nationalism as a new independent state and thus not competency inclined. This policy was purely based on the need for more control and participation of the locals in the ownership and management of enterprises (Udah, 2010; Ahunwan, 2002). The new Act categorised businesses into three distinct groups called schedule. Businesses listed in Schedule I are exclusively reserved for Nigerian entrepreneurs; therefore, only wholly owned Nigerian companies are allowed by law to engage in those business ventures. In the Schedule II, the Act allow for foreign ownership of up to 40 per cent stake, while the remaining 60 per cent resides with Nigerians. As a new independent state, government recognised the fact that local entreprenuers may not have possesed within short time the requisite skills and expertise needed to single-handedly established and run some these businesses successfully without foreign partnership. So the Act under this schedule allow for partnership between the locals and foreign entrepreneurs provided that the foreign stake does not exceed maximum of 40 per cent. Local investors can own up to 40 per cent stake in businesses listed under Schedule III with majority (60 per cent) of the stake remained in the hands of the foreign nationals. The reason being that, businesses listed in the Schedule III are both capital and technology intensive which the local entrepreneurs of the new independent Nigeria could not afford at that time hence, the need to allow for more foreign ownership. In essence, the idea was to allow for knowledge transfer between the foreign and local partners.

However, as more local entrepreneurs became involved in the management of businesses, and given the corporate reforms that followed the post-independence era, the issue of governance became vital. The inadequacy of managerial competence of the Nigerian entrepreneurs soon became apparent as they became directly involved in the management and control of these new enterprises. In addition, the divestment of the government-owned stake in the public enterprises, as consequence of privatisation programme also brought about the "bulk shareholding syndrome" particularly the issue of expropriation of the minority shareholders by their majority counterparts. The situation is even more pronounced in the family-dominated businesses which constitute significant number in terms of listed companies in Nigeria. These systemic governance issues collaborated by the absence of enforcement of the existing corporate regulations provided the breeding grounds for corporate impunity and lack of accountability and transparency in the management of enterprises. As a consequence, incidences of corporate failures on the back of unethical practices and executive exuberances began to emerge (Ahunwan, 2002; Adekoya, 2011; Ndongko, 1980).

Consistent with trends in other countries both in the developed and developing world, Nigeria has also had its fair share of scandals at the corporate level. The overvaluation of share prices and falsification of financial statements by Unilever Nigeria Plc (formerly Lever Brothers) and Cadbury Nigeria Plc are recent examples (Uadiale, 2010; Kama and Chuku, 2009). Forte oil (formerly African Petroleum Plc) was rocked by the scandal of "creative accounting", in which debts well in excess of US$ 150 million were concealed. The Dangote Group, a conglomerate manufacturing company in Nigeria, was accused of share price manipulation, and the company chair, who at that time was a member of the Nigeria Stock Exchange (NSE) governing council, was forced to resign from the board. The magnitude of corporate scandals that have taken place in the country can be better understood by looking at what has happened in the financial services sector (Ofo, 2010).

An estimated total of 50 commercial banks collapsed between 1994 and 2010, with an additional eight having to be rescued from bankruptcy by the federal government through the Apex bank (CBN, 2011). Some of the country's famous commercial banks, including the Arab Bank, Merchant Bank, Allied Bank, Progress Bank and Royal Merchant Bank, folded in 1994 (Magaji, 1996). Others include the Société Générale Bank in 2003 and the All State Trust Bank in 2004. Serious corporate governance failure has been blamed for these incidences. A gross violation of internal processes and procedures, as well as the inevitable collapse of the Nigerian stock market, all point to the absence of effective governance mechanisms (Oyebode, 2009).

Although it fell below expectations, the government's response to these scandals was considerable, as amendments were made to the country's main corporate law, the

Companies and Allied Matters Act – CAMA (1999), to incorporate a code of conduct for company directors, as well as specifying the role of the audit committee, among others. The government further introduced a number of legislative initiatives to address operational problems in the financial services sector, which was the segment of the economy most hit (Ehikioya, 2009; Olayiwola, 2010). In addition, the following laws were promulgated to curb financial fraud and related malpractices: The Banks and Other Financial Institutions (BOFIA) Act 12, of 1991; the Failed Banks (Recovery of Debts) and Financial Malpractices Act of 1994; the Money Laundering Act of 1995; and the Advanced Fee Fraud and Other Related Fraud Offences Act of 1995.

These regulatory reforms, especially in the area of corporate governance, are aimed at attracting foreign direct investments (FDIs), which was at its lowest level during the military regimes that prevailed in the years between 1979 and 1999 (Okike, 2007). There has been a realisation on the part of the political class that conducting business in line with international best practices is the most reliable way of building investors' confidence and attracting the much-needed FDI (Quadri, 2010; Ojeme, 2010). Okpara (2010) observed that the need to promote measurable international standards for best practices in Nigeria was urgent. One of the immediate reforms was the creation of a national committee to assess the corporate governance issues in the country (Uadiale, 2010). The committee was saddled with the responsibility of evaluating the efficiency of existing corporate governance mechanisms, identifying their weaknesses and recommending the changes required to improve the process (SEC Code, 2003). The committee submitted its report, and, by 2003, the Nigerian SEC, in conjunction with the Corporate Affairs Commission (CAC), had issued the first ever code of corporate governance (herein, the SEC Code) in Nigeria (Suberu and Aremu, 2010). The SEC Code was targeted at companies listed on the NSE.

Remarkably, the financial institutions, insurance companies and pension fund administrators believed that the provisions of the SEC Code were generic and did not take into account the peculiarities of the industries of most listed firms (Ofo, 2010; Ojeme, 2010). To complement the SEC Code guidelines, the CBN (2006) led the launch of the first industry-tailored code of good corporate governance, for commercial banks operating in the country (Uadiale, 2010; Olayiwola, 2010). This came shortly after the recapitalisation and consolidation exercise of 2005. Other regulatory agencies soon followed suit, with the NAICOM and the PenCom both issuing industry-specific codes of corporate governance, for the insurance companies and the pension fund administrators, respectively, in 2007 and 2008. It is interesting to note that between 2003 till date, four different industry-specific corporate governance codes have come into operation. The differences and similarities between these codes in terms of the structure of the board, as well as their regulatory underpinnings, are discussed in detail in the next section.

Review of the Nigerian corporate governance model

The corporate governance system in Nigeria is a clear case of adoption from the UK, as is the case for most countries previously under British colonial rule (Ogbechi, 2010; Okike, 2007; Ahunwan, 2002). The supremacy of British-owned companies prior to independence meant that, although the business activities were being carried out in Nigeria, the approach were guided by British traditions. Most of the companies operating in the country were an extension of the parent companies headquartered in the UK. Interestingly, even the company laws that governed business operations had mirrored the British company law (Okike, 2007). While Nigeria may now have become an independent country, regulators and policy makers still take their cues from the UK when it comes to corporate policy prescriptions.

Similar to what has occurred in the UK, the federal government, through its numerous agencies, had issued a series of guidelines and laws aimed at instilling sanity into the manner in which business activities are conducted in the various sectors of the economy (Okike, 2007). Various corporate regulatory frameworks have been put in place, from the

CAMA (1990) to the BOFIA (1991), the Insurance Act 1997, the Pension Reform Act (PRA) 2004 and the Investment and Securities Act (ISA) 2007. Each of these corporate laws is backed by government-owned agencies charged with the statutory responsibility of administering the Acts in the targeted sectors. These agencies which among others include the Nigeria SEC, the CBN, the NAICOM and the PenCom share a common objective of ensuring that corporate activities are conducted within the boundaries of internationally acceptable standards and best practices.

However, the activities of these regulatory agencies were greatly focused on the administration of acts governing their establishments and scope of oversight, which deal with specific sector operational issues rather than issues of corporate best practices. As a result, the corporate scandals of 1990s many of which affected entities covered by some of these corporate legislations, prompted the regulators to introduce a clear code of corporate governance, the first attempt being the SEC Code issued in 2003. Though compliance with the provisions of the SEC guideline is voluntary, corporate commentators believed it was the right initiative that would promote corporate probity and accountability in the public sector (Peterside, 2009).

Being the first step taken towards the entrenchment of corporate governance, certain amount of inadequacies were observed in the SEC (2009) Code, and by 2009, a new version was issued (Ofo, 2010). As highlighted in the preceding section, to resolve the administrative bottlenecks in the implementation of corporate governance due to industry peculiarities, other regulatory bodies, such as the CBN, NAICOM and PenCom, followed in the footsteps of the SEC by issuing codes that were industry specific. These specialised codes are somewhat similar, but the degree of compliance expected by the respective regulators differs significantly across the sectors. For instance, while the SEC and NAICOM codes are voluntary, the CBN and PenCom codes are mandatory for all companies regulated by these agencies. Regarding internal board structure, which has become a key component of corporate governance, it is imperative to note that Nigeria had adopted the unitary board system that prevails in the UK and most Anglo-Saxon countries. Despite the proliferation of governance codes, all of those issued so far had advocated for a unitary board system consisting of both the executive and non-executive directors (NEDs). For the purpose of this review, we have highlighted below the existing similarities and differences between the SEC Code and other industry-specific codes under the following board characteristics: size, composition and leadership structure.

Codes' provisions on board size

Determining the appropriate number of directors that corporate boards should maintain has been a central issue of debate in corporate governance (Larmou and Vafeas, 2010). Goodstein *et al.* (1994) observed that the size in terms of directors' membership is crucial for the overall effectiveness and functioning of corporate board. Therefore, the Nigerian SEC Code calls for a well-diversified and sufficient board size that allows for independence, with a minimum membership of five. The CBN code recommends a maximum board size of twenty. While the NAICOM code suggested a minimum board size of seven and a maximum of fifteen. PenCom code was, however, salient regarding numbers but rather suggested that board membership should not exceed "that which allows it to employ simple and effective methods of work to enable each director to feel a personal responsibility and commitment" (PenCom Code, 2008, p. 5).

Codes' provisions on board composition

The composition of directors that make up the board and the degree of spread between insider and outsider members is often perceived as a sign of good governance particularly the presence of non-executive independent directors (Luan and Tang, 2007). Consistent with the above line of thought, the SEC Code recommends that, irrespective of the number of directors, a corporate board of registered companies in Nigeria should be composed of both executive and NEDs with at least one non-executive acting in an independent capacity. The independent director, according to the SEC Code, must be a non-executive whose shareholding does not exceed 0.1 per cent and who shares no family affiliation with any past or present employee or director of the company. The director must not be a representative of any shareholder who has the ability to materially influence the management team. On the contrary, the CBN code highlights that the proportion of NEDs on the board should surpass that of executive directors. At least two of these non-executives should be independent directors who, although they may be appointed by the bank, are only answerable to the shareholders and the CBN.

The NAICOM code recommends that the boards of insurance companies in Nigeria should have a mix of both executives and non-executives, with the executive share not exceeding 40 per cent of the total board membership. At least one of the non-executive representatives should be independent, with no shareholding or business interest in the company. For the pension fund administrators, the PenCom code shares the same general approach regarding the need to have both executive and NEDs. However, to ensure board independence, PenCom code recommends that each board should have at least one independent director and that the proportion of executive and non-executive representatives on the board should be equal to guarantee balance of power and fruitful deliberation.

Codes' provisions on leadership structure

The issue of board leadership has been at the heart of the internal corporate governance debate in different countries due to a divergence of views stemming from two major theoretical underpinnings, i.e. the agency and stewardship (Nicholson and Kiel, 2007; Dulewicz and Herbert, 2004). Consistent with the dominance of the agency theory, which emphasises CEO non-duality, the four codes that have been issued in Nigeria are unanimous in respect of the director who should chair the board (Elsayed, 2011). The SEC Code recommends that companies listed on the NSE should be encouraged to adopt the non-dual leadership structure, whereby the positions of board chair and MD/CEO are separated and occupied by two different individuals to avoid a concentration of power and CEO entrenchment and domination. Thus, while the CEO is the head of the management team, the board of directors should be headed by the chairman, who must be an NED. Similarly, in the CBN code, CEO duality is discouraged under any circumstances, with no one person allowed to combine the two positions.

The NAICOM code also favours the decentralisation of power at the top corporate level, with similar recommendations that favour a separation of the two positions and the inclusion of a caveat that prevents members of the same extended family from occupying the two posts at the same time. In addition, this code further recommends that the position of board chair should be occupied by an NED to promote the desired board independence. The PenCom code, on the other hand, recommends that, as well as the usual separation, companies are equally expected to disclose whether the two persons occupying the chairman and MD/CEO positions share family ties. Thus, unlike the NAICOM code's discouragement of individuals from the same family occupying the two positions, PenCom opted for the need to disclosure the existence of such relationships.

Codes' provisions on directors' competencies

Issues regarding the strategic relevance of directors cognitive competencies to board effectiveness has received some level of attention in corporate governance discuss. For instance, Cadbury (2000) observed that the directors' cognitive capabilities as defined in terms of their educational qualifications, professional experiences and relevant continuous developmental programmes attended are vital ingredients for meaningful contribution during board deliberations. Although the issue of cognitive heterogeneity still remains an underdeveloped research area in the Nigerian context, the corporate governance codes highlighted the importance of directors' competencies in board configuration. The SEC recommends that board members should be required to have the relevant core competencies in the industry and an entrepreneurial spirit, as well as a clear understanding of board procedures. In Part b(4), the SEC code emphasised that the board "should be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings".

On the same issue, the CBN code provides that, without prejudice to the provisions of the BOFIA, only competent individuals with a high level of integrity, knowledge of banking and financial services and the ability to read and interpret financial statements should be appointed to the boards of banks. The NAICOM code also suggests that directors' appointments to boards should be guided by certain basic elements, including industry experience, knowledge of board workings and a track record of integrity and diligence.

Looking at these recommendations on the internal board structure in the context of the existing corporate governance theories, it is apparent that board structure in Nigeria is configured according to the notions of agency theory. The large board size, the need for separation of power between the positions of CEO and board chair and the increased call for more NEDs are all features that match the agency perspective (Hillman and Dalziel, 2003; Ong and Lee, 2000). Therefore, it may not be out place to assume that the Nigerian corporations are also faced with agency problems resulting from the separation of ownership and control. The burdens of exposure to the moral hazards are likewise far reaching giving the fact that significant numbers of companies are operating in an environment with weak corporate regulatory and institutional frameworks (Quadri, 2010).

Implications of codes duplication and the challenges of CG reform in Nigeria

The renewed focus on corporate governance in Nigeria has been synonymous with the developments that have led to similar reforms in developed countries, such as the UK and the USA. Nigeria witnessed a series of corporate scandals as highlighted in the preceding section, which led to the collapse of numerous enterprises, especially in the financial services sector. Therefore, on the one hand, the desire for the entrenchment of corporate best practices was a deliberate effort by the government to promote corporate transparency and accountability. On the other hand, it was also born of the need to attract more FDIs.

However, these new reforms have been challenged, not on sufficiency grounds but rather by the proliferation of codes which has created implementation and monitoring bottlenecks for both the adhering firms and the enforcement agencies alike. At the moment, the key agencies (i.e. the Nigeria SEC, CBN, NAICOM and PenCom) are locked in a jurisdiction battle which has left most companies rather confused on which of the codes takes more precedent over the other. This generated conflict of jurisdiction has further dampened the effectiveness of these documents and reduced the importance stakeholders attach to the whole governance principle. Corporate governance (CG) codes are now subject to abuse as most firms regard compliance as a formality and a fulfilment of corporate righteousness, without necessarily embracing the values behind the principles.

The application of these codes has posed even greater challenges to industries that are subject to multiple regulations, particularly companies in the financial sector and which are listed on the NSE (Alayande, 2010; Ofo, 2010). For instance, while compliance to the SEC and NAICOM codes seems to be voluntary, the CBN and PenCom codes have been made compulsory for commercial banks and pension fund administrators operating in the country. The lack of consensus on the level of compliance, as well as applicable sanctions for non-compliance, remains a major challenge to the codes' enforcement in Nigeria (Demaki, 2011). These divergences in the level of compliance expected by the various issuing regulators have thus given firms many opportunities for misuse.

Table I Summary of CG code recommendations on board structure in Nigeria

Board dynamics	*SEC Code*	*CBN Code*	*NAICOM Code*	*PenCom code*
CEO duality	Yes	Yes	Yes	Yes
Size	Minimum = 5	Maximum = 20	Minimum = 7; Maximum = 15	–
Composition	Mixed	More non-executives	Exec. Dir. < = 40%	Equal ratio
Independent directors	≥1	≥2	≥1	≥1
Committees	Audit, Remuneration, Governance and Risk	Audit, Credit, Risk, Finance and General Purpose	Audit and Compliance, Financial and General Purpose, Investment, Enterprise Risk Management and Establishment and Governance	Audit, Investment Strategy, Risk Management and Nominating
Expected compliance	Voluntary	Compulsory	Voluntary	Compulsory

Sources: SEC, CBN, NAICOM and PenCom codes

Additionally, the regulators who had issued industry-specific codes claimed that the rationale behind such codes was to take into account the peculiarities of their respective institutional settings. But the review of key provisions shows no significant difference between these numerous CG codes (Table I). They are all replicas of the UK's Cadbury Code which, in the view of some public commentators (Adegbite and Amaeshi, 2010), does not offer an adequate solution to the peculiarities of the Nigerian corporate environment. So far, the codes seem to have performed below par in addressing the fundamental governance issues confronting Nigerian enterprises. Yakasai (2001) observed that the lack of consideration given to socio-cultural differences, which usually shape the way people behave and carry out business activities, has had a significant impact on the entrenchment of the corporate governance system in Nigeria. The above view was similar to that of Ahunwan (2002) who further elucidated the important of Nigerian socio-economic context has being vital in achieving the fundamental objective of the current corporate reform.

Another constraint is the fact that these codes are not backed by a clear legislation that split out sanctions or procedures for explaining non-compliance (Ogbechi *et al.*, 2009). Ogbuozobe (2009) stressed that the tag of "voluntary" being placed on these codes has further impaired compliance. The CBN that tried to link the codes with Bank and Other Financial Decree (BOFID) still find it difficult to enforce compliance because of the systemic weakness in the legislation it relied upon. In addition, because the Nigerian main corporate law has been rendered obsolete, it has equally failed in addressing some of the fundamental governance issues confronting modern corporations (Quadri, 2010). Since independence in 1960, the only company law governing the conduct of businesses in Nigeria is the CAMA (CAMA, 1999). This legal framework has been long overdue for overhauling, as there are lots of current corporate governance issues that have not been addressed by the Act (Sanda *et al.*, 2008). The weaknesses created by the reform lag have facilitated manuvering and abuses of processes and controls at corporate level. A close review of the current company law in Nigeria *vis-à-vis* the international requirement for best practices has left much to be desired especially in the areas of corporate governance entrenchment. For instance, there are no provisions in the Act that addresses key issues related to independent board configuration, risk management, internal controls such as "whistle blowing" mechanism issues among others (Adeyemi and Fagbemi, 2011; Okike, 2004). Olayiwola (2010) emphasized that the old-fashioned nature of the existing legal charter has created huge gap between the legal requirement and most of the provisions that are contained in the codes of corporate governance. This continuous absence of corporate governance rules and regulation has left investors vulnerable to corporate exploitation.

Besides the problem of proliferation, the corporate governance reform is confronted with other multifaceted issues such as audit conspiracy, absence of market control mechanism, low shareholders' activism and quality of directors. First, the CAMA (1990) required that all public companies should have an Audit committee charged with statutory responsibility of ensuring compliance with financial reporting standards. However, we have seen a situation where the so-called independent Audit committees and external auditors concealed evidences of unethical practices and present distorted reports at annual general meetings (AGMs) (Otusanya and Lauwo, 2010). Akiontola Williams and Deloitte, a respected accounting and auditing firm with international networks, was found to have subverted adherence to best practices through facilitation of creative accounting and falsification of financial statements in respect of defunct Afribank Plc. The same Audit firm was further indicted for its role in overstating the profit of another manufacturing company, i.e. Cadbury Nigeria Plc, between 2002 and 2005. In addition, those commercial banks whose assets were recently taken over by the Nigerian apex bank were consistently been given a clean bill of health by their respective Audit committees and external auditors even in the year preceding the takeovers (Yakasai, 2001).

Second, promoting firm-level compliance with the principle of corporate best practices requires a combination of both internal and external mechanisms especially the presence of an effective market control instruments (Cuervo, 2002). In Nigeria, the mechanisms for market control such as the product market, managerial market for talent and the capital market that are supposedly designed to pressure those at helm of corporate entities to strictly adhere to codes of best practices are vilely ineffective (Ahunwan, 2002). The Nigerian capital market still remained underdeveloped due to inefficiency and limited liquidity. Capital market reform has for long been ignored with the present ISA making no provision for market expansion (Adoga, 2009). Instances of hostile takeovers are rare despite numerous corporate scandals experienced. The provision of ISA regarding mergers and acquisition is highly restrictive and overly elongated. These regulatory barriers have helped limited the effectiveness of market control for corporate governance with underperforming companies giving alibi against hostile takeover (Adoga, 2009).

Third, Shareholders' Activism is almost in non-existence in Nigeria. Minority shareholders who are in the majority and would make their voices heard through AGMs don't attend. Okpara (2010) contended that while the main corporate regulation in Nigeria provides for the protection of shareholders' interests, these benefits had not been maximised partly due to high level of ignorance about the existing of such rights and privileges on the side shareholders. In addition, Ahunwan (2002) observed that the excessive fragmentation of the ownership backed by the naivety of the minority shareholders have neutralised the power of activism and thus paving way for the few majority shareholders to run the enterprises without being subjected to sufficient checks. The lack of consciousness on the part of these shareholders also gave the board of directors and top management free hand to run companies' affairs in a selfish manner. There cases where listed companies in Nigeria often go to university campuses to hire students who then poses as shareholders representatives to vote at the AGMs. AGMs in Nigeria are more of a jamboree and a fun fair of a sought rather than an avenue for stewardship and where shareholders seek to examined the performance of the board and management teams (Oyebode, 2009). The evolution of shareholders' activism is further compounded by the lack of enthusiasm on the part of the institutional investors (Ofo, 2010; Yakasai, 2001).

Finally, ensuring adherence to corporate governance practices is a responsibility of the stakeholders, most importantly the board of directors (Otteh, 2011). But the effectiveness of board according to Kolade (2010) is determined by the cognitive composition of its directors. Significant numbers of corporate boards in Nigeria are composed of low-quality directors that lack pre-requisite knowledge of the business and those who are inexperience regarding board functionalities and processes (Sanusi, 2010; Quadri, 2010). The Africa Petroleum Plc and Cadbury Nigeria Plc corporate scandals have turned the public attention to questions of the capabilities and competencies of board of directors in Nigeria (Ogbechie and Koufopoulos, 2010; Ogbechi, 2010). According to Okpara (2011), these inadequate understanding and the *shortage of qualified directors* continue to pose significant challenge to corporate governance effectiveness in Nigeria. Rather than engage in strategic decision-making, corporate directors have increasingly become artists who follow strictly the script of the movie director (i.e. CEO).

Recommendations for policymakers in Nigeria

Consistent with the key issues highlighted in the preceding section, the study concludes that the relevance of future corporate governance research in Nigeria would be very much anchored on how much progress is made with regard to institutional reforms. This paper offered the following recommendations for policymakers on the kinds of institutional reforms that are required in the area of corporate governance and best practices.

First, the on-going proliferations of the Corporate Governance Code need to be put in check. While this paper recognised the inherent differences among various sectors of the economy, the harmonisation of corporate best practice guidelines are equally necessary to instil the kind of corporate discipline that the country seeks. In addition to harmonisation, there is the need to also strengthen compliance aspect of the divide. The Nigerian business environment is regulatory driven due to the country's internal political and sociocultural peculiarities. As such, institutional reforms need to be legally binding. The continued use of voluntary compliance in Corporate Governance Codes would not induce the genuine level of compliance that is expected in terms of improved corporate accountability and transparency.

Second, the company law needs to be significantly overhauled and repositioned in line with the prevailing corporate dynamics. Nigerian policy makers would need to revisit the company law and incorporate appropriate best practice provisions and other areas that require amendments. The CAMA of 1990, which is the main piece of legislation governing the conducting of businesses in Nigeria, is far short of the expectation in providing guidelines for corporate best practices. The CAMA document contains regulations that were designed in line with the economic realities of the post-independent era, which was characterised by monopolistic competition and a majority of state-owned and operated enterprises. Even when the federal government embarked upon the deregulation and privatisation exercises in the early 2000s, very little attention was paid to the way and manner in which the new paradigm would impact the structure and operations of businesses, especially in the area of corporate governance.

In conclusion, most corporate governance reforms that were introduced in the country have focused on internal firm governance and best practices in the private sector, especially listed companies. However, the same level of enthusiasm is not being put into the development of external mechanisms that help balance the deficiencies of internal governance systems. The market control mechanisms are still very much redundant and practically ineffective. Besides, the restrictive nature of the current Investment and Securities regulation has equally hampered the development of market control mechanisms. An amendment to the existing ISA would help drive the development of external governance instruments and thus pave the way for effective corporate regulation in Nigeria.

Conclusion and future research directions

In this paper, we highlighted the fact that corporate governance has been a fundamental issue in Nigerian public enterprises since the country gained her independence. However, the renewed emphasis on the need for adherence to the principles of corporate best practices is identical to the developments that had led to comparable reforms in both developed and other emerging economies. Some respected corporations in Nigeria became involved in an organised corporate fraud and financial malpractices ranging from overstatement of profit, manipulation of financial statements, insider trading and concealment of debts among others. Part of the immediate response from government saw to the introduction of code of corporate governance for listed companies and other three specialised codes in the areas of banking, insurance and pension administration. Conversely, we have established that the proliferation of these codes has created implementation and monitoring bottlenecks for both the concerned firms and the enforcement agencies. The jurisdiction battle between the enforcement agencies has so far dampened the effectiveness and seriousness stakeholders attached to compliance.

The paper further established that the pace of development of corporate governance framework in Nigeria is restricted due to the "copy card" approach of the policy makers. So long as the country's governance practice continued to mirror the models in developed societies especially the UK, without consideration given to the socio-cultural peculiarities of the Nigerian business environment, achieving same level of result in terms of adherence to the principle may varies because of the inherent difference in our value systems. Despite the existence of ethnic diversity, the Nigeria value system is built on the culture of homogeneity (Otitie, 1990). This underpinning communal value orientation is being transferred into the corporate environment. Therefore, the ongoing corporate governance reforms in Nigeria should be structured in a manner that is consistent with the dynamics of the country's institutional environment. This paper is of the view that the notion of direct application of a particular governance system without appropriate modification to match the inherent distinctions is unlikely to be effective. Interestingly, significant numbers of public commentators are unanimous with the above line of submission. For instance, Yakasai (2001) in a similar study concluded that the effectiveness of governance mechanisms is dependent on the consideration they give to obvious environmental disparities. Using Russia as a case study, McCarthy and Puffer (2002) argued that the country's cultural configuration plays a significant role in the entrenchment of the corporate governance system and its successful evolution. Lu and Batten (2001) evaluated a study on the implementation of the OECD's Principles of Corporate Governance in post-crisis Asia and concluded that the adoption of uniform corporate governance systems is likely to be difficult to achieve owing to cultural differences. The espousal of a corporate governance system may thus vary from country to country, with the best approach being one that is culture-linked (Chiper, 2010; Lu and Batten, 2001).

In terms of future study directions, the Nigerian corporate environment offers several untapped opportunities for the development of new research frameworks regarding the significance of effective corporate governance in the emerging markets. This paper had identified through comprehensive review of documented literatures on the evolution of public enterprises in Nigeria that, the issue of inexperience on the part of the corporate managers and grossly low-quality directors as some of the key immediate causes of ineffectiveness and lack of efficiency in the administration of public corporations in the country. To validate some of these explanatory ascertains, this paper calls for more empirical studies specifically in the area of internal governance characteristics such as the relevance of directors' cognitive competencies and qualifications in firm governance.

Future studies are encouraged to pay equal attention to the configuration of board committees. Within the corporate governance debate, there is a strong presumption that because of the constraints in holding board meetings as regularly as might be expected, much board businesses are being carried out at the committee level. Therefore, it would be interesting to examine the composition of board committees and their impact on firm operational performance in Nigeria.

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