

The Impact of Corporate Governance on the Performance of Manufacturing Firms in Nigeria

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Abstract: *This paper examined the impact of corporate governance on performance of manufacturing firms in Nigeria. The study employed a cross-sectional data from a sample of thirty (30) manufacturing firms drawn from the quoted manufacturing companies in Nigeria that audited their annual financial statement from the period of 2010 to 2014. We conducted descriptive statistics, correlation and White Heteroskedasticity regression analysis for the empirical testing. The empirical findings revealed that Chief Executive Officer Shareholding has a positive and a significant impact on organizational performance at 5% level of significance. Director's shareholding has a negative and a significant impact on organizational performance at 1% level of significance. Board size has a positive and a significant impact on organizational performance at 1% level of significance. Board gender has a negative and an insignificant impact on organizational performance at more than 10% level of significance. On the basis of these findings, the study recommended excerpts that increase in Chief Executive Officer Shareholding would significantly improve organizational performance. It is also recommended that increase in Director's Shareholding would significantly lead to a decrease in organizational performance.*

Keywords: Impact, Corporate governance, manufacturing, firms

1. Introduction

The widespread rise in deliberate accounting deceits and fraud in both financial and non-financial sectors which have caused corporate failures has taken global stage (Austin, Chinwe & Ifoema, 2012). Many companies failed to provide quality and reliability accounting information to their shareholders. Some firms broke the most basic rule of accounting, the worse being rebooking income that was earned and had earlier been taken to profit. Ogbeide and Igbinosa (2015) specifically observed that, in developing economies especially in Nigeria, failure to implement standard corporate governance procedures has been the bane of the financial disposition of numerous corporations today. Most of the business failures in the recent past in the Nigeria banking industry were attributed to failure in corporate governance practices (Sanusi, 2010). Therefore, there is need to continue to strengthen the corporate governance structure of firms in order to enhance their viability, survival and performance.

Corporate governance relates to the legal way and manner in which financial resources available to an organization are judiciously used to achieve the overall corporate objective of an organization (Tukur & Bilkisu, 2014). It provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. It aimed at creating strong business confidence through adherence of rules and regulation, transparency and accountability and entrepreneurship. Good corporate governance is recognized to influence the quality of financial reporting which in turn has an important impact on investors' confidence and organizational performance (Tukur & Bilkisu, 2014). Thus, the essence of good corporate governance is to bring companies to respect the rule of law, play by the rules

guiding businesses and hold ethics and professionalism in the highest esteem when dealing with accounting information, social responsibility and shareholders

However, it appears that the quality of corporate governance is affected by institutional and the firms internal governance. Corporate governance is a function of number and quality of directors which in turn have the capacity to influence investors' confidence and the firm performance (Abdullah, Ismail & Jamahidin, 2008). According to Adeyemi and Fagbemi (2010), the search for mechanisms to ensure reliable high quality financial reporting and performance has largely focused on directors' share, board size, independent directors, CEO selections and board diversity.

Behavioral psychologists and organizational learning experts agree that an ideal board size for an organization is very important because the number and quality of directors in a firm determines and influences the board functioning and hence firm performance (Zahra & Pearce, 1989). Studies have indicated that some of the unprecedented unethical and outright unprofessional conduct on the part of management which has engendered corporate failures is managerial ownership couple with board size (Adeyemi & Fagbemi, 2010). Brown and Caylor (2004) suggested that an idea board size should be between 6 to 15 members. They maintain that board size that fall within this range enable company to escapes the difficulty of organizing and coordinating large group of directors and ensures effectiveness and performance of the firm. These arguments are however inconsistent with the resource dependency theory which professes that larger board size seems to be better since a large number of overall connections with organizations and directors outside the firm provide more sources of information for the director and a level of environmental awareness not readily available to

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management (Gul, Kim, & Qiu 2010). Hu and Izumida (2008) also believe larger boards increase pool of expertise or more knowledge and skills at their disposal, thus capable of reducing the dominance of an overbearing CEO. They further opined that a large board size put the necessary checks and balances. On the contrary, Jensen (2003) asserted that agency problem increases with increase in board leading to more conflicting groups representing their own diverse interest. They also noted that large board is usually associated with communication coordination problem. It makes directors neglect their monitoring and controlling duties to other colleagues on the board, hence is less effective than small boards.

According to Hutchinson (2002) the board of directors is a strategic resource by which a firm can get an access to external sources such as funds, new skills or methods, and new opportunities. However, laws or regulations of firms usually require a fraction of the corporate board to be composed of independent directors in many countries around the world. The presumption is that the interests of independent directors are better aligned with those of minority shareholders than the interests of inside directors. Independent non-executive directors with the right skill sets, who have no business and other relationships which could interfere with the exercise of independent judgment or the ability to act in the best interest of the shareholders, are viewed to be in a better position to monitor management than inside directors. Due to the high degree of impartiality of board independence, they stand up to the Chief Executive Officer (CEO) to protest the interest of all shareholders and secure investment opportunities for the firms (Duchin, Matsusaka, and Ozbas, 2010). Study maintains that investment opportunities of the firms are strongly associated with a higher proportion of non executive directors on the board (Adeyemi & Fagbemi, 2010). Firms that have a higher proportion of non executive directors on their board tend to have more investment opportunities than firms with a lesser proportion of non executive directors. Firms perform better with increased number of non-executive directors on the board. This means that the negative relationship between firm performance and investment opportunities is weakened when the proportion of non-executive directors on the board is less. It further suggests that a higher proportion of non-executive directors on the board of growth firms monitor managers' actions to ensure that such actions are value adding and provide firms with windows or links to the outside world, thereby helping to secure critical resources and expand networking (Adeyemi & Fagbemi, 2010).

Chief Executives have a key role in determining a firm's strategy and performance. CEOs, with their vast wealth of experience, provide leadership and direct the affairs of the business with high sense of integrity, commitment to the firm, its business plans and long-term shareholder value. As such, the stakeholders are likely to view CEO selection as an indication of the firm's future. Specifically for shareholders, the succession of a CEO is a signal for future success or future failure. Thus, CEO succession is an important event for any given organization and its internal governance. However, in larger companies, or as organizations get bigger, CEOs delegate duties to subordinates, the CEO will often deal with only the higher-level strategy of the

company and directing its overall growth, with most other tasks delegated to managers and department. Shen and Cannella (2003) opined that the market responds more favorably to the news of a particular type of succession known as "relay succession process. Relay succession refers to the process of identifying and grooming next CEO in any given organizations. This is an aspect of corporate governance usually considered when stock prices are evaluated by shareholders as it influences stock market value and firm performance.

More so, the resources based theory argues directors are effective monitors of firm's strategy related issues. They are able to provide independence expert judgment when dealing with the executive directors in areas such as pay awards, executive director appointment and dismissals. Hence, have power over accounting, investments and owned strategic resource of firms including certain amount of stock (usually classified as 25% -50%, 50%-75% and beyond 75%). Bohren and Bernt (2003) therefore noted that the amount of share owned by individual directors is significantly correlated with various measures of firm performance as well as CEO turnovers in poorly performing firms. Managerial ownership is associated with business performance measured on return on shareholders' equity and market value (Husm Rana and Abdallahi (2013). Murphy and Zimmerman (1992) evaluated the behavior of various financial variables surrounding the CEO turnover simultaneously. They added that firm performance and endogenous CEO turnover was found to be affected by CEO exercising discretion over accounting and investment variables through the outgoing CEOs, in order to increase their earnings-based compensation before leaving the organization. However, another study revealed that there is no significant relationship between managerial shareholders and business performance based on the return on assets and the sales-asset.

Recent studies have advocated more presence of women setting in the board. They believed that the greater the board diversity the better the improvement to the organizational value and performance (Ogbeide and Igbinsosa (2015). According to Austin, Chinwe & Ifoema (2012) Female directors are transparency and better in monitoring the board. They have a higher expectation regarding their responsibility and role on the board. However, Pathan and Faff (2013) opined that excessive proportion of female setting on the board could adversely affect the possibility of catching up with more capable male in the board. Adams and Mehran (2012) concluded from their study that board independence based on stronger board diversity improvement has no effect on bank performance. Therefore, a heterogeneous board might be superior in knowledge about the business environment while with other firms, it does not come with superior knowledge about the firm itself (Baranchuk & Dyibvg, 2012).

From the forgoing, a considerable attention has been devoted on the effect of corporate governance on firm (Zureigat, 2011). However, findings from prior researches are full of inconsistency. For instance, a research by Adeyemi and Fagbemi (2010) indicates that there is a negative relationship between corporate governance

mechanism and firm performance. Similarly Qaiser, Harry and Shazali (2011) found that a significant and negative relationship between four important corporate governance mechanisms (board size, board composition, CEO/chairman duality and audit committee) and two firm performance measures (return on equity, ROE, and profit margin, PM) in Pakistani listed firms between 2008 and 2009. However, Husam, Rana and Abdullahi (2013) ascertained no significant impact of board independence on firm performance. Shwu-jen, Yenn-ching and Yi-mien (2003) empirical study indicates that managerial ownership and firm performance are inversely associated. Jamel, Hubert, and Mohammed (2010) reported insignificant relationship between institutional ownership and firm performance. Krishnan and Visvanathan (2009) also found that board size is a non-significant variable in determining the performance of a firm. Yatimi, Kent and Clarkson (2006) ascertained negative association between board of directors' diligence and firm performance, proxy as audit fees.

2. Statement of the Problem

In the context of Nigeria, corporate governance in relation to firm performance has been a subject of researches (Chukwunedo & Ogochukwu, 2014) but yet to gain ascendancy in the empirical fronts. Even the few studies that have conducted study on corporate governance focused on financial sectors with little or no attention devoted on manufacturing sectors. For examples, Dabor and Adeyemi (2009) found that non-executive directors in a board enhanced the performance of banks. Enofe, Mgbame, Aderin and Ehi-Oshio (2013) however found negative relationship between board independence and bank performance. They also found an inverse relationship between directors' ownership and bank performance. Similarly, Mgbame, Erhagbe and Osazuwa (2012) ascertained an inverse relationship between board size and bank performance. In a related study, chukwunedo and Ogochukwu (2014) board meeting, proxy as frequency of board meeting was not linearly related to audit quality.

Objectives of the study

- 1) To examine the impact of board diligence on performance of listed manufacturing firms.
- 2) To find out if Board Gender of diversity has effect on Corporate Governance.
- 3) To investigate the effect of Chief Executive Officer Shareholding on performance of listed manufacturing firms.
- 4) To determine the impact of Directors shares on performance of listed manufacturing firms.
- 5) To examine the impact of Board size on performance of listed manufacturing firms.

Hypotheses of the Study

The study specifically ascertained the relationships between board size, board independence, director's share, CEO share, board gender (diversity), and performance of quoted manufacturing firm in Nigeria.

3. Literature Review

Organizational Performance

Organizational performance is the effective and efficient manner which managers of organizations utilize resources to achieve set objectives which managers are responsible for achieving the stated objectives. Without objective, capable management resources remain under-utilized and never become productive. The trend today is to set ambitious objective and to achieve them with fewer resources (Tepper & Taylor, 2003). Performance is regarded as behaviour, the way in which organization, teams, and individuals get work done. According to Armstrong (2005), the level of firm performance is based on how effectively and efficiently, managers utilize resources to achieve set objectives which managers are responsible for in discharge of their duties. Ployhart, Weekley and Ramsey (2009) pointed out that jobs at the organizational level lead to human resources and are represented by the unit aggregate of individual personality. The differences in personality predicted individual service performance and employee satisfaction; however not all individual differences are beneficial.

March and Sutton (1997) found that of 439 articles in the Strategic Management Journal, the Academy of Management Journal and Administrative Science Quarterly over a three year period, 23% included some measure of performance as a dependent variable. In contrast to the dominant role that organizational performance plays in management fields, it is the limited attention paid by researchers to what performance is and how it is measured. The most common metrics used to measure organizational performance are profitability and growth. However, measuring these variables in small and medium businesses can be challenging in contrast to large corporations of which the process of data gathering can be objective or subjective. Given the competitive nature and market dynamic of organizations and the difficulty of gaining access to past financial data from some organizations, most research in this area has relied on a survey-based approach to measure performance. In most cases, the performance of the firm is measured by the perception of the owner or manager providing responses to the survey (Justin, Bell, Payne, Kreiser, 2010). Hawawini, Subramanian and Verdin, (2003) argue that industry or external firm factors play a more important role in dictating the influence of organizational performance. On the other hand, Opler and Titman (1994) suggest that firm specific (internal) factors seem to be the major determinants of the operating performance, and are the main drivers for competitive advantage which is crucial for surviving economic downturns.

Klein, Shapiro, and Young (2004) examined the relationship between corporate governance and firm value. The study employed corporate governance index (CGI) and Tobin's Q to proxy firm's value. The empirical evidence revealed that corporate governance indices are not factors that determine firm value.

Measurement of Organizational performance

Corporate measurement is the measure performance of division, measure performance of product or service, measure performance of equipment and persons. Meanwhile, these performances can be measured in terms of

profitability, liquidity and efficiency, etc. (Ilaboya (2005). Corporate governance causes improved economic activities of the bank leading to high earnings per share, liquidity, asset base (investment) and dividend per share. Therefore, corporate governance affects bank total profit. Profitability is the relative tendencies of profit making in alternative courses of action or decision (Ilaboya, 2005).

Bititci, Carrie and McDevitt (1997) argue that performance measurement is at the heart of the performance management process and it is of critical importance to the effective and efficient functioning of performance management. The business performance of the company is measured based on the market condition and the performance in accounting measure. According to Waiganjo, Mukulu and Kahiri (2012) the measurement of firm performance is not easy for business organizations because of its various objectives of profitability and social responsibility and ability to adjust to the ever changing environment among other objectives. In simple terms, performance refers to the degree of accomplishment of the tasks that makes up an individual's job. The performance is to be appraised to know how the employee has taken up his job or work. One's performance is measured on the basis of his achievement. It is a qualitative consideration and when we say the employees are performing well, it means they are productive.

Measuring organizational performance is to assess and harness the diverse net impact of workers tasks accomplished on organizational output or effectiveness (Kifordu, Egwenu & Ukpere, 2016). Productivity assessment of each unit/department in any organization enables management to identify and address factors that obstructs employees' effectiveness or commitment. Consistent measure of productivity level of each unit against set goals across the organization provides a platform for assessing workers performance. Profitability is an absolute measure of the overall amount of Net Income earned by a transaction. Profit is used as an index to measure performance; it measures the net effectiveness and soundness of business efforts and an ultimate test of business performance (Okoli, 2006).

Therefore, employee satisfaction and customer satisfaction remain useful measures of organizational performance. In summary, based on the above discussion, the quality of performance measurement is critical to determining outcomes about whether leadership matters, although not all studies have been well designed in this respect. In addition, extant research findings have shown that perceived measures of performance can be a reasonable substitute of objective measures of performance (Wan-Jing & Tung, 2005) and have a significant correlation with objective measures of financial performance. Youndt, Snell, Dean and Lepak (1996) posit that, the difficulty in obtaining objective measures of firm performance and suggest asking managers to assess their own firm's performance relative to others in the same industry or sector. Organizational performance can be measured by Return on Equity (ROE), return on assets (ROA), earnings per share (EPS), market value to book value of equity ratio (MVBR), etc.

Corporate governance Characteristics

Corporate performance is an important concept that relates to the way and manner in which financial resources available to an organization are judiciously used to achieve the overall corporate objective of an organization. Corporate governance has recently assumed considerable significance as a veritable tool for ensuring corporate survival. In Nigeria, most of the business failures in the recent past are attributed to failure in corporate governance practices (Sanusi, 2010). Corporate governance provides the legal 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 interests of the company and its shareholders and should facilitate effective monitoring. The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy.

In other word, corporate governance is all about running an organization in a way that guarantees that its owners or stockholders receives legally a fair return on their investment, while the expectations of other stakeholders are also met (Magdi & Nedareh, 2002). It addresses the need for organizational stewards or managers to act in the best interest of the firm's core stakeholders, particularly, minority shareholders or investors, by ensuring that only actions that facilitate delivery of optimum returns and other favorable outcomes are taken at all times.

Board Size and Organizational Performance

Board size is the total number of directors sitting on the board of any corporate organization. The determination of an ideal board size for an organization is very important because the number and quality of directors in a firm determines and influences the board functioning and hence firm performance. One of the disadvantages associated with large board is communication coordination problem which makes large board has less efficient monitor than small board. The director's free-rider problem is also more intense in large board than small board (Jensen, 2003).

Proponents of large board size believe it provides an increased pool of expertise because larger boards are likely to have more knowledge and skills at their disposal. They are also capable of reducing the dominance of an overbearing CEO and hence put the necessary checks and balances. It is the duty of Board of Directors to ensure that the organization is taking full advantage of the opportunities at its disposal and that market value of the firm is increasing. A board can be effective if its decision power and influences on the managers is very strong. The effectiveness of the board of directors and effect on performance of the firm has been studied widely. Board's monitoring and supervising capacity is increased as more and more directors join the board (Jensen, 2003).

Jensen (2003) further asserted that larger boards could be less effective than small boards. Increase in board's size occurs with increase in agency problem (such as director free-riding) within the board and the board becomes less effective. The agency problem also increases with board size as there are more conflicting groups representing their own diverse interest. In addition, free-riding also increases as some directors neglect their monitoring and controlling duties to other colleagues on the board. Most companies also have a representative of minority shareholders on board that is not usually increased with increasing board size (2003). Brown and Caylor (2004) also suggest that a board size between 6 to 15 members is ideal to enhance the firm performance. Yermack (1996) documented that firm having small board sizes have higher stock market value and increased firm performance.

Yoshikawa and Phau (2003) opine that a small board size escapes the difficulty of organizing and coordinating large group of directors and ensures effectiveness and performance of the firm. These arguments are however inconsistent with the resource dependency theory which professes that larger board size seems to be better since a large number of overall connections with organizations and directors outside the firm provide more sources of information for the director and a level of environmental awareness not readily available to management (Muth & Donaldson, 1998). The Board must meet on regular basis, retain full control over the company and monitor the executive management. A clearly accepted division of responsibilities is necessary at the head of the company so no one person has complete power, answerable to no-one (Khanchel, 2007). Consequently the separation of the post of the Chairman and the Chief Executive Officer is highly favored by good corporate governance. Remember that this was identified in the case of Lever Brothers Nigeria Plc in 1998 when the Chairman/Managing Director who was the Chief Executive Officer more or less unilaterally changed the accounting basis of stock valuation of the company. Kathuria and Dash (1999) argued that firm's performance increases if the board size increased but the contribution of an additional board member decreases as the size of the board increases.

Studies that find a negative relationship between board size and firm performance include Mak and Yuanto (2002) which examine the relationship board size and firm performance. The empirical evidence from their study revealed that a negative relationship between board size and firm performance. This means that increase in board size would lead to a significant decrease in organizational performance. Also, Aggarwal, Isil, Rene and Rohan (2007) examine the relationship board size and firm performance. They found out that no significant relationship exist between board size and firm valuation. Corporate Governance indices bestow higher rating to firms with independent boards. Bhagat and Black (2002) found no correlation between the degree of board independence and four measures of firm performance, controlling for a variety of other governance variables, including ownership characteristics, firm and board size and industry. These researchers found that poorly performing firms were more likely to increase the independence of their board. Dare (1998) state that non-

executive directors are effective monitors firm's strategy related issues. They are able to provide independent expert judgment when dealing with the executive directors in areas such as pay awards, executive director appointments and dismissals. O'Sullivan and Wong (1999) recorded that, non-executive directors in the board become less effective if they continue with the same board for many years.

Topal and Dogan (2014) investigated the impact of board size on financial performance in Turkey. The result showed that a significant positive relationship exists between board size and financial performance. This means that increase in board size would significantly lead to increase in financial performance. Moscu (2013) conducted a study on the impact of board size on firm performance in Romanian listed company on the floor of the stock exchange. The study revealed that board size has a positive and insignificant on firm performance proxy by ROA and ROE. This means that an insignificant relationship exists between board size and firm performance in Romania listed firms. Based on the review literature, we therefore formulate hypothesis that board size has a significant impact on organizational performance.

Director's Share and Organizational Performance

The directors, with their vast wealth of experience, provide leadership and direct the affairs of the business with high sense of integrity, commitment to the firm, its business plans and long-term shareholder value. Corporate governance rankings of companies are also one of the considerations of investors when evaluating stock prices (Berthelot, Morris & Morrill, 2010). Board members are the individuals that shareholders rely on to ensure that their investment is protected and well managed (Brennan, 2010). This makes the board of directors one of the most critical internal corporate governance mechanisms. The composition of corporate boards is of vital importance within corporate governance as it pertains to identifying structures that align the interests of management and stakeholders (Rose, 2007).

Directors are effective monitors of firm's strategy related issues. They are able to provide independence expert judgment when dealing with the executive directors in areas such as pay awards, executive director appointment and dismissals. Furthermore, Bohren and Bernt (2003) showed that the amount of stock owned by individual directors is significantly correlated with various measures of firm performance as well as CEO turnovers in poorly performing firms.

Short and Keasy (1999) investigated whether there is a non-linear relationship between managerial ownership and business performance in UK. Business performance is measured based on return on shareholders' equity and market value. They employ the cubic model to investigate the relationship between the variables. With this model, the coefficients of managerial ownership variables (DIR, DIR₂, and DIR₃) will be able to determine their turning points (indicating the maximum and the minimum points of the managerial performance).

Wiwattanakantung (2000) examined the relationship between managerial shareholders and firm performance in Thailand. The managerial shareholding is classified into three levels (25% -50%, 50%-75% and beyond 75%). This study compares these three levels of managerial shareholders with non-managerial controlling shareholders. The empirical finding revealed that there is no significant relationship between managerial shareholders and business performance based on the return on assets and the sales-asset. This leads to the existence of non-linear relationship between the variables.

Asikhia (2010) conducted a study on the relationship between strategic managerial orientation and performance of banks. The result revealed that strategic managerial orientation is positively and significantly related with bank performance. The marketing competence has reasonable influence on business performance. The bank uses classification scale for developing model which studies the merger between other banks. The manager should be attentive in providing good performance, which needs consideration of most important strategic variables and activities. The management must take decision as to merge with other companies or buy over (Asikhia, 2010). Coles, McWilliams and Sen (2001) examined the relationship between non-executive directors and firm performance. They found out that there is no significant relationship between non-executive directors' representation and performance. Based on the review literature, we therefore formulate hypothesis that directors' share has a significant impact on organizational performance. Based on the review literature, we therefore formulate hypothesis that director's share has a significant impact on organizational performance.

Chief Executive Officer and Organizational Performance

Laws or regulations require a fraction of the corporate board to be composed of independent directors in many countries around the world. The presumption is that the interests of independent directors are better aligned with those of minority shareholders than the interests of inside directors. CEOs have a key role in determining a firm's strategy and performance. As such, the stakeholders are likely to view CEO selection as an indication of the firm's future. Specifically for shareholders, the succession of a CEO is a signal for future success or future failure (Hu & Izumida (2008). Thus, CEO succession is an important event for any given organization. However, in larger companies, or as organizations get bigger, CEOs delegate duties to subordinates, the CEO will often deal with only the higher-level strategy of the company and directing its overall growth, with most other tasks delegated to managers and departments Shen and Cannella (2003) opined that the market responds more favorably to the news of a particular type of succession known as "relay succession process. Relay succession refers to the process of identifying and grooming next CEO in any given organizations.

Independent non- executive directors with the right skill sets, who have no business and other relationships which could interfere with the exercise of independent judgment or the ability to act in the best interest of the shareholders, are

viewed to be in a better position to monitor management than inside directors. Due to the high degree of impartiality of board independence, they stand up to the Chief Executive Officer (CEO) to protest the interest of all shareholders (Duchin, Matsusaka, and Ozbas, 2010). In addition, outside directors provide firms with windows or links to the outside world, thereby helping to secure critical resources and expand networking. Murphy and Zimmerman (1992) evaluated the behavior of various financial variables surrounding the CEO turnover simultaneously. They added that controlling firm performance and endogenous CEO turnover was found to be for earnings management i-e exercising discretion over accounting and investment variables through the outgoing CEOs, in order to increase their earnings-based compensation before leaving the organization.

Qaiser, Harry and Shazali (2011) conducted a study on the relationship between four important corporate governance mechanisms (board size, board composition, CEO/chairman duality and audit committee) and two firm performance measures (return on equity, ROE, and profit margin, PM) in Pakistani listed firms between 2008 and 2009. The empirical findings revealed that a positive and significant relationship between organizational performance measured by ROE and board composition. This in other words means that increase in board composition would lead to a significant increase in organizational performance.

Adams and Mehran (2012) concluded from their study that board independence based on stronger board diversity improvement has no effect on bank performance. Therefore, a heterogeneous board might be superior in knowledge about the business environment while with other firms, it does not come with superior knowledge about the firm itself ((Baranchuk & Dyibvg, 2012). The resources based theory argues that the board of directors is a strategic resource by which a firm can get an access to external sources such as funds, new skills or methods, and new opportunities.

A study conducted by Hutchinson and Gul (2003) revealed that higher levels of non-executive directors on the board weaken the negative relationship between the firm's investment opportunities and firm's performance. This therefore means that increase in the number of non-executive directors sitting on the board would lead to a decrease in the stock returns. Similarly, Weir and Laing (2000) find a negative relationship between non-executive director representation and performance. Based on the review literature, we therefore formulate hypothesis that Chief Executive Officer's share has a significant impact on organizational performance.

Board Gender and Organizational Performance

Female directors setting on the board have a higher expectation regarding their responsibility and role on the board which brings about better monitoring of the board. Pathan and Faff (2013) opined that excessive proportion of female setting on the board could adversely affect the possibility of catching up with more capable male in the board. This influence is stronger within firms with low market power and smaller in size. More so, gender diversity signifies the presence of women setting in the board and it

leads to greater board diversity. Board gender is considered as an improvement to the organizational value and performance as it provides new insights and perspectives (Carter, Simkins & Simpson, 2003).

Matsa and Miller (2011) examine whether the presence of women on the Boards leads to the appointment of more women in senior management positions in the firm. By recruiting outside, the firm increases the chance of a female being hired as CEO given a certain percentage of women on the board. This therefore implies that a reasonable of women in the board of directors will give the women opportunity to be hire as a CEO rather than appointing from outside the board. Corporate boards seeking cautious leadership would do well to consider female CEOs. This finding could be helpful in influencing public attitudes to be more accepting of female CEOs and more females in top management and boards of directors.

Campbell and Vera (2008) examined the relationship between gender and firm value in Spain. They employed panel data for the empirical analysis. The empirical that gender has a positive effect on firm value and that the opposite casual relationship is not significant.

Erhardt, Werbel and Shrader (2003) investigated the relationship between board gender diversity and firm performance. Their findings revealed that a significant positive relationship between gender diversity and firm performance measured by return on asset and return on capital invested. This therefore means that increase in the number of women sitting on the board would lead to increase in firm performance. In addition, Smith, Smith and Verner (2006) conducted a study on board gender and firm performance. They found out that women on board of directors have significant positive impact on firm performance. This means that increase in the number of female in the board of directors will significantly lead to increase firm performance. Bilimoria and Wheeler (2000) added that an average female board member is younger than her male counterpart, and so the board benefits from infusion of new ideas and approaches to deliberations.

Kang, Ding and Charoenwong (2010) examines whether investors react systematically to the different positions that women directors hold on corporate boards in Singapore. They found out that investors generally respond positively to the appointment of women directors. This means that increase in the number female appointment in the board of directors would lead to increase in firm value.

Carter, Simkins and Simpson (2003) examined the relationship between gender diversity and firm performance. The empirical finding revealed that gender diversity has a significant positive relationship with firm performance. They therefore concluded that the presence of more women in the board will bring about increase firm performance.

Darmadi (2011) examine the effect of level of female board representation on accounting based performance. The empirical evidence showed that a negative effect of the level of female board representation on accounting based performance using ROA and cumulative stock returns as

measures of performance. This means that increase in the number female board representation would lead to increase in firm performance.

Eklund, Palmberg and Wiberg (2009) examined the relationship between female board members and bank performance. They find out that a negative relationship exist between female board members and bank performance. This in other word means that increase in the number of women setting on the board will lead to a decrease in bank performance. Similarly, Rose (2007) conducted a study on the influence of female board member on firm performance. The empirical finding revealed that there is no significant relationship between female board and firm performance.

4. Theoretical Framework

Agency Theory

Agency theory as a useful economic theory of accountability helps to explain the development of the audit. Agency theory posits that agents have more information than principals and that this information asymmetry adversely affects the principals' ability to monitor whether or not their interests are being properly served by the agents (Casterella, Jensen, & Knechel, 2007). It is built on the premises that there is an agency relationship wherein the principal delegates work to the agent. As a result, there evolves risk sharing and conflict of interest between the two parties. It is the belief that the agent will be driven by self-interest rather than the desire to maximize the profits for the principal. The theory describes the conflicts that arise as a result of the separation of ownership and control. The economic principal-agent theory considers „institutions as nexus for contracts“ and according to Jensen and Meckling (1976) and Furubotn and Richter (2005), the principal agent relationship is a contract relationship where the principal establish appropriate incentives for the agent. However, since principal and agent have different incentives and because of information asymmetry and external disturbances, the principal is not able to adequately monitor the agent's actions. Therefore the economic principal-agent theory is about the principal designing remuneration plans for the agent to protect himself against opportunistic behavior.

The Resources Dependence Theory

This theory provides a platform for board of directors to use their over sight functions to manage the resource of the firm (Hillman, Canella & Paetzold, 2000). The resources of a given firm in which the board manage include all assets, capabilities, organizational processes, firm attributes, information, and knowledge in order to improve efficiency and effectiveness of the business organization (Daft, 2006). The resource dependence theory emphasizes that organizations attempt to exert control over their environment by co-opting the resources needed to survive. In the resource dependence role, outside directors might bring resources to the firm, such as information, skills, access to key constituents (e.g., suppliers, buyers, public policy decision makers, social groups) and legitimacy. According to this theory, the board is a strategic resource, which provides a linkage to various external resources in a business organization (Inglely & van der Walt, 2001).

Expectancy Theory

Expectancy theory thrives on the idea that people prefer certain outcomes from their behaviour to others by given level of performance. The theory stresses that level of performance depends upon the perceived expectation regarding effort expending in achieving the desired outcome. An employee who desires promotion will only achieve high performance if he/she believe his/her behaviour will lead to promotion or else he/she will not exert effort (Vroom, 1964). An employee may be unwillingly to work hard if that person believes his effort will not lead to task accomplishment or there are no rewards for performance or the employee does not value the rewards. According to the expectancy theory, individual will be motivated to perform by two expectancies. Expectance is the probability that the effort put forth will lead to the desired performance. The second expectancy (instrumentality) is the probability that a particular performance will lead to certain preferred outcomes. When the probability of some effort will not be rewarded, the employee will not be highly motivated to perform a certain task. Job-related non-monetary incentives serve this end. It should also be ensured that individuals have the time and equipment to attain the performance goals. Second, a positive relation between required performance and reward can be reinforced. Performance objectives should be defined clearly and there should be a link between rewards employees value and the required performance to get it. This can be possible if the goals are set clearly. Third, rewards and outcomes that are of value to the employees can be chosen. Nonmonetary incentives provide variety of choices to the employees. This theory postulates that rewards or punishments serve as the means of ensuring that people act in a desire ways. The theory states that employee only work for money and that they are only motivated when rewards and penalties are tied to level of performance.

5. Methodology

This paper employed expo-facto research design which seeks to ascertain the relationship between two variables. It is to examine the relationship between corporate governance and organizational performance in Nigeria of selected manufacturing firms quoted on the Nigerian stock exchange for the periods 2010 to 2013. The population of the study comprises of all 56 quoted manufacturing firms in the Nigerian Stock Exchange as at 31st December 2013 which are classified into 4 subsectors namely the foods and beverages, Building Materials, chemicals and paints and Conglomerates. In view of the nature of the model used in the study a fitter is employed to eliminate some of the firms that have no complete records of all the data needed for measuring the variables of the study within the period (2010 to 2013). Consequently, this paper used thirty sampled quoted manufacturing companies in the Nigerian Stock Exchange to ensure statistically valid generalization in the sampled firms will include mostly active and popular quoted companies in the stock exchange market. This same size is in line with Sauders and Thornhill (2003) study that suggested that a minimum number of thirty (30) for statistical analysis provide a useful rule of thumb. All data were sourced from the annual reports of the selected quoted companies on the Nigerian Stock Exchange and publications of the Nigerian Stock Exchange. An ordinary least square

regression model specified was applied is one that seeks to explain change or variation in the value of the dependent variable on the basis of changes in other variables known as the independent or explanatory variables using a longitudinal data. The model assumes that the dependent variable is a linear function of the independent variables. The ordinary least square regression model with an error term (ϵ_t) is specified in econometric form as models 1 as shown below:

$$ORGF = \beta_0 + \beta_1 BS + \beta_2 DIRS + \beta_3 CEOS + \beta_4 BIND + \beta_5 BGENDER + \epsilon_{it}$$

Where

ORGF = represents organizational performance. Return on Equity (ROE) will be used as a proxy for organizational performance in this study which is measured as profit after tax over equity.

BS = represents board size which is measured as the total of directors setting on the board.

DIRS = represent director's share which is measured by the number of share held by directors sitting on the board.

CEOS = represent CEO's share which is measured by the number of share held by CEOs sitting on the board.

BGENDER = represents board gender. This is measure by "1" if a female setting on the board otherwise "0".

ϵ_{it} = error terms over the cross section and time.

The presumptive signs of the parameters in the specifications are:

$$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 > 0$$

This study uses multiple ordinary least square (OLS) regression techniques in examining corporate governance and organizational performance in Nigerian quoted manufacture firm. Before performing our econometric data analysis, we adopted some preliminary statistics testing such as descriptive statistics and correlation matrix. The econometric technique employed in this study was the cross-sectional regression. To ensure that our model is statistically and economically valid, we conducted diagnostic test such as goodness of fit and heterosedasticity test, the auto correlation test is ignored since the data is not time series. The analyses in this study were conducted using Eviews 8.0 econometric software.

Descriptive Statistics

The descriptive statistics shows the description of the mean, standard deviation and normality test. The below is the descriptive statistics for the period of 2010 to 2014.

Descriptive Statistics

Variables	Mean	Std. Deviation	Jarque-Bera
ORGF	4.49	11.39	3758.61 (0.00)
CEOS	1261248	7831144	19316.52 (0.00)
DIRS	9560443	21136769	761.81 (0.00)
BE	10.08	3.85	0.36 (0.83)
BGENDER	0.53	0.50	21.33 (0.00)
OBS	128	128	128

From the table above, it would be observed that organizational performance (ORGF) on the average was N4.49 million generated by the invested capital among the quoted firms. This means that the amount invested by the

shareholders of the company would only yield N4.49 million in returns on the average. Chief Executive Officer shareholding (CEOS) of the sampled firms stood at N1, 261, 248 in billion. On the average, the board of director's shareholding (DIRS) for the period was N9, 560, 443 in billion. The size of the board (BS) of the sampled firms on the average was 10 persons. This implies that there is a sizeable of ten directors on the board on the average. The average number of female directors sitting on the board of the sampled firm is approximately one person. The Jarque-Bera statistics showed that organizational performance, Chief Executive Officer Shareholding, director's shareholding and board gender were normally distributed at 1% level of significance while board size is not normally distributed.

Correlation Matrix

Correlation matrix measures the degree of linear relationship or close association between the dependent variable and independent variables. The table below gives the correlation of the variables.

Correlation Matrix of the Variables

	ORGF	CEOS	DIRS	BS	BGENDER
ORGF	1.00	-0.05	-0.14	0.23	0.04
CEOS	-0.05	1.00	0.61	0.03	-0.01
DIRS	-0.14	0.61	1.00	0.11	-0.002
BS	0.23	0.03	0.11	1.00	0.22
BGENDER	0.04	-0.01	-0.002	0.22	1.00

The coefficient of the correlation matrix results revealed that Chief Executive Officer Shareholding (CEOS) has a strong positive association with and director's shareholding (DIRS=0.61) and a weak positive association with board size (BS=0.03) while a weak negative association with organizational performance (ORGF=-0.05) and board gender (BGENDER=-0.01). Director's shareholding (DIRS) has a strong positive association with Chief Executive Officer Shareholding (CEOS=0.61) and a weak positive association with board size (BS=0.11) while a weak negative association with organizational performance (ORGF=-0.14) and board gender (BGENDER=-0.002). Board size (BS) has weak positive association with organizational performance (ORGF=0.23), Chief Executive Officer Shareholding (CEOS=0.03), director's shareholding (DIRS=0.11) and board gender (BGENDER=0.22). Board gender (BGENDER) has weak positive association with organizational performance (ORGF=0.04) and board size (BS=0.22) while a weak negative association with Chief Executive Officer Shareholding (CEOS=-0.01) and director's shareholding (DIRS=-0.002). The coefficients of the correlation result revealed that a weak positive correlation relationship exist between the variables. The correlation matrix also revealed that no two explanatory variables were perfectly correlated. This means that there is the absence of multicollinearity problem in our model. Multicollinearity between explanatory variables may result to wrong signs or implausible magnitudes, in the estimated model coefficients, and the bias of the standard errors of the coefficients.

Regression Results

In order to test the significance of the variables, a White Heteroskedasticity regression technique was adopted and the result is presented is below.

White Heteroskedasticity Regression Result

Variable	Coefficient	T-test	P-value
C	-2.07	-1.11	0.2656
CEOS	1.05	2.01	0.0462
DIRS	-1.17	-2.93	0.0040
BS	0.76	2.37	0.0191
BGENDER	-0.27	-0.11	0.9077

$$R^2 = 0.086966$$

$$\text{Adjusted } R^2 = 0.057273$$

$$F\text{-statistic} = 2.928908$$

$$\text{Prob (F-stat.)} = 0.023584$$

From the table above, it would be observed from the coefficient of determination (Adjusted R^2 value of 0.057273) that about 6% of the systematic variations in dependent is jointly explained by the independent variables. The F-statistic value of 2.928908 shows that the model for given study is statistically sound for policy prediction. This therefore means that insignificant linear relationship exist between the variables under investigation.

6. Summary

From the forego discussion so far, more importantly, Chief Executive Officer Shareholding (CEOS) has a positive and significant impact on organizational performance (ORGF) at 5% level of significance. This therefore means that more shares acquired by the Chief Executive Officer would significantly lead to organizational performance.

Director's shareholding (DIRS) has a negative and significant impact on organizational performance (ORGF) at 1% level of significance. This implies that there is 99% level of confidence that director's shareholding would lead to a decrease in organizational performance. This means that shares owned by the board of directors in the company would lead to a decrease in organizational performance.

Board size (BS) has a positive and significant impact on organizational performance (ORGF) at 1% level of significance. This therefore means that we are 99% level of confidence that board size would significantly lead to an increase in organizational performance. This therefore means that increase of people sitting in the board of directors of the company would significantly lead to organizational performance. In the case of board gender (BGENDER), the variable has a negative and insignificant impact on organizational performance. The insignificant impact of board gender is because the variable failed the individual test of significance at more than 10% level of confidence. This means that the result from this study is very sound for policy implementation and recommendation.

7. Conclusion

The purpose of this paper is to examine the impact of corporate governance on organizational performance in Nigeria. Good corporate governance should provide proper

incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring. The empirical evidence from White Heteroskedasticity result revealed that Chief Executive Officer Shareholding has a positive and a significant impact on organizational performance at 5% level of significance. Director's shareholding has a negative and a significant impact on organizational performance at 1% level of significance. Board size has a positive and a significant impact on organizational performance at 1% level of significance. Board gender has a negative and an insignificant impact on organizational performance at more than 10% level of significance.

8. Recommendations

The empirical evidence from this study will be sound for policy formulation, implementation and recommendation. Based on the empirical evidence, I recommended that increase in Chief Executive Officer Shareholding would significantly improve organizational performance. Also, increase in Director's Shareholding would significantly lead to a decrease in organizational performance. It is also recommended that increase in the number of people sitting in the board of directors would significantly lead to an increase in organizational performance. It is also therefore recommended that further empirical work should be conducted on the area of corporate governance and organizational performance by adopting other model for the empirical analysis.

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