Corporate Governance and Its Challenges in the Nigerian Business Environment

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INTRODUCTION

The global environment has witnessed a number of challenges particularly collapse of high-profile organizations such as Enron Corporation, MCI Inc (formerly Worldcom). In response to this corporate failure, there has been considerable interest both in practice and academic research in corporate governance (Brown, 1999, Cohen et al. 2002). In Nigeria, the change from military to civilian government in 1999 brought about a dire need for total transformation of the Nigerian socio-political environment and improvement in fundamental human rights, judicial system, work ethics and organizational cultures to mention just a few. In response to these expectations, there has been renewed interest in corporate governance in Nigeria. The absence of good corporate governance in Nigeria has created an avenue for exploitation by boards of director and senior management of Nigerian organizations at the expense of the stakeholders, this is manifested in the recent down turn in operations of the Nigerian Stock Exchange.

Good corporate governance provides the foundation for the boards of directors and senior management to pursue objectives, strategies and policies for the betterment of all the stakeholders. Prior to the evolvement of Corporate Governance in Nigeria, the companies and Allied Matters Act had regulated the relationship among board of directors, senior management and stakeholders. In addition, the following development within the Nigerian business environment have some impact on Corporate Governance:

- Promulgation of Nigerian Enterprises Promotion Decree in 1995 which restricted foreign ownership of shares.
- Deregulation of foreign exchange
- Privatization and commercialization of public enterprises
- Empowerment of Economic and Financial Crime, Commission and Independent Corrupt Practices Commission ICPC.
- Development of Nigerian Code of Corporate Governance Practices.
- Passing of Freedom of Information and Procurement Bills etc.

In developed and developing countries, there are excellent examples of measures aimed at restoring public confidence in corporate governance. However, this renewed interest in Corporate Governance in Nigeria has continuously faired poorly probably due to very little patronage enjoyed in academic literature.

In view of the foregoing, this paper intends to provide an account of Corporate Governance in Nigeria and highlight its major challenges. In achieving this purpose the paper proceeds in the following manner. The first section provides the conceptual framework for corporate governance by defining the concepts bringing out its codes and principles. The second section examines the key parties in Corporate Governance. Next, the mechanisms of Corporate

Governance are discussed. The challenges of Corporate Governance are further highlighted. Finally, conclusion and recommendations are also provided.

CORPORATE GOVERNANCE: CONCEPTUAL FRAMEWORK

Corporate Governance is devoid of universal definition. The perception of the concept depends on which side of prism one is focusing on.

Robins and Coutler (2005) noted that the system used in corporate governance is to ensure that the interest of the corporate owners are protected.

The Confederation of Indian Industry (CII) (1997) states that corporate governance deals with laws, procedures, practices and implicit rules that determine the company's ability to take managerial decisions vis-à-vis its claimants in particular, its shareholders, creditors, the state and employees.

Organisation for Economic Co-Operation and Development (OECD) appears to provide somewhat all embracing definition of Corporate Governance by defining the concept as …. as a key element in improving economic efficiency which involves as set of relationships between a company's management, its board, its shareholders and other stakeholders. …. Provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interest of the company and shareholders. (OECD, 1999. P11).

The implication of the above definitions is that corporate governance is a system of corporate management and control to satisfy the strategic goals of all stakeholders while complying with the legal, ethical and other environmental needs of the society. (Lawal and Bello, 2010).

In some countries, there are guidelines for designing and evaluating legal and institutional requirements for good corporate governance practices. For example, the guidelines issued by the Organization for Economic Cooperation and Development (OECD) on Corporate Governance principles include:

- Promotion of transparency and efficiency in the market to be in harmony with the rule of law.
- Guarantee and protect the rights of shareholders.
- Ensure equity in the treatment of shareholders.
- Recognition of the right of the shareholders as provided by the law.
- Timely and accurate disclosure of information on all material matters relating to the company.
- The strategic guidance of the company and the effective monitoring of management by the board of directors as well as board's accountability to the company and its shareholders. (Lawal and Bello, 2010).

The foregoing OECD principles are endorsed by the World Bank and the International Monetary Fund. Most countries adopt the OECD framework in developing their codes of corporate governance practices. At the company level, the codes are implemented by means of corporate governance policy statements issued by the board of directors.

In summary, the key elements of corporate governance include honesty, trust, integrity, openness, performance orientation, responsibility, accountability, initial respect and commitment to the organization. In contemporary organizations, some of the commonly cited principles of corporate governance include:

- Rights and equitable treatment of shareholders.
- Recognition of the legal, ethical and other obligations of the corporation.
- Maintaining and observing integrity and ethical behaviour by the corporate management and directors.
- Disclosure and transparency of the roles and responsibilities of the board and management to provide shareholders some level of accountability and transparency.
- Financial internal control and independence of auditors.
- Review of executive compensation.
- Objective procedure for selection of board members.
- Appropriate dividend policy.
- Availability of resources to carry out duties.
- Board monitoring.
- Commitment to strategic success of the corporation.
- Codification of corporate governance principles.
- Professionalism within the board room though effects training.
- Common global standard of accounting reporting. (Lawal and Bello, 2010).

PARTIES IN CORPORATE GOVERNANCE

A corporation is a legal entity established by law to allow different parties to harness resources for mutual benefits. The responsibility for directing the affairs of the corporation lies with the board of directors who are elected by the stockholders. The boards assign responsibility for management and control to the corporate management.

Historically, the study of Corporate Governance has been linked with abuse of shareholders rights. Initially, management of organizations was conceived of in terms of a principal – agent relationship in which the management (agent) of widely held firms were increasingly able and predisposed to maximize its own interest rather than those of the stakeholders. (Ahunwan, 2002). However, the renewed interest in Corporate Governance has expanded the interest groups that must be adequately catered for in Corporate Governance.

A key role played in Corporate Governance by the company Law and Legal system is the provision of the "rules and games" for internal operation of the Corporation including the key issues the nature of shareholders, rights, the organizational structure and other stakeholders. In Nigeria, the Nigerian Company Law codified into the Companies and Allied Matters Act (1990) (CAMA) provides the framework for these rules and games. The law has historically been influenced by the example of the United Kingdom.

The parties in corporate governance are the shareholders, regulatory bodies, board of directors, corporate management, company secretary, accountants and auditors, all these stakeholders are actively involved in corporate governance. Other stakeholders who are less involved include suppliers, employees, creditors, customers and the community at large.

Shareholder the 1990 Companies and Allied Matters Act considers a shareholder as a member of a company who has a proprietary interest in the company and whose name is on the register of members. As a general rule, any legal person may become a shareholder. Infants, personal representatives of deceased person's, companies, and aliens can also be shareholders by fulfilling the legal requirements stipulated by the Companies and Allied Matters Act (CAMA).

Shareholders are classified as minority or majority and individual or institutional shareholders. The majority shareholders hold substantial share and exercise control over the minority shareholders. Individuals buy shares in their names while institutional shareholders are companies that invest in other organizations by subscribing for shares.

Schleifer and Vishny (1997) have argued that the effectiveness of majority shareholders control of management is intimately tied to their ability to enforce voting rights to remove management. In Nigeria context, this factor is of minimal importance in view of attitude of Nigerian shareholders to Annual General Meeting. La Porta et at (1996) have suggested that in countries with concentrated ownership, exploitation of minority shareholders tend to be the major problem.

Shareholders functions include:

- Attending and participating in meetings scheduled to review performance.
- Voting for the directors.
- Consideration of the annual reports.
- Approving recommendations submitted by top management.
- Appointing and removing auditors
- Approving the decisions of the board in respect of dividend payment.

In Nigerian business environment majority of the stockholders are passive in corporate governance. This can be attributed to:

- General apathy among shareholders as reflected in the low attendance at Annual General Meetings. The conduct of meetings does not provide for exhaustive discussion of issues relating to management of the corporation.
- Low level of education of the shareholders.
- Absence of adequate knowledge on internal management of corporations
- Corporate management tendency to wrest the power of control from the shareholder for selfish reasons.
- Lack of knowledge on legal remedies available for aggrieved shareholders.

Meanwhile, improvement in levels of education, democratization of political system, increasing participation of institutional investors and active role of social critics have contributed to improvements in the role played by shareholders in corporate governance in recent times.

Board of Directors all corporate authority resides in the Board of Directors as representatives of the shareholders. Directors are persons duly appointed by the company to direct and manage the affairs of a company.

The Board of Directors is expected to provide strategic guidance for a company by establishing and maintaining a workable system for directing the affairs of the company and monitoring the management.

The Board of Directors has a fundamental role to play in the strategic management process by monitoring management activities, evaluating and influencing top management activities, and determining the focus of the corporation.

The directors have been described as trustees and agents of the company. As trustees they have duties such as maintaining good relationship with employees, acting bonafide for the benefit of the company as a whole, use of powers for the purpose for which they were conferred, avoiding conflict of duty and interest and exercising skills and care in discharging duties. As agents, they must act within the scope of authority and on behalf of the company and are accountable for secret profit. If they exceed their authority, they become personally liable.

The Board of Directors is composed mainly by the inside and the outside board of directors. The inside board of directors is called the executive or management board. These are officers employed by the company. Such directors are well informed about the internal operations. The corporate effectiveness, to a large extent, depends on them and hence they must make themselves available for discussions when critical issues arise.

However, such inside directors have difficulty in taking long-run decisions.

They are preoccupied with day-to-day activities, emotionally committed in making certain programmes succeed and may likely succumb to social pressures of colleagues that may result in making subjective decisions.

The inside directors include:

- **Executive Directors:** Officers of the company holding service contracts of the company and appointed to the board. They are usually responsible for the day-to-day administration of the company.
- **Managing Director:** Appointable and removable by the board. He ceases to hold office if for any reason he ceases to hold office as a director.
- **Alternate Director:** He is appointed by a director to sit on the board in his place under the powers contained in the articles of association.

The outside board is otherwise known as non-executive board. Members are not officers employed by the corporation but outsiders elected on the basis of skills, knowledge and integrity. These board members see the corporation from a different view point and are likely to make objective contributions. However, they lack intimate knowledge of the company operations, time and commitment and provide only advise without initiating the implementation.

Outside directors include:

- **Affiliated Directors:** Directors are not employed staff but the survival of their companies depend on them, e.g. suppliers.
- **Retired Directors:** It is a common practice in corporate governance for past CEOs to be retained on the board as outside directors. This category of outside directors may not be able to make objective decisions.
- **Family Directors:** These are usually the descendants of the founder of a corporation who own significant number of shares.
- **Nominee Directors:** Representatives of debenture holders, financial institutions and commercial banks on the board of corporation. The role of such directors is often to protect the interests of the long-term lending institution.

Most activities of the board are carried out by means of committees. Such committees include audit and compensation committees. The audit committee is composed mainly of representatives of directors and shareholders to review the annual accounts and the report of the auditors.

The size of the board is usually defined by the corporate charter and the provisions of Companies and Allied Matters Act. The size and nature of the company may also determine the size of the board.

Whether a board should be composed to include more inside than outside board members will depend on the guiding theory of corporation. Two major theories exist; **agency** and **stewardship** theories. The agency theory is based on the proposition that problems in corporations manifest because top management as agents of the company are not willing to bear responsibility for their decisions unless they have substantial financial stake in the corporation. Therefore, there is need for majority of the outside board members to prevent the board of directors from acting contrary to the stakeholders' interest.

In contrast, the stewardship theory posited that the executive tends to be motivated to act in the best interest of the company than in their own personal interest. They consider the corporation as an extension of their personality which must succeed and survive. In addition, outside directors may have less interest, in the corporation. They also tend not to be not readily available and sometimes lack the requisite competence.

A development in corporate governance is the practice of co-determination – the inclusion of employees, particularly union representatives, on the board. The purpose of the practice has not been fully realized, however, through employee's stock ownership, plan, co-determination is increasingly gaining acceptance.

The chairman of the board is the overall head of the board of directors. The chairman ensures that the board and its committees perform the assigned functions. He schedules board meeting and presides over them.

Traditionally, the Chief Executive Officer (CEO) usually nominates the board members and merely asks the shareholders for approval at the Annual General Meetings. This practice allows the CEO to select board members who will likely be his loyalists and act as rubber stamp. In recent times, corporations whose board members serve tenure for more than four years divide the board of director into the classes and staggers elections so that only a portion will stand for election each year, this will reduce the possibility of abrupt turnover in membership, and prevent electing people who are unfriendly to management. However, it will make it more difficult for shareholders to curb the excesses of the CEO. (Hills and Jones, 1995).

The common practice in some parts of Europe is the use of two-tier board of directors where a company has two boards in contrast to a single board. The board is divided into supervisory and management boards. The supervisory board is the highest policy making body in the company, it consists of both the executive and the non-executive board of directors. The supervisory board also appoints the lower or the management board. The management board comprises mainly of executive directors with key responsibility for day-to-day running of the organization. The supervisory board oversees the activities of the lower board and ensures that the company is developing in the right direction. The management board's responsibility is to operate the company as directed by the supervisory board, make best use of assets and concentrate on the job in hand.

Top Management: The top management team comprises the chief executive officer, the chief operating officer, executive directors and other senior managers. This team occupies important position in corporate governance. In some cases, the chairman may have dual titles that are chairman and managing director. This practice is increasingly being criticized because of the potential conflict of interest. The CEO is to concentrate on strategic management and external relations. He is also responsible to the board of the chairman of the board is also the managing director the board will find it difficult to perform its oversight functions. To overcome this problem, some writers have suggested the election of the lead director among the outside directors to give the board more power in checking the power of the CEO who occupies dual positions.

Although, strategic management is the responsibility of everyone, the top management will be held responsible by the board for strategic management process.

The Chief Executive Officer occupies strategic role in strategic management. However, with increase in size, the common practice is to share the CEO responsibility among two or more persons. The following are examples:

- **Chief Executive and Chief Operating Officer:** Dividing top management role into two: management and operating divisions, the CEO takes responsibility for management functions while the chief operating officer concentrates on the operating tasks. For example, personnel and financial functions could be assigned to the chief executive while production, marketing and engineering are assigned to the chief operating officer.
- **Chief Executive, Chief Operating Officer and Chief Staff Officer:** This is similar to the above division but a third officer is introduced – the chief staff officer, charged with the responsibility for overseeing the activities of the staff departments.
- **Executive Group:** This involves the formation of executive committees such as financial, budget, management, customer complaints, etc to discharge some functions of the chief executives.

In corporate governance, potential conflict exists within the board of directors and between the board and the management team. The board room conflicts can be attributed to:

- Differences in background which affect the level of understanding and competence of directors.
- Differences in personality, styles and traits.
- Role conflicts and role ambiguity.
- Personality clashes resulting from struggle for power particularly between the Chairman and managing director.
- Board room politics - attempt to advance personal interest at the expense of the company.

- ❖ Excessive intervention of the board in the day-to-day operation of the company.

These sources of conflict can be minimized through proper election of board members, training of members on conflict management, effectiveness regulatory agencies in exercising their oversight functions, clearly defined roles and responsibilities, effective communication and so on.

Company Secretary: This is otherwise known as corporate secretary, and chartered secretary, if licenced by the Institute of Chartered Secretaries and Administrators. The Companies and Allied Matters Act provides for the appointment of a secretary by the board of directors. This secretary shall be a chartered secretary or legal practitioner or chartered accountant or any person who has held the office of secretary or a body corporate.

The main duties of a secretary include:
- ❖ Attending all forms of corporate meetings.
- ❖ Rendering secretarial services to the meeting.
- ❖ Advising on compliance by the meetings with applicable rules and regulations.
- ❖ Maintaining the registers and other records required to be maintained by the corporation.
- ❖ Register in transfers of shares.
- ❖ Striking out names from the registered as required.
- ❖ Rendering proper returns and giving notification to the Commission.
- ❖ Carrying out other administrative and other secretarial duties, as demanded by the board of director.

Company secretaries are expected to be trained to uphold the standards of corporate governance in terms effective operation, compliance and administration.

Accountants and Auditors: Financial reporting is an important element of corporate governance. Accountants must prepare financial information in compliance with statutory and ethical obligations. Some of the accounting policies adopted by accountants in the preparation of financial statements cover issues like accounting conventions, investment, classification of portfolio, credit management, income recognition, valuation of inventory, stock valuation of fixed assets, equipment on lease, depreciation, taxation, benefits and balance sheet, to mention just a few.

Section 35(1) of CAMA provides that every company at each Annual General Meeting shall appoint an auditor. The auditor must be a professionally qualified accountant and external to the corporation. The auditors must report to the shareholders at AGM on the accounts examined.

An important investor protection device in corporate governance is the use of audit committee. This committee is usually composed of executive and independent directors. The main duty of this committee is to examine the auditor's report and make recommendations thereon to the Annual General Meeting.

Other parties in corporate governance also include workers, suppliers, creditors and community. Customers receive goods and services, creditors obtain interest on the principal, employees must be compensated and the community must benefit from the operation of the corporation.

CORPORATE GOVERNANCE MECHANISMS

One of the fundamental goals of a corporation is go give stockholders equitable returns on investment. Except in rare occasions, stockholders are not expected to perform management functions; they do little more than vote for directors, approve recommendations submitted by management through the board and they hope to collect dividends.

Corporate managers are usually faced with the challenge or task of management. Managers who are motivated by desires for status, power, job security, income and the like, may use their position to invest corporate funds in various perks that enhance their status rather than investing these funds in ways that increase stockholders' wealth. Examples are investment in executive jets, lavish offices, and expensive trips. Economists term such behaviour as on-the-job consumption. Besides, senior management might satisfy their desires for greater income by awarding themselves excessive pay increases. (Hills and Jones, 1995).

Other managers in order to satisfy then desire for status, security, power and income, might expand the corporation through diversification. Such growth may do little to enhance company's profitability and stockholders' wealth. In such cases, the motive for the growth is to build an empire for control in order to enhance their status and consolidate power. (Hills and Jones, 1995).

In modern management, a number of corporate governance mechanisms are institutionalized in empowering stockholders to remove incompetent or ineffective managers. These mechanisms act as checks and balances for corporate directors and managers to behave ethically.

Corporate governance mechanisms include stockholders' meetings, effective board of directors, stock-based compensation schemes, and takeover, to mention just a few (Hills and Jones, 1995).

Stockholders' meetings: The Companies and Allied Matters Act provides for stockholders' meetings. The decisions of a company are usually made at meetings. There are three types of general meetings:

- **Statutory meetings:** A meeting that must be held within a period of 6 months from the date of incorporation to give members an opportunity of having progress reports from directors and promoters.
- **Annual general meetings:** That must be held each year and not more than 15 months to give account of stewardship.
- **Extra ordinary general meetings:** Usually convened by the directors to deal with urgent matters which cannot wait till the next Annual General Meetings.

These meetings provide a forum in which stockholders can voice their approval of, or dissatisfaction with management decisions. In theory, such meetings are held to provide direction for the corporations. When the corporation is badly managed, stockholders may wrest control from the existing management by voting for a new management and passing management responsibility to a "new" board of directors.

In practice, until recently, stockholders' meetings functioned as little more than rubber stamps for management resolutions. Considering the attitude of shareholders to corporate meetings and the timing. However, the emergence of powerful institutional investors as major stockholders has brought some changes in the efficacy of corporate meetings in ensuring that the interests of the stakeholders are adequately protected.

The role of the Board: The stockholders' interests are protected by the board of directors who are elected by the stockholders. Since a company is an artificial person, its direction has to be entrusted to human agents known as directors.

The board can be legally accountable for the company's actions. In a legal sense, the board is required to direct the affairs of the corporation but not to manage them. It is charged by law to act with due care. If a director or the board as a whole fails to act with due care and, as a result, the corporation is in some way harmed, the careless director or directors can be held personally liable for the harm done.

Laws and standards defining the responsibilities of boards of directors vary from one country to another. However, as the apex of decision-making within the corporation, the board of directors establishes objectives, sets policies, selects officers, approves major contracts and performs many other functions. Where the board believes that corporate strategies are not in the best interest of stakeholders, it can apply sanctions such as voting against management nominations to the board of directors or submitting their own nominees. The board has the legal authority to hire, fire and compensate corporate employees, including, most importantly, the Chief Executive Officer (CEO).

In practice, inside directors may dominate the outsiders and use their positions within the management hierarchy to exercise control over the company. Hence, the board may become captive of insiders and merely become a rubber stamp of decisions and actions of the management.

Traditionally, the CEO of a corporation decides whom to invite to board membership and merely asks the shareholders for approval. The danger in this practice is the possibility of boards being dominated by the company's CEO because they are their nominees and therefore unlikely to criticize the senior management. Such board members often enjoy cozy relationship with managers in which members "take care" of the CEO and the CEO "takes care" of the board members. Drucker once commented that one thing all boards have in common is that they do not perform (cited in Hills and Jones, 1995). In view of the high rate of corporate suits, many boards are beginning to play more active role in corporate governance rather than acting as mere rubber stamps. In recent years, boards of directors have engineered the removal or resignation of low performing management.

Hills and Jones (1995) have suggested that the board of directors should be composed of a majority of outside directors who have no management responsibilities in the firm, who are willing and able to checkmate the corporate management and do not have business ties with the important insiders. An implication is that the outsider directors must be individuals with high integrity, objectivity and reputation.

Stock-based, Compensation schemes: To get around problem of captive boards, stockholders have urged companies to introduce stock-based compensation schemes for senior management. This strategy is aimed at aligning the interest of the senior management with those of the stockholders. This practice has been gaining wide acceptance in a number of companies.

Takeover constraints and Corporate raiders: A board that is loyal to management and has not adopted stock-based compensation schemes may pursue strategies inconsistent with maximization of stockholders' wealth. The residual power of the stockholders is to dispose their shares, thereby bringing down the share price of the company, making the corporation a takeover target. The risk of takeover constraint will limit the extent to which managers put their interest above the stakeholders.

Recently, the threats of takeovers has often been enforced by corporate raiders who buy large blocks of share in companies that they think are pursuing strategies inconsistent with their stakeholders. Raiders buy the stock in the companies to take over the business or replace the management team that is likely to maximize stockholder welfare.

Poison pills and Golden parachutes: In some corporations, the management responds to threat of corporate raiders by means of poison pills devised to make it difficult for raiders to acquire a company by altering the memorandum and articles of association to this effect. The right of companies to create poison pills has been challenged on several occasions in courts by stockholders.

Another response to the threats of raider is the adoption of measures to compensate top-level managers for loss of the jobs in the event of takeover – "golden parachutes". This is used to make it more likely that top management will review takeover proposals objectively.

"Golden parachutes" is a clause in compensation contracts providing for attractive benefits in the event that a manager leaves after change in ownership. The main argument includes the idea that career executives have legitimate right to expect protection of the reward earned through years of hard and skilful work. Also without adequate compensation, executives will fight for their right thereby diverting attention from valuable activities. The argument against this is that the mechanism empowers managers financially and not the firm and that they are costly for the stockholders.

Shareholders and Stakeholders Activism: Stakeholders in contemporary corporations are not only becoming aware and more critical of the many boards' apparent lack of responsibility for corporate activities. They have organized themselves into groups. For instance, shareholders' associations have begun to push government to demand accountability. As a result, the board as a rubber stamp of the Chief Executive Officers or as a bastion of the 'old-boys' selection system is being replaced by more active, more professional boards.

Information Communication Technology (ICT) has impacted on Corporate Governance in Nigeria by increasing the shareholders and stakeholders activism, despite the low level of ICT in Nigeria, its impact on Corporate Governance is still noticeable (Ahunwan, 2002). In addition, the recently passed Freedom of Information Bill (FIB) will also provide forum accessing information needed for discussion and monitoring different social, political and economic issues related to Corporate Governance in Nigeria. This development is a radical departure from strict control press by the government.

The shareholders and stakeholders activism in Nigeria has afforded opportunity for discussing Corporation Governance and organizing opposition to unethical practices of organizations. A case study in Nigeria is the movement for the survival of Ogoni People (MOSOP) that used various communication channels to publicize and organize opposition to Shell activities nationally and internationally.

Audit committees: In recent times, corporate governance has witnessed the introduction of Audit Committees. The membership of the committee shall not exceed six and must be equally represented by the board members and representatives of the shareholders. The major role of the committee is to examine the audited accounts as reported by company auditor. This will provide vigorous independent questioning of the firm's financial statements.

Separation of power: Another mechanism of corporate governance is the election of the board in which the positions of CEO and chairperson are held by separate individuals such that the chairperson's is an outside director. A CEO having dual roles may likely further a personal agenda or limit criticisms of current corporate policies.

Independent compensation committee: The compensation committee of the board is composed entirely of the outside directors to prevent self-dealing in issues such as stock option and executive compensation.

Appointment of independent auditor: The board of directors ensure that the appointment of outside auditors who are truly independent and do not have conflict of interest.

Sound financial reporting: A financial reporting system which ensures more disclosure and transparent corporate financial information.

CHALLENGES OF CORPORATE GOVERNANCE IN THE CONTEMPORARY BUSINESS ENVIRONMENT

Nigerian has been characterized by a number of problems affecting her economic and industrial progress. Some of theses problems constitute challenges to the quantity of Corporate Governance and ability of stakeholders to live up to expectation in exercising their oversight functions on Corporate Management. These challenges include:

- Absence of effective judicial system capable of enforcing formal rights
- Underdevelopment of market institutions
- High level of information asymmetric
- Deep rooted corruption.
- Lukewarm attitude of shareholders
- Ineffective boards of directors
- General disregard for the rule of law.
- Poor management practices
- Weak external audit

CONCLUSION AND RECOMMENDATIONS

In the contemporary global environment, governance reforms are critical. Nigeria has witnessed a number of fundamental changes and to compete within the international environment there is need for meaningful reforms.

Corporate governance is a recent phenomenon in management literature. It has enjoyed prominence due to the devastating effect of corruption in the emerging economy. Corporate governance is an important mechanism for assuring the satisfaction of the stakeholders.

For Nigeria to attain the desired level of industrialization, an enabling environment must be stimulated, supported and sustained to facilitate the growth of indigenous entrepreneurship and guarantee adequate flow of foreign investment. Hence, sound corporate governance is imperative.
However, while there has been some progress, the institutionalization of Corporate Governance in Nigeria has some challenges that must be addressed.

Although, corporate governance is an evolutionary process and approached differently in organizations, the main principles and codes are geared towards protecting and guaranteeing stakeholders rights. Since the ability to practice corporate governance is affected by a number of challenges, the following recommendations as offered:

- Commitment to corporate governance
- Empowerment of regulatory agencies
- Realistic stakeholders' attitude through proper orientation
- Improved board performance through training and retraining
- Improved management practices
- Separation of powers
- Improved financial reporting and auditing
- Leadership by example
- Performance and compliance monitoring.

Finally, success in Corporate Governance is linked to broader governance. Reforms efforts in other areas such as capital market, legal system, political structure and poverty alleviation are fundamental requirement for an effective Corporate Governance.

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